

REMEDYTEMP INC  
Form DEF 14A  
January 20, 2004

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934**

Filed by Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**RemedyTemp, Inc.**

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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- No fee required.
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(1) Title of each class of securities to which transactions applies:

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(2) Aggregate number of securities to which transactions applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11(set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount previously paid:

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(2) Form, schedule or registration statement no.:

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(3) Filing party:

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(4) Date filed:

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## REMEDYTEMP, INC.

101 Enterprise

Aliso Viejo, CA 92656

# NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON FEBRUARY 25, 2004

To the Shareholders of

REMEDYTEMP, INC.

The 2004 Annual Meeting of Shareholders (the Meeting ) of RemedyTemp, Inc., a California corporation (the Company ), will be held at the Company s corporate headquarters located at 101 Enterprise, Aliso Viejo, California, on February 25, 2004, at 12 noon Pacific Standard Time for the following purposes:

1. To elect a Board of Directors of nine (9) directors to serve until the next annual meeting of shareholders of the Company and until their successors are elected and qualified; and
2. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. The Board of Directors of the Company has fixed the close of business on January 7, 2004 as the record date for the determination of shareholders entitled to notice of and to vote at the Meeting.

**ALL SHAREHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING. YOU ARE URGED TO SIGN, DATE AND OTHERWISE COMPLETE THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. IF YOU ATTEND THE MEETING AND WISH TO DO SO, YOU MAY REVOKE YOUR SHARES AND VOTE YOUR SHARES IN PERSON EVEN IF YOU HAVE SIGNED AND RETURNED YOUR PROXY CARD.**

By Order of the Board of Directors

/s/ COSMAS N. LYKOS

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Cosmas N. Lykos

Vice President of Business Affairs,

General Counsel and Secretary

Aliso Viejo, California

January 16, 2004

## **REMEDYTEMP, INC.**

**101 Enterprise**

**Aliso Viejo, CA 92656**

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# **PROXY STATEMENT FOR THE 2004 ANNUAL MEETING OF SHAREHOLDERS FEBRUARY 25, 2004**

This Proxy Statement and related materials are furnished in connection with the solicitation of proxies by the Board of Directors (the **Board**) of RemedyTemp, Inc., a California corporation (the **Company**), for use at the Company's 2004 Annual Meeting of Shareholders (the **Meeting**) to be held on February 25, 2004, at 12 noon Pacific Standard Time, and at any and all postponements and adjournments of the Meeting. The Meeting will be held at the Company's corporate headquarters located at 101 Enterprise, Aliso Viejo, California 92656. This Proxy Statement and the accompanying form of proxy will be first mailed to shareholders on or about January 16, 2004.

The cost of preparing, assembling and mailing the Notice of Annual Meeting of Shareholders, this Proxy Statement and form of proxy and the cost of soliciting proxies will be paid by the Company. Proxies may be solicited in person or by telephone, telegraph or cable, and by personnel of the Company who will not receive any additional compensation for such solicitation. The Company will pay brokers or other persons holding stock in their names or the names of their nominees for the reasonable expenses of forwarding soliciting material to their principals.

### **VOTING**

The Board has fixed the close of business on January 7, 2004 as the record date for the determination of shareholders entitled to notice of and to vote at the Meeting. As of January 7, 2004, there were 8,794,606 shares of the Company's Class A Common Stock ( **Common Stock** ) outstanding. Each share of Common Stock is entitled to one vote on any matter that may be presented for consideration and action by the shareholders at the Meeting. Holders of the Company's Class B Common Stock are not entitled to any vote in the election of directors or on any other matters submitted to a shareholder vote except as to certain amendments to the Company's Amended and Restated Articles of Incorporation (the **Articles of Incorporation** ), certain mergers and as otherwise required by law.

The holders of a majority of the shares of Common Stock outstanding on the record date and entitled to be voted at the Meeting, present in person or by proxy, will constitute a quorum for the transaction of business at the Meeting and at any adjournments and postponements thereof. Abstentions and broker non-votes are counted for the purpose of determining the presence or absence of a quorum for the transaction of business.

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For the purposes of Proposal No. 1, Election of Directors, the nominees receiving the greatest number of votes at the Meeting will be elected. Because directors are elected by plurality, abstentions and broker non-votes will be entirely excluded from the vote and will have no legal effect on the election of directors.

Each shareholder entitled to vote may vote by proxy by using the proxy card enclosed with this Proxy Statement. You can specify how you want your shares voted on a proposal by marking the appropriate box(es) on the proxy card. The Proposal is identified by number and identifying text on the proxy card. Each proxy submitted by a shareholder will, unless otherwise directed by the shareholder in the proxy, be voted according to the recommendation of the Board on that proposal, as set forth later in this Proxy Statement. If a shareholder has submitted a proxy appropriately directing how the shares represented thereby are to be voted, such shares will be voted according to the shareholder's direction. Any shareholder has the power to revoke his or her proxy at any time before it is voted at the Meeting by submitting a written notice of revocation to the Secretary or Assistant Secretary of the Company or by timely filing a duly executed proxy bearing a later date. A proxy will not be voted if the shareholder that executed it is present at the Meeting and elects to vote the shares represented thereby in person.

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The table below sets forth the following information known as of January 7, 2004: (i) the number of shares of the Company's Class A Common Stock beneficially owned by those known by the Company to be beneficial owners of more than five percent (5%) of the outstanding shares of the Company's Class A Common Stock; and (ii) the number of shares of the Company's Class A and Class B Common Stock beneficially owned by each director and executive officer named in the Summary Compensation Table on page 9 of this Proxy Statement, and by all directors and executive officers of the Company as a group. On January 7, 2004, there were 8,794,606 shares of Class A Common Stock outstanding and 804,642 shares of Class B Common Stock outstanding. Unless otherwise stated, and except for voting powers held jointly with a person's spouse and shares held in trust, the persons and entities named in the table below generally have sole voting and investment power with respect to all shares shown as beneficially owned by them. All information with respect to beneficial ownership is based on filings made by the respective beneficial owners with the Securities and Exchange Commission (the Commission) or information provided to the Company by such beneficial owners.

<b>Beneficial Owner</b>	<b>Class A Common Stock: Amount and Nature of Beneficial Ownership (1)</b>	<b>Percent of Class (%)</b>	<b>Class B Common Stock: Amount and Nature of Beneficial Ownership (1)(2)</b>	<b>Percent of Class (%)</b>
William D. Cvengros (3)(4)	38,696	*		
James L. Doti (3)(4)	37,196	*		
Robert A. Elliott (4)(5)	40,696	*		
Mary George (4)(6)	19,216	*		
Gunnar B. Gooding (7)	36,335	*		
J. Michael Hagan (4)(8)	33,196	*		
Monty A. Houdeshell (9)	60,000	*		
Cosmas N. Lykos (7)	35,000	*		
Robert E. McDonough, Sr. (4)(10)	2,033,200	23.1%	195,568	24.3%
101 Enterprise				
Aliso Viejo, CA 92656				
Paul W. Mikos (4)(11)	123,872	1.4%	568,104	70.6%
101 Enterprise				
Aliso Viejo, CA 92656				
Greg Palmer (4)(12)(13)	255,595	2.9%		
John B. Zaepfel (3)(4)	35,696	*		
Fidelity Management & Research Company	1,137,277	12.9%		
One Federal Street				
Boston, MA 02110-2003				
Royce and Associates	939,000	10.7%		
1414 Avenue of the Americas				
Ninth Floor				
New York, NY 10019				
T. Rowe Price Associates, Inc.	808,800	9.2%		
100 East Pratt Street				

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Baltimore, MD 21202  
Putnam Investment Management, Inc. 721,506 8.2%

One Post Office Square

Boston, MA 02110  
All directors and executive officers as a group (13 persons) 2,773,698 31.5% 763,672 94.9%

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- \* Less than one percent (1%)
- (1) The information contained in this table reflects beneficial ownership as defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Shares not outstanding that are subject to vested options, or options that vest and become exercisable by the holder thereof within sixty (60) days of January 7, 2004 are deemed outstanding for the purposes of calculating the number and percentage owned by such shareholder, but are not deemed outstanding for the purpose of calculating the percentage owned by any other person. Unless otherwise noted, all shares listed as beneficially owned by a shareholder are actually outstanding.
  - (2) Holders of Class B Common Stock are not entitled to any vote on matters submitted to a shareholder vote except as to certain amendments to the Articles of Incorporation, certain mergers and as otherwise required by law. The Class B Common Stock automatically converts into Class A Common Stock on a share-for-share basis upon the earliest to occur of (i) a transfer to a non-affiliate of the holder thereof in a public offering pursuant to an effective registration statement or Rule 144 promulgated under the Securities Act of 1933, as amended, (ii) the death or legal incapacity of Robert E. McDonough, Sr. or (iii) the tenth anniversary of the closing of the Company's initial public offering.
  - (3) Includes 30,000 shares of Class A Common Stock that are issuable upon exercise of vested non-employee director stock options.
  - (4) Includes shares held by certain trusts established for the benefit of the shareholder and/or the shareholder's family.
  - (5) Includes 27,500 shares of Class A Common Stock that are issuable upon exercise of vested non-employee director stock options and 2,500 shares of Class A Common Stock that are issuable upon exercise of non-employee director stock options that vest on the date of the Meeting if the director remains a director until then.
  - (6) Includes 12,500 shares of Class A Common Stock that are issuable upon exercise of vested non-employee director stock options and 2,500 shares of Class A Common Stock that are issuable upon exercise of non-employee director stock options that vest on the date of the Meeting if the director remains a director until then.
  - (7) Includes 25,000 and 10,000 shares of restricted Class A Common Stock that vest five years from the grant dates of December 18, 2001 and February 26, 2003, respectively, or earlier, if certain pre-established performance goals have been met.
  - (8) Includes 22,500 shares of Class A Common Stock that are issuable upon exercise of vested non-employee director stock options and 2,500 shares of Class A Common Stock that are issuable upon exercise of non-employee director stock options that vest on the date of the Meeting if the director remains a director until then.
  - (9) Includes 45,000 and 15,000 shares of restricted Class A Common Stock that vest five years from the grant dates of December 16, 2002 and February 26, 2003, respectively, or earlier, if certain pre-established performance goals have been met.
  - (10) Includes 30,000 shares of Class A Common Stock that are issuable upon exercise of vested stock options.
  - (11) Includes 123,872 shares of Class A Common Stock that are issuable upon exercise of vested stock options.
  - (12) Includes shares held in community property.
  - (13) Includes 150,000 and 100,000 shares of restricted Class A Common Stock that vest five years from the grant dates of December 18, 2001 and February 26, 2003, respectively, or earlier, if certain pre-established performance goals have been met.

#### PROPOSAL NO. 1

#### ELECTION OF DIRECTORS

##### Nominees for Election

In general, the Company's directors are elected at each annual meeting of shareholders. Currently, the number of directors of the Company is nine (9). Accordingly, at the Meeting, the Company's shareholders are being asked to elect nine (9) directors to serve until the next annual meeting of shareholders and until their successors are elected and qualified. The nominees receiving the greatest number of votes at the Meeting up to the number of authorized directors will be elected.

The nine (9) nominees for election as directors at the Meeting as set forth in the following table are all incumbent directors. Each of the nominees was re-elected at the Company's 2003 Annual Meeting of Shareholders. Each of the nominees has consented to serve as a director if elected. Except to the extent that authority to vote for any directors is withheld in a proxy, shares represented by proxies will be voted FOR such nominees. In the event that any of the nominees for director should, before the Meeting, become unable to serve if elected, shares represented by proxies will be voted for such substitute nominees as may be recommended by the Company's existing Board, unless other directions are given in the proxies. To the best of the Company's knowledge, all the nominees will be available to serve.

The following biographical information is furnished with respect to the nine (9) nominees for election at the Meeting as of January 16, 2004:

<u>Nominee</u>	<u>Age</u>	<u>Principal Occupation</u>	<u>Director Since</u>
William D. Cvengros	55	Chairman of PacketVideo Corporation	1996
James L. Doti	57	President of Chapman University	1996
Robert A. Elliott	64	Chairman of Elliott Investment Company	1997
Mary George	53	Chairman of Bell Sports, Inc.	1999
J. Michael Hagan	64	Advisor to and former President and Chief Executive Officer of Furon Company	1998
Robert E. McDonough, Sr.	81	Vice Chairman of the Board of the Company	1978
Paul W. Mikos	59	Chairman of the Board of the Company	1993
Greg D. Palmer	47	President and Chief Executive Officer of the Company	2001
John B. Zaepfel	67	Chief Executive Officer of the Zaepfel Group	1995

*William D. Cvengros* has served as a director of the Company since August 1996. Since July 2002, Mr. Cvengros has been a venture partner of the Edgewater Funds. Since August 2003, Mr. Cvengros has served as Chairman of PacketVideo Corporation, a privately held company providing wireless multi-media software and services for mobile applications. From March 2001 until August 2003 he served as Vice Chairman of PacketVideo Corporation and from April 1999 to March 2001, Mr. Cvengros served as Chairman of PacketVideo Corporation. From November 1994 until April 2000, Mr. Cvengros served as the Chief Executive Officer, President and a director of PIMCO Advisors Holdings L.P., a publicly traded investment management firm (PIMCO Advisors). From February 1986 until November 1994, Mr. Cvengros served as Chairman of the Board of Pacific Investment Management Company (PIMCO). From January 1990 until November 1994, Mr. Cvengros was Vice Chairman of the Board of Directors and Chief Investment Officer of Pacific Life Insurance Company, formerly Pacific Mutual Life Insurance Company.

*James L. Doti, Ph.D.* has served as a director of the Company since July 1996. Since July 1991, Dr. Doti has served as the President of Chapman University. Dr. Doti has been a member of the Chapman University faculty since 1974 and also holds the Donald Bren Chair in Business and Economics. He is a member of the Board of Directors of Fleetwood Enterprises, Inc., Standard Pacific Corporation and First American Financial Corporation.

*Robert A. Elliott* has served as a director of the Company since December 1997. Since 1988, Mr. Elliott has served as President and Chairman of Elliott Investment Company. Prior to founding Elliott Investment Company, Mr. Elliott served as the Chairman and Chief Executive Officer of VLI Corporation ( VLI ), a publicly traded company specializing in the manufacturing and marketing of personal care products from 1984 until 1987. Prior to joining VLI, Mr. Elliott was a Vice President of Howmedica, Inc., a subsidiary of Pfizer, Inc. Mr. Elliott is a member of the Board of Trustees of Chapman University.

*Mary George* has served as a director of the Company since November 1999. Since October 1994, Ms. George has served as an officer of Bell Sports, Inc., including as its Chief Executive Officer from July 1998 until August 2000 and has served as its Co-Chairman since August 2000. Additionally, Ms. George has served as a director of Bell Sports, Inc. since August 1998.



*J. Michael Hagan* has served as a director of the Company since March 1998. Since January 2000, Mr. Hagan has been a self-employed business advisor. From June 1991 until November 1999, Mr. Hagan served as Chairman of the Board of Directors and Chief Executive Officer of Furon Company, having previously served as President of Furon Company from 1980 to 1991. Since November 1999, Mr. Hagan has served as director of Saint Gobain Corporation who acquired Furon in November 1999. Mr. Hagan is also a director of Fleetwood Enterprises, Inc., Freedom Communications, Inc. and Ameron International, Inc. Since March 2000, Mr. Hagan has served as a trustee for each of the following PIMCO Funds: Pacific Investment Management Series; PIMCO Commercial Mortgage Securities Trust, Inc.; and PIMCO Variable Insurance Trust.

*Robert E. McDonough, Sr.* has served as Vice Chairman of the Board of the Company since January 2001. He served as Chairman of the Board of the Company from August 1978 until January 2001. Mr. McDonough founded the Company in 1965 and has been involved in the management, long-term operation and strategic planning of the Company since that time. For 29 years, until May 1994, he served as the Company's Chief Executive Officer. Mr. McDonough is the father-in-law of Paul W. Mikos.

*Paul W. Mikos* has served in various positions in the Company since 1977, including as President from 1985 until January 2001. Mr. Mikos has served as Chairman of the Board of the Company since January 2001. He served as Chief Executive Officer of the Company from January 1996 until January 2001 and has been a director of the Company since May 1993. From May 1994 until January 1996, he served as co-Chief Executive Officer of the Company. Prior to joining the Company, Mr. Mikos worked for ARA as a Regional Sales Director from August 1976 until October 1977. From July 1968 until August 1976, Mr. Mikos worked for IBM in sales management. Mr. Mikos is the son-in-law of Robert E. McDonough, Sr.

*Greg Palmer* has served as the Company's President and Chief Executive Officer since January 2001. He has served as a director of the Company since April 2001. Mr. Palmer served as the Company's Executive Vice President and Chief Operations Officer from January 1998 to January 2001. From 1985 to December 1997, Mr. Palmer served in senior level management positions in the southeast and northeast divisions and as Senior Vice President in charge of managing operations in the western United States for Olsten Corporation, formerly a provider of staffing and health care services.

*John B. Zaepfel* has been a director of the Company since June 1995. From 1974 until 1985, Mr. Zaepfel was President and Chief Executive Officer of Chartpak-Picket Industries, Inc., a wholly-owned subsidiary of The Times Mirror Company. In 1985, Mr. Zaepfel founded CPG International, Inc., a graphics art and engineering firm, and served as its President and Chief Executive Officer from 1985 until its sale in 1989. Since 1989, Mr. Zaepfel has been Chief Executive Officer of the Zaepfel Group, a private investment and consulting firm. From July 1999 until November 30, 2003, Mr. Zaepfel served as a director of the Troy Group, Inc.

### **Elimination of Cumulative Voting**

The Company's Amended and Restated Bylaws (the "Bylaws") provide that when the Company becomes a listed corporation within the meaning of the California Corporations Code (i.e., has at least 800 holders of its equity securities as of the record date of the Company's most recent annual meeting of shareholders), cumulative voting rights will be eliminated. The Company had more than 800 shareholders on February 19, 1997. Consequently, cumulative voting rights were eliminated on February 19, 1997.

### **Director Independence**

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The Board has determined that Ms. George, Messrs. Cvengros, Elliott, Hagan, Zaepfel, and Dr. Doti are each independent directors within the meaning of Rule 4200(a)(15) of the National Association of Securities Dealers' listing standards.

### **Board Committees and Meetings**

During the Company's last fiscal year ended September 28, 2003 (Fiscal 2003), the Board had the following four ongoing committees: the Audit Committee; the Leadership Development and Compensation Committee; the Executive Committee; and the Corporate Governance and Nominating Committee. All of the members of each of the Board's committees are independent directors as defined under the National Association of Securities Dealers' listing standards.

*Audit Committee.* The Audit Committee of the Board currently consists of Messrs. Cvengros, Elliott and Zaepfel (Chair). The Audit Committee has been established in accordance with SEC rules and regulations, and all the members of the Audit Committee are independent directors as defined under the National Association of Securities Dealers' listing standards. In addition, the Board has determined that each member of the Audit Committee qualifies as an audit committee financial expert within the meaning of the SEC rules and regulations. The Audit Committee's primary purpose is to assist the Board in fulfilling its oversight responsibilities relating to the Company's accounting and financial reporting processes and the audits of the Company's financial statements. In this regard, the Audit Committee, among other matters, meets with the Company's independent auditors, makes recommendations to the Board concerning the acceptance of the reports of such auditors and the accounting policies and procedures of the Company, and reviews financial plans and operating results of the Company. The Board has adopted a written charter for the Audit Committee. The Audit Committee charter is attached as Appendix A to this Proxy Statement.

*Leadership Development and Compensation Committee.* The Leadership Development and Compensation Committee (the Compensation Committee) of the Board currently consists of Dr. Doti, Ms. George (Chair) and Mr. Hagan. The Compensation Committee sets the performance goals, annual salary and incentive compensation of the Company's executive officers. Additionally, the Compensation Committee administers the Company's 1996 Amended and Restated Stock Incentive Plan and 1996 Employee Stock Purchase Plan.

*Executive Committee.* The Executive Committee of the Board currently consists of Mr. Cvengros, Mr. Elliott and Mr. Hagan (Chair). The Executive Committee acts on behalf of the Board to mentor and review the performance of the Company's Chief Executive Officer. The Executive Committee also meets with the Company's Chief Executive Officer to provide certain strategic, shareholder and organizational planning recommendations.

*Corporate Governance and Nominating Committee.* The Corporate Governance and Nominating Committee of the Board (the Nominating Committee) currently consists of Mr. Cvengros, Dr. Doti and Mr. Elliott (Chair). All the members of the Nominating Committee are independent directors as defined under the National Association of Securities Dealers' listing standards. The Nominating Committee identifies, interviews and recommends to the Board potential new Board members and makes recommendations to the Board regarding corporate governance issues. The policy of the Nominating Committee is to consider shareholder nominations for candidates for membership on the Board when properly submitted in accordance with the Company's bylaws and the provisions set forth herein under the heading Shareholder Proposals. Shareholder nominations proposed for consideration by the Nominating Committee should be delivered to the Company's Corporate Secretary as follows:

Corporate Secretary

RemedyTemp, Inc.

101 Enterprise

Aliso Viejo, CA 92656

As provided in the Company's bylaws, shareholder nominations must set forth, among other matters: (i) the name, age and business address of the nominee; (ii) the principal occupation or employment of the nominee; (iii) the number of shares of the Company's capital stock owned by the nominee; and (iv) other information relating to the nominee that is required to be disclosed in solicitations for proxies for election of directors under applicable rules and regulations of the Commission.

In November 2002, the Board established and adopted Director Guidelines that provide that at a minimum all members of the Board should have the highest professional and personal ethics and values. In addition, Board members should have experience at the policy-making level, be committed to increasing shareholder value and should have enough time to attend to their substantial duties and responsibilities to the Company.

The Nominating Committee utilizes a variety of methods for identifying and evaluating nominees for director. In the event that vacancies on the Board arise, the Nominating Committee considers potential candidates for director, which may come to the attention of the Nominating Committee through current directors, professional search firms, shareholders or other persons. As described above, the Nominating Committee considers properly submitted shareholder nominations for candidates for the Board in the same manner as it evaluates other nominees. Following verification of the shareholder status of persons proposing candidates, recommendations are aggregated and considered by the Nominating Committee. The materials provided by a shareholder for consideration of a nominee for director are forwarded to the Nominating Committee. The Nominating Committee also reviews materials provided by professional search firms or other parties in connection with a nominee who is not proposed by a shareholder. Such candidates are evaluated at meetings of the

Nominating Committee. In evaluating such nominations, the Nominating Committee seeks to achieve the appropriate balance of industry and business knowledge and experience in light of the function and needs of the Board.

The Nominating Committee is governed by a written charter that is accessible via the Company's website at [www.remedytemp.com](http://www.remedytemp.com).

During Fiscal 2003, there were four (4) meetings of the Board, six (6) meetings of the Audit Committee, four (4) meetings of the Compensation Committee, two (2) meeting of the Nominating Committee, and six (6) meetings of the Executive Committee. While a director, all of the Board members attended or participated in more than 75% of the aggregate of (i) the total number of meetings of the meetings of the Board, and (ii) the total number of meetings held by all Committees of the Board on which each such director served.

### **Communications with the Board**

Shareholders may communicate with the Board or any of the directors by sending written communications addressed to the Board or any of the directors, c/o Corporate Secretary, RemedyTemp, Inc., 101 Enterprise, Aliso Viejo, CA 92625. All communications are compiled by the Corporate Secretary and forwarded to the Board or the individual director(s) accordingly.

### **Director Attendance at Annual Meetings**

Directors are encouraged to attend annual meetings of the Company's shareholders. The 2003 annual meeting of shareholders was attended by all of our nine incumbent directors.

### **Directors Compensation**

Directors who are also employees or officers of the Company receive no extra compensation for their service on the Board. Pursuant to the Non-Employee Director Plan, effective March 16, 1998, and amended by the Board on October 1, 2003, independent directors receive an annual retainer in the form of cash or shares of Common Stock valued at \$25,000 on the date of their election or re-election to the Board. For those directors electing to receive their retainer in stock, the Shares that are issued under the Non-Employee Director Plan are held in trust, on a deferred basis (subject to an exception for financial hardship) until a director is no longer a director of the Company. Such shares are issued in trust no later than ten (10) business days after the next annual meeting of shareholders following election or re-election, provided that the director has remained a director during such time. Additionally, the following cash fees are paid by the Company to each independent director per meeting attended: \$2,000 per Board meeting; \$2,000 per Audit Committee meeting with the Chair receiving a \$10,000 annual retainer; \$1,500 for each meeting of all other committees of the Board, with the Chair receiving a total of \$2,000. Independent directors also receive reimbursement for out-of-pocket expenses relating to Company business.

Pursuant to the Company's 1996 Amended and Restated Stock Incentive Plan (the "Incentive Plan"), each non-employee director of the Company automatically receives, upon becoming a director, a one-time grant of an option to purchase up to 5,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on the date of the option's grant. These non-employee director options have a term of ten (10) years and become exercisable with respect to fifty percent (50%) of the underlying shares on the grant date and the remaining fifty percent (50%) of the underlying shares on the date of the next annual meeting of shareholders of the Company following the grant date (or, if an annual meeting of shareholders occurs within six months after the grant date, then on the date of the second annual shareholders' meeting after



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the grant date), provided that the recipient has remained a director since the grant date. In addition to an initial grant, each independent director also will receive, upon each re-election to the Board, an automatic grant of an option to purchase up to 2,500 additional shares of Common Stock up to a maximum of 20,000. These additional options will vest and become exercisable upon the earlier to occur of (i) the first anniversary of the grant date, or (ii) immediately prior to the annual meeting of shareholders of the Company next following the grant date, if the director has served as a director from the grant date to such earlier date. All independent director options will have a term of ten (10) years and an exercise price equal to the fair market value of a share of Common Stock on the date of grant. Vesting of independent director options accelerates if the recipient of the option ceases to be a director of the Company or its successor in connection with a change in control.

Grants of independent directors' options under the Incentive Plan count against its current limit of 1,800,000 shares of Common Stock. Shares underlying independent directors' options that expire or are terminated or canceled will become available for further awards under the Incentive Plan. In the event that a recipient of independent directors' options ceases to be a director of the Company, all such options granted to the director will be exercisable, to the extent they were exercisable at the date directorship ceased, for a period of 365 days or, if earlier, the expiration of the option according to its terms. Vesting accelerates upon certain transactions including dissolution, merger and change in control. The Incentive Plan provides that the exercise price may be paid by Company loan or withholding of underlying stock, or deferred until completion of broker-assisted exercise and sale transactions.

Pursuant to the amended terms of the Incentive Plan, each independent director that had not yet received a total of 20,000 additional grants was awarded independent directors' option to purchase 2,500 shares of Common Stock on February 27, 2003 upon the directors' re-election to the Board at the 2004 Annual Meeting.

### Recommendation of the Board

**The Board recommends that the shareholders vote FOR the nine (9) nominees listed above. Proxies received will be so voted unless shareholders specify otherwise in the proxy.**

## EXECUTIVE COMPENSATION AND OTHER INFORMATION

### Summary Compensation Table

The following table sets forth the compensation earned for the last three (3) fiscal years by (i) each person who served as the Company's Chief Executive Officer ( CEO ) during the fiscal year ended September 28, 2003, and (ii) the Company's four (4) most highly compensated executive officers other than the CEO who were serving as executive officers at the end of the fiscal year ended September 28, 2003 (the Named Executive Officers ).

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards		
		Salary (\$)	Bonus (\$)	Restricted Stock Award(s) (\$)	Securities Underlying Options (#)	All Other Compensation (\$)
Greg Palmer (1)						*
President and Chief Executive Officer	2003	499,923	115,000	1,002,500		
	2002	478,203	288,000	2,068,750		*
	2001	383,436	160,000		50,000	64,927
Robert E. McDonough, Sr.(2)	2003	209,038				83,538
	2002	275,481				129,391
Vice Chairman of the	2001	410,000				79,517

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Board of Directors

160,000

Monty A. Houdeshell (3)

Senior Vice President

Chief Financial Officer	2003	192,692	35,481	749,775		*
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Gunnar B. Gooding (4)

Vice President, Human	2003	225,288	39,200	100,250		*
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	2002	210,150	84,000	346,875		*
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Resources and Legal Affairs	2001	179,520	46,614		15,000	*
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Cosmas N. Lykos (4)

Vice President of Business Affairs,	2003	225,288	44,200	100,250		*
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	2002	210,150	84,000	346,875		*
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General Counsel and Secretary	2001	163,847	51,000		5,000	*
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\* Less than 10% of salary plus bonus.

- (1) 2003 Long-Term Compensation Awards include 100,000 shares of restricted Class A Common Stock that vest five years from the grant date of February 26, 2003, or earlier, if certain pre-established performance goals have been met.
- (2) 2003 Other Compensation includes \$75,000 in life insurance premiums paid by the Company and \$8,538 of medical expense reimbursements.
- (3) 2003 Long-Term Compensation Awards includes 45,000 and 15,000 shares of restricted Class A Common Stock that vest five years from the grant dates of December 16, 2002 and February 26, 2003, respectively, or earlier, if certain pre-established performance goals have been met.
- (4) 2003 Long-Term Compensation Awards include 10,000 shares of restricted Class A Common Stock that vest five years from the grant date of February 26, 2003, or earlier, if certain pre-established performance goals have been met.

### Option Grants in Last Fiscal Year

The following table sets forth information regarding stock options granted to the Named Executive Officers during the fiscal year ended September 28, 2003:

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (\$)	
	Number of Securities	% of Total Options Granted to Employees in	Exercise Of Base Price	Expiration	5% (\$)	10% (\$)
	Underlying Options	Granted to Employees in Fiscal Year	(\$/share)	Date		
Greg Palmer						
Robert E. McDonough, Sr.						
Monty A Houdeshell						
Gunnar B. Gooding						
Cosmas N. Lykos						

### Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth the number of shares acquired on exercise of stock options and the aggregate gains realized on exercise during the fiscal year ended September 28, 2003 by the Named Executive Officers. The table also sets forth the number of shares covered by exercisable and unexercisable options held by such executives on September 28, 2003 and the aggregate gains that would have been realized had these options been exercised on September 28, 2003, even though these options were not exercised, and the unexercisable options could not have been exercised, on that date.

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal		Value of Unexercised In-the-Money Options	
			Year End (#)		At Fiscal Year End \$(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Greg Palmer						
Robert E. McDonough, Sr.			30,000			
Monty A. Houdeshell						
Gunnar B. Gooding						
Cosmas N. Lykos						

- (1) These amounts represent the difference between the exercise price of the in-the-money options and the market price of the Company's Common Stock on September 26, 2003 (the last trading day of Fiscal 2003). The closing price of the Company's Common Stock on September 26, 2003 on the Nasdaq National Market was \$11.97. Options are in-the-money if the market value of the shares covered thereby is greater than the option exercise price.

### Employment Contracts

The Company has an Amended and Restated Employment Agreement with Greg Palmer that expires on October 1, 2006, pursuant to which the Company employs Mr. Palmer as its President and CEO. The agreement provides for a base salary of not less than \$480,000 per year and an annual performance bonus of up to 60% of Mr. Palmer's base salary based upon satisfaction of annual performance goals set by the Compensation Committee. Additionally, under the agreement, Mr. Palmer shall also receive from the Company a grant of 150,000 shares of restricted stock of the Company pursuant to the terms set by the Compensation Committee of the Board and the terms of the Company's Incentive Plan. Pursuant to the agreement, if the Company terminates Mr. Palmer's employment as CEO without cause, he shall be entitled to receive from the Company a lump-sum severance payment of 1.6 times the sum of his annual base salary and maximum annual bonus potential then in effect. Additionally, all outstanding granted options will vest automatically and will remain exercisable for the balance of their term. If the Company terminates Mr. Palmer's employment for cause (as defined in the agreement), then all of the unexercised options, whether or not vested, shall expire and become unexercisable as of the date of such for cause termination. In the event that there are certain changes in control of the Company and Mr. Palmer is terminated by the Company for any reason except for cause, he shall receive a severance payment equal to 2.9 times the sum of his annual base salary and maximum annual bonus potential then in effect (subject to certain tax limitations), and all options granted shall become fully vested and exercisable for the balance of their term.

The Company has an employment agreement with Robert E. McDonough, Sr. that expires on December 4, 2004, pursuant to which the Company employs Mr. McDonough as Vice Chairman of the Board. As amended on January 18, 2001, the agreement provides for a base salary set annually by the Compensation Committee until December 3, 2001; provided, however that Mr. McDonough's annual base salary shall not be less than \$390,000 and annual performance bonus in an amount to be determined by the Compensation Committee based upon satisfaction of certain performance goals set annually by the Compensation Committee. The amount of Mr. McDonough's annual performance bonus shall be no less than \$160,000 and no more than 100% of Mr. McDonough's base salary until December 3, 2001. Notwithstanding the aforementioned, effective December 4, 2001, the agreement provides that Mr. McDonough shall receive total annual compensation of \$250,000 until December 3, 2002, \$200,000 until December 3, 2003 and \$150,000 until December 3, 2004. Additionally, pursuant to the terms of the agreement, the Company shall pay McDonough's annual life insurance premiums not to exceed \$75,000, and Mr. McDonough is entitled to annual demand registration rights and certain piggyback registration rights in future registrations by the Company of its securities.

The Company has a Severance Agreement and General Release (the "Severance Agreement") with Paul W. Mikos, the Company's Chairman of the Board and former Chief Executive Officer and President. Pursuant to the Severance Agreement, the Company shall provide the following severance benefits to Mr. Mikos: (i) bi-weekly severance payments that total \$1,800,000 over a two-year period commencing July 17, 2001 (the "Severance Date"); (ii) payment of health benefits and life and disability insurance premiums in effect on the Severance Date, for a period of three (3) years and seventeen (17) days commencing on the Severance Date; (iii) ownership of a 2000 Mercedes and 1996 Range Rover and certain artwork; (iv) a lump sum of \$30,000 for perquisites; and (v) vesting of all granted options, which shall remain exercisable for the balance of their term. Under the terms of the Severance Agreement, Mr. Mikos releases the Company from any claims, known or unknown.

The Company has change in control agreements with Monty A. Houdeshell, Gunnar B. Gooding and Cosmas N. Lykos. In general, the terms of Mr. Houdeshell's agreement provides for a severance payment of two (2) year's base salary and bonus if employment with the Company is terminated within one (1) year of certain changes in ownership and control of the Company and for Messrs. Gooding and Lykos, such agreements provide for a severance payment of one (1) year's base salary and maximum bonus if employment with the Company is terminated within one (1) year of certain changes in ownership and control of the Company.

## **REPORT OF THE COMPENSATION COMMITTEE**

### **ON EXECUTIVE COMPENSATION**

The Compensation Committee consists of three (3) non-employee, independent directors and is responsible for setting and administering the policies governing annual compensation and performance goals of the executive officers of the Company.

#### *Compensation Policies and Philosophy*

The Compensation Committee believes that the compensation for the executive officers of the Company should be designed to attract, motivate and retain talented executives responsible for the success of the Company. The Compensation Committee determines the executive officers compensation levels after examining competitive market levels of similarly situated temporary staffing companies and based upon the achievement of pre-established objectives, individual contribution to the Company and the financial performance of the Company. The Compensation Committee strives to set a fair and competitive base salary for each of its executive officers coupled with an incentive cash bonus tied to annual performance-based individual and Company goals. Additionally, the Company strives to link its executive officers' compensation with the financial performance of the Company and align the financial interests of the executive officers with those of the Company's shareholders by providing equity-based long-term incentives in the form of restricted stock or stock option grants.

#### *Compensation Components and Process*

**BASE SALARY.** The base salary for each executive officer is determined at levels considered appropriate for comparable positions at other similarly situated temporary staffing companies.

**PERFORMANCE BASED COMPENSATION.** The Compensation Committee believes that a substantial portion of the annual compensation of each executive officer should be in the form of a cash bonus based on the satisfaction of certain pre-established goals, including an increased emphasis on the financial performance of the Company. The pre-established goals are a product of the Company's Management By Objective Program ( "MBO") in which the Compensation Committee establishes each executive officer's goals after receiving input from each executive officer.

RESTRICTED STOCK AND STOCK OPTIONS. The goal of the Company's restricted stock and stock option grants is to align the interests of executive officers with the interests of the Company's shareholders and to provide each executive officer with a significant incentive to manage the Company from the perspective of an owner with an equity stake in the business. In years past, the Compensation Committee primarily used stock options to achieve this goal. During Fiscal 2003, the Compensation Committee engaged an independent firm that specializes in compensation issues to consult on the most appropriate way for the Company to compensate its executive officers and align their interests with that of the Company's shareholders. Accordingly, based in part on recommendations from compensation specialists and its own evaluation of this issue, the Compensation Committee awarded restricted Common Stock to executive officers of the Company during Fiscal 2003.

The Compensation Committee determined the amount of restricted stock according to the executive's position within the Company, recent performance, potential for future responsibility and promotion, and comparable awards made to individuals in similar positions within the staffing industry. The Compensation Committee will continue to evaluate the merits of awarding restricted stock. In general, it is the practice of the Company to grant stock options or restricted stock to executive officers when they join the Company. The Compensation Committee believes that these initial grants give the recipients a meaningful stake in the Company's long-term performance, with any ultimate realization of significant value from those grants being commensurate with returns available on investments in the Company's Common Stock. In addition to initial grants, the Compensation Committee has adopted a policy of providing additional long-term incentives to the Company's executive officers primarily through periodic stock option grants or, as mentioned above, restricted stock. The Compensation Committee believes that these incentives are essential to the long-term success of the Company and serve as a retention and compensation tool that aligns the interests of the Company's officers with the interests of its shareholders. In general, the restricted stock vests approximately five years from the grant date, or earlier if certain pre-established performance goals have been met. Options are exercisable in the future at the fair market value at the time of grant, so that an executive officer granted an option is rewarded only by the appreciation in price of the Company's Common Stock. Such grants, if any, are generally determined by the Compensation Committee after the end of a fiscal year with the input and recommendation of the Company's CEO.

#### *Executive Officer Compensation*

In November 2003, the Compensation Committee granted bonuses to certain executive officers based upon the executives' achievement of pre-established individual MBOs and Company goals, which include the Company's earnings per share financial performance. To ensure that the Compensation Committee achieves its goal of setting competitive compensation levels, the Compensation Committee referenced an analysis by an independent compensation consulting firm which concluded that the Company's executive base salaries were competitive with other temporary staffing companies, and that executive bonuses were competitive on a percentage basis to the levels identified by surveys for other temporary staffing companies.

Regarding compensation to executive officers other than base salary and cash bonuses, the Compensation Committee also administers the Company's Incentive Plan, pursuant to which the Company may grant various stock-based awards intended to compensate Company executive officers and align the interests of recipients with the interests of the Company's shareholders. Through the year ended September 28, 2003, stock options, performance grants and restricted Common Stock have been granted under the Incentive Plan. In Fiscal 2003, the Compensation Committee awarded certain executive officers restricted stock as mentioned above.

#### *CEO Compensation*

The Compensation Committee set the performance goals, salary, bonus amount and restricted stock grant for Fiscal 2003 of the Company's Chief Executive Officer, Greg Palmer, with reference to market standards and satisfaction of certain pre-established MBOs. For Fiscal 2003, Mr. Palmer's annual base salary was \$500,000. Mr. Palmer's incentive compensation for Fiscal 2003 consisted of a cash bonus of \$115,000 and grants totaling 100,000 shares of restricted Common Stock (collectively, the Incentive Compensation). The restrictions on the Common Stock grants lapse on February 26, 2008 or earlier, if certain pre-established performance goals are met. The Compensation Committee based the CEO's Incentive Compensation on Mr. Palmer's achievement of his MBOs. Specifically, the MBOs were based on quantitative and qualitative factors such as the Company's actual earnings per share financial performance, the changing of the Company's business mix to higher gross margin service lines, hiring a targeted number of sales representatives, achieving the required headcount reductions, analysis of the Company's various operating models, and the Company's preparation and implementation of its Strategic Plan. The Company's actual financial performance for Fiscal 2003 in earnings per share failed to meet the pre-established target level. As a result, no compensation was paid based upon the aforementioned performance goal. Mr. Palmer prepared and implemented the Company's strategic plan, changed the business mix, achieved headcount reductions and analyzed business operating models, thereby satisfying certain performance goals and thus resulted in the Compensation Committee's decision to set Mr. Palmer's Incentive Compensation as stated above.

**Submitted by the Compensation Committee:**



James L. Doti

Mary George (Chair)

J. Michael Hagan

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee reviews the Company's financial reporting process on behalf of the Board. The Company's management has the primary responsibility for the financial statements and the reporting process. The Company's independent auditors are responsible for expressing an opinion on the conformity of our audited financial statements to generally accepted accounting principles.

In this context, the Audit Committee has reviewed and discussed with management and the independent auditors the audited financial statements. The Audit Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). In addition, the Audit Committee has received from the independent auditors the written disclosures required by Independence Standards Board No. 1 (Independence Discussions with Audit Committees) and discussed with them their independence from the Company and its management. The Audit Committee has considered whether the independent auditors' provision of non-audit services to the Company is compatible with the auditor's independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on SEC Form 10-K for the year ended September 28, 2003 for filing with the Securities and Exchange Commission.

**Submitted by the Audit Committee:**

William D. Cvengros

Robert A. Elliott

John B. Zaepfel (Chair)

**INDEPENDENT AUDITOR FEES FOR FISCAL 2003 AND 2002**

**Audit Fees:** The aggregate fees for professional services rendered by PricewaterhouseCoopers LLP in connection with the audit of the Company's annual financial statements for the fiscal years ended September 28, 2003 and September 29, 2002, and for review of the financial information in the Company's quarterly reports on Form 10-Q for such fiscal years were \$187,000 and \$134,350 respectively.

**Audit Related Fees:** The aggregate fees for services rendered by PricewaterhouseCoopers LLP for audit related services in the Company's fiscal years ended September 28, 2003 and September 29, 2002 were \$0 and \$25,000, respectively. Audit related fees principally include consultations concerning accounting and financial reporting standards.

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**Tax fees:** The aggregate fees for services rendered by PricewaterhouseCoopers LLP for tax compliance, tax advice and tax planning for the fiscal years ended September 28, 2003 and September 29, 2002 were \$200,300 and \$185,104, respectively.

**All Other Fees:** PricewaterhouseCoopers LLP did not render any services to the Company other than those set forth above in the Company's fiscal years ended September 28, 2003 and September 29, 2002.

### **Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services**

Consistent with Commission policies regarding auditor independence, our Audit Committee has responsibility for appointing, setting compensation and overseeing the work of our independent auditor. In recognition of this responsibility and in accordance with the Audit Committee's charter, the Audit Committee has established a policy to pre-approve audit and permissible non-audit services provided by the independent auditor.

In connection with the engagement of the independent auditor for the 2004 fiscal year, the Audit Committee's pre-approval process of specific services and fees, includes a review of specific services to be performed based on the four categories of services outlined above, a review of fees incurred for such services in the past, a review of expected fees to be incurred in fiscal year 2004 and a comparison of fees for similar services. The term of any pre-approval is 12 months from

the date of the pre-approval, unless the Audit Committee specifically provides for a more definitive period. Fees for any services that will exceed the pre-approval limits must be separately approved by the Audit Committee. During the year circumstances may also arise when it becomes necessary to engage the independent auditor for additional services not contemplated by the original pre-approval engagement. In those instances, the Audit Committee requires separate pre-approval before engaging the independent auditor for such services. In this regard, the Audit Committee may delegate pre-approval authority to one of more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee may not otherwise delegate its responsibilities to pre-approve services performed by the independent auditor to management.

**COMPENSATION COMMITTEE INTERLOCKS  
AND INSIDER PARTICIPATION**

During Fiscal 2003, Ms. George, Dr. Doti and Mr. Hagan all served as members of the Compensation Committee. No current member of the Compensation Committee is a current or former officer or employee of the Company, and there are no compensation committee interlocks between the Company and other entities involving the Company's executive officers or directors.

**STOCK PERFORMANCE GRAPH**

The stock performance graph set forth below compares the cumulative total shareholder return on the Company's Common Stock for the period from September 25, 1998 through September 28, 2003 with the Nasdaq Stock Market Composite Index, peer issuers in the temporary staffing industry and the Russell 2000 Index. The Company decided to compare its shareholder return with that of the Russell 2000 Index because the Company believes that the Russell 2000 Index includes companies with comparable market capitalization. The graph assumes that \$100 was invested on September 25, 1998 in the Company's Common Stock and each index and that all dividends were reinvested. No cash dividends have been declared on the Company's Common Stock. The comparisons in the graph are required by the Commission and are not intended to forecast or be indicative of possible future performance of the Company's Common Stock.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*  
AMONG REMEDYTEMP, INC., THE NASDAQ STOCK MARKET (U.S.) INDEX,  
THE RUSSELL 2000 INDEX AND A PEER GROUP**

- (a) The Peer Group consists of the following temporary staffing companies: Modis Professional Services (formerly Accustaff), Spherion (formerly Interim Services), Kelly Services, Manpower, On Assignment, RemedyTemp, Inc., Robert Half International and Westaff (formerly Western Staff).

	<u>9/25/98</u>	<u>10/03/99</u>	<u>10/01/00</u>	<u>9/30/01</u>	<u>9/29/02</u>	<u>9/28/03</u>
RemedyTemp, Inc.	\$ 100.00	\$ 63.92	\$ 54.33	\$ 54.33	\$ 55.68	\$ 54.41
Nasdaq Composite Index	\$ 100.00	\$ 158.10	\$ 211.07	\$ 86.30	\$ 69.58	\$ 103.87
Russell 2000 Index	\$ 100.00	\$ 116.40	\$ 144.90	\$ 114.17	\$ 103.41	\$ 140.65
Temporary Staffing Industry Index	\$ 100.00	\$ 79.10	\$ 115.15	\$ 75.95	\$ 71.63	\$ 88.34

### CERTAIN TRANSACTIONS

Other than as reported herein, no director or executive officer of the Company, nor any nominee for election as a director or any 5% security holder, or any member of such person's immediate family, had any material interest, direct or indirect, in any certain reportable transaction during the last fiscal year, or since the commencement of the current fiscal year, or certain reportable business relationship during such time.

### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under Section 16(a) of the Securities Exchange Act of 1934, the directors and officers of the Company and persons who own more than ten percent (10%) of the Company's equity securities are required to report their initial ownership of the Company's equity securities and any subsequent changes in that ownership to the Commission and the Nasdaq National Market. Specific due dates for these reports have been established, and the Company is required to disclose in this Proxy Statement any late filings during the fiscal year ended September 28, 2003. To the Company's knowledge, based solely on its review of the copies of such reports required to be furnished to the Company during the fiscal year ended September 28, 2003, all of these reports were timely filed.

### SHAREHOLDER PROPOSALS

Shareholders who wish to include proposals for action at the Company's Annual Meeting of Shareholders held in 2005 in next year's proxy statement and proxy card must cause their proposals to be received in writing by the Company at its address set forth on the first page of this Proxy Statement no later than September 21, 2004. Such proposals should be addressed to the Company's Secretary, and may be included in next year's proxy statement if they comply with certain rules and regulations promulgated by the Commission. In addition, if a shareholder wishes to present a proposal at the Company's Annual Meeting of Shareholders in 2005 and the proposal is not intended to be included in the Company's proxy statement relating to the 2005 Annual Meeting, the shareholder must give advance notice to the Company prior to the deadline for the annual meeting determined in accordance with the Company's bylaws (the "Bylaw Deadline"). Under the Company's bylaws, in order to be deemed properly presented, the notice of a proposal must be in writing delivered to the Company's secretary at the principal executive offices of the Company no less than 60 days and no more than 120 days prior to the originally scheduled annual meeting date. However, if less than seventy 70 days notice or prior public disclosure of the date of the scheduled annual meeting is given or made, notice by the shareholder, to be timely, must be so delivered or received not later than the close of business on the tenth day following the earlier of the day on which such notice of the date of the scheduled annual meeting was mailed or the day on which such public disclosure was made. If a shareholder gives notice of such proposal after the Bylaw Deadline, the shareholder will not be permitted to present the proposal to the shareholders for a vote at the meeting. All shareholder proposals must be in the form required by the Company's bylaws.

### OTHER MATTERS

The Board does not know of any other matters that are to be presented for action at the Meeting. Should any other matters come before the Meeting or any adjournments and postponements thereof, the persons named in the enclosed proxy will have the discretionary authority to vote

all proxies received with respect to such matters in accordance with their judgment.

**INDEPENDENT AUDITORS**

By selection of the Board, the firm of PricewaterhouseCoopers LLP has served as the Company's independent auditors since 1989. The Board has again selected PricewaterhouseCoopers LLP to serve as the Company's independent auditors for the fiscal year ending October 3, 2004. One or more representatives of PricewaterhouseCoopers LLP are expected to be present at the Meeting, will have an opportunity to make a statement if they so desire, and will be available to respond to appropriate questions.

**ANNUAL REPORT ON FORM 10-K AND INCORPORATION BY REFERENCE**

The Company's 2003 Annual Report to Shareholders has been mailed to shareholders concurrently with this Proxy Statement, but such report is not incorporated herein and is not deemed to be a part of this proxy solicitation material. **The Company will deliver to any shareholder, without charge, upon written request, a copy of its Annual Report on Form 10-K, including the financial statements, schedules, and list of exhibits. Requests should be sent to RemedyTemp, Inc., 101 Enterprise, Aliso Viejo, California 92656, Attention: Investor Relations.**

Aliso Viejo, California

January 16, 2004

**SHAREHOLDERS ARE URGED TO DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED ENVELOPE. PROMPT RESPONSE IS HELPFUL, AND YOUR COOPERATION IS APPRECIATED.**

**APPENDIX A**

**REMEDYTEMP, INC. CHARTER**

**FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

1. **Members.** The Audit Committee of the Board of Directors shall consist of at least three independent directors, including one chairperson. For the purposes hereof, the term independent shall mean a director who meets the National Association of Securities Dealers, Inc. ( NASD ) definition of independence, as determined by the Board. Members of the Audit Committee shall be appointed by the Board of Directors upon the recommendation of the Corporate Governance and Nominating Committee and may be removed by the Board of Directors in its discretion.

Each member of the Company's Audit Committee must also be financially literate at the time of appointment, and at least one member of the Audit Committee shall be a financial expert, as defined in rules promulgated by the Securities and Exchange Commission ( SEC ) and the NASD.

2. **Purposes, Duties, and Responsibilities.** The purposes of the Audit Committee shall be to:

assist the Board of Directors in discharging its oversight responsibility relating to: (i) the accounting, reporting, and financial practices of the Company and its subsidiaries, including the integrity of the Company's financial statements; (ii) the surveillance of administration and financial controls and the Company's compliance with legal and regulatory requirements; (iii) the outside auditing firm's qualifications and independence; and (iv) the performance of the Company's internal audit function and the Company's outside auditing firm; and

prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement.

Among its specific duties and responsibilities, the Audit Committee shall, consistent with and subject to applicable law and rules and regulations promulgated by the SEC, NASD or other regulatory authority:

(i) Appoint, and retain or terminate, when appropriate, the outside auditing firm, which firm shall report directly to the Audit Committee. In its capacity as a committee of the Board, the Audit Committee shall be directly responsible for the appointment, compensation and oversight of the outside auditing firm, including the sole authority and responsibility to select, evaluate and if necessary replace the outside auditing firm.

(ii) Obtain and review, at least annually, a report by the outside auditing firm describing: the outside auditing firm's internal quality-control procedures; and any material issues raised by the most recent internal quality-control review, or peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

(iii) Approve in advance all audit engagement fees and terms of all audit services to be provided by the outside auditing firm, including any written engagement letters related thereto.



(iv) Establish policies and procedures for the engagement of the outside auditing firm to provide permissible non-audit services, which shall require pre-approval by the Audit Committee of all permissible non-audit services to be provided by the outside auditing firm.

(v) Consider, at least annually, the independence of the outside auditing firm, including whether the outside auditing firm's performance of permissible non-audit services is compatible with the auditor's independence; obtain and review a report by the outside auditing firm

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describing any relationships between the outside auditing firm and the Company or any other relationships that may adversely affect the independence of the auditor; and present to the Board of Directors the Audit Committee's conclusions with respect to the independence of the outside auditing firm.

(vi) Review and discuss with the outside auditing firm: (A) the scope of the audit, the results of the annual audit examination by the auditor and any accompanying management letters, and any difficulties the auditor encountered in the course of their audit work, including any restrictions on the scope of the outside auditing firm's activities or on access to requested information, and any significant disagreements with management; and (B) any reports of the outside auditing firm with respect to interim periods.

(vii) Review and discuss with management and the outside auditing firm, from time to time and as appropriate, the annual audited and quarterly unaudited financial statements of the Company, including: (A) an analysis of the auditor's judgment as to the quality of the Company's accounting principles, setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (B) the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, including the development, selection and reporting of accounting policies that may be regarded as critical; and (C) major issues regarding the Company's accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles and financial statement presentations.

(viii) Recommend to the Board based on the review and discussion described in paragraphs (v) (vii) above, whether the financial statements should be included in the Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

(ix) Periodically review and discuss, with the Company's Chief Executive Officer, Chief Financial Officer, General Counsel and such others as the Audit Committee deems appropriate, including, as appropriate, the Company's outside auditing firm, the adequacy of the Company's internal controls (with particular emphasis on the scope and performance of the internal audit function), any significant deficiencies in internal controls and significant changes in such controls; and review and discuss with the principal internal auditor of the Company and such others as the Audit Committee deems appropriate, the scope and results of the internal audit program.

(x) Periodically review and discuss the adequacy of the Company's disclosure controls and procedures.

(xi) Review and discuss generally the types of information to be disclosed and the type of presentation to be made in the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies.

(xii) Review and discuss with management and the outside auditors: (A) any material financial or non-financial arrangements of the Company which do not appear on the financial statements of the Company; and (B) any transactions or courses of dealing with parties related to the Company which transactions are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties, and which

APPENDIX A

arrangements or transactions are relevant to an understanding of the Company's financial statements.

(xiii) Review in conjunction with the annual audited and quarterly unaudited financial statements, with the General Counsel, material pending legal proceedings involving the Company and other contingent liabilities.

(xiv) Review and discuss the Company's policies with respect to risk assessment and risk management.

(xv) Establish procedures for handling complaints regarding accounting, internal accounting controls and auditing matters, including procedures for confidential, anonymous submission of legitimate concerns by employees regarding accounting and auditing matters, and for the identification of legitimate complaints identifying issues that may be material to the Company to be brought to the attention of the Audit Committee.

(xvi) Establish policies for the hiring of employees and former employees of the outside auditing firm.

(xvii) Evaluate annually the performance of the Audit Committee and the adequacy of the Audit Committee charter.

3. Outside Advisors. The Audit Committee shall have the authority to retain such outside counsel, accountants, experts and other advisors as it determines appropriate to assist the Audit Committee in the performance of its functions. The Audit Committee shall have sole authority to approve related fees and retention terms.

4. Meetings. The Audit Committee will meet as often as may be deemed necessary or appropriate in its judgment, either in person or telephonically, and at such times and places as the Audit Committee shall determine. The Audit Committee shall meet separately in executive session, with management, the principal internal auditor of the Company and the outside auditing firm. The Audit Committee shall report regularly to the full Board of Directors with respect to its meetings. A majority of the members of the Audit Committee present in person or by telephone shall constitute a quorum.

5. Investigations. The Audit Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibilities and shall have the authority to retain outside advisors to assist it in the conduct of any investigation.



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**NAMED ABOVE FOR DIRECTOR.**

The undersigned acknowledges receipt of the Notice of Annual Meeting and Proxy Statement for the 2004 Annual Meeting.

Please sign, date and promptly return this proxy card using the enclosed reply envelope. Whether or not you plan to attend the 2004 Annual Meeting, you are urged to execute, date and return this proxy, which may be revoked at any time prior to its use.

SIGNATURE

\_\_\_\_\_

Signature of Shareholder

SIGNATURE

\_\_\_\_\_

If Held Jointly

DATE

\_\_\_\_\_, 2004

DATE

\_\_\_\_\_, 2004

Please sign your name exactly as it appears hereon. When shares are held by joint tenants both should sign. If you receive more than one proxy card, please sign, date and return all cards received. When signing as attorney, executor, administrators, trustee or guardian, please sign as such and give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.