

TRUEBLUE, INC.

FORM 10-K (Annual Report)

Filed 04/01/02 for the Period Ending 12/31/01

Address	1015 A STREET TACOMA, WA 98402
Telephone	253-383-9101
CIK	0000768899
Symbol	TBI
SIC Code	7363 - Help Supply Services
Industry	Business Services
Sector	Services
Fiscal Year	12/31

LABOR READY INC

FORM 10-K (Annual Report)

Filed 4/1/2002 For Period Ending 12/31/2001

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: **December 31, 2001**

Commission File Number: **001- 14543**

LABOR READY, INC.

(Exact name of Registrant as specified in its charter)

Washington

(State or other jurisdiction of incorporation or organization)

91- 1287341

(IRS Employer Identification No.)

1015 A Street

Tacoma, Washington 98402

(Address of principal executive offices, including zip code)

(253) 383-9101

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
Common Stock without par value

Indicated by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of Registrant's knowledge, in any definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

The aggregate market value (based on the NYSE quoted closing price) of the common stock held by non-affiliates (40,514,000 shares) of the Registrant at March 1, 2002 was approximately \$212,701 million. As of March 1, 2002, there were 40,681,000 shares of the Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this report is incorporated by reference from the registrant's definitive proxy statement, relating to the Annual Meeting of Shareholders to be held in June 2002, which definitive proxy statement will be filed not later than 120 days after the end of the fiscal year to which this report relates.

LABOR READY, INC.
FORM 10-K
PART I.

Item 1. Business

This Annual Report on Form 10-K (“Form 10-K” or “Report”) contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, intend, anticipate, believe, estimate, predict, potential or continue, the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. Factors which could affect our financial results are described below and in Item 7 of this report. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We are under no duty to update any of the forward-looking statements after the date of this annual report to conform such statements to actual results or to changes in our expectations.

Introduction

Labor Ready, Inc., founded in Washington in 1989, is a leading national provider of temporary workers for manual labor jobs. Our customers are primarily businesses in the freight handling, warehousing, landscaping, construction and light manufacturing industries. These businesses require workers for lifting, hauling, cleaning, assembling, digging, painting and other types of manual or unskilled work.

We grew rapidly from 8 dispatch offices in 1991 to 852 dispatch offices in 2000, and we had 756 dispatch offices as of December 31, 2001. All of the growth in dispatch offices was achieved by opening Company-owned locations rather than through acquisitions. We have dispatch offices in markets throughout the United States, Canada, United Kingdom and Puerto Rico. In 2001, the average cost to open a new dispatch office was approximately \$30,000 and dispatch offices opened in 2001 typically generated revenues sufficient to cover their operating costs within approximately 18 to 24 months.

Our revenues have grown from \$6.0 million in 1991 to \$976.6 million in 2000 and were \$917.0 million for fiscal year 2001. The average revenue per dispatch office for offices in operation at the end of the year and open for more than one full year was approximately \$1.2 million in 2001 and \$1.4 million in 2000.

Industry Overview

The temporary staffing industry has grown rapidly in recent years as companies have used temporary employees to control personnel costs and to meet fluctuating personnel needs. Historically, the demand for temporary workers has been driven primarily by the need to satisfy peak production requirements and to temporarily replace full-time employees absent due to illness, vacation or abrupt termination. More recently, competitive pressures have forced businesses to focus on reducing costs, including converting fixed, permanent labor costs to variable or flexible costs. The use of temporary workers typically shifts employment costs and risks, such as workers’ compensation and unemployment insurance and the possible adverse effects of changing employment regulations, to temporary staffing companies, which can better manage those costs and risks. In addition, through the use of temporary employees, businesses avoid the inconvenience and expense of hiring and firing regular employees.

We believe the short-term, light industrial segment of the temporary staffing industry is highly fragmented and presents opportunities for larger, well capitalized companies to compete effectively, mainly through systems and procedures which efficiently process a high volume of transactions, coordinate multi-location activities and manage workers’ compensation costs.

Company Strategy

Our goal is to maintain and enhance our stakeholder and shareholder value. Key elements of our strategy to achieve this objective are as follows:

- ***Improve Revenue and Profit in all Offices*** . Our strategy is to increase revenues and profits in each dispatch office by expanding sales to existing customers and by aggressively expanding the number and mix of customers served. We recently implemented a comprehensive new sales training program for our dispatch office managers and staff. We coordinate sales

and marketing strategies designed to support the sales efforts of our field personnel, including targeted direct mail, telemarketing and special promotional programs. Our National Accounts staff focuses on new and existing large accounts, providing a single source of customer care for our large regional and national customers.

We emphasize excellence in customer service and maintain a commitment to providing a superior quality of service through policies such as opening offices no later than 5:30 a.m., extending hours of operation where the market demands, and maintaining a Customer Care Hotline and staff to respond quickly to the needs of our customers. One of our competitive advantages is that we are able to provide workers on short notice, usually the same day as requested. We also offer a “satisfaction guaranteed” policy.

We are committed to only opening offices that can quickly reach or exceed performance standards, and closing offices that are under-performing. This strategy is calculated to maximize profitability by increasing average sales per dispatch office. We are also introducing a revised compensation program for dispatch office managers which will tie bonus eligibility to the profitability of the office, rather than sales and gross profits only.

- **Grow Through Strategic Methods of Expansion.** The recent difficulties in the U.S. economy and the resulting impact on our sales in 2001 caused us to focus on improving efficiencies throughout the company rather than aggressive expansion. We expect that these efficiencies, applied in an improved economy, will produce the capital resources necessary for renewed expansion. We remain committed to overseas expansion — we anticipate that 7 of the 10 new dispatch offices we expect to open in 2002 will be in the United Kingdom. We will also continue to evaluate acquisition opportunities within and complimentary to our market niche.
- **Improve Operating Efficiencies and Reduce Operating Costs .** Due to extensive fragmentation in the short-term temporary labor market, we believe our national presence provides us with key operating efficiencies, competitive advantages and access to capital markets to provide needed working capital. We have standardized the operation, general design, staffing and equipment of our dispatch offices. In addition, we have designed and implemented a proprietary information system that efficiently manages an extensive, Company-wide employee, payroll, sales and customer database and provides management with valuable, timely management reporting.
- **Aggressively Recruit Temporary Workers.** We are committed to supplying motivated workers to our customers. Most workers find our “Work Today, Paid Today” policy appealing and arrive at the dispatch office early in the morning motivated to put in a good day’s work and receive their pay at the end of the day. We have installed a cash dispensing machine (“CDM”) in most of our dispatch offices. With the CDMs, workers have a choice of receiving their wages via a daily paycheck or in cash. For workers choosing to use the CDM, we retain the change on each worker’s daily pay plus \$1 for the service. Management believes the CDM program enhances our ability to attract temporary workers. In 2001, we issued approximately 8.7 million payroll payments in the form of either check or cash to our temporary workers.

Dispatch Office Expansion

Our rapid expansion from 1991 to 2000 resulted in our establishing a national “footprint” with a presence in all 50 states, which we believe provides us a significant competitive advantage. Last year we undertook a program of consolidating certain offices to achieve increased efficiency without abandoning markets. This consolidation process resulted in our opening 32 dispatch offices and closing 92 in 2001, for a net decrease of 60 offices, leaving us with 756 dispatch offices as of December 31, 2001. The following table sets forth the number and country of dispatch offices open at the end of each of the last five years. The information below does not include five Labor Ready franchised dispatch offices.

Labor Ready Dispatch Offices by Country

	At December 31,				
	2001	2000	1999	1998	1997
United States	689	765	670	474	308
Canada	34	33	15	11	8
Puerto Rico	4	4	1	1	—
United Kingdom	29	14	1	—	—
Total	756	816	687	486	316

We currently anticipate opening approximately 10 new dispatch offices during 2002, although additional offices may be opened if required to meet a specific demand or to take advantage of new opportunities. We will continue to analyze individual dispatch office performance, which may lead to additional dispatch office closures in 2002. We analyze acquisition opportunities, and may from time to time pursue acquisitions in certain circumstances and may also alter the pace of our expansion based on future developments and market conditions.

Economics of Dispatch Offices. We have standardized the process of opening dispatch offices. In 2001, the average aggregate cost of opening a new dispatch office decreased to approximately \$30,000 as compared to approximately \$45,000 in 2000, due primarily to our redistribution of previously purchased CDMs from our closed branches. Approximately \$13,000 of these costs includes salaries, recruiting, testing, training, lease and other related costs; the remaining \$17,000 includes computer systems and other equipment related costs, leasehold improvements and related equipment. These costs are not expected to increase significantly in 2002. New dispatch offices are expected to generate revenue sufficient to cover their operating costs within 18 to 24 months. On average, the volume necessary for profitable operations is approximately \$12,000 per week. Dispatch offices in operation at the end of the year and open for at least one full year generated average annual revenue of approximately \$1.2 million in 2001.

Criteria for New Dispatch Offices. Labor Ready identifies desirable areas for locating new dispatch offices with an economic model that analyzes the potential supply of temporary workers and customer demand based on a zip code resolution of employment figures, demographics and the relative distance to the nearest existing Labor Ready dispatch office. In addition, we locate dispatch offices in areas convenient for our temporary workers, which are on or near public transportation, and have parking available. After we establish a dispatch office in a metropolitan area, we usually cluster additional locations within the same area. Multiple locations in a market reduce both opening costs and operating risk for new dispatch offices because direct mail and other advertising costs are spread among more dispatch offices and because the new dispatch office benefits from existing customer relationships and established Labor Ready brand recognition.

Dispatch Office Management. We believe that the key factor determining the success of a dispatch office is identifying and retaining an effective dispatch office manager. Each dispatch office manager has primary responsibility for managing the operations of the dispatch office, including the recruiting and daily dispatch of temporary workers, sales, customer service and accounts receivable collection. We pay monthly bonuses to qualifying dispatch office managers based on accounts receivable collections and gross margins during the month. We are currently testing a modified version of this bonus program which ties bonus eligibility for dispatch office managers to the overall profitability of the office, rather than collections and gross margins only.

Each dispatch office manager has primary responsibility for customer service and the dispatch office's sales efforts, including identifying and soliciting local businesses likely to have a need for temporary manual workers. Our experience is that certain types of individuals are better suited to perform the critical management functions necessary for the dispatch office to generate the revenues required to achieve profitability, regardless of the size of the metropolitan area. We commit substantial resources to the training, development, and operational support of our dispatch office managers.

Operations

Dispatch Offices. Typically, workers come to the dispatch office in the morning to check on the availability of jobs and to indicate their availability for assignment. During the early morning hours, the dispatch office manager and an assistant coordinate incoming customer work orders, assign the available workers to the job openings for the day, and assist as necessary in arranging transportation to the job site. Most job openings are requested on short notice, often the same day as the workers are needed at the job site. Work assignments are filled on a nondiscriminatory basis, with the dispatch office manager endeavoring to match customer needs with available workers.

Prior to dispatch, a branch employee makes sure workers have the basic safety equipment required for the job, such as boots, back braces, hard hats, or safety goggles, all of which are provided at no charge to the worker and the customer. The customer provides additional safety and other equipment, if required.

The workers are provided with a work order, which is endorsed by the customer to confirm work performance, and which is presented at the dispatch office in order to receive payment for the hours worked. Workers are generally paid daily by check, but with the addition of a CDM at most dispatch offices, workers have the choice of being paid each day in cash. Computer systems at each dispatch office perform the calculations necessary to determine the wages, less taxes and applicable withholdings, and print security-controlled checks, which are distributed to each worker. If the worker requests, the system instead prints a payroll voucher which contains a unique security code. The worker enters the code into the CDM and the net pay is disbursed, less the

change and \$1 transaction fee for the CDM service. Revenues from the CDMs are substantially offset by the direct and indirect costs of the CDM program. However, the primary purpose of the CDM program is to provide an additional service to our temporary workers which most of our competitors do not offer and which we believe enhances our ability to attract temporary workers.

Dispatch offices generally open by 5:30 a.m. and generally remain open until the last temporary worker is paid. Dispatch offices are generally staffed with at least two full-time employees, including the dispatch office manager and a customer service representative. Dispatch office managers manage the daily dispatch of temporary workers, and are responsible for monitoring and collecting receivables, managing the credit application process for each customer, inspecting customer job sites for site safety, and managing the sales and marketing efforts of the dispatch office.

Employment applications are taken throughout the day for potential new temporary employees. Applications are used to facilitate workers' compensation safeguards and quality control systems by permitting us to test for alcohol or drugs in case of a work-related illness or injury, to establish various other conditions of employment, and to comply with applicable immigration requirements.

Customers . Our customers require workers for lifting, hauling, cleaning, assembling, digging, painting and other types of manual or unskilled work. Our customers are primarily businesses in the freight handling, warehousing, landscaping, construction, light manufacturing, retail, wholesale, sanitation, printing, and hospitality industries.

New dispatch offices initially target businesses in their market area with direct mail and telemarketing campaigns. Dispatch office managers, the regional or local sales force and telemarketers are responsible for following up the marketing campaigns with telephone or personal calls. Many customers have elements of seasonality in their workflow, especially customers in the construction and landscaping industries. We currently derive our business from a large number of customers, and are not dependent on any single large customer for more than 2% of our revenues. Our ten largest customers accounted for 4.3% of total revenues in 2001 and 4.3% of total revenues in 2000. While a single dispatch office may derive a substantial percentage of its revenues from a single customer, the loss of that customer would not have a significant impact on our revenues. During 2001, we provided temporary workers to over 300,000 customers.

Many customers use Labor Ready to screen prospective employees for future permanent hires. Because we do not charge a fee if a customer hires our worker, customers on occasion send prospective employees to us with a specific request for temporary assignment to their business. Customers thereby have the opportunity to observe the prospective employee in an actual working situation, minimizing the expense of employee turnover and personnel agency fees.

Credit and Collections. We have implemented an automated credit and collections system that allows each dispatch office to establish a credit limit for new customers by telephonically accessing a computer based credit system. Initial credit limits are based on a credit-scoring matrix we developed. The credit department, using other credit reporting agencies, bank/trade references and balance sheet analysis, reviews and approves additional credit extensions beyond those recommended by this system. Initial credit limits range from COD to \$100,000 and once a customer has reached 75% of its credit limit, the customer screen on our system has a red warning to alert the dispatch office to monitor more closely the activity of the customer.

Sales and Marketing . Marketing is accomplished primarily through telemarketing and direct-mail campaigns, yellow-page advertising, personal sales contacts, word of mouth, and billboard advertising. Each dispatch office is responsible for its own sales and marketing efforts in its local market area in coordination with corporate marketing and advertising. The dispatch office manager is primarily responsible for sales and customer service, with all branch employees being involved in sales and customer relations. We purchase a direct marketing database, and from a centralized direct mail department, conduct an intensive direct-mail campaign in the local market area of each dispatch office. For new dispatch offices, the direct-mail campaign targets a broad range of businesses in its local market area. Follow-up mailings target businesses in our traditional market niche. Follow-up telephone and personal calls on qualified leads are made by the dispatch office manager or a sales representative.

When entering new markets, we allow for an initial advertising budget to generate an awareness of the new dispatch office. When opening additional offices as warranted, based on area demographics, we can also expand and coordinate our marketing efforts to the benefit of other established offices in the local area.

Temporary Workers . Most workers find our "Work Today, Paid Today" policy appealing and arrive at the dispatch office early in the morning ready to put in a good day's work and receive a paycheck or a CDM voucher for cash at the end of the day. The majority of the workers are male and most are between the ages of 18 and 40 and live in low-income neighborhoods.

Our daily pool of temporary workers at each dispatch office generally numbers between 40 and 200, depending upon the time of year. Because of increasing diversification of our customer base and a wider dispersion of dispatch offices in different geographic areas of the United States, we are less dependent on weather than in our early years. Good weather, nevertheless, brings incrementally more job orders and workers. Consequently, we are busiest in the late spring, summer and early fall.

Under our "satisfaction guaranteed" policy, unsatisfactory workers are promptly replaced and the customer is not charged for their time if the customer notifies us within the first two hours of work. Employees who receive two complaints from customers are generally reprimanded or terminated. We will immediately terminate any employee who agrees to take a work order and does not report at the customer's job site. Any use of obscene language, alcohol or drugs on the dispatch office premises or at the customers' job sites is grounds for immediate dismissal.

We withhold FICA and federal, state, and, where applicable, city and county income taxes from our temporary workers' wages for disbursement to governmental agencies. Additionally, we maintain federal and state unemployment insurance, and workers' compensation coverage for our temporary employees.

Recruitment of Temporary Workers . We attract our pool of temporary workers through billboard advertisements, flyers, newspaper advertisements, dispatch office displays, and word of mouth. We believe our strategy of locating dispatch offices in areas convenient for our workers, with ready access to public transportation, is particularly important in attracting workers.

Our "Work Today, Paid Today" policy is prominently displayed at most dispatch offices and, in our experience, is a highly effective method of attracting temporary workers. Our ability to pay workers' wages in cash through the use of the CDMs is an additional attraction. Temporary workers are also aware that we don't charge a fee if a customer decides to offer them a full-time position. The possibility of locating a full-time position serves as an added incentive to our workers.

We experience from time to time, during peak periods, shortages of available temporary workers. Dispatch offices with a shortage of workers attempt to fill work orders by asking temporary workers to inform friends, relatives and neighbors of job openings and by identifying prospective workers from our employee database. On occasion, work orders requiring large numbers of temporary workers will be filled through coordination with other local dispatch offices.

Management, Employees and Training . At December 31, 2001, we employed approximately 250 administrative and executive staff in the corporate office, and approximately 2,600 people as supervisors, dispatch office managers, customer service representatives, district managers, area directors and support staff. Dispatch office managers report to district managers who in turn report to area directors. For positions above dispatch office manager, our recruiting focus is on hiring management and supervisory personnel with experience in managing multi-location operations.

After extensive interviews and tests, prospective district and dispatch office managers undergo approximately one week of training at our training center which is located at the corporate office in Tacoma, Washington and four weeks of on-the-job training at a dispatch office. The training center is charged with providing the managers with the skills necessary for operating a dispatch office. Staffed by experienced training professionals, the training center has developed a curriculum, training manuals, and instruction modules for the training program, which include rigorous sessions on topics such as marketing and direct mail, credit and collections, payroll and personnel policies, workers' compensation management and safety. Customer service representatives receive on-the-job training at the branch where they work, supplemented by a computerized training program.

Management Information Systems . We have developed our own proprietary system to process all required credit, billing, collection, temporary worker payroll and related payroll information for tax returns, together with other information and reporting systems necessary for the management of hundreds of thousands of workers and staff in multiple locations. The system maintains all of our key databases, from the tracking of work orders to payroll processing to maintaining worker records. The current system regularly exchanges all point of sale information between the corporate headquarters and the dispatch offices, including customer credit information and outstanding receivable balances. Dispatch offices can run a variety of reports on demand, such as receivables aging, margin reports, and customer activity reports. Area directors and district managers are able to monitor their territories from remote locations. We believe our proprietary software system provides us with significant competitive advantages over competitors that utilize less sophisticated systems.

Our system also provides us with key internal controls. All work order tickets are entered into the system at the dispatch office level. No payroll check can be issued at a dispatch office without a corresponding work ticket on the computer system. When a payroll check or CDM voucher is issued, the customer's weekly invoice and the dispatch office receivables ledger are automatically updated. Printed checks have watermarks and computer-generated signatures that are difficult to duplicate. All cash

receipts are received in lockbox accounts and are matched to customers' receivable records using an automated data capture system.

Workers' Compensation Program . We provide workers' compensation insurance for our temporary workers and regular employees. For workers' compensation claims originating in the majority of states, we have purchased a deductible insurance policy. Under terms of the policy, our workers' compensation exposure is limited to a deductible amount per occurrence and a maximum aggregate stop-loss limit. Should any single occurrence exceed the deductible amount, all losses and expenses beyond the deductible amount are paid by independent insurance companies unrelated to us. Similarly, should the total of paid losses related to any one year period exceed the maximum aggregate stop-loss limit for that year, all losses beyond the maximum aggregate stop-loss limit are paid by independent insurance companies unrelated to us.

For workers' compensation claims originating in Washington, Ohio, West Virginia, Canada and Puerto Rico, we pay workers' compensation insurance premiums as required by government administered programs. The insurance premiums are established by each jurisdiction, generally based upon the job classification of the insured workers and our previous claims experience. For workers' compensation claims originating in the United Kingdom, we have purchased an employers' liability insurance policy.

We establish our reserve for workers' compensation claims using actuarial estimates of the future cost of claims and related expenses that have been reported but not settled, and that have been incurred but not reported. Adjustments to the claims reserve are charged or credited to expense in the periods in which they occur.

We maintain a risk management department at our corporate headquarters to manage our insurers, third party claims administrators and medical service providers and to oversee our safety programs. We employ claims coordinators to reduce wage-loss compensation claims. The claims coordinators manage the acceptance, processing and final resolution of claims and administer our return to work program, wherein workers are employed at the local dispatch office or on customer assignments that require minimal physical exertion. We have an on-line connection with our third party administrator that allows the claims coordinators to maintain visibility of all claims, manage their progress and generate required management information.

Government Regulations

Safety Programs. We are subject to a number of state and federal statutes and administrative regulations pertaining to the safety of our workers. These laws generally require us to provide general safety awareness training and certain safety equipment to our workers. In most jurisdictions, when our temporary workers are on a customer's jobsite they are generally considered the customer's employees for purposes of site-specific safety standards compliance. Under Occupational Safety and Health Administration ("OSHA") regulations, responsibility for recording jobsite injuries to our temporary workers lies with our customers.

We continue to emphasize safety awareness by training our management employees, office staff and temporary workers, issuing safety equipment, monitoring job sites, and communicating with customers to promote job site safety. Each district maintains a safety committee which meets regularly to review safety issues and policies. Temporary workers are trained in safety procedures primarily by viewing safety tapes, reviewing a safety manual and completing a safety test at the beginning of their employment. Bulletin boards with safety-related posters are prominently displayed.

We maintain our own inventory of safety equipment at each dispatch office. Standard equipment includes hard hats, metal-toed boots, gloves, back braces, earplugs, and safety goggles. Equipment is checked out to workers as appropriate. All construction jobs require steel-toed boots and a hard hat. The dispatch office manager ensures that workers take basic safety equipment to job sites.

Dispatch office personnel are trained to discuss job safety parameters with customers on incoming work order requests. Managers conduct job site visits for new customer job orders and periodic "spot checks" of existing customers to review safety conditions at job sites. Workers are encouraged to report unsafe working conditions to us.

Wage and Hour Regulation. We are required to comply with applicable state and federal wage and hour laws. These laws require us to pay our employees minimum wage and overtime at applicable rates. When our workers are employed on public works projects we are generally required to pay prevailing wages and to comply with additional reporting obligations.

Proposed New Regulation. In 2001 and 2002, we have seen an increased level of activity in various state legislatures with respect to proposed legislation which could affect our business. This proposed legislation, much of which is backed by certain parties whose interests are adverse to ours, includes provisions such as a requirement that our temporary workers receive the same pay and benefits as our customers' regular employees, prohibitions on fees charged in connection with our CDMs, and a

requirement that our customers provide workers compensation insurance for our temporary workers. We take a very active role in opposing such legislation and in informing policy makers as to the social and economic benefits of our business. None of these proposed bills has yet been enacted into law. However, we cannot guarantee that any such bills will not be enacted, in which event demand for our services may be adversely affected.

Competition

The short-term, manual labor sector of the temporary services industry is highly fragmented and highly competitive, with limited barriers to entry. A large percentage of temporary staffing companies serving this sector of the industry are local operations with fewer than five offices. Within local or regional markets, these firms actively compete with us for business. The primary bases of competition among local firms are price, service, and the ability to provide the requested amount of workers on time. While entry into the market has limited barriers, lack of working capital frequently limits growth of smaller competitors.

Although there are several large full-service and specialized temporary labor companies competing in national, regional and local markets, those companies have not yet aggressively expanded in our market segment. However, many of these competitors have substantially greater financial and marketing resources than we do. One or more of these competitors may decide at any time to enter or expand their existing activities in the short-term, light industrial market and provide new and increased competition to us. We believe that, among the larger competitors, the primary competitive factors in obtaining and retaining customers are the cost of temporary labor, the quality of the temporary workers provided, the responsiveness of the temporary labor company, and the number and location of offices. The presence of one or more temporary service competitors in a particular market can create significant pricing pressure and this pricing pressure could adversely impact profit margins.

Trademarks

Our business is not presently dependent on any patents, licenses, franchises, or concessions. "Labor Ready," and the service marks "Work Today, Paid Today" and "Work Today, Cash Today" are registered with the U.S. Patent and Trademark Office. We have also been granted a patent by the U.S. Patent and Trademark Office for the system of controlling a network of CDMs for the disbursement of payroll.

Item 2. Properties

We lease virtually all of our dispatch offices. Under most of these leases, we have the right to terminate the lease on 90 days notice and upon payment of three months rent. A small percentage of leases provide for a minimum one-year term.

In 2001, we sold a 24,000 square foot building and a 44,000 square foot office building with an adjoining 10,000 square foot warehouse, which had served as our corporate headquarters and administrative offices in Tacoma, Washington until March 2001. In March 2001, we moved into a company owned 157,000 square foot office building with an attached parking garage in downtown Tacoma, Washington, which serves as our headquarters. We also own a dispatch office in Tacoma. Management believes all of our facilities are currently suitable for their intended use.

Item 3. Legal Proceedings

From time to time we are the subject of routine compliance audits by federal, state and local authorities relating to a variety of regulations including wage and hour laws, taxes, workers compensation, immigration and safety. We are also subject to legal proceedings in the ordinary course of our operations from time to time.

On July 19, 2000, Dale Kindle and Levoyd Williams filed an action in Georgia State Court, Fulton County. The suit was later amended, adding plaintiffs Quinton McGee and Jimmy T. Stringer (the "Kindle Litigation"). On August 17, 2000, Curtis Adkins filed an action in West Virginia State Court, Kanawha County (the "Adkins Litigation"). On October 3, 2000, Willie Wilkerson, Marco Medina and Arthur Demarchis filed an action in California State Court, Santa Clara County (the "Wilkerson Litigation"), and Anthony Flynn, Robert Hampton and Eugene Tonissen filed an action in New York State Court, Kings County (the "Flynn Litigation"). On February 14, 2001, Allen Yarbrough, Armando Ramirez, Phyllis Stennis, Earl Levels and Maurice Johnson filed an action in California State Court, Alameda County (the "Yarbrough Litigation").

The Kindle, Wilkerson and Flynn Litigation allege violations of state law in connection with the fees charged by us for voluntary use of the CDMs. The Kindle Litigation also alleges violations of state law in allegedly charging workers transportation and equipment rental fees and in purportedly failing to obtain consent of workers to exposure to hazardous chemicals. The Adkins Litigation and Yarbrough Litigation allege violation of federal or state wage and hour laws for failing to pay workers for all hours

worked. In each case, the plaintiffs are present or former workers for us and are seeking unspecified damages and certification of a class of workers. Except for the Adkins Litigation, the actions also request injunctive relief.

On January 26, 2001, the court in the Wilkerson Litigation sustained our demurrer on all counts, dismissing the plaintiffs' lawsuit in its entirety. On February 5, 2001, the plaintiffs filed an amended complaint in an effort to revive their claims.

On September 28, 2001 the court in the Adkins Litigation dismissed the case on the grounds that the plaintiffs had waived any right to seek judicial relief or a class action by agreeing to arbitrate all disputes with the company. The plaintiffs have filed an appeal of that dismissal with the Fourth Circuit Court of Appeals.

We believe that we have complied with all federal and state laws at issue, and we intend to continue to vigorously defend each of these proceedings. We believe that none of these proceedings, individually or in the aggregate, will have a material adverse impact on our financial condition or results of operations, although we can make no assurances in this regard.

In February 2001, the Washington Department of Labor and Industries issued an assessment against us for \$498,000 claimed to be owing for workers' compensation premiums for 1998, as well as \$236,000 in interest and penalties. We dispute the assessment and have filed an appeal. The Department of Labor and Industries has stated that it will also audit our payment of workers' compensation premiums for subsequent years. We believe that the Labor and Industries assessment and audits will not have a material adverse impact on our financial condition or results of operations, although no assurances can be made in this regard.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter ended December 31, 2001.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The high and low bids during the fiscal quarters of 2000 and 2001 were as follows:

Quarter Ended	High	Low
March 31, 2000	11.94	7.94
June 30, 2000	10.56	5.75
September 29, 2000	6.31	3.75
December 31, 2000	3.94	2.63
March 30, 2001	5.95	2.69
June 29, 2001	5.24	3.00
September 28, 2001	5.32	2.88
December 31, 2001	5.83	2.90

We had 654 shareholders of record as of December 31, 2001. The quotation information has been derived from the New York Stock Exchange. No cash dividends have been declared on our common stock to date and we do not intend to pay a cash dividend on common stock in the foreseeable future. Future earnings will be used to finance our growth and development.

Item 6. Selected Financial Information.

The following selected consolidated financial information has been derived from our audited Consolidated Financial Statements. The data should be read in conjunction with our Consolidated Financial Statements and the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein.

Summary Consolidated Financial And Operating Data

	Year Ended December 31,				
	2001	2000	1999	1998	1997
	(in thousands, except per share data and number of offices)				
Statement of Operations Data:					
Revenues from services	916,965	976,573	850,873	606,895	\$ 335,409
Gross profit	275,054	292,480	263,507	183,971	98,742
Income before taxes, cumulative effect of change in accounting principle and extraordinary item	14,867	15,945	40,430	33,390	12,522
Cumulative effect of change in accounting principle and extraordinary item, net of income tax	—	—	(1,453)	—	—
Net income	9,215	10,059	23,124	19,799	6,963
Earnings per common share					
Basic	\$ 0.23	\$ 0.24	\$ 0.54	\$ 0.47	\$ 0.17
Diluted	\$ 0.23	\$ 0.24	\$ 0.53	\$ 0.46	\$ 0.17
Weighted average shares outstanding (1)					
Basic	40,573	42,295	42,521	41,694	41,504
Diluted	40,702	42,508	43,456	42,999	42,251

	At December 31,				
	2001	2000	1999	1998	1997
	Balance Sheet Data:				
Current assets	\$ 133,528	\$ 150,406	\$ 134,931	\$ 105,933	\$ 65,617
Total assets	214,030	205,423	174,481	130,736	80,367
Current liabilities	52,785	56,247	37,197	34,842	15,788
Long-term liabilities	41,552	37,072	26,148	15,397	6,538
Total liabilities	94,337	93,319	63,345	50,239	22,326
Shareholders' equity	119,693	112,104	111,136	80,497	58,041
Cash dividends declared (2)	—	23	43	43	43
Working capital	80,743	94,159	97,734	71,091	49,829

Operating Data: (unaudited)					
Revenues from dispatch offices open for full year	\$ 882,697	\$ 877,115	\$ 754,348	\$ 508,980	\$ 280,538
Revenues from dispatch offices opened during year	\$ 10,940	\$ 81,453	\$ 96,525	\$ 97,915	\$ 54,871
Revenues from dispatch offices closed during year	\$ 23,328	\$ 18,005	—	—	—
Dispatch offices open at period end	756	816	687	486	316

- (1) The weighted average shares outstanding have been adjusted to reflect the three for two stock splits which were effective on October 24, 1997, May 29, 1998 and June 24, 1999, respectively.
- (2) Represents cash dividends on Preferred Stock. In 2000, we repurchased all outstanding Preferred Stock. We have never paid cash dividends on our Common Stock and do not anticipate that we will do so in the foreseeable future. See Item 5 "Market for Registrant's Common Equity and Related Stockholder Matters".

Selected Quarterly Financial Data (unaudited)

	(in thousands, except per share data)			
	First	Second	Third	Fourth
	2001			
Sales	\$ 202,736	\$ 240,004	\$ 259,928	\$ 214,297
Gross profit	60,374	71,449	79,600	63,631
Operating profit (loss)	(4,859)	4,123	12,693	2,155
Net earnings (loss)	(3,002)	2,870	7,879	1,468
Earnings (loss) per share				
Basic	\$ (0.07)	\$ 0.07	\$ 0.19	\$ 0.04
Diluted	(0.07)	0.07	0.19	0.04
2000				
Sales	\$ 193,450	\$ 242,080	\$ 283,025	\$ 258,018
Gross profit	58,714	74,360	84,013	75,393
Operating profit (loss)	(3,818)	3,621	13,393	3,525
Net earnings (loss)	(2,319)	2,171	8,121	2,086
Earnings (loss) per share				
Basic	\$ (0.05)	\$ 0.05	\$ 0.19	\$ 0.05

Diluted

(0.05)

0.05

0.19

0.05

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

The following discussion and analysis should be read in connection with our Consolidated Financial Statements and the notes thereto and other financial information included elsewhere in this document.

Overview

Labor Ready is a leading national provider of temporary workers for manual labor jobs. Our customers are primarily in freight handling, warehousing, landscaping, construction, light manufacturing, and other light industrial businesses. We are not dependent on any individual customer for more than 2% of our annual revenues. During 2001, we provided temporary workers to more than 300,000 customers and filled more than 5.5 million work orders. We are responsible for employee-related expenses of our temporary workers, including workers' compensation, unemployment compensation insurance, and Medicare and Social Security taxes. We do not provide health, dental, disability or life insurance to our temporary workers.

Our business includes an element of seasonal fluctuation. Construction and landscaping businesses and, to a lesser degree, other customer businesses typically increase activity in spring, summer and early fall months and decrease activity in late fall and winter months. Inclement weather can slow construction and landscaping activities in such periods. As a result, we have generally experienced a significant increase in temporary labor demand in the spring, summer and early fall months, and lower demand in the late fall and winter months. From time to time during peak periods, we experience shortages of available temporary workers. See "Risk Factors: Issues and Uncertainties — Availability of Temporary Workers."

We grew rapidly from 8 dispatch offices in 1991 to 852 dispatch offices in 2000 and operated 756 dispatch offices as of December 31, 2001. All of the growth in dispatch offices was achieved by opening Company-owned locations rather than through acquisitions. Our revenues grew from approximately \$6.0 million in 1991 to \$976.6 in 2000 and were \$917.0 million for fiscal year 2001. We have dispatch offices in markets throughout the United States, Canada, United Kingdom and Puerto Rico. Revenues from international operations are less than 5% of our total revenues for all periods presented.

Our rapid expansion from 1991 through 2000 resulted in our establishing a national "footprint" with a presence in all 50 states, which we believe provides us a significant competitive advantage. In 2001, we undertook a program of consolidating certain dispatch offices to achieve increased efficiency without abandoning markets. This consolidation process resulted in our opening 32 dispatch offices and closing 92 in 2001, for a net decrease of 60 offices. We incurred costs of approximately \$1.0 million to open 32 new dispatch offices, an average of approximately \$30,000 per dispatch office. Approximately \$13,000 of these costs includes salaries, recruiting, testing, training, lease and other related costs; the remaining \$17,000 includes computer systems and other equipment related costs, leasehold improvements and related equipment.

We see opportunities for growth of our business, including opportunities to expand operations overseas. We expect to open approximately 10 new dispatch offices in 2002, most of which will be in the United Kingdom. While we do not anticipate closing a significant number of existing dispatch offices in 2002, we will continue to analyze the performance and financial viability of each of our offices. We have one franchisee, which operates five dispatch offices. Our franchise agreement with this franchisee terminated March 31, 2002, and we do not currently intend to grant additional franchises. Royalty revenues from the franchised dispatch offices were not material during any period presented herein.

We are focusing on increasing the average revenue per dispatch office. The average revenue per dispatch office for offices in operation at the end of the year and open for more than one year was approximately \$1.2 million in 2001 and \$1.4 million in 2000. We believe this average can be improved through implementation of a number of measures designed to improve

customer satisfaction, marketing effectiveness and retention and training of our dispatch office staff, as well as an improved U.S. economy.

Our revenues declined from \$976.6 million in 2000 to \$917.0 million in 2001, a decrease of 6.1%. This was the first year-over-year decline in revenues in our history, and largely reflects the economic downturn experienced in the United States in 2001. We have projected further revenue declines in 2002, due to uncertainties about the national economy.

By implementing efficiencies in all areas of the company, we managed to reduce our overhead expenses in 2001 at approximately the same rate as revenues declined. As a result, we earned \$0.23 per common share in 2001 as compared to \$0.24 per common share in 2000. We expect to keep overhead similarly in line with revenue in 2002. Nevertheless, our earnings outlook remains somewhat unclear at present. Workers compensation costs for 2002 have increased substantially more than expected. While we endeavor to pass increased costs on to our customers, we anticipate that it may take several months to fully implement the re-pricing necessary to maintain our customary margins.

Summary of Critical Accounting Policies. Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to workers compensation claims, bad debts, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of our consolidated financial statements. We maintain reserves for workers' compensation claims using actuarial estimates of the future cost of claims and related expenses that have been reported but not settled, and that have been incurred but not reported. This reserve is discounted for net present value, using a discount rate of 6%. If the actual cost of such claims and related expenses exceeds the amounts estimated, or if the discount rate represents an inflated estimate of the return on capital over time, additional reserves may be required. We also establish an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. We have also established reserves for contingent legal and regulatory liabilities, based on management's current best estimates and judgments of the scope and likelihood of such liabilities. If the actual outcome of these matters is less favorable than expected, an adjustment would be charged to income in the period the estimate changes.

Results of Operations

The following table sets forth the percentage of revenues represented by certain items in our Consolidated Statements of Operations for the periods indicated.

	Year ended December 31,		
	2001	2000	1999
Revenues from services	100.0 %	100.0 %	100.0 %
Cost of services	70.0	70.0	69.0
Selling, general and administrative expenses	27.6	27.5	25.5
Depreciation and amortization	0.9	0.8	0.6
Interest income (expense) and other, net	0.1	(0.1)	(0.1)
Income before taxes on income and cumulative Effect of change in accounting principle	1.6	1.6	4.8
Net income	1.0	1.0	2.7

Years Ended December 31, 2001, 2000 and 1999

Dispatch Offices . The number of offices declined to 756 at December 31, 2001 from 816 locations at December 31, 2000, a net decrease of 60 dispatch offices or 7.4%, as we closed certain under performing offices and consolidated customers with nearby offices to maintain our profitability during the 2001 economic downturn.

The number of offices increased to 816 at December 31, 2000 from 687 locations at December 31, 1999, a net increase of 129 dispatch offices or 18.8%.

Revenues from Services . Revenues from services decreased to \$917.0 million in 2001 as compared to \$976.6 million in 2000, a decrease of \$59.6 million or 6.1%. The decrease in revenues is primarily due to our consolidation of dispatch offices and a slight decrease in average revenues per dispatch office during the 2001 economic downturn, partially offset by a 2.0% increase in the average bill rate. We had 30 new offices that remained opened at the end of 2001. These offices produced average revenues of approximately \$357,500 as compared to 2000 when we had 197 new offices remaining at year end, which produced average revenues of approximately \$410,000. In 2001, we also saw a 4.2% sales decline for branches opened one year and longer as compared to an increase of 7.2% in 2000.

Revenues from services increased to \$976.6 million in 2000 as compared to \$850.9 million in 1999, an increase of \$125.7 million or 14.8%. The increase in revenues was primarily due to continued increases in revenues from mature dispatch offices as we consolidated our position in the marketplace and built brand awareness. We opened 211 offices in 2000, which produced average revenues of approximately \$410,000 as compared to 1999 when we opened 201 offices, which had average revenues of \$480,000.

	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(in thousands)		
Increase (decrease) in revenues from dispatch offices open for full year	\$ (70,548)	\$ 44,247	\$ 147,453
Revenues from new dispatch offices opened during year	10,940	81,453	96,525
Total increase (decrease) over prior year	<u>\$ (59,608)</u>	<u>\$ 125,700</u>	<u>\$ 243,978</u>

Cost of Services . Cost of services decreased to \$641.9 million in 2001 from \$684.1 million in 2000, a decrease of \$42.2 million or 6.2%. Cost of services was 70.0% of revenue for both periods presented. The decrease in cost of services was due largely to the decline in revenue, partially offset by a 0.8% increase in workers compensation costs from 2000 to 2001.

Cost of services increased to \$684.1 million in 2000 from \$587.4 million in 1999, an increase of \$96.7 million or 16.5%. The increase in cost of services was due largely to the 14.8% increase in revenue from 1999 to 2000. Cost of services was 70.0% of revenue in 2000 compared to 69.0% of revenue in 1999, an increase of 1.0%. Cost of services as a percentage of revenues was higher in 2000 due to a one time benefit received, in the first quarter of 1999, for several changes made to the workers' compensation program.

Selling, General, and Administrative Expenses . Selling, general and administrative ("SG&A") expenses were \$252.7 million in 2001 as compared to \$268.4 million in 2000, a decrease of \$15.7 million, or 5.9%. The decrease in SG&A expenses is commensurate with the decrease in revenue and number of dispatch offices. SG&A expenses were 27.6% of revenues in 2001 as compared to 27.5% of revenues in 2000. We expect that SG&A expenses as a percentage of revenues may fluctuate in future periods as we may adjust our staffing at the dispatch offices as well as our operating and administrative capabilities.

SG&A expenses were \$268.4 million in 2000 as compared to \$217.3 million in 1999, an increase of \$51.1 million, or 23.5%. SG&A expenses were 27.5% of revenues in 2000 as compared to 25.5% of revenues in 1999, due mainly to an increase in staffing costs.

Depreciation and Amortization Expense . Depreciation and amortization expenses were \$8.2 million in 2001 and \$7.4 million in 2000, an increase of \$0.8 million or 10.8%. The increase in depreciation and amortization expense is primarily due to the higher levels of depreciation resulting from the addition of \$6.5 million in property and equipment during the year. These additions primarily include our headquarters building, computer equipment, software, and other equipment.

Depreciation and amortization expenses were \$7.4 million in 2000 and \$4.8 million in 1999, an increase of \$2.6 million or 54.2%. The increase in depreciation and amortization expense is primarily due to the higher levels of depreciation resulting from the addition of \$10.8 million in property and equipment during the year. These additions primarily include CDMs and related equipment, computer equipment, software and other equipment.

Interest and Other Income (Expense), Net . We recorded net interest and other income of \$0.8 million for the period ending December 31, 2001 as compared to (\$0.8) million of expense for the same period in 2000. The increase in net interest and other income was primarily the result of the \$1.1 million realized pretax gain on the sale of real estate.

We recorded net interest expense of \$0.8 million for the period ending December 31, 2000 as compared to \$1.0 million of expense for the same period in 1999. The decrease in net interest expense was the result of increased cash flow, which enabled us to decrease our borrowings on the line of credit, offset by increases in interest expense on CDM leases and higher letter of credit and line of credit fees than in 1999.

Taxes On Income. Taxes on income decreased to \$5.7 million in 2001 from \$5.9 million in 2000, a decrease of \$0.2 million or 3.4%. The decrease in taxes is commensurate with the decrease in income from operations on a year over year basis and a decrease in the impact of foreign losses. Our effective tax rate was 38.0% in 2001 as compared to 36.9% in 2000. The principal difference between the statutory federal income tax rate and our effective income tax rate results from state income taxes, certain non-deductible expenses and the valuation allowance discussed below.

Taxes on income decreased to \$5.9 million in 2000 from \$15.9 million in 1999, a decrease of \$10.0 million or 62.9%. The decrease in taxes is commensurate with the decrease in income from operations on a year over year basis. Our effective tax rate was 36.9% in 2000 as compared to 39.2% in 1999. The principal difference between the statutory federal income tax rate and our effective income tax rate results from state income taxes, certain non-deductible expenses and the valuation allowance discussed below.

We had a net deferred tax asset of approximately \$18.2 million at December 31, 2001, resulting primarily from workers' compensation deposits, credits and reserves. Due to the uncertainty of the realization of certain tax planning measures, we have established a valuation allowance against our net deferred tax asset in the amount of \$1.5 million.

Liquidity and Capital Resources

Net cash provided by operating activities was \$56.9, \$42.3 million and \$2.5 million in 2001, 2000 and 1999, respectively. The increase in cash flows from operations in 2001 as compared to 2000 is largely due to the increase in collections of accounts receivable offset by the decrease in year over year net income and other current liabilities.

The increase in cash flows from operations in 2000 as compared to 1999 is largely due to the increase in collections of accounts receivable along with an increase in other current liabilities and reserves for workers' compensation and a decrease in other current assets offset by the decrease in year over year net income.

We used net cash in investing activities of \$34.3 in 2001, \$18.3 million in 2000 and \$14.2 million in 1999. The increase in cash used in investing activities in 2001 as compared to 2000 is due primarily to the \$32.5 million increase in restricted cash and other assets, which is primarily used to collateralize our line of credit facility, offset by a decrease in capital expenditures.

The increase in cash used in investing activities in 2000 as compared to 1999 is due primarily to the increase in capital expenditures, which includes our new corporate headquarters.

Net cash provided by (used in) financing activities was (\$9.6 million), (\$4.7 million) and \$2.6 million in 2001, 2000 and 1999, respectively. The increase in cash used in financing activities in 2001 as compared to 2000 is due mainly to the increase in the amount paid on debt, which included our \$6.2 million loan on our new corporate headquarters. In 2001, we repurchased and retired approximately 0.8 million shares of common stock at a cost of approximately \$3.1 million. We also made payments of \$1.7 million on the CDM capital leases.

The increase in cash used in financing activities in 2000 as compared to 1999 is due mainly to the increase in the amount of preferred and common stock repurchased and retired by us, offset by the increase in debt. In 2000, we repurchased and retired approximately 2.4 million shares of common stock and 6.5 million shares of preferred stock at a cost of approximately \$10.8 million for the common shares and \$0.9 million for the preferred shares. We also made payments of \$1.4 million on the CDM capital leases.

As discussed further in the consolidated financial statements, we are required by the workers' compensation program to collateralize a portion of our workers' compensation liability with irrevocable letters of credit and surety bonds. At December 31, 2001, we had provided our insurance carriers with letters of credit totaling \$54.9 million and surety bonds totaling \$43.2 million. The letters of credit bear fees of 0.75% per year and are supported by an equal amount of available borrowings on the

line of credit facility described below. The surety bonds bear fees based on a percentage of the bond, which is determined by each independent surety carrier, but do not exceed 2.0% of the bond amount. Subsequent to year end, we increased our outstanding letters of credit by \$13.9 million, and expect to further increase our outstanding letters of credit by an additional \$7.5 million by the end of 2002. See Risk Factors: Issues and Uncertainties — Workers Compensation Insurance.

In March 2001, we entered into a line of credit facility and an accounts receivable securitization facility (collectively the “Accounts Receivable Facility”) with certain unaffiliated financial institutions, which replaced our previous financing agreement with U.S. Bank. The Accounts Receivable Facility provides loan advances through the sale of substantially all of our eligible domestic accounts receivable to a wholly owned and consolidated subsidiary. The agreement includes a corporate guarantee by us and requires that we meet certain financial covenants. Subject to certain availability requirements, this agreement allows us to borrow a maximum of \$100 million, up to \$80 million of which may be used to obtain letters of credit. The amounts we may borrow (borrowing capacity) under this agreement are largely a function of the levels of our accounts receivable from time to time, supplemented by pledged and restricted cash. See Risk Factors: Issues and Uncertainties — Credit Facilities.

At December 31, 2001, we had a total available borrowing capacity of \$62.8 million under the Accounts Receivable Facility, comprised of \$48.6 million of eligible accounts receivable available in our calculated borrowing base and \$15.0 million of pledged cash. Of this \$62.8 million available, we had committed \$54.9 million for letters of credit to our insurance carriers as of December 31, 2001, leaving \$7.9 million available for future borrowing. Subsequent to year end, we pledged an additional \$17.0 million in cash and increased our letters of credit by \$13.9 million. We expect to provide an additional \$7.5 million in letters of credit by the end of 2002.

In 2000, we entered into a secured credit facility with U.S. Bank for the purchase of our headquarters building in downtown Tacoma, Washington. The facility allowed us to borrow up to \$10.0 million with interest at the London Inter-Bank Rate plus 1.30% and was secured by a first deed of trust on the subject property. We had \$6.2 million outstanding at December 31, 2000. This facility was canceled and repaid in full during the first quarter of 2001.

Subsequent to year end, we entered into a revolving credit facility with Wells Fargo Bank. This agreement allows us to borrow up to \$10.0 million with interest at the fluctuating rate per annum of 0.75% below the Prime Rate or 1.85% above the London Inter-Bank Rate. The available borrowing amount under this facility will be reduced by \$125,000 each quarter through 2006 at which time the facility expires. The facility bears fees of 0.35% of the unused amount, and is secured by a first deed of trust on our corporate headquarters building.

A portion of the collateral securing our workers compensation obligations consists of \$43.2 million in surety bonds issued by independent insurance companies on our behalf. These bonds are subject to annual renewal. If any such bonds are not renewed, we will be required to replace them with letters of credit or similar obligations, for which we would likely be required to pledge cash or other collateral.

Historically, we have experienced cash flow deficits from time to time due to seasonal sales fluctuations and expansion of operations. We invest significant amounts of additional cash into the operations of new dispatch offices until they begin to generate sufficient revenue to cover their operating costs, generally within 18 to 24 months. We pay our temporary workers on a daily basis, and bill our customers on a weekly basis. The average collection cycle for 2001 was approximately 25 days. Consequently, we historically have experienced significant negative cash from operation and investment activities during periods of high growth and may require additional sources of working capital in order to grow. See Risk Factors: Issues and Uncertainties — Working Capital Requirements. Management expects cash flow deficits to be financed by profitable operations and the use of our credit facilities, and we may also consider other equity or debt financings as necessary or appropriate. We analyze acquisition opportunities from time to time and may pursue acquisitions in certain circumstances. Any acquisitions we enter into may involve expenditures of cash, the issuance of additional equity securities or assumption of additional debt.

Item 7A. Qualitative and Quantitative Disclosures About Market Risk

We are exposed to market risk related to changes in interest rates, and to a minor extent, foreign currency exchange rates, each of which could adversely affect the value of our investments. We do not currently use derivative financial instruments. At December 31, 2001, our purchased investments have maturities of less than 90 days. As such, an increase in interest rates immediately and uniformly by 10% from levels at December 31, 2001 would not have a material affect upon our cash and cash equivalent balances. Because of the relative short maturities of the investments we hold, we do not expect our operating results or cash flows to be affected to any significant degree by a sudden change in market interest rates on our cash and cash equivalents portfolio.

We have a minor amount of assets and liabilities denominated in certain foreign currencies related to our international operations. We have not hedged our translation risk on these currencies and we have the ability to hold our foreign-currency denominated assets indefinitely and do not expect that a sudden or significant change in foreign exchange rates will have a material impact on future net income or cash flows.

Risk Factors: Issues and Uncertainties

The following issues and uncertainties, among others, should be considered in evaluating our future prospects.

We experience intense competition in our industry, which could harm our results. The short-term, light industrial niche of the temporary services industry is highly fragmented and highly competitive, with limited barriers to entry. Several very large full-service and specialized temporary labor companies, as well as small local operations, compete with us in the staffing industry. Competition in some markets is intense, particularly for provision of light industrial personnel, and price pressure from both competitors and customers is increasing.

The cost of compliance with government regulations is significant. We incur significant costs to comply with all applicable federal and state laws and regulations relating to employment, including occupational safety and health provisions, wage and hour requirements (including minimum wages), workers' compensation and unemployment insurance. In general, we attempt to increase fees charged to our customers to offset increased costs relating to these laws and regulations, but may be unable to do so.

We are continually subject to the risk of new regulation which could materially impact our business. In 2001 and 2002, a number of bills were introduced in Congress and various state legislatures which, if enacted, would impose conditions which could materially and adversely affect our business. This proposed legislation, much of which is backed by certain special interest groups adverse to us, includes provisions such as a requirement that our temporary workers receive the same pay and benefits as our customers' regular employees, prohibition on fees charged in connection with our CDMs, and a requirement that our customers provide workers compensation insurance for our temporary workers. We take a very active role in opposing such legislation and in informing policy makers as to the social and economic benefits of our business. None of these proposed bills has yet been enacted into law. However, we cannot guarantee that any such bills will not be enacted, in which event demand for our service may be adversely affected.

Our business depends on the availability of workers compensation insurance and our continued ability to collateralize our obligations. The events of September 11, 2001, added to an already-hardening insurance market, have resulted in significantly increased insurance costs and higher deductibles. While we have renewed our workers compensation insurance for the current year, we cannot be certain that such insurance will always be available or will be available at a reasonable cost. In addition, workers' compensation expenses are based on our actual claims experiences in each state and the actual aggregate workers' compensation costs may exceed estimates. Moreover, we expect that the amount of collateral required to secure our workers compensation obligations will continue to increase. In the event we lose our current credit facilities, or our cash flow and borrowing capacity under our credit facilities are insufficient to meet this increasing obligation, we will be required to seek additional sources of capital to satisfy our liquidity needs. There can be no assurance that such additional sources will be available to us or, if available, at commercially reasonable terms. In addition, we may issue additional equity or debt securities to finance any such capital requirements, which could result in dilution to existing shareholders.

Our credit facilities require that we meet certain levels of financial performance. Our credit facilities contain significant financial covenants. Among other things, these covenants require us to maintain certain earnings levels and a certain ratio of earnings to fixed expenses. In the event that we do not comply with the covenants and the lender does not consent to such non-compliance, we will be in default of our agreement which could subject us to penalty rates of interest and accelerate the maturity of the outstanding balances. In such an event, we could also be required to seek additional sources of capital to satisfy our liquidity needs. There can be no assurance that such additional sources will be available to us or, if available, at commercially reasonable terms. In addition, we may issue additional equity or debt securities to finance any such capital requirements, which could result in dilution to existing shareholders.

Our business depends extensively on recruiting and retaining qualified dispatch office managers . We rely heavily on the performance and productivity of our dispatch office managers, who manage the operation of the dispatch offices, including recruitment and daily dispatch of temporary workers, marketing and providing quality customer service. We must recruit a sufficient number of managers to staff each new office and to replace managers lost through attrition or termination. Our future growth and performance depend on our ability to hire, train and retain qualified managers from a limited pool of qualified candidates who frequently have no prior experience in the temporary employment industry.

Further growth and expansion will require significant working capital. While our cash flow was positive in 2001, we have historically experienced periods of significant negative cash flow from operations and investment activities. We must spend \$30,000 to 45,000 to open each dispatch office. Once open, we invest significant additional cash into the operations of new dispatch offices until they begin to generate sufficient revenue to cover their operating costs. In addition, we pay our temporary personnel on a daily basis and bill our customers on a weekly basis. As a result, we must maintain sufficient cash reserves to pay our temporary personnel prior to receiving payment from our customers. We expect to require additional sources of capital in order to grow especially during seasonal peaks in revenue experienced in the third and fourth quarter of the year.

Our industry incurs all the risk associated with employing manual labor, including the risk of litigation, which we try to manage but can lead to significant potential liability . From time to time we are party to litigation in the ordinary course of our business. In the past year, certain special interest groups have coordinated legal actions directed at us designed to further their own interests. We cannot assure you that such litigation will not disrupt our business or impact our financial results due to the costs of defending against such litigation, any judgments that may be awarded against us, and the loss of significant management time devoted to such litigation. Temporary staffing companies, such as ours, employ people in the workplace of their customers. This creates a risk of potential litigation based on claims of discrimination and harassment, violations of health and safety and wage and hour laws, criminal activity, and other claims. While we try to limit our liability by contract, we may be held responsible for the actions at a job site of workers not under our direct control. Like other temporary staffing companies, we are also affected by fluctuations and interruptions in the business of our customers.

Our ability to grow is subject to uncertainties . Future growth must be accomplished through improvement of our average sales per dispatch office, expansion of our share of the market niche in which we compete, development of new service lines, and/or expansion of our operations abroad, all of which are subject to uncertainties. Our ability to grow is dependent upon such factors as our ability to attract and retain sufficient qualified management personnel to manage multiple and individual dispatch offices, the availability of sufficient temporary workers to meet customer needs, our ability to deal with increasing workers' compensation costs, effective collection of accounts receivable and availability of working capital.

The loss of any of our key personnel could adversely affect us. In 2000 and 2001, we experienced significant turnover in key members of our management team, including a Chief Executive Officer in each of those two years. We must successfully integrate all new management and other key positions within our organization in order to achieve our operating objectives. As a result, our future financial performance depends on our ability to recruit, motivate and retain key management personnel.

Our business will likely be affected by economic fluctuations affecting the U.S. economy . The general level of economic activity, interest rates and unemployment in the U.S. and specifically within the construction, landscaping and light industrial trades may significantly affect demand for our services. The U.S. economic downturn in 2001 resulted in a decline in our revenues.

Our business tends to be busier during warmer seasonal periods . Many of our customers are in the construction and landscaping industries, which are significantly affected by seasonal factors such as the weather. We generally experience increased demand in the spring, summer and early fall, while inclement weather is generally coupled with lower demand for our services.

Our business would suffer if we could not attract temporary workers to fill the jobs we offer. We compete with other temporary personnel companies to meet our customer needs. We must continually attract reliable temporary workers to fill positions and may from time to time experience shortages of available temporary workers.

Our information and computer processing systems are critical to the operations of our business and any failure could cause significant problems. Our management information systems, located at our headquarters, are essential for data exchange and operational communications with dispatch offices throughout the country. Any interruption, impairment or loss of data integrity or malfunction of these systems could severely hamper our business.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data required hereunder are included in Item 14 hereof.

Item 9. Changes in and Disagreements With Accountants On Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information regarding directors and nominees for our directors is presented under the heading "Election of Directors" in our definitive proxy statement for use in connection with the 2002 Annual Meeting of Stockholders (the "Proxy Statement") to be filed within 120 days after our fiscal year ended December 31, 2001, and is incorporated herein by this reference thereto.

Section 16(a) of the Securities and Exchange Act of 1934, as amended, requires our officers and directors and certain other persons to timely file certain reports regarding ownership of, and transactions in, our securities with the Securities and Exchange Commission. Copies of the required filings must also be furnished to us. Based solely on our review of such forms received by us or representations from certain reporting persons, we believe that during 2001 all applicable Section 16(a) filing requirements were met, except as follows: Timothy Adams and Matthew Rodgers, each an officer, and Mark Beatty, Gates McKibbin, George Northcroft and William Steel, each a director, each filed a late Form 3 report; Joseph P. Sambataro, Jr., Timothy Adams, Steven C. Cooper and Matthew J. Rodgers, each an officer, each filed a late Form 5 report.

Executive Officers

The names, ages and positions of our executive officers as of March 1, 2002 are listed below along with their business experience during the past five years. No family relationships exist among any of the directors or executive officers.

Name	Age	Position
Joseph P. Sambataro, Jr.	51	Chief Executive Officer and President
Timothy J. Adams	41	Executive Vice President, General Counsel and Secretary
Steven C. Cooper.	39	Chief Financial Officer and Executive Vice President
Matthew J. Rodgers	39	Executive Vice President of Operations

Business Experience

The business experience and brief resume of each Executive Officer are as follows:

Joseph P. Sambataro, Jr. has served as Chief Executive Officer and President since September 24, 2001. Mr. Sambataro joined us in August 1997 as Executive Vice President, Treasurer, Chief Financial Officer and Assistant. Mr. Sambataro resigned as Chief Financial Officer in January 2001 and retired from his Executive Vice President duties as of March 31, 2001. He has been a member of our Board of Directors since 2000. Prior to joining us, he served as the Managing Partner of the Seattle office of BDO Seidman, LLP, an accounting and consulting firm, from 1990 to 1997. From 1985 to 1990, Mr. Sambataro was co-founder and CEO of an onsite toxic waste bioremediation company and co-founder and VP Finance of a natural products biotechnology company. From 1972 to 1985, Mr. Sambataro was with KPMG Peat Marwick and partner in charge of audit in the Seattle office from 1983 to 1985.

Timothy J. Adams has served as Executive Vice President, General Counsel and Secretary since May 28, 2001. Mr. Adams joined us as Director of Legal Services in October 1999. From 1996 to 1999 he was General Counsel of Saxton Incorporated, a publicly-traded real estate company in Las Vegas, Nevada. Prior to that he spent nine years in private law practice in Las Vegas.

Steven C. Cooper has served as our Chief Financial Officer and Executive Vice President since January 2001. Prior to that, Mr. Cooper has served as our Vice President of Finance and Corporate Controller since joining us in April 1999. Prior to joining Labor Ready, Mr. Cooper's most recent position was with Arthur Andersen as a Senior Consulting Manager from 1998 to 1999. From 1993 to 1998, Mr. Cooper held a Director position in the Finance Department of Albertson's. Previous to that he was a Senior Manager with Deloitte & Touche.

Matthew J. Rodgers has served as Executive Vice President of Operations since February 2001. Mr. Rodgers joined Labor Ready in February of 1998 and has served as a District Manager, Area Director and Regional Vice President. Prior to joining us, Mr. Rodgers was with Cugino, Inc., a foodservice franchising company from 1996 to 1998. Prior to that, Mr. Rodgers obtained over 12 years of operations and management experience in various multi brand franchise businesses.

Item 11. Executive Compensation

Information concerning executive compensation is presented under the headings "Summary Compensation Table," "Aggregated Option/SAR Exercises in 2001 and Year End Option/SAR Value," and "Option/SAR in Last Fiscal Year" in the Proxy Statement. This information is incorporated herein by this reference thereto.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information with respect to security ownership of certain beneficial owners and management is set forth under the heading "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement. This information is incorporated herein by this reference thereto.

Item 13. Certain Relationships and Related Transactions

On September 20, 2001, our then President and Chief Executive Officer Richard L. King resigned. On October 9, 2001, we entered into a Separation Agreement with Mr. King pursuant to which we agreed to pay Mr. King a lump sum severance payment of \$100,000, and Mr. King agreed to relinquish unvested stock options for 512,000 shares and waive any claims with respect to his employment with us. Also on October 9, 2001, we executed a Consulting Agreement with Mr. King pursuant to which Mr. King agreed to provide certain consulting services upon our request and we agreed to pay Mr. King consulting fees totaling \$325,000. The Consulting Agreement expires October 9, 2002.

On June 30, 2001, our then Executive Vice President and General Counsel Ronald L. Junck resigned. On May 24, 2001, we entered into a Separation Agreement with Mr. Junck pursuant to which we agreed to pay Mr. Junck severance payments of \$20,833.33 per month through July 31, 2002 and Mr. Junck agreed to waive any claims with respect to his employment with us and to abide by certain covenants against competition.

PART IV**Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K**

The Financial Statements are found on pages F-1 through F-17 of this Form 10-K. The Financial Statement Table of Contents is on Page F-1. The Exhibit Index is found on Pages 21 to 23 of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LABOR READY, INC .

/s/ Joseph P. Sambataro, Jr. 3/29/02

Signature Date

By: Joseph P. Sambataro, Jr., Director, Chief Executive Officer and President

/s/ Steven C. Cooper 3/29/02

Signature Date

By: Steven C. Cooper, Chief Financial Officer and Executive Vice President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Joseph P. Sambataro, Jr. 3/29/02

Signature Date

Joseph P. Sambataro, Jr., Director, Chief Executive Officer and President

/s/ Robert J. Sullivan 3/29/02

Signature Date

Robert J. Sullivan, Chairman of the Board

/s/ Mark R. Beatty 3/29/02

Signature Date

Mark R. Beatty, Director

/s/ Richard W. Gasten 3/29/02

Signature Date

Richard W. Gasten, Director

/s/ Thomas E. McChesney 3/29/02

Signature Date

Thomas E. McChesney, Director

/s/ Gates McKibbin 3/29/02

Signature Date

Gates McKibbin, Director

/s/ William W. Steele 3/29/02

Signature Date

William W. Steele, Director

/s/ Carl W. Schafer 3/29/02

Signature Date

Carl W. Schafer, Director

/s/ George Northcroft 3/29/02

Signature Date

George Northcroft

EXHIBIT INDEX

FORM 10-K Labor Ready, Inc.

<u>Exhibit Number</u>	<u>Description</u>	
3	Articles of Incorporation	(1)
3.1	Articles of Amendment to Articles of Incorporation	(1)
3.2	Bylaws	(1)
4.1	Rights Agreement Dated January 6, 1998	(2)
10.1	Warrant Purchase Agreements	(1)
10.2	Form of Lease for Labor Ready, Inc. dispatch office	(1)
10.3	1996 Employee Stock Option and Incentive Plan	(1)
10.4	1996 Employee Stock Purchase Plan	(1)
10.5	Form of equipment lease and related schedules at various dates between the Company as lessor, T&W Financial Corporation as Lessee and Diebold Corporation as Vendor	(3)
10.6	Bond to Secure Premium and Deductible Obligations between Labor Ready, Inc. Travelers Casualty and Surety Company of America, Reliance National Indemnity Company dated February 16, 1999	(4)
10.7	Form of equipment lease and related schedules at various dates between the Company as lessor, Wells Fargo Equipment Finance, Inc. as lessee	(5)
10.8	Form of equipment lease and related schedules at various dates Between the Company as lessor and LaSalle National Leasing Corporation as lessee	(6)
10.9	Excess Bond to Secure Premium and Deductible Obligations between Labor Ready, Inc., National Union Fire Insurance Company of Pittsburgh, PA and Reliance National Indemnity Company dated May 8, 2000	(7)
10.10	Excess Bond to Secure Premium and Deductible Obligations between Labor Ready, Inc., Greenwich Insurance Company, Mutual Indemnity (U.S.) Ltd., and Legion Insurance Company dated January 19, 2001	(7)
10.11	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Northwest, Inc., Fidelity and Deposit Company of Maryland and State of Oregon dated June 1, 2000	(7)
10.12	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready, Inc., Fidelity and Deposit Company of Maryland and State of Colorado dated June 28, 2000	(7)
10.13	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Northeast, Inc., Fidelity and Deposit Company of Maryland and Commonwealth of Pennsylvania dated July 1, 2000	(7)
10.14	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Southeast, Inc., Fidelity and Deposit Company of Maryland and State of Louisiana dated July 1, 2000	(7)
10.15	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Midwest, Inc., Fidelity and Deposit Company of Maryland and State of Michigan dated July 12, 2000	(7)
10.16	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Southeast III L.P., Fidelity and Deposit Company of Maryland and State of Georgia dated July 31, 2000	(7)
10.17	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Mid-Atlantic III L.P., Fidelity and Deposit Company of Maryland and State of Indiana dated July 12, 2000	(7)

-
- (1) Incorporated by reference to our Form 10 Registration Statement, (SEC File No. 0-23828).
 - (2) Incorporated by reference to our Current Report on Form 8-K, filed on January 16, 1998 (0-23828).
 - (3) Incorporated by reference to our Quarterly Report on Form 10-Q, filed on May 12, 1998 (0-23828).
 - (4) Incorporated by reference to our Annual Report on Form 10-K, filed on March 30, 1999 (001-14543).
 - (5) Incorporated by reference to our Quarterly Report on Form 10-Q, filed on May 17, 1999 (001-14543).
 - (6) Incorporated by reference to our Quarterly Report on Form 10-Q, filed on November 13, 2000 (001-14543).
 - (7) Incorporated by reference to our Annual Report on Form 10-K, filed on March 30, 2001 (001-14543).

<u>Exhibit Number</u>	<u>Description</u>	
10.18	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Midwest, Inc., Fidelity and Deposit Company of Maryland and State of Illinois dated October 10, 2000	(7)
10.19	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Central, Inc., Fidelity and Deposit Company of Maryland and State of Missouri dated September 7, 2000	(7)
10.20	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Central, Inc., Fidelity and Deposit Company of Maryland and State of Kansas dated January 1, 2001	(7)
10.21	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Central, Inc., Fidelity and Deposit Company of Maryland and State of Arkansas dated December 28, 2000	(7)
10.22	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Midwest, Inc., Fidelity and Deposit Company of Maryland and State of Iowa dated January 1, 2001	(7)
10.23	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Southwest, Inc., Fidelity and Deposit Company of Maryland and State of Nevada dated February 16, 2001	(7)
10.24	General Indemnity Agreement between Labor Ready, Inc. and Fidelity and Deposit Company of Maryland dated June 19, 2000	(7)
10.25	General Indemnity Agreement between Labor Ready, Inc. and Great American Insurance Company dated November 3, 2000	(7)
10.26	Commercial Surety General Indemnity Agreement between Labor Ready, Inc. and Greenwich Insurance Company dated January 4, 2001	(7)
10.27	Commercial Surety General Indemnity Agreement between Labor Ready, Inc. and National Union Insurance Company of Pittsburgh, PA dated April 6, 2000	(7)
10.28	2000 Employee Stock Option and Incentive Plan	(7)
10.29	Executive Employment Agreement between Labor Ready, Inc. and Steven C. Cooper dated January 9, 2001	(8)
10.30	Executive Employment Agreement between Labor Ready, Inc. and Matthew J. Rodgers dated February 21, 2001	(8)
10.31	Executive Employment Agreement between Labor Ready, Inc. and Ronald H. Sage dated April 9, 2001	(8)
10.32	Receivables Funding Agreement between Labor Ready Funding Corporation, Redwood Receivables Corporation, Labor Ready, Inc. and General Electric Capital Corporation dated March 1, 2001	(8)
10.33	Receivables Sale and Contribution Agreement between Labor Ready, Inc. and Labor Ready Funding Corporation dated March 1, 2001	(8)
10.34	Receivables Sale Agreement between Labor Ready, Inc. and Selling Subsidiaries dated March 1, 2001	(8)
10.35	Letter of Credit Agreement between Labor Ready, Inc. and General Electric Capital Corporation dated March 1, 2001	(8)
10.36	Annex X to Receivables Funding Agreement, Receivables Sales and Contribution Agreement and Receivables Sales Agreement between Labor Ready, Inc. and General Electric Capital Corporation dated March 1, 2001	(8)
10.37	Executive Employment Agreement between Labor Ready, Inc. and Timothy J. Adams dated May 28, 2001	(9)
10.38	Irrevocable Letter of Credit between Labor Ready, Inc., First Union National Bank, GE Capital Corporation and Greenwich Insurance Company dated April 25, 2001	(9)
10.39	Irrevocable Letter of Credit between Labor Ready, Inc., First Union National Bank, GE Capital Corporation and Lumbermens Mutual Casualty Company dated June 4, 2001	(9)

(7) Incorporated by reference to our Annual Report on Form 10-K, filed on March 30, 2001 (001-14543).

(8) Incorporated by reference to our Quarterly Report on Form 10-Q, filed on May 14, 2001 (001-14543).

(9) Incorporated by reference to our Quarterly Report on Form 10-Q, filed on August 13, 2001 (001-14543).

<u>Exhibit Number</u>	<u>Description</u>	
10.40	Irrevocable Letter of Credit between Labor Ready, Inc., First Union National Bank, GE Capital Corporation and Reliance National Insurance Company dated May 15, 2001	(9)
10.41	Irrevocable Letter of Credit between Labor Ready, Inc., First Union National Bank, GE Capital Corporation and Travelers Casualty and Surety Company of America dated April 25, 2001	(9)
10.42	Irrevocable Letter of Credit between Labor Ready, Inc., First Union National Bank, GE Capital Corporation and US Bank National Association dated February 26, 2001	(9)
10.43	Separation Agreement between Labor Ready, Inc. and Richard King dated October 9, 2001	(10)
10.44	Consulting Agreement between Labor Ready, Inc. and Richard King dated October 9, 2001	(10)
10.45	Executive Employment Agreement between Labor Ready, Inc. and Joseph P. Sambataro, Jr. dated October 2, 2001	(10)
10.46	Third Amendment to Securitization Agreements between Labor Ready Funding Corporation, Redwood Receivables Corporation, Labor Ready, Inc. and General Electric Capital Corporation dated November 8, 2001	(10)
10.47	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Midwest, Inc., Great American Insurance Company and State of Minnesota dated December 6, 2001	
10.48	Separation Agreement between Labor Ready, Inc. and Ronald L. Junck dated day 24, 2001	
10.49	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Mid-Atlantic, Inc., Great American Insurance Company and Commonwealth of Kentucky dated June 1, 2001	
10.50	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Northeast, Inc., Great American Insurance Company and State of Delaware dated June 29, 2001	
10.51	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Central, Inc., Great American Insurance Company and State of Oklahoma dated September 6, 2001	
10.52	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Northeast, Inc., Great American Insurance Company and District of Columbia Government dated April 23, 2001	
10.53	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Northeast, Inc., Great American Insurance Company and State of Connecticut dated June 1, 2001	
10.54	Revolving Reducing Note and Credit Agreement between Labor Ready, Inc. and Wells Fargo Bank, National Association dated January 4, 2002	
21	Subsidiaries of Labor Ready, Inc.	
23	Consent of Arthur Andersen LLP — Independent Public Accountants	

(9) Incorporated by reference to our Quarterly Report on Form 10-Q, filed on August 13, 2001 (001-14543).

(10) Incorporated by reference to our Quarterly Report on Form 10-Q, filed on November 9, 2001 (001-14543).

Copies of Exhibits may be obtained upon request directed to Mr. Steve Cooper, Labor Ready, Inc., PO Box 2910, Tacoma, Washington, 98401 and many are available at the SEC's website found at www.sec.gov.

LABOR READY, INC.
CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Public Accountants

Consolidated Balance Sheets December 31, 2001 and 2000

Consolidated Statements of Income Years Ended December 31, 2001, 2000 and 1999

Consolidated Statements of Shareholders' Equity Years Ended December 31, 2001, 2000 and 1999

Consolidated Statements of Comprehensive Income Years Ended December 31, 2001, 2000 and 1999

Consolidated Statements of Cash Flows Years Ended December 31, 2001, 2000 and 1999

Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Shareholders of Labor Ready, Inc.

We have audited the accompanying consolidated balance sheets of Labor Ready, Inc. (a Washington Corporation) and all of its subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Labor Ready, Inc. and all subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

As explained in the Accounting Policies Note to the Financial Statements, effective January 1, 1999 the Company adopted the provisions of Statement of Position 98-5, "Reporting on the Costs of Startup Activities" which requires the Company to expense the cost of establishing new dispatch offices.

Seattle, Washington
February 4, 2002

/s/ Arthur Andersen LLP

LABOR READY, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2001 and 2000

ASSETS

	<u>2001</u>	<u>2000</u>
	(In Thousands)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 48,865	\$ 36,048
Accounts receivable	3,902	100,678
Accounts receivable pledged under securitization agreement	64,659	—
Allowance for doubtful accounts	(5,649)	(7,661)
Workers' compensation deposits	3,697	4,497
Prepaid expenses and other	7,486	6,878
Income tax receivable	1,537	195
Deferred income taxes	9,031	9,771
Total current assets	<u>133,528</u>	<u>150,406</u>
PROPERTY AND EQUIPMENT:		
Buildings and land	15,119	7,057
Computers and software	31,792	29,912
Cash dispensing machines	13,443	13,790
Furniture and equipment	1,639	1,620
Construction in progress	—	8,850
	<u>61,993</u>	<u>61,229</u>
Less accumulated depreciation	<u>25,099</u>	<u>17,827</u>
Property and equipment, net	<u>36,894</u>	<u>43,402</u>
OTHER ASSETS:		
Restricted cash	33,357	1,696
Deferred income taxes	9,189	9,521
Other assets	1,062	398
Total other assets	<u>43,608</u>	<u>11,615</u>
Total assets	<u>\$ 214,030</u>	<u>\$ 205,423</u>

See accompanying notes to consolidated financial statements.

LABOR READY, INC.

CONSOLIDATED BALANCE SHEETS

December 31, 2001 and 2000

LIABILITIES AND SHAREHOLDERS' EQUITY

	2001	2000
	(In Thousands)	
CURRENT LIABILITIES:		
Accounts payable	\$ 13,967	\$ 18,683
Accrued wages and benefits	9,533	10,201
Current portion of workers' compensation claims reserve	27,440	19,452
Current maturities of long-term debt	1,845	7,911
Total current liabilities	52,785	56,247
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities	4,998	6,843
Workers' compensation claims reserve	36,554	30,229
Total long-term liabilities	41,552	37,072
Total liabilities	94,337	93,319
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$0.131 par value, 20,000 shares authorized; 0 shares issued and outstanding	—	—
Common stock, no par value, 100,000 shares authorized; 40,602 and 40,941 shares issued and outstanding	50,665	52,074
Cumulative foreign currency translation adjustment	(467)	(250)
Retained earnings	69,495	60,280
Total shareholders' equity	119,693	112,104
Total liabilities and shareholders' equity	\$ 214,030	\$ 205,423

See accompanying notes to consolidated financial statements

LABOR READY, INC.

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2001, 2000 and 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(In Thousands Except Per Share Data)		
Revenues from services	\$ 916,965	\$ 976,573	\$ 850,873
Cost of services	641,911	684,093	587,366
Gross profit	<u>275,054</u>	<u>292,480</u>	<u>263,507</u>
Selling, general and administrative expense	252,739	268,379	217,294
Depreciation and amortization	8,203	7,380	4,804
Income from operations	<u>14,112</u>	<u>16,721</u>	<u>41,409</u>
Interest and other income (expense), net	755	(776)	(979)
Income before taxes on income and cumulative effect of accounting change	<u>14,867</u>	<u>15,945</u>	<u>40,430</u>
Taxes on income	5,652	5,886	15,853
Income before cumulative effect of accounting change	9,215	10,059	24,577
Cumulative effect of accounting change, net of income tax benefit of \$897,000	<u>—</u>	<u>—</u>	<u>(1,453)</u>
Net income	<u>\$ 9,215</u>	<u>\$ 10,059</u>	<u>\$ 23,124</u>
Income Per Common Share:			
Basic	\$ 0.23	\$ 0.24	\$ 0.54
Diluted	\$ 0.23	\$ 0.24	\$ 0.53
Weighted average shares outstanding:			
Basic	40,573	42,295	42,521
Diluted	40,702	42,508	43,456

See accompanying notes to consolidated financial statements.

LABOR READY, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended December 31, 2001, 2000 and 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(In Thousands)		
Preferred stock			
Balance, beginning of year	\$ —	\$ 854	\$ 854
Preferred stock repurchased	—	(854)	—
Balance, end of year	<u>—</u>	<u>—</u>	<u>854</u>
Common stock			
Balance, beginning of year	52,074	60,189	52,639
Common stock issued on the exercise of options and warrants	427	1,210	7,785
Common stock issued through employee benefit plans	1,229	1,499	1,209
Common stock repurchased	(3,065)	(10,824)	(1,444)
Balance, end of year	<u>50,665</u>	<u>52,074</u>	<u>60,189</u>
Cumulative translation adjustment			
Balance, beginning of year	(250)	(151)	(159)
Foreign currency translation	(217)	(99)	8
Balance, end of year	<u>(467)</u>	<u>(250)</u>	<u>(151)</u>
Retained earnings			
Balance, beginning of year	60,280	50,244	27,163
Net income	9,215	10,059	23,124
Preferred stock dividends	—	(23)	(43)
Balance, end of year	<u>69,495</u>	<u>60,280</u>	<u>50,244</u>
Total Shareholders' equity	<u>\$ 119,693</u>	<u>\$ 112,104</u>	<u>\$ 111,136</u>

LABOR READY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31, 2001, 2000 and 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(In Thousands)		
Net income	\$ 9,215	\$ 10,059	\$ 23,124
Other Comprehensive Income			
Foreign currency translation	(217)	(99)	8
Total Comprehensive Income	<u>\$ 8,998</u>	<u>\$ 9,960</u>	<u>\$ 23,132</u>

See accompanying notes to consolidated financial statements.

LABOR READY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2001, 2000 and 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
	<u>(In Thousands)</u>		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 9,215	\$ 10,059	\$ 23,124
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,340	7,380	4,804
Provision for doubtful accounts	16,702	15,425	15,998
Deferred income taxes and other	1,044	(4,448)	(6,492)
Loss on disposal of property and equipment, net	54	428	—
Cumulative effect of accounting change	—	—	2,350
Changes in operating assets and liabilities			
Accounts receivable	13,424	(14,726)	(44,230)
Reserve for Workers' compensation claims	14,321	14,391	9,666
Other current assets	(1,159)	5,151	(8,628)
Other current liabilities	(4,997)	8,640	5,957
Net cash provided by operating activities	<u>56,944</u>	<u>42,300</u>	<u>2,549</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(6,537)	(18,421)	(12,358)
Restricted cash and other	(32,477)	(54)	(1,876)
Proceeds from sale of property and equipment	4,738	139	—
Net cash used in investing activities	<u>(34,276)</u>	<u>(18,336)</u>	<u>(14,234)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from sale of stock through employee benefit plans and options exercised	1,353	2,257	4,962
Additions to (payments on) debt	(7,912)	4,825	(936)
Purchase and retirement of stock	(3,065)	(11,678)	(1,444)
Preferred stock dividends paid	—	(66)	—
Net cash provided by (used in) financing activities	<u>(9,624)</u>	<u>(4,662)</u>	<u>2,582</u>
Effect of exchange rates on cash	(227)	(99)	8
Net increase (decrease) in cash and cash equivalents	12,817	19,203	(9,095)
CASH AND CASH EQUIVALENTS, beginning of year	<u>36,048</u>	<u>16,845</u>	<u>25,940</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 48,865</u>	<u>\$ 36,048</u>	<u>\$ 16,845</u>

See accompanying notes to consolidated financial statement

LABOR READY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2001, 2000 and 1999

(In Thousands Except Per Share Data)

ACCOUNTING POLICIES

Basis of presentation. Labor Ready, Inc. and its wholly-owned subsidiaries provide temporary staffing and related services for manual labor jobs to customers primarily in the industrial and small business markets from 756 offices located throughout the United States, Canada, United Kingdom and Puerto Rico. We provide services to a wide variety of customers, none of which individually comprise a significant portion of revenues within a geographic region or for us as a whole. The consolidated financial statements include the accounts of Labor Ready Inc. and all of its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue recognition. Revenue from the sale of services is recognized at the time the service is performed. A portion of our income is derived from franchise and cash dispensing machine fees, which are insignificant for all years presented.

Cost of services. Cost of services includes the wages of temporary workers, related payroll taxes, workers' compensation expenses and transportation.

Cash and cash equivalents. We consider all highly liquid instruments purchased with a maturity of three months or less at date of purchase to be cash equivalents.

Property and equipment. Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which are 31 to 39 years for buildings and improvements, 3 to 5 years for computers and software, 7 years for cash dispensing machines and 5 to 7 years for furniture and equipment. Depreciation expense for 2001, 2000 and 1999 was \$8,188, \$7,345 and \$4,775.

Intangible assets and other. Intangible and other assets consist primarily of capitalized closing costs associated with our financing instruments. Other intangible assets are stated at cost and are amortized using the straight-line method over periods matching the financing. Management evaluates, on an ongoing basis, the carrying value of intangible assets and makes a specific provision against the asset when an impairment is identified. Amortization of intangible assets was \$15 in 2001, \$35 in 2000 and \$29 in 1999.

Income taxes. Deferred income taxes are provided for temporary differences between the financial statement and income tax bases of assets and liabilities using enacted tax rates in effect for the year in which the temporary differences are expected to reverse. If it is more likely than not that some portion of a deferred tax asset will not be realized, a valuation allowance is recorded.

Restricted cash. Restricted cash consists of pledged cash deposits that have been placed with independent financial institutions to secure our obligations under our workers compensation program and to provide collateral for our line of credit facility.

Foreign currency translation. Cumulative translation adjustments relate to our consolidated foreign subsidiaries, Labour Ready Temporary Services, Ltd. (Canada) and Labour Ready Temporary Services United Kingdom, Ltd. Foreign currency translation is calculated by application of the current rate method and is included in the determination of consolidated shareholders' equity at the respective balance sheet dates.

Use of estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications. Certain prior year amounts have been reclassified to conform with the current year presentation.

NEW ACCOUNTING STANDARDS

In October 2001, the Financial Accounting Standards Board (“FASB”) approved SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144”), which supersedes SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of” (“SFAS 121”) and the accounting and reporting provisions of APB No. 30, “Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions” for the disposal of a segment of a business. SFAS 144 retains many of the fundamental provisions of SFAS 121, but resolves certain implementation issues associated with that statement. SFAS 144 will be effective for fiscal year 2002. The adoption of this statement should not have a material effect on our results of operations or its financial position.

In August 2001, FASB approved SFAS No. 143, “Accounting for Asset Retirement Obligations” (“SFAS 143”), which will be effective beginning fiscal year 2003. SFAS 143 addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The adoption of this statement should not have a material effect on our results of operations or its financial position.

In June 2001, FASB approved Statement of Financial Accounting Standard (“SFAS”) No. 141, “Business Combinations” (“SFAS 141”), and SFAS No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”). SFAS 141 prospectively prohibits the pooling of interest method of accounting for business combinations initiated after June 30, 2001. SFAS 142 requires companies to cease amortizing goodwill that existed at June 30, 2001. The amortization of existing goodwill will cease on December 31, 2001. Any goodwill resulting from acquisitions completed after June 30, 2001 will not be amortized. SFAS 142 also establishes a new method of testing goodwill for impairment on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. The adoption of these statements did not have a material effect on our results of operations or our financial position.

In the first quarter of 1999, we adopted the provisions of Statement of Position 98-5, “Reporting on the Costs of Start-up Activities” (SOP 98-5). SOP 98-5 establishes new rules for the financial reporting of start-up costs, and requires us to expense the cost of establishing new dispatch offices as incurred and write off, as a cumulative effect of adopting SOP 98-5, any capitalized pre-opening costs in the first quarter of the year adopted. Prior to adopting SOP 98-5, pre-opening costs incurred to open new dispatch offices, including salaries, recruiting, testing, training, lease and other related costs, were capitalized and amortized using the straight-line method over two years. The cumulative effect of adopting SOP 98-5 was to decrease net income by \$1.5 million or \$0.03 per common share.

SUPPLEMENTAL CASH FLOW INFORMATION

Selected cash payments and non-cash activities were as follows:

	2001	2000	1999
Cash paid during the year for:			
Interest	\$ 1,927	\$ 1,209	\$ 1,517
Income taxes	\$ 5,029	\$ 8,088	\$ 24,192
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Common stock issued to employee benefit plans	\$ 284	\$ 186	\$ 146
Preferred stock dividends accrued	\$ —	\$ —	\$ 43
Stock option income tax benefit	\$ 20	\$ 452	\$ 3,886
Assets acquired with capital lease obligations	\$ —	\$ 2,161	\$ 2,877

WORKERS' COMPENSATION

We provide workers' compensation insurance to our temporary workers and regular employees. For workers' compensation claims originating in the majority of states (the non-monopolistic states), we have purchased a deductible insurance policy. Under the terms of the policy, our workers' compensation exposure is limited to a deductible amount per occurrence and a maximum aggregate stop-loss limit. Should any single occurrence exceed the deductible amount, all losses and expenses beyond the deductible amount are to be paid by independent insurance companies unrelated to us.

Similarly, should the total of paid losses related to any one year period exceed the maximum aggregate stop-loss limit for that year, all losses beyond the maximum aggregate stop-loss limit are paid by independent insurance companies unrelated to us.

We establish a reserve for workers' compensation claims using actuarial estimates of the future cost of claims and related expenses that have been reported but not settled, and that have been incurred but not reported. Adjustments to the claims reserve are charged or credited to expense in the periods in which they occur. Included in the accompanying consolidated balance sheets as of December 31, 2001 and 2000 are workers' compensation claims reserves in the non-monopolistic states of \$61.6 million and \$48.8 million and in the monopolistic states of \$2.4 and \$0.9 million, respectively. The claims reserves were computed using a discount rate of 6.0% at December 31, 2001 and 2000.

Workers' compensation expense totaling \$58.2 million, \$54.2 million and \$38.2 million was recorded as a component of cost of services in each of the years ended December 31, 2001, 2000 and 1999 respectively.

For workers' compensation claims originating in Washington, Ohio, West Virginia (the monopolistic states), Canada and Puerto Rico, we pay workers' compensation insurance premiums as required by government administered programs. The insurance premiums are established by each jurisdiction, generally based upon the job classification of the insured workers and our previous claims experience.

For workers' compensation claims originating in the United Kingdom, we have purchased an employers' liability insurance policy. This policy carries a 10 million GBP limit.

ACCOUNTS RECEIVABLE SECURITIZATION FACILITY AND DEBT

	Outstanding debt as of December 31,	
	2001	2000
Accounts receivable securitization	—	—
Credit facilities	—	6,200
Capital leases	6,843	8,554
Total	6,843	14,754

In March 2001, we entered into a letter of credit facility and an accounts receivable securitization facility with certain unaffiliated financial institutions (the "Creditors"), which replaced our \$60 million line-of-credit agreement with U.S. Bank. Subject to certain availability requirements, these facilities provide a maximum combined borrowing capacity of \$100 million, all of which may be utilized as a revolving line of credit and up to \$80 million of which may be used to obtain letters of credit (but any usage for letters of credit will reduce the amount available for use as loans). Interest on advances under the line of credit facility is generally based upon the Creditors' commercial paper rate, and fees for the letter of credit portion of the facility are based upon the Creditor's cost of issuance. The line of credit facility is secured by eligible accounts receivable of Labor Ready, Inc. and certain of its subsidiaries, which are transferred by them to Labor Ready Funding Corporation ("LRF"), a wholly owned and fully consolidated, bankruptcy remote subsidiary of Labor Ready, Inc. and pledged to the Creditors on an ongoing basis. The letter of credit facility is secured by Labor Ready, Inc.'s pledge of all of the outstanding capital stock of LRF. Additionally, Labor Ready, Inc. acts as a servicer for LRF in the collection and administration of the pledged accounts receivable.

At December 31, 2001, we had a total available borrowing capacity of \$62.8 million under the Accounts Receivable Facility comprised of \$48.6 million of eligible accounts receivable available in our calculated borrowing base and \$15.0 million of pledged cash. Of this \$62.8 million available, we had committed \$54.9 million for letters of credit to our insurance carriers, leaving \$7.9 million available for future borrowing. Subsequent to year end, we pledged an additional \$17.0 million in cash and increased our letters of credit by \$13.9 million.

We are required by the workers' compensation program to collateralize a portion of our workers' compensation liability with irrevocable letters of credit and surety bonds. At December 31, 2001, we had provided our insurance carriers with letters of credit totaling \$54.9 million and \$43.2 million of surety bonds. The letters of credit bear fees of .75% per year and are supported by an equal amount of available borrowings on the Accounts Receivable Securitization facility. The surety bonds bear fees based on a percentage of the bond, which is determined by each independent surety carrier but do not exceed 2% of the bond amount. Subsequent to year end, we increased our letters of credit to our insurance carriers by \$13.9 million. We expect to provide an additional \$7.5 million in letters of credit by the end of 2002.

Subsequent to year end, we entered into a revolving credit facility with Wells Fargo Bank. This agreement allows us to borrow up to \$10.0 million with interest at the fluctuating rate per annum of 0.75% below the Prime Rate or 1.85% above the London Inter-Bank Rate. The available borrowing amount under this facility will be reduced by \$125,000 each quarter through 2006 at which time the facility expires. The facility bears fees of 0.35% of the unused amount and is secured by a first deed of trust on our corporate headquarters building.

We purchased a 157,000 square foot office building with an adjacent parking garage in downtown Tacoma, Washington, in 2000. The aggregate purchase price of the building, parking garage and estimated tenant improvements was approximately \$11.5 million. We entered into a secured credit facility with U.S. Bank for this building. The agreement allowed us to borrow up to \$10.0 million with interest at the London Inter-Bank Rate plus 1.30%. This facility was secured by a first deed of trust on the subject property and cross-collateralized with our accounts receivable. We had \$6.2 million outstanding at December 31, 2000. This facility was canceled and repaid in full during the first quarter of 2001.

We have entered into lease agreements for automated Cash Dispensing Machines (“CDMs”) for installation in our dispatch offices. The leases, which are classified as capital leases, are payable over 60, 72 and 84 months with imputed interest rates of 7.06%, 6.37% and 9.02% and a residual payment equal to 20% of the CDMs’ original cost. The leases are secured by the CDMs.

Cost and accumulated amortization of the CDMs are as follows at December 31, 2001:

Cash dispensing machines	\$ 13,443
Less accumulated amortization	(5,628)
	<u>\$ 7,815</u>

Future minimum lease payments under capital leases together with the present value of the minimum lease payments as of December 31, 2001 are as follows:

<u>Year ended December 31:</u>	
2002	\$ 2,183
2003	2,183
2004	2,183
2005	769
2006	<u>5</u>
Total minimum lease payments	7,323
Less imputed interest	(480)
	<u>\$ 6,843</u>

RESTRICTED CASH

We have cash deposits with independent financial institutions for the purpose of securing our obligations under our workers’ compensation program and for cross collateralization of our line of credit facility. These deposits may be refunded as compensation claims are paid or when our accounts receivable borrowing base is sufficient to cover our outstanding letters of credit.

At December 31, 2001, we had \$18.4 million of restricted cash securing our workers’ compensation program and \$15.0 million cross collateralizing our line of credit facility. Subsequent to year end, we increased our collateral on the line of credit facility by \$17.0 million.

INCOME PER SHARE

Basic earnings per share is computed by dividing net income less preferred stock dividends by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income, less preferred stock dividends, by the weighted average number of common shares and common stock equivalents outstanding during the period. Common share equivalents include the dilutive effect of outstanding options, except where their inclusion would be anti-dilutive. We had 2,852, 3,471 and 701 anti-dilutive options at the end of 2001, 2000 and 1999. In June 1999, we declared a three-for-two stock split which has been retroactively applied in the determination of weighted average shares outstanding.

Basic and diluted earnings per share were calculated as follows:

	2001	2000	1999
Basic:			
Income before cumulative effect of accounting change	\$ 9,215	\$ 10,059	\$ 24,577
Less preferred stock dividends	—	23	43
Income before cumulative effect of accounting change available to common shareholders	9,215	10,036	24,534
Cumulative effect of accounting change	—	—	(1,453)
Income available to common shareholders	<u>\$ 9,215</u>	<u>\$ 10,036</u>	<u>\$ 23,081</u>
Weighted average shares outstanding	<u>40,573</u>	<u>42,295</u>	<u>45,521</u>
Income before cumulative effect of accounting change per share	\$ 0.23	\$ 0.24	\$ 0.57
Cumulative effect of accounting change, net	—	—	(0.03)
Income per share	<u>\$ 0.23</u>	<u>\$ 0.24</u>	<u>\$ 0.54</u>
Diluted:			
Income available to common shareholders	<u>\$ 9,215</u>	<u>\$ 10,036</u>	<u>\$ 23,081</u>
Weighted average shares outstanding	40,573	42,295	42,521
Plus options to purchase common stock outstanding at end of year	5,662	4,711	3,525
Less shares assumed repurchased	(5,533)	(4,498)	(2,590)
Weighted average shares outstanding, including dilutive effect of options	<u>40,702</u>	<u>42,508</u>	<u>43,456</u>
Income before cumulative effect of accounting change per share	\$ 0.23	\$ 0.24	\$ 0.56
Cumulative effect of accounting change, net	—	—	(0.03)
Income per share	<u>\$ 0.23</u>	<u>\$ 0.24</u>	<u>\$ 0.53</u>

PREFERRED STOCK

We have authorized 20,000 shares of blank check Preferred Stock. The blank check Preferred Stock is issuable in one or more series, each with such designations, preferences, rights, qualifications, limitations and restrictions as our Board of Directors may determine and set forth in supplemental resolutions at the time of issuance, without further shareholder action.

The initial series of blank check Preferred Stock of the corporation authorized by the Board of Directors in accordance with the Articles of Incorporation, was designated as Series A Preferred Stock. At December 31, 2001 and 2000, we had no outstanding shares of \$0.131 par value Series A Preferred Stock. We repurchased, at the par value of \$0.131 per share plus accumulated dividends, and retired 6,486 preferred shares in 2000.

Each share of Series A Preferred Stock is entitled to one vote in all matters submitted to a vote of our shareholders. The Series A Preferred Stock will vote on par with the Common Shares as a single class unless the action being considered involves a change in the rights of the Series A Preferred Stock. The Series A Preferred Stock bears a cumulative annual dividend rate of five percent accrued on December 31 of each year, is redeemable at par value plus accumulated dividends at our option at any time after December 31, 1994, and contains an involuntary preferential liquidation distribution equivalent to the par value plus all accumulated dividends remaining unpaid.

In June 1999 the Board of Directors authorized a three-for-two Preferred Stock split. This Preferred Stock split was effected in the form of three shares of Preferred Stock issued for every two shares of Preferred Stock outstanding as of each date of declaration. All applicable share and per share data have been adjusted for the effect of the stock splits.

Pursuant to the Rights Plan as defined below, 844 shares of Preferred Stock have been reserved for issuance under terms of the Rights Plan.

A Preferred Stock dividend in the amount of \$23 was paid upon the repurchase and retirement of the Preferred Stock in third quarter of 2000.

COMMON STOCK

In June 1999, the Board of Directors authorized a three-for-two common stock split. This common stock split was effected in the form of three shares of common stock issued for every two shares of common stock outstanding as of the date of declaration. All applicable share and per share data have been adjusted for the effect of this stock split.

During 2001, 2000 and 1999, we repurchased 836 shares, 2,377 shares and 136 shares of common stock on the open market for cash consideration of \$3,065, \$10,824 and \$1,444, respectively. The repurchased shares were retired and are not available for reissuance.

In 1998, the Board of Directors adopted a Shareholders Rights Plan ("the Rights Plan") and declared a dividend distribution of one right for each outstanding share of our common stock. Under the terms of the Rights Plan, each right entitles the holder to purchase one one-hundredth of a share of the Series A Preferred Stock at an exercise price of \$50.25. The rights are exercisable a specified number of days following (1) the acquisition by a person or group of persons of 15% or more of our common stock, or (2) the commencement of a tender or exchange offer for 15% or more of our common stock. We have reserved 844 shares of the Series A Preferred Stock for issuance upon exercise of the rights. The rights may be redeemed by us, subject to the approval of the Board of Directors, for \$0.01 cents per right in accordance with the provisions of the Rights Plan. If any group or person acquires 50% or more of our common stock, the holders of the unredeemed rights (except for the acquiring group or person) may purchase for the exercise price, the number of common shares having a market value equal to two times the exercise price. The rights expire in January 2008, unless redeemed earlier by us.

INCOME TAXES

Temporary differences, which give rise to deferred tax assets and (liabilities), consist of the following:

	December 31,	
	2001	2000
Allowance for doubtful accounts	\$ 2,238	\$ 2,947
Prepaid expenses	(1,174)	(1,096)
Workers' compensation	18,846	18,696
Net operating loss carry-forwards, net of valuation allowance	1,673	1,318
Depreciation and amortization expenses	(3,326)	(3,094)
Other, net	(37)	521
Net tax deferrals	<u>\$ 18,220</u>	<u>\$ 19,292</u>

We have assessed our past earnings history and trends, projected sales, expiration dates of loss carry-forwards, and our ability to implement tax planning strategies which are designed to accelerate or increase taxable income. Based on the results of this analysis and the uncertainty of the realization of certain tax planning measures, we have established a valuation allowance against our carryforward benefits in the amount of \$1.5 million at December 31, 2001 and \$0.4 million at December 31, 2000.

At December 31, 2001, Labour Ready Temporary Services, Limited and Labour Ready Temporary Services UK, Limited have federal net operating loss carryforwards of approximately \$2.3 million and \$6.4 million with expiration dates through 2007 in Canada and indefinite in the UK.

Taxes on income consists of:

	Year Ended December 31,		
	2001	2000	1999
Current:			
Federal	\$ 3,651	\$ 8,840	\$ 18,350
State	860	1,508	3,098
Total Current	4,511	10,348	21,448
Deferred			
Federal	1,136	(3,540)	(4,514)
State	77	(576)	(736)
Foreign	(72)	(346)	(345)
Total deferred	1,141	(4,462)	(5,595)
Total taxes on income, including \$897 tax benefit of accounting change in 1999	\$ 5,652	\$ 5,886	\$ 15,853

The differences between income taxes at the statutory federal income tax rate and income taxes reported in the consolidated income statement are as follows:

	Year Ended December 31,					
	2001		2000		1999	
	Amount	%	Amount	%	Amount	%
Income tax expense based on statutory rate	\$ 5,203	35	\$ 5,581	35	\$ 14,151	35
Increase (decrease) resulting from:						
State income taxes, net of federal benefit	551	4	606	4	1,536	4
Other, net	(102)	(1)	(301)	(2)	166	—
Total taxes on income	\$ 5,652	38	\$ 5,886	37	\$ 15,853	39

COMMITMENTS AND CONTINGENCIES

We lease substantially all of our dispatch offices. These leases generally provide for termination on 90 days notice and upon payment of three months rent. Certain of these leases have 1 year minimum terms and are cancelable thereafter upon 90 days notice and the payment of three months rent. Many leases require additional payments for taxes, insurance, maintenance and renewal options. Minimum lease commitments under terms of the leases at December 31, 2001 total approximately \$8.6 million, substantially all of which would be payable in 2002. Rent expense for the years ended December 31, 2001, 2000 and 1999 was \$19.0 million, \$18.3 million and \$13.6 million, respectively.

From time to time we are the subject of routine compliance audits by federal, state and local authorities relating to a variety of regulations including wage and hour laws, taxes, workers compensation, immigration and safety. We are also subject to legal proceedings in the ordinary course of our operations from time to time.

On July 19, 2000, Dale Kindle and Levoyd Williams filed an action in Georgia State Court, Fulton County. The suit was later amended, adding plaintiffs Quinton McGee and Jimmy T. Stringer (the "Kindle Litigation"). On August 17, 2000, Curtis Adkins filed an action in West Virginia State Court, Kanawha County (the "Adkins Litigation"). On

October 3, 2000, Willie Wilkerson, Marco Medina and Arthur Demarchis filed an action in California State Court, Santa Clara County (the “Wilkerson Litigation”), and Anthony Flynn, Robert Hampton and Eugene Tonissen filed an action in New York State Court, Kings County (the “Flynn Litigation”). On February 14, 2001, Allen Yarbrough, Armando Ramirez, Phyllis Stennis, Earl Levels and Maurice Johnson filed an action in California State Court, Alameda County (the “Yarbrough Litigation”).

The Kindle, Wilkerson and Flynn Litigation allege violations of state law in connection with the fees charged by us for voluntary use of the CDMs. The Kindle Litigation also alleges violations of state law in allegedly charging workers transportation and equipment rental fees and in purportedly failing to obtain consent of workers to exposure to hazardous chemicals. The Adkins Litigation and Yarbrough Litigation allege violation of federal or state wage and hour laws for failing to pay workers for all hours worked. In each case, the plaintiffs are present or former workers of ours and are seeking unspecified damages and certification of a class of workers. Except for the Adkins Litigation, the actions also request injunctive relief.

On January 26, 2001, the court in the Wilkerson Litigation sustained our demurrer on all counts, dismissing the plaintiffs’ lawsuit in its entirety. On February 5, 2001, the plaintiffs filed an amended complaint in an effort to revive their claims.

On September 28, 2001 the court in the Adkins Litigation dismissed the case on the grounds that the plaintiffs had waived any right to seek judicial relief or a class action by agreeing to arbitrate all disputes with the company. The plaintiffs have filed an appeal of that dismissal with the Fourth Circuit Court of Appeals.

In February 2001, the Washington Department of Labor and Industries issued an assessment against us for \$498,000 claimed to be owing for workers’ compensation premiums for 1998, as well as \$236,000 in interest and penalties. We dispute the assessment and have filed an appeal. The Department of Labor and Industries has stated that it will also audit our payment of workers’ compensation premiums for subsequent years. We believe that the Labor Industries assessment and audits will not have a material adverse impact on our financial condition or results of operations, although no assurances can be made in this regard.

We believe that we have complied with all federal and state laws at issue and we intend to continue to vigorously defend each of these actions. We believe that none of these proceedings, individually or in the aggregate, will have a material adverse impact on our financial condition or results of operations, although we can make no assurances in this regard.

VALUATION AND QUALIFYING ACCOUNTS

Allowance for doubtful accounts activity was as follows:

	Year Ended December 31,		
	2001	2000	1999
Balance, beginning of year	\$ 7,661	\$ 9,899	\$ 4,218
Charged to expense, net of recoveries	14,428	15,425	15,998
Write-offs	(16,440)	(17,663)	(10,317)
Balance, end of year	\$ 5,649	\$ 7,661	\$ 9,899

EMPLOYEE STOCK PURCHASE PLAN

We have an Employee Stock Purchase Plan (the “ESPP”) to provide substantially all employees who have completed six months of service and meet certain limited qualifications, relative to weekly total hours and calendar months worked, an opportunity to purchase shares of our common stock through payroll deductions. The ESPP permits payroll deductions up to 10% of eligible after-tax compensation. Participant account balances are used to purchase shares of common stock at the lesser of 85% of the fair market value of shares on either the first day or the last day of each month. The ESPP expires on June 30, 2006. 1.9 million shares of common stock have been reserved for purchase under the ESPP. During 2001, 2000 and 1999, participants purchased 320, 273 and 98 shares in the plan for cash proceeds of \$945, \$1,313 and \$1,063, respectively.

STOCK COMPENSATION PLANS

In June 1996 and March 2000, Labor Ready adopted the 1996 and 2000 Employee Stock Option and Incentive Plans (the "Plans"). In accounting for the Plans, we applied APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations. Under APB Opinion No. 25, because the exercise price of our employee stock options is not less than the market price of the underlying stock at the date of grant, no compensation cost is recognized.

The Plans state that the exercise price of each option may or may not be granted at an amount that equals the market value of the underlying stock at the date of grant. The majority of the options vest evenly over a four year period from the date of grant and then expire if not exercised within five years from the date of grant. 4,331 and 3,750 shares of common stock have been reserved for issuance under terms of the 1996 Plan and 2000 Plan. Subsequent to year end, the Board of Directors authorized an additional 1,000 shares of common stock for issuance under the 2000 Plan.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", requires us to provide pro forma information regarding net income and earnings per share as if compensation cost for our stock option plans had been determined in accordance with the fair value based method prescribed in SFAS No. 123. The fair value of option grants is estimated on the date of grant utilizing the Black-Scholes option pricing model with the following weighted average assumptions for grants in 2001, 2000 and 1999, respectively: expected life of options of 5 years, expected volatility of 82%, 70%, and 89%, risk-free interest rates of 4.0%, 5.0% and 5.5%, and a 0% dividend yield.

Under the provisions of SFAS No. 123, our net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	2001	2000	1999
Net Income			
As reported	\$ 9,215	\$ 10,059	\$ 23,124
Pro forma	\$ 7,396	\$ 5,238	\$ 18,800
Pro forma earnings per share			
Basic	\$ 0.18	\$ 0.12	\$ 0.44
Diluted	\$ 0.18	\$ 0.12	\$ 0.43

The following table summarizes stock option activity:

	Year Ended December 31,					
	2001		2000		1999	
	Shares	(1) Price	Shares	(1) Price	Shares	(1) Price
Outstanding at beginning of year	4,791	\$ 9.49	3,525	\$ 10.85	3,267	\$ 7.32
Granted	2,863	\$ 3.76	1,926	\$ 7.38	2,118	\$ 14.91
Exercised	(123)	\$ 3.48	(226)	\$ 3.35	(868)	\$ 4.66
Canceled	(1,869)	\$ 8.80	(434)	\$ 11.10	(992)	\$ 10.94
Outstanding at end of year	<u>5,662</u>	<u>\$ 7.12</u>	<u>4,791</u>	<u>\$ 9.49</u>	<u>3,525</u>	<u>\$ 10.85</u>
Exercisable at end of year	<u>2,031</u>	<u>\$ 9.54</u>	<u>1,751</u>	<u>\$ 8.97</u>	<u>996</u>	<u>\$ 7.58</u>
Weighted average fair value of options granted		<u>\$ 2.53</u>		<u>\$ 4.49</u>		<u>\$ 10.37</u>

(1) Weighted average exercise price.

At December 31, 2001, 688 shares of common stock were available for future grant under our stock option plans.

Information relating to stock options outstanding and exercisable at December 31, 2001 is as follows:

Range of Prices	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted-Average Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
\$ 2.67 — 3.80	2,063	4.36	3.55	128	3.05
3.81 — 6.00	1,246	4.23	4.22	392	4.22
6.01 — 10.00	1,640	1.89	9.52	1,123	9.66
10.01 — 20.00	713	2.14	16.78	387	16.75
\$ 2.67 — 20.00	<u>5,662</u>	3.69	7.12	<u>2,031</u>	9.54

RELATED PARTY TRANSACTIONS

On September 20, 2001, our then President and Chief Executive Officer Richard L. King resigned. On October 9, 2001, we entered into a Separation Agreement with Mr. King pursuant to which we agreed to pay Mr. King a lump sum severance of \$100,000, and Mr. King agreed to relinquish unvested stock options for 512,000 shares and waive any claims with respect to his employment with us. Also, on October 9, 2001, we executed a Consulting Agreement with Mr. King pursuant to which Mr. King agreed to provide certain consulting services upon our request and we agreed to pay Mr. King consulting fees totaling \$325,000. The Consulting Agreement expires October 9, 2002.

On June 30, 2001, our then Executive Vice President and General Counsel Ronald L. Junck resigned. On May 24, 2001, we entered into a Separation Agreement with Mr. Junck pursuant to which we agreed to pay Mr. Junck severance payments of \$20,833.33 per month through July 31, 2002 and Mr. Junck agreed to waive any claims with respect to his employment with us and to abide by certain covenants against competition.

In June of 2000, a \$3.5 million unauthorized loan was issued to then Chairman of the Board, Glenn Welstad. The loan was repaid with interest, at 9.5% per annum, within six days of the transaction and was not outstanding at the end of the period.

In the third quarter of 2000, we paid Mr. Welstad \$650,447 for the purchase of his 4,814,739 shares of preferred stock and the accumulated dividends.

EXHIBIT 10.47

Revised per Minnesota Laws 2001
Chapter 215 - Effective for Bonds
Posted on or after January 1, 2002

STATE OF MINNESOTA

DEPARTMENT OF COMMERCE

SURETY BOND OF SELF-INSURER OF WORKERS' COMPENSATION

IN THE MATTER OF THE CERTIFICATE OF

LABOR READY, INC.
for its subsidiary
LABOR READY MIDWEST, INC.

SURETY BOND
NO. 1316053
PREMIUM:

\$5,810.00
Employer, Certificate No:

KNOW ALL PERSONS BY THESE PRESENTS:

That LABOR READY MIDWEST, INC. whose address is 1015 A Street, Tacoma, Washington

98402 as

(Employer)

Principal, and GREAT AMERICAN INSURANCE COMPANY a corporation organized under the laws of Ohio and authorized to transact a general surety business in the State of Minnesota, as Surety, are held and firmly bound to the State of Minnesota in the penal sum of EIGHT HUNDRED TWENTY-NINE THOUSAND NINE HUNDRED THIRTY AND 00/100—dollars (\$ 829,930.00***) for which payment we bind ourselves, our heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these presents.

WHEREAS in accordance with Minnesota Statutes, chapter 176, the principal elected to self-insure, and made application for, or received from the commissioner of commerce of the state of Minnesota, a certificate to self-insure, upon furnishing of proof satisfactory to the commissioner of commerce of ability to self-insure and to compensate any or all employees of said principal for injury or disability, and their dependents for death incurred or sustained by said employees pursuant to the terms, provisions, and limitations of said statute;

NOW THEREFORE, the conditions of this bond or obligation are such that if principal shall pay and furnish compensation, pursuant to the terms, provisions, and limitations of said statute to its employees for injury or disability, and to the dependents of its employees, then this bond or obligation shall be null and void; otherwise to remain in full force and effect.

FURTHERMORE, it is understood and agreed that:

1. This bond may be amended, by agreement between the parties hereto and the commissioner of commerce as to the identity of the principal herein named; and, by agreement of the parties hereto, as to the premium or rate of premium. Such amendment must be by endorsement upon, or rider to, this bond, executed by the surety and delivered to or filed with the commissioner.

2. The surety does, by these presents, undertake and agree that the obligation of this bond shall cover and extend to all past, present, existing, and potential liability of said principal, as a self-insurer, to the extent of the penal sum herein named without regard to specific injuries, date or dates of injuries, happenings or events.

3. The penal sum of this bond may be increased or decreased, by agreement between the parties hereto and the commissioner of commerce, without impairing the obligation incurred under this bond for the overall coverage of the said principal, for all past, present, existing, and potential liability, as a self-insurer, without regard to specific injuries, date or dates of injuries, happenings or events, to the extent, in the aggregate, of the penal sum as increased or decreased. Such amendment must be by endorsement.

4. The aggregate liability of the surety hereunder on all claims whatsoever shall not exceed the penal sum of this bond in any event.

5. This bond shall be continuous in form and shall remain in full force and effect unless terminated as follows:

(a) The obligation of this bond shall terminate upon written notice of cancellation from the surety, given by registered or certified mail to the commissioner of commerce, state of Minnesota, save and except as to all past, present, existing, and potential liability of the principal incurred, including obligations resulting from claims which are incurred but not yet reported, as a self-insurer prior to effective date of termination. This termination is effective 60 days after receipt of notice of cancellation by the commissioner of commerce, state of Minnesota.

(b) This bond shall also terminate upon the revocation of the certificate to self-insure, save and except as to all past, present, existing, and potential liability of the principal incurred, including obligations resulting from claims which are incurred but not yet reported, as a self-insurer prior to effective date of termination. The principal and the surety, herein named, shall be immediately notified in writing by said commissioner, in the event of such revocation.

6. Where the principal posts with the commissioner of commerce, state of Minnesota, or the state treasurer, state of Minnesota, a replacement security deposit, in the form of a surety bond, irrevocable letter of credit, cash, securities, or any combination thereof, in the full amount as may be required by the commissioner of commerce, state of Minnesota, to secure all incurred liabilities for the payment of compensation of said principal under Minnesota Statutes, chapter 176, the surety is released from obligations under the surety bond upon the date of acceptance by the commissioner of commerce, state of Minnesota, of said replacement security deposit.

7. If the said principal shall suspend payment of workers' compensation benefits or shall become insolvent or a receiver shall be appointed for its business, or the commissioner of commerce, state of Minnesota, issues a certificate of default, the undersigned surety will become liable for the workers' compensation obligations of the principal on the date benefits are suspended.

The surety shall begin payments within 14 days under paragraph 8, or 30 days under paragraph 10, after receipt of written notification by certified mail from the commissioner of commerce, state of Minnesota, to begin payments under the terms of this bond.

8. If the surety exercises its option to administer claims, it shall pay benefits due to the principal's injured workers within 14 days of the receipt of the notification by the commissioner of commerce, state of Minnesota, pursuant to paragraph 7, without a formal award of a compensation judge, the commissioner of labor and industry, any intermediate appellate court, or the Minnesota supreme court and such payment will be a charge against the penal sum of the bond. Administrative and legal costs and payment of assessments incurred by the surety in discharging its obligations and payment of the principal's obligations for administration and legal expenses and payment of assessments under Minnesota Statutes, chapters 79A and 176, shall also be a charge against the penal sum of the bond.

9. If any part or provision of this bond shall be declared unenforceable or held to be invalid by a court of proper jurisdiction, such determination shall not affect the validity or enforceability of the other provisions or parts of this bond.

10. If the surety does not give notice to the (self-insurer's security fund) (commercial self-insurance group security fund) and the commissioner of commerce, state of Minnesota, within five business days of receipt of written notification from the commissioner of commerce, state of Minnesota, pursuant to paragraph 7, to exercise its option to administer claims pursuant to paragraph 8, then the (self-insurer's security fund) (commercial self-insurance group security fund) will assume the payments of the workers' compensation obligations of the principal pursuant to Minnesota Statutes, chapter 176. Administrative, legal, actuarial, and other direct costs attributed to the principal shall also be a charge against the penal sum of the bond. The surety shall pay, within 30 days of the receipt of the notification by the commissioner of commerce, state of Minnesota, pursuant to paragraph 7, to the (self-insurer's security fund) (commercial self-insurance group security fund) as an initial deposit an amount equal to 50 percent of the penal sum of the bond, and shall thereafter, upon notification from the (self-insurer's security fund) (commercial self-insurance group security fund) that the balance of the initial deposit, including interest earned as provided below with respect to the segregated account, had fallen to ten percent of the penal sum of the bond, remit to the (self-insurer's security fund) (commercial self-insurance group security fund) an amount equal to an additional ten percent of the penal sum of the bond. All such payments will be a charge against the penal sum of the bond. The initial deposit and all subsequent deposits shall be deposited by the (self-insurer's security fund) (commercial self-insurance group security fund) into a segregated, interest-bearing account. These deposits, together with any interest earned thereon, shall be used to satisfy all obligations of the surety hereunder. Upon determination that there are no remaining reserves for any known claims covered under the bond, the balance of the account, including any interest earned thereon, shall be paid to the surety.

Said repayment of the funds to the surety will not discharge the bond, which shall remain in full force and effect as to all past, present, existing, and potential liability of the principal incurred, including obligations resulting from claims which are incurred but not yet reported, as a self-insurer prior to the effective date of termination of the bond.

11. Disputes concerning the posting, renewal, termination, exoneration, or return of all or any portion of the principal's security deposit or any liability arising out of the posting or failure to post security, or the adequacy of the security or the reasonableness of administrative costs, including legal costs, arising between or among a surety, the issuer of an agreement of assumption and

guarantee of workers' compensation liabilities, the issuer of a letter of credit, any custodian of the security deposit, the principal, or the (self-insurer's security fund) (commercial self-insurance group security fund) shall be resolved by the commissioner of commerce pursuant to Minnesota Statutes, chapters 79A and 176.

12. Written notification to the surety required by this bond shall be sent to:

GREAT AMERICAN INSURANCE COMPANY
Name of Surety

SURETY CLAIMS DEPARTMENT
To the attention of Person or Position

580 WALNUT STREET
Address

CINCINNATI, OHIO 45202
City, State, Zip

Written notification to the principal required by this bond shall be sent to:

LABOR READY, MIDWEST, INC.
Name of Principal

DIRECTOR OF RISK MANAGEMENT
To the attention of Person or Position

1015 A STREET
Address

TACOMA, WASHINGTON 98402
City, State, Zip

13. This bond is executed by the surety to comply with Minnesota Statutes, chapter 176, and said bond shall be subject to all terms and provisions thereof.

GREAT AMERICAN INSURANCE COMPANY
Name of Surety

580 WALNUT STREET
Address

CINCINNATI, OHIO 45202
City, State, Zip

THIS bond is executed under an unrevoked appointment or power of attorney.

I certify (or declare) under penalty of perjury under the laws of the state of Minnesota that the foregoing is true and correct.

DECEMBER 6, 2001
Date

/s/ Patrick D. Dineen
Signature of Attorney-in-Fact

Patrick D. Dineen
Printed or Typed Name of Attorney-in-Fact

A copy of the transcript or record of the unrevoked appointment, power of attorney, bylaws, or other instrument, duly certified by the proper authority and attested by the seal of the insurer entitling or authorizing the person who executed the bond to do so for and in behalf of the insurer, must be filed in the office of the commissioner of commerce or must be included with this bond for such filing.

This section is effective for bonds posted on or after January 1, 2002.

GREAT AMERICAN INSURANCE COMPANY®

Administrative Office: 580 WALNUT STREET • CINCINNATI, OHIO 4522 • 513-369-5000 • FAX 513-723-2740

The number of persons authorized by
this power of attorney is not more than
SEVEN

No. 0 17201

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That the GREAT AMERICAN INSURANCE COMPANY, a corporation organized and existing under and by virtue of the laws of the State of Ohio, does hereby nominate, constitute and appoint the person or persons named below its true and lawful attorney-in-fact, for it and in its name, place and stead to execute in behalf of the said Company, as surety, any and all bonds, undertakings and contracts of suretyship, or other written obligations in the nature thereof; provided that the liability of the said Company on any such bond, undertaking or contract of suretyship executed under this authority shall not exceed the limit stated below.

<u>Name</u>	<u>Address</u>	<u>Address</u>	<u>Limit of Power</u>
JAY A. MILEY	KATHIE L. WIEGERS	ALL OF	ALL
PATRICK D. DINEEN	TEVY LOR	SEATTLE, WASHINGTON	UNLIMITED
HEIDI BOCKUS	SUZANNE HOLDEN		
KRISTA M. STROMBERG			

This Power of Attorney revokes all previous powers issued in behalf of the attorney(s)-in-fact named above.

IN WITNESS WHEREOF the GREAT AMERICAN INSURANCE COMPANY has caused these presents to be signed and attested by its appropriate officers and its corporate seal hereunto affixed this 8th day of October, 2001
Attest GREAT AMERICAN INSURANCE COMPANY

STATE OF OHIO, COUNTY OF HAMILTON - ss:

On this 8th day of October, 2001, before me personally appeared DOUGLAS R. BOWEN, to me known, being duly sworn, deposes and says that he resides in Cincinnati, Ohio, that he is the Divisional Senior Vice President of the Bond Division of Great American Insurance Company, the Company described in and which executed the above instrument; that he knows the seal of the said Company; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by authority of his office under the By-Laws of said Company, and that he signed his name thereto by like authority.

This Power of Attorney is granted by authority of the following resolutions adopted by the Board of Directors of Great American Insurance Company by unanimous written consent dated March 1, 1993.

RESOLVED: That the Division President, the several Division Vice Presidents and Assistant Vice Presidents, or any, one of them, be and hereby, is authorized from time to time, to appoint one or more Attorneys-in-Fact to execute on behalf of the Company, as surety, any and all bonds, undertakings and contracts of suretyship, or other written obligations in the nature thereof; to prescribe their respective duties and the respective limits of their authority; and to revoke any such appointment at any time.

RESOLVED FURTHER: That the Company seal and the signature of any of the aforesaid officers and any Secretary or Assistant Secretary of the Company may be affixed by facsimile to any power of attorney or certificate of either given for the execution of any bond, undertaking, contract or suretyship, or other written obligation in the nature thereof, such signature and seal when so used being hereby adopted by the Company as the original signature of such officer and the original seal of the Company, to be valid and binding upon the Company with the same force and effect as though manually affixed.

CERTIFICATION

I, Ronald C. Hayes, Assistant Secretary of Great American Insurance Company, do hereby certify that the foregoing Power of Attorney and the Resolutions of the Board of Directors of March 1, 1993 have not been revoked and are now in full force and effect.

Signed and sealed this 6th day of December, 2001.

All-Purpose Certificate of Acknowledgment

State of Washington

County of **King**

On **December 6, 2001** before me, **Heidi Bockus**
DATE NAME OF NOTARY PUBLIC

personally appeared **Patrick D. Dineen**
NAME(S) OF SIGNER(S)

personally known to me – **OR** proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signatures on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

/s/ Heidi Bockus
SIGN URE OF NOTARY PUBLIC

Though the data below is not required by law, it may prove valuable to persons relying on the document and prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER
Attorney-in-Fact

DESCRIPTION OF ATTACHED DOCUMENT(S)
Type of Document

**Surety Bond of Self-Insurer of Workers’
Compensation – Bond No. 1316053**

Number of Pages

Six (6)

Date of Document

December 6, 2001

Signer(s) Other Than Named Above

Labor Ready Midwest, Inc.

**SIGNER IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(IES)**

Great American Insurance Company

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EXHIBIT 10.48

**SEPARATION AGREEMENT
AND GENERAL RELEASE**

This Agreement is entered into between Ronald L. Junck ("Employee") and Labor Ready, Inc. ("Company") in order to sever their employment relationship. In consideration of the mutual promises below the Company and Employee agree as follows:

1. Resignation. Employee hereby resigns as Executive Vice President and General Counsel of the Company, effective June 30, 2001. The Company hereby accepts Employee's resignation. The foregoing notwithstanding, the date of Employee's termination of employment with the Company shall be deemed to be July 31, 2002 for purposes hereof and for purposes of the Employment Contract between Employee and the Company.

2. Compensation. Subject to Employee's compliance with all of the terms and conditions of this Agreement and as a material inducement to Employee to enter into this Agreement, Company will continue to pay Employee his current salary of \$20,833.33 per month through July 31, 2002.

3. Benefits. In addition, Company agrees to continue to provide Employee with all benefits to which Employee may be entitled under Company's current benefits plans, on the same terms as currently provided, through and including July 31, 2002; provided, however, that Company shall pay Employee for all unused vacation accrued by Employee as of June 30, 2001 under Company's current vacation policy, and Employee shall not be entitled to further vacation benefits after June 30, 2001.

Employee expressly acknowledges that the above represents consideration for any and all compensation due Employee as well as Employee's promises set forth herein and the settlement, waiver, release and discharge of any and all claims relating to the employment arising under the common law or under federal, state and local statute or regulation.

4. Terms and Conditions. Employee expressly agrees to all of the following terms and conditions:

- a) Employee shall not solicit or cause or encourage others to solicit or participate in any manner in the solicitation of any employee to leave the employment of the Company.
 - b) Employee shall not issue or make any written or verbal statement to anyone which addresses the Company or his employment with the Company in a negative or derogatory manner.
-

- c) Employee shall not discuss the Company in any public forum including without limitation with any member of the press, before any group or in any Internet posting.
- d) Employee shall comply with all of the ongoing covenants set forth in his Employment Contract.
- e) Employee shall reasonably cooperate with the Company on an as requested basis in any pending matters which in the Company's reasonable judgment require Employee's involvement. Except as provided in this paragraph, Employee shall have no further duties after June 30, 2001.

Employee expressly acknowledges that all of the consideration to be made by Company is specifically conditioned upon Employee's strict compliance with all of the foregoing terms and conditions. Upon the occurrence of any breach of these terms and conditions, and if Employee is still then receiving payments from Company, his right to continue receiving such payments will immediately terminate. Whether a breach occurs before or after the end of Employee's employment, Company shall be entitled to exercise all remedies available at law to enforce this Agreement and to recover its damages.

5. Release by Employee . Employee represents that he has not filed any complaint, charge or action against the Company, its officers, agents or employees with any local, state or federal agency or court arising from this employment relationship with the Company. Employee further represents that he will not seek damages, monetary or otherwise, or any other type of relief through any such complaint at any time in the future. Employee and his successors and assigns waives, releases and forever discharges the Company, its officers, directors, agents and employees of and from any and all claims, causes of action, rights, demands, debts, damages and actions of whatever nature arising from or relating to Employee's employment relationship with the Company including the termination of this relationship and also including any cause of action pertaining to employment discrimination based on age, race, creed, color, religion, sex, national origin or disability.

6. Opportunity to Review . Employee expressly acknowledges that the Company has encouraged and given him the opportunity to thoroughly discuss all aspects of this Agreement with his attorney or other advisor before signing and that he has thoroughly discussed or in the alternative has freely elected to waive any further opportunities to thoroughly discuss this Agreement with his attorney or other advisor. Employee understands that he has twenty-one (21) days to review this Agreement and determine whether or not to sign. Signature prior to the expiration of 21 days waives the remaining consideration period. Employee has seven (7) days from the date this Agreement is executed to revoke the waiver of any claim under the Age Discrimination in Employment Act. If Employee does not revoke the Agreement within the seven-day

period, the Agreement shall become fully effective and the payment terms referred to herein shall become effective. If Employee does revoke this Agreement, the Company's obligations under Paragraphs 2 and 3 shall be null and void.

7. Knowing and Voluntary. Employee expressly acknowledges that he understands all of the provisions of this Agreement, and that he is knowingly and voluntarily entering into this Agreement.

8. Governing Law. This Agreement is made and entered into in the State of Washington and shall in all respects be interpreted, enforced and governed under the laws of this state.

9. Effect of Invalidity. Should any provision of this Agreement be declared or be determined by any court of competent jurisdiction to be illegal, invalid, void or unenforceable, the legality, validity and enforceability of the remaining parts, terms or provisions shall not be effected thereby and any said illegal, unenforceable or invalid part, term or provision shall be deemed to be revised in the legal, enforceable and valid manner which most closely reflects the intention of the parties.

10. Entire Agreement. This Agreement, along with all of the ongoing covenants of Employee's Employment Contract, sets forth the entire agreement between the parties and fully supersedes any and all prior agreements or understandings between these parties pertaining to this subject matter.

EXECUTED this 24th day of May, 2001.

EMPLOYEE

/s/ Ronald L. Junck
Ronald L. Junck

LABOR READY, INC.

By: /s/ Richard L. King
Richard L. King, President and CEO

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EXHIBIT 10.49

Form SI-03
Rev. 07/00

Bond No. 1316090

**COMMONWEALTH OF KENTUCKY
DEPARTMENT OF WORKERS CLAIMS
FRANKFORT, KENTUCKY 40601**

CONTINUOUS BOND

GREAT AMERICAN INSURANCE COMPANY
580 Walnut Street
Cincinnati, Ohio 45202

a company authorized to transact surety business in the Commonwealth of Kentucky, as **Surety**, and LABOR READY MID-ATLANTIC, INC.

1015 A Street
Tacoma, Washington 98402

a self-insured employer, as **Principal**, are hereby held and firmly bound to the Department of Workers' Claims (hereinafter "**Department**") in the aggregate sum of \$ 750,000.00*** the payment of which the **Surety** and **Principal** bind themselves, their successors and assigns, jointly and severally.

1. In accordance with Chapter 342 of the Kentucky Revised Statutes and the administrative regulations promulgated thereunder (the "Kentucky Workers' Compensation Act," as it may be amended from time to time), the **Principal** has been certified to self-insure its workers' compensation liability and files this bond to satisfy its obligation to provide an acceptable bond to secure, to the extent the Commissioner of the **Department** directs, the payment of workers' compensation liabilities as they are incurred. If the **Principal** shall discharge promptly and completely all of its liabilities under the Kentucky Workers' Compensation Act, then the obligations under this bond shall be null and void; otherwise the obligations remain in full force and effect, subject only to other provisions of this bond.

2. **Surety** agrees that the obligations of this bond shall extend to all past, present, future and potential liability of the **Principal** as an

employer that is self-insured for workers' compensation liabilities in Kentucky.

3. This is a continuous bond and shall apply to new as well as existing workers' compensation liabilities incurred by the **Principal** until the bond is terminated by the **Surety**, as hereinafter provided, or until the **Principal's** status as a self-insurer has been revoked or terminated by the Commissioner, and in any of the above-described events the **Surety** shall remain obligated under the provisions of this bond for future payments of workers' compensation liabilities incurred by the **Principal** prior to termination or revocation. However, the **Surety** shall be released from its liability if the **Principal** provides replacement surety acceptable to the **Department** for payment of the liabilities covered by this bond.

4. This bond may be terminated by the **Surety** by filing a written notice of intent to terminate the bond in the Office of the Commissioner of the **Department** and mailing a copy of the notice to the **Principal** on or before the date of filing, in which event the **Surety's** obligation for new workers' compensation liabilities shall terminate sixty (60) days from the date of such filing with the Commissioner. If the **Principal** fails to file substitute security that is acceptable to the Commissioner within thirty (30) days of the filing of the **Surety's** notice, the **Principal** shall be in default and this bond may be called. Substitution of surety may be allowed only by novation whereby the new surety or other security assumes all liabilities of the **Principal** past, present, future and potential, under the Kentucky Workers' Compensation Act.

5. The Commissioner of the **Department** may make written demand personally or by mail upon the **Principal** and **Surety**, at the addresses indicated on the face of this bond, for any portion of the bond amount from time to time or for the full amount of the bond upon a default by the **Principal** in the performance of any of its obligations as a self-insured employer or upon the insolvency, bankruptcy, or receivership of either the **Principal** or the **Surety**. Payment shall be made within fifteen (15) business days after delivery of such demand to the **Surety**.

6. The amount of this bond may be increased or decreased by an agreement stating the effective date of the increase or decrease, executed by the **Principal** and **Surety** on the form specified by the **Department**, and approved by the Commissioner of the **Department**.

7. If the Surety makes payment to the Commissioner of the **Department** pursuant to the provisions of this bond, any unused balance may be released to the **Surety** by the Commissioner upon proof of payment and a lapse of time adequate to assure that the **Principal's** liabilities under the Kentucky Workers' Compensation Act have been fully satisfied and that each has been paid or lapsed under the Act.

8. The insolvency, bankruptcy or receivership of the **Principal** shall not relieve the **Surety** of its obligations under this bond.

9. Nothing stated herein shall be deemed to relieve the **Principal** of any liabilities arising under the Kentucky Workers' Compensation Act.

10. This bond shall be effective April 23, 2001 and shall replace, supersede and exonerate Great American Insurance Company Bond No. 1316090 which was executed on April 23, 2001.

IN WITNESS WHEREOF, the **Principal** and **Surety** herein have caused this bond to be signed and executed in their names and on their behalf this 1st-day of June, 2001.

ATTEST:

/s/ Tracy D. Woods

LABOR READY MID-ATLANTIC, INC.

PRINCIPAL

BY: /s/ Ronald L. Junck (seal)

ATTEST:

/s/ Tevy Lor

GREAT AMERICAN INSURANCE COMPANY

SURETY

BY: /s/ Patrick D. Dineen (seal)
Patrick D. Dineen, Attorney-in-Fact

NOTE: Please type name and title below signatures.
Power of attorney must be attached.

GREAT AMERICAN INSURANCE COMPANY
580 WALNUT STREET • CINCINNATI, OHIO 45202 • 513-369-5000 • FAX 513-723-2740

The number of persons authorized
by this power of attorney is not more than
SEVEN

No. 0 17201

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That the GREAT AMERICAN INSURANCE COMPANY, a corporation organized and existing under and by virtue of the laws of the State of Ohio, does hereby nominate, constitute and appoint the person or persons named below its true and lawful attorney-in-fact, for it and in its name, place and stead to execute in behalf of the said Company, as surety, any and all bonds, undertakings and contracts of suretyship, or other written obligations in the nature thereof; provided that the liability of the said Company on any such bond, undertaking or contract of suretyship executed under this authority shall not exceed the limit stated below.

Name	Address	Limit of Power
JAY A. MILEY PATRICK D. DINEEN HEIDI BROCKUS KRISTA M. STROMBERG KATHIE L. WIEGERS TEVY LOR SUZANNE HOLDEN	ALL OF SEATTLE, WASHINGTON	ALL UNLIMITED

This Power of Attorney revokes all previous powers issued in behalf of the attorney(s)-in-fact named above.

IN WITNESS WHEREOF the GREAT AMERICAN INSURANCE COMPANY has caused these presents to be signed and attested by its appropriate officers and its corporate seal hereunto affixed this 18th day of April, 2001

Attest

GREAT AMERICAN INSURANCE COMPANY

STATE OF OHIO, COUNTY OF HAMILTON - ss:

On this 18th day of April, 2001, before me personally appeared DOUGLAS R. BOWEN, to me known, being duly sworn, deposes and says that he resided in Cincinnati, Ohio, that he is the Vice President of the Bond Division of Great American Insurance Company, the Company described in and which executed the above instrument; that he knows the seal; that it was so affixed by authority of his office under the By-Laws of said Company, and that he signed his name thereto by like authority.

This Power of Attorney is granted by authority of the following resolutions adopted by the Board of Directors of Great American Insurance Company by unanimous written consent dated March 1, 1993.

RESOLVED: That the Division President, the several Division Vice Presidents and Assistant Vice Presidents, or any one of them, be and hereby is authorized, from time to time, to appoint one or more Attorneys-In-Fact to execute on behalf of the Company, as surety, any and all bonds, undertakings and contracts of suretyship, or other written obligations in the nature thereof; to prescribe their respective duties and the respective limits of their authority, and to revoke any such appointment at any time.

RESOLVED FURTHER: That the Company seal and the signature of any of the aforesaid officers and any Secretary or Assistant Secretary of the Company may be affixed by facsimile to any power of attorney or certificate of either given for the execution of any bond, undertaking, contract or suretyship, or other written obligation in the nature thereof, such signature and seal when so used being hereby adopted by the Company as the original signature of such officer and the original seal of the Company, to be valid and binding upon the Company with the same force and effect as though manually affixed.

CERTIFICATION

I, RONALD C. HAYES, Assistant Secretary of Great American Insurance Company, do hereby certify that the foregoing Power of Attorney and the Resolutions of the Board of Directors of March 1, 1993 have not been revoked and are now in full force and effect.

Signed and sealed this 1st day of June, 2001

**All-Purpose
Certificate of Acknowledgment**

State of Washington

County of King

On June 1, 2001 before me, Kathie L. Wiegers
DATE NAME OF NOTARY PUBLIC

personally appeared Patrick D. Dineen and Tevy Lor
NAME(S) OF SIGNER(S)

personally known to me - **OR** proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signatures on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

/s/ Kathie L. Wiegers
SIGNATURE OF NOTARY PUBLIC

Though the data below is not required by law, it may prove valuable to persons relying on the document and prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

Attorney-in-Fact

DESCRIPTION OF ATTACHED DOCUMENT(S)

Type of Document

**Continuous Bond
Bond No. 1316090**

Number of Pages **Three (3)**

Date of Document **June 1, 2001**

Signer(s) Other Than Named Above

Labor Ready Mid-Atlantic, Inc.

SIGNER IS REPRESENTING:

NAME OF PERSON(S) OR ENTITY(IES)

Great American Insurance Company

EXHIBIT 10.50

State of Delaware
Department of Labor
Office of Workers' Compensation

Indemnity Bond

Bond No. 1316099

Know All Persons By These Presents that the undersigned surety does hereby agree to indemnify Labor Ready Northeast, Inc. ("Principal") in an amount up to and including Seven Hundred Fifty Thousand Dollars (\$750,000.00) payable upon the failure of Principal to pay benefits under Title 19, Chapter 23 of the Delaware code that Principal is legally obligated to pay.

Surety: Great American Insurance Company

Dated: June 29, 2001

/s/ Patrick D. Dineen
Patrick D. Dineen, Attorney-in-Fact

Address:

580 Walnut Street
Cincinnati, Ohio 45202
513.369.5000

GREAT AMERICAN INSURANCE COMPANY®

580 WALNUT STREET • CINCINNATI, OHIO 45202 • 513-369-5000 • FAX 513-723-2740

The number of persons authorized by
this power of attorney is not more than

No. 0 17201

SEVEN

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That the GREAT AMERICAN INSURANCE COMPANY, a corporation organized and existing under and by virtue of the laws of the State of Ohio, does hereby nominate, constitute and appoint the person or persons named below its true and lawful attorney-in-fact, for it and in its name, place and stead to execute in behalf of the said Company, as surety, any and all bonds,

undertakings and contracts of suretyship, or other written obligations in the nature thereof; provided that the liability of the said Company on any such bond, undertaking or contract of suretyship executed under this authority shall not exceed the limit stated below.

<u>Name</u>	<u>Address</u>	<u>Limit of Power</u>
JAY A. MILEY	ALL OF	ALL
PATRICK D. DINEEN	SEATTLE, WASHINGTON	UNLIMITED
HEIDI BROCKUS		
KRISTA M. STROMBERG		
KATHIE L. WIEGERS		
TEVY LOR		
SUZANNE HOLDEN		

This Power of Attorney revokes all previous powers issued in behalf of the attorney(s)-in-fact named above.

IN WITNESS WHEREOF the GREAT AMERICAN INSURANCE COMPANY has caused these presents to be signed and attested by its appropriate officers and its corporate seal hereunto affixed this 18th day of April, 2001

Attest
GREAT AMERICAN INSURANCE COMPANY

STATE OF OHIO, COUNTY OF HAMILTON - ss:

On this 18th day of April, 2001, before me personally appeared DOUGLAS R. BOWEN, to me known, being duly sworn, deposes and says that he resided in Cincinnati, Ohio, that he is the Vice President of the Bond Division of Great American Insurance Company, the Company described in and which executed the above instrument; that he knows the seal; that it was so affixed by authority of his office under the By-Laws of said Company, and that he signed his name thereto by like authority.

This Power of Attorney is granted by authority of the following resolutions adopted by the Board of Directors of Great American Insurance Company by unanimous written consent dated March 1, 1993.

RESOLVED: That the Division President, the several Division Vice Presidents and Assistant Vice Presidents, or any one of them, be and hereby is authorized, from time to time, to appoint one or more Attorneys-In-Fact to execute on behalf of the Company, as surety, any and all bonds, undertakings and contracts of suretyship, or other written obligations in the nature thereof; to prescribe their respective duties and the respective limits of their authority; and to revoke any such appointment at any time.

RESOLVED FURTHER: That the Company seal and the signature of any of the aforesaid officers and any Secretary or Assistant Secretary of the Company may be affixed by facsimile to any power of attorney or certificate of either given for the execution of any bond, undertaking, contract or suretyship, or other written obligation in the nature thereof, such signature and seal when so used being hereby adopted by the Company as the original signature of such officer and the original seal of the Company, to be valid and binding upon the Company with the same force and effect as though manually affixed.

CERTIFICATION

I, RONALD C. HAYES, Assistant Secretary of Great American Insurance Company, do hereby certify that the foregoing Power of Attorney and the Resolutions of the Board of Directors of March 1, 1993 have not been revoked and are now in full force and effect.

Signed and sealed this 29th day of June, 2001

**All-Purpose
Certificate of Acknowledgment**

State of Washington

County of King

On June 29, 2001 before me, Kathie L. Wieggers,
DATE NAME OF NOTARY PUBLIC

personally appeared P atrick D. Dineen
NAME(S) OF SIGNER(S)

personally known to me - **OR**

proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

/s/ Kathie L. Wieggers
SIGNATURE OF NOTARY PUBLIC

Though the data below is not required by law, it may prove valuable to persons relying on the document and prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER
Attorney-in-Fact

DESCRIPTION OF ATTACHED DOCUMENT(S)
Type of Document

Indemnity Bond
Bond No. 1316099

Number of Pages

One (1)

Date of Document

June 29, 2001

Signer(s) Other Than Named Above

None

SIGNER IS REPRESENTING:

NAME OF PERSON(S) OR ENTITY(IES)

Great American Insurance Company

EXHIBIT 10.51

**STATE OF OKLAHOMA
WORKERS' COMPENSATION COURT
1915 NORTH STILES
OKLAHOMA CITY, OKLAHOMA 73105-4904**

SURETY BOND OF SELF-INSURER OF WORKERS' COMPENSATION

IN THE MATTER OF THE PERMIT OF

LABOR READY CENTRAL, INC.

SURETY BOND
NO . 1835789

EFFECTIVE DATE: 10/1/01

Employer, Self-Insurance
Permit No.: 19190

KNOW ALL PERSONS BY THESE PRESENTS:

THAT LABOR READY CENTRAL. INC.
(Employer)

whose address is 1016 South 28th Street, Tacoma, WA 98409

as Principal, and GREAT AMERICAN INSURANCE COMPANY
(Surety)

a corporation organized under the laws of Ohio and authorized to transact a general surety business in the State of Oklahoma, as Surety, whose address is 580 Walnut Street, Cincinnati, OH 45202 are held and firmly bound to the State of Oklahoma in the penal sum of SIX HUNDRED FIFTY THOUSAND AND NO/100 -- Dollars (\$ 650,000.00) for which payment we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

Sealed with our seal and dated this 6th day of September, 2001.

WHEREAS In accordance with the provisions of Section 61 of Title 85 of the Oklahoma Statutes, the Principal elected to self-insure, and made application for, and received from the Administrator of the Oklahoma Workers' Compensation Court, a Self-Insurance Permit, upon a

furnishing of proof satisfactory to the Administrator of the ability to self-insure and to compensate any or all employees of said Principal for injury or disability, and their dependents for death incurred or sustained by said employees, pursuant to the terms, provisions and limitations of the Oklahoma Workers Compensation Act.

NOW THEREFORE, the conditions of this bond or obligations are such that if the Principal shall pay and furnish compensation pursuant to the terms, provisions and limitations of said Workers' Compensation Act to its employees for injury or disability, and to the dependents of its employees for death incurred or sustained by said employees, then this bond or obligation shall be null and void: otherwise to remain in full force and effect.

FURTHERMORE, It is understood and agreed that:

- 1) The Surety does, by these presents, undertake and agree that the obligation of this bond shall cover and extent to all past, present, existing and potential liability of said Principal, as a self-insurer, to the extent of the penal sum herein named, without regard to specific injuries, date or dates of injuries, happenings or events.
- 2) The aggregate liability of the Surety hereunder on all claims whatsoever shall not exceed the penal sum of this bond in any event.
- 3) This bond may be terminated at any time by the Surety upon giving thirty (30) days' written notice by certified mail to the Administrator of the Oklahoma Workers' Compensation Court, which notice shall be deemed to have been given when received by said Court. The liability of the Surety shall cease at the expiration of the thirty days, save and except as to all past, present, existing and potential liability of the principal incurred as to self-insurer prior to the expiration of the thirty days. This bond shall also terminate upon the revocation of the Self-Insurance Permit, save and except as to all past, present, existing and potential liability of the Principal, incurred as a self-insurer prior to such revocation; and the Principal and the Surety, herein named, shall be notified in writing, by said Administrator, in the event of such revocation.
- 4) Where the Principal posts with the Administrator of the Oklahoma Workers' Compensation Court a replacement security deposit in the form of a surety bond, irrevocable letter of credit, cash, securities or any combination thereof in the full amount as may be required by the Administrator to secure all incurred liabilities for the payment of compensation of said Principal under the Oklahoma Workers' Compensation Act, the Surety is released from the obligations under this surety bond upon the date of acceptance by the Administrator or said replacement security deposit.
- 5) If the said Principal shall suspend payment of workers' compensation benefits or shall become insolvent or a receiver shall be appointed for its business, the undersigned Surety will become liable for the workers' compensation obligations of the Principal on the date benefits are suspended and the Surety shall begin payments within thirty (30) days after receipt of written notification by the Administrator of the Oklahoma Workers' Compensation Court to begin payments under the terms of this bond.
- 6) When the Surety exercises its obligation to pay claims, it shall pay benefits due to the Principals, injured workers without a formal award of the Workers' Compensation Court and such payment

will be a credit against the penal sum of the bond. Administrative and legal costs incurred by the Surety in discharging its obligations shall also be a charge against the penal sum of the bond.

- 7) If any part of provision of this bond shall be declared unenforceable or held to be invalid by a court of proper jurisdiction, such determination shall not affect the validity or enforceability of the other provisions or parts of this bond.

IN WITNESS WHEREOF, the Principal has caused these presents to be executed by the signature of its President, and its corporate seal attached thereto, attested by its Vice President, and the Surety has likewise caused these presents to be executed by the signature of its Attorney-in-Fact, and its corporate seal attached hereto, attested by its Attorney-in-Fact.

(SEAL)
Attest as to Seal:

/s/ Steven Cooper
(Title) Vice President
Steven Cooper

LABOR READY CENTRAL, INC.
Principal

By /s/ Tim Adams
President (Title)
Tim Adams

(SEAL)
Attest as to Seal:

/s/ Tevy Lor
(Title) Tevy Lor, Attorney-in-Fact

By /s/ Kathie L. Wiegiers
Kathie L. Wiegiers, Attorney-in-Fact

Countersigned /s/ Marilyn J. Lowe
(Resident Representative of Oklahoma) Marilyn J. Lowe

(If executed by other than a corporation)

IN WITNESS WHEREOF, we have hereunto set our hands and seals on the day and date first above written.

Principal

Witness: _____
By _____
(Title)

If executed by the Surety under a power-of-attorney)

THIS bond is executed under a power-of-attorney.*

I certify (or declare) under penalty of perjury under the laws of the State of Oklahoma that the foregoing is true and correct.

September 6, 2001
Date

/s/ Kathie L. Wiegiers
Signature of Attorney-In-Fact

Kathie L. Wiegiers
Printed or Typed Name of Attorney-In-Fact

Countersigned /s/ Marilyn J. Lowe
(Resident Representative of Oklahoma) Marilyn J. Lowe

- (A copy of the power-of-attorney, entitling or authorizing the person who executed the bond to do so for and in behalf of the Surety, must be filed with the Administrator of the Oklahoma Workers' Compensation Court).

GREAT AMERICAN INSURANCE COMPANY®
580 WALNUT STREET • CINCINNATI, OHIO 45202 • 513-369-5000 • FAX 513-723-2740

The number of persons authorized by
this power of attorney is not more than
SEVEN

No. 0 17201

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That the GREAT AMERICAN INSURANCE COMPANY, a corporation organized and existing under and by virtue of the laws of the State of Ohio, does hereby nominate, constitute and appoint the person or persons named below its true and lawful attorney-in-fact, for it and in its name, place and stead to execute in behalf of the said Company, as surety, any and all bonds, undertakings and contracts of suretyship, or other written obligations in the nature thereof; provided that the liability of the said Company on any such bond, undertaking or contract of suretyship executed under this authority shall not exceed the limit stated below.

<u>Name</u>	<u>Address</u>	<u>Limit of Power</u>
JAY A. MILEY	ALL OF	ALL
PATRICK D. DINEEN	SEATTLE, WASHINGTON	UNLIMITED
HEIDI BROCKUS		
KRISTA M. STROMBERG		
KATHIE L. WIEGERS		
TEVY LOR		
SUZANNE HOLDEN		

This Power of Attorney revokes all previous powers issued in behalf of the attorney(s)-in-fact named above.

IN WITNESS WHEREOF the GREAT AMERICAN INSURANCE COMPANY has caused these presents to be signed and attested by its appropriate officers and its corporate seal hereunto affixed this 18th day of April, 2001

Attest

GREAT AMERICAN INSURANCE COMPANY

STATE OF OHIO, COUNTY OF HAMILTON - ss:

On this 18th day of April, 2001, before me personally appeared DOUGLAS R. BOWEN, to me known, being duly sworn, deposes and says that he resided in Cincinnati, Ohio, that he is the Vice President of the Bond Division of Great American Insurance Company, the Company described in and which executed the above instrument; that he knows the seal; that it was so affixed by authority of his office under the By-Laws of said Company, and that he signed his name thereto by like authority.

This Power of Attorney is granted by authority of the following resolutions adopted by the Board of Directors of Great American Insurance Company by unanimous written consent dated March 1, 1993.

RESOLVED: That the Division President, the several Division Vice Presidents and Assistant Vice Presidents, or any one of them, be and hereby is authorized, from time to time, to appoint one or more Attorneys-In-Fact to execute on behalf of the Company, as surety, any and all bonds, undertakings and contracts of suretyship, or other written obligations in the nature thereof; to prescribe their respective duties and the respective limits of their authority; and to revoke any such appointment at any time.

RESOLVED FURTHER: That the Company seal and the signature of any of the aforesaid officers and any Secretary or Assistant Secretary of the Company may be affixed by facsimile to any power of attorney or certificate of either given for the execution of any bond, undertaking, contract or suretyship, or other written obligation in the nature thereof, such signature and seal when so used being hereby adopted by the Company as the original signature of such officer and the original seal of the Company, to be valid and binding upon the Company with the same force and effect as though manually affixed.

CERTIFICATION

I, RONALD C. HAYES, Assistant Secretary of Great American Insurance Company, do hereby certify that the foregoing Power of Attorney and the Resolutions of the Board of Directors of March 1, 1993 have not been revoked and are now in full force and effect.

Signed and sealed this 6th day of September, 2001.

**All-Purpose
Certificate of Acknowledgment**

State of Washington

County of King

On September 6, 2001 before me, Krista M. Stromberg,
DATE NAME OF NOTARY PUBLIC

personally appeared Kathie L. Wieggers
NAME(S) OF SIGNER(S)

personally known to me - **OR** proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signatures on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.
Witness my hand and official seal.

/s/ Krista M. Stromberg
SIGNATURE OF NOTARY PUBLIC

Though the data below is not required by law, it may prove valuable to persons relying on the document and prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

Attorney-in-Fact

DESCRIPTION OF ATTACHED DOCUMENT

Type of Document

**Surety Bond of Self-Insurer of Workers'
Compensation**

Number of Pages

Four (4)

Date of Document

September 6, 2001

Labor Ready Central, Inc.

SIGNER IS REPRESENTING:

NAME OF PERSON(S) OR ENTITY(IES)

Great American Insurance Company

7

EXHIBIT 10.52

Bond Number 1316091

DISTRICT OF COLUMBIA GOVERNMENT
DEPARTMENT OF EMPLOYMENT SERVICES
LABOR STANDARDS

OFFICE OF WORKERS' COMPENSATION

INDEMNITY BOND GIVEN BY SELF INSURER UNDER THE
PROVISIONS OF THE DISTRICT OF COLUMBIA
WORKERS' COMPENSATION ACT OF 1979

Know all Men by these Presents:

That Labor Ready Northeast, Inc. of 1016 S. 28th St., Tacoma, WA 98409 (hereinafter, the Principal), as Principal, and Great American Insurance Co. a corporation organized under the laws of the State of Ohio having its principal office at 580 Walnut Street, Cincinnati, OH 45202 (hereinafter, the Surety) as Surety, are held and firmly bound unto the District of Columbia Government for the use and benefit of the employees of the Principal, in the sum of (\$450,000.00) Four Hundred Fifty Thousand dollars, for the payment of which, well and truly to be made, we bind ourselves jointly and severally, our joint and several heirs, executors and administrators, successors and assigns, firms, by these presents.

Whereas, in accordance with the provisions of the District of Columbia Workers' Compensation Act of 1979, as amended, D.C. Code 1981, Section 36-334 (hereinafter the Act), the Principal has elected to pay compensation directly to its employees under the provisions of the Act, and likewise to pay and discharge all the obligations resting upon it under any and all of the provisions of the Act, so far as they relate to its employees

Now, therefore, if the said Principal shall fully perform all the duties in this regard imposed upon it by the Act, or any amendments thereto that may become effective during the life of this obligation, then this obligation shall be null and void, otherwise to remain in full force and effect, subject, however, to the following express conditions:

1. That the Office of Workers' Compensation shall be, and hereby is, authorized to bring suit upon this obligation to proceed prompt payment of compensation and benefits under the provisions of
-

the Act, it being the intention that said Office in its discretion shall determine when recourse to suit shall be necessary in order to secure prompt payment.

- 2. The liability of the Surety is limited to the payments provided in the District of Columbia's Workers' Compensation Act, for and on account of injury or death occurring to the employees of the Principal during the period beginning April 1, 2001 and ending March 31, 2002.

In witness whereof, said Principal and said Surety have caused this instrument to be signed by their duly authorized officers and their corporate seals to be hereunto affixed this 23rd day of April, 2001.

Attest: Labor Ready Northeast, Inc.
/s/ Steven Cooper By /s/ Ronald Junck

Attest: Great American Insurance Co.
/s/ Elizabeth Riegos By /s/ Michael J. Lahn
Elizabeth Riegos Michael J. Lahn, Attorney-in-Fact

CORPORATE SEAL

GREAT AMERICAN INSURANCE COMPANY®

580 WALNUT STREET • CINCINNATI, OHIO 45202 • 513-369-5000 • FAX 513-723-2740

The number of persons authorized by this power of attorney is not more than ONE

No. 0 17135

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That the GREAT AMERICAN INSURANCE COMPANY, a corporation organized and existing under and by virtue of the laws of the State of Ohio, does hereby nominate, constitute and appoint the person or persons named below its true and lawful attorney-in-fact, for it and in its name, place and stead to execute in behalf of the said Company, as surety, any and all bonds, undertakings and contracts of suretyship, or other written obligations in the nature thereof; provided that the liability of the said Company on any such bond, undertaking or contract of suretyship executed under this authority shall not exceed the limit stated below.

<u>Name</u>	<u>Address</u>	<u>Limit of Power</u>
MICHAEL J. LAHN	GLENDAL, CALIFORNIA	UNLIMITED

This Power of Attorney revokes all previous powers issued in behalf of the attorney(s)-in-fact named above.

IN WITNESS WHEREOF the GREAT AMERICAN INSURANCE COMPANY has caused these presents to be signed and attested by its appropriate officers and its corporate seal hereunto affixed this 23rd day of January, 2001

Attest GREAT AMERICAN INSURANCE COMPANY

STATE OF OHIO, COUNTY OF HAMILTON - ss:

On this 23rd day of January, 2001, before me personally appeared DOUGLAS R. BOWEN, to me known, being duly sworn, deposes and says that he resided in Cincinnati, Ohio, that he is the Vice President of the Bond Division of Great American Insurance Company, the Company described in and which executed the above instrument; that he knows the seal; that it was so affixed by authority of his office under the By-Laws of said Company, and that he signed his name thereto by like authority.

This Power of Attorney is granted by authority of the following resolutions adopted by the Board of Directors of Great American Insurance Company by unanimous written consent dated March 1, 1993.

RESOLVED: That the Division President, the several Division Vice Presidents and Assistant Vice Presidents, or any one of them, be and hereby is authorized, from time to time, to appoint one or more Attorneys-In-Fact to execute on behalf of the Company, as surety, any and all bonds, undertakings and contracts of suretyship, or other written obligations in the nature thereof; to prescribe their respective duties and the respective limits of their authority, and to revoke any such appointment at any time.

RESOLVED FURTHER: That the Company seal and the signature of any of the aforesaid officers and any Secretary or Assistant Secretary of the Company may be affixed by facsimile to any power of attorney or certificate of either given for the execution of any bond, undertaking, contract or suretyship, or other written obligation in the nature thereof, such signature and seal when so used being hereby adopted by the Company as the original signature of such officer and the original seal of the Company, to be valid and binding upon the Company with the same force and effect as though manually affixed.

CERTIFICATION

I, RONALD C. HAYES, Assistant Secretary of Great American Insurance Company, do hereby certify that the foregoing Power of Attorney and the Resolutions of the Board of Directors of March 1, 1993 have not been revoked and are now in full force and effect.

Signed and sealed this 23rd day of April, 2001

STATE OF CONNECTICUT
WORKERS' COMPENSATION COMMISSION

SELF-INSURER SURETY BOND

BOND NO. 1316092

KNOW ALL MEN BY THESE PRESENTS:

That we Labor Ready Northeast, Inc. as principal, and Great American Insurance Company, a corporate surety company authorized to do business in the State of Connecticut as surety, are holden and stand firmly bound and obligated unto the State of Connecticut in the full and just sum of \$ 350,000.00*** to the true payment whereof we bind ourselves, our heirs, administrators, executors, successors and assigns, jointly and severally, by these presents.

WHEREAS, the Principal has been granted permission by the Connecticut Workers' Compensation Commission to conduct a Self-Insurance Workers' Compensation Program, conforming to the provisions of the Connecticut Workers' Compensation Act, being Chapter 568 of the Connecticut General Statutes, as amended, provided that the Principal furnish a Workers' Compensation Surety Bond in the sum of \$ 350,000.00***, and in compliance with this condition, the Principal furnished the bond as stated herein.

NOW THEREFORE, the condition of this bond is such that if the Principal complies with all the requirements of a self-insurer, all terms, provisions, conditions and duties of the applicable statutory law and rules and regulations adopted by the Commission, or of any amendments thereof in effect during the life of this bond, then this obligation shall be void, otherwise to remain in full force and effect. If the Principal's self-insurance license shall be revoked, or non-renewed, or if the Principal ceases to transact business in this State, or if the Principal insures its liability with an insurer, the Principal shall upon demand, deposit with the State Treasurer an amount of securities equal to the penal sum of this bond, or a single premium non-cancelable policy issued by an authorized workers' compensation insurance company insuring him against any liability that may have arisen under Chapter 568 C.G.S., or a bond executed by a company authorized to transact the aforesaid business in this State, in an amount and form approved by the Commission, guaranteeing the payment of any liability on his part that may have arisen under Chapter 568, then this obligation shall be void; otherwise to remain in full force and effect.



The Surety acknowledges that if the Principal fails to comply with the requirements of a self-insurer of workers' compensation, then all sums payable hereunder shall be payable upon demand in writing to the Surety by the Chairman of the Connecticut Workers' Compensation Commission. The liability of the Surety shall not exceed in aggregate the penal amount of \$ 350,000.00***.

It is understood and agreed that the Commission may permit a substitution of a new bond or bonds for this bond.

The effective date of this bond is June 1, 2001.

This bond shall continue in full force and effect until liability hereunder is released by the Connecticut Workers' Compensation Commission. This bond may be canceled at any time by the Surety upon giving thirty days written notice by certified mail to the Workers' Compensation Commission. The liability of the Surety will, after thirty days' notice, cease, except as to such liability that may have accrued prior to the effectiveness of the cancellation. It shall be understood that the Surety shall be liable, within the penal sum of this bond, for the default of the Principal in fully discharging any liability on its part accruing during the life of this obligation.

IN WITNESS WHEREOF, the Principal and the Surety have caused these presents to be executed in their names and behalf this 1st day of June, 2001.

[Affix Seals]

Labor Ready Northeast, Inc.
Principal

By: _____

Great American Insurance Company
Surety

/s/ Patrick D. Dneen
By: Patrick D. Dineen, Attorney-in-Fact

**All-Purpose
Certificate of Acknowledgment**

State of **Washington**

County of **King**

On **June 1, 2001** before me, **Kathie L. Wieggers** ,
DATE NAME OF NOTARY PUBLIC

personally appeared **Patrick D. Dineen**
NAME(S) OF SIGNER(S)

personally known to me - **OR**

proved to me on the basis of satisfactory evidence to be the person(s) whose name (s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

/s/ Kathie L. Wieggers
SIGNATURE OF NOTARY PUBLIC

Though the data below is not required by law, it may prove valuable to persons relying on the document and prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

DESCRIPTION OF ATTACHED DOCUMENT(S)

Attorney-in-Fact

Type of Document

**Self-Insurer Surety Bond
Bond No. 1316092**

Number of Pages

Two (2)

Date of Document

June 1, 2001

Signer(s) Other Than Named Above

Labor Ready Northeast, Inc.

SIGNER IS REPRESENTING:

NAME OF PERSON(S) OR ENTITY(IES)

Great American Insurance Company

The Surety acknowledges that if the Principal fails to comply with the requirements of a self-insurer of workers' compensation, then all sums payable hereunder shall be payable upon demand in writing to the Surety by the Chairman of the Connecticut Workers' Compensation Commission. The liability of the Surety shall not exceed in aggregate the penal amount of \$ 350,000.00***.

It is understood and agreed that the Commission may permit a substitution of a new bond or bonds for this bond.

The effective date of this bond is June 1, 2001.

This bond shall continue in full force and effect until liability hereunder is released by the Connecticut Workers' Compensation Commission. This bond may be canceled at any time by the Surety upon giving thirty days written notice by certified mail to the Workers' Compensation Commission. The liability of the Surety will, after thirty days' notice, cease, except as to such liability that may have accrued prior to the effectiveness of the cancellation. It shall be understood that the Surety shall be liable, within the penal sum of this bond, for the default of the Principal in fully discharging any liability on its part accruing during the life of this obligation.

IN WITNESS WHEREOF, the Principal and the Surety have caused these presents to be executed in their names and behalf this 1st day of June, 2001.

[Affix Seals]

Labor Ready, Northeast, Inc.
Principal

/s/ Ronald L. Junck
By:

Great American Insurance Company
Surety

/s/ Patrick D. Dineen
By: Patrick D. Dineen, Attorney-in-Fact

REVOLVING REDUCING NOTE

\$10,000,000.00

Tacoma, Washington
January 4, 2002

FOR VALUE RECEIVED, the undersigned LABOR READY, INC. ("Borrower") promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") at its office at 1201 Pacific Ave., 3rd Floor Tacoma, Washington 98402, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of Ten Million Dollars (\$10,000,000.00), or so much thereof as may be advanced and be outstanding, with interest thereon, to be computed on each advance from the date of its disbursement as set forth herein.

DEFINITIONS:

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

(a) "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in Washington are authorized or required by law to close.

(b) "Fixed Rate Term" means a period commencing on a Business Day and continuing for 1,2,3 or 6 months as designated by Borrower, during which all or a portion of the outstanding principal balance of this Note bears interest determined in relation to LIBOR; provided however, that no Fixed Rate Term may be selected for a principal amount less than One Hundred Thousand Dollars (\$100,000.00); and provided further, that no Fixed Rate Term shall extend beyond the scheduled maturity date hereof. If any Fixed Rate Term would end on a day which is not a Business Day, then such Fixed Rate Term shall be extended to the next succeeding Business Day.

(c) "LIBOR" means the rate per annum (rounded upward, if necessary, to the nearest whole 1/8 of 1 %) and determined pursuant to the following formula:

$$\text{LIBOR} = \frac{\text{Base LIBOR}}{100\% - \text{LIBOR Reserve Percentage}}$$

(i) "Base LIBOR" means the rate per annum for United States dollar deposits quoted by Bank as the Inter-Bank Market Offered Rate, with the understanding that such rate is quoted by Bank for the purpose of calculating effective rates of interest for loans making reference thereto, on the first day of a Fixed Rate Term for delivery of funds on said date for a period of time approximately equal to the number of days in such Fixed Rate Term and in an amount approximately equal to the principal amount to which such Fixed Rate Term applies. Borrower understands and agrees that Bank may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Bank in its discretion deems appropriate including, but not limited to, the rate offered for U.S. dollar deposits on the London Inter-Bank Market.

(ii) “LIBOR Reserve Percentage” means the reserve percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor) for “Eurocurrency Liabilities” (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Bank for expected changes in such reserve percentage during the applicable Fixed Rate Term.

(d) “Prime Rate” means at any time the rate of interest most recently announced within Bank at its principal office as its Prime Rate, with the understanding that the Prime Rate is one of Bank’s base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, and is evidenced by the recording thereof after its announcement in such internal publication or publications as Bank may designate.

INTEREST:

(a) Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) either (i) at a fluctuating rate per annum three quarters of one percent (0.75%) below the Prime Rate in effect from time to time, or (ii) at a fixed rate per annum determined by Bank to be one and eighty five hundredths percent (1.85%) above LIBOR in effect on the first day of the applicable Fixed Rate Term. When interest is determined in relation to the Prime Rate, each change in the rate of interest hereunder shall become effective on the date each Prime Rate change is announced within Bank. With respect to each LIBOR selection hereunder, Bank is hereby authorized to note the date, principal amount, interest rate and Fixed Rate Term applicable thereto and any payments made thereon on Bank’s books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted.

(b) Selection of Interest Rate Options. At any time any portion of this Note bears interest determined in relation to LIBOR, it may be continued by Borrower at the end of the Fixed Rate Term applicable thereto so that all or a portion thereof bears interest determined in relation to the Prime Rate or to LIBOR for a new Fixed Rate Term designated by Borrower. At any time any portion of this Note bears interest determined in relation to the Prime Rate, Borrower may convert all or a portion thereof so that it bears interest determined in relation to LIBOR for a Fixed Rate Term designated by Borrower. At such time as Borrower requests an advance hereunder or wishes to select a LIBOR option for all or a portion of the outstanding principal balance hereof, and at the end of each Fixed Rate Term, Borrower shall give Bank notice specifying: (i) the interest rate option selected by Borrower; (ii) the principal amount subject thereto; and (iii) for each LIBOR selection, the length of the applicable Fixed Rate Term. Any such notice may be given by telephone (or such other electronic method as Bank may permit) so long as, with respect to each LIBOR selection, (A) if requested by Bank, Borrower provides to Bank written confirmation thereof not later than three (3) Business Days after such notice is given, and (B) such notice is given to Bank prior to 10:00 a.m. on the first day of the Fixed Rate Term, or at a later time during any Business Day if Bank, at its sole option but without obligation to do so, accepts Borrower’s notice and quotes a fixed rate to Borrower. If Borrower does not immediately accept a fixed rate when quoted by Bank, the quoted rate shall expire and any subsequent LIBOR request from Borrower shall be subject to a

redetermination by Bank of the applicable fixed rate. If no specific designation of interest is made at the time any advance is requested hereunder or at the end of any Fixed Rate Term, Borrower shall be deemed to have made a Prime Rate interest selection for such advance or the principal amount to which such Fixed Rate Term applied.

(c) Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (i) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to LIBOR, and (ii) future, supplemental, emergency or other changes in the LIBOR Reserve Percentage, assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to LIBOR to the extent they are not included in the calculation of LIBOR. In determining which of the foregoing are attributable to any LIBOR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower.

(d) Payment of Interest. Interest accrued on this Note shall be payable on the last day of each month, commencing January 31, 2002.

(e) Default Interest. From and after the maturity date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, the outstanding principal balance of this Note shall bear interest until paid in full at an increased rate per annum (computed on the basis of a 360-day year, actual days elapsed) equal to four percent (4%) above the rate of interest from time to time applicable to this Note.

BORROWING AND REPAYMENT:

(a) Borrowing and Repayment. Borrower may from time to time during the term of this Note borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions of this Note and of any document executed in connection with or governing this Note; provided however, that the total outstanding borrowings under this Note shall not at any time exceed the principal amount set forth above or such lesser amount as shall at any time be available hereunder. The unpaid principal balance of this obligation at any time shall be the total amounts advanced hereunder by the holder hereof less the amount of principal payments made hereon by or for any Borrower, which balance may be endorsed hereon from time to time by the holder. The outstanding principal balance of this Note shall be due and payable in full on January 31, 2006.

(b) Reductions in Availability. Notwithstanding the principal amount set forth above, the maximum principal amount available under this Note shall be reduced automatically and without further notice on the last day of each October, January, April and July, commencing April 30, 2002, by the amount of One Hundred Twenty Five Thousand Dollars (\$125,000.00). If the outstanding principal balance of this Note on any such date is greater than

the new maximum principal amount then available hereunder, Borrower shall make a principal reduction on this Note on such date in an amount sufficient to reduce the then outstanding principal balance hereof to an amount not greater than said new maximum principal amount.

(c) Advances. Advances hereunder, to the total amount of the principal sum stated above, may be made by the holder at the oral or written request of (i) Joseph P. Sambataro, Jr., Steven C. Cooper, Bruce H. Marley, Kay Ward or Timothy Adams, any one acting alone, who are authorized to request advances and direct the disposition of any advances until written notice of the revocation of such authority is received by the holder at the office designated above, or (ii) any person, with respect to advances deposited to the credit of any deposit account of any Borrower, which advances, when so deposited, shall be conclusively presumed to have been made to or for the benefit of each Borrower regardless of the fact that persons other than those authorized to request advances may have authority to draw against such account. The holder shall have no obligation to determine whether any person requesting an advance is or has been authorized by any Borrower.

(d) Application of Payments. Each payment made on this Note shall be credited first, to any interest then due and second, to the outstanding principal balance hereof. All payments credited to principal shall be applied first, to the outstanding principal balance of this Note which bears interest determined in relation to the Prime Rate, if any, and second, to the outstanding principal balance of this Note which bears interest determined in relation to LIBOR, with such payments applied to the oldest Fixed Rate Term first.

PREPAYMENT:

(a) Prime Rate. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to the Prime Rate at any time, in any amount and without penalty.

(b) LIBOR. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to LIBOR at any time and in the minimum amount of One Hundred Thousand Dollars (\$100,000.00); provided however, that if the outstanding principal balance of such portion of this Note is less than said amount, the minimum prepayment amount shall be the entire outstanding principal balance thereof. In consideration of Bank providing this prepayment option to Borrower, or if any such portion of this Note shall become due and payable at any time prior to the last day of the Fixed Rate Term applicable thereto by acceleration or otherwise, Borrower shall pay to Bank immediately upon demand a fee which is the sum of the discounted monthly differences for each month from the month of prepayment through the month in which such Fixed Rate Term matures, calculated as follows for each such month:

(i) Determine the amount of interest which would have accrued each month on the amount prepaid at the interest rate applicable to such amount had it remained outstanding until the last day of the Fixed Rate Term applicable thereto.

- (ii) Subtract from the amount determined in (i) above the amount of interest which would have accrued for the same month on the amount prepaid for the remaining term of such Fixed Rate Term at LIBOR in effect on the date of prepayment for new loans made for such term and in a principal amount equal to the amount prepaid.
- (iii) If the result obtained in (ii) for any month is greater than zero, discount that difference by LIBOR used in (ii) above.

Each Borrower acknowledges that prepayment of such amount may result in Bank incurring additional costs, expenses and/or liabilities, and that it is difficult to ascertain the full extent of such costs, expenses and/or liabilities. Each Borrower, therefore, agrees to pay the above-described prepayment fee and agrees that said amount represents a reasonable estimate of the prepayment costs, expenses and/or liabilities of Bank. If Borrower fails to pay any prepayment fee when due, the amount of such prepayment fee shall thereafter bear interest until paid at a rate per annum two percent (2.0%) above the Prime Rate in effect from time to time (computed on the basis of a 360-day year, actual days elapsed). Each change in the rate of interest on any such past due prepayment fee shall become effective on the date each Prime Rate change is announced within Bank.

EVENTS OF DEFAULT:

This Note is made pursuant to and is subject to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated as of January 4, 2002, as amended from time to time (the "Credit Agreement"). Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Credit Agreement, shall constitute an "Event of Default" under this Note.

MISCELLANEOUS:

(a) Remedies. Upon the sale, transfer, hypothecation, assignment or other encumbrance, whether voluntary, involuntary or by operation of law, of all or any interest in any real property securing this Note, or upon the occurrence of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by each Borrower, and the obligation, if any, of the holder to extend any further credit hereunder shall immediately cease and terminate. Each Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of the holders in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder's rights and/or the collection of any amounts which become due to the holder under this Note, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including

without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to any Borrower or any other person or entity.

(b) Obligations Joint and Several. Should more than one person or entity sign this Note as a Borrower, the obligations of each such Borrower shall be joint and several.

(c) Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Washington.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

This Note is secured by, among other collateral, a Deed of Trust dated January 4, 2002.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above.

LABOR READY, INC.

By: /s/ Steve C. Cooper
Steve C. Cooper, CFO

CREDIT AGREEMENT

THIS AGREEMENT is entered into as of January 4, 2002, by and between LABOR READY, INC., a Washington corporation (“Borrower”), and WELLS FARGO BANK, NATIONAL ASSOCIATION (“Bank”).

RECITALS

Borrower has requested that Bank extend or continue credit to Borrower as described below, and Bank has agreed to provide such credit to Borrower on the terms and conditions contained herein.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

ARTICLE I CREDIT TERMS

SECTION 1.1. REVOLVING REDUCING LOAN.

(a) Revolving Reducing Loan. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including January 31, 2006, not to exceed at any time the aggregate principal amount of Ten Million Dollars (\$10,000,000.00) or such lesser amount as shall from time to time be available (“Revolving Reducing Loan”), the proceeds of which shall be used for working capital and general corporate purposes. Borrower’s obligation to repay advances under the Revolving Reducing Loan shall be evidenced by a promissory note substantially in the form of Exhibit A attached hereto (“Revolving Reducing Note”), all terms of which are incorporated herein by this reference.

(b) Borrowing and Repayment. Borrower may from time to time during the term of the Revolving Reducing Loan borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Revolving Reducing Note; provided however, that the total outstanding borrowings under the Revolving Reducing Loan shall not at any time exceed the maximum principal amount available thereunder, as set forth above and as reduced from time to time in accordance with the terms of the Revolving Reducing Note.

SECTION 1.2. INTEREST/FEES.

(a) Interest. The outstanding principal balance of the Revolving Reducing Loan shall bear interest at the rate of interest set forth in the Revolving Reducing Note.

(b) Computation and Payment. Interest shall be computed on the basis of a 360-day year, actual days elapsed. Interest shall be payable at the times and place set forth in each promissory note or other instrument required hereby.

(c) Unused Commitment Fee. Borrower shall pay to Bank a fee equal to three hundred fifty thousandths percent (0.350%) per annum (computed on the basis of a 360-day year, actual days elapsed) on the average daily unused amount of the Revolving Reducing Loan, which fee shall be calculated on a quarterly basis by Bank and shall be due and payable by Borrower in arrears within thirty (30) days after each billing is sent by Bank.

SECTION 1.3. COLLATERAL.

As security for all indebtedness of Borrower to Bank under the Revolving Reducing Loan, Borrower hereby grants to Bank a lien of not less than first priority on that certain real property located at 1015 A Street, Tacoma, WA 98402.

All of the foregoing shall be evidenced by and subject to the terms of such security agreements, financing statements, deeds of trust and other documents as Bank shall reasonably require, all in form and substance satisfactory to Bank. Borrower shall reimburse Bank immediately upon demand for all costs and expenses incurred by Bank in connection with any of the foregoing security, including without limitation, filing and recording fees and costs of appraisals, audits and title insurance.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Bank, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank subject to this Agreement.

SECTION 2.1. LEGAL STATUS. Borrower is a corporation, duly organized and existing and in good standing under the laws of the State of Washington, and is qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could have a material adverse effect on Borrower.

SECTION 2.2. AUTHORIZATION AND VALIDITY. This Agreement and each promissory note, contract, instrument and other document required hereby or at any time hereafter delivered to Bank in connection herewith (collectively, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same, enforceable in accordance with their respective terms.

SECTION 2.3. NO VIOLATION. The execution, delivery and performance by Borrower of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the Articles of Incorporation or By-Laws of Borrower, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower may be bound.

SECTION 2.4. LITIGATION. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could have a material adverse effect on the financial condition or operation of Borrower other than those disclosed by Borrower to Bank in writing prior to the date hereof.

SECTION 2.5. CORRECTNESS OF FINANCIAL STATEMENT. The financial statement of Borrower dated June 30, 2001, a true copy of which has been delivered by

Borrower to Bank prior to the date hereof, (a) is complete and correct in all material respects and presents fairly the financial condition of Borrower, (b) discloses all liabilities of Borrower that are required to be reflected or reserved against under generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) has been prepared in accordance with generally accepted accounting principles consistently applied. Since the date of such financial statement there has been no material adverse change in the financial condition of Borrower, nor has Borrower mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or as otherwise permitted by Bank in writing.

SECTION 2.6. INCOME TAX RETURNS. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year.

SECTION 2.7. NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower.

SECTION 2.8. PERMITS, FRANCHISES. Borrower possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law.

SECTION 2.9. ERISA. Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Borrower has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a "Plan"); no Reportable Event as defined in ERISA has occurred and is continuing with respect to any Plan initiated by Borrower; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under generally accepted accounting principles.

SECTION 2.10. OTHER OBLIGATIONS. Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

SECTION 2.11. ENVIRONMENTAL MATTERS. Except as disclosed by Borrower to Bank in writing prior to the date hereof, Borrower, to the best of its knowledge, is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same

may be amended, modified or supplemented from time to time. None of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

SECTION 2.12. REAL PROPERTY COLLATERAL. Except as disclosed by Borrower to Bank in writing prior to the date hereof, with respect to any real property collateral required hereby:

(a) All taxes, governmental assessments, insurance premiums, and water, sewer and municipal charges, and rents (if any) which previously became due and owing in respect thereof have been paid as of the date hereof.

(b) There are no mechanics' or similar liens or claims which have been filed for work, labor or material (and no rights are outstanding that under law could give rise to any such lien except for the rights of workers and suppliers in connection with the improvements to the first floor, the work on which commenced on or about April 1, 2001 and is expected to be completed by December 31, 2001) which affect all or any interest in any such real property and which are or may be prior to or equal to the lien thereon in favor of Bank.

(c) None of the improvements which were included for purpose of determining the appraised value of any such real property lies outside of the boundaries and/or building restriction lines thereof, and no improvements on adjoining properties materially encroach upon any such real property.

(d) There is no pending, or to the best of Borrower's knowledge threatened, proceeding for the total or partial condemnation of all or any portion of any such real property, and all such real property is in good repair and free and clear of any damage that would materially and adversely affect the value thereof as security and/or the intended use thereof.

SECTION 2.13. GECC LETTER OF CREDIT DOCUMENTATION. Borrower has heretofore delivered to Bank, or will deliver to Bank upon Bank's written request, true and correct copies of: (a) the Letter of Credit Agreement dated as of March 1, 2001, between Borrower, as "Debtor," and General Electric Capital Corporation, as "Creditor" ("GECC"), and any amendments thereto, which are in effect as of the date of this Agreement (the "GECC Letter of Credit Agreement"), and (b) all material documents related to the GECC Letter of Credit Agreement which are in effect as of the date of this Agreement (the "Related GECC Letter of Credit Documents") (with the GECC Letter of Credit Agreement and the Related GECC Letter of Credit Documents which are in effect as of the date of this Agreement referred to herein collectively as the "GECC Letter of Credit Documents").

SECTION 2.14. GECC RECEIVABLES FUNDING DOCUMENTATION. Borrower has heretofore delivered to Bank, or will deliver to Bank upon Bank's written request, true and correct copies of: (a) the Receivables Funding Agreement dated as of March 1, 2001, by and among Labor Ready Funding Corporation, as "Borrower," Redwood Receivables Corporation as "Conduit Lender," Borrower as "Servicer," and GECC as "Committed Lender and as Administrative Agent, which is in effect as of the date of this Agreement (the "GECC Receivables Agreement"), and (b) all material documents related to the GECC Receivables Agreement which are in effect as of the date of this Agreement (the "Related GECC Receivables Documents") (with the GECC Receivables Agreement and

the Related GECC Receivables Documents” which are in effect as of the date of this Agreement referred to collectively as the “GECC Receivables Documents”).

ARTICLE III
CONDITIONS

SECTION 3.1. CONDITIONS OF INITIAL EXTENSION OF CREDIT. The obligation of Bank to extend any credit contemplated by this Agreement is subject to the fulfillment to Bank’s satisfaction of all of the following conditions:

- (a) Approval of Bank Counsel. All legal matters incidental to the extension of credit by Bank shall be satisfactory to Bank’s counsel.
- (b) Documentation. Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed:
 - (i) This Agreement and each promissory note or other instrument required hereby.
 - (ii) Corporate Borrowing Resolution.
 - (iii) Certificate of Incumbency.
 - (iv) Deed of Trust.
 - (v) Such other documents as Bank may require under any other Section of this Agreement.
- (c) Financial Condition. There shall have been no material adverse change, as determined by Bank, in the financial condition or business of Borrower, nor any material decline, as determined by Bank, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower.
- (d) Insurance. Borrower shall have delivered to Bank evidence of insurance coverage on all real property collateral required hereby, in form, substance, amounts, covering risks and issued by companies satisfactory to Bank, and where required by Bank, with loss payable endorsements in favor of Bank, including without limitation, policies of fire and extended coverage insurance covering all real property collateral required hereby, with replacement cost and mortgagee loss payable endorsements, and such policies of insurance against specific hazards affecting any such real property as may be required by governmental regulation or Bank.
- (e) Appraisals. Bank shall have obtained, at Borrower’s cost, an appraisal of all real property collateral required hereby, and all improvements thereon, issued by an appraiser acceptable to Bank and in form, substance and reflecting values satisfactory to Bank, in its discretion.
- (f) Title Insurance. Bank shall have received an ALTA Policy of Title Insurance, with such endorsements as Bank may require, issued by a company and in form and substance satisfactory to Bank, in an amount equal to the principal amount of Ten Million Dollars (\$10,000,000.00) for the Revolving Reducing Loan, insuring Bank’s lien on the real property collateral required hereby to be of first priority, subject only to such exceptions as Bank shall approve in its discretion, with all costs thereof to be paid by Borrower.

SECTION 3.2. CONDITIONS OF EACH EXTENSION OF CREDIT. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction of each of the following conditions:

(a) Compliance. The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Agreement and on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date, and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.

(b) Documentation. Bank shall have received all additional documents which may be required in connection with such extension of credit.

ARTICLE IV AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall, unless Bank otherwise consents in writing:

SECTION 4.1. PUNCTUAL PAYMENTS. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein.

SECTION 4.2. ACCOUNTING RECORDS. Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower.

SECTION 4.3. FINANCIAL STATEMENTS. Provide to Bank all of the following, in form and detail satisfactory to Bank:

(a) not later than 90 days after and as of the end of each fiscal year, a copy of 10K report filed with the Securities Exchange Commission of Borrower, prepared by Certified Public Accountant, to include balance sheet, income statement, statement of cash flows, management report, auditor's report with unqualified opinion, all supporting schedules and footnotes;

(b) not later than 45 days after and as of the end of each quarter end, a copy of 10Q report filed with Securities Exchange Commission of Borrower, prepared by Certified Public Accountant, to include balance sheet, income statement and statement of cash flows;

(c) not later than each December 31, Borrower's company prepared annual and monthly projections for the following year (Bank acknowledges that said projections may contain non-public information, the confidentiality of which will be maintained by Bank in accordance with Section 7.13 below);

(d) contemporaneously with each annual and quarterly financial statement of Borrower required hereby, a certificate of the president or chief financial officer of Borrower that said financial statements are accurate and that there exists no Event of Default nor any condition, act or event which with the giving of notice or the passage of time or both would constitute an Event of Default;

(e) upon written request by Bank, a certificate of the president or chief financial officer of Borrower that any property taxes due in connection with the real property collateral required hereby have been paid;

(f) from time to time such other information as Bank may reasonably request.

SECTION 4.4. COMPLIANCE. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; and comply with the provisions of all documents pursuant to which Borrower is organized and/or which govern Borrower's continued existence and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to Borrower and/or its business.

SECTION 4.5. INSURANCE. Maintain and keep in force insurance of the types, and in amounts reasonably similar to the amounts, currently carried by Borrower, including but not limited to fire, extended coverage, public liability, property damage and workers' compensation, and deliver to Bank from time to time at Bank's request schedules setting forth all insurance then in effect.

SECTION 4.6. FACILITIES. Keep all properties useful or necessary to Borrower's business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

SECTION 4.7. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except such (a) as Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower has made provision, to Bank's satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

SECTION 4.8. LITIGATION. Promptly give notice in writing to Bank of any litigation pending or threatened against Borrower with a claim in excess of \$1,000,000.00.

SECTION 4.9. FINANCIAL CONDITION. Maintain Borrower's financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein), with compliance determined commencing with Borrower's financial statements for the period ending September 30, 2001:

(a) Tangible Net Worth not at any time less than the Minimum Amount, with "Tangible Net Worth" defined as the aggregate of total stockholders' equity plus subordinated debt less any intangible assets, and with "Minimum Amount" defined as follows: As of September 30, 2001, the "Minimum Amount" shall be \$85,000,000.00. After September 30, 2001 the "Minimum Amount shall be adjusted upward on a cumulative basis as follows: Commencing as of the December 31, 2001 fiscal year end and continuing on each fiscal year end thereafter, the Minimum Amount shall be increased by the sum of fifty percent (50%) of Borrower's net income after taxes for the fiscal year ending on such date (with no reduction in the event of a loss for any such year) plus one hundred percent (100%) of the

proceeds of any stock of Borrower issued during such year (with no reduction for any repurchase or redemption of such stock).

(b) Net income after taxes not less than \$1.00 on an annual basis determined as of each fiscal year end, commencing with the December 31, 2001 fiscal year end.

(c) Net income before taxes not less than \$1.00 for any two consecutive fiscal quarters, determined as of each fiscal quarter end commencing with the fiscal quarter ending September 30, 2001.

(d) EBITDA Coverage Ratio not less than 2.00 to 1.0 determined on a rolling four fiscal quarter basis as of each fiscal quarter end, commencing with the four fiscal quarter period ending on September 30, 2001, with "EBITDA" defined as net profit before tax plus interest expense (net of capitalized interest expense), depreciation expense and amortization expense, less unfinanced capital expenditures made during said period and cash taxes paid during said period, and with "EBITDA Coverage Ratio" defined as EBITDA divided by the aggregate of total interest expense, plus letter of credit fees paid during said period, plus said period's current maturity of long-term debt, plus said period's current maturity of capital leases, plus scheduled principal reductions in the Revolving Reducing Loan during said period; provided, however, that when calculating the EBITDA Coverage Ratio for the four fiscal quarter period ending as of September 30, 2001, only unfinanced capital expenditures made during such period in excess of \$4,400,000.00 shall be subtracted from the numerator, and when calculating the EBITDA Coverage Ratio for the four fiscal quarter period ending as of December 31, 2001, only unfinanced expenditures made during such period in excess of \$2,200,000.00 shall be subtracted from the numerator.

SECTION 4.10. NOTICE TO BANK. Promptly (but in no event more than five (5) days after the occurrence of each such event or matter) give written notice to Bank in reasonable detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name or the organizational structure of Borrower; (c) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan; or (d) any termination or cancellation of any insurance policy which Borrower is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting Borrower's property in excess of an aggregate of \$1,000,000.00.

ARTICLE V NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower will not without Bank's prior written consent:

SECTION 5.1. USE OF FUNDS. Use any of the proceeds of any credit extended hereunder except for the purposes stated in Article I hereof.

SECTION 5.2. OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except (a) the liabilities of Borrower

to Bank, (b) any other liabilities of Borrower existing as of, and disclosed to Bank prior to, the date hereof, and (c) any liabilities of Borrower incurred hereafter which are permitted under the terms and provisions of the GECC Letter of Credit Documents, as same may be amended by any amendment consented to by Bank.

SECTION 5.3. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity, except for the merger of a subsidiary of Borrower into Borrower that is permitted under the terms and provisions of the GECC Letter of Credit Documents, as same may be amended by any amendment consented to by Bank; make any substantial change in the nature of Borrower's business as conducted as of the date hereof; acquire all or substantially all of the assets of any other entity, except for acquisitions permitted under the terms and provisions of the GECC Letter of Credit Documents, as same may be amended by any amendment consented to by Bank; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrowers assets except in the ordinary course of its business and except for other dispositions permitted under the terms and provisions of the GECC Letter of Credit Documents, as same may be amended by any amendment consented to by Bank, provided, however, that in no event shall any of Bank's collateral hereunder be sold, leased, transferred or otherwise disposed of without the prior written consent of Bank and in the event of any conflict between the provisions of the GECC Letter of Credit Documents regarding the disposition of assets and the provisions of this Agreement or any other Loan Document regarding the disposition of any of Bank's collateral, the provisions of this Agreement and the other Loan Documents shall prevail.

SECTION 5.4. GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any assets of Borrower as security for, any liabilities or obligations of any other person or entity, except (a) any of the foregoing in favor of Bank, (b) any of the foregoing existing as of, and disclosed to Bank prior to, the date hereof, (c) any of the foregoing done hereafter which are permitted under the terms and provisions of the GECC Letter of Credit Documents, as same may be amended by any amendment consented to by Bank, and (d) other unsecured guarantees by Borrower granted hereafter in the ordinary course of business to guarantee obligations of subsidiaries of Borrower which are controlled by Borrower and organized under the laws of, and operating in, Canada or the United Kingdom, provided that Borrower's liabilities under such guarantees which are permitted under this paragraph (d) at no time exceed \$2,500,000 in the aggregate.

SECTION 5.5. LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to or investments in any person or entity, except for (a) any of the foregoing existing as of, and disclosed to Bank prior to, the date hereof, and (b) any of the foregoing made hereafter which are permitted under the terms and provisions of the GECC Letter of Credit Documents, as same may be amended by any amendment consented to by Bank.

SECTION 5.6. PLEDGE OF ASSETS. Mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired, except (a) any of the foregoing in favor of Bank or which is existing as of, and disclosed to Bank in writing prior to, the date hereof, and (b) any of the foregoing done or incurred hereafter which are permitted under the terms and provisions of the GECC Letter of Credit Documents, as same may be amended by any amendment consented to by Bank.

SECTION 5.7. DIVIDENDS, DISTRIBUTIONS. Declare or pay any dividend or distribution either in cash, stock or any other property on Borrowers stock now or hereafter outstanding, nor

redeem, retire, repurchase or otherwise acquire any shares of any class of Borrower's stock now or hereafter outstanding, except for any of the foregoing which are permitted under the terms of the GECC Letter of Credit Documents, as same may be amended by any amendment consented to by Bank.

ARTICLE VI
EVENTS OF DEFAULT

SECTION 6.1. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement (as used herein, "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in Washington are authorized or required by law to close):

- (a) Borrower shall fail to pay within five (5) Business Days of the date when due, any principal, interest or fees payable under any of the Loan Documents.
- (b) Borrower shall fail to pay within five (5) Business Days after demand by Bank, any expense reimbursement or other amount (other than an amount covered in (a) above) payable under any of the Loan Documents.
- (c) Any financial statement or certificate furnished to Bank in connection with, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.
- (d) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those referred to in subsections (a), (b) and (c) above), and with respect to any such default which by its nature can be cured, such default shall continue for a period of thirty (30) days from its occurrence.
- (e) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract or instrument (other than any of the Loan Documents) pursuant to which Borrower has incurred any debt or other liability to any person or entity, including Bank; provided, however, that any cure period applicable thereto has expired and in the case of a default or defined event of default to a person or entity other than Bank, such indebtedness is in excess of \$1,000,000.00, individually or in the aggregate for all such defaults combined.
- (f) The filing of a notice of judgment lien against Borrower; or the recording of any abstract of judgment against Borrower in any county in which Borrower has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Borrower; or the entry of a judgment against Borrower; provided, however, that such judgments, liens, levies, executions and other process involve debts of or claims against Borrower in excess of \$1,000,000.00, individually or in the aggregate for all such matters combined, and within thirty (30) days after the creation thereof, or at least ten (10) days prior to the date on which any assets could be lawfully sold in satisfaction thereof, such debt or claim is not satisfied or stayed pending appeal and insured against in a manner satisfactory to Bank.
- (g) Borrower shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of

creditors; Borrower shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time ("Bankruptcy Code"), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower, and such involuntary petition or proceeding is unopposed or is not dismissed within sixty (60) days of its commencement; or Borrower shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.

(h) The dissolution or liquidation of Borrower; or Borrower, or any of its directors, stockholders or members, shall take action seeking to effect the dissolution or liquidation of Borrower.

SECTION 6.2. REMEDIES. Upon the occurrence of any Event of Default: (a) all indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are hereby expressly waived by each Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VII MISCELLANEOUS

SECTION 7.1. RELATIONSHIP WITH GECC DOCUMENTS. In each case in Sections 5.2, 5.3, 5.4, 5.5, 5.6 and 5.7 of this Agreement where it is indicated that something may be done by Borrower if such action is permitted under the terms and provisions of the GECC Letter of Credit Documents, it is acknowledged that (a) to the extent the consent of the "Creditor" under the GECC Letter of Credit Documents is required as a condition to taking such action thereunder, then the consent of Bank shall be required for such action to be permitted hereunder, and (b) to the extent Borrower would be required to give the "Creditor" under the GECC Letter of Credit Documents certain notices or information as a condition to taking such action thereunder, then Borrower shall be required to give Bank such notices and information for such action to be permitted hereunder.

SECTION 7.2. NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of

or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 7.3. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER: LABOR READY, INC.
 ATTN: General Counsel
 P.O. Box 2910
 Tacoma, WA 98402-2910

BANK: WELLS FARGO BANK, NATIONAL ASSOCIATION
 1201 Pacific Avenue, 3rd Floor
 Tacoma, WA 98402

or to such other address as any party may designate by written notice to all other parties; provided, however, that Bank may also deliver notices, requests and demands to Borrower under this Agreement by hand delivery to Borrower at the following street address or to such other street address as Borrower may designate by written notice to Bank:

LABOR READY, INC.
ATTN: General Counsel
1015 A Street
Tacoma, Washington 98402

Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 7.4. COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in connection with (a) the negotiation and preparation of this Agreement and the other Loan Documents, Bank's continued administration hereof and thereof, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to any Borrower or any other person or entity.

SECTION 7.5. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or transfer its interest hereunder without Bank's prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents. In connection therewith, Bank may disclose all documents and information which Bank

now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business, or any collateral required hereunder.

SECTION 7.6. ENTIRE AGREEMENT; AMENDMENT. This Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 7.7. NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 7.8. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 7.9. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 7.10. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 7.11. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

SECTION 7.12. ARBITRATION.

(a) **Arbitration.** The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise arising out of or relating to in any way (i) the loan and related Loan Documents which are the subject of this Agreement and its negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit.

(b) **Governing Rules.** Any arbitration proceeding will (i) proceed in a location in Washington selected by the American Arbitration Association (“AAA”); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA’s commercial dispute resolution procedures, unless the claim or counterclaim is at least \$1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA’s optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional

procedures for large, complex commercial disputes to be referred to, as applicable, as the “Rules”). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is \$5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than \$5,000,000.00. Any dispute in which the amount in controversy exceeds \$5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State of Washington or a neutral retired judge of the state or federal judiciary of Washington, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator’s discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of Washington and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the Washington Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant

to the dispute being arbitrated and must be completed no later than 20 days before the hearing date and within 180 days of the filing of the dispute with the AAA. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. The resolution of any dispute arising pursuant to the terms of this Agreement shall be determined by a separate arbitration proceeding and such dispute shall not be consolidated with other disputes or included in any class proceeding.

(g) Payment of Arbitration Costs And Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

SECTION 7.13. CONFIDENTIALITY.

(a) Confidential Information. As used herein, the term "Confidential Information" shall mean all non-public, confidential and/or proprietary information of Borrower, now or at any time hereafter provided to Bank by Borrower, or any of Borrower's officers, employees, agents or representatives, in connection with this Agreement.

(b) Use of Information. The Confidential Information will be used by Bank solely for the purpose of evaluating Borrower's credit requests and/or Bank's ongoing credit accommodations to Borrower.

(c) Confidentiality. Bank will keep all the Confidential Information confidential, and will not disclose any of the Confidential Information to any person or entity, except disclosures: (i) to federal and state bank examiners, and other regulatory officials having jurisdiction over Bank, (ii) to Bank's legal counsel and auditors, (iii) to other professional advisors to Bank, (iv) to Bank's representatives (which shall include, without limitation, all other banks and companies affiliated with Wells Fargo & Company) who need to know the Confidential Information for the purpose of evaluating Borrower's credit requests and/or Bank's ongoing credit accommodations to Borrower, it being expressly understood and agreed that such representatives shall be informed of the confidential nature of the Confidential Information, and shall be required by Bank to treat the Confidential Information as confidential in accordance with the terms and conditions hereof; (v) as otherwise required by law or legal process, (vi) to any actual or potential assignee of or participant in Bank's rights and interests under the Loan Documents, so long as such person or entity agrees in writing to be bound by the provisions of this Section 7.13, (vii) to the extent reasonably required in connection with the exercise of any remedy hereunder, or (viii) as otherwise authorized by Borrower in writing.

(d) **Legal Process.** In the event that Bank or any of its representatives becomes legally compelled to disclose any of the Confidential Information pursuant to Section 7.13(c)(v) above, hereof, then Bank, except as otherwise required by law, will provide notice thereof to Borrower so that Borrower, at its sole option (but without obligation to do so), may attempt to seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement.

(e) **Public Information.** The confidentiality requirement set forth herein shall not extend to any portion of the Confidential Information that: (a) is or becomes generally available to the public other than as a result of a disclosure by Bank or its representatives; (b) is or becomes available to Bank on a non-confidential basis by Borrower or any officer, employee, agent or representative of Borrower prior to its disclosure by Bank; or (c) is or becomes available to Bank on a non-confidential basis from a source other than Borrower.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

LABOR READY, INC.

/s/ Steve C. Cooper

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: /s/ Edward Forman
Title: Vice President

SUSIDIARIES OF LABOR READY, INC.

Corporate Name	Incorporated in State/Country of
Labor Ready Assurance Company	Cayman Island
Labor Ready Central, Inc.	Washington
Labor Ready Central II, LLC	Washington
Labor Ready Central III, LP	Washington
Labor Ready Funding Corporation	Delaware
Labor Ready GP Company, Inc.	Washington
Labor Ready Mid-Atlantic, Inc.	Washington
Labor Ready Holdings, Inc.	Nevada
Labor Ready Mid-Atlantic II, Inc.	Washington
Labor Ready Mid-Atlantic III, LP	Washington
Labor Ready Midwest, Inc.	Washington
Labor Ready Northeast, Inc.	Washington
Labor Ready Northwest, Inc.	Washington
Labor Ready Properties, Inc.	Nevada
Labor Ready Puerto Rico, Inc.	Puerto Rico
Labor Ready Southeast, Inc.	Washington

Labor Ready Southeast II, Inc.	Washington
Labor Ready Southeast III, LP	Washington
Labor Ready Southwest, Inc.	Washington
Labour Ready Temporary Services Ireland, Ltd.	Ireland
Labour Ready Temporary Services, Ltd.	Canada
Labour Ready Temporary Services UK, Ltd.	United Kingdom
Workers Assurance of Hawaii, Inc.	Hawaii

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into the Company's previously filed Registration Statement No. 333-16455, 333-16459, 333-36191 and 333-76420.

/s/ Arthur Andersen LLP

March 27, 2002

End of Filing

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