REMEDYTEMP INC
Form DEFM14A
June 05, 2006
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

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

REMEDYTEMP, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

o No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
RemedyTemp, Inc. Class A common stock, $0.01 par value
RemedyTemp, Inc. Class B common stock, $0.01 par value

(2) Aggregate number of securities to which transaction applies:
Class A common stock: 9,007,796
Class B common stock: 798,188
Options to purchase Class A common stock: 549,658

(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):
The filing fee was determined based upon the sum of

(1) 9,007,796 shares of Class A common stock and 798,188 shares of Class B common stock multiplied by $17.00 per share, and

(2) options to purchase 549,658 shares of Class A common stock with exercise prices less than $17.00, multiplied by the difference between $17.00 and the weighted average exercise price per share of approximately $12.89). In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, and Fee Rate Advisory No. 5 for fiscal year 2006 issued by the Securities and Exchange Commission on November 23, 2005, the filing fee was determined by multiplying $0.000107 by the sum of the preceding sentence.

(4) Proposed maximum aggregate value of transaction: $168,963,181

(5) Total fee paid: $18,080

x Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

REMEDYTEMP, INC.

101 Enterprise
Aliso Viejo, California 92656

PROPOSED CASH MERGER YOUR VOTE IS VERY IMPORTANT

June 2, 2006

Dear Fellow Shareholder:

The board of directors of RemedyTemp, Inc. (RemedyTemp or the Company) has unanimously approved a merger agreement providing for the acquisition of the Company by Koosharem Corporation, the holding company of Select Personnel Services. If the merger is completed, you will be entitled to receive $17.00 in cash, without interest, for each share of the Company s Class A or Class B common stock you own.

You will be asked, at a special meeting of the Company s shareholders, to approve the principal terms of the merger agreement, including the merger, among other matters. The board of directors of RemedyTemp has unanimously approved and declared advisable the merger, the merger agreement and the transactions contemplated by the merger agreement and has unanimously declared that the merger, the merger agreement and the transactions contemplated by the merger agreement are fair to, and in the best interests of, the Company s shareholders. **The board of directors unanimously recommends that the Company s shareholders vote FOR the approval of the principal terms of the merger agreement, including the merger.**

The special meeting to consider and vote upon the approval of the principal terms of the merger agreement will be held on June 29, 2006, beginning at 9:00 a.m., local time, at 101 Enterprise, Aliso Viejo, California.

The enclosed proxy statement provides information about the merger agreement, the merger and the related transactions, and the special meeting. We urge you to read the entire proxy statement carefully, including the appendices and materials incorporated by reference, as it sets forth the details of the merger agreement and other important information related to the merger, including the factors considered by our board of directors. You may also obtain additional information from documents filed by RemedyTemp with the Securities and Exchange Commission.

Your vote is very important. The merger cannot be completed unless the principal terms of the merger agreement are approved by the affirmative vote of the holders of a majority of the outstanding shares of RemedyTemp common stock entitled to vote. If you fail to vote on the merger agreement, the effect will be the same as a vote against the approval of the principal terms of the merger agreement and the merger. Whether or not you are able to attend the special meeting in person, please complete, sign and date the enclosed proxy card and return it in the envelope provided as soon as possible. This action will not limit your right to vote in person if you wish to attend the special meeting and vote in person.

Thank you for your cooperation and continued support.

Sincerely,

Greg D. Palmer
President and Chief Executive Officer

Paul W. Mikos
Chairman of the Board

This proxy statement is dated June 2, 2006 and is first being mailed to shareholders of RemedyTemp on or about June 5, 2006.

REMEDYTEMP, INC.
101 Enterprise
Aliso Viejo, CA 92656

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 29, 2006

To the Shareholders of
REMEDYTEMP, INC.

A special meeting of shareholders 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 June 29, 2006, at 9:00 a.m., Pacific Daylight Time, for the following purposes:

(1) To consider and vote upon a proposal to approve the principal terms of the Agreement and Plan of Merger, dated as of May 10, 2006, among the Company, Koosharem Corporation (Parent) and RT Acquisition Corp. (Merger Sub), as it may be amended from time to time, which provides for, among other things, the merger of Merger Sub with and into the Company, with the Company surviving as a wholly owned subsidiary of Parent;

(2) To consider and vote upon a proposal to approve, if necessary, the adjournment of the special meeting to a later date to solicit additional proxies in favor of the approval of the principal terms of the merger agreement, including the merger; and

(3) To consider such other business properly brought before the special meeting or any adjournments or postponements of the special meeting.

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 May 26, 2006 as the record date for the determination of shareholders entitled to notice of and to vote at the special 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 PROXY AND VOTE YOUR SHARES IN PERSON EVEN IF YOU HAVE SIGNED AND RETURNED YOUR PROXY CARD.

By order of the board of directors,

Monty A. Houdeshell
Senior Vice President,
Chief Administrative Officer
and Corporate Secretary

Aliso Viejo, California
June 2, 2006

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ANNEX A	Agreement and Plan of Merger, dated as of May 10, 2006, among RemedyTemp, Inc., Koosharem Corporation and RT Acquisition Corp.
ANNEX B	Form of Voting Agreement
ANNEX C	Opinion of Robert W. Baird & Co. Incorporated
ANNEX D	Chapter 13 of the General Corporation Law of the State of California

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following section provides brief answers to some of the questions that may be raised by the merger agreement and the merger. This section is not intended to contain all of the information that is important to you. You are urged to read the entire proxy statement carefully, including the information in the appendices.

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of the Company by Parent, which is the holding company of Select Personnel Services, pursuant to the Agreement and Plan of Merger, dated as of May 10, 2006, among RemedyTemp, Merger Sub and Parent. Once the principal terms of the merger agreement have been approved by the Company s shareholders at the special meeting and the other closing conditions under the merger agreement have been satisfied or waived, Merger Sub will be merged with and into RemedyTemp, with RemedyTemp surviving as the wholly owned subsidiary of Parent.

Q: What will I be entitled to receive pursuant to the merger?

A: Upon completion of the merger, holders of our Class A and Class B common stock, other than any holders who choose to exercise and perfect their dissenters rights under California law, will be entitled to receive $17.00 in cash, without interest and less any required withholding taxes, for each share of our common stock held by them. In addition, each outstanding option to purchase RemedyTemp common stock will be canceled in exchange for (1) the excess of $17.00 (without interest and less any required withholding taxes) over the per share exercise price of the option multiplied by (2) the number of shares of common stock subject to the option.

Q: What other proposals are being voted on at the special meeting?

A: In addition to the proposal to approve the principal terms of the merger agreement, shareholders will vote at the special meeting on a proposal to approve the adjournment of the meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the meeting to approve the principal terms of the merger agreement.

Q: What vote of shareholders is required to approve the proposals?

A: The merger agreement must be adopted by the affirmative vote of holders of a majority of the shares of RemedyTemp Class A and Class B common stock entitled to vote as of the record date, voting as a single class. The proposal to adjourn the meeting, if necessary, to solicit additional proxies requires the affirmative vote of a majority of the shares of Class A common stock represented and voting at the special meeting. Three of RemedyTemp s directors, who collectively own in excess of 24% of RemedyTemp s shares entitled to vote on the approval of the principal terms of the merger agreement, have entered into voting agreements agreeing to vote in favor of the transaction.

Q: How does the Company s board of directors recommend that I vote?

A: Our board of directors recommends that you vote **FOR** the proposal to approve the principal terms of the merger agreement, including the merger, and **FOR** the proposal to adjourn the meeting, if necessary. Before voting, you should read The Merger Recommendation of the Company s Board of Directors and Reasons for the Merger for a discussion of the factors that our board of directors considered in deciding to recommend the approval of the principal terms of the merger agreement, including the merger.

Q: Who may vote at the special meeting?

A: If you were a holder of the Company s Class A or Class B common stock at the close of business on May 26, 2006, the record date, you may vote at the special meeting.

Q: How many shares are entitled to vote at the special meeting?

A: Each share of our Class A and Class B common stock on the record date is entitled to one vote on the proposal to approve the principal terms of the merger agreement. Each share of our Class A common stock is entitled to one vote on the proposal to adjourn the meeting, if necessary. On the record date, there were 9,007,796 shares of our Class A common stock and 798,188 shares of our Class B common stock outstanding. Three of RemedyTemp s directors, who collectively own in excess of 24% of RemedyTemp s shares entitled to vote on the approval of the principal terms of the merger agreement, have entered into voting agreements to support the transaction.

Q: What does it mean if I get more than one proxy card?

A: If you have shares of our common stock that are registered differently and are in more than one account, you will receive more than one proxy card. Please follow the directions for voting on each of the proxy cards you receive to ensure that all of your shares are voted.

Q: How do I vote?

A: In order to vote, you must either designate a proxy to vote on your behalf or attend the special meeting and vote your shares in person. Our board of directors requests your proxy, even if you plan to attend the special meeting, so your shares will be counted toward a quorum and be voted at the meeting even if you later decide not to attend.

Q: How can I vote in person at the special meeting?

A: If you hold shares in your name as the shareholder of record, you may vote those shares in person at the meeting by giving us a signed proxy card or ballot before voting is closed. If you want to do that, please bring identification with you to the special meeting. Even if you plan to attend the meeting, we recommend that you submit a proxy for your shares in advance as described above, so your vote will be counted even if you later decide not to attend. If you hold shares in street name (that is, through a broker, bank or other nominee), you may vote those shares in person at the meeting only if you obtain and bring with you a signed proxy from the necessary nominees giving you the right to vote the shares. To do this, you should contact your broker, bank or other nominee.

Q: How can I vote without attending the special meeting?

A: If you hold shares in your name as the shareholder of record, then you received this proxy statement and a proxy card from us. In that event, you may complete, sign, date and return your proxy card in the postage-paid envelope provided. If your shares are held in street name, please follow the instructions on your proxy card to instruct your broker or other nominee to vote your shares. Without those instructions, your shares will not be voted.

Q: How can I revoke my proxy?

A: If you are a registered owner, you may change your mind and revoke your proxy at any time before it is voted at the meeting by:

- sending a written notice to revoke your proxy to the Corporate Secretary of the Company, which must be received by the Company before the special meeting commences;

- transmitting a proxy by mail at a later date than your prior proxy, which must be received by the Company before the special meeting commences; or
- attending the special meeting and voting in person or by proxy (except for shares held in the employee benefit plans). Please note that attendance at the special meeting will not by itself constitute revocation of a proxy.

If you hold your shares in street name, you should contact your broker, bank or other nominee if you wish to revoke your proxy.

Q: What is a quorum?

A: A quorum of the holders of the outstanding shares of our common stock must be present for the special meeting to be held. A quorum is present if the holders of a majority of the outstanding shares of our Class A and Class B common stock, counted as a single class, entitled to vote are present at the meeting, either in person or represented by proxy. Withheld votes, abstentions and broker non-votes are counted as present for the purpose of determining whether a quorum is present.

Q: How are votes counted?

A: You may vote FOR, AGAINST or ABSTAIN on the proposal to approve the principal terms of the merger agreement. Abstentions will count for the purpose of determining whether a quorum is present, but will not count as votes cast on a proposal. If you ABSTAIN with respect to the proposal to approve the principal terms of the merger agreement, it has the same effect as if you vote AGAINST the approval of that matter. However, abstentions will not have an effect on the outcome of the proposal to adjourn the meeting, if necessary.

A broker non-vote generally occurs when a broker, bank or other nominee holding shares on your behalf does not vote on a proposal because the nominee has not received your voting instructions and lacks discretionary power to vote the shares. Broker non-votes will count for the purpose of determining whether a quorum is present, but will not count as votes cast on a proposal. A broker non-vote will have the same effect as a vote AGAINST the approval of the principal terms of the merger agreement, but will have no effect on the outcome of the adjournment proposal.

A properly executed proxy card received by the Corporate Secretary before the meeting, and not revoked, will be voted as directed by you. If you properly execute and deliver your proxy card without indicating your vote, your shares will be voted FOR the approval of the principal terms of the merger agreement, including the merger, and FOR the proposal to adjourn the meeting, if necessary, and in accordance with the discretion of the persons appointed as proxies on any other matters properly brought before the meeting for a vote.

Q: Who will bear the cost of this solicitation?

A: We will pay the cost of this solicitation, which will be made primarily by mail. Proxies also may be solicited in person, or by telephone, facsimile or similar means, by our directors, officers or employees without additional compensation. We will, on request, reimburse shareholders who are brokers, banks or other nominees for their reasonable expenses in sending proxy materials and special reports to the beneficial owners of the shares they hold of record. The Company has retained Georgeson Shareholder Communications Inc. to assist it in the solicitation of proxies for the special meeting and will pay Georgeson a fee of approximately $7,500, plus reimbursement of out-of-pocket expenses.

Q: When do you expect the merger to be completed?

A: We are working toward completing the merger as quickly as possible, and we anticipate that it will be completed in the third quarter of fiscal 2006. In order to complete the merger, we must obtain shareholder approval and the other closing conditions under the merger agreement must be satisfied or waived (as permitted by law). See The Merger Agreement Conditions to the Merger and The Merger Agreement Effective Time.

Q: Should I send in my stock certificates now?

A: No. Shortly after the merger is completed, you will receive a letter of transmittal with instructions informing you how to send your stock certificates to the exchange agent in order to receive the merger consideration, without interest. You should use the letter of transmittal to exchange your RemedyTemp stock certificates for the merger consideration to which you are entitled as a result of the merger. If your shares are held in street name by your broker, you will receive instructions from your broker as to how to effect the surrender of your shares and receive cash for those shares. **Do not send any stock certificates with your proxy.**

Q: Who can help answer my other questions?

A: If you have more questions about the special meeting or the merger, you should contact:

Investor Relations Department
RemedyTemp, Inc.
101 Enterprise
Aliso Viejo, California 92656
Telephone: 949-425-7600
email: investor@remedystaff.com

or if you have any questions about or need assistance in voting your shares, please contact our proxy solicitor:

Georgeson Shareholder Communications Inc.
17 State Street, 10th Floor
New York, New York 10004
Banks and Brokers: (212) 440-9800
Shareholders: Toll Free 1 (866) 767-8988

SUMMARY

This summary provides a brief description of the material terms of the merger agreement, the merger and certain related agreements. This summary highlights selected information contained in this proxy statement and may not contain all of the information that is important to you. You are urged to read this entire proxy statement carefully, including the information incorporated by reference and the information in the appendices. Each item in this summary includes a page reference directing you to a more complete description of that item.

References in this proxy statement, unless the context requires otherwise, to RemedyTemp, the Company, we, our, ours, and us refer to RemedyTemp, Inc. and our consolidated subsidiaries. The term Parent refers to Koosharem Corporation. The term Merger Sub refers to RT Acquisition Corp.

- **Parties to the Merger.**

- RemedyTemp, with 230 offices throughout North America, is a professional staffing organization focused on delivering human capital workforce solutions in various business sectors. The company operates under the brands Remedy® Intelligent Staffing, Talent Magnet by Remedy and RemX® Specialty Staffing.

- Koosharem Corporation is the holding company of Select Personnel Services. Founded in Santa Barbara in 1985, Select, with annual revenues in excess of $500 million, currently operates more than 50 offices nationwide. In addition to pre-qualified, motivated employees, Select boasts a team of experts in human resources, technology, risk management, and labor and employment law to meet employers needs. Select provides employment solutions to a wide variety of companies, including manufacturing, industrial, clerical, accounting, technical, and professional services.

- RT Acquisition Corp. is a Delaware corporation formed on May 5, 2006 for the sole purpose of acquiring all of the fully diluted capital stock of RemedyTemp. See The Parties to the Merger on page 10.

- **The Merger.** You are being asked to approve the principal terms of a merger agreement providing for the acquisition of RemedyTemp by Parent. Pursuant to the merger agreement, Merger Sub will merge with and into RemedyTemp, which we refer to as the merger. RemedyTemp will be the surviving corporation in the merger and a wholly owned subsidiary of Parent. See The Merger Agreement Structure of the Merger on page 37.

- **Board Recommendation.** The Company s board of directors unanimously recommends that RemedyTemp s shareholders vote **FOR** the approval of the principal terms of the merger agreement, including the merger. See The Merger Recommendation of the Company s Board of Directors and Reasons for the Merger beginning on page 17.

- **Merger Consideration.** If the merger is completed, you will be entitled to receive $17.00 in cash, without interest, for each share of our Class A and Class B common stock that you own. See The Merger Agreement Consideration to be Received in the Merger on page 38.

- **Treatment of Outstanding Options.** Each option to acquire RemedyTemp common stock not exercised before the merger, whether or not then vested or exercisable, will be cancelled and converted into a right to receive an amount of cash equal to the amount by which $17.00 exceeds the exercise price per share of RemedyTemp common stock subject to the option multiplied by the total number of shares of stock subject to the option, which payment will be subject to applicable withholding taxes. See The Merger Agreement Consideration to be Received in the Merger Stock Options on page 38.

- **Treatment of Outstanding Restricted Stock.** At the effective time of the merger, all outstanding shares of RemedyTemp restricted stock will be converted into the right to receive an amount of cash equal to $17.00 per share, less applicable withholding taxes.

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- **Procedure for Receiving Merger Consideration.** As soon as reasonably practicable after the effective time of the merger, an exchange agent appointed by Parent will mail a letter of transmittal and instructions to all RemedyTemp shareholders. The letter of transmittal and instructions will tell you how to surrender your RemedyTemp common stock certificates in exchange for the merger consideration, without interest. You should not return any stock certificates you hold with the enclosed proxy card, and you should not forward your stock certificates to the exchange agent without a letter of transmittal. See The Merger Agreement Payment Procedures beginning on page 38.

- **Conditions to Closing.** Before we can complete the merger, a number of conditions must be satisfied or waived (to the extent permitted by law), including receipt of Company shareholder approval and regulatory (including antitrust) approvals, and the absence of any law prohibiting the transaction. The obligation of Parent and Merger Sub to effect the merger is additionally subject to:

- the Company s representations and warranties in the merger agreement being true and correct as of the date of the merger agreement and as of the effective time of the merger (except where the failure to be true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Company);

- the Company s and its subsidiaries performance of its obligations under the merger agreement;

- the absence of any suits, actions or proceedings that would reasonably be expected to prohibit the merger; and

- Parent and Merger Sub having received the proceeds of the financing on the terms and conditions contemplated by a commitment letter by and among Parent, Goldman Sachs Credit Partners, L.P. and Bank of the West relating to the merger or Parent and Merger Sub otherwise having received proceeds of other financing on such terms and conditions as Parent reasonably determines, in good faith, are substantially comparable or more favorable to Parent.

The Company s obligation to effect the merger is additionally conditioned on:

- the representations and warranties of Parent and Merger Sub being true and correct as of the date of the merger agreement and the effective time of the merger (except where the failure to be true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of Parent and Merger Sub to consummate the transactions contemplated by the merger agreement); and

- the performance by Parent and the Merger Sub of their obligations under the merger agreement.

See The Merger Agreement Conditions to the Merger beginning on page 49.

- **Termination of the Merger Agreement.** RemedyTemp, Parent and Merger Sub may agree in writing to terminate the merger agreement at any time without completing the merger, even after the shareholders of RemedyTemp have adopted the merger agreement. The merger agreement may also be terminated in certain other circumstances, including:

- By mutual written consent of the Boards of Directors of Parent, Merger Sub and the Company;

- By either Parent and Merger Sub or the Company if the merger is not consummated before the six month anniversary of the date of the merger agreement, although this right will not be available to a party whose failure to perform its obligations under the merger agreement has been the principal cause of or resulted in the failure of the merger to be consummated by the six month anniversary;

- By either Parent and Merger Sub or the Company if a court or other governmental entity has issued a final order or statute prohibiting the merger;

- By either Parent and Merger Sub or the Company if the Company does not obtain the requisite shareholder approval at the special meeting of shareholders;

- By Parent and Merger Sub before approval of the principal terms of the merger agreement, including the merger, by the Company s shareholders if the Company s board of directors withdraws or modifies its approval or recommendation of the principal terms of the merger agreement, including the merger, or has approved or recommended a competing acquisition proposal to the Company s shareholders;

- By either Parent and Merger Sub or the Company if the other party has breached its representations or warranties or agreements, which breach would result in the failure of a condition to the terminating party s obligation to close, and the breach is not curable by the six month anniversary of the date of the merger agreement; or

- By the Company before approval of the principal terms of the merger agreement, including the merger, by the Company s shareholders if the Company s board of directors determines to pursue a superior proposal from a third party, after the Company has provided Parent two business days to revise the terms of the merger agreement and negotiate in good faith with the Company with respect thereto, and simultaneously with such termination the Company enters into a definitive acquisition, merger or similar agreement to effect the superior proposal, and the Company pays the termination fee within the requisite time period.

See The Merger Agreement Termination of the Merger Agreement beginning on page 50.

- **Termination Fees and Expenses.**

- Company Termination Fee. The Company will be required to pay Parent a fee of $5.6 million if the merger agreement is terminated:

(1) by the Company because the merger has not been consummated by the six month anniversary of the date of the merger agreement and the Company has not held the shareholders meeting;

(2) by the Company in order to enter into another acquisition agreement with a third party which the Company s board of directors believes constitutes a superior proposal from a third party;

(3) by Parent and Merger Sub due to the Company s board of directors withdrawing or modifying its approval or recommendation of the merger or the merger agreement, or due to the board of directors approving or recommending a competing acquisition proposal; or

(4) by any party due to the failure to obtain shareholder approval if at the time of such termination a competing acquisition proposal has been publicly made and not withdrawn, and within 12 months after such termination the Company enters into a definitive agreement with respect to a competing transaction (which is subsequently consummated) or an acquisition of the Company is completed.

See The Merger Agreement Termination Fees and Expenses beginning on page 51.

- **Regulatory Approvals.** The Hart-Scott-Rodino Antitrust Improvements Act of 1976 and related rules (the HSR Act) provide that transactions such as the merger may not be completed until certain information has been submitted to the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice and certain waiting period requirements have been satisfied. On May 17-18, 2006, the Company and Parent made the required filings with the Antitrust Division and the Federal Trade Commission. Except as noted above with respect to the required filings under the HSR Act and the filing of a merger agreement in California at or before the effective date of

the merger, we are unaware of any material federal, state or foreign regulatory

requirements or approvals required for the execution of the merger agreement or completion of the merger. See The Merger Federal Regulatory Matters beginning on page 34.

- **Financing.** As a condition to the closing of the merger, Parent anticipates financing a portion of the merger consideration with debt. Parent has received a commitment letter from Goldman Sachs Credit Partners, L.P. and Bank of the West, pursuant to which these entities have committed, subject to the terms and conditions set forth in the commitment letter, to provide senior secured term loan facilities and a senior secured revolving credit facility in an aggregate amount sufficient when combined with certain cash on hand at RemedyTemp to finance (or provide the funds for the Surviving Corporation to finance) the merger, to repay or refinance the Parent s existing credit facilities, to replace existing letters of credit of RemedyTemp, and to pay fees and expenses incurred in connection with the merger on the closing date. The financing is subject to the consummation of the merger and the satisfaction of the conditions set forth in the commitment letters pursuant to which the financing will be provided. See The Merger Financing of the Merger beginning on page 32.

- **Opinion of Robert W. Baird & Co. Incorporated.** In connection with the merger, the Company retained Robert W. Baird & Co. Incorporated, which we refer to as Baird, as its financial advisor. In deciding to approve the merger agreement, the Company s board of directors considered the oral opinion of Baird provided to the Company s board of directors on May 10, 2006, subsequently confirmed in writing, that, as of the date of the opinion and based upon and subject to the assumptions and limitations set forth in the opinion, the merger consideration to be received by the holders of the Company s common stock in the merger (other than Select Personnel Services and its affiliates) was fair, from a financial point of view, to such holders (other than Select Personnel Services and its affiliates). The full text of the written opinion of Baird, dated May 10, 2006, which sets forth the assumptions made, general procedures followed, matters considered and limitations on the scope of review undertaken by Baird in rendering its opinion, is attached as Annex C to this proxy statement and is incorporated by reference into this proxy statement. See The Merger Opinion of Robert W. Baird & Co. Incorporated beginning on page 19.

- **Record Date and Voting.** You are entitled to vote at the special meeting if you owned shares of RemedyTemp Class A or Class B common stock at the close of business on May 26, 2006, the record date for the special meeting. Each outstanding share of our Class A and Class B common stock on the record date entitles the holder to one vote on the proposal to approve the principal terms of the merger agreement. As of the record date, there were 9,007,796 shares of our Class A common stock and 798,188 shares of our Class B common stock of RemedyTemp entitled to be voted. See The Special Meeting Record Date and Quorum on page 12.

- **Shareholder Vote Required to Approve the Principal Terms of the Merger Agreement.** For us to complete the merger, shareholders holding at least a majority of the combined shares of our Class A and Class B common stock outstanding at the close of business on the record date must vote **FOR** the approval of the principal terms of the merger agreement, including the merger. Three of RemedyTemp s directors, who collectively own in excess of 24% of RemedyTemp s shares entitled to vote on the approval of the principal terms of the merger agreement, have entered into voting agreements to support the transaction. See The Special Meeting Vote Required beginning on page 12 and The Voting Agreements beginning on page 53.

- **Share Ownership of Directors and Executive Officers.** As of May 26, 2006, the record date, the directors and executive officers of RemedyTemp held and are entitled to vote, in the aggregate, 2,571,174 shares of our common stock, representing approximately 26.2 percent of the outstanding shares of our common stock (or 2,873,046 shares, representing approximately 29.3 percent of the outstanding shares, including shares underlying options exercisable within 60 days of the record date). Three of RemedyTemp s directors, who collectively own in excess of 24% of RemedyTemp s

shares entitled to vote on the approval of the principal terms of the merger agreement, have entered into voting agreements to support the transaction. Like all our other shareholders, our directors and executive officers will be entitled to receive $17.00 per share in cash for each of their shares of RemedyTemp common stock, and all of their outstanding stock options will be cashed out as described above, whether or not then vested and exercisable. See The Special Meeting Vote Required beginning on page 12 and Interests of Certain Persons in the Merger beginning on page 25.

- **Tax Consequences.** The merger will be a taxable transaction to you if you are a U.S. person. For U.S. federal income tax purposes, your receipt of cash (whether as merger consideration or pursuant to the proper exercise of dissenters rights) in exchange for your shares of RemedyTemp common stock generally will cause you to recognize a gain or loss measured by the difference, if any, between the cash you receive in the merger and your adjusted tax basis in your shares of RemedyTemp common stock. Under U.S. federal income tax law, you may be subject to information reporting on cash received pursuant to the merger unless an exemption applies. Backup withholding may also apply (currently at a rate of 28 percent) with respect to the amount of cash received pursuant to the merger, unless you provide proof of an applicable exemption or a correct taxpayer identification number, and otherwise comply with the applicable requirements of the backup withholding rules. You should consult your own tax advisor for a full understanding of how the merger will affect your federal, state and local and/or non-U.S. taxes. See The Merger Material U.S. Federal Income Tax Consequences beginning on page 35.

- **Dissenters Rights.** Under the General Corporation Law of the State of California, holders of our common stock who do not vote in favor of approving the principal terms of the merger agreement will be entitled to statutory dissenters rights if timely demands for payment are filed with respect to five percent or more of the outstanding shares of Company common stock, and only if these demands comply with all requirements of California law, which are summarized in this proxy statement. Such demands must be received not later than the date of the special meeting to approve the principal terms of the merger agreement, including the merger. Shareholders who validly exercise statutory dissenters rights to receive the fair market value of their shares in cash pursuant to applicable provisions of California corporate law will not have the right to receive that portion of consideration otherwise payable with respect to such shares after the effective time, but will instead be entitled to such statutory dissenters rights. A shareholder who does not timely perfect his, her or its dissenters rights will be deemed to have had his, her or its shares converted into the right to receive that portion of the consideration otherwise payable with respect to such shares after the effective time. Any holder of our common stock intending to exercise their dissenters rights must submit a written demand to have us purchase the dissenting shares for cash at their fair market value, which must be received by us not later than the date of the special meeting to approve the principal terms of the merger agreement, including the merger, must not vote or otherwise submit a proxy in favor of approval of the principal terms of the merger agreement, and must continue to hold the shares of record through the effective time of the merger. Voting against the merger does not constitute a demand. A shareholder s failure to follow exactly the procedures specified under California law will result in the loss of that shareholder s dissenters rights. See Dissenters Rights beginning on page 55 and Annex D Chapter 13 of the General Corporation Law of the State of California.

- **Market Price of RemedyTemp Common Stock.** Our common stock is listed on the NASDAQ National Market under the trading symbol REMX. On May 10, 2006, which was the last trading day before the announcement of the execution of the merger agreement, the Company s common stock closed at $12.20 per share. On May 31, 2006, the Company s common stock closed at $16.51 per share.

THE PARTIES TO THE MERGER

RemedyTemp, Inc.
101 Enterprise
Aliso Viejo, California 92656
(949) 425-7600

RemedyTemp, Inc., a California corporation, with 230 offices throughout North America, is a professional staffing organization focused on delivering human capital workforce solutions in various business sectors. The company operates under the brands Remedy® Intelligent Staffing, Talent Magnet by Remedy and RemX® Specialty Staffing. RemedyTemp s Class A common stock is listed on the NASDAQ National Market. If the principal terms of the merger agreement are approved by the RemedyTemp shareholders at the special meeting and the merger is completed as contemplated, RemedyTemp will continue its operations following the merger as a private company and a wholly owned subsidiary of Koosharem Corporation.

Koosharem Corporation
3820 State Street
Santa Barbara, California 93105
(805) 882-2202

Koosharem Corporation is the holding company of Select Personnel Services. Founded in Santa Barbara in 1985, Select, with annual revenues in excess of $500 million, currently operates more than 50 offices nationwide. In addition to pre-qualified, motivated employees, Select boasts a team of experts in human resources, technology, risk management, and labor and employment law to meet employers needs. Select provides employment solutions to a wide variety of companies, including manufacturing, industrial, clerical, accounting, technical, and professional services.

RT Acquisition Corp.
3820 State Street
Santa Barbara, California 93105
(805) 882-2202

RT Acquisition Corp., a Delaware corporation, was formed on May 5, 2006 for the sole purpose of completing the merger with RemedyTemp and obtaining the related financing. RT Acquisition Corp. is a wholly owned subsidiary of Koosharem Corporation.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement contains forward-looking statements that involve risks and uncertainties, including, but not limited to, statements concerning the ability of RemedyTemp to successfully complete the merger. These statements relate to expectations concerning matters that are not historical facts. Words such as projects, believes, anticipates, will, estimates, plans, expects, intends, and similar words and exp intended to identify forward-looking statements. These forward-looking statements are based on the current expectations, assumptions, estimates and projections about the Company and the industries in which the Company operates. These forward-looking statements involve known and unknown risks that may cause RemedyTemp s actual results and performance to be materially different from the future results and performance stated or implied by the forward-looking statements. In light of the significant uncertainties inherent in the forward-looking information included in this discussion, the inclusion of such information should not be regarded as a representation by the Company or any other person that RemedyTemp s objectives or plans will be achieved. Important factors which could cause our actual results to differ materially from those expressed or implied in the forward-looking statements are detailed in filings with the Securities and Exchange Commission made from time to time by the Company, including our periodic filings on Forms 10-K, 10-Q and 8-K and the following:

- risks associated with the closing of the merger, including the possibility that the merger may not occur due to the failure of the parties to satisfy the conditions in the merger agreement;

- the inability of Parent and Merger Sub to obtain the financing necessary to complete the merger;

- the failure of RemedyTemp to obtain required shareholder approval;

- the inability of the parties to secure required governmental or third party consents to and authorizations for the merger;

- the occurrence of events that would have a material adverse effect on the Company as described in the merger agreement; and

- the effect of the announcement of the merger on our customer relationships, operating results and business generally, including our ability to retain key employees.

You should not place undue reliance on forward-looking statements. We cannot guarantee any future results, levels of activity, performance or achievements. The statements made in this proxy statement represent our views as of the date of this proxy statement, and it should not be assumed that the statements made herein remain accurate as of any future date. Moreover, we assume no obligation to update forward-looking statements or update the reasons actual results could differ materially from those anticipated in forward-looking statements, except as required by law.

THE SPECIAL MEETING

Time, Place and Purpose of the Special Meeting

This proxy statement is being furnished to RemedyTemp s shareholders as part of the solicitation of proxies by RemedyTemp s board of directors for use at the special meeting be held at 101 Enterprise, Aliso Viejo, California, on June 29, 2006, at 9:00 a.m., local time. The purpose of the special meeting is to consider and vote upon proposals to approve the principal terms of the merger agreement, which will constitute approval of the merger and the other transactions contemplated by the merger agreement, and to approve the adjournment of the meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the meeting to approve the principal terms of the merger agreement. Our shareholders must approve the principal terms of the merger agreement for the merger to occur. A copy of the merger agreement is attached to this proxy statement as Annex A and is incorporated by reference herein.

Our board of directors has, by unanimous vote, determined that the merger agreement and the merger are advisable and in the best interests of RemedyTemp and its shareholders, and has approved the merger agreement and the merger. Our board of directors unanimously recommends that our shareholders vote **FOR** approval of the principal terms of the merger agreement, including the merger.

Record Date and Quorum

The holders of record of our Class A and Class B common stock as of the close of business on May 26, 2006, the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting. On the record date, there were 9,007,796 shares of our Class A common stock and 798,188 shares of our Class B common stock outstanding.

The holders of a majority of the outstanding shares of our Class A and Class B common stock, counted as a single class, on the record date represented in person or by proxy will constitute a quorum for purposes of the special meeting. A quorum is necessary to hold the special meeting. Any shares of common stock held in treasury by the Company or by any of our subsidiaries are not considered to be outstanding for purposes of determining whether a quorum is present. Once a share is represented at the special meeting, it will be counted for the purpose of determining a quorum at the special meeting and any adjournment of the special meeting. However, if a new record date is set for the adjourned special meeting, then a new quorum will have to be established. If a quorum is not present, the special meeting may be adjourned from time to time without further notice, if the time and place of the adjourned meeting are announced at the meeting, until a quorum is obtained.

Vote Required

Approval of the principal terms of the merger agreement, including the merger, requires the affirmative vote of the holders of a majority of our Class A and Class B common stock entitled to vote as of the record date, voting as a single class. Each outstanding share of our Class A and Class B common stock on the record date entitles the holder to one vote on this proposal.

Approval of the proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies requires the affirmative vote of a majority of the shares represented and voting at the special meeting. Each outstanding share of our Class A common stock on the record date entitles the holder to one vote on this proposal. Our Class B common stock is not entitled to vote on the adjournment proposal.

As of the record date, the directors and executive officers of the Company owned, in the aggregate, 1,809,626 shares of the Class A common stock and 761,548 shares of the Class B common stock. These shares represent approximately 26.2 percent of the combined RemedyTemp Class A and Class B common stock entitled to vote on the approval of the principal terms of the merger agreement. The Company

expects that all of these shares will be voted in favor of the proposal to approve the principal terms of the merger agreement.

Three of RemedyTemp s directors Greg D. Palmer, chief executive officer; Paul W. Mikos, chairman; and Robert E. McDonough, Sr., founder and vice chairman have entered into voting agreements to support the transaction. The three directors collectively own in excess of 24% of RemedyTemp s shares entitled to vote on the approval of the principal terms of the merger agreement.

Proxies; Revocation

If you are a shareholder of record and submit a proxy by mail, your shares will be voted at the special meeting as you indicate on your proxy card. If no instructions are indicated on your proxy card, your shares of the Company s common stock will be voted **FOR** the approval of the principal terms of the merger agreement and **FOR** the proposal to adjourn the special meeting, if necessary.

If your shares are held in street name by your broker, bank or other nominee, you should instruct your broker how to vote your shares using the instructions provided by your broker. If you have not received voting instructions or require further information regarding such voting instructions, contact your broker, bank or other nominee for directions on how to vote your shares. Brokers who hold shares in street name for customers may not be permitted to exercise their voting discretion with respect to the approval of the proposals before the special meeting and in such instance, absent specific instructions from the beneficial owner of such shares, are not empowered to vote such shares with respect to the approval of the principal terms of the merger agreement. Such shares will constitute broker non-votes. Shares of common stock held by persons attending the special meeting but not voting, or shares for which the Company has received proxies with respect to which holders have abstained from voting, will be considered abstentions. Abstentions and broker non-votes will be treated as shares that are present and entitled to vote at the special meeting for purposes of determining whether a quorum exists, but will have the same effect as a vote AGAINST approval of the principal terms of the merger agreement. However, abstentions and broker non-votes will have no effect on the outcome of the proposal to adjourn the meeting, if necessary.

You may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must either advise our Corporate Secretary in writing, submit a proxy dated after the date of the proxy you wish to revoke or attend the special meeting and vote your shares in person. Attendance at the special meeting will not by itself constitute revocation of a proxy.

Please note that if you have instructed your broker to vote your shares, the options for revoking your proxy described in the paragraph above do not apply and instead you must follow the directions provided by your broker to change these instructions.

RemedyTemp does not expect that any matter other than the approval of the principal terms of the merger agreement and, if applicable, the adjournment proposal will be brought before the special meeting. If, however, any other matter is properly presented at the special meeting or any adjournment or postponement of the special meeting, the persons appointed as proxies will have authority to vote the shares represented by duly executed proxies in accordance with their discretion.

Solicitation of Proxies

The Company will pay the cost of this proxy solicitation. In addition to soliciting proxies by mail, directors, officers and employees of RemedyTemp may solicit proxies personally and by telephone, facsimile or other electronic means of communication. These persons will not receive additional or special compensation for such solicitation services. The Company will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions. The Company has retained Georgeson Shareholder Communications Inc. to assist it in the solicitation of proxies for the special meeting and will pay Georgeson a fee of approximately $7,500, plus reimbursement of out-of-pocket expenses.

THE MERGER

Background of the Merger

In early 2005, D. Stephen Sorensen, President and Chief Executive Officer of Parent, approached and subsequently met informally with Greg Palmer, President and Chief Executive Officer of the Company, to discuss their respective businesses and advantages that might accrue from a combination of the companies.

Also in early 2005, Baird, which had previously been engaged by the Company in connection with a financing transaction, approached the Company s management regarding a potential strategic business combination or partnership with another company in RemedyTemp s industry. The Company and the other party entered into a mutual non-disclosure agreement to share confidential information in August 2005, and extensive discussions took place between the parties over the course of the next several months.

On September 19, 2005, Mr. Sorensen contacted Mr. Palmer in order to arrange for another meeting to discuss the possibility of a strategic combination. In a subsequent telephone conversation on September 21, 2005, Mr. Sorensen indicated to Mr. Palmer that he believed the Company s stock at that time should be valued in the range of $12 to $13 per share rather than the $7 to $10 range the stock was then trading in. The parties agreed to meet on October 11, 2005.

On October 11, 2005, members of the Company s and Parent s management, and representatives from Baird and Parent s financial advisor, Goldman Sachs & Co., met, and Parent delivered a proposal to acquire all of the outstanding stock of the Company for between $13.20 and $14.30 per share in cash.

On October 25, 2005, the board of directors of the Company (the Board) held a regular meeting, at which all of the Board members were present and representatives of Company management and Baird also participated. In light of Parent s proposal and the ongoing discussions with the other potential business partner, Baird made a presentation to the Board concerning strategic alternatives, including acquisition and capital-raising strategies, and purchase of or sale to a strategic partner, and evaluated the relative attractiveness of each alternative compared to the prospects of the business as a stand-alone entity. Baird then presented an analysis of the acquisition proposal from Select, and informed the Board concerning the status of discussions with the other potential strategic business partner. The Board directed management and Baird to (i) request that Parent increase its offer and provide support for financing sufficient to consummate the proposed transaction and (ii) continue to hold conversations with the other potential strategic business partner.

On November 1, 2005, Baird distributed a draft confidentiality agreement to Parent, and extended negotiations on the agreement took place over the next two months.

On December 14, 2005, Baird sent a letter to Parent requesting specific information relating to the financing for the proposed transaction.

On December 22, 2005, the Board held a special telephonic meeting, at which all of the Board members, except Robert E. McDonough, Sr., were present and representatives of Company management also participated. Company management informed the Board concerning the status of strategic discussions with both Parent and the other potential strategic business partner. The Board authorized the Executive Committee of the Board, consisting of Robert A. Elliott, Mary George and Michael Hagan, to oversee and aid Company management in its consideration and negotiation of the potential transactions. The Board instructed the Executive Committee to report periodically to the full Board on these matters.

On December 28, 2005, the Company received a letter from Parent addressed to the Board confirming the receipt from Parent s lenders of indications of interest to provide financing for a proposed transaction, and providing contact information for the lenders. During the next two weeks Baird contacted the lenders to discuss possible financing for the proposed transaction.

On January 12, 2006, the Executive Committee held a telephonic meeting, at which all members of the Committee were present and representatives of Company management and Baird also participated. Baird presented its assessment of Parent s ability to finance a proposed transaction based on the information available to that point. Company management also presented to the Board the proposed terms of a formal engagement of Baird, including a form of engagement letter, to act as exclusive financial advisor to the Company with respect to the possible transaction with Parent or the other potential strategic business partner.

On January 17, 2006, the Board held a special telephonic meeting, at which all of the Board members were present and representatives of Company management and O Melveny & Myers LLP, the Company s outside legal counsel, also participated. The Executive Committee reported to the full Board on its January 12 meeting, and Company management updated the Board on the status of the strategic discussions. The Board approved the engagement of Baird on the terms set forth in the engagement letter, and authorized Baird and Company management to proceed with strategic discussions under the oversight of the Executive Committee. At this time, Baird began to contact various other potential strategic business partners in the Company s industry on a confidential basis to determine the level of interest among these parties for a possible transaction with the Company.

On January 19, 2006, the Company entered into the confidentiality agreement with Parent and the engagement letter with Baird. Subsequently, RemedyTemp provided certain confidential information to Parent about the Company. In addition, on February 8, 2006, representatives of Parent met with Company management and Baird to conduct additional business and financial diligence on the Company.

On February 28, 2006, following further discussions among the Company and Parent and their respective financial advisors, Parent sent a letter to the Board offering to purchase all of the outstanding stock of the Company for $14.30 per share. In addition, Parent provided to the Board letters from several financial institutions indicating their continued interest, based on various assumptions and subject to certain limitations, to provide financing for the proposed transaction.

On March 1, 2006, the Board held a regular meeting, at which all of the Board members were present and representatives of Company management, Baird and O Melveny & Myers also participated. Baird made a presentation to the Board concerning potential share price appreciation for the Company s stock if, among other assumptions, the Company achieved certain financial targets, accomplished certain performance initiatives and released the $25 million of restricted cash it was then holding. Baird also commented on the February 28, 2006 letter from Parent and the financing letters. In addition, Baird updated the Board on its discussions with various potential strategic business partners. The Board instructed Baird to reject Parent s offer. In response, on March 6, 2006, Parent resubmitted the offer of $14.30 per share with supporting analysis to justify its valuation. Baird subsequently communicated to Parent the Board s instruction that the offer for $14.30 per share was insufficient.

Over the course of the next week, Baird, Parent and Goldman Sachs & Co. continued to discuss valuation, including a revised forecast indicating improved Company financial performance. On March 8, 2006, Parent delivered a revised proposal to acquire all of the Company s outstanding shares which, based on information available to the Company, the Company and its advisors concluded implied a per share consideration of approximately $16.33 in cash.

On March 13, 2006, the Board held a special telephonic meeting, at which all of the Board members were present and representatives of Company management, Baird and O Melveny & Myers also participated. Baird reviewed for the Board its recent discussions with Parent concerning Parent s most recent offer. Baird also analyzed Parent s ability to finance the transaction and the premium represented by Parent s offer relative to other recent public transactions. Baird also informed the Board concerning its confidential discussions with other potential strategic business partners or purchasers. The Board determined that the current offer was still insufficient, and directed Baird and Company management to

formulate a proposed response to the offer that would set forth the Company s rationale for a higher valuation. The meeting was adjourned and reconvened on March 15, 2006. At the reconvened meeting, Baird and Company management presented the proposed response to Parent rejecting the latest offer, and the Board authorized Baird to convey the response.

On March 24, 2006, after continued discussions between Baird and Company management on the one hand, and Parent and Goldman Sachs & Co. on the other, Parent delivered to the Board a further revised offer of $17.00 per share in cash. The offer letter indicated that the granting of exclusivity to Parent was a precondition to commencement of formal due diligence and negotiation of definitive documentation.

On March 28, 2006, the Board held a special meeting, at which all Board members were present (in person or by phone) and representatives of Company management, Baird and O Melveny & Myers also participated. O Melveny & Myers advised the Board members regarding their fiduciary duties under California law, and explained the proper process for conducting a market survey. Baird informed the Board of the results of its survey, which had involved detailed discussions with various entities that Baird and Company management had determined possessed the means and resources to complete an acquisition of the Company. Ultimately, none of the identified parties had evinced an interest at a valuation competitive with that represented by Parent s offer, or at all. After lengthy discussion, the Board voted unanimously to authorize Baird and Company management to continue discussions with Parent concerning the latest offer, and to negotiate with Parent a period of exclusivity to conduct due diligence.

On April 10, 2006, the Company entered into an exclusivity agreement, expiring on May 5, 2006, with Parent.

On April 12, 2006, the Board held a special meeting, at which all Board members were present (in person or by phone) and representatives of Company management, Baird and O Melveny & Myers also participated. Company management provided the Board with an update on discussions with Parent, and presented a financial and business review of the Company, discussing major business initiatives, cost-reduction measures, office closures and other matters. Baird presented an assessment of the Company s prospects as stand-alone entity, reflecting the Company s relative performance to its staffing peer group. The Board unanimously approved continuing discussions with Parent based on its most recent offer. Also on April 12, 2006, the Company opened to Parent and its lenders, auditors and legal advisors a physical data room at O Melveny & Myers Newport Beach offices.

On April 17-18, 2006, meetings took place at O Melveny & Myers Newport Beach offices among representatives of the Company s and Parent s management; Baird; Goldman Sachs & Co.; O Melveny & Myers; Skadden, Arps, Slate, Meagher & Flom LLP, corporate legal advisors to Parent, and Stradling Yocca Carlson & Rauth, legal advisors to Parent with respect to the financing; representatives from the parties financial diligence providers; and Goldman Sachs Credit Partners, L.P., Bank of the West and ING Capital LLC as potential lenders, to discuss due diligence items and negotiate the terms of the merger agreement.

Between April 19, 2006 and May 5, 2006, the parties continued to negotiate the terms of the merger agreement and of the commitment letter to be delivered by Goldman Sachs Credit Partners, L.P. and Bank of the West.

On May 5, 2006, the Board held a regular meeting, at which all Board members were present and representatives of Company management, Baird and O Melveny & Myers also participated. Company management provided the Board with an update on financial results and discussed a long-term projection of Company performance. In addition, Company management and O Melveny updated the Board on the status and progress of discussions with Parent, and O Melveny presented to the Board summaries of the transaction structure, draft merger agreement, voting agreements and draft financing commitment letter. Baird presented a preliminary analysis of its opinion of the fairness of the proposed transaction. After

lengthy discussions regarding the terms of the proposed transaction, including the closing conditions in the merger agreement and the financing commitment letter, the Board directed Baird, Company management and O Melveny & Myers to convey to Parent the need for certainty of closing if the Company was to proceed with the transaction. Following that meeting, the parties continued to negotiate the terms of the merger agreement and the commitment letter.

On May 10, 2006, the Board held a telephonic special meeting, at which all Board members were present and representatives of Company management, Baird and O Melveny & Myers also participated. O Melveny and Company management reviewed for the Board the changes to the merger agreement and financing commitment letter since the last Board meeting. O Melveny also reviewed a request from Parent to have Mr. Palmer execute a nonsolicitation agreement, to be effective and contingent upon the closing of the proposed transaction. Baird then rendered to the Board an oral opinion, which opinion was subsequently confirmed in writing, to the effect that, as of that date and based upon and subject to the matters described in its opinion, the merger consideration was fair, from a financial point of view, to the holders of the Company s stock. Following discussions and questions by the Board members to Baird, O Melveny and Company management, the Company s Board, by unanimous action, approved and declared advisable the merger agreement and the merger and resolved to recommend that the Company s shareholders approve the principal terms of the merger agreement. In addition, the Board (with Mr. Palmer abstaining) approved the form of nonsolicitation agreement to be entered into by Mr. Palmer.

Immediately following the adjournment of the Board meeting on May 10, 2006, the Company entered into an amendment of the Company s rights agreement with American Stock Transfer & Trust Company, and later that evening the Company, Parent and Merger Sub executed the merger agreement. The following morning the Company and Parent issued a joint press release announcing the entry into the merger agreement.

Recommendation of the Company s Board of Directors and Reasons for the Merger

The board of directors of RemedyTemp, by unanimous vote, determined that the terms of the merger agreement, including the merger consideration of $17.00 in cash per share of Class A and Class B common stock, and the merger are advisable and fair to, and in the best interests of, the shareholders of the Company. **The board of directors recommends that shareholders vote FOR the approval of the principal terms of the merger agreement, including the merger.**

In the course of reaching its decision to approve the merger agreement, the Company s board of directors consulted with the Company s financial and legal advisors, reviewed a significant amount of information and considered the following material factors:

- the board s belief that the merger was more favorable to the shareholders than any other alternative reasonably available to the Company and its shareholders based on the fact that the $17.00 to be paid for each share of the Company s Class A and Class B common stock represents a substantial premium over the current and historical market prices of the Company s common stock, including an approximate 39% premium over RemedyTemp s May 10, 2006 closing stock price of $12.20 per share, and because of the uncertain returns to the shareholders in light of the Company s business, financial performance and condition, operations and competitive position;

- the board s belief that the sale contemplated by the merger agreement offered better potential value to the Company s shareholders than the other alternatives available to RemedyTemp, including the alternative of remaining a stand-alone, independent company;

- the financial presentation of Baird, including its opinion as to the fairness, from a financial point of view, to the holders of the Company s common stock of the merger consideration to be received by such holders in the merger (see The Merger Opinion of Robert W. Baird & Co. Incorporated);

- the efforts made by the Company and its advisors to negotiate and execute a merger agreement favorable to the Company;

- the financial and other terms and conditions of the merger agreement as reviewed by our board of directors (see The Merger Agreement) and the fact that they were the product of arm s-length negotiations between the parties;

- the nature of the financing commitments obtained by Parent, including the identity of the institutions providing the commitments and to the conditions to the obligations of the institutions to fund the commitments;

- the fact that the merger consideration is all cash, so that the transaction allows the Company s shareholders to immediately realize a fair value, in cash, for their investment and provides such shareholders certainty of value for their shares; and

- the fact that, subject to compliance with the terms and conditions of the merger agreement, the Company is permitted to terminate the merger agreement, before the completion of the merger, in order to approve an alternative transaction proposed by a third party that is a superior proposal (as defined in the merger agreement), or which the board concludes in good faith (after consultation with its financial advisors) would reasonably be expected to result in a superior proposal, upon the payment to Parent of a $5.6 million termination fee (representing approximately 3.3 percent of the total equity value of the transaction) (see The Merger Agreement Termination Fees and Expenses).

The Company s board of directors also considered a variety of risks and other potentially negative factors concerning the merger agreement and the merger, including the following:

- the fact that the Company s shareholders will not participate in any future earnings or growth of RemedyTemp and will not benefit from any appreciation in value of RemedyTemp;

- the fact that an all cash transaction would be taxable to the Company s shareholders for U.S. federal income tax purposes;

- the risk that the merger might not be completed in a timely manner or at all, including the risk that the merger will not occur if the financing contemplated by the commitment letter is not obtained;

- the risks and costs to the Company if the merger does not close, including the diversion of management and employee attention, potential employee attrition and the potential effect on business and customer relationships; and

- the restrictions on the conduct of the Company s business prior to the completion of the merger, requiring the Company to conduct its business only in the ordinary course, subject to specific limitations, which may delay or prevent the Company from undertaking business opportunities that may arise pending completion of the merger.

After considering these factors, the board of directors concluded that the positive factors relating to the merger agreement and the merger outweighed the negative factors. In view of the wide variety of factors considered by our board of directors, our board of directors did not find it practicable to quantify or otherwise assign relative weights to the foregoing factors. In addition, individual members of our board of directors may have assigned different weights to various factors. Our board of directors approved and recommends the merger agreement and the merger based upon the totality of the information presented to and considered by it.

After consideration, the Company s board of directors, by unanimous vote:

- has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable, fair to and in the best interests of the Company and its shareholders;

- has approved the merger, the merger agreement and the transactions contemplated by the merger agreement; and

- **recommends that the Company s shareholders vote FOR the approval of the principal terms of the merger agreement, including the merger.**

Opinion of Robert W. Baird & Co. Incorporated Financial Advisor to the Company

The board of directors of the Company retained Baird to provide financial advisory services in connection with the merger and to render an opinion as to the fairness, from a financial point of view, to the holders of the Company s common stock (other than Select Personnel Services and its affiliates) of the merger consideration to be received by the holders of the Company s common stock (other than Select Personnel Services and its affiliates) in the merger.

On May 10, 2006, Baird rendered its oral opinion, which was subsequently confirmed in writing, to the board of directors of the Company to the effect that, subject to the various considerations described in such opinion, including the various assumptions and limitations set forth in the opinion, as of such date, the merger consideration to be received by the holders of the Company s common stock (other than Select Personnel Services and its affiliates) was fair, from a financial point of view, to the holders of the Company s common stock (other than Select Personnel Services and its affiliates).

The full text of Baird s written opinion, dated May 10, 2006, which sets forth the assumptions made, general procedures followed, matters considered and limitations on the scope of review undertaken by Baird in rendering its opinion, is attached as Annex C to this proxy statement and is incorporated in this document by reference. Baird s opinion is directed only to the fairness, as of the date of the opinion and from a financial point of view, of the merger consideration to the holders of the Company s common stock (other than Select Personnel Services and its affiliates) and does not constitute a recommendation as to how you should vote with respect to the merger. The summary of Baird s opinion set forth below is qualified in its entirety by reference to the full text of such opinion attached as Annex C to this proxy statement. You are urged to read the opinion carefully in its entirety.

In conducting its investigation and analyses and in arriving at its opinion, Baird reviewed information and took into account financial and economic factors, investment banking procedures and considerations as it deemed relevant under the circumstances. In rendering its opinion, Baird, among other things:

- reviewed certain internal information, primarily financial in nature, including forecasts provided by the Company s senior management, concerning the business and operations of the Company furnished to Baird for purposes of its analysis;

- reviewed publicly available information including, but not limited to, the Company s recent filings with the Securities and Exchange Commission and equity analyst research reports covering the Company prepared by various investment banking firms;

- reviewed the draft merger agreement in the form presented to the Company s board of directors;

- compared the financial position and operating results of the Company with those of other publicly traded companies Baird deemed relevant and considered the market trading multiples of such companies;

- compared the transaction multiples implied in the merger with the corresponding acquisition transaction multiples in certain selected business combinations Baird deemed relevant;

- compared the historical market prices and trading activity of the Company s Class A common stock with those of other publicly traded companies Baird deemed relevant;

- compared the proposed financial terms of the merger with the financial terms of other business combinations Baird deemed relevant; and

- considered the present values of the forecasted cash flows of the Company.

Baird held discussions with members of the Company s senior management concerning the Company s historical and current financial condition and operating results, as well as the future prospects of the Company. Baird conducted select conversations with potential third party buyers based on input and approval from the Company s management. None of these conversations produced an offer superior to the merger. Baird also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which Baird deemed relevant for the preparation of its opinion.

In arriving at its opinion, Baird assumed and relied upon the accuracy and completeness of all of the financial and other information that was publicly available or provided to Baird by or on behalf of the Company. Baird was not engaged to independently verify, and has not assumed any responsibility to verify, any such information, and Baird assumed that the Company was not aware of any information prepared by it or its advisors that might be material to Baird s opinion that had not been provided to Baird. Baird assumed that in all respects material to their analysis:

- all material assets and liabilities (contingent or otherwise, known or unknown) of the Company are as set forth in the Company s financial statements;

- the financial statements of the Company provided to Baird present fairly, in all material respects, the results of operations, cash flows and financial condition of the Company as of and for the periods indicated and were prepared in conformity with accounting principles generally accepted in the U.S. (GAAP) consistently applied;

- the forecasts for the Company provided to Baird were reasonably prepared on bases reflecting the best available estimates and good faith judgments of the Company s senior management as to the future performance of the Company, and Baird relied upon such forecasts in the preparation of its opinion;

- the merger will be consummated in accordance with the terms and conditions of the draft merger agreement without any amendment thereto and without waiver by any party of any of the conditions to their respective obligations thereunder;

- the representations and warranties contained in the draft merger agreement are true and correct and that each party will perform all of the covenants and agreements required to be performed by it under such merger agreement; and

- all material corporate, governmental, regulatory or other consents and approvals required to consummate the merger have been or will be obtained and all conditions to closing the merger in such agreement, including Parent obtaining financing to fund the merger consideration, will be satisfied.

Baird assumed the accuracy, in all respects material to its analysis, of the advice of counsel of the Company as to all legal matters regarding the merger. In conducting Baird s review, Baird did not undertake nor obtain an independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of the Company nor did Baird make a physical inspection of the properties or facilities of the

Company. In each case, Baird made the assumptions above with the consent of the board of directors of the Company.

Baird s opinion necessarily is based upon economic, monetary and market conditions as they existed and could be evaluated on the date of its opinion, and Baird s opinion does not predict or take into account any changes which may occur, or information which may become available, after the date of its opinion.

Baird s opinion does not address the relative merits of: (i) the merger, the draft merger agreement or any other agreements or other matters provided for or contemplated by the draft merger agreement; (ii) any other transactions that may be or might have been available as an alternative to the merger; or (iii) the merger compared to any other potential alternative transactions or business strategies considered by the Company s board of directors and, accordingly, Baird relied upon its discussions with the senior management of the Company with respect to the availability and consequences of any alternatives to the merger. Baird s opinion does not constitute a recommendation as to how you should vote with respect to the merger.

The following is a summary of the material financial analyses performed by Baird in connection with rendering its opinion, which is qualified in its entirety by reference to the full text of the opinion attached as Annex C and to the other disclosures contained in this section. The following summary, however, does not purport to be a complete description of the financial analyses performed by Baird. The order of analyses described does not represent relative importance or weight given to the analyses performed by Baird. Some of the summaries of the financial analyses include information presented in a tabular format. These tables must be read together with the full text of each summary and alone are not a complete description of Baird s financial analyses. Except as otherwise noted, the following quantitative information is based on market and financial data as it existed on or before May 10, 2006 and is not necessarily indicative of current market conditions.

Implied Valuation, Transaction Multiples and Transaction Premiums. Based on the cash merger consideration of $17.00 per share of Company common stock (the Per Share Equity Purchase Price), Baird calculated the implied equity value (defined as the Per Share Equity Purchase Price multiplied by the total number of diluted Class A and Class B common shares outstanding of the Company, including gross shares issuable upon the exercise of stock options, less assumed option proceeds) to be $169.0 million. In addition, Baird calculated the implied enterprise value (defined as the aggregate equity purchase price less the value of the Company s total cash, cash equivalents and marketable securities as of April 2, 2006; adjusted to include restricted cash released as collateral from Ace subsequent to April 2, 2006) to be $139.1 million. Baird then calculated the multiples of the enterprise value to the Company s net revenue, earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings before interest and taxes (EBIT) for the latest twelve months (LTM) ended April 2, 2006 and fiscal years ending October 1, 2006 and September 30, 2007.

The Company provided the board of directors and Baird with a high and low five year forecast. Baird calculated the multiples of the enterprise value to the high and low forecast of estimated fiscal 2006 and projected fiscal 2007 net revenue; estimated fiscal 2006 and projected fiscal 2007 EBITDA; and estimated fiscal 2006 and projected fiscal 2007 EBIT, as provided by the senior management of the Company. Baird also calculated the multiples of the Per Share Equity Purchase Price to the Company s high and low forecast of estimated fiscal 2006 and projected fiscal 2007 net income as provided by the senior management of the Company. Baird noted that because the Company s LTM EBIT and net income were *de minimis*, those metrics did not provide meaningful valuation multiples.

Baird also calculated the premiums that the Per Share Equity Purchase Price of $17.00 represented over the closing prices for the Company s Class A common stock one day prior to May 9, 2006, and on the dates seven days, 30 days, 60 days, 90 days, 180 days and one year prior to May 9, 2006, as well as to the

52-week high and low closing prices. Baird noted the Company s most recent publicly filed balance sheet indicated an available cash balance of $21.4 million, or $2.16 per diluted share. Adjusting the offer price by that amount and the respective periods compared (one day, seven days, 30 days, etc.), Baird also calculated the premiums derived from these adjusted prices. These premiums are summarized in the table below.

	Implied Transaction Premium	Adjusted Implied Transaction Premium (Excluding Cash)
One Day	38.0 %	46.0 %
Seven Days	35.1 %	42.3 %
30 Days	46.4 %	57.0 %
60 Days	49.3 %	60.7 %
90 Days	82.8 %	107.8 %
180 Days	87.8 %	115.3 %
One Year	51.8 %	64.1 %
LTM High	31.7 %	38.0 %
LTM Low	156.8 %	232.5 %

Selected Publicly Traded Company Analysis. Baird reviewed certain publicly available financial information and stock market information for certain publicly traded companies that Baird deemed relevant. The group of selected publicly traded companies reviewed is listed below.

- Ablest, Inc.
- Adecco SA
- CDI Corporation
- Kelly Services, Inc.
- Manpower, Inc.
- Randstand Holding NV
- Spherion Corp.
- Volt Information Sciences, Inc.
- Westaff, Inc.

Baird chose these companies based on a review of publicly traded companies that possessed general business, operating and financial characteristics representative of companies in the industry in which the Company operates. Baird noted that none of the companies reviewed is identical to the Company and that, accordingly, the analysis of such companies necessarily involves complex considerations and judgments concerning differences in the business, operating and financial characteristics of each company and other factors that affect the public market values of such companies.

For each company, Baird calculated the equity market value (defined as the market price per share of each company s common stock multiplied by the total number of diluted common shares outstanding of such company, including net shares issuable upon the exercise of stock options and warrants). In addition, Baird calculated the enterprise value (defined as the equity market value plus the book value of each company s total debt, preferred stock and minority interests, less cash, cash equivalents and marketable securities). Baird calculated the multiples of each company s enterprise value to its LTM, estimated fiscal 2006 and projected fiscal 2007 net revenue, EBITDA and EBIT. Baird also calculated multiples of each company s equity value to its LTM, estimated fiscal 2006 and projected fiscal 2007 net income. Stock market and historical financial information for the selected companies was based on publicly available

information as of May 9, 2006, and projected financial information was based on publicly available research reports as of such date.

Baird then calculated the implied per share equity values of the Company s common stock based on the trading multiples of the selected public companies and compared such values to the Per Share Equity Purchase Price of $17.00 per share. The implied per share equity values, based on the multiples that Baird deemed relevant, are summarized in the table below.

	Implied Per Share Equity Value			
	Low	**Mean**	**Median**	**High**
LTM Net Revenue	$ 9.61	$ 22.97	$ 16.12	$ 55.78
2006E Net Revenue Low Proj	12.06	23.84	22.86	44.41
2006E Net Revenue High Proj	12.17	24.09	23.09	44.91
LTM EBITDA	7.31	10.07	8.90	14.82
2006E EBITDA Low Proj	10.03	12.40	12.75	16.13
2006E EBITDA High Proj	11.96	14.99	15.43	19.74
LTM EBIT	3.73	4.53	4.51	5.42
2006E EBIT Low Proj	8.61	9.26	9.03	10.67
2006E EBIT High Proj	11.62	12.62	12.26	14.79
LTM Net Income	0.72	0.95	0.83	1.50
2006E Net Income Low Proj	8.32	9.84	9.84	11.14
2006E Net Income High Proj	11.46	13.55	13.55	15.35

Baird compared the implied per share equity values in the table above with the Per Share Equity Purchase Price in concluding that the merger consideration was fair, from a financial point of view, to the holders of the Company s common stock.

Selected Acquisition Analysis. Baird reviewed certain publicly available financial information concerning completed acquisition transactions that Baird deemed relevant. The group of selected acquisition transactions is listed below.

Target	Acquiror
• RS Staffing Services, Inc.	• TeamStaff Inc.
• CLP Resources, Inc.	• Labor Ready Inc.
• Venturi Staffing Partners	• CBS Personnel Services
• Joule Inc.	• Management Group
• Spartan Staffing, Inc.	• Labor Ready, Inc.
• SOS Staffing Services	• Hire Calling Holding Co.
• The Judge Group	• Management Group

Baird chose these acquisition transactions based on a review of completed and pending acquisition transactions involving target companies that possessed general business, operating and financial characteristics representative of companies in the industry in which the Company operates. Baird noted that none of the acquisition transactions or subject target companies reviewed is identical to the merger or the Company, respectively, and that, accordingly, the analysis of such acquisition transactions necessarily involves complex considerations and judgments concerning differences in the business, operating and financial characteristics of each subject target company and each acquisition transaction and other factors that affect the values implied in such acquisition transactions.

For each transaction, Baird calculated the implied equity purchase price (defined as the purchase price per share of each target company s common stock multiplied by the total number of diluted common shares outstanding of such company, including gross shares issuable upon the exercise of stock options and warrants, less assumed option and warrant proceeds, or alternatively defined as the value attributable to the equity of a target company). In addition, Baird calculated the implied total purchase price (defined as the equity purchase price plus the book value of each target company s total debt, preferred stock and minority interests, less cash, cash equivalents and marketable securities). Baird calculated the multiples of each target company s implied total purchase price to its LTM net revenue, EBITDA and EBIT. Historical financial information for the selected transaction was based on publicly available information as of the announcement date of each respective transaction. Baird noted that because the Company s LTM EBIT was *de minimis*, that metric did not provide a meaningful valuation multiple.

Baird then calculated the implied per share equity values of the Company s common stock based on the acquisition transaction multiples of the selected acquisition transactions and compared such values to the Per Share Equity Purchase Price of $17.00 per share. The implied per share equity values, based on the multiples that Baird deemed relevant, are summarized in the table below.

	Implied Per Share Equity Value			
	Low	Mean	Median	High
LTM Net Revenue	$ 9.16	$ 13.39	$ 12.75	$ 23.79
LTM EBITDA	6.02	6.78	6.62	8.23
LTM EBIT	3.53	3.81	3.78	4.14

Baird compared the implied per share equity values in the table above with the Per Share Equity Purchase Price in concluding that the merger consideration was fair, from a financial point of view, to the holders of the Company s common stock.

In addition, Baird analyzed acquisitions of 209 public companies with enterprise values between $50.0 million and $250.0 million that were announced since January 1, 2002. For these acquisitions, Baird calculated the premiums that the acquisition price per share represented over the closing prices of the acquired company s common stock one, seven and 30 days prior to the announcement of each acquisition. Baird then compared these premiums to the relevant premiums implied in the merger. The table below summarizes the results of this analysis.

	Implied RemedyTemp Acquisition	Implied Selected Acquisition Premiums			
Premium	Premiums	Low	Mean	Median	High
One Day	38.0%	(59.7)%	36.4%	29.4%	261.4%
Seven Days	35.0%	(55.1)%	32.3%	26.1%	260.0%
30 Days	46.4%	(59.7)%	41.2%	31.3%	267.4%

Discounted Cash Flow Analysis. Baird performed a discounted cash flow analysis utilizing the Company s low and high forecasted unlevered free cash flows (defined as net income excluding after-tax net interest, plus depreciation and amortization, less capital expenditures and increases in net working capital) from fiscal 2007 to fiscal 2011, as provided by the Company s senior management. In such analysis, Baird calculated the present values of the unlevered free cash flows of the Company from fiscal 2007 to fiscal 2011 by discounting the low forecast at rates ranging from 14% to 18% and discounting the high forecast at rates ranging from 18% to 22%. Baird calculated the present values of the free cash flows of the Company beyond fiscal 2011 by assuming terminal values ranging from 7.0x to 9.0x projected fiscal 2011 EBITDA and discounting the resulting terminal values at rates ranging from 14% to 18% for the low forecast and 18% to 22% for the high forecast. The summation of the present values of the unlevered free cash flows and the present values of the terminal values produced implied per share equity values ranging

from approximately $13.41 to $17.26 for the low forecast and $15.81 to $20.44 for the high forecast, as compared to the Per Share Equity Purchase Price of $17.00 per share. Baird compared these implied per share equity values with the Per Share Equity Purchase Price in concluding that the merger consideration was fair, from a financial point of view, to the holders of the Company s common stock.

The foregoing summary does not purport to be a complete description of the analyses performed by Baird or its presentations to the Company s board of directors. The preparation of financial analyses and a fairness opinion is a complex process and is not necessarily susceptible to partial analyses or summary description. Baird believes that its analyses (and the summary set forth above) must be considered as a whole and that selecting portions of such analyses and individual factors considered by Baird, without considering all of such analyses and factors, could create an incomplete view of the processes and judgments underlying the analyses performed and conclusions reached by Baird and its opinion. Baird did not attempt to assign specific weights to particular analyses. Any estimates contained in Baird s analyses are not necessarily indicative of actual values, which may be significantly more or less favorable than as set forth in Baird s analysis. Estimates of values of companies do not purport to be appraisals or necessarily to reflect the prices at which companies may actually be sold. Because such estimates are inherently subject to uncertainty, Baird does not assume responsibility for their accuracy.

As part of its investment banking business, Baird is regularly engaged in the evaluation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. This amount will be creditable against the transaction fee to be paid upon the closing of the merger. In addition, the Company has agreed to indemnify Baird against certain liabilities that may arise out of its engagement, including liabilities under the federal securities laws. Baird is a full service securities firm. As such, in the ordinary course of its business, Baird may from time to time trade the securities of the Company for its own account or the accounts of its customers and, accordingly, may at any time hold long or short positions or effect transactions in such securities. Baird may also prepare equity analyst research reports from time to time regarding the Company.

Interests of Certain Persons in the Merger

In considering the recommendation of the Company s board of directors with respect to the merger, you should be aware that some of the Company s directors and executive officers have interests in the merger that are different from, or in addition to, the interests of the Company s shareholders generally. These interests may present them with actual or potential conflicts of interest, and these interests, to the extent material, are described below. The Company s board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the merger.

Treatment of Stock Options

As of May 26, 2006, there were approximately 336,872 shares of the Company s common stock subject to stock options granted under the Company s equity incentive plans to our current executive officers and directors. Each outstanding stock option that remains unexercised as of the effective time of the merger, whether or not the option is vested or exercisable, will be cancelled, and the holder of such stock option that has an exercise price of less than $17.00 will be entitled to receive a cash payment, without interest and less applicable withholding taxes, equal to the product of:

- the number of shares of the Company s common stock subject to the option as of the effective time of the merger, multiplied by
- the excess, if any, of $17.00 over the exercise price per share of common stock subject to such option.

The following table summarizes the vested and unvested Company stock options with exercise prices of less than $17.00 (options with exercise prices in excess of $17.00 per share are not included because they will be cancelled for no consideration) held by our effective officers and directors as of May 26, 2006 and the approximate consideration that each of them will receive pursuant to the merger agreement in connection with the cancellation of their options, based on the weighted average exercise prices of the options, assuming that the options are not exercised before the effective time of the merger:

	Number of Shares Underlying Unvested Options	Number of Shares Underlying Vested Options	Weighted Average Exercise Price of Options	Estimated Consideration (Before Withholding)
Non-Employee Directors:				
Paul W. Mikos		98,872	$ 14.77	$ 220,485
Gary Brahm	2,500	5,000	$ 10.03	$ 52,275
William D. Cvengros		12,500	$ 13.13	$ 48,375
Robert A. Elliott		7,500	$ 12.50	$ 33,750
Mary George	2,500	17,500	$ 12.31	$ 93,800
J. Michael Hagan		12,500	$ 12.10	$ 61,250
John B. Zaepfel		12,500	$ 13.13	$ 48,375
Robert E. McDonough, Sr.			$	$
Executive Officers:				
Greg D. Palmer	30,000		$ 11.23	$ 173,100
Monty A. Houdeshell		21,000	$ 9.71	$ 153,090
Gunnar B. Gooding		6,000	$ 9.71	$ 43,740
Janet L. Hawkins		6,000	$ 9.71	$ 43,740

Treatment of Restricted Stock

As of May 26, 2006, there were approximately 677,500 shares of the Company s common stock represented by restricted stock awards held by the Company s directors and executive officers. At the effective time of the merger, all such shares of restricted stock will be converted into the right to receive cash equal to $17.00 per share, without interest and less applicable withholding taxes.

The following table summarizes the restricted stock awards held by the Company s directors and executive officers as of May 26, 2006 and the approximate consideration that each of them will receive pursuant to the merger agreement in connection with the cancellation of such awards:

	Number of Shares of Restricted Stock	Estimated Consideration (Before Withholding)
Non-Employee Directors:		
Paul W. Mikos		$
Robert E. McDonough, Sr.		$
Gary Brahm		$
William D. Cvengros		$
Robert A. Elliott		$
Mary George		$
J. Michael Hagan		$
John B. Zaepfel		$
Executive Officers:		
Greg D. Palmer	250,000	$ 4,250,000
Monty A. Houdeshell	60,000	$ 1,020,000
Gunnar B. Gooding	35,000	$ 595,000
Janet L. Hawkins	25,000	$ 425,000

Change in Control Severance Agreements

The following executive officers of the Company have entered into an employment agreement or a change in control severance agreement (collectively, the change in control severance agreements) with the Company which provide that they may be entitled to certain payments as a result of a change in control:

- Greg D. Palmer, the Company s President and Chief Executive Officer;
- Monty A. Houdeshell, the Company s Senior Vice President, Chief Administrative Officer and Corporate Secretary;
- Gunnar B. Gooding, the Company s Senior Vice President, Human Resources and Legal Affairs; and
- Janet L. Hawkins, the Company s Senior Vice President, Sales and Marketing.

A change in control for purposes of the change in control severance agreements is defined to include the consummation of a merger involving the Company unless following such merger (i) more than 50% of the outstanding voting securities of the surviving entity are owned by the Company s shareholders immediately prior to the merger in substantially the same proportions as their ownership immediately prior to the merger, (ii) no person other than the surviving entity or its parent company owns more than 50% of the outstanding voting securities of the surviving entity, and (iii) at least a majority of the directors of the surviving entity were directors of the Company prior to the execution of the agreement providing for such merger. If consummated, the merger of Merger Sub with and into the Company would constitute a change in control within the meaning of the change in control severance agreements.

If an executive is terminated without cause (as defined below) or terminates employment for good reason (as defined below) within the protected period (as defined below) prior to a change in control, or within one year (two years in the case of Mr. Palmer) following a change in control, the executive will be entitled to the following payments and benefits:

Base Salary:

- Mr. Palmer will be entitled to receive a lump sum payment equal to 2.9 times the greater of his annual rate of base pay in effect immediately prior to the protected period or his annual rate of base pay in effect immediately prior to his termination of employment.

- The remaining executives will be entitled to receive a lump sum payment equal to 12 months (24 months in case of Mr. Houdeshell) of their annual rate of base pay at the greater of the monthly rate in effect immediately prior to the protected period or the monthly rate in effect immediately prior to their termination of employment.

Bonus:

- Mr. Palmer will be entitled to receive a lump sum payment equal to 2.9 times the maximum bonus he could earn for the fiscal year in which his termination of employment occurs if the Company achieved the highest possible level of performance for all applicable performance measures (determined with reference to his annual rate of base pay in effect prior to the protected period or prior to his termination of employment, whichever is greater).

- Mr. Houdeshell and Mr. Gooding will be entitled to receive a lump sum payment equal to 2.0 times and 1.0 times, respectively, their target bonus opportunity for the fiscal year in which their termination of employment occurs (determined with reference to their annual rate of base pay in effect prior to the protected period or prior to the termination of employment, whichever is greater).

- Ms. Hawkins will not be entitled to receive a payment under her change in control severance agreement with respect to her annual bonus for the fiscal year in which her termination of employment occurs.

Accelerated Vesting:

- The executives will be entitled to accelerated vesting of any outstanding stock option, restricted stock or other equity or equity-based award granted to them by the Company.

Continued Medical Coverage:

- The executives will be entitled to the continued provision of benefits under the Company s benefit plans (either directly or through reimbursement of premiums) until the earlier of 18 months (12 months for Mr. Gooding and Ms. Hawkins) after their termination of employment or their eligibility for medical coverage provided by a successor employer.

In connection with the severance payments and benefits described above, Mr. Palmer is also entitled to an additional payment (a gross-up payment) in the event that any payment or benefit provided to him would trigger excise taxes under Section 4999 of the Internal Revenue Code of 1986, as amended (the Code). The gross-up payment would be intended to put Mr. Palmer in the same after-tax position as had the excise taxes under Section 4999 of the Code not been triggered. If any payment or benefit to the remaining executives would trigger excise taxes under Section 4999 of the Code, such payments and benefits will be reduced (the cut-back) so that no excise tax is imposed. Notwithstanding the foregoing, if the cut-back would result in a reduction of payments or benefits to Mr. Houdeshell in excess of $40,000, then Mr. Houdeshell will not be subject to the cut-back, but rather will be entitled to receive a gross-up payment.

For purposes of the change in control severance agreements, the protected period commences on the date that serious and substantial discussions first take place to effect a change in control (which in no

event will commence earlier than the date that is six months prior to the change in control) and continues through and including the date of the change in control.

For purposes of the employment agreements, cause means the occurrence of any of the following:

- the executive is convicted of, or pleads guilty or *nolo contendere* to, a felony (other than traffic related offenses or as a result of vicarious liability);

- the executive engages in acts of fraud, material dishonesty or other acts of willful misconduct in the course of his or her duties;

- the executive willfully and repeatedly fails to perform or uphold his or her material fiduciary and other duties to the Company after having received notice from the Company of a perceived breach of the duty in question; or

- the executive engages in willful misconduct that is significantly injurious to the Company.

For purposes of the employment agreements, good reason means the occurrence of any of the following without the executive s consent:

- the assignment of the executive to duties materially inconsistent with the executive s authorities, duties, responsibilities and status as an officer of the Company, or a material reduction in the nature or status of the executive s authorities, duties and/or responsibilities (when such authorities, duties and/or responsibilities are viewed in the aggregate from their level in effect immediately prior to the protected period), other than an insubstantial and inadvertent act that is promptly remedied by the Company;

- a reduction in the executive s base salary as in effect immediately prior to the start of the protected period or as the same is increased from time to time;

- a reduction in the executive s aggregate annual bonus opportunities as in effect immediately prior to the start of the protected period or as the same may be increased from time to time;

- the failure of the Company to provide the executive with coverage and participation in the Company s employee welfare benefit and retirement plans on a basis no less favorable in the aggregate to the executive than the level of coverage and participation provided to similarly situated officers of the Company;

- the failure of the Company to obtain a satisfactory agreement from any successor to the Company to assume the obligations under the change in control severance agreements;

- any purported termination of the executive s employment for cause that is not effected pursuant to a proper notice of termination as contemplated by the change in control severance agreement; or

- the executive is informed that his or her principal place of employment will be relocated to a location that is more than 35 miles from the executive s principal place of employment at the start of the protected period.

The following table sets forth an estimate of the potential cash severance payments and the value of continued benefits that could be payable to the Company s executive officers as described above assuming, *for illustrative purposes only*, the executive officer s employment terminates without cause or for good reason on June 30, 2006:(1)

	Estimated Amount of Potential Cash Severance Payments(2)	Estimated Value of Benefits(2)(3)	Estimated Gross-up Payment(2)(4)	Total Estimated Consideration(2)
Greg D. Palmer	$ 3,054,515	$ 24,248	$ 1,749,206	$ 4,827,969
Monty A. Houdeshell	$ 886,973	$ 24,248	$	$ 911,221
Gunnar B. Gooding	$ 377,607	$ 16,165	$	$ 393,772
Janet L. Hawkins	$ 260,000	$ 16,165	$	$ 276,165

(1) The termination date of June 30, 2006 used to calculate the estimates set forth in the table is assumed for disclosure purposes only. The closing of the merger may occur before or after such date. In addition, as explained below in this section, some or all of the Company s executive officers may remain employed with the surviving corporation after the merger in which case severance benefits would not payable on such date (if at all).

(2) Estimates are subject to change based on the date of completion of the merger, date of termination of the executive officer, interest rates then in effect and certain other assumptions used in the calculation.

(3) Represents the estimated value of continuation of certain health and welfare benefit plan coverage.

(4) Includes the estimated gross-up payment due with respect to the accelerated vesting of equity-based awards as described in this section, as well as the estimated gross-up payment due with respect to severance benefits.

Greg Palmer Confidentiality and Non-Solicitation Agreement

In connection with the merger agreement, Mr. Palmer entered into a confidentiality and non-solicitation agreement with the Company pursuant to which Mr. Palmer promises to refrain from, among other things, disclosing the Company s confidential information, disparaging the Company or soliciting customers of the Company during his employment or thereafter, as well as from soliciting the Company s employees for a period of one year after his termination of employment. In consideration for these promises, Mr. Palmer will be entitled to a lump sum payment equal to $400,000 payable upon consummation of the merger, as well as to an additional $600,000 payable in twelve monthly installments commencing on the one-month anniversary of the closing of the merger. The Company s obligation to make the foregoing payments terminates in the event that Mr. Palmer materially breaches his obligations under the confidentiality and non-solicitation agreement.

Possible Continued Employment of Certain Executive Officers

Some employees of the Company, including some of the Company s executive officers, will remain employed by the surviving corporation following the merger unless their employment is terminated or they resign. As of the date of this proxy statement, none of the Company s executive officers has entered into any agreements with Parent or its affiliates regarding employment with the surviving corporation. Although no such agreements currently exist, the Company s executive officers who remain with the surviving corporation following the merger may, prior or after the closing of the merger, enter into new arrangements with Parent or its affiliates (which may amend their existing agreements) regarding employment with the surviving corporation. Executive officers who continue working for the surviving corporation or its affiliates, or who resign voluntarily without good reason, might not qualify to receive some of the benefits described above.

2006 Corporate Incentive Compensation Plan

Certain employees of the Company, including our executive officers, participate in the Company s 2006 Corporate Incentive Compensation Plan. In the event that a participant in the plan is employed by Parent, the Company or one of its subsidiaries as of the end of the Company s 2006 fiscal year, or is terminated by Parent, the Company or one of its subsidiaries without cause (as defined in the merger agreement) prior thereto, the participant will be entitled to receive a prorated portion of the annual bonus payment such participant would otherwise have been entitled to receive under the plan. For purposes of determining the prorated bonus payment to which each participant is entitled, the aggregate bonus payable under the plan to such participant will be multiplied by a fraction, the numerator of which is the total number of days in the Company s 2006 fiscal year as of the effective time of the merger, and the denominator of which is the total number of days in the Company s 2006 fiscal year. The actual amount of bonuses paid under the plan will depend upon the Company s performance during its 2006 fiscal year.

Deferred Compensation Plans

It is expected that at the effective time of the merger, the Company will terminate all of its non-qualified deferred compensation plans in which our executive officers or directors participate and will cause all accounts thereunder to be distributed to participants.

The following table shows the account balances in such non-qualified deferred compensation plans of our executive officers and directors as of May 26, 2006:

	Unvested Account Balances	**Vested Account Balances**
Non-Employee Directors:		
Paul W. Mikos	$	$
Robert E. McDonough, Sr.	$	$
Gary Brahm	$	$ 35,142
William D. Cvengros	$	$ 130,360
Robert A. Elliott	$	$ 204,180
Mary George	$	$ 179,612
J. Michael Hagan	$	$ 130,360
John B. Zaepfel	$	$ 130,360
Executive Officers:		
Greg D. Palmer	$	$ 1,810,997
Monty A. Houdeshell	$	$
Gunnar B. Gooding	$	$ 206,775
Janet L. Hawkins	$	$

The vested account balances for non-employee directors represent annual board retainer fees deferred by those directors. At the closing of the merger the non-employee directors will become eligible to receive a pro rata portion of their annual board retainer fees for the portion of the year between the 2006 annual meeting of shareholders and the closing.

McDonough Voting Agreement

The voting agreement entered into between Robert E. McDonough, Sr., on the one hand, and Parent and Merger Sub, on the other hand, provides that in consideration of Mr. McDonough s covenants and agreements in the voting agreement, during the period from December 3, 2007, the date of expiration of that certain Amended and Restated Employment Agreement between the Company and Mr. McDonough, dated as of January 7, 1998 as amended, until the 18-month anniversary of such date, Parent will, or will cause the surviving corporation to, provide medical insurance benefits to Mr. McDonough on substantially the same terms provided to other executive officers of Parent.

Indemnification and Insurance

The merger agreement provides that Parent will cause the surviving corporation to indemnify and hold harmless each current and former director, officer, employee and agent of the Company and its subsidiaries (the indemnified parties) against any amounts (including reasonable attorneys fees) paid in settlement in connection with any matter related to the transaction, including, to the extent permitted by law, liabilities arising under the Securities Exchange Act of 1934 (the Exchange Act). The surviving corporation will, for a period of not less than six years, continue in effect the indemnification provisions currently provided by RemedyTemp s Amended and Restated Articles of Incorporation and the Amended and Restated Bylaws in effect on May 10, 2006.

For a period of at least six years after the effective time, Parent will cause the surviving corporation to maintain or obtain directors and officers liability insurance covering those persons (but only those persons) who are covered by such policies as of May 10, 2006 on terms not less favorable than those in effect on that date in terms of coverage and amounts; provided, however, that in no event will Parent or the surviving corporation be required to pay an annual premium on such insurance policy that is greater than 150 percent of the annual premium payable by RemedyTemp as of May 10, 2006 for such coverage. If such coverage is no longer available (or is only available for an amount in excess of 150 percent of the annual premium), Parent and the surviving corporation will nevertheless be obligated to provide such coverage as may be obtained for such 150 percent amount. To the extent that the Company can obtain for an aggregate premium of $500,000 or less a six-year tail policy containing terms and conditions that are no less advantageous than those contained in the terms and conditions of RemedyTemp s directors and officers insurance policies in effect as of May 10, 2006, then Parent and the surviving corporation will purchase such policy.

These provisions are intended to be for the benefit of, and are enforceable by, the indemnified parties and their heirs and personal representatives and will be binding on Parent and the surviving corporation and its successors and assigns.

Financing of the Merger

In connection with the execution and delivery of the merger agreement, Parent has entered into a financing commitment letter agreement, dated May 10, 2006, with Goldman Sachs Credit Partners, L.P. and Bank of the West to provide the Parent (i) up to $215.0 million of term loans under a senior secured term facility (the Term Facilities) and (ii) up to $85.0 million of revolving loan commitments under a senior secured revolving facility (the Revolving Facility and together with the Term Facilities, the Secured Facilities). Goldman Sachs Credit Partners, L.P. will act as sole lead arranger, sole bookrunner, syndication agent and administrative agent for the Secured Facilities and Bank of the West will act as co-syndication agent.

Use of Proceeds and Availability

The proceeds of the Term Facilities and up to $32.4 million (exclusive of up to $31.5 million of existing letters of credit of RemedyTemp) under the Revolving Facility are expected to be available to finance the merger, to repay or refinance the Parent s existing credit facilities, to replace existing letters of credit of the Company, and to pay fees and expenses incurred in connection with the merger on the closing date. Thereafter, revolving loans would be available for ongoing working capital and general corporate purposes (including permitted acquisitions and permitted capital expenditures). It is contemplated that the Revolving Facility will include a letter of credit sub facility and a swingline subfacility, in each case in amounts to be determined. The documentation governing the Secured Facilities has not been finalized and the actual terms, amounts and uses of the Secured Facilities may differ from those described in this proxy statement.

Conditions Precedent to the Financings

The commitment letter conditions the availability of the financing upon the consummation of the merger by November 10, 2006, as well as all of the following conditions:

(i) since May 10, 2006, the absence of any event, occurrence, development or circumstance that results, or would reasonably be expected to result, in a material adverse effect (as defined in the commitment letter);

(ii) there shall not have occurred any disruption (including, without limitation, a declaration of war), as determined by Goldman Sachs Credit Partners, L.P. and Bank of the West in their reasonable discretion, in the financial or capital markets generally, or in the markets for bank loans in particular or affecting the syndication or funding of bank loans that could reasonably be expected to have a material adverse impact on the ability of Goldman Sachs Credit Partners, L.P. and Bank of the West to successfully syndicate the Secured Facilities;

(iii) each of Goldman Sachs Credit Partners, L.P. and Bank of the West not becoming aware after May 10, 2006 of any information or other matter not previously disclosed to it that is, in its reasonable determination, inconsistent in a manner that is materially adverse to the interests of Goldman Sachs Credit Partners, L.P. or Bank of the West, respectively; provided that if such information does not specifically relate to RemedyTemp, such information must rise to the level of a material adverse effect (as defined in the commitment letter); and provided further that if such information specifically relates to RemedyTemp, such information must relate to facts or circumstances arising prior to May 10, 2006;

(iv) the consummation of the merger in accordance with the merger agreement (without amendment, waiver or modification, unless consented to by Goldman Sachs Credit Partners, L.P. and Bank of the West);

(v) RemedyTemp s EBITDA (as defined in the commitment letter) for the latest twelve-month period ended more than 15 days prior to the Closing date being not less than $8.0 million;

(vi) the receipt of the necessary governmental, shareholder and third party approvals and consents;

(vii) the absence of any default or event of default (giving pro forma effect to the merger) under the definitive documentation for the Secured Facilities; and

(viii) other customary closing conditions.

Additionally, Parent and the Company have agreed to assist Goldman Sachs Credit Partners, L.P. and Bank of the West with the preparation and presentation of an information package relating to the Secured Facilities that is reasonably satisfactory to Goldman Sachs Credit Partners, L.P. and Bank of the West to be completed at least 20 days prior to the closing of the merger. Also, the Parent and RemedyTemp must have on hand at least $17.0 million of unrestricted cash at the closing of the merger.

Other

The commitment letter provides for all obligations under the Secured Facilities to be guaranteed by each of Parent s existing and subsequently acquired or organized domestic (and to the extent no material adverse tax consequences would result therefrom, foreign) subsidiaries and would be secured by substantially all present and future assets of Parent and each guarantor.

The Secured Facilities are expected to include certain customary representations and warranties, mandatory prepayment provisions, affirmative and negative covenants, and financial covenants including a minimum fixed charge coverage ratio, minimum EBITDA, maximum capital expenditures and a maximum total leverage ratio.

In addition, the Secured Facilities are expected to contain customary events of default, including payment defaults, defaults under other agreements or instruments of material indebtedness, noncompliance with covenants, breaches of representations and warranties, bankruptcy, judgments in excess of specified amounts, ERISA, impairment of security interests, invalidity of guarantees and change of control events.

Amendment to the Company s Rights Agreement

On July 10, 1996, the Company entered into a rights agreement with American Stock Transfer & Trust Company, as rights agent, in order to ensure that any strategic transaction undertaken by the Company would be one in which all shareholders can receive fair and equal treatment and to guard against coercive or other abusive takeover tactics that might result in unequal treatment of the Company s shareholders. In general, the rights agreement imposes a significant penalty upon any person or group that acquires 15 percent or more of the Company s outstanding common stock without the approval of our board of directors (an Acquiring Person).

On May 10, 2006, prior to executing the merger agreement, the Company and the rights agent entered into an amendment to the rights agreement. The amendment provides that: (i) none of Parent, Merger Sub, nor any of their affiliates or associates will be deemed for purposes of the rights agreement an Acquiring Person and (ii) neither a Stock Acquisition Date nor a Distribution Date (each as defined in the rights agreements) will be deemed to occur, and the Rights, as defined in the recitals to the rights agreement, will not separate from the common stock of the Company, in each case as a result of the execution, delivery or performance of the merger agreement, or the consummation of the transactions contemplated by the merger agreement.

In addition, the amendment provides that the rights agreement will terminate immediately before, and contingent upon, the effective time of the merger.

Federal Regulatory Matters

The HSR Act provides that transactions such as the merger may not be completed until certain information has been submitted to the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice and specified waiting period requirements have been satisfied. On May 17-18, 2006, the Company and Parent made the required filings with the Antitrust Division and the Federal Trade Commission. The applicable waiting period will expire on June 19, 2006, unless early termination is granted with respect to the required filings, or the waiting period is extended by additional requests for documents or information.

At any time before or after consummation of the merger, the Antitrust Division of the Department of Justice or the Federal Trade Commission may, however, challenge the merger on antitrust grounds. Private parties could take action under the antitrust laws, including seeking an injunction prohibiting or delaying the merger, divestiture or damages under certain circumstances. Additionally, at any time before or after consummation of the merger, notwithstanding the expiration or termination of the applicable waiting period, any state could take action under its antitrust laws as it deems necessary or desirable in the public interest. There can be no assurance that a challenge to the merger will not be made or that, if a challenge is made, the Company, Parent and Merger Sub will prevail.

Under the merger agreement, the Company, Parent and Merger Sub have agreed to take all actions reasonably necessary to obtain the approval of the merger and the other transactions contemplated by the merger agreement under the HSR Act and any other applicable laws governing competition. In addition, the Company, Parent and Merger Sub have each agreed to use its commercially reasonable efforts to cooperate with the other parties in connection with the filing under the HSR Act, and to respond as

promptly as practicable to all requests or inquiries received from the Department of Justice or the Federal Trade Commission for additional documentation or information in connection with the filing.

Except as noted above with respect to the required filings under the HSR Act, and the filing of an agreement of merger, together with accompanying officers certificates, in California at or before the effective date of the merger, we are unaware of any material federal, state or foreign regulatory requirements or approvals required for the execution of the merger agreement or completion of the merger.

Material U.S. Federal Income Tax Consequences

The following discussion summarizes the material U.S. federal income tax consequences of the merger that are generally applicable to United States holders (as defined below) of RemedyTemp common stock. This discussion is based on currently existing provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the Code in this proxy statement, existing and proposed Treasury Regulations promulgated under the Code, and current administrative rulings and court decisions, all of which are subject to change, possibly with retroactive effect. This discussion does not address state, local or foreign tax consequences that may be applicable to the parties specified in the first sentence of this paragraph, and such parties should consult their own tax advisors with respect to such consequences.

The following discussion applies only to United States holders (as defined below) of RemedyTemp common stock who hold such shares as capital assets. This discussion may not apply to United States holders who may be subject to special treatment under the Code, such as banks and other financial institutions, insurance companies, tax-exempt investors, regulated investment companies, real estate investment trusts, persons subject to the alternative minimum tax, persons who hold their RemedyTemp common stock as part of a position in a straddle or as part of a hedging or conversion transaction, persons who are deemed to sell their RemedyTemp common stock under the constructive sale provisions of the Code, shareholders that elect to use a mark-to-market method of accounting for their securities holdings, persons that have a functional currency other than the U.S. dollar, persons who acquired RemedyTemp common stock pursuant to the exercise of employee stock options or other compensation arrangements expatriates, S corporations, entities classified as partnerships for U.S. federal income tax purposes or shareholders who hold RemedyTemp common shares as dealers. All such United States holders should consult their own tax advisors concerning the U.S. federal income tax consequences of the merger to their particular situations.

Tax matters are very complex and the tax consequences of the merger to you will depend on the facts of your particular situation. You should consult your tax advisor for a full understanding of the tax consequences of the merger to you, including the federal, state, local and foreign tax consequences of the merger.

If a partnership holds RemedyTemp common stock, the tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner of a partnership holding RemedyTemp common stock should consult his, her or its tax advisors.

For purposes of this discussion, a United States holder means a holder that is (1) a citizen or resident of the United States for federal income tax purposes, (2) a corporation (or other entity treated as an association taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state, (3) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (4) a trust if (a) a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

United States Holders

In general, United States holders of RemedyTemp common stock who receive cash in exchange for their shares pursuant to the merger will recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between their adjusted tax basis in their shares and the amount of cash received. If a shareholder holds RemedyTemp common stock as a capital asset, the gain or loss should generally be a capital gain or loss. If the shareholder has held the shares for more than one year, the gain or loss should generally be a long-term gain or loss. The deductibility of capital losses is subject to limitations. Gain or loss must be calculated separately for each block of RemedyTemp common stock exchanged for cash in the merger.

In general, shareholders who receive cash in connection with the exercise of their dissenters rights will recognize gain or loss. Any shareholder considering exercising statutory dissenters rights should consult with his or her own tax advisor.

United States holders of RemedyTemp common stock may be subject to backup withholding at a rate of 28 percent on cash payments received in exchange for shares in the merger or received upon the exercise of dissenters rights. Backup withholding generally will apply only if the shareholder fails to furnish a correct social security number or other taxpayer identification number, or otherwise fails to comply with applicable backup withholding rules and requirements. Corporations generally are exempt from backup withholding. United States holders should complete and sign the substitute Form W-9 that will be part of the letter of transmittal to be returned to the paying agent following the completion of the merger to provide the information and certification necessary to avoid backup withholding.

Fees and Expenses of the Merger

We estimate that we will incur, in connection with the sale of the Company, transaction-related fees and expenses totaling approximately $3.6 million. This amount consists of the following estimated fees and expenses:

Financial Advisor Fees and Expenses	$2,750,000
Legal, Accounting and Other Professional Fees	$700,000
Printing, Proxy Solicitation and Mailing Costs	$100,000
Filing Fees	$18,080
Miscellaneous	$31,920

None of these costs and expenses will reduce the $17.00 per share merger consideration payable to holders of RemedyTemp common stock or the amount payable to stock option holders.

In addition, if the merger agreement is terminated under certain circumstances, RemedyTemp will be obligated to pay a termination fee of $5.6 million as directed by Parent. See The Merger Agreement Termination Fees and Expenses.

THE MERGER AGREEMENT

This section of the proxy statement describes the material provisions of the merger agreement, but does not purport to describe all the provisions of the merger agreement. We urge you to read the full text of the merger agreement because it is the legal document that governs the merger. The merger agreement attached as Annex A and incorporated by reference into this document has been included to provide you with information regarding its terms. It is not intended to provide any other factual information about us. Such information can be found elsewhere in this proxy statement and in the other public filings we make with the Securities and Exchange Commission, which are available without charge at www.sec.gov.

The merger agreement contains representations and warranties we, on the one hand, and Parent and Merger Sub, on the other hand, have made to each other as of specific dates. These representations and warranties have been made for the benefit of the other parties to the merger agreement and may be intended not as statements of fact but rather as a way of allocating the risk to one of the parties if those statements prove to be incorrect. In addition, the assertions embodied in our representations and warranties are qualified by information in confidential disclosure schedules that we have provided to Parent in connection with signing the merger agreement. While we do not believe that these schedules contain information required to be publicly disclosed by us under the applicable securities laws other than information that has already been so disclosed, the disclosure schedules do contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the attached merger agreement. Accordingly, you should not rely on the representations and warranties as current characterizations of factual information about us, since they were made as of specific dates, may be intended merely as a risk allocation mechanism between us and Parent, and are modified in important part by the underlying disclosure schedules.

Form of the Merger

If all of the conditions to the merger are satisfied or waived in accordance with the merger agreement, Merger Sub, a wholly owned subsidiary of Parent created solely for the purpose of engaging in the transactions contemplated by the merger agreement, will merge with and into RemedyTemp. The separate corporate existence of Merger Sub will cease, and RemedyTemp will survive the merger and will become a wholly owned subsidiary of Parent. We sometimes refer to RemedyTemp after the merger as the surviving corporation.

Structure of the Merger

At the effective time of the merger, Merger Sub will merge with and into RemedyTemp. Upon completion of the merger, Merger Sub will cease to exist as a separate entity and RemedyTemp will continue as the surviving corporation. All of RemedyTemp s and Merger Sub s properties, assets, rights, privileges, immunities, powers and purposes, and all of their liabilities, obligations and penalties, will become those of the surviving corporation. Following the completion of the merger, RemedyTemp s common stock will be delisted from the NASDAQ National Market and deregistered under the Exchange Act.

Effective Time

The effective time of the merger will occur at the time that we file an agreement of merger with the Secretary of State of the State of California on the closing date of the merger. The closing date will occur no later than the later of the second business day following the satisfaction or waiver of the conditions set forth in the merger agreement. RemedyTemp intends to complete the merger as promptly as practicable, subject to receipt of shareholder approval and all requisite regulatory approvals. We refer to the time at which the merger is completed as the effective time. Although RemedyTemp expects to complete the

merger during its fourth fiscal quarter ending October 1, 2006, we cannot specify when, or assure you that, RemedyTemp and Parent will satisfy or waive all conditions to the merger.

Articles of Incorporation and Bylaws

The articles of incorporation and the bylaws of the surviving corporation will be amended as of the effective time of the merger in the form of Exhibit A and Exhibit B, respectively, to the merger agreement which is attached hereto as Annex A.

Board of Directors and Officers of the Surviving Corporation

The initial directors of the surviving corporation will be the directors of Merger Sub immediately following the merger. RemedyTemp s officers will be the initial officers of the surviving corporation immediately following the merger.

Consideration to be Received in the Merger

Outstanding Shares of Common Stock

At the effective time of the merger, each share of our common stock issued and outstanding immediately before the effective time of the merger will automatically be cancelled and converted into the right to receive $17.00 in cash, other than shares of common stock:

- owned by us as treasury stock immediately before the effective time of the merger, all of which will be cancelled without any payment;

- owned by Parent or Merger Sub or any other wholly owned subsidiary of Parent or Merger Sub immediately before the effective time of the merger, all of which will be cancelled without any payment;

- owned by any of our wholly owned subsidiaries immediately before the effective time of the merger, all of which will be cancelled without any payment; and

- held by a shareholder who is entitled to demand and has made a demand to exercise dissenters rights with respect to such shares in accordance with the General Corporation Law of the State of California and has not voted in favor of approval of the principal terms of the merger agreement, including the merger, until such time as such holder withdraws, fails to perfect or otherwise loses such holder s dissenters rights under the General Corporation Law of the State of California.

Stock Options

The merger agreement provides that at the effective time of the merger, each stock option that is outstanding before the effective time under the Amended and Restated RemedyTemp Inc. 1996 Stock Incentive Plan or any other Company stock option plan, or granted other than pursuant to a Company stock option plan, will be cancelled and converted into the right to receive cash (subject to applicable withholding taxes) equal to (1) the excess, if any, of $17.00 per share over the per share exercise or purchase price of such outstanding stock option, multiplied by (2) the number of shares underlying such option.

Payment Procedures

Before the effective time of the merger, Parent will appoint an exchange agent that will pay the merger consideration in exchange for certificates representing shares of the Company s common stock. At the effective time of the merger, the surviving corporation will deposit with the exchange agent an amount of cash equal to the aggregate merger consideration. The exchange agent will pay the per share merger consideration, less any applicable withholding taxes, to RemedyTemp s shareholders promptly following

the exchange agent s receipt of the stock certificates and a properly completed letter of transmittal. No interest will be paid or accrued on the cash payable upon the surrender or any such stock certificate. Any funds that have not been distributed within one year after the effective time of the merger will be distributed to the surviving corporation and shareholders who have not complied with the instructions to exchange their certificates will be entitled to look only to the surviving corporation for payment of the applicable per share merger consideration, without interest.

You should not return your stock certificates with the enclosed proxy card, and you should not return your stock certificates to the exchange agent without a letter of transmittal.

The exchange agent and the surviving corporation will be entitled to deduct and withhold from the consideration otherwise payable to any holder of the Company s common stock any applicable withholding taxes that it is required to deduct and withhold with respect to making such payment under the Code, or any other applicable state, local or foreign tax law. RemedyTemp shareholders are entitled to assert dissenters rights instead of receiving the merger consideration. For a description of these dissenters rights, see Dissenters Rights below beginning on page 55.

Representations and Warranties

The representations and warranties that RemedyTemp made to Parent and Merger Sub in the merger agreement relate to, among others things:

- corporate matters, including due organization, power and qualification;
- RemedyTemp s subsidiaries;
- RemedyTemp s capitalization;
- authorization, execution, delivery and performance and the enforceability of the merger agreement and related matters;
- absence of conflicts with, or violations of, organizational documents or other obligations as a result of the execution and delivery of the merger agreement and the consummation of the transactions contemplated by the merger agreement;
- identification of required governmental filings and consents;
- accuracy of information contained in registration statements, reports and other documents that RemedyTemp files with the SEC, the compliance of RemedyTemp s filings with the regulations promulgated by the SEC and with applicable federal securities law requirements and, with respect to financial statements included in such filings, generally accepted accounting principles;
- establishment and maintenance of disclosure controls and procedures required under applicable federal securities laws and the filing of all certifications required by applicable provisions of the Sarbanes-Oxley Act of 2002;
- absence of certain material liabilities;
- franchise matters;
- absence of certain changes or events;
- conduct of RemedyTemp s business;
- tax matters;

- intellectual property matters;
- possession of permits and compliance with law;
- litigation matters;

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- brokers and finders fees;
- employee benefit plans;
- environmental matters;
- RemedyTemp s material contracts and key customer relationships;
- Board approval and Board recommendation to RemedyTemp s shareholders to approve the merger agreement and the related transactions;
- receipt of a fairness opinion from RemedyTemp s financial advisors;
- amendment of RemedyTemp s rights agreement;
- owned and leased property and personal property;
- absence of transactions with affiliates;
- labor and employment matters;
- the information provided for inclusion in RemedyTemp s proxy statement being free from material misstatements and omissions;
- inapplicability of any anti-takeover statute or regulation or any restrictive provision of the organization documents of the Company and its subsidiaries;
- insurance matters; and
- requisite shareholder vote.

In addition, each of Parent and Merger Sub made representations and warranties to RemedyTemp regarding, among others:

- corporate matters, including due organization, power and qualification;
- authorization, execution, delivery and performance and the enforceability of the merger agreement and related matters;
- absence of conflicts with, or violations of, organizational documents or other obligations as a result of the execution and delivery of the merger agreement and the consummation of the transactions contemplated by the merger agreement;
- brokers and finders fees;
- the information to be provided by Parent and Merger Sub for inclusion in RemedyTemp s special meeting proxy statement being free from material misstatements and omissions;
- the commitment letter by and among Parent, Goldman Sachs Credit Partners, L.P. and Bank of the West, including that the commitment letter is in full force and effect and that no event has occurred which, with or without

notice, lapse of time or both, would constitute a default or breach on the part of Parent or Merger Sub under any term or condition of the commitment letter other than to the extent the term or condition relates to RemedyTemp or any of its subsidiaries;

- absence of certain prior activities by Merger Sub; and
- no reliance on representations and warranties not included in the merger agreement.

Covenants Relating to the Conduct of RemedyTemp s Business

From the date of the merger agreement through the effective time of the merger, unless Parent and Merger Sub have otherwise agreed in writing, RemedyTemp has agreed, and has agreed to cause its subsidiaries, to operate in the ordinary course consistent with past practice and use its commercially

reasonable efforts to preserve substantially intact its business organizations, to keep available the services of the present officers, employees and consultants of RemedyTemp and its subsidiaries, to preserve the present relationships of RemedyTemp and its subsidiaries with customers, clients, suppliers and other persons with which RemedyTemp and its subsidiaries have significant business relations, and to pay all applicable taxes when due and payable.

During the same period, RemedyTemp has also agreed that, subject to certain exceptions, it will not and will not permit its subsidiaries to take certain actions without the prior written consent of Parent, which consent will not be unreasonably withheld, delayed or conditioned. Such prohibited actions include, among others:

- amending RemedyTemp s articles of incorporation or bylaws or those of its subsidiaries;

- declaring or paying any dividend or other distribution;

- purchasing, redeeming or otherwise acquiring shares of its or its subsidiaries capital stock;

- issuing, pledging, selling, or otherwise disposing of or encumbering (i) any shares of its capital stock, (ii) securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of its capital stock, or (iii) other securities of RemedyTemp or its subsidiaries, other than shares issued upon exercise of options outstanding on the date the merger agreement was executed;

- splitting, combining or reclassifying any of its outstanding capital stock or issuing, authorizing or proposing the issuance of any other securities in respect of, in lieu of or in substitution for, shares of its capital stock;

- acquiring or agreeing to acquire any business or entity or otherwise acquiring or agreeing to acquire any assets that are material to RemedyTemp s business other than in the ordinary course of business consistent with past practice;

- except for certain stated exceptions, (i) adopting, terminating, amending or increasing the amount or accelerating the payment or vesting of any benefit or award or amount payable under any employee benefit plan or other arrangement for the current or future benefit or welfare of any director, officer or employee, other than in the case of employees who are not officers or directors, but in that event only to the extent such action is in the ordinary course of business consistent with past practice, (ii) increasing in any manner the compensation or fringe benefits of, or paying any bonus to, any director or officer or, other than in the ordinary course of business consistent with past practice, (iii) other than benefits accrued through the date of the merger agreement and other than in the ordinary course of business for employees other than officers or directors of the Company, paying any benefit not provided for under any employee benefit plan as in effect on the date of the merger agreement, (iv) other than bonuses earned through the date of the merger agreement and other than in the ordinary course of business consistent with past practice for employees other than officers and directors, granting any awards under any bonus, incentive, performance or other compensation plan or arrangement or employee benefit plan; *provided that* there will be no grant or award to any director, officer or employee of stock options, restricted stock, stock appreciation rights, stock based or stock related awards, performance units, units of phantom stock or restricted stock, or any removal of existing restrictions in any employee benefit plan or agreements or awards made thereunder or (v) taking any action to fund or in any other way secure the payment of compensation or benefits under any employee plan, agreement, contract or arrangement or employee benefit plan;

- waiving, releasing or assigning any material rights under any material contract other than in the ordinary course of business;

- amending, entering into or terminating any material contract, other than in the ordinary course of business;

- paying, discharging, satisfying, settling, or compromising any claim, litigation, liability, obligation or any legal proceeding (except for settlements or compromises involving less than $250,000 individually or $500,000 in the aggregate, including all fees, costs and expenses associated therewith but excluding from such amounts any contribution from any insurance company or other parties to the litigation);

- outsourcing any operations of the Company or its subsidiaries, including with respect to information technology systems;

- transferring, leasing, licensing, selling, mortgaging, pledging, disposing of, encumbering or subjecting to any lien any material property or assets or cease to operate any material assets, other than sales of excess or obsolete assets in the ordinary course of business consistent with past practice;

- incurring or modifying any material indebtedness or other material liability, or assuming, guaranteeing, endorsing or otherwise becoming liable or responsible for the obligations of any other person except in the ordinary course of business and consistent with past practice, or making any loans, advances or capital contributions to, or investments in, any other person (other than customary loans or advances to employees in accordance with past practice);

- changing any accounting policies or procedures, unless required by a change in applicable law or GAAP;

- making any material tax election or change in any material tax election, amending any tax returns or entering into any settlement or compromise of any material tax liability of the Company or its subsidiaries;

- entering into any negotiation with respect to, or adopting or amending in any respect, any collective bargaining agreement, labor agreement, work rule or practice, or any other labor-related agreement or arrangement;

- entering into any material agreement or arrangement with any of its officers, directors, employees or any affiliate or associate of any of its officers or directors (as such terms are defined in Rule 405 under the Securities Act);

- entering into any agreement, arrangement or contract to allocate, share or otherwise indemnify for taxes;

- making, authorizing or agreeing to make any material capital expenditures, or entering into any agreement or agreements providing for payments;

- redeeming the rights outstanding under the Shareholder Rights Agreement dated as of July 10, 1996 by and between the Company and American Stock Transfer & Trust Company, or amending, modifying or terminating the Rights Agreement (other than as contemplated by the Merger Agreement) or rendering it inapplicable to any person or action other than as applicable to the merger agreement and the merger, or permitting the rights under the Rights Agreement to become non-redeemable at the redemption price currently in effect;

- paying any prepaid expense of the Company or any of its subsidiaries, other than in the ordinary course of business consistent with past practice; or

- entering into any agreement, contract, commitment or arrangement to take any of the actions described above.

Preparation of Proxy Statement; Shareholders Meeting and Board Recommendation

RemedyTemp agreed that, promptly after the execution of the merger agreement, it would prepare and file with the SEC a preliminary proxy statement, together with a form of proxy. RemedyTemp further agreed that promptly after the proxy statement and form of proxy were cleared with the SEC it would mail the definitive proxy statement and form of proxy to its shareholders.

Parent and Merger Sub agreed to cooperate with RemedyTemp in connection with the preparation of the proxy statement including, but not limited to, furnishing to the Company any and all information regarding Parent, Merger Sub and their respective affiliates as may be required to be disclosed in the proxy statement.

RemedyTemp will take all action necessary in accordance with applicable law and its Amended and Restated Articles of Incorporation and Amended and Restated Bylaws to call, hold and convene a meeting of its shareholders to consider the approval of the principal terms of the merger agreement, including the merger, as soon as practicable after the execution of the merger agreement. Except where the Board s recommendation in favor of the approval of the principal terms of the merger agreement, including the merger, has been withdrawn in accordance with the merger agreement, RemedyTemp will use commercially reasonable efforts to solicit proxies in favor of the approval of the principal terms of the merger agreement, including the merger. The merger agreement provides that the proxy statement will include the recommendation of the board of directors that the shareholders adopt the merger agreement, subject to the exceptions described below under Acquisition Proposals.

Acquisition Proposals

The merger agreement provides that, until the effective time of the merger or six months from execution of the merger agreement (whichever is earlier), RemedyTemp and its subsidiaries will not, and will use commercially reasonable efforts to cause its each of its subsidiaries officers, directors, employees, advisors and agents not to, directly or indirectly:

- knowingly solicit, initiate or encourage any inquiry or proposal that constitutes or could reasonably be expected to lead to a competing acquisition proposal;

- provide any non-public information or data to any person relating to or in connection with a competing acquisition proposal, engage in any discussions or negotiations concerning a competing acquisition proposal, or otherwise intentionally facilitate any effort or attempt to make or implement a competing acquisition proposal;

- approve, recommend, agree to or accept, or propose publicly to approve, recommend, agree to or accept, or execute or enter into any competing acquisition proposal; or

- approve, recommend, agree to or accept, or propose to do any of the foregoing, or execute or enter into any letter of intent, agreement in principle, merger agreement, acquisition agreement, option agreement or other similar agreement related to any competing acquisition proposal.

However, before the approval of the principal terms of the merger agreement, including the merger, by the Company s shareholders, RemedyTemp would be permitted to engage in discussions or negotiations with, or provide any non-public information to a third party if the Company receives a bona fide acquisition proposal that is made after the date of the merger agreement, if (i) RemedyTemp s board of directors concludes in good faith (after consultation with its legal and financial advisors) that the terms of the proposal are more favorable to the Company s shareholders than the terms of the merger with Parent and Merger Sub; (ii) RemedyTemp s board of directors determines in good faith, after consulting with its financial advisors, that the proposal is or is reasonably likely to lead to a superior proposal; and (iii) RemedyTemp s board of directors concludes in good faith that the failure to engage in discussions or negotiations with the third party with respect to such acquisition proposal would be inconsistent with its

fiduciary obligations under applicable law. Before furnishing information with respect to itself to any person making a competing acquisition proposal, RemedyTemp must enter into a confidentiality agreement with such third party on terms no more favorable to the third party than those contained in the confidentiality agreement between RemedyTemp and Parent. Prior to providing any non-public information or data to any third party, RemedyTemp must promptly notify Parent of any such inquiry, proposal or offer received by, and any such information requested from, or any such discussions or negotiations sought to be initiated or continued with the Company, its subsidiaries, or any of their officers, directors, employees, advisors or agents. The notice must include the material terms and conditions of the proposal and the identity of the person making the proposal, and thereafter, RemedyTemp has agreed to keep Parent reasonably informed, on a reasonably prompt basis, of the status of such discussions or negotiations and will promptly notify Parent if a superior proposal has been made.

Until such time as RemedyTemp s shareholders adopt the merger agreement, RemedyTemp s board of directors may, if it concludes in good faith (after consultation with its legal advisors) that failure to do so would be inconsistent with its obligations to comply with its fiduciary duties under applicable law, withdraw its recommendation of the merger, but only at a time that is after the third business day following Parent s receipt of written notice from RemedyTemp advising Parent of its intention to do so. However, until the merger agreement has been terminated in accordance with its terms, the Company will comply with its obligations to hold a shareholder meeting and to use commercially reasonable efforts to solicit from shareholders proxies in favor of the merger and to take any action necessary or advisable to secure any vote or consent of shareholders required by the General Corporation Law of the State of California to effect the merger, regardless of whether RemedyTemp s board of directors withdraws, modifies or changes its recommendation regarding the merger agreement or recommends any other offer or proposal.

Nothing in the merger agreement prohibits RemedyTemp from disclosing to its shareholders a position with respect to a competing transaction proposal required by Rule 14e-2(a) promulgated under the Exchange Act or from making any disclosure to the Company s shareholders if the board of directors concludes in good faith, after consultation with its legal advisors, that the failure to take such would be inconsistent with its fiduciary obligations to the shareholders under applicable law, provided that neither RemedyTemp nor its board of directors will approve or recommend, or propose publicly to approve or recommend, an acquisition proposal unless RemedyTemp has first terminated the merger agreement in accordance with the terms thereof.

A competing acquisition proposal means any proposal, in each case other than the merger with Parent and Merger Sub or as otherwise specifically contemplated by the merger agreement, relating to (i) any merger, consolidation, share exchange, business combination, recapitalization or other similar transaction or series of related transactions involving the Company or any of its subsidiaries in which the holders of the voting stock of the Company immediately prior to such transaction do not own 50% or more of the voting stock of the continuing or surviving entity or the parent company of such entity, immediately after such transaction; (ii) any direct or indirect purchase or sale, lease, exchange, transfer or other disposition of the consolidated assets (including stock of the Company s subsidiaries) of the Company and its subsidiaries, taken as a whole, constituting a majority of the total consolidated assets of the Company and its subsidiaries, taken as a whole, or accounting for a majority of the total consolidated revenues of the Company and its subsidiaries, taken as a whole, in any one transaction or in a series of transactions; (iii) any direct or indirect purchase or sale of or tender offer, exchange offer or any similar transaction or series of related transactions engaged in by any person involving more than 15% of the outstanding shares of Company Common Stock; or (iv) any other substantially similar transaction or series of related transactions that would reasonably be expected to prevent or materially impair or delay the consummation of the transactions contemplated by the merger agreement.

A superior proposal means any proposal or offer made by a third party to acquire, directly or indirectly, by merger, consolidation or otherwise, for consideration consisting of cash and/or securities, at

least a majority of the shares of the Company Common Stock then outstanding or all or substantially all of the assets of the Company and its subsidiaries and otherwise on terms which the RemedyTemp s board of directors concludes in good faith (after consultation with its legal and financial advisors) are more favorable to the Company s shareholders than the merger with Parent and Merger Sub.

Confidentiality; Access to Information

RemedyTemp will afford Parent and Parent s accountants, counsel and other representatives and the anticipated sources of the financing (described below under Financing), reasonable access at all reasonable times to its directors, officers, employees and other representatives, and to all reasonably required information systems, contracts, books and records, and will make available or furnish all reasonably required financial, operating and other data and information. RemedyTemp and its subsidiaries have agreed to use their commercially reasonable efforts to cooperate with Parent regarding the planning and implementation of Parent s integration and rationalization program to be implemented commencing at the closing of the merger.

Each of Parent and Merger Sub agrees that it will, and will direct its affiliates and each of their respective officers, directors, employees, financial advisors, consultants and agents to hold in strict confidence all data and information obtained by them from the Company in accordance with the Confidentiality Agreement dated January 19, 2006 between the Company and Parent.

Public Announcements

The parties to the merger agreement have agreed not to issue any press release or otherwise make any public statements or announcements with respect to the merger and the other transactions contemplated by the merger agreement without the prior written consent of the other party, which consent will not be unreasonably conditioned, withheld or delayed, except as may be required by applicable law or any listing agreement with, or the policies of, a national securities exchange in which case the party proposing to issue the press release or announcement will use its reasonable efforts to consult with the other parties before any such issuance, to the extent practicable.

Regulatory Filings; Commercially Reasonable Efforts

Each party to the merger agreement has agreed to coordinate and cooperate with each other and use commercially reasonable efforts to comply with all legal requirements by making all filings, notices, petitions, statements or submissions of information required by any governmental entity (whether domestic or foreign) in connection with the merger, including filings under the HSR Act. In addition, each party to the merger agreement has agreed to take all actions reasonably necessary to consummate the merger. As soon as practicable but no later than 10 business days after execution of the merger agreement, the Company, Parent and Merger Sub have agreed to file Notification and Report Forms with the Department of Justice and the Federal Trade Commission with respect to the Merger.

Notification of Certain Matters

Each party to the merger agreement has agreed to give prompt notice to the other parties if any representation or warranty made by it contained in the merger agreement has become untrue or inaccurate or there has been any failure by it to materially comply with or satisfy any covenant, condition or agreement if the closing conditions related to such party s representations and warranties or covenants would not be satisfied. The notice called for under this provision will not limit or otherwise affect the remedies available under the merger agreement to any of the parties sending or receiving such notice. Upon the request of Parent, RemedyTemp has agreed to give written notice as promptly as practicable after receiving such a request setting forth all resignations by or terminations of certain individuals employed by the Company.

Indemnification

Subject to limitations on indemnification contained in the General Corporation Law of the State of California and RemedyTemp s Amended and Restated Articles of Incorporation, following the effective time, Parent will cause the surviving corporation to indemnify and hold harmless each of the current and former directors, officers, employees and agents of RemedyTemp or any of its subsidiaries (the indemnified parties) against any costs or expenses, judgments, liabilities and amounts paid in connection with any claim, action, suit, proceeding or investigation arising out of or pertaining to any of the transactions contemplated by the merger agreement. In the event of any such claim, action, suit, proceeding or investigation, (i) Parent will cause the surviving corporation to pay the reasonable fees and expenses of counsel selected by the surviving corporation, and reasonably satisfactory to the indemnified parties, promptly as statements therefor are received and (ii) Parent will cause the surviving corporation to cooperate in the defense of any such matter; *provided*, *however*, that neither Parent nor the surviving corporation will be liable for any settlement effected without its prior written consent (which consent will not be unreasonably withheld, delayed or conditioned); and, further provided, that neither Parent nor the surviving corporation will be obliged to pay the fees and disbursements of more than one counsel for all indemnified parties in any single action. In addition, neither Parent nor the surviving corporation nor any of the Company s subsidiaries will be required to indemnify any indemnified party that is determined to have engaged in fraud or intentional misconduct to the extent that, as a result thereof, the indemnified party has failed to meet the required standard of conduct for purposes of receiving indemnification under applicable law

For a period of not less than six years after the effective time, Parent will cause the surviving corporation to, maintain or obtain directors and officers liability insurance covering those persons who were covered by RemedyTemp s insurance policies as of May 10, 2006 on terms not less favorable than those in effect on such date. In no event will Parent or the surviving corporation be required to pay an annual premium on such insurance policy that is greater than 150 percent of the annual premium payable by RemedyTemp as of May 10, 2006 for such coverage, and in such case the surviving corporation will provide the maximum coverage that is then available for 150 percent of such annual premiums. To the extent the Company can obtain for an aggregate premium of $500,000 or less a six-year tail prepaid policy on the terms and conditions, in the aggregate, no less advantageous to the indemnified parties, or certain other individuals entitled to indemnification, than the existing directors and officers liability (and fiduciary) insurance maintained by the Company, covering, without limitation, the transactions contemplated by the merger agreement, then Parent and the surviving corporation will satisfy their obligations to provide directors and officers liability insurance by the Company purchasing such tail prepaid policy. If such tail prepaid policy has been obtained by the Company prior to the effective time (with the consent of Parent), Parent will cause the surviving corporation after the effective time to maintain such policy in full force and effect, for its full term, and to continue to honor its respective obligations thereunder.

The articles of incorporation and bylaws of the surviving corporation will, for a period of not less than six years from the effective time, contain indemnification provisions currently provided in RemedyTemp s Amended and Restated Articles of Incorporation and Amended and Restated Bylaws as in effect on May 10, 2006.

These provisions are intended to be for the benefit of, and are enforceable by, the indemnified parties and their heirs and personal representatives and will be binding on Parent and the surviving corporation and its successors and assigns.

Continuation of Employee Benefits

From and after the effective time of the merger, Parent has agreed to cause the surviving corporation and its subsidiaries to honor in accordance with their terms all existing employment, severance, consulting

and salary continuation agreements between the Company and any current or former officer, director, employee or consultant of the Company or group of such officers, directors, employees or consultants described in the disclosure schedule to the merger agreement. To the extent permitted by law, applicable tax qualification requirements and certain other limitations, each person party to any such agreement will receive service credit for purposes of eligibility to participate and vesting (but not for benefit accrual purposes) for employment, compensation and employee benefit plan purposes with the Company prior to the effective time.

In addition, after the effective time, the surviving corporation will, and Parent will cause the surviving corporation to, make payments to participants in the RemedyTemp, Inc. 2006 Corporate Incentive Compensation Plan in accordance with the terms of the Plan; provided, however, that each participant in the Plan that is either (i) employed by Parent, the Company or one of its subsidiaries as of the end of the Company s 2006 fiscal year or is (ii) terminated by Parent, the surviving corporation or one of its subsidiaries other than for cause prior to the end of the 2006 fiscal year, will be entitled to receive a prorated portion of the annual bonus payment such participant would be entitled to receive under the Plan as calculated in the disclosure schedule to the merger agreement. The surviving corporation will, and Parent will cause the surviving corporation to, make the required payment to each participant entitled to receive such a payment: (i) in the event the participant continues to be employed by Parent, the surviving corporation or one of its subsidiaries as of the end of the Company s 2006 fiscal year, on the first payroll date occurring after the end of the Company s 2006 fiscal year; and (ii) in the event the participant is terminated by Parent, the surviving corporation or any of its subsidiaries without cause, as soon as reasonably practicable after the participant s date of termination, but in any event within ten (10) business days thereafter. The Company acknowledges and agrees that the maximum amount payable under the Plan for the entire 2006 fiscal year will be $3.6 million. The parties to the merger agreement have agreed that the Plan will be terminated as of the effective time except to the extent required to make the payments described above and no further bonuses will accrue under the Plan. For purposes of the Plan, cause means the occurrence of any of the following: (A) the employee is convicted of, or pleads guilty or *nolo contendere* to, a felony (other than traffic related offenses or as a result of vicarious liability); or (B) the employee engages in acts of fraud, material dishonesty or other acts of willful misconduct in the course of his duties; or (C) the employee willfully and repeatedly fails to perform or uphold his material fiduciary and other duties to the surviving corporation after having received notice from the surviving corporation of a perceived breach of the duty in question; or (D) the employee engages in willful misconduct that is significantly injurious to the surviving corporation; provided, however, that for purposes of the foregoing clauses of this sentence no act, or failure to act, on the employee s part will be considered willful unless done, or omitted to be done, by the employee not in good faith and without reasonable belief that the employee s action or omission was in the best interest of the surviving corporation.

Financing

Parent and Merger Sub have agreed to use their commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to obtain the financing consistent with the terms specified and described in the commitment letter by and among Parent, Goldman Sachs Credit Partners, L.P. and Bank of the West, which letter was previously delivered to RemedyTemp, and otherwise on terms reasonably acceptable to Parent, including using commercially reasonable efforts to (i) maintain in effect the commitment letter, (ii) satisfy on a timely basis all conditions applicable to Parent to obtaining the financing set forth therein, (iii) enter into definitive agreements with respect thereto on or before the closing on the terms and conditions contemplated by the commitment letter or on such other terms as Parent reasonably determines, in good faith, are substantially comparable or more favorable to Parent and (iv) consummate the financing at or prior to closing. If any portion of the financing becomes unavailable on the terms and conditions contemplated in the commitment letter, Parent has agreed to use commercially reasonable efforts to promptly arrange

alterative debt financing from alternative sources in an amount sufficient to consummate the merger and on terms that Parent determines reasonably acceptable to Parent. At RemedyTemp s request, Parent will keep RemedyTemp reasonably informed with respect to all material activity concerning the debt financing. Parent will notify RemedyTemp within two business days if any financing source notifies Parent that it will no longer provide or underwrite its portion of the financing on the material terms set forth in the commitment letter or if the commitment letter expires or is terminated for any reason.

Upon a reasonable request made by Parent or Merger Sub, RemedyTemp will provide all cooperation reasonably necessary in connection with the arrangement of the financing contemplated in the commitment letter. Parent will reimburse RemedyTemp for all reasonable out-of-pocket costs incurred by RemedyTemp in connection with such cooperation.

Employee Stock Purchase Plan

The Company has agreed to cause the administrator of the Amended and Restated RemedyTemp, Inc. 1996 Employee Stock Purchase Plan (the ESPP) to promptly take all action necessary in accordance with the ESPP to accelerate the exercise date with respect to all outstanding options under the ESPP such that all such options will be exercisable immediately prior to the effective time. The Company will take all actions necessary pursuant to the terms of the ESPP in order to (i) ensure that no offering periods under the ESPP commence after the date of the merger agreement, (ii) permit participants in the ESPP to exercise, effective as of immediately prior to the effective time, any purchase rights existing immediately prior to the effective time under the ESPP to acquire shares of Company Common Stock at the purchase price set forth in the ESPP and (iii) refund to participants in the ESPP the funds that remain in the participants accounts after such purchase. At the effective time the Company will terminate the ESPP.

Takeover Statutes

If any takeover statute enacted under state or federal law will become applicable to the merger or any of the other transactions contemplated by the merger agreement, each of the Company, Parent and Merger Sub and the board of directors of each of the Company, Parent and Merger Sub have agreed to grant such approvals and take such actions as are necessary so that the merger and the other transactions contemplated by the merger agreement may be consummated as promptly as practicable on the terms contemplated by the merger agreement and otherwise use commercially reasonable efforts to eliminate or minimize the effects of such statute or regulation on the merger and the other transactions contemplated by the merger agreement.

Disposition of Litigation

In connection with any litigation which may be brought against the Company or its directors or officers relating to the transactions contemplated by the merger agreement, the Company has agreed to keep Parent and Merger Sub, and any counsel which Parent and Merger Sub may retain at their own expense, informed of the status of such litigation and will provide Parent s and Merger Sub s counsel the right to participate in the defense of such litigation to the extent Parent and Merger Sub are not otherwise a party thereto, and the Company has agreed that it will not enter into any settlement or compromise of any such litigation without Parent s and Merger Sub s prior written consent, which consent will not be unreasonably withheld, delayed or conditioned.

Delisting

Each of the Company, Parent and Merger Sub have agreed to cooperate with each other in taking, or causing to be taken, all actions necessary to delist RemedyTemp s common stock from the NASDAQ National Market and to terminate registration under the Exchange Act, provided that such delisting and termination will not be effective until after the effective time of the merger.

Conditions to the Merger

RemedyTemp s, Parent s and Merger Sub s obligations to effect the merger are subject to the satisfaction or waiver of the following conditions:

- RemedyTemp s shareholders must have adopted the merger agreement;

- the applicable waiting periods under the HSR Act must have expired or been terminated; and

- no statute, rule, regulation, judgment, writ, decree, order or injunction will have been promulgated, enacted, entered or enforced, and no other action will have been taken, by any court or governmental agency that in any of the foregoing cases has the effect of making illegal or directly or indirectly restraining or prohibiting the consummation of the merger.

In addition, the obligation of Parent and Merger Sub to effect the merger is subject to the satisfaction or waiver of the following conditions:

- RemedyTemp s representations and warranties in the merger agreement regarding capitalization must be true and correct as of the date of the merger agreement, provided, however, that this condition will be deemed satisfied to the extent that, after giving effect to the failure of such representation to be true and correct, the aggregate merger consideration that would be payable in respect of all shares of RemedyTemp s common stock actually issued and outstanding as of the date of the merger agreement plus the aggregate consideration payable in respect of all options actually issued and outstanding as of the date of the merger agreement would not exceed the aggregate consideration amount of $168,985,386 by more than $680,000;

- RemedyTemp s representations and warranties in the merger agreement other than those relating to capitalization must be true and correct at and as of the date of the merger agreement and as of the effective time of the merger (ignoring any materiality or similar qualifiers) as though made on and as of the effective time (except to the extent that any such representation and warranty expressly speaks as of a particular date or only with respect to a specific period of time, in which case such representation and warranty must be true and correct (ignoring any materiality or similar qualifiers) as of such earlier date or period of time), provided, however, that this condition will be deemed to have been satisfied even if RemedyTemp s representations and warranties are not true and correct, unless the failure of such representations and warranties to be true and correct, individually or in the aggregate, would reasonably be expected to have, a material adverse effect on RemedyTemp;

- RemedyTemp must have performed, in all material respects, all obligations required to be performed by it under the merger agreement;

- RemedyTemp must have delivered to Parent and Merger Sub a certificate of the President or Chief Executive Officer of RemedyTemp certifying as to the satisfaction of the above three conditions;

- there must not be any litigation pending that is brought by a governmental entity that could reasonably be expected to enjoin, restrain or prohibit the consummation of the merger or that has had or could reasonably be expected to have a material adverse effect; and

- Parent and Merger Sub will have received the proceeds of the Financing on substantially the terms and conditions contemplated by the commitment letter by and among Parent, Goldman Sachs Credit Partners, L.P. and Bank of the West or otherwise received the proceeds of other financing on such terms and conditions as Parent reasonably determines, in good faith, are substantially comparable or more favorable to Parent.

In addition, RemedyTemp s obligation to effect the merger is subject to the satisfaction or waiver of the following conditions:

- Parent s and Merger Sub s representations and warranties in the merger agreement must be true and correct as of the date of the merger agreement and at and as of the effective time of the merger (ignoring any materiality or similar qualifiers) as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of particular date or only with respect to a specific period of time, in which case such representation and warranty must be true and correct (ignoring any materiality or similar qualifiers) as of such earlier date or period of time), provided, however, that this condition will be deemed to have been satisfied even if their representations and warranties are not true and correct, unless the failure of such representations and warranties to be true and correct, individually or in the aggregate, would reasonably be expected to have, a material adverse effect on the ability of Parent and Merger Sub to consummate the transactions contemplated by the merger agreement;

- Parent and Merger Sub must have performed, in all material respects, all obligations required to be performed by them under the merger agreement at or prior to the effective time; and

- Parent and Merger Sub must have delivered to RemedyTemp a certificate of an executive officer of Parent and Merger Sub certifying as to the satisfaction of the above two conditions.

Termination of the Merger Agreement

The merger agreement may be terminated and the merger may be abandoned at any time before the effective time, whether before or after the shareholders have adopted the merger agreement, as follows:

- by mutual written consent of the Boards of Directors of Parent, Merger Sub and the Company;

- by either Parent, Merger Sub or the Company if:

- the merger is not consummated before the six month anniversary of the date of the merger agreement, provided that no party may terminate the merger agreement pursuant to this provision if the failure of such party to perform any of its obligations under the merger agreement required to be performed by it has been the principal cause of or resulted in the failure of the merger not being consummated by the six month anniversary of the date of the merger agreement;

- a statute, rule, regulation or executive order has been enacted, entered or promulgated prohibiting the consummation of the merger, or any court of competent jurisdiction or a governmental entity has issued a final and non-appealable order, decree or ruling prohibiting the merger;

- the Company does not obtain the requisite shareholder approval at the special meeting of shareholders; provided that the Company cannot terminate under this provision if the reason for not obtaining the shareholder approval is a result of the Company s material breach of the merger agreement.

- by the Company, if either Parent or Merger Sub has breached or failed to perform in any material respect any of its respective representations, warranties, covenants or other agreements contained

in the merger agreement, which breach would result in a failure to perform the conditions to the obligation of the Company to effect the merger and cannot be cured by six months after the date of the merger agreement, provided the Company has given Parent and Merger Sub at least 30 days written notice of its intent to terminate the merger agreement and the basis for such termination;

- by Parent and Merger Sub, if the Company has breached or failed to perform in any material respect any of its respective representations, warranties, covenants or other agreements contained in the merger agreement, which breach would result in a failure to perform the conditions to the obligation of Parent and Merger Sub to effect the merger and cannot be cured by six months after the date of the merger agreement, provided Parent and Merger Sub have given the Company at least 30 days written notice of its intent to terminate the merger agreement and the basis for such termination;

- by Parent and Merger Sub, if the Company s board of directors withdraws or modifies its approval or recommendation of the merger or the merger agreement, or the Board has approved or recommended a competing acquisition proposal; or

- by the Company, to pursue a superior proposal as described above in Acquisition Proposals, provided, however, that before the Company may terminate the merger agreement to pursue a superior proposal (i) the Company will provide written notice to Parent of such determination by RemedyTemp s board of directors, which notice will set forth the material terms and conditions of the competing acquisition proposal and the identity of the person making the competing acquisition proposal, (ii) at the end of the two business day period following the delivery of such written notice RemedyTemp s board of directors continues to determines in good faith that the competing acquisition proposal constitutes a superior proposal, (iii) simultaneously with such termination the Company enters into a definitive acquisition, merger or similar agreement to effect the superior proposal and (iv) the Company pays to Parent the termination fee described below under Termination Fees and Expenses within the time period provided for in the merger agreement.

Effect of Termination

In the event of termination of the merger agreement as described above in Termination of the Merger Agreement, the merger agreement will terminate (except for certain specified provisions), without any liability on the part of any party or its directors, officers or shareholders, except to the extent that such termination results from the willful and material breach by a party of any of its representations, warranties, covenants or agreements set forth in the merger agreement, in which case such breaching party will be fully liable for any and all liabilities, damages and expenses incurred or suffered by the other party (including related attorneys fees) as a result of such breach. No termination of the merger agreement will affect the obligations of the parties contained in the Confidentiality Agreement, all of which obligations will survive termination of the merger agreement in accordance with their terms. Other than as described above, all fees, costs and expenses incurred in connection with the merger agreement and the transactions contemplated thereby will be paid by the party incurring such fees, costs and expenses.

Termination Fees and Expenses

The Company has agreed to pay Parent a $5.6 million termination fee if the merger agreement is terminated:

- because the merger has not been consummated by the six month anniversary of the date of the merger agreement and at the time of such termination, the Company has not held the shareholders meeting;

- by the Company in order to pursue a superior proposal as described above in The Merger Agreement Acquisition Proposals.

- by Parent and Merger due to the Company s board of directors withdrawing or modifying its approval or recommendation of the merger or the merger agreement, or due to the Board approving or recommending a competing acquisition proposal; or

- because a third party will have publicly made a competing acquisition proposal after the date of the merger agreement and thereafter the merger agreement is terminated, prior to the withdrawal of the competing acquisition proposal, by any party following the failure of the Company s shareholders to adopt the merger agreement, and within 12 months after such termination the Company enters into a definitive agreement with respect to any competing transaction proposal or an acquisition of the Company has been completed.

Amendment

The parties may amend the merger agreement at any time before the effective time of the merger, provided, however, after shareholder approval has been obtained, the parties may not amend the merger agreement which would reduce the amount or change the type of consideration into which each share of the Company s common stock will be converted upon consummation of the merger.

Waiver

At any time before the effective time of the merger, any party to the merger agreement may, to the extent legally allowed, (1) extend the time for the performance of any obligation or other acts required by the merger agreement, (2) waive any inaccuracy in the representations and warranties contained in the merger agreement or in any document delivered pursuant to the merger agreement, and (3) waive compliance with any agreement or condition contained in the merger agreement for the benefit of such person. Any extension or waiver must be set forth in writing. The failure or delay of any party to assert any of its rights under the merger agreement will not constitute a waiver of those rights and single or partial exercise of rights does not preclude further exercise of any right.

Assignment

No party may assign either the merger agreement or any of its rights, interests, or obligations under the merger agreement without the prior written approval of the other parties; provided that Merger Sub may assign all or any of its rights and obligations under the merger agreement to an affiliate of Merger Sub; provided further, however, that no such assignment will relieve the assigning party of its obligations under the merger agreement if such assignee does not perform such obligations.

Specific Performance

Each party has acknowledged that money damages would be both incalculable and an insufficient remedy for any breach of the merger agreement by such party and that any such breach would cause the other party hereto irreparable harm. Accordingly, each party has agreed that, in the event of any breach or threatened breach of the provisions of the merger agreement by such party, the other party will be entitled to seek equitable relief without the requirement of posting a bond or other security, including in the form of injunctions and orders for specific performance.

THE VOTING AGREEMENTS

This section of the proxy statement describes the material provisions of the form of voting agreement entered into by three of RemedyTemp s directors Greg D. Palmer, chief executive officer; Paul W. Mikos, chairman; and Robert E. McDonough, Sr., founder and vice chairman but does not purport to describe all the provisions of the voting agreements. We urge you to read the full text of the form of voting agreement, which is attached as Annex B and incorporated by reference into this document.

General

Concurrently with the execution and delivery of the merger agreement, Messrs. Palmer, Mikos and McDonough entered into voting agreements with Parent and Merger Sub. On May 26, 2006, these shareholders together owned in excess of 24% of RemedyTemp s shares entitled to vote on the approval of the principal terms of the merger agreement.

Voting

The shareholders signing the voting agreements agreed, among other things, to vote their shares of our common stock in favor of the adoption of the merger agreement and in favor of the merger at any meeting of our shareholders at which such matters are considered, and at every adjournment or postponement thereof, and, except with the written consent of Parent and Merger Sub, against any company acquisition proposal as described above under The Merger Agreement Acquisition Proposals. The shareholders agreed not to enter into any agreement or commitment with any person the effect of which would be inconsistent with or violative of such provisions.

Restrictions on Transfer and Other Voting Arrangements

The shareholders signing the voting agreements also agreed not to, directly or indirectly, sell, transfer, tender, pledge, encumber, assign or otherwise dispose of, or enter into any agreement, option or other arrangement with respect to, or consent to a transfer of, or reduce his, hers or its risk in a constructive sale with respect to any of their respective shares other than pursuant to the terms of the merger agreement. A constructive sale means a short sale with respect to any of the shares covered by the voting agreements, entering into or acquiring an offsetting derivative contract with respect to any of those shares, entering into or acquiring a futures or forward contract to deliver any of those shares, or entering into any other or derivate transaction that has the effect of materially changing the economic benefits and risk of ownership. The shareholders also agreed not to, directly or indirectly, grant any proxies (other than in a manner consistent with their voting obligations described above), deposit any of their shares into any voting trust, or enter into any voting arrangement with respect to any of their shares other than pursuant to the terms of the voting agreements or in a manner consistent with their obligations under the voting agreements. Each of the shareholders further agreed not to, and to cause its affiliates not to, commit or agree to take any of the foregoing actions or to take any action that may reasonably be expected to have the effect of preventing, impeding, interfering with or adversely affecting his, hers or its ability to perform its obligations under the voting agreements. These transfer restrictions are subject to customary exceptions for intestate transfers or transfers in connection with estate and charitable planning purposes, so long as the transferee executes a counterpart to the voting agreements.

Non-solicitation

The shareholders signing the voting agreements agreed not to, and not to permit any of their affiliates to, make or participate in, directly or indirectly, a solicitation (as that term is used in the rules of the Securities and Exchange Commission) of proxies or powers of attorney or similar rights to vote, or seek to advise or influence any person with respect to the voting of, any shares of RemedyTemp common stock

intended to facilitate any company acquisition proposal or to cause shareholders of the Company not to vote and approve and adopt the merger agreement.

Termination

The voting agreements provide that they will terminate (i) upon the approval and adoption of the merger agreement at the shareholders meeting, (ii) upon the termination of the merger agreement in accordance with its terms, or (iii) at any time upon notice by Parent to the shareholders entering into the voting agreements.

Waiver of Dissenters Rights

To the extent permitted by applicable law, each shareholder entering into the voting agreements agreed to waive any rights of appraisal or rights to dissent from the merger that he, she or it may have under applicable law.

McDonough Voting Agreement

The voting agreement entered into by Mr. McDonough provides that, in consideration of Mr. McDonough s covenants and agreements in the voting agreement, during the period from December 3, 2007, the date of expiration of that certain Amended and Restated Employment Agreement between the Company and Mr. McDonough, dated as of January 7, 1998 as amended, until the 18-month anniversary of such date, Parent will, or will cause the surviving corporation to, provide medical insurance benefits to Mr. McDonough on substantially the same terms provided to other executive officers of Parent.

DISSENTERS RIGHTS

The discussion of the provisions set forth below is not a complete summary regarding your dissenters rights under California law and is qualified in its entirety by reference to the text of the relevant provisions of California law, which are attached to this proxy statement as Annex D. Shareholders intending to exercise dissenters rights should carefully review Annex D. Failure to follow precisely any of the statutory procedures set forth in Annex D may result in a termination or waiver of these rights.

Under Chapter 13 of the General Corporation Law of the State of California, certain holders of our stock may, by complying with the provisions of Chapter 13 and in lieu of receiving the cash consideration provided for in the merger, obtain cash for any shares that were not voted in favor of the merger at the fair market value of such shares. In general, a shareholder of a company electing to exercise dissenters rights must satisfy each of the following requirements set forth in Chapter 13: (i) the dissenting shareholder must not have voted in favor of the merger, (ii) the dissenting shareholder must make a written demand to have the Company purchase the dissenting shares for cash at their fair market value, which demand must be received by the company by the date of the special meeting to approve the principal terms of the merger agreement (voting against the merger does not constitute a demand), and (iii) the dissenting shareholder must submit the certificates representing the dissenting shares to the company at its principal office to be stamped or endorsed with a statement that the shares are dissenting shares. Shareholders will not be entitled to dissenters rights unless timely demands for payment are filed with respect to five percent or more of the outstanding shares of Company common stock.

Within ten days after approval of the merger by the Company s shareholders, if five percent or more of the outstanding shares of the Company s common stock have established dissenters rights, the Company will mail to any shareholder who may have a right to require the Company to purchase his, her or its shares for cash as a result of making such a demand, a notice that the required shareholder approval and adoption of the merger agreement and the transactions contemplated thereby, including the merger, was obtained. The notice will set forth the price determined by the Company to represent the fair market value of the dissenting shares and a brief description of the procedures to be followed by such shareholders who wish to exercise their dissenters rights, and will be accompanied by a copy of sections 1300 through 1304 of the General Corporation law of the State of California.

A shareholder wishing to exercise dissenters rights must deliver to us a demand that satisfies the following requirements: (i) the demand must be made by the person who was the shareholder of record on the record date (or his or her duly authorized representative), and not by someone who is merely a beneficial owner of the shares and not by a shareholder who acquired the shares subsequent to the record date, (ii) the demand must state the number and class of shares held of record by such shareholder making the demand, and (iii) the demand must include a demand that we purchase the shares at what such shareholder claims to be the fair market value of the shares on the day before the terms of the merger were first announced, excluding any appreciation or depreciation because of the proposed merger. The shareholder s statement of fair market value constitutes an offer by such dissenting shareholder to sell the dissenting shares to us at such price.

In addition, the following conditions should be complied with to ensure that the demand is properly executed and delivered: (i) the demand should be sent by registered or certified mail, return receipt requested, (ii) the demand should be accompanied by the certificates representing the dissenting shares, (iii) the demand should be signed by the shareholder of record (or his or her duly authorized representative) exactly as his or her name appears on the certificate(s) evidencing the dissenting shares (a demand for the purchase of shares owned jointly by more than one person should identify and be signed by all such holders), and (iv) any person signing a demand for purchase in any representative capacity (such as attorney-in-fact, executor, administrator, trustee or guardian) should indicate his or her title and, if we so request, furnish written proof of his or her capacity and authority to sign the demand.

A shareholder may not withdraw a demand for payment without our consent. For purposes of exercising dissenters rights with respect to the merger, a demand by a shareholder will not be effective for any purpose unless it is received by us (or our transfer agent) by the date of the special meeting to approve the principal terms of the merger agreement.

If we and a dissenting shareholder agree that the shares so held are eligible for dissenters rights and agree upon the price of such shares, the dissenting shareholder is entitled to receive from us the agreed price, with interest thereon from the date of such agreement calculated at the legal rate. Any agreement fixing the fair market value of dissenting shares as between us and the holders thereof must be filed with our Corporate Secretary. Subject to certain provisions of Section 1303 and Section 1306 of the General Corporation Law of the State of California, payment of the fair market value of the dissenting shares shall be made within 30 days after the amount thereof has been agreed upon or within 30 days after the statutory or contractual conditions to the merger are satisfied, whichever is later.

If we and a dissenting shareholder fail to agree on either the fair market value of the shares or on the eligibility of the shares to be purchased, then either the shareholder or any interested corporation may file a complaint for judicial resolution of the dispute in the California Superior Court of the proper county. The complaint must be filed within six months after the date on which the notice of approval of the merger was mailed to the shareholders. If a complaint is not filed within six months, the shares will lose their status as dissenting shares. Two or more dissenting shareholders may join as plaintiffs or be joined as defendants in such an action. If the eligibility of the shares as dissenting shares is at issue, the court will first decide this issue. If the fair market value of the shares is in dispute, the court will determine, or shall appoint one or more impartial appraisers to assist in its determination of, the fair market value. The costs of the action will be assessed or apportioned as the court considers equitable. If the appraised value exceeds the price offered by us, we must pay the costs. If the appraised value exceeds 125% of the price offered by us, such costs may include, at the court s discretion, attorneys fees, fees of expert witnesses and interest calculated at the legal rate.

Except as expressly limited by Chapter 13, holders of dissenting shares continue to have all the rights and privileges incident to their shares until the fair market value of their shares is agreed upon or determined.

Dissenting shares may lose their status as dissenting shares and the right to demand payment will terminate if (i) the merger is abandoned; (ii) the dissenting shares are transferred before being submitted for the required endorsement or are surrendered for conversion into shares of another class in accordance with the Company s Amended and Restated Articles of Incorporation; (iii) the dissenting shareholder and the Company do not agree upon the status of the shares as dissenting shares or upon the purchase price of the shares and the dissenting shareholder fails to file suit against the Company or intervene in a pending action within six months after the date on which the notice that its shareholders have approved the merger; or (iv) with the consent of the Company, the dissenting shareholder withdraws his or her demand for the purchase of the dissenting shares.

Written demands, notices or other communications which a shareholder wishes to send to us concerning the exercise of dissenters or appraisal rights should be addressed to RemedyTemp, Inc., 101 Enterprise, Aliso Viejo, California, 92526, Attn: Corporate Secretary.

Failure by any shareholder to comply fully with the procedures described above and set forth in Annex D to this proxy statement may result in termination of such shareholder s statutory dissenters rights.

Failure to comply strictly with all of the procedures set forth in Chapter 13 of the General Corporation Law of the State of California will result in the loss of a shareholder s statutory dissenters rights. In view of the complexity of Chapter 13, holders of shares of our common stock who may wish to pursue dissenters rights should promptly consult their legal advisors.

MARKET PRICE OF THE COMPANY S COMMON STOCK

Since July 11, 1996, the Company s Class A common stock has been traded on the NASDAQ National Market under the symbol REMX. Prior to July 11, 1996, the Company s stock was not publicly traded. The following table sets forth the high and low sales prices for the Class A common stock for the periods indicated as reported by The NASDAQ Stock Market.

	High	Low
2004		
First quarter	$ 13.49	$ 10.25
Second quarter	$ 14.25	$ 10.55
Third quarter	$ 14.50	$ 11.26
Fourth quarter	$ 12.40	$ 6.95
2005		
First quarter	$ 11.95	$ 9.61
Second quarter	$ 11.77	$ 9.30
Third quarter	$ 11.00	$ 7.50
Fourth quarter	$ 9.80	$ 7.55
2006		
First quarter	$ 9.49	$ 6.51
Second quarter	$ 12.73	$ 9.20
Third quarter (through May 31, 2006)	$ 16.75	$ 10.40

On May 10, 2006, the last trading day before the public announcement of the execution of the merger agreement, the closing sale price for RemedyTemp common stock as reported on the NASDAQ National Market was $12.20 per share. On May 31, 2006, the closing sale price for RemedyTemp common stock as reported on the NASDAQ National Market was $16.51 per share. Shareholders should obtain a current market quotation for RemedyTemp common stock before making any decision with respect to the merger. As of May 26, 2006, there were 87 shareholders of record of the Company s Class A common stock and 5 shareholders of record of the Company s Class B common stock.

Subsequent to the Company s initial public offering in fiscal year 1996, the Company has not declared or paid cash dividends on its Class A or Class B common stock and does not anticipate that it will do so in the foreseeable future. The present policy of the Company is to retain earnings for use in its operations and the expansion of its business. Under the merger agreement, we have agreed not to pay any cash dividends on our capital stock before the closing of the merger or the termination of the merger agreement.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth the following information as of May 26, 2006: (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 in the Company s proxy statement filed with the Securities and Exchange Commission on January 13, 2006, and by all directors and executive officers of the Company as a group. On May 26, 2006, there were 9,007,796 shares of Class A common stock outstanding and 798,188 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 SEC or information provided to the Company by such beneficial owners.

Beneficial Owner	Class A Common Stock: Amount and Nature of Beneficial Ownership(1)	Percent of Class (%)	Class B Common Stock: Amount and Nature of Beneficial Ownership(1)(2)	Percent of Class (%)
William D. Cvengros(3)(4)	40,853	*		
Gary Brahm(4)(9)	7,117	*		
Robert A. Elliott(3)(4)	47,300	*		
Mary George(4)(5)	30,820	*		
Gunnar B. Gooding(6)	41,100	*		
J. Michael Hagan(3)	40,353	*		
Monty A. Houdeshell(7)	81,000	*		
Janet L. Hawkins(8)	31,000	*		
Robert E. McDonough, Sr.(4) 101 Enterprise Aliso Viejo, CA 92656	1,373,200	14.8 %	195,568	24.5 %
Paul W. Mikos(4)(10) 101 Enterprise Aliso Viejo, CA 92656	123,872	1.3 %	565,980	70.9 %
Greg Palmer(4)(11)(12)	257,030	2.8 %		
John B. Zaepfel(3)(4)	37,853	*		
Dimensional Fund Advisors Inc.(13) 1299 Ocean Avenue 11th Floor Santa Monica, CA 90401	580,900	6.4 %		
FMR Corp(14) 82 Devonshire Street Boston, MA 02109	854,600	9.5 %		
Royce and Associates LLC(15) 1414 Avenue of the Americas Ninth Floor New York, NY 10019	739,870	8.2 %		
T. Rowe Price Associates, Inc.(16) 100 East Pratt Street Baltimore, MD 21202	867,000	9.6 %		
Putnam LLC(17) One Post Office Square Boston, MA 02109	471,989	5.2 %		
Wells Fargo & Company(18) 420 Montgomery Street San Francisco, CA 94163	591,500	6.6 %		

Babson Capital Management LLC(19) Independence Wharf 470 Atlantic Avenue 11th Floor Boston, MA 02210	569,100	6.3 %		
Peninsula Capital Management, Inc.(20) 235 Pine Street, Suite 1818 San Francisco, CA 92656	470,562	5.2 %		
Wellington Management Company, LLP(21) 75 State Street Boston, MA 02109	584,498	6.5 %		
Tamarack Enterprise Fund(22) 100 Fifth Street, Suite 2300 Minneapolis, MN 55402	543,400	6.0 %		
All directors and executive officers as a group (12 persons)	2,111,498	22.7 %	761,548	95.4 %

* Less than one percent.

(1) The information contained in this table reflects beneficial ownership as defined in Rule 13d-3 promulgated under 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 May 26, 2006, 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 (including the merger to which this proxy statement relates) 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 20,000 shares of Class A common stock that are issuable upon exercise of vested non-employee director stock options.

(6) 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. Also includes 6,000 shares of Class A common stock that are issuable upon exercise of vested stock options that are subject to a lock-up agreement.

(7) 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. Also includes 21,000 shares of Class A common stock that are issuable upon exercise of vested stock options that are subject to a lock-up agreement.

(8) Includes 25,000 shares of restricted Class A common stock that vest five years from the grant date of July 21, 2003. Also includes 6,000 shares of Class A common stock that are issuable upon exercise of vested stock options that are subject to a lock-up agreement.

(9) Includes 5,000 shares of Class A common stock that are issuable upon exercise of vested non-employee director stock options.

(10) Includes 123,872 shares of Class A common stock that are issuable upon exercise of vested stock options.

(11) Includes 1,435 shares of Class A common stock held by Mr. Palmer s spouse.

(12) 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.

(13) Security ownership information for the beneficial ownership is based solely on a Schedule 13G/A filed with the Securities and Exchange Commission (the SEC) on February 6, 2006. Dimensional Fund Advisors Inc. (Dimensional) reported on this Schedule 13G that it is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four invest