UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2000

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____________ to ___________

Commission File Number 0-23828

Labor Ready, Inc.

(Exact Name of Registrant as specified in its charter)

Washington	91-1287341
(State of Incorporation)	(Employer Identification No.)
1016 S. 28th Street, Tacoma, Washington	98409
(Address of Principal Executive Offices)	(Zip Code)

(253) 383-9101

(Registrant's Telephone Number)

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 past 90 days. Yes (X) No ( )

As of August 7, 2000 the Registrant had 41,836,921 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None.

LABOR READY, INC.

INDEX

LABOR READY, INC.
CONSOLIDATED BALANCE SHEETS
IN THOUSANDS

ASSETS

<TABLE>
<CAPTION>

<S>	<C> (UNAUDITED) JUNE 30, 2000	<C> DECEMBER 31, 1999
CURRENT ASSETS:		
Cash and cash equivalents	$ 22,632	$ 16,845
Accounts receivable, less allowance for doubtful accounts of $7,415 and $9,899	97,403	93,716
Workers' compensation deposits and credits	4,497	4,955
Prepaid expenses and other	7,125	9,310
Income tax receivable	2,574	2,004
Deferred income taxes	7,609	8,101
Total current assets	141,840	134,931
PROPERTY AND EQUIPMENT:		
Buildings and land	7,133	6,298
Computers and software	28,223	23,709
Cash dispensing machines	12,664	10,797
Furniture and equipment	1,557	766
	49,577	41,570
Less accumulated depreciation	14,408	10,838
Property and equipment, net	35,169	30,732
OTHER ASSETS:		
Restricted cash	2,842	2,027
Deferred income taxes	7,899	6,743
Other assets	494	48
Total other assets	11,235	8,818
Total assets	$ 188,244	$ 174,481

</TABLE>

See accompanying notes to consolidated financial statements.

LABOR READY, INC.
CONSOLIDATED BALANCE SHEETS
IN THOUSANDS (EXCEPT PER SHARE AMOUNTS)

LIABILITIES AND SHAREHOLDERS' EQUITY

	(UNAUDITED) JUNE 30, 2000	DECEMBER 31, 1999
CURRENT LIABILITIES:		
Accounts payable	$ 16,235	$ 11,756
Accrued wages and benefits	10,685	8,531
Current portion of workers' compensation claims reserve	13,790	15,732
Current debt and capital lease obligations	3,659	1,178
Total current liabilities	44,369	37,197
LONG-TERM LIABILITIES:		
Capital lease obligations	7,458	6,590
Workers' compensation claims reserve	25,639	19,558
Total long-term liabilities	33,097	26,148
Total liabilities	77,466	63,345
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, $0.131 par value, 20,000 shares authorized; 6,486 shares issued and outstanding	854	854
Common stock, no par value, 100,000 shares authorized; 42,790 and 42,802 shares issued and outstanding	62,804	62,928
Retained earnings	47,120	47,354
Total shareholders' equity	110,778	111,136
Total liabilities and shareholders' equity	$ 188,244	$ 174,481

See accompanying notes to consolidated financial statements.

LABOR READY, INC.
CONSOLIDATED STATEMENTS OF INCOME
IN THOUSANDS (EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

<TABLE>
<CAPTION>

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JUNE 30, 2000	JULY 2, 1999	JUNE 30, 2000	JULY 2, 1999
Revenues from services	$ 242,080	$ 207,369	$ 435,530	$ 364,302
Cost of services	167,720	143,240	302,456	249,147
Gross profit	74,360	64,129	133,074	115,155
Selling, general and administrative expenses	68,928	50,062	129,695	92,724
Depreciation and amortization	1,811	1,084	3,576	1,760
Income (loss) from operations	3,621	12,983	(197)	20,671
Interest expense, net	178	99	170	81
Income (loss) before taxes and cumulative effect of accounting change	3,443	12,884	(367)	20,590
Taxes (benefit) on income (loss)	1,272	5,015	(219)	8,034
Income (loss) before cumulative effect of accounting change	2,171	7,869	(148)	12,556
Cumulative effect of accounting change, net of income tax benefit of $897	--	--	--	(1,453)
Net income (loss)	2,171	$ 7,869	(148)	$ 11,103
Basic income per common share:				
Income before cumulative effect of accounting change	$ 0.05	$ 0.19	$ (0.00)	$ 0.29
Cumulative effect of accounting change, net	--	--	--	(.03)
Net income	$ 0.05	$ 0.19	$ (0.00)	$ 0.26
Diluted income per common share:				
Income before cumulative effect of accounting change	$ 0.05	$ 0.18	$ (0.00)	$ 0.28
Cumulative effect of accounting change, net	--	--	--	(.03)
Net income	$ 0.05	$ 0.18	$ (0.00)	$ 0.25
Weighted average shares outstanding:				
Basic	42,779	42,506	42,799	

				42,277
Diluted	43,093	44,401	42,799	43,875

</TABLE>

See accompanying notes to consolidated financial statements.

LABOR READY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
IN THOUSANDS

(UNAUDITED)

	TWENTY-SIX WEEKS ENDED	
	JUNE 30, 2000	JULY 2, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (148)	$ 11,103
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	3,577	1,760
Provision for doubtful accounts	7,039	4,212
Deferred income taxes	(664)	(2,711)
Cumulative effect of accounting change	--	2,350
Changes in operating assets and liabilities		
Accounts receivable	(10,726)	(27,763)
Workers' compensation deposits and credits	458	(1,880)
Prepaid expenses and other	2,185	(4,543)
Accounts payable	3,084	(3,416)
Accrued wages and benefits	2,154	(194)
Income taxes	(131)	(703)
Workers' compensation claims reserve	4,139	2,640
Net cash provided by (used in) operating activities	10,967	(19,145)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(6,139)	(7,004)
Additions to restricted cash	(815)	(1,044)
Additions to intangibles and other assets	(453)	334
Net cash used in investing activities	(7,407)	(7,714)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds on short term borrowing	3,496	14,312
Proceeds from options and warrants exercised	646	3,605
Proceeds from sale of stock through employee benefit plans	673	

		365
Proceeds from sale of stock through 401(k) plan	186	146
Purchase and retirement of common stock	(2,068)	--
Payments on capital lease obligations	(598)	(391)
Preferred stock dividends paid	(43)	--
Net cash provided by financing activities	2,292	18,037
Effect of exchange rates on cash	(65)	24
Net increase (decrease) in cash and cash equivalents	5,787	(8,798)
CASH AND CASH EQUIVALENTS, beginning of period	16,845	25,940
CASH AND CASH EQUIVALENTS, end of period	$ 22,632	$ 17,142

</TABLE>

See accompanying notes to consolidated financial statements.

ITEM 1 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures usually found in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in Labor Ready, Inc.'s ("the Company") 1999 annual report on Form 10-K. Certain amounts in the consolidated balance sheet at December 31, 1999 have been reclassified to conform to the 2000 presentation. The accompanying consolidated financial statements reflect all adjustments, including normal recurring adjustments, which in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. Operating results for the twenty-six week period ended June 30, 2000 are not necessarily indicative of the results that may be expected for the year ending December 31, 2000.

WORKERS' COMPENSATION

The Company provides workers' compensation insurance to its temporary workers and regular employees. For workers' compensation claims originating in the majority of states (the 45 non-monopolistic states), the Company has purchased a deductible insurance policy. Under terms of the policy, the Company's 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 per occurrence, all losses and expenses beyond the deductible amount are paid by independent insurance companies unrelated to the Company. 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 the Company. In 1997, the per occurrence deductible amount was $250,000 per claim, to an aggregate maximum of $11.60 per $100 of temporary worker payroll, or $18.8 million. For claims arising in 1998, 1999 and 2000, the per occurrence deductible amount was increased to $350,000 and the maximum aggregate stop-loss limit was reduced to $10.41 per $100 of temporary worker payroll, or $45.6 and $31.7 million for the years ended December 31, 1999 and 1998 and $23.3 million for the twenty-six weeks ended June 30, 2000.

For claims arising in years prior to 1997, the Company has insured all losses with independent insurance companies unrelated to the Company. The difference between the discounted maximum aggregate stop-loss limit for claims arising in all periods prior to June 30, 2000, and the total of claims paid and reserved for in the Company's financial statements for the same periods is $12.3 million. This amount represents the discounted maximum additional exposure, net of tax, to the Company before its maximum aggregate stop-loss limits are met.

The Company establishes its 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 June 30, 2000 and December 31, 1999, are workers' compensation claims reserves in the non-monopolistic states of $38.6 million and $34.7 million and in the monopolistic states of $0.9 million and $0.7 million, respectively. The claims reserves were computed using a discount rate of 6.0% at June 30, 2000 and December 31, 1999.

Workers' compensation expense totaling $12.3 million, and $9.7 million was recorded as a component of cost of services in each of the thirteen weeks ended June 30, 2000 and July 2, 1999, respectively. Workers' compensation expense totaling $22.3 million and $15.3 million was recorded as a component of cost of services in each of the twenty-six weeks ended June 30, 2000 and July 2, 1999, respectively.

For the 1997 and 1998 program years, the Company is required to provide collateral in the amount of the maximum aggregate stop-loss limits, less claims paid to date. For 1999 and 2000 program years, the policy includes substantially the same terms and limitations as the 1998 policy described above except that the required collateral was reduced to an amount equal to 60% of claims reserves. The Company has provided approximately 50% of the required collateral in the form of a surety bond, and 50% in letters of credit. Accordingly, at June 30, 2000, $37.1 million of the collateral was satisfied with surety bonds and $29.6 million was satisfied with letters of credit. Subsequent to quarter end, the Company increased the letter of credit by $2.5 million. The Company anticipates that the letters of credit required by the insurance carriers will increase by $2.5 million over the balance of the year, while the surety bonds should remain constant.

WORKERS' COMPENSATION (CONTINUED)

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

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

The Company's risk management department has established working relationships with its insurers, third party claims administrators, and medical service providers. To reduce wage-loss compensation claims, the Company employs claims coordinators throughout the United States. The claims coordinators manage the acceptance, processing and final resolution of claims and administer the Company's return to work program. Workers in the program are employed on customer assignments that require minimal physical exertion or within the Company in the local dispatch office. The Company has an on-line connection with its third party administrators that allows the claims coordinators to maintain visibility of all claims, manage their progress and generate required management information.

CHANGE IN ACCOUNTING PRINCIPLE

In the first quarter of 1999, the Company 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 the Company to expense the cost of establishing new dispatch offices as incurred and write off, as a cumulative effect of adopting SOP 98-5, any unamortized 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.

RELATED PARTY TRANSACTION

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

SUPPLEMENTAL CASH FLOW INFORMATION

(AMOUNTS IN THOUSANDS)

	TWENTY-SIX WEEKS ENDED JUNE 30, 2000	TWENTY-SIX WEEKS ENDED JULY 2, 1999
Cash paid during the period for:		
Interest	$ 455	$ 399
Income taxes	$ 424	$ 8,317
Non-cash investing and financing activities:		
Tax benefits related to stock options	$ 439	$ 3,652
Assets acquired with capital lease obligations	$ 1,868	$ 2,466
Accrued preferred stock dividends	$ 21	$ 21

EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income (loss), 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 (loss), less preferred stock dividends, by the weighted average number of common shares and common share equivalents outstanding during the period. Common share equivalents for the Company include the dilutive effect of outstanding options, except where their inclusion would be anti-dilutive.

Basic and diluted earnings per share were calculated as follows (amounts in thousands, except per share amounts):

	THIRTEEN WEEKS ENDED JUNE 30, 2000	THIRTEEN WEEKS ENDED JULY 2, 1999	TWENTY-SIX WEEKS ENDED JUNE 30, 2000	TWENTY-SIX WEEKS ENDED JULY 2, 1999
Basic:				
Net income (loss)	$ 2,171	$ 7,869	$ (148)	$ 11,103
Less preferred stock dividends	(11)	(11)	(21)	(21)
Income (loss) allocable to common shareholders	2,160	7,858	(169)	11,082
Weighted average shares oustanding	42,779	42,506	42,799	42,277
Net income per share	$ 0.05	$ 0.19	$ (0.00)	$ 0.26
Diluted:				
Income (loss) allocable to common shareholders	$ 2,160	$ 7,858	$ (169)	$ 11,082
Weighted average shares outstanding	42,779	42,506	42,799	42,277
Plus options to purchase common stock outstanding at end of period	3,345	3,650	--	3,650
Less shares assumed repurchased	(3,031)	(1,755)	--	(2,052)
Weighted average shares outstanding,				

including dilutive effect of options.........................	43,093	44,401	42,799	43,875
Net income per share.............	$ 0.05	$ 0.18	$ (0.00)	$ 0.25

</TABLE>

COMMITMENTS

During the twenty-six weeks ended June 30, 2000, the Company entered into an agreement to lease approximately 200 automated Cash Dispensing Machines ("CDMs") for installation in the Company's dispatch offices opened in 2000. The fair market value of the CDMs at inception of the lease was approximately $3.0 million. The lease is payable over 60 months with an imputed interest rate of 6.43% and a residual payment equal to 20% of the CDMs' original cost. The lease is secured by the CDMs. During the twenty-six weeks ended June 30, 2000, the Company installed approximately 161 of the CDMs in its new dispatch offices throughout the United States. Accordingly, the Company recorded assets under capital lease and capital lease obligations totaling $1.9 million with future minimum lease payments over the next 5 years of approximately $0.3 million per year.

In May of 1999, the Company entered into a purchase and sale agreement to purchase a 157,000 square foot office building with an attached parking garage in downtown Tacoma, Washington. The aggregate purchase price of the building, parking garage and estimated tenant improvements is approximately $11.5 million. The Company currently has $0.5 million on deposit with a remaining balance of $11.0 million, which will be disbursed by the end of the year. The Company expects to move its corporate headquarters and administrative offices to this building in 2001.

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

Certain matters discussed in this Form 10-Q, including statements about the Company's revenue growth, the demand for temporary labor and its plans for opening new offices, are forward-looking statements within the meaning of the Private Litigation Reform Act of 1995. As such, these forward-looking statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, but are not limited to (1) the Company's ability to manage and continue its rapid growth, (2) economic conditions in its key market areas, and (3) other risks as set forth in the Company's Form 10-K for the year ended December 31, 1999. Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be attained.

OVERVIEW

Labor Ready is the nation's leading provider of temporary manual labor. The Company's customers are primarily in the freight handling, warehousing, landscaping, construction, light manufacturing, and other light industrial businesses. The Company has grown from eight dispatch offices in 1991 to 839 dispatch offices at June 30, 2000. Substantially all of the growth in dispatch offices was achieved by opening Company-owned locations rather than through acquisitions or franchising. The Company's annual revenues have grown from approximately $6 million in 1991 to $851 million in 1999 and $436 million for the twenty-six weeks ended June 30, 2000. This revenue growth has been generated by opening new dispatch offices in markets throughout the U.S., Canada, United Kingdom and Puerto Rico.

The Company's net increase in dispatch offices during the first twenty-six weeks of 2000 was 152. The average cost of opening each new dispatch office in 2000 was approximately $45,000. Approximately, $13,000 of these costs includes salaries, recruiting, testing, training, lease and other related costs which are expensed and the remaining $32,000 is included in property and equipment and includes computer systems and other equipment related costs, leasehold improvements and a cash dispensing machine and related equipment. The cost of opening a new dispatch office includes management training, the installation of computer and other office systems and a CDM. Further, once open, the Company invests additional cash into the operations of new dispatch offices until they begin to generate sufficient revenue to cover their operating costs, generally within six months. The Company pays its temporary workers on a daily basis, and bills its customers weekly. Consequently, the Company may experience significant negative cash flow from operations and investment activities during periods of high growth and may require additional sources of working capital in order to continue to grow.

Approximately 20% of the Company's customers are construction and landscaping businesses, which are significantly affected by the weather. 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. Further, inclement weather can slow construction and landscaping activities in such periods. As a result, the Company has 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.

Depending upon location, new dispatch offices initially target the construction industry for potential customers. As dispatch offices mature, the customer base broadens and the customer mix diversifies. From time to time, during peak periods, the Company experiences shortages of available temporary workers. The Company has completed the installation of the CDMs in substantially all of its dispatch offices in the United States. The CDMs provide the Company's temporary workers with the option of receiving cash payment instead of a payroll check. The Company believes this additional feature is unique among its direct competitors and should increase the Company's ability to attract available temporary workers.

Revenue from services includes revenues earned on services provided by the Company's temporary workers and fees generated by the CDMs.

Cost of services includes the wages and related payroll taxes of temporary workers, workers' compensation expense, unemployment compensation insurance and transportation. Cost of services as a percentage of revenues has historically been affected by numerous factors, including the use of lower introductory rates to attract new customers at new dispatch offices, the use of higher pay rates to attract more skilled workers, changes in the Company's workers' compensation reserve rates and the changing geographic mix of new and established, more mature markets. Although the Company has implemented policies and procedures to prevent unplanned increases in pay rates, and is no longer required to discount billing rates to attract new customers, significant continuing fluctuations in cost of services may be experienced as the Company pursues further aggressive growth.

Selling, general and administrative expenses include the salaries and wages of the Company's operations and administrative personnel, dispatch office operating expenses, corporate office operating expenses and the costs of the CDM program.

Labor Ready pays employee-related expenses of its temporary workers, including workers' compensation coverage, unemployment compensation insurance, and Social Security and Medicare taxes. The Company does not provide health, dental, disability or life insurance to its temporary workers. The Company bills its customers for the hours worked by its temporary workers assigned to the customer. Because the Company pays its temporary workers only for the hours actually worked, wages for the Company's temporary workers are a variable cost that increases or decreases directly in proportion to revenue. The Company has one franchisee, which operates five dispatch offices. The Company does not intend to grant additional franchises. Royalty revenues from the franchised dispatch offices are not material during any period presented herein.

RESULTS OF OPERATIONS

The following table compares the operating results of the Company for the thirteen weeks ended June 30, 2000 and July 2, 1999 (in thousands):

<TABLE>
<CAPTION>

	THIRTEEN WEEKS ENDED		
	JUNE 30, 2000	PERCENT CHANGE	JULY 2, 1999
<S>	<C>	<C>	<C>
Revenue from services..................................	$ 242,080	16.7%	$207,369
Cost of services.......................................	167,720	17.1	143,240
Selling, general and administrative expenses............	68,928	37.7	50,062
Depreciation and amortization..........................	1,811	67.1	1,084
Interest expense, net..................................	178	79.8	99
Income before taxes and cumulative effect of change in accounting principle................................	3,443	(73.3)	

12,884

Net income	$	2,171	(72.4)

7,869

</TABLE>

THIRTEEN WEEKS ENDED JUNE 30, 2000 COMPARED TO THIRTEEN WEEKS ENDED JULY 2, 1999

DISPATCH OFFICES

The number of offices grew to 839 for the thirteen weeks ended June 30, 2000 from 830 locations at March 31, 2000, a net increase of 9 dispatch offices, or 1.1%. During the thirteen weeks ended July 2, 1999, the number of offices grew to 687 from 652 locations at April 2, 1999, a net increase of 35 dispatch offices, or 5.4%.

REVENUES FROM SERVICES

The increase in revenues is due primarily to the increase in the number of dispatch offices and a slight increase in the average bill rate. Included in revenues from services for the thirteen weeks ended June 30, 2000 and July 2, 1999 are CDM fees of $2.1 million and $1.7 million.

COST OF SERVICES

The increase in cost of services is directly related to the corresponding increase in revenues. Cost of services were 69.3% of revenue for the thirteen weeks ended June 30, 2000 compared to 69.1% of revenue for the same period in 1999, an increase of 0.2% of revenue. The increase as a percentage of revenue is mainly due to an increase in workers' compensation expense. Fluctuations in cost of services may be expected as the Company pursues further aggressive growth.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The increase in selling, general and administrative expenses is largely due to the 16.7% increase in revenues from 1999 to 2000. Selling, general and administrative expenses were 28.5% of revenues for the second quarter of 2000 as compared to 24.1% of revenues in the second quarter of 1999. The increase in selling, general and administrative expenses as a percentage of revenue in the second quarter of 2000 is due mainly to an increase in staffing costs of approximately 1.5% of revenue over the same quarter a year ago and an increase in bad debt expense. The increase in staffing costs is a result of the addition of 152 offices from a year ago, as well as rehiring and training sales representatives to support future growth. Included in selling, general and administrative expense for the thirteen weeks ended June 30, 2000 and July 2, 1999 are CDM related expenses of $1.0 million and $0.8 million.

The Company expects that selling, general and administrative expenses as a percentage of revenues may fluctuate in future periods as the Company from time to time adjusts its staffing at the dispatch offices and upgrades its operating and administrative capabilities to accommodate anticipated revenue and dispatch office growth.

DEPRECIATION AND AMORTIZATION EXPENSE

The increase in quarterly depreciation and amortization expense is primarily the result of the addition of $3.2 million of property and equipment since the first quarter of 2000. These additions primarily include CDMs, computer equipment, software, and other equipment needed for the new offices opened in the first quarter and to expand the Company's data processing capabilities to accommodate this growth. Beginning in 1999, SOP 98-5 requires the Company to expense as incurred, pre-opening costs for new dispatch offices, and recognize as a cumulative effect of a change in accounting principle, a one-time charge for the unamortized balance of pre-opening costs. Prior to the change, the Company had capitalized pre-opening costs and amortized them over two years. Included in depreciation and amortization expense for the thirteen weeks ended June 30, 2000 and July 2, 1999 are depreciation on CDMs of $0.4 million and $0.3 million.

INTEREST EXPENSE, NET

The increase in net interest expense was the result of increases in interest expense on CDM leases, higher letter of credit and line of credit fees than in 1999. Additionally, the Company had cash balances of approximately $17.5 million held in the CDMs at June 30, 2000 compared to $16.9 million at July 2, 1999.

The Company expects to incur interest expense during the balance of 2000 as its cash demands will increase during its busiest time of year, which will result in increased borrowing on the Company's line of credit. Additionally, cash balances held in the CDMs for payment of temporary worker payrolls will continue to reduce cash available for investing.

TAXES ON INCOME

The decrease in taxes for the quarter is commensurate with the decrease in income from operations on a quarter over quarter basis. The Company's effective tax rate was 36.9% in the second quarter of 2000 as compared to

38.9% for the same period in 1999. The decrease in the effective rate was primarily due to reductions in the Company's expected state income tax rates. The principal difference between the statutory federal income tax rate and the Company's effective income tax rate results from state income taxes and certain non-deductible expenses.

The Company had a net deferred tax asset of approximately $15.5 million at June 30, 2000, resulting primarily from workers' compensation claims reserves. The Company has not established a valuation allowance against this net deferred tax asset as management believes that it is more likely than not that the tax benefits will be realized in the future based on the historical levels of pre-tax income and expected future taxable income.

NET INCOME
As a percentage of revenues from services, the net income was 0.9% for the second quarter of 2000, which compares to 3.8% for the second quarter of 1999, a decrease of 2.9%. This decrease in net income as a percentage of revenue was related to the increase in cost of services and selling, general and administrative expenses as a percentage of sales.

TWENTY-SIX WEEKS ENDED JUNE 30, 2000 COMPARED TO TWENTY-SIX WEEKS ENDED JULY 2, 1999

The following table compares the operating results of the Company for the twenty-six weeks ended June 30, 2000 and July 2, 1999 (in thousands):

<TABLE>
<CAPTION>

	TWENTY-SIX WEEKS ENDED		
	JUNE 30, 2000	PERCENT CHANGE	JULY 2, 1999
Revenue from services	$ 435,530	19.6%	$ 364,302
Cost of services	302,456	21.4	249,147
Selling, general and administrative expenses	129,695	39.9	92,724
Depreciation and amortization	3,576	103.2	1,760
Interest expense, net	170	109.9	81
Income before taxes and cumulative effect of change in accounting principle	(367)	(101.8)	20,590
Net income	$ (148)	(101.3)	11,103

</TABLE>

DISPATCH OFFICES
The company opened 193 dispatch offices during the twenty-six weeks ended June 30, 2000 as compared to 201 opened during the same period of the prior year. The total number of offices grew to 839 at June 30, 2000 from 687 locations at July 2, 1999, a net increase of 152 dispatch offices, or 22.1%. The company has met its target for 2000 office openings and does not expect to open any material number of offices during the balance of the year. The Company estimates that its aggregate costs of opening 193 new dispatch offices in the first half of 2000 were approximately $8.7million, an average of approximately $45,000 per dispatch office, compared to aggregate costs of approximately $9.0 million, an average of approximately $45,000 per dispatch office, to open 201 new stores for the same period in 1999.

REVENUES FROM SERVICES
The increase in revenues is due primarily to the increase in the number of dispatch offices and a slight increase in the average bill rate. Included in revenues from services for the twenty-six weeks ended June 30, 2000 and July 2, 1999 are CDM fees of $3.7 million and $2.9 million.

COST OF SERVICES
The increase in cost of services is directly related to the corresponding increase in revenues. Cost of services were 69.5% of revenue for the twenty-six weeks ended June 30, 2000 compared to 68.4% of revenue for the same period in 1999, an increase of 1.1% of revenue. The increase as a percentage of revenue is mainly due to a one time benefit received, in the first quarter of 1999, for several changes made to the workers' compensation program. Fluctuations in cost of services may be expected as the Company pursues further aggressive growth.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
The increase in selling, general and administrative expenses is largely due to the 19.6% increase in revenues from 1999 to 2000. Selling, general and administrative expenses were 29.8% of revenues for the first half of 2000 as compared to 25.5% of revenues in the first half of 1999. The increase in selling, general and administrative expenses as a percentage of revenue in the second quarter of 2000 is due mainly to an increase in staffing costs of

approximately 1.7% of revenue over the same quarter a year ago and an increase in bad debt expense. The increase in staffing costs is a result of the addition of 152 offices from a year ago, as well as rehiring and training sales representatives to support future growth. Included in selling, general and administrative expense for the twenty-six weeks ended June 30, 2000 and July 2, 1999 are CDM related expenses of $1.5 million and $1.3 million.

The Company expects that selling, general and administrative expenses as a percentage of revenues may fluctuate in future periods as the Company from time to time adjusts its staffing at the dispatch offices and upgrades its operating and administrative capabilities to accommodate anticipated revenue and dispatch office growth.

DEPRECIATION AND AMORTIZATION EXPENSE

The increase in the year to date depreciation and amortization expense is primarily the result of the addition of $8.0 million of property and equipment since the beginning of 2000. These additions primarily include CDMs, computer equipment, software, and other equipment needed for the new offices opened in the first quarter and to expand the Company's data processing capabilities to accommodate this growth. Beginning in 1999, SOP 98-5 requires the Company to expense as incurred, pre-opening costs for new dispatch offices, and recognize as a cumulative effect of a change in accounting principle, a one-time charge for the unamortized balance of pre-opening costs. Prior to the change, the Company had capitalized pre-opening costs and amortized them over two years. Included in depreciation and amortization expense for the twenty-six weeks ended June 30, 2000 and July 2, 1999 are depreciation on CDMs of $0.8 million and $0.6 million.

INTEREST EXPENSE, NET

The increase in net interest expense was the result of increases in interest expense on CDM leases, higher letter of credit and line of credit fees than in 1999. Additionally, the Company had cash balances of approximately $17.5 million held in the CDMs at June 30, 2000 compared to $16.9 million at July 2, 1999.

The Company expects to incur interest expense during the balance of 2000 as its cash demands will increase during its busiest time of year, which will result in increased borrowing on the Company's line of credit. Additionally, cash balances held in the CDMs for payment of temporary worker payrolls will continue to reduce cash available for investing.

TAXES (BENEFIT) ON INCOME (LOSS)

The decrease in the tax expense for the current period is commensurate with the decrease in income from operations on a year over year basis. The Company's effective tax rate was 59.7% benefit for the first two quarters of 2000 as compared to 39.0% expense for the first two quarters of 1999. The increase in the effective rate was primarily due to permanent differences for non-deductible expenses. The principal difference between the statutory federal income tax rate and the Company's effective income tax rate result from state income taxes and certain non-deductible expenses.

The Company had a net deferred tax asset of approximately $15.5 million at June 30, 2000, resulting primarily from workers' compensation claims reserves. The Company has not established a valuation allowance against this net deferred tax asset as management believes that it is more likely than not that the tax benefits will be realized in the future based on the historical levels of pre-tax income and expected future taxable income.

NET INCOME (LOSS)

As a percentage of revenues from services, the net loss was 0.0% for the twenty-six week period in 2000, which compares to 3.1% for the same period in 1999, a decrease of 3.1%. This decrease in net income as a percentage of revenue was related to the increase in cost of services and selling, general and administrative expenses as a percentage of sales.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $11.0 million for the period ended June 30, 2000 compared to net cash used of $19.1 million for the period ended July 2, 1999. The increase in cash provided by operations for the twenty-six weeks ended June 30, 2000, is largely due to the increase in the collection of accounts receivable along with an increase in accounts payable and a decrease in prepaid expenses, offset by the net loss for the twenty-six weeks.

The Company used net cash in investing activities of $7.4 million in the first twenty-six weeks of 2000, compared to $7.7 million in the first twenty-six weeks of 1999. The decrease in cash used in investing activities in 2000 as compared to 1999 is due primarily to a decrease in purchases of computers and software. The Company's cash used for capital expenditures in 2000 and 1999 include property and equipment acquired other than through capital lease.

Net cash provided by financing activities was $2.3 million for the period ended June 30, 2000 and $18.0 million for the period ended July 2, 1999. The decrease in cash provided by financing activities in 2000 as compared to 1999 is due mainly to the decrease in net proceeds on short term borrowings and proceeds from options exercised offset by the purchase and retirement of common stock of $2.1 million.

In February 1999, the Company entered into a line of credit agreement with U.S. Bank. The agreement allows the Company to borrow up to the lesser of $60 million or 80% of eligible accounts receivable, as defined by the bank, with interest at the lesser of the bank's prime rate or the London Inter-Bank Offering Rate (LIBOR) plus 1.25%. The line of credit is secured primarily by the Company's accounts receivable and is due in full on June 30, 2001. The line of credit agreement requires that the Company maintain certain minimum net worth and working capital amounts and ratios. The Company was in compliance with the requirements at June 30, 2000.

As discussed further in the notes to the consolidated financial statements, the Company is required by the workers' compensation program to collateralize a portion of its workers' compensation liability with irrevocable letters of credit. At June 30, 2000, the Company had provided its insurance carriers with letters of credit totaling $29.6 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. Accordingly, at June 30, 2000, the Company had an outstanding balance of $2.1 million on the line-of-credit, $29.6 million was committed by the letters of credit and $28.3 million was available for borrowing. Subsequent to quarter end, the letters of credit increased to $2.5 million leaving $25.8 million available for borrowing.

During the first quarter of 2000, the Company entered into a tentative agreement to lease approximately 200 automated CDMs for installation in the Company's dispatch offices opened in 2000. The fair market value of the CDMs at inception of the lease is approximately $3.0 million. The lease is payable over 60 months with an imputed interest rate of 6.43% and a residual payment equal to 20% of the CDMs' original cost. The lease is secured by the CDMs. During the twenty-six weeks ended June 30, 2000, the Company installed approximately 161 CDMs in dispatch offices throughout the United States. Accordingly, the Company recorded assets under capital lease and capital lease obligations totaling $1.9 million with future minimum lease payments over the next 5 years of approximately $0.3 million per year.

Included in cash and cash equivalents at June 30, 2000, is approximately $17.5 million as compared to $16.9 million at July 2, 1999, of cash which is located in the CDMs for payment of temporary worker payrolls.

Historically, the Company has financed its operations through cash generated by external financing including term loans, credit lines and stock offerings. The principal use of cash is to finance the growth in receivables, and fund the cost of opening new dispatch offices. The Company may experience cash flow deficits from operations and investing activities while the Company expands its operations, including opening new dispatch offices. Management expects cash flow deficits to be financed by profitable operations, the use of the Company's line of credit, and may consider other equity or debt financings as necessary. The Company analyzes acquisition opportunities from time to time and may pursue acquisitions in certain circumstances. Any acquisitions the Company enters into may require additional equity or debt financing.

INFORMATION PROCESSING SYSTEMS AND THE YEAR 2000

We are exposed to the risk that the Year 2000 Issue could disrupt our operations. However, as discussed in prior filings, we undertook certain planning and implementation efforts. We did not experience any significant system failures at the turning of the new millennium. We presently believe that the Year 2000 Issue has been mitigated. The amounts incurred and expensed for developing and carrying out the plans to complete the Year 2000 modifications did not have a material effect on our operations.

ITEM 3. 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 June 30, 2000, 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 June 30, 2000 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 its 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.

PART II. OTHER INFORMATION

ITEM 6. .EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS:

THE FOLLOWING EXHIBIT IS BEING FILED AS A PART OF THIS REPORT:

<TABLE>
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EXHIBIT NO.	DESCRIPTION
<S>	<C>
10.1	Executive Employment Agreement between Labor Ready, Inc. and Richard L. King dated May 16, 2000
27.	Financial Data Schedule as of June 30, 2000 and for the twenty-six week period then ended.

</TABLE>

(b) REPORTS ON FORM 8-K

None.

SIGNATURES

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

REGISTRANT: LABOR READY, INC.

By: /s/ Richard L. King — August 14, 2000

Richard L. King — Date
Chief Executive Officer and President

By: /s/ Joseph P. Sambataro, Jr. — August 14, 2000

Joseph P. Sambataro, Jr. — Date
Executive Vice President,
Chief Financial Officer, Treasurer
and Assistant Secretary

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement is made and entered into by and between Labor Ready, Inc., a Washington corporation, including its subsidiaries ("Company") and Richard L. King ("Executive") effective as of May 16, 2000.

RECITALS

WHEREAS, Company believes that Executive's experience, knowledge of corporate affairs, reputation and abilities are of great potential value to Company's future growth and profits; and

WHEREAS, Company wishes to employ Executive and Executive is willing to be employed by Company; and

WHEREAS, the Company's Board of Directors has elected Executive to the offices of Chief Executive Officer and President of the Company;

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the Company and Executive agree as follows:

1. EMPLOYMENT. The Company agrees to and hereby does employ Executive, and Executive agrees to and hereby does become employed by the Company, subject to the supervision and direction of the Board of Directors. Executive's employment shall be for a period commencing on May 16, 2000 and ending on May 15, 2005, unless such period is extended by written agreement of the parties or is sooner terminated pursuant to the provisions of Paragraphs 4, 11 or 12.

2. DUTIES OF EXECUTIVE. Executive agrees to devote the necessary time, attention, skill, and efforts to the performance of his duties as Chief Executive Officer and President of the Company and such other duties as may be assigned by the Board of Directors in its discretion.

3. COMPENSATION.

(a) Executive's initial salary shall be at the rate of Four Hundred Seventy-five Thousand and No/100 Dollars ($475,000) per year, payable biweekly, from May 16, 2000, until changed by the Board of Directors as provided herein.

(b) Company, acting through its Board of Directors, may (but shall not be required to) increase, but may not decrease, Executive's compensation and award to Executive such bonuses as the board may see fit, in its sole and unrestricted discretion, commensurate with Executive's performance and the overall performance of the Company. Executives compensation shall be reviewed annually by the Compensation Committee of the Board of Directors.

4. FAILURE TO PAY EXECUTIVE. The failure of Company to pay Executive his salary as provided in Paragraph 3 may, in Executive's sole discretion, be deemed a breach of this Agreement and, unless such breach is cured within fifteen days after written notice to Company, this Agreement shall terminate. Executive's claims against Company arising out of the nonpayment shall survive termination of this Agreement.

5. OPTIONS TO PURCHASE COMMON STOCK. Executive is granted options to purchase 350,000 shares of the Company's common stock. The terms and conditions of the options are set forth in Exhibits A and B.

6. REIMBURSEMENT FOR EXPENSES. Company shall reimburse Executive for reasonable out-of-pocket expenses that Executive shall incur in connection with his services for Company contemplated by this Agreement, on presentation by Executive of appropriate vouchers and receipts for such expenses to Company. At times it may be in the best interests of the Company for Executive's spouse to accompany him on such business travel. On such occasions Company shall reimburse Executive for reasonable out-of-pocket expenses incurred for his spouse. Such occasions shall be determined by guidelines established by the Board of Directors, or in the absence of such guidelines, by Executive's sound discretion.

7. VACATION. Executive shall be entitled each year during the term of this Agreement to a vacation of twenty (20) business days, no two of which need be consecutive, during which time his compensation shall be paid in full. The length of annual vacation time shall increase by one day for every year of service to the Company after 1999 to a maximum of 25 business days per year.

8. CHANGE IN OWNERSHIP OR CONTROL. In the event of a change in the ownership of Company, effective control of Company, or the ownership of a substantial portion of Company's assets, all unvested stock options shall immediately vest.

9. LIABILITY INSURANCE AND INDEMNIFICATION. The Company shall procure and maintain throughout the term of this Agreement a policy or policies of liability insurance for the protection and benefit of directors and officers of the Company. Such insurance shall have a combined limit of not less than $10,000,000.00 and may have a deductible of not more than $100,000.00. To the fullest extent permitted by law, Company shall indemnify and hold harmless Executive for any and all lost, cost, damage and expense including attorneys' fees and court costs incurred or sustained by Executive, arising out of the proper discharge by Executive of his duties hereunder in good faith.

10. OTHER BENEFITS. Executive shall be entitled to all benefits offered generally to employees of Company. Nothing in this Agreement shall be construed as limiting or restricting any benefit to Executive under any pension, profit-sharing or similar retirement plan, or under any group life or group health or accident or other plan of the Company, for the benefit of its employees generally or a group of them, now or hereafter in existence.

11. TERMINATION BY COMPANY. Company may terminate this Agreement under either of the following circumstances:

(a) This Agreement may be terminated for cause at any time upon thirty (30) days written notice to Executive. Cause shall exist if Executive is guilty of dishonesty, gross neglect of duty hereunder, or other act or omission which impairs Company's ability to conduct its ordinary business in its usual manner. The notice of termination shall specify with particularity the actions or inactions constituting such cause. In the event of termination under this section, Company shall pay Executive all amounts due hereunder which are then accrued but unpaid within thirty (30) days after Executive's last day of employment.

(b) In the event that Executive shall, during the term of his employment hereunder, fail to perform his duties as the result of illness or other incapacity and such illness or other incapacity shall continue for a period of more than six months, the Company shall have the right, by written notice either personally delivered or sent by certified mail, to terminate Executive's employment hereunder as of a date (not less than 30 days after the date of the sending of such notice) to be specified in such notice.

12. TERMINATION BY EXECUTIVE. If Company shall cease conducting its business, take any action looking toward its dissolution or liquidation, make an assignment for the benefit of its creditors, admit in writing its inability to pay its debts as they become due, file a voluntary petition or be the subject of an involuntary petition in bankruptcy, or be the subject of any state or federal insolvency proceeding of any kind, then Executive may, in his sole discretion, by written notice to Company, terminate his employment and Company hereby consents to the release of Executive under such circumstances and agrees that if Company ceases to operate or to exist as a result of such event, the non-competition and other provisions of Paragraph 16 of this Agreement shall terminate. In addition, Executive shall have the right to terminate this Agreement upon giving three (3) months written notice to Company.

13. COMMUNICATIONS TO COMPANY. Executive shall communicate and channel to Company all knowledge, business, and customer contacts and any other matters of information that could concern or be in any way beneficial to the business of Company, whether acquired by Executive before or during the term of this Agreement; provided, however, that nothing under this Agreement shall be construed as requiring such communications where the information is lawfully protected from disclosure as a trade secret of a third party.

14. BINDING EFFECT. This Agreement shall be binding on and shall inure to the benefit of any successor or successors of employer and the personal representatives of Executive.

15. CONFIDENTIAL INFORMATION.

(a) As the result of his duties, Executive will necessarily have access to some or all of the confidential information pertaining to Company's business. It is agreed that "Confidential Information" of Company includes:

(1) The ideas, methods, techniques, formats, specifications, procedures, designs, systems, processes, data and software products which are unique to Company;

(2) All customer, marketing, pricing and financial information pertaining to the business of Company;

(3) All operations, sales and training manuals;

(4) All other information now in existence or later developed which is similar to the foregoing; and

(5) All information which is marked as confidential or explained to be confidential or which, by its nature, is confidential.

(b) Executive understands that he will necessarily have access to some or all of the Confidential Information. Executive recognizes the importance of protecting the confidentiality and secrecy of the Confidential Information and, therefore, agrees to use his best efforts to protect the Confidential Information from unauthorized disclosure to other persons. Executive understands that protecting the Confidential Information from unauthorized disclosure is critically important to the success and competitive advantage of Company and that the unauthorized disclosure of the Confidential Information would greatly damage Company.

(c) Executive agrees not to disclose any Confidential Information to others or use any Confidential Information for his own benefit. Executive further agrees that upon request of the Chairman, President and Chief Executive Officer of Company, he shall immediately return all Confidential Information, including any copies of Confidential Information in his possession.

16. COVENANTS AGAINST COMPETITION. It is understood and agreed that the nature of the methods employed in Company's business is such that Executive will be placed in a close business and personal relationship with the customers of Company. Thus, during the term of this Executive Employment Agreement and for a period of two (2) years immediately following the termination of Executive's employment, for any reason whatsoever, so long as Company continues to carry on the same business, said Executive shall not, for any reason whatsoever, directly or indirectly, for him or on behalf of, or in conjunction with, any other person, persons, company, partnership, corporation or business entity:

(a) Call upon, divert, influence or solicit or attempt to call, divert, influence or solicit any customer or customers of Company;

(b) Divulge the names and addresses or any information concerning any customer of Company;

(c) Solicit, induce or otherwise influence or attempt to solicit, induce or otherwise influence any employee of the Company to leave his or her employment;

(d) Own, manage, operate, control, be employed by, participate in or be connected in any manner with the ownership, management, operation or control of the same, similar, or related line of business as that carried on by Company within a radius of twenty-five (25) miles from any then existing or proposed office of Company; and

The time period covered by the covenants contained herein shall not include any period(s) of violation of any covenant or any period(s) of time required for litigation to enforce any covenant. If the provisions set forth are determined to be too broad to be enforceable at law, then the area and/or length of time shall be reduced to such area and time and that shall be enforceable.

17. ENFORCEMENT OF COVENANTS.

(a) The covenants set forth herein on the part of Executive shall be construed as an agreement independent of any other provision in this Executive Employment Agreement and the existence of any claim or cause of action of Executive against Company, whether predicated on this Executive Employment Agreement or otherwise, shall not constitute a defense to the enforcement by Company of the covenants contained herein.

(b) Executive acknowledges that irreparable damage will result to Company in the event of the breach of any covenant contained herein and Executive agrees that in the event of any such breach, Company shall be entitled, in addition to any and all other legal or equitable remedies and damages, to a temporary and/or permanent injunction to restrain the violation thereof by Executive and all of the persons acting for or with Executive.

18. LAW TO GOVERN CONTRACT. It is agreed that this Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Washington.

19. ARBITRATION. Company and Executive agree with each other that any claim of Executive or Company arising out of or relating to this Agreement or the breach of this Agreement or Executive's employment by Company, including, without limitation, any claim for compensation due, wrongful termination and any claim alleging discrimination or harassment in any form shall be resolved by binding arbitration, except for claims in which injunctive relief is sought and obtained. The arbitration shall be administered by the American Arbitration

Association under its Employment Arbitration Rules at the American Arbitration Association Office nearest the place of employment. The award entered by the arbitrator shall be final and binding in all respects and judgment thereon may be entered in any Court having jurisdiction.

20. ENTIRE AGREEMENT. This Agreement shall constitute the entire agreement between the parties and any prior understanding or representation of any kind preceding the date of this Agreement shall not be binding upon either party except to the extent incorporated in this Agreement.

21. MODIFICATION OF AGREEMENT. Any modification of this Agreement or additional obligation assumed by either party in connection with this Agreement shall be binding only if evidenced in writing signed by each party or an authorized representative of each party.

22. NO WAIVER. The failure of either party to this Agreement to insist upon the performance of any of the terms and conditions of this Agreement, or the waiver of any breach of any of the terms and conditions of this Agreement, shall not be construed as thereafter waiving any such terms and conditions, but the same shall continue and remain in full force and effect as if no such forbearance or waiver had occurred.

23. ATTORNEYS' FEES. In the event that any action is filed in relation to this Agreement, the unsuccessful party in the action shall pay to the successful party, in addition to all other required sums, a reasonable sum for the successful party's attorneys' fees.

24. NOTICES. Any notice provided for or concerning this Agreement shall be in writing and shall be deemed sufficiently given when personally delivered or when sent by certified or registered, return receipt requested mail if sent to the respective address of each party as set forth below, or such other address as each party shall designate by notice.

25. SURVIVAL OF CERTAIN TERMS. The terms and conditions set forth in Paragraphs 15 through 19 of this Agreement shall survive termination of the remainder of this Agreement.

IN WITNESS WHEREOF, each party to this Agreement has caused it to be executed on the date indicated below.

	EXECUTIVE:		COMPANY:
	Richard L. King		Labor Ready, Inc., a Washington corporation
BY:	/S/ Richard L. King --------------------------- Richard L. King	By:	/S/ Glenn A. Welstad ------------------------- Glenn A. Welstad, Chairman
Date:	MAY 16, 2000 ---------------------------	Date:	MAY 16, 2000 -------------------------

EXHIBIT A

STOCK OPTION GRANT

GRANT DATE: May 16, 2000

GRANT PRICE: $10.00 (Closing price on the Grant Date)

TOTAL NUMBER OF SHARES: 250,000

VESTING SCHEDULE: Options for the specified number of shares shall vest on the following dates:

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DATE	NUMBER OF SHARES
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May 16, 2001	62,500

May 16, 2002	62,500
May 16, 2003	62,500
May 16, 2004	62,500

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TERMS AND CONDITIONS OF THE STOCK OPTION GRANT:

1. Except as otherwise provided herein, all unexercised options shall expire five (5) years from the Grant Date or upon the termination date, whichever is earlier, if the Executive Employment Agreement is terminated for cause. If the Executive Employment Agreement is terminated by Executive without cause, then all options shall terminate ninety days after termination of employment. If the Executive Employment Agreement is terminated for any other reason, then all options shall immediately vest and the exercise date shall be extended to a date which is five years after the date of termination.

2. The options are categorized as non-qualified stock options. A non-qualified stock option requires payment of income taxes on the difference between the option price and the market value on the date of exercise. Executive shall be responsible for any income tax consequences and expense associated with the grant or exercise of the options, and is responsible for consulting his individual tax advisor.

3. Payment for shares purchased through the exercise of options may be made either in cash or its equivalent or by tendering previously acquired shares at market value, or both.

EXHIBIT B

STOCK OPTION GRANT

GRANT DATE: May 16, 2000

GRANT PRICE: $10.00 (Closing price on the Grant Date)

TOTAL NUMBER OF SHARES: 100,000

VESTING SCHEDULE: Options for the specified number of shares shall vest on the following dates:

<TABLE>
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DATE	NUMBER OF SHARES
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November 16, 2004	100,000

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TERMS AND CONDITIONS OF THE STOCK OPTION GRANT:

1. Except as otherwise provided herein, all unexercised options shall expire five (5) years from the Grant Date or upon the termination date, whichever is earlier, if the Executive Employment Agreement is terminated for cause. If the Executive Employment Agreement is terminated by Executive without cause, then all options shall terminate ninety days after termination of employment. If the Executive Employment Agreement is terminated for any other reason, then all options shall immediately vest and the exercise date shall be extended to a date which is five years after the date of termination.

2. The options are categorized as non-qualified stock options. A non-qualified stock option requires payment of income taxes on the difference between the option price and the market value on the date of exercise. Executive shall be responsible for any income tax consequences and expense associated with the grant or exercise of the options, and is responsible for consulting his individual tax advisor.

3. Payment for shares purchased through the exercise of options may be made either in cash or its equivalent or by tendering previously acquired shares at market value, or both.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE JUNE 30, 2000 CONSOLIDATED FINANCIAL STATEMENTS INCLUDED IN THE COMPANY'S FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q.

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