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 quarter ended June 30, 1996

Commission File number 0-23828

Labor Ready, Inc.

(Exact Name of Registrant as specified in its charter)

Washington	91-1287341
(State of Incorporation)	(Federal I.R.S. No.)
2156 Pacific Avenue, Tacoma, Washington	98402
(Address of principal executive offices)	(Zip Code)

Registrant's Telephone Number 206-383-9101

Securities registered pursuant to Section 12(b) or 12(g) of the Act:
Common Stock, No Par Value

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 ( )

The aggregate market value of the voting stock held by non-affiliates of the registrant, on August 9, 1996 was $192,424,829.

As of August 9, 1996, the Registrant had 11,349,308 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LABOR READY INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

INDEX

LABOR READY, INC. Consolidated Balance Sheets at June 30, 1996 (Unaudited) and December 31, 1995 (Audited)

ASSETS

<TABLE>
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<S>	June 30, 1996 <C>	December 31, 1995 <C>
CURRENT ASSETS:		
Cash and equivalents	$30,407,485	$ 5,359,113
Workers' compensation deposits and credits	3,744,183	1,886,644
Accounts receivable, net of allowance for doubtful accounts of $1,180,473 and $868,607, respectively	16,660,549	12,182,806
Prepaid expenses and other	908,391	602,052
Deferred income tax	1,029,000	698,930
Total Current Assets	52,749,608	20,729,545
PROPERTY AND EQUIPMENT:		
Cost	5,285,370	3,542,071
Accumulated depreciation	989,020	690,648
Total Property and Equipment	4,296,350	2,851,423
OTHER ASSETS:		
Intangible assets, less amortization of $119,237 and $114,588	925,745	962,632
Workers' compensation deposits and credits, less current portion	3,305,509	1,427,905
Deferred income tax	100,000	16,477
Other	167,681	193,653
Total Other Assets	4,498,935	2,600,667
TOTAL ASSETS	$61,544,893	$26,181,635

</TABLE>

See accompanying notes to consolidated financial statements

LABOR READY, INC. Consolidated Balance Sheets at June 30, 1996 (Unaudited) and December 31, 1995 (Audited)

LIABILITIES AND SHAREHOLDERS' EQUITY

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<S>	June 30, 1996 <C>	December 31, 1995 <C>
CURRENT LIABILITIES:		
Checks issued against future deposits	$ 1,130,934	$ 514,842
Accounts payable	1,647,314	1,118,081
Accrued wages and related expenses	2,338,870	1,588,147
Workers' compensation claims	3,421,348	1,943,338
Income taxes payable	82,172	1,161,000
Note payable	0	1,591,206

Current maturities of long-term debt	41,605	39,117
Total Current Liabilities	8,662,243	7,955,731
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	932,073	953,937
Subordinated debt, less unamortized discount of $1,167,229 and $1,259,377	8,832,771	8,740,623
Total Long-Term Liabilities	9,764,844	9,694,560
Total Liabilities	18,427,087	17,650,291
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred stock, $0.444 par value, 5,000,000 shares authorized; issued and outstanding 1,921,685	854,082	854,082
Common stock, no par value, 25,000,000 shares authorized, issued and outstanding 11,342,450 and 8,818,700 shares	41,623,233	7,116,422
Cumulative foreign currency translation adjustment	(28,524)	(28,707)
Retained earnings	669,015	589,547
Total Shareholders' Equity	43,117,806	8,531,344
Total Liabilities and Shareholders' Equity	$61,544,893	$26,181,635

</TABLE>

See accompanying notes to consolidated financial statements

LABOR READY, INC. Consolidated Statements of Operations
For the Six Months and the Three Months
Ended June 30, 1996 and 1995 (Unaudited)

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	Six Months Ended		Three Months Ended	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Revenues from services	$62,124,854	$32,367,336	$36,030,930	$19,749,584
Cost of services	51,417,371	26,376,625	29,209,913	15,882,286
Selling, general & administrative	9,784,610	5,643,007	5,284,291	3,147,956
Interest and other, net	762,053	291,171	326,582	126,785
Income before taxes on income	160,820	56,533	1,210,144	592,557
Taxes on income	60,000	19,221	424,000	201,469
Net income	$ 100,820	$ 37,312	$ 786,144	$ 391,088
Earnings per common share:				
Net income per share	$ .01	$ .00	$ .08	$ .04
Weighted average common shares outstanding	9,731,778	8,991,434	10,078,452	8,995,685

</TABLE>

See accompanying notes to consolidated financial statements

LABOR READY, INC. Consolidated Statements of Cash Flows
for the Six Months Ended June 30, 1996 and 1995
and the Three Months Ended June 30, 1996 and 1995
(Unaudited)

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Six Months Ended Three Months Ended

	1996	1995	1996	1995
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CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income:	$ 100,820	$ 37,312	$ 786,144	$ 391,088
Adjustments to reconcile net income to net cash used in operating activities:				
Depreciation & amortization	395,766	166,038	223,068	85,614
Provision for doubtful accounts, net	435,245	221,615	125,248	(36,926)
Deferred income taxes	(413,593)	19,221	(488,000)	119,221
Changes in Assets & Liabilities:				
Accounts receivable	(4,912,988)	(4,207,855)	(5,149,754)	(3,337,947)
Workers' compensation deposits and credits	(3,735,143)	(853,043)	(2,752,048)	(541,669)
Prepaid expenses and other	(280,367)	(167,253)	(6,596)	114,081
Accounts payable	529,233	1,291,676	333,939	567,075
Accrued wages and benefits	750,723	811,366	880,765	535,575
Accrued interest	0	(27,216)	0	(39,949)
Accrued taxes, other than income	0	221,254	0	(14,863)
Accrued workers' compensation claims	1,478,010	62,317	1,369,579	(168,865)
Income taxes payable	(1,078,828)	(442,237)	82,172	(109,989)
Net cash used in operating activities	(6,731,122)	(2,866,805)	(4,595,483)	(2,437,554)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(1,743,299)	(952,258)	(891,129)	(555,514)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payment on note payable, net	(1,591,206)	0	(1,428,158)	0
Borrowings on note payable, net	0	1,892,815	0	2,032,840
Checks issued against future deposits	616,092	0	244,101	0
Proceeds from issuance of common stock	33,713,478	104,667	33,713,478	104,667
Proceeds from warrants exercised	420,120	1,213,345	420,120	659,049
Proceeds from options exercised	373,213	0	0	0
Borrowings on long-term debt	0	300,000	0	300,000
Payments on long-term debt	(19,376)	(132,245)	(9,867)	(71,713)
Dividends	(21,352)	(42,705)	(10,676)	0
Debt Issue Costs	31,641	0	0	0
Net cash provided by financing activities	33,522,610	3,335,887	32,928,998	3,024,843
Effect of exchange rates	183	(14,250)	5,320	(2,581)

See accompanying notes to consolidated financial statements

Net increase (decrease) in cash & equivalents:	$25,048,372	$ (497,426)	$27,447,706	$ 29,194
Cash and cash equivalents, beginning of period	5,359,113	603,977	2,959,779	77,357
Cash and cash equivalents, end of period	$30,407,485	$ 106,551	$30,407,485	$ 106,551

</TABLE>

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	Six Months Ended		Three Months Ended	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				

Income Taxes Paid	$1,552,420	$ 440,959	$ 569,105	$ 289,306
Interest Paid	$ 965,097	$ 442,237	$ 458,661	$ 192,237
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Issuance of common stock for conversion of convertible debentures	$ 0	$ 75,000	$ 0	$ 0
Issuance of common stock for payment accounts payable	$ 0	$ 7,679	$ 0	$ 0
Property in exchange of debt	$ 0	$ 817,900	$ 0	$ 0

</TABLE>

See accompanying notes to consolidated financial statements

ITEM 1. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES. The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These financial statements should be read in conjunction with the financial statements and related notes included in the Company's 1995 Form 10-K. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996.

2. PROPERTIES. In May 1996, the Company agreed, subject to the approval of the Board of Directors and certain of the Company's lenders, to purchase a 44,000 square foot building with an adjacent 10,000 square foot print shop, located in Tacoma, Washington to accommodate the Company's continuing expansion. In June 1996, the necessary approvals were obtained, and on July 19, 1996, management successfully completed the acquisition of the land, building and equipment for $1,350,000. No new or additional financing was necessary for this capital purchase due to the recent completion of the Company's stock offering (see note 3).

3. COMMON STOCK. In June 1996, the Company sold, through an underwritten public offering, 1,950,000 (1,300,000 pre-split) common shares, at $15.23 ($22.85 pre-split) per share. An additional 292,500 (195,000 pre-split) common shares were sold pursuant to an underwriters over-allotment option.

   The net proceeds from the offering are being used to fund opening of new dispatch offices, purchase of an office building in Tacoma, Wa., payment of short-term debt, prepayment of senior subordinated debt and for working capital and other general corporate purposes.

   Surplus funds are currently invested in short-term, interest bearing instruments, including government obligations and money market instruments.

   In July 1996, the Company's Board of Directors approved a three-for-two common stock dividend. This common stock dividend was effected in the form of three shares of common stock issued for every two shares of common stock outstanding, effective for shareholders of record on July 31, 1996. All applicable share and per share data have been adjusted for the common stock dividend.

4. PREFERRED STOCK. In July 1996, the Company's Board of Directors approved a three-for-two preferred stock dividend. This preferred stock dividend was effected in the form of three shares of preferred stock issued for every two shares of preferred stock outstanding, effective for shareholders of record on July 31, 1996. All applicable share and per share data have been adjusted for the preferred stock dividend.

5. WORKERS' COMPENSATION. In 1996, the Company deposited an additional $5.4 million with a foreign off-shore company for the payment of workers' compensation claims and related expenses on claims originating

in the Non-monopolistic states. At June 30, 1996, $6.0 million remained on deposit for the payment of future non-monopolistic claims and related expenses and is recorded as workers' compensation deposits and credits. Estimated incurred losses and related settlement and administration expenses to be paid from those deposits of $2.6 million are recorded as current workers' compensation claims payable at June 30, 1996. Additional workers' compensation liabilities for amounts owed to the monopolistic states at June 30, 1996, totaled $536,000. Workers' compensation expense of $3.4 million was recorded as a component of the cost of services for the six months ended June 30, 1996.

6. SUBSEQUENT EVENT. On August 6, 1996, the Company notified the holders of the Company's $10,000,000 13% Senior Subordinated Notes of its intent to prepay in full the outstanding debt obligation as of September 5, 1996. This 30 day notice was given as per the terms of the original subordinated note agreement. The approximate pre-tax effect of this early extinguishment of debt is $1,929,000. This charge to income will be reflected in the Company's consolidated statement of income as an extraordinary item, net of the tax benefit.

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

OVERVIEW

Labor Ready is a leading, national provider of temporary workers for manual labor jobs. The Company's customers are primarily in construction, freight handling, warehousing, landscaping, light manufacturing, and other light industrial businesses. The Company has rapidly grown from eight dispatch offices in 1991 to 169 dispatch offices at June 30, 1996. Substantially all of the growth in dispatch offices was achieved by opening Company-owned locations rather than through acquisitions.

In 1995, the Company opened 57 new dispatch offices at an average cost of approximately $35,000 per dispatch office. The Company expects the average cost of opening new dispatch offices to continue to increase due to more extensive management training and the installation of more sophisticated computer and other office systems. Further, once open, the Company invests 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 in two to six months. The Company pays its temporary workers on a daily basis, and bills its customers on a weekly basis. Consequently, the Company experiences negative cash flow from operations and investment activities during periods of high growth, which also adversely impacts the Company's overall profitability. The Company expects to continue to experience periods of negative cash flow from operations and investment activities while it rapidly opens dispatch offices and expects to require additional sources of working capital in order to continue to grow.

Many 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. 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 mix of work diversifies. The Company may discount its rates when it enters a new market to attract customers. From time to time during peak periods, the Company experiences shortages of available temporary workers.

Cost of services primarily includes wages and related payroll expenses of temporary workers and dispatch office employees, general managers, district managers and area directors, including workers' compensation insurance, medicare and social security taxes, but does not include dispatch offices lease expenses. The Company's cost of services as a percentage of revenues has fluctuated significantly in recent periods and it expects significant fluctuations to continue in future periods as the Company continues its rapid growth. Cost of services as a percentage of revenues is affected by numerous factors, including salaries of new supervisory personnel hired under new management organizational

structures, the hiring of large numbers of general managers prior to dispatch office openings, the use of lower introductory rates to attract new customers at new dispatch offices, and the relatively lower revenues generated by new dispatch offices prior to reaching maturity.

Temporary workers assigned to customers remain Labor Ready employees. Labor Ready is responsible for employee-related expenses of its temporary workers, including workers' compensation, unemployment compensation insurance, medicare and social security taxes and general payroll expenses. The Company does not provide health, dental, disability or life insurance to its temporary workers. Generally, the Company bills its customers for the hours worked by the 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 included in revenues from services and were not material during any period presented herein.

SIX MONTHS ENDED JUNE 30, 1996 COMPARED TO SIX MONTHS ENDED JUNE 30, 1995

DISPATCH OFFICES. The Company grew from 106 locations at December 31, 1995 to 169 locations at June 30, 1996, an increase of 63 locations for the six month period. The Company opened 42 dispatch offices during the second quarter of 1996 compared to 27 dispatch offices during the second quarter of 1995.

REVENUES FROM SERVICES. The Company's revenues from services increased to $62.1 million for the six months ended June 30, 1996 compared to $32.3 million for the six months ended June 30, 1995, an increase of $29.8 million or 91.87%. This increase resulted primarily from increases in revenues from dispatch offices open for the full period.

COST OF SERVICES. Cost of services increased to $51.4 million for the six months ended June 30, 1996 compared to $26.4 million for the six months ended June 30, 1995, an increase of $25 million or 94.7%, reflecting the additional wages and salaries paid to temporary workers, additional management personnel, and related payroll and operating expenses. As a percentage of revenues, cost of services increased to 82.8% for the six months ended June 30, 1996 from 81.5% for the six months ended June 30, 1995, an increase of 1.3%. Cost of services increased due to several factors, including higher workers' compensation costs, increased salary costs for branch managers in training, longer training periods for new management personnel and for additional supervisory personnel hired under new management organizational structures. The Company expects significant continuing fluctuations in cost of services as the Company pursues further aggressive growth.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general, and administrative expenses increased to $9.8 million for the six months ended June 30, 1996 compared to $5.6 million for the year earlier period, an increase of $4.2 million or 75%. As a percentage of revenues from services, selling, general, and administrative expenses decreased to 15.8% for the six months

ended June 30, 1996 from 17.3% for the six months ended June 30, 1995, a decrease of 1.5%. This decrease is primarily the result of selling, general and administrative expenses increasing at a slower rate than the increase in revenues from services.

INTEREST AND OTHER EXPENSES. Interest and other expenses increased to approximately $762,000 for the six months ended June 30, 1996 compared to approximately $291,000 for the six month period ended June 30, 1995, an increase of approximately $471,000 or 162%, reflecting primarily higher borrowing amounts, the relatively higher interest costs of the $10 million principal amount of subordinated debt issued in October 1995 and certain prepayment penalties incurred in paying off the Company's prior lender. Interest expense is expected to decline substantially in future periods after the Company pays off outstanding debt in the third quarter. As a percentage of revenues, interest and other expenses increased to 1.2% for the six months ended June 30, 1996 from 1% for the six months ended June 30, 1995.

TAXES ON INCOME. The Company recorded taxes on income of approximately

$60,000 for the six months ended June 30, 1996 compared to taxes on income of approximately $19,000 for the six months ended June 30, 1995.

NET INCOME. The Company recorded income from operations of approximately $101,000 for the six months ended June 30, 1996 compared to approximately $37,000 for the six months ended June 30, 1995, an increase of approximately $64,000 or 170%.

LIQUIDITY AND CAPITAL RESOURCES. In June 1996 the Company completed a common stock offering of 2,242,500 (1,495,000 pre-split) shares resulting in net proceeds to the Company of approximately $33.6 million. The proceeds are to be used for the payment of short-term debt, fund the Company's expansion plans through 1998, the purchase of an office building in Tacoma, prepayment of the Company's $10 million 13% Senior Subordinated Notes, and for other working capital needs.

In the second quarter of 1996, the Company utilized significant amounts of cash to open 42 dispatch offices. During the second quarter of 1996 and 1995, the Company used net cash in operating and investing activities of approximately $4.6 million and $2.4 million, respectively, an increase of 92%, reflecting primarily increases in workers' compensation deposits and a reduction in accounts payable. Management anticipates that cash flow deficits from operating and investing activities will continue while the Company adds substantial numbers of new dispatch offices. Management expects to finance such cash flow deficits with the proceeds from its recent common stock offering.

In October 1995, the Company completed a private financing of $10.0 million principal amount of 13.0% Senior Subordinated Notes (the "Notes"). Under the terms of the Notes, which require principal payments to begin in 1998 and which mature in 2002, the Company pledged its remaining assets as collateral and issued warrants (the "Financing Warrants") to the purchasers of the Notes. The Financing Warrants entitle the holders thereof to purchase 1,023,552 (682,368 pre-split) shares of common stock of the Company at an exercise price of $7.78 ($11.67 pre-split) per share, and are exercisable at any time prior to the date the Notes are paid in full. The Company intends to prepay the Notes on September 5, 1996. As a result, the approximate pre-tax effect of this early extinguishment of debt is $1,929,000 for expenses capitalized in connection with issuance of the Notes. This charge to income will be reflected in the Company's Consolidated Statement of Income as an extraordinary item, net of the tax benefit.

In March 1996, the Company obtained a new revolving credit facility from U.S. Bank of Washington which provides for borrowing of up to $10.0 million secured by eligible accounts receivable. The U.S. Bank revolving credit facility bears interest at a rate of prime plus 1/4%. In June 1996, the Company paid the outstanding balance of $5,058,000 with proceeds from its common stock offering.

In 1995, the Company opened 57 new dispatch offices at an average cost of approximately $35,000. Once opened, the Company invests significant amounts of additional cash into the operations of new dispatch offices until they begin to generate sufficient revenues to cover their operating costs, generally two to six months. Since December 31, 1995, the Company opened 63 new dispatch offices at an estimated cost of $3.5 million, of which $2.3 million was incurred in connection with opening 42 new locations in the second quarter. Further, the Company pays its temporary personnel on a daily basis, and bills its customers on a weekly basis. Since the Company plans to open a total of 94 dispatch offices in 1996, and 100 dispatch offices in 1997, the Company expects to experience cash flow deficits from operations and investing activities in 1996 and 1997. The Company intends to finance opening and operating costs of new dispatch offices with the proceeds from its recent common stock offering and debt financings. With such funds, and depending on its results of operations and other factors, the Company expects to have the financial resources necessary to reach its goal of operating 300 dispatch offices by the end of 1997. To the extent that the Company's resources are not sufficient to finance new dispatch offices, or are not sufficient to open all currently targeted dispatch offices, the Company would either seek additional capital through debt financings or scale back its expansion plans.

PART II - OTHER INFORMATION

Not applicable.

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SIGNATURES

The unaudited interim financial statements furnished by management reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of financial position and results of operation.

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.

REGISTRANT: LABOR READY, INC.

By: /s/ Glenn A. Welstad — 8/09/96

Glenn A. Welstad — Date
Principal Executive Officer

By: /s/ Ralph E. Peterson — 8/09/96

Ralph E. Peterson — Date
Principal Financial Officer

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