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 1943

(Mark One)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the year ended December 31, 1996.
OR
/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from ______________ to ______________

Commission File Number 0-23828
LABOR READY, INC.
(Exact name of registration as specified in its Charter)

Washington	91-1287341
(State of Incorporation of Organization)	(I.R.S. Employer Identification Number)

1016 S. 28th Street, Tacoma, Washington	98409
(Address of Principal Executive Offices)	(Zip Code)

(206) 383-9101
(Registrant's Telephone Number)

Securities Registered Under Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities Registered Under Section 12(g) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, No Par Value	The NASDAQ Stock Market

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 X NO .

The aggregate market value (based on the NASDAQ quoted closing price) of the common stock held by non-affiliates (10,254,869 shares) of the Registrant at March 11, 1997 was approximately $92,293,821. As of March 11, 1997, there were 12,360,301 shares of the Registrant's common stock outstanding.

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

ITEM 1. BUSINESS.

INTRODUCTION

Labor Ready, Inc. (the "Company"), incorporated in Washington in 1985, is a leading, national provider of temporary workers for manual labor jobs. The Company's customers are primarily businesses in the construction, freight handling, warehousing, landscaping, light manufacturing, and other light industrial markets. These businesses require workers for lifting, hauling, cleaning, assembling, digging, painting and other types of manual work. The Company has rapidly grown from eight dispatch offices in 1991 to 200 dispatch offices at December 31, 1996. Substantially all of the growth in dispatch offices was achieved by opening Company-owned locations rather than through acquisitions. The Company's revenues grew from $6.0 million to $163.5 million from 1991 through 1996. This revenue growth has been generated both by opening new dispatch offices and by continuing to increase sales at existing dispatch offices. In 1996, the average cost to open a new dispatch office was approximately $60,000 and dispatch offices opened in 1996 typically generated revenues sufficient to cover their operating costs in two to six months. In 1996, the average revenue per dispatch office open for more than one full year was $1.3 million.

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. According to the National Association of Temporary Staffing Services ("NATSS"), the United States market for the industrial segment of the temporary staffing marketplace (which includes the light industrial market that the Company serves) grew at a compound annual growth rate of approximately 21% from approximately $5.0 billion in 1991 to approximately $15 billion in 1996. The Company believes the temporary staffing industry is highly fragmented and presents opportunities for larger, well capitalized companies to effectively compete through management of workers' compensation costs and development of information systems which efficiently process a high volume of transactions and coordinate multi-location activities.

Historically, the demand for temporary workers has been driven primarily by a need to satisfy peak production needs and to temporarily replace full-time employees 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 possible adverse effects of changing employment regulations, to temporary staffing companies, which can allocate the costs and risks over a larger pool of employees and customers. In addition, the use of temporary employees avoids the inconvenience, expense and other effects of hiring and firing regular employees.

COMPANY STRATEGY

The Company's goal is to maintain and enhance its status as a leading, national provider of temporary workers for manual labor jobs. Key elements of the Company's strategy to achieve this objective are as follows:

- AGGRESSIVELY OPEN NEW DISPATCH OFFICES. The Company's strategy is to increase revenues by rapidly expanding its network of dispatch offices. The Company plans to open approximately 100 additional dispatch offices prior to the end of 1997, and an additional 100 dispatch offices in 1998.

- INCREASE REVENUES FROM EXISTING DISPATCH OFFICES. As a dispatch office matures, the Company attempts to increase its revenues by expanding sales to existing customers and by aggressively expanding the number and mix of customers served. More experienced area directors and district managers assist the general manager in this process. The Company is also developing and implementing at the corporate level coordinated sales and marketing strategies designed to complement these efforts, including the development of national accounts, electronic order entry from the customer's location, centralized dispatch via an 800 number, dissemination of information on local construction activity, and implementation of a centralized customer service hotline.

- IMPROVE OPERATING EFFICIENCIES AND REDUCE OPERATING COSTS. Due to the temporary labor market's extensive fragmentation, the Company believes its national presence provides it with key operating efficiencies, competitive advantages (including an ability to target national accounts and to effectively administer workers' compensation programs) and access to capital markets to provide needed working capital. The Company has standardized the operation, general design, staffing and equipment of the dispatch offices. In addition, the Company has designed and implemented a proprietary management information system that efficiently manages an extensive Company-wide employee and payroll database as well as delivering valuable management reports.

- PROVIDE SUPERIOR SERVICE. The Company emphasizes customer responsiveness and maintains a commitment to providing a superior quality of service through policies such as opening offices no later than 5:30 a.m., providing workers on short notice (often the same day as requested) and offering a "satisfaction guaranteed" policy. The Company is committed to supplying motivated workers to its customers. Most workers find the Company's "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 a paycheck at the end of the day.

The Company intends to continue to focus on the manual labor, short notice, light industrial niche of the temporary labor market. The Company believes other national and international temporary labor businesses have not aggressively pursued this market. Management believes that it can gain significant advantages by capturing market share, achieving economies of scale and operating efficiencies not available to its smaller competitors, and rapidly expanding through opening new dispatch offices and increasing revenue at existing dispatch offices.

DISPATCH OFFICE EXPANSION

The Company has rapidly grown from eight dispatch offices in 1991 to 200 dispatch offices at December 31, 1996. The Company's expansion has been achieved primarily by opening Company-owned dispatch offices. Of the 200 dispatch offices open at December 31, 1996, 194 dispatch offices have been owned and operated by the Company from inception. The following table sets forth the number and location of dispatch offices by geographic region open at the end of each of the last five years. The information below does not include four Labor Ready franchised dispatch offices located in the Minneapolis, Minnesota metropolitan area and one franchised dispatch office located in Fargo, North Dakota.

LABOR READY DISPATCH OFFICES
BY GEOGRAPHIC REGION

	AT DECEMBER 31,				
	1992	1993	1994	1995	1996
West	9	12	23	38	51
Southwest/Mountain ...	0	2	8	15	21
Upper Midwest	0	0	8	16	44
Midwest	1	3	7	20	37
South	0	0	1	12	32
Eastern	0	0	0	1	11
Canada	0	0	4	4	4
Total..........	10	17	51	106	200

The Company currently anticipates opening 100 dispatch offices during 1997, and expects to open approximately 100 dispatch offices in 1998. Dispatch office openings will be primarily in California, midwestern states, southern states and eastern states. The Company analyzes acquisition opportunities from time to time, may pursue acquisitions in certain circumstances and may also accelerate expansion based on future developments.

In 1994, the Company licensed one franchisee in Minnesota, who now operates five locations, four in Minneapolis and one in Fargo, North Dakota. The Company has not pursued, and does not intend to grant, any additional franchises. Revenues generated from franchised dispatch offices have not been material during the periods presented herein.

ECONOMICS OF DISPATCH OFFICES. The Company has standardized the process of opening dispatch offices. In 1996, the average aggregate cost of opening a new dispatch office was approximately $60,000, including salaries, recruiting, testing, training, lease expenses, computer systems, advertising and other related expenses. These costs are expected to increase as the Company purchases more sophisticated computer and other office systems, expands training time and programs, leases larger dispatch offices and expands into the northeastern United States. New dispatch offices are expected to generate revenue sufficient to cover their operating costs within two to six months. On average, the volume necessary for profitable operations is approximately $15,000 per week. In 1996, dispatch offices open for at least one full year generated average annual revenue of approximately $1.3 million, or approximately $25,000 per dispatch office per week.

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 and the relative distance to the nearest Labor Ready dispatch office. In addition, the Company locates dispatch offices in areas convenient for its temporary workers, that are on or near public transportation, and have parking available. The Company will generally avoid downtown locations since such areas are usually inconvenient for workers and dispatch office rental space is often more expensive. After the Company establishes a dispatch office in a metropolitan area, the Company usually clusters additional locations within the same area. Multiple locations in a market reduce both opening costs and operating risk for new dispatch offices because advertising costs are spread among more dispatch offices and because the new dispatch office benefits from existing customer relationships with the other dispatch offices and established Labor Ready name recognition.

DISPATCH OFFICE MANAGEMENT. The Company believes that the key factor determining the success of a new dispatch office is identifying and retaining an effective dispatch office general manager. Each general manager has primary responsibility for managing the operations of the dispatch office, including recruiting temporary workers, daily dispatch of temporary workers, and collecting accounts receivable. The Company pays monthly bonuses to its general managers based on accounts receivable collections during the month.

Each general 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. The Company's 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. The Company has refined its criteria for selecting general managers and uses a profiling system to screen, test, and qualify prospective general managers. Prior to joining the Company, the typical general manager has little or no prior experience in the temporary employment industry. The Company commits substantial resources to the training, development, and operational support of its general managers. In 1996, due to turnover, attrition, or termination, the Company replaced approximately 28% of its general managers.

OPERATIONS

DISPATCH OFFICES. Dispatch offices are locations where workers (and prospective workers) report prior to being assigned to jobs, including those being called back to the same employer. Workers are required to report to the dispatch office in order to minimize "no-shows" to the customer's job site. If a worker fails to report to the dispatch office as scheduled, the Company identifies a replacement so that the customer has the number of workers expected at the jobsite, on time, and ready to work.

During the early morning hours, the general manager and an assistant coordinate incoming customer work orders, assign the available workers to the job openings for the day, and arrange transportation to the job site. Prior to dispatch, a branch employee checks to make 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 or the customer. The customer provides additional safety and other equipment, if required. New assignments are generally filled from a first come, first served daily sign-in sheet, except for return requests.

Workers who pass on a particular job are moved to the bottom of the list. Most work assignments have been scheduled in advance, a majority of which are repeat work orders from customers. However, a significant portion of the job openings are requested on short notice, often the same day as requested.

The workers are provided with a work order (which is endorsed by the customer to confirm work performance) that each worker must present at the dispatch office in order to receive payment for the hours worked. Workers are generally paid daily by check. 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.

Dispatch offices generally open early, usually by 5:30 a.m., with some open 24 hours (depending on volume or activity), and generally remain open until the last temporary laborer is paid. Dispatch offices are generally staffed with at least two full-time employees, including the general manager and a customer service representative. General 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, as necessary, 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 the Company to test for alcohol or drugs in case of work-related illness or injury, to obtain a signed "Condition of Employment" statement, and to comply with applicable immigration requirements.

CUSTOMERS. The Company's customers are primarily businesses and, less frequently, government agencies, that require workers for lifting, hauling, cleaning, assembling, digging, painting and other types of manual work. The Company's customers are typically engaged in construction, landscaping, freight handling, warehousing, or other light manufacturing. Customers also include retail and wholesale operations, sanitation, machine shops, printers, hotels and restaurants.

New dispatch offices initially target the construction industry for potential customers, except for those new dispatch offices that are located in metropolitan areas where there is little new construction. In addition, as dispatch offices mature, the customer base broadens and the mix of work diversifies. Many of the businesses have elements of seasonality or cyclicality in their work flow and have a need for one or more workers. The Company currently derives its business from a large number of customers, and is not dependent on any large customer for more than 2% of its revenues. During 1996, the Company's ten largest customers accounted for $10.3 million, or 6% of total sales. 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 the Company's revenues. During 1996, the Company provided temporary workers to in excess of 35,000 customers. Labor Ready filled more than 1.4 million work orders in 1996.

Many customers use Labor Ready as a screening device for future hires. Because Labor Ready does not charge a fee if a customer hires a Company worker, customers on occasion send prospective employees to the Company 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, and minimize expenses involved in employee turnover and personnel agency fees.

BILLING AND COLLECTIONS. The Company has implemented a credit policy which allows new customers to establish a credit limit by the branch office telephonically accessing a computer based credit system. Initial credit limits are based on a credit scoring matrix developed by the Company. No workers are dispatched without using this system. Credit limits range from COD to $100,000. Additional credit extensions beyond those approved by this system are reviewed by the credit department using other credit reporting agencies, bank/trade references and balance sheet analysis. Once a customer has reached 75% of its credit limit, the customer screen on the Company's information system has a red warning to alert the dispatch office to more closely monitor the activity of the customer.

SALES AND MARKETING. Generally, each branch office is responsible for its own sales and marketing efforts. The Branch Manager is primarily responsible for sales and customer service with all branch employees being involved in sales and customer relations. Every office maintains a database of area businesses for telemarketing and direct mail. The Company's goal is for each office to mail 500 to 1,000 pieces of direct mail a week with follow-up calls on qualified leads to be made by the Branch Manager or Customer Service Representative. To support new branch openings, the corporate office does an initial mailing of 15,000 to 25,000 pieces to the businesses in the branch's geographic area.

Over the past six months, the Company has placed more emphasis on recruiting and retaining professional field sales personnel. The primary focus of these individuals is to generate same store sales for offices that are in the more mature phase of their marketing life cycles.

At the corporate level, the Company is developing accounts that are national in scope and need workers at multiple locations. The Company is working on coordinated marketing strategies to enhance national and target account management in established as well as new markets throughout the United States and Canada. The Company is continuing to implement marketing strategies for national and target account customers and has expanded its staffing sales and support group.

Field support for national and target account sales and marketing includes centralized account management, dispatch via an 800 number, advertising campaigns for target industries and new markets prior to opening dispatch offices, electronic order entry from the customer's location, and a centralized customer service hotline which promotes prompt and professional resolution to customer issues as they arise. The strategies are designed to improve customer development, loyalty, and retention.

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

Marketing is accomplished primarily through personal sales contacts, word of mouth, direct mail campaigns, and yellow pages advertising. Marketing strategy calls for an increased use of media public relations to heighten name recognition and advertising in key target industries publications and local newspapers.

TEMPORARY WORKERS. Most workers find the Company's "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 a paycheck at the end of the day. Labor Ready's temporary workers are typically persons who are unemployed or in between jobs. Nearly all are male and most are between the ages of 18 and 40 and live in low income neighborhoods. Most temporary workers have phone numbers, and approximately 50% own cars. The average temporary worker works for Labor Ready approximately 90 hours per year.

The Company's daily pool of temporary workers at each dispatch office generally numbers between 40 and 200, depending upon the time of year. Although the Company is less dependent on weather than in its early years because of a wider dispersion of dispatch offices in different geographic areas of the United States, good weather, nevertheless, brings incrementally more job orders and workers.

After reviewing work orders for the day, the manager pre-screens the qualifications of the temporary workers to assure they can perform the work required. Additionally, the individual must be at least 18 years old, physically capable and in apparent good health. The main objective is to dispatch the most suitable workers for the positions available. Dispatch office employees over time come to know most workers at the dispatch office and their capabilities. The Company is an equal opportunity employer.

Under the Company's "satisfaction guaranteed" policy, replacements for all unsatisfactory workers are promptly provided if the customer notifies the Company within the first two hours of work. Employees who receive two concurrent complaints from customers are generally terminated or reprimanded. The Company 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 job site are grounds for immediate dismissal. In addition, an employee found to be engaging in dishonest acts or filing a false workers' compensation claim will be terminated. A database is maintained which lists workers who were terminated to prevent rehire by other dispatch offices.

The Company is responsible for withholding of FICA, Medicare, and federal, state, and, where applicable, city and county payroll taxes from its temporary workers for disbursement to governmental agencies. Additionally, the Company pays federal and state unemployment insurance premiums, and workers' compensation expenses for its temporary employees. See "-- Workers' Compensation."

RECRUITMENT OF TEMPORARY WORKERS. The Company attracts its pool of temporary workers through flyers, newspaper advertisements, dispatch office displays, and word of mouth. The Company believes its strategy of locating dispatch offices in lower income neighborhoods, with ready access to public transportation, is particularly important in attracting workers.

The Company's "Work Today, Paid Today" policy is prominently displayed at most dispatch offices and, in the Company's experience, is a highly effective method of attracting temporary workers. Workers also find other Company policies attractive, such as the emphasis on worker safety, Company provided safety equipment, and modest advances for lunch or gas for workers short on cash. Temporary workers are also aware of the Company's no-fee policy toward temporary workers who receive regular position offers from the Company's customers. The possibility of landing a regular position serves as an added incentive to its workers. Finally, dispatch offices generally remain open to ensure workers get paid the same day.

Management believes that Labor Ready has earned a good reputation with its temporary labor pool because the Company consistently has jobs available and treats these workers with respect, which the Company believes helps attract a motivated and responsive worker pool. As a result, the Company believes referrals by current or former employees who have had good experiences with the Company account for a significant percentage of its temporary workers.

The Company experiences 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 the job openings and by identifying prospective workers from the Company's employee data base. On occasion, work orders requiring large numbers of temporary workers will be filled by general managers coordinating with other local dispatch offices.

MANAGEMENT, EMPLOYEES AND TRAINING. The Company currently employs a total of 92 administrative and executive staff in the corporate office, and 771 people as supervisors, general managers, customer service representatives, district managers, area directors and support staff. General managers report to district managers who in turn report to area directors. The Company is hiring additional supervisory management personnel with experience in managing multi-location operations.

After extensive interviews and tests, prospective general managers and customer service representatives generally undergo four weeks of training at an existing high-volume dispatch office. The employees then attend Labor Ready University, the Company's training division, located at the corporate office in Tacoma, Washington. Labor Ready University, formed in 1995 with the mission of training district managers, dispatch office managers and customer service representatives on the skills necessary for operating a dispatch office, is staffed by experienced training professionals. The Company has developed a curriculum, training manuals, and instruction modules for the six-day, rigorous sessions, which include sessions on topics such as marketing, direct mail, credit and collections, workers' compensation and safety. By operating the training center as part of an ongoing dispatch office, the managers and customer service representatives receive training under actual and simulated dispatch conditions. The Company is currently establishing eighteen certified field training centers located in current dispatch offices where all prospective general managers will attend their initial four weeks training. Department heads from the Company's corporate offices teach topics based on their area of expertise. The Company usually arranges to have an experienced manager participate in the classes to share experiences encountered in operating a dispatch office.

MANAGEMENT INFORMATION SYSTEMS. The Company has developed its own proprietary software system to process all required payroll information and related payroll tax returns, together with other information important to managing hundreds of thousands of workers and staff in multiple states and countries. The Company plans to complete the installation of the next generation client server version of this software in all dispatch offices in 1997. The upgrade of hardware at the branch offices, to dedicated servers running Microsofts' Windows NT Server Version 3.51 and multiple stations running Microsoft's Windows '95, was completed in 1996 in preparation of the new client server software. Labor Ready employs eight full-time professionals that continually upgrade the systems and add features and enhance operations and reliability. The systems will continue to require additional hardware and software to accommodate the Company's operating and information needs while the Company conducts its rapid expansion program.

The system maintains all of the Company's key databases from the tracking of work orders to payroll processing to maintaining worker records. The system regularly exchanges all point of sale information between the corporate headquarters and the dispatch offices, including customer credit information and outstanding balances. Dispatch offices can run a variety of reports on demand, such as receivables aging, margin reports, and customer activity reports. The Company can also conduct keyword searches on its employee database for certain types of work experience. Regional and area directors can also call into the system and monitor their territories from their laptops. The Company believes its proprietary software system provides Labor Ready with significant competitive advantages over competitors that utilize less sophisticated systems.

The Company's information system also provides the Company with its 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 is issued, the customer's weekly bill and the dispatch office receivables are automatically updated. Printed checks have watermarks and computer-generated signatures that are extremely difficult to duplicate.

WORKERS' COMPENSATION PROGRAM. The Company maintains workers' compensation insurance, as required by state laws. The Company operates in three states (Washington, West Virginia and Ohio) in which the state provides and administers the insurance and the Company is required to pay premiums based on the job classifications of the workers and the Company's previous claims experience. Other states permit the Company to obtain insurance coverage through fronting insurance carrier licensed to do business in those states. The Company had deposited $15.2 million as of December 31, 1996, with a foreign off-shore company for the payment of workers' compensation claims and related claims settlement expenses on claims originating in these states. Claims are administered by a third party administrator retained by the Company. At December 31, 1996, approximately $7.4 million remained on deposit for the payment of future claims and claims settlement expenses which were estimated by the Company at $3.9 million.

The Company has established a separate department at its corporate headquarters to manage its insurers, third party administrators, and the medical service providers. The Company attempts to resolve claims promptly and generally closes claims within 120 days. To reduce the wage-loss compensation claims, the Company has established a "light duty" (transitional) return to work program that requires minimal physical exertion within the Company (dispatch office work) or outside assignments (e.g., cafeteria help) to customers. The Company's information system generates weekly workers' compensation loss minimization reports for both corporate and branch location use.

GOVERNMENT REGULATIONS.

SAFETY PROGRAMS. As an employer, the Company is subject to applicable state and/or federal statutes and administrative regulations pertaining to job site safety. Where states do not have a safety program certified by the federal Occupational Safety & Health Administration ("OSHA"), the Company is subject to the standards prescribed by the federal Occupational Safety &

Health Act and rules promulgated by OSHA. However, the temporary employees are generally considered the customer's employees while on the customer's job site for the purpose of applicable safety standards compliance liability.

In 1996, the Company's accident rate was approximately one incident per 7,400 man hours worked. The Company continues to emphasize safety awareness, which helps control workers' compensation costs, through training of its management employees and office staff, safety sessions with employees, issuing of safety equipment, monitoring of job sites, and communicating with customers to assure that the job request order is one that can be safely accomplished. Temporary workers are trained in safety procedures primarily by showing safety tapes at the beginning of each day. Bulletin boards with safety-related posters are prominently displayed. "Tailgate" safety training sessions are conducted at the manager's and regional safety director's discretion.

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

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

WAGE AND HOUR REGULATION. Labor Ready is required to comply with applicable state and federal wage and hour laws. These laws require the Company to pay its employees minimum wage and to pay overtime at applicable rates of pay when the employee works more than forty hours in a work week. In some states, overtime pay may be required after eight or ten hours of work in a day.

COMPETITION

The temporary services industry is highly fragmented and highly competitive, with limited barriers to entry. A large percentage of temporary staffing companies are local operations with fewer than five offices. Within local or regional markets, these firms actively compete with the Company for business. The primary basis of competition among local firms is price and, to a lesser extent, service. While entry into the market has limited barriers, lack of working capital frequently limits growth of smaller competitors.

Although there are several very large full-service and specialized temporary labor companies competing in national, regional and local markets, to date, those companies have not aggressively expanded in the Company's targeted market segment. Many of these competitors have substantially greater financial and marketing resources than those of the Company. One or more of these competitors may decide at any time to enter or expand their existing activities in the light industrial market and provide new and increased competition to the Company. The Company believes that, among the larger competitors, the primary competitive factors in obtaining and retaining customers are the cost of the temporary labor, the quality of the temporary workers provided, the responsiveness of the temporary labor company, and the number and location of offices. The availability to the Company's customers of multiple temporary service providers creates significant pricing pressure as competitors compete for the available demand, and this pricing pressure adversely impacts operating margins.

TRADEMARKS

The Company's business is not presently dependent on any patents, licenses, franchises, or concessions. "Labor Ready," the "LR" logo and the service mark "Work Today, Paid Today" are registered with the U.S. Patent and Trademark Office.

ITEM 2. PROPERTIES

The Company leases virtually all of its dispatch offices. Dispatch office leases generally permit the Company to terminate on 30 days notice and upon payment of three months rent. Certain leases have a minimum one year term and require additional payments for taxes, insurance, maintenance and renewal options.

In February 1995, the Company purchased a labor dispatch building which also serves as a warehouse facility for supplies and storage in Tacoma, Washington. The Company also owns a 24,000 square foot facility in Tacoma, Washington which is currently listed as available for lease and/or sale. In August 1996, the Company purchased a 44,000 square foot office building and adjoining 10,000 square foot print shop in Tacoma, Washington to accommodate the Company's continuing expansion and currently serves as its headquarters and administrative office building. The Company also owns dispatch buildings in Kent, Washington, and Kansas City, Missouri. Management believes all of the Company's facilities are currently suitable for their intended use. At present growth rates, management believes the new building will be adequate for administrative offices through the year 1998.

ITEM 3. LEGAL PROCEEDINGS

The Company is not currently subject to any material legal proceedings. The Company may from time to time become a party to various legal proceedings arising in the normal course of its business. These actions could include employee-related issues and disputes with customers. The Company carries insurance for actions or omissions of its temporary employees. Since the temporary workers are under the supervision of the customer or its employees, the Company believes the terms of its contracts with its customers, which provide that the customers are responsible for all actions or omissions of the temporary workers, limit the Company's liability. Nevertheless, any future claims are subject to the uncertainties related to litigation and the ultimate outcome of any such proceedings or claims cannot be predicted. See "Risk Factors Liability for Acts of Temporary Workers."

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, 1996.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's common stock commenced trading on the Nasdaq National Market on June 12, 1996. Prior to this point, the Company's common stock was traded over-the-counter. The high and low bids for the last two years were as follows:

Quarter Ended	High*	Low*
March 31, 1995	$5.00	$4.00
June 30, 1995	10.22	4.45
September 30, 1995	9.55	7.72
December 31, 1995	12.67	8.33
March 31, 1996	14.66	9.00
June 30, 1996	18.67	18.00
September 30, 1996	25.00	16.50
December 31, 1996	17.75	10.75

*Dollar amounts are adjusted to reflect the three for two forward stock splits which were effective on November 22, 1995, and July 7, 1996.

The Company had 605 shareholders of record as of December 31, 1996. The quotation information has been derived from the Electronic Bulletin Board Quotation System operated by broker/dealers and does not include retail markups or markdowns or commissions. The bid price does not reflect prices in actual transactions. No cash dividends have been declared on the Company's Common Stock to date and the Company does not intend to pay a cash dividend on common stock in the foreseeable future. Future earnings will be used to finance the growth and development of the Company.

ITEM 6. SELECTED FINANCIAL INFORMATION.

The following selected consolidated financial information of the Company has been derived from the Company's audited Consolidated Financial Statements. The Consolidated Balance Sheets as of December 31, 1995 and 1996, and the Consolidated Statements of Operations, Changes in Shareholders' Equity, and Cash Flows for the years ended December 31, 1994, 1995, and 1996 were audited by BDO Seidman, LLP, whose report thereon appears elsewhere herein. The Statement of Operations Data for the years ended December 31, 1992 and 1993, are derived from the Company's audited financial statements which do not appear herein. The data should be read in conjunction with the Company's 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
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,				
	1992	1993	1994	1995	1996
STATEMENT OF OPERATIONS DATA:					
Revenues from services	$8,424	$15,659	$38,951	$94,362	$163,450
Gross profit	1,939	3,258	8,238	17,719	28,474
Income before taxes and extraordinary item	86	253	1,188	3,232	3,506
Extraordinary item, net of tax	--	48	--	--	(1,197)
Net income	159	269	852	2,062	724
Earnings per common share	$0.04	$0.04	$0.13	$0.23	$0.06
Weighted average shares outstanding (1)	4,053	5,502	6,545	8,692	10,859
OPERATING DATA:					
Revenues from dispatch offices open for full period	$8,230	$12,960	$27,311	$65,798	$133,156
Revenues from dispatch offices opened during period	$194	$2,699	$11,640	$28,310	$30,294
Dispatch offices open at period end	10	17	51	106	200

</TABLE>

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,				
	1992	1993	1994	1995	1996
			(IN THOUSANDS)		
BALANCE SHEET DATA:					
Current assets	$1,454	$2,313	$7,572	$20,730	$48,741
Total assets	1,880	3,153	8,912	26,182	64,331
Current liabilities	1,086	1,706	5,631	7,956	11,505
Long-term liabilities	578	777	319	9,695	1,234
Total liabilities	1,664	2,483	5,950	17,650	12,739
Shareholders' equity	216	670	2,962	8,532	51,592
Cash dividends declared (2)	--	50	43	43	43
Working capital	368	607	1,941	12,774	37,236

</TABLE>

(1) The weighted average shares outstanding have been adjusted to reflect the three for two forward stock splits which were effective on November 22, 1995, and July 7, 1996.

(2) Represents cash dividends on the Preferred Stock. The Company has never paid cash dividends on its Common Stock and does not anticipate that it will do so in the foreseeable future. See "Price Range of Common Stock and Dividend Policy."

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 the Company's 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. 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 200 dispatch offices at December 31, 1996. Substantially all of the growth in dispatch offices was achieved by opening Company-owned locations rather than through acquisitions. The Company's revenues grew from approximately $6.0 million to $163.5 million from 1991 to 1996. This revenue growth has been generated both by opening new dispatch offices and by continuing to increase sales at existing dispatch offices. In 1996, the average annual revenue per dispatch office open for more than a full year was $1.3 million.

The Company expects to open 100 new dispatch offices in each of 1997 and 1998. In 1996, the Company incurred costs of approximately $5.6 million to open 94 new dispatch offices (an average of approximately $60,000 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. The average collection cycle for 1996 was approximately 38 days. Consequently, the Company experiences significant 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. See "-- Results of Operations" and "--Liquidity and Capital Resources."

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. See "Risk Factors -- Dependence on Availability of 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, unemployment 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 is expected to continue to fluctuate significantly 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, 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. See "Selected Consolidated Financial Information."

The typical customer order is for two temporary workers and the typical payroll check paid by the Company is less than $50.00. The Company is not dependent on any individual customer for more than 2% of its annual revenues. During 1996, the Company had in excess of 35,000 customers and filled more than 1.4 million work orders.

RESULTS OF OPERATIONS

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

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
Revenues from services............	100.0%	100.0%	100.0%
Cost of services..................	78.9	81.2	82.6
Selling, general and administrative expenses..........	16.9	14.5	15.3
Interest and other expenses, net...	1.2	0.9	(0.1)
Income before taxes on income and extraordinary item...............	3.0	3.4	2.1
Net income.........................	2.2	2.2	0.4

YEARS ENDED DECEMBER 31, 1996, 1995, AND 1994

DISPATCH OFFICES. The number of offices grew to 200 at December 31, 1996 from 106 locations at December 31, 1995, a net increase (after closings and consolidations) of 94 dispatch offices, or 89%. The Company estimates that its aggregate costs of opening 94 new dispatch offices in 1996 was $5.6 million (an average of approximately $60,000 per dispatch office) compared to aggregate costs of approximately $2.0 million (an average of approximately $35,000 per dispatch office) to open 57 new stores in 1995. Management believes that the costs of opening new dispatch offices will continue to increase. The increases in 1996 were primarily the result of a longer manager training period, increased pre-hire and screening costs and the added opening costs related to the use of more sophisticated computer and other office systems. The number of dispatch offices grew to 106 at December 31, 1995 from 51 locations at December 31, 1994, a net increase (after closings and consolidations) of 55 dispatch offices, or 108%. The Company estimates that its aggregate costs of opening 34 new dispatch offices in 1994 was approximately $850,000 (an average of approximately $25,000 per dispatch office). The increases in 1995 were primarily the result of a longer manager training period, the establishment of Labor Ready University and the added opening costs related to the use of more sophisticated computer and other office systems.

REVENUES FROM SERVICES. The Company's revenues from services increased to $163.5 million for 1996 from $94.4 million for 1995, an increase of $69.1 million, or 73%. This increase in revenues from services resulted primarily from increases in revenues from dispatch offices open for the full period, as indicated below, and to a lesser extent from revenues from dispatch offices open for less than a year. This difference from prior years was the result of the timing of dispatch office openings in 1996 as 45 dispatch offices were opened in the second half of the year. The Company's revenues from services increased to $94.4 million for 1995 from $39.0 million for 1994, an increase of $55.4 million, or 142%. This increase in revenues from services resulted from essentially equal increases in revenues from dispatch offices open for the full period and revenues generated from dispatch offices opened during the period, as indicated below.

<TABLE>
<CAPTION>

	1994	1995	1996
		(IN THOUSANDS)	
<S>	<C>	<C>	<C>
Increase in revenues from dispatch offices open for full year..	$11,652	$27,823	$39,161
Revenues from new dispatch offices opened during year..........	$11,640	$27,588	$29,927
Total increase over prior year................................	$23,292	$55,411	$69,088

</TABLE>

COST OF SERVICES. Cost of services increased to $135.0 million for 1996 from $76.6 million for 1995, an increase of $58.4 million, or 76.2%, reflecting the additional wages and salaries paid to temporary workers and additional management personnel and related payroll expenses. Cost of services as a percentage of revenues from services increased to 82.6% for 1996 from 81.2% for 1995, an increase of 1.4%. This increase in costs as a percentage of revenues reflects salaries of new supervisory and sales personnel hired under new management organizational structures, the adverse effect of loss development for workers' compensation, 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. Cost of services increased to $76.6 million for 1995 from $30.7 million for 1994, an increase of $45.9 million, or 150%, reflecting the additional wages and salaries paid to temporary workers and the related payroll expenses. Cost of services as a percentage of revenues from services increased to 81.2% for 1995 from 78.9% for 1994, an increase of 2.3%. The Company expects to experience significant fluctuations in such percentage in future periods as the Company continues its rapid addition of new dispatch offices

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES. Selling, general, and administrative expenses increased to $25.1 million in 1996 from $13.6 million in 1995, an increase of $11.5 million, or 84.6%. As a percentage of revenues, selling, general, and administrative expenses increased to 15.3% for 1996 from 14.5% for 1995, or 0.8%. This increase was the result of the new management personnel hired to provide the necessary organizational infrastructure to effectively manage the Company's anticipated growth over the next several years and new and enhanced information systems designed to improve both workers' compensation administration and the credit and collection processes. Selling, general, and administrative expenses increased to $13.6 million in 1995 from $6.6 million in 1994, an increase of $7.0 million, or 106%.

As a percentage of revenues, selling, general, and administrative expenses decreased to 14.5% for 1995 from 16.9% for 1994. This percentage decrease resulted primarily from selling, general and administrative expenses increasing at a slower rate than the increase in revenues.

INTEREST AND OTHER EXPENSES. Interest income and other expenses, net, was a positive contribution to income of $93,000 in 1996, compared to an expense of $866,000 in 1995. This reversal resulted from the Company's completion of the public offering in June 1996, the subsequent prepayment of substantially all debt (including the subordinated debentures) and investment of surplus funds in short-term corporate debt obligations. As a percentage of revenues, interest income and other expenses, net, increased from an expense of 0.9% in 1995 to a positive contribution to income of 0.1% in 1996. Interest expense and other expenses, net, increased to an expense of approximately $866,000 in 1995 from an expense of approximately $457,000 in 1994, an increase of 89.5%, reflecting primarily higher borrowing amounts and the additional interest costs of the $10 million principal amount of subordinated debt issued in October 1995. As a percentage of revenues, interest expense decreased from 1.2% in 1994, to 0.9% in 1995, reflecting the increased revenues of the Company.

TAXES ON INCOME. The Company's taxes on income increased to $1.6 million in 1996 from approximately $1.2 million in 1995, an increase of approximately $0.4 million, or 33%. This increase was the direct result of the corresponding increase in the Company's income before taxes for such period, the expense incurred related to a change in the prior year estimated deferred tax asset and the higher overall effective tax rates as the Company expanded into more states and cities which impose a local income tax. The Company had a net deferred tax asset of approximately $1.7 million at December 31, 1996, resulting primarily from workers' compensation deposits, credits and 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. See Note 10 to Consolidated Financial Statements. The Company's taxes on income increased to $1.2 million in 1995 from approximately $336,000 in 1994, an increase of approximately $816,000, or 243%. This increase was the direct result of the corresponding increase in the Company's income before taxes for such period.

NET INCOME. Net income for 1996 decreased to $725,000 from $2,061,000 in 1995. This represents a $1,338,000 decrease or 65%. The decrease was primarily the result of the adverse effect of losses from workers' compensation claims and an extraordinary loss. An extraordinary loss of approximately $1,900,000 was the result of the prepayment of the entire outstanding balance of the subordinated debt. This prepayment required that the deferred financing costs and the debt discount, which were previously being amortized over the original life of the debt, be immediately charged to expense. In 1995, the increase in

revenues from services also resulted in an increase in net income to $2,100,000 from $852,000 for 1994. This represents an increase of $1,200,000 or 142%, and corresponds to the increase in revenues in 1995.

LIQUIDITY AND CAPITAL RESOURCES

During 1996 and 1995, the Company used net cash in operating activities of $7.1 million and $3.7 million, respectively, reflecting the significant growth in the Company's revenues and accounts receivable, increased workers' compensation deposits, and the opening of 94 new dispatch offices in 1996, and 57 new dispatch offices in 1995. The Company used net cash in investing activities of $11.0 million in 1996, and $2.5 million in 1995 in connection with the opening of dispatch offices, improvements to and the purchase of new corporate offices and investments in cash restricted for workers' compensation claims. Management anticipates continuing cash flow deficits from operations and investing activities while the number of dispatch offices continues to grow at rapid rate. Management expects the cash flow deficit to be financed by the use of the Company's revolving line of credit, and may consider other equity or debt financings as necessary.

The Company financed its operations in 1996 and 1995 primarily through the sale of debt and equity securities, as discussed below.

On June 12, 1996, the Company successfully completed the sale of 1,950,000 shares of the Company's common stock, through a public offering, at a price of $16.33 per share ($15.23 net of underwriting costs). An additional 295,000 shares of common stock were sold pursuant to an underwriters over-allotment option, at the same price per share. In connection with this offering, the Company incurred costs of approximately $574,000 which have been applied against the proceeds received. The cash proceeds have been used to fund the growth in dispatch offices, pay-off substantially all long-term debt, fund required workers' compensation deposits and provide for significant cash necessary to support operating and financing opportunities. As of March 7, 1997, the Company had surplus funds of approximately $9.7 million invested in cash equivalents and short-term debt instruments.

In October 1995, the Company completed a private financing of $10.0 million in 13% Senior Subordinated Notes (the "Notes"). Under the terms of the Notes, holders thereof were granted warrants to purchase 1,113,552 shares of common stock, and such warrants are exercisable any time prior to the expiration of the seven year term or upon the early payment of the Notes at an established price of $7.78 per share. In August 1996, the Company notified the holders of the Notes of its intention to prepay the entire outstanding amount as of September 5, 1996. The holders of the Notes exercised the remaining outstanding 1,023,552 warrants, effected in the form of a non-cash transaction, and the balance of the Notes, $2,038,927, was paid in cash by the Company. An extraordinary loss of $1,197,400 (net of the associated tax benefit of $703,200) was incurred on the write-off of the balance of both the debt discount and debt issuance costs.

In August 1996, the Company obtained a new revolving credit facility from U.S. Bank of Washington, N.A. which provides for borrowings of up to $20,000,000 and is secured by the accounts receivable of the Company. The credit line has an established interest rate equal to the bank's prime rate. As of December 31, 1996, the Company did not have any borrowings outstanding under this agreement.

In December, 1996, the Company used $1,714,744 in cash to finance the original capitalization of Labor Ready Assurance Company, a wholly owned foreign subsidiary. This subsidiary was created to provide the Company with a more cost efficient method of administering, paying and settling the claims incurred relative to workers' compensation. Operation of this subsidiary began January 1, 1997. Additional investments of restricted cash will be required as the Company expands its operation.

OUTLOOK: ISSUES AND UNCERTAINTIES

Labor Ready does not provide forecasts of future financial performance. While Labor Ready's management is optimistic about the Company's long-term prospects, the following issues and uncertainties, among others, should be considered in evaluating its growth outlook.

MANAGE GROWTH. The Company's growth is dependent upon such factors as its 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, workers' compensation costs, collection of accounts receivable and availability of working capital, all of which are subject to uncertainties. The Company must continually adapt its management structure and internal control systems as it continues its rapid growth.

KEY PERSONNEL. The Company's success depends to a significant extent upon the continued service of its Chief Executive Officer and other members of the Company's executive management. Future performance depends on its ability to recruit, motivate and retain key management personnel.

GOVERNMENT REGULATIONS AND WORKERS' COMPENSATION. The Company incurs 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. The Company attempts to increase fees charged to its customers to offset increased costs relating to these laws and regulations, but may be unable to do so. If Congress or state legislatures adopt laws specifying benefits for temporary workers, demand for the Company's services may be adversely affected. In addition, workers' compensation expenses are based on the Company's actual claims experiences in each state and the actual aggregate workers' compensation costs may exceed estimates.

QUALIFIED MANAGERS. The Company relies heavily on the performance and productivity of its dispatch office general managers, who manage the operation of the dispatch offices, including recruitment, daily dispatch of temporary workers and interfacing with customers. Since the Company opened 94 dispatch offices in 1996 and has plans to open 100 new offices in each of 1997 and 1998, the Company needs to hire managers for each new office, plus replace managers lost through turnover, attrition or termination. The Company's future growth and performance depends on its ability to hire, train and retain qualified managers from a limited pool of qualified candidates who generally have no prior experience in the temporary employment industry.

COMPETITION. 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 the Company in the staffing industry. Price competition is intense, particularly for provision of light industrial personnel, and price pressure from both competitors and customers is increasing.

WORKING CAPITAL REQUIREMENTS. The Company experiences significant negative cash flow from operations and investment activities (approximately $17.6 million and $5.4 million in 1996 and 1995, respectively). In 1996, the Company incurred costs of approximately $5.6 million to open 94 new dispatch offices (an average of approximately $60,000 per dispatch office). Once open, the Company invests significant additional cash into the operations of new dispatch offices until they begin to generate sufficient revenue to cover their operating costs. In addition, the Company pays its temporary personnel on a daily basis and bills its customers on a weekly basis. The Company expects to require additional sources of capital in order to continue to grow.

INDUSTRY RISKS. Temporary staffing companies employ and place people in the workplace of their customers. Attendant risks include 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 the Company tries to limit its liability by contract, it may be held responsible for the actions at a jobsite of workers not under the Company's direct control. Temporary staffing companies are also affected by fluctuations and interruptions in the business of their customers.

ECONOMIC FLUCTUATIONS. Demand for the Company's services may be significantly affected by the general level of economic activity and unemployment in the U.S. and specifically within the construction and light industrial trades.

SEASONALITY. Many of the businesses served by the Company, particularly construction and landscaping businesses, are seasonal or cyclical in their work flow. The Company generally experiences increased demand in the spring, summer and early fall, while inclement weather is generally coupled with lower demand for the Company's services.

AVAILABILITY OF TEMPORARY WORKERS. The Company competes with other temporary personnel companies to meet its customer needs. The Company must continually attract reliable temporary workers to fill positions and may from time to time experience shortages of available temporary workers.

INFORMATION PROCESSING. The Company's management information systems, located at its headquarters, are essential for communication with dispatch offices throughout the country. Any interruption, impairment or loss of data integrity or malfunction of these systems could severely hamper the Company's business.

LABOR READY, INC.
CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Shareholders of
Labor Ready, Inc.

We have audited the accompanying consolidated balance sheets of Labor Ready, Inc. and subsidiaries as of December 31, 1995 and 1996 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Labor Ready, Inc. and subsidiaries as of December 31, 1995 and 1996 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

Spokane, Washington /s/ BDO Seidman, LLP
February 24, 1997

LABOR READY, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1995 AND 1996

ASSETS

	DECEMBER 31, 1995	DECEMBER 31, 1996
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,359,113	$ 17,597,821
Accounts receivable, less allowance for doubtful accounts of $868,607 and $1,236,776 (Notes 3 and 13)	12,182,806	21,010,653
Workers' compensation deposits and credits (Note 2)	1,886,644	5,285,552
Prepaid expenses and other	602,052	1,983,961
Income taxes receivable	--	1,194,633
Deferred income taxes (Note 10)	698,930	1,668,474
Total current assets	20,729,545	48,741,094
PROPERTY AND EQUIPMENT (Note 4):		
Buildings and land	1,536,086	3,733,202
Computers and software	2,005,985	5,522,934
	3,542,071	9,256,136
Less accumulated depreciation	690,648	1,431,562
Property and equipment, net	2,851,423	7,824,574
OTHER ASSETS:		
Intangible assets and other, less amortization of $114,588 and $979,572 (Note 17)	1,156,285	3,071,933
Workers' compensation deposits and credits, less current portion (Note 2)	1,427,905	2,979,018
Deferred income taxes (Note 10)	16,477	--
Restricted cash in captive insurance subsidiary (Note 2)	--	1,714,744
Total other assets	2,600,667	7,765,695
Total assets (Notes 3 and 5)	$ 26,181,635	$ 64,331,363

See accompanying notes to consolidated financial statements.

LABOR READY, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1995 AND 1996

LIABILITIES AND SHAREHOLDERS' EQUITY

	DECEMBER 31, 1995	DECEMBER 31, 1996
CURRENT LIABILITIES:		
Checks issued against future deposits	$ 514,842	$ 1,139,555

Accounts payable.........................	1,118,081	2,230,721
Accrued wages and benefits...............	1,588,147	3,046,084
Workers' compensation claims (Note 2) (Note 17).......................	1,943,338	5,076,686
Income taxes payable.....................	1,161,000	--
Note payable (Note 3)....................	1,591,206	--
Current maturities of long-term debt (Note 4)...........................	39,117	11,905
Total current liabilities................	7,955,731	11,504,951
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities (Notes 4 and 6).........................	953,937	90,352
Deferred income taxes (Note 10)..........	--	1,144,144
Subordinated debt, less unamortized discount of $1,213,303 and $0 (Note 5)...	8,740,623	--
Total long-term liabilities..............	9,694,560	1,234,496
Total liabilities........................	17,650,291	12,739,447
COMMITMENTS AND CONTINGENCIES (Note 11)		
SHAREHOLDERS' EQUITY:		
Preferred stock, $0.444 par value 5,000,000 shares authorized; issued and outstanding 1,921,687 shares (Note 8)..........................	854,082	854,082
Common stock, no par value 25,000,000 shares authorized; issued and outstanding, 8,818,848 and 12,373,576 shares (Note 5,7 and 9)..................	7,116,422	49,516,834
Cumulative foreign currency translation adjustment..............................	(28,707)	(50,126)
Retained earnings........................	589,547	1,271,126
Total shareholders' equity	8,531,344	51,591,916
Total liabilities and shareholders' equity..................................	$ 26,181,635	$ 64,331,363

See accompanying notes to consolidated financial statements.

LABOR READY, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1994	1995	1996
<S>	<C>	<C>	<C>
Revenues from services.................	$38,950,683	$94,361,629	$163,449,620
Costs and expenses:			
Cost of services......................	30,712,945	76,642,962	134,975,798
Selling, general and administrative........................	6,592,555	13,639,034	25,060,587
Interest and other, net................	457,378	866,113	(93,476)
Income before taxes on income and extraordinary item................	1,187,805	3,231,520	3,506,711
Taxes on income (Note 10)..............	336,000	1,151,713	1,585,028
Income before extraordinary item..................................	851,805	2,061,807	1,921,683
Extraordinary item, net of income tax benefit of $703,200 (Note 5)..........	--	--	(1,197,400)
Net income.............................	$851,805	$2,061,807	$724,283

Earnings per common share:			
Income before extraordinary item (Note 8)	$0.13	$0.23	$0.17
Extraordinary item, net	--	--	(0.11)
Net income	$0.13	$0.23	$0.06
Weighted average shares outstanding (Note 9)	6,544,955	8,692,368	10,859,075

</TABLE>

See accompanying notes to consolidated financial statements.

LABOR READY, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996

<TABLE>
<CAPTION>

	COMMON STOCK		PREFERRED STOCK		RETAINED EARNINGS (ACCUMULATED DEFICIT)	CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENT
	SHARES	AMOUNT	SHARES	AMOUNT		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, January 1, 1994	5,856,615	$ 2,135,764	2,256,951	$ 1,003,088	$ (2,387,662)	$ --
Net income for the year	--	--	--	--	851,805	
Debentures converted	535,265	271,200	--	--	--	--
Common stock issued from private placement	1,068,660	1,130,223	--	--	--	--
Preferred stock canceled	--	--	(335,264)	(149,006)	149,006	--
Common stock canceled on lapsing subscriptions	(4,500)	(2,000)	--	--	--	--
Common stock issued for services	2,250	5,000	--	--	--	--
Foreign currency translation	--	--	--	--	--	(2,853)
Preferred stock dividend	--	--	--	--	(42,705)	--
BALANCE, December 31, 1994	7,458,290	3,540,187	1,921,687	854,082	(1,429,556)	(2,853)
Net income for the year	--	--	--	--	2,061,807	--
Common stock issued on conversion of debt	224,103	382,364	--	--	--	--
Common stock issued for 401(k) Plan	1,795	7,679	--	--	--	--
Common stock issued from private placement	21,000	69,998	--	--	--	--
Common stock issued on warrants exercised	1,068,660	1,781,100	--	--	--	--
Common stock issued on the exercise of options	45,000	45,000	--	--	--	--
Detachable stock warrants issued	--	1,290,094	--	--	--	--
Preferred stock dividend	--	--	--	--	(42,704)	--

Foreign currency translation . . .	--	--	--	--	--	(25,854)
BALANCE, December 31, 1995	8,818,848	7,116,422	1,921,687	854,082	589,547	(28,707)
Net income for the year. . . --	--	--	--	--	724,283	--
Common stock issued for 401(k) Plan	5,138	48,250	--	--	--	--
Common stock issued from public stock offering, net (note 9) . .	2,242,500	33,586,259	--	--	--	--
Common stock issued on debt extinguishment and warrants exercised.	1,023,552	7,961,074	--	--	--	--
Common stock issued on the exercise of options	283,538	804,829	--	--	--	--
Preferred stock dividend	--	--	--	--	(42,704)	--
Foreign currency translation . . .	--	--	--	--	--	(21,419)
BALANCE, December 31, 1996	12,373,576	$49,516,834	1,921,687	$ 854,082	$1,271,126	$(50,126)

</TABLE>

See accompanying notes to consolidated financial statements.

LABOR READY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 851,805	$ 2,061,807	$ 724,283
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization.	178,416	522,436	1,796,618
Common stock issued for services	5,000	--	--
Loss on assets sold.	--	--	3,729
Provision for doubtful accounts.	341,799	1,084,526	2,078,489
Extinguishment of debt, extraordinary item .	--	--	1,900,601
Deferred income taxes.	(260,000)	(502,451)	191,077
Changes in assets and liabilities			
Accounts receivable.	(3,597,793)	(8,104,502)	(10,906,336)
Workers' compensation deposits and credits .	(1,265,962)	(1,871,348)	(4,950,021)
Prepaid expenses and other	(234,221)	(324,697)	(1,381,909)
Accounts payable	239,186	753,442	1,160,890
Accrued wages and benefits	535,281	774,339	1,457,937
Workers' compensation claims	458,938	1,234,469	3,133,348
Income taxes payable (receivable).	497,000	664,000	(2,355,633)
Net cash used in operating activities.	(2,250,551)	(3,707,979)	(7,146,927)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(549,959)	(2,471,001)	(5,749,935)
Proceeds from sale of capital assets	--	--	8,891
Investments in cash restricted for workers compensation claims.	--	--	(1,714,744)
Additions to intangible assets and other . .	(43,501)	--	(3,558,609)
Net cash used in investing activities. . . .	(593,460)	(2,471,001)	(11,014,397)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net payments (borrowings) on note payable. .	2,177,409	(1,569,374)	(1,591,206)
Checks issued against future deposits. . . .	--	514,842	624,713
Proceeds from issuance of common stock . . .	1,130,223	69,998	--
Net proceeds from public offering.	--	--	33,586,259

Proceeds from warrants exercised	--	1,781,100	--
Proceeds from options exercised.	--	45,000	804,829
Debt issue costs	--	(816,769)	--
Proceeds from stock subscriptions.	79,325	--	--
Repayment of subordinated debt	--	--	(2,069,643)
Borrowings on long-term debt	74,000	11,529,951	--
Payments on long-term debt	(189,221)	(552,074)	(890,797)
Dividends paid	(50,154)	(42,704)	(42,704)
Net cash provided by financing activities.	3,221,582	10,959,970	30,421,451
Effect of exchange rates	(2,853)	(25,854)	(21,419)
Net increase in cash and cash equivalents.	374,718	4,755,136	12,238,708
CASH AND CASH EQUIVALENTS, beginning of year	229,259	603,977	5,359,113
CASH AND CASH EQUIVALENTS, end of year	$ 603,977	$ 5,359,113	$ 17,597,821

</TABLE>

See accompanying notes to consolidated financial statements.

LABOR READY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
<S>	<C>	<C>	<C>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest paid.	$ 513,497	$ 1,302,929	$ 332,479
Income taxes paid.	$ 99,000	$ 990,164	$ 2,858,941
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Contribution of Common stock contributed to employer 401(k) Plan	--	$ 7,679	$ 48,250
Cancellation of preferred stock.	$ 149,006	--	--
Debentures converted to Common stock	$ 271,200	$ 75,000	--
Issuance of a note receivable on the sale of capital assets	--	--	$ 23,250
Issuance of common stock for the warrants exercised on debt retirement	--	--	$ 7,961,074
Refinance of note payable, net	$ 2,000	--	--

</TABLE>

See accompanying notes to consolidated financial statements.

LABOR READY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Labor Ready, Inc. and its wholly-owned subsidiaries Labour Ready Temporary Services Limited and Labor Ready Assurance Company (collectively referred to as "the Company"). The Company's principal business activity involves providing temporary workers for manual labor jobs to construction and small manufacturing companies in the United States and Canada. The Company's customers are primarily businesses in the construction, freight handling, warehousing, landscaping, light manufacturing, and other light industrial markets. These businesses require workers for lifting, hauling, cleaning, assembling, digging, painting and other types of manual work. The Company was incorporated under the laws of the State of Washington on March 19, 1985. All inter-company balances and transactions between these entities have been eliminated on consolidation.

B. REVENUE RECOGNITION

Revenues from services and the related cost of services are recorded in the period in which the services are performed. Franchise activity and fees are minimal.

C. CASH AND CASH EQUIVALENTS
The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

D. 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, ranging from five to thirty nine and one-half years.

E. INTANGIBLE ASSETS AND OTHER
The intangible assets primarily consist of pre-opening costs, customer lists and non-compete agreements. Pre-opening and start-up costs incurred in connection with the establishment of a new dispatch office are capitalized until such facilities become operational. These costs are then amortized on a straight line basis over a period of two years. Amortization of the other intangible assets is computed using the straight line method over periods not exceeding ten years. 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.

F. INCOME TAXES
The Company accounts for income taxes in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes". Deferred income taxes are provided for temporary differences between the financial reporting and tax basis of assets and liabilities. Deferred taxes are measured using enacted tax rates in effect in the years in which the temporary differences are expected to reverse. Tax credits are accounted for as a reduction of income taxes in the year in which the credit originates.

G. EARNINGS PER SHARE
The primary earnings per common share was computed by dividing the net income less preferred stock dividends ($42,700 for each year presented) by the weighted average number of shares of common stock and common stock equivalents outstanding for all periods presented. Fully diluted earnings per share does not differ materially from primary earnings per share. In February, 1995 and July, 1996, the Company declared a three-for-two Common Stock split, which has been retroactively applied for 1994 and 1995 in the determination of the weighted average number of shares of Common Stock and Common Stock equivalents outstanding.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. FOREIGN CURRENCY TRANSLATION
Assets and liabilities of Labour Ready Temporary Services Limited are translated at the rate of exchange in effect on the balance sheet date. Income and expenses are translated at the weighted average rates of exchange prevailing during the year. The related translation adjustments are reflected as an accumulated translation adjustment as a component of shareholders' equity.

I. WORKERS' COMPENSATION
The Company established provisions for future claim liabilities based on estimates of the future cost of claims and claim losses (including future claim adjustment expenses) that have been reported but not settled, and of losses that have been incurred but not reported. Adjustments to the claims reserve are charged or credited to expense in the periods in which they are made.

J. MANAGEMENT'S ESTIMATES
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported 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.

K. ADVERTISING COSTS
Costs incurred for designing, producing and communicating advertising are generally expensed when incurred. Costs incurred under the Company's new dispatch office development program are capitalized and the expense is recognized upon opening of the dispatch office.

L. STOCK-BASED COMPENSATION

In 1996, the Company adopted for footnote disclosure purposes only, SFAS No. 123, "Accounting for Stock-Based Compensation," which requires that companies measure the cost of stock-based employee compensation at the grant date based on the value of the award and recognize this cost over the service period. The value of the stock based award is determined using the intrinsic value method whereby compensation cost is the excess of the quoted market prices of the stock at grant date or other measurement date over the amount an employee must pay to acquire the stock.

M. ACCOUNTING FOR LONG-LIVED ASSETS

In 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." This statement requires that long-lived assets and certain intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The measurement of an impairment loss for long-lived assets and identifiable intangibles that an entity expects to hold and use should be based on the fair value of the asset. The adoption of this standard did not have a significant impact on the Company's financial statements.

N. RECLASSIFICATION

Certain items in the 1995 and 1994 consolidated financial statements have been reclassified to conform to the classifications used in 1996.

2. WORKERS' COMPENSATION

As required by the laws of the various states in which Labor Ready does business, the Company provides workers' compensation insurance to its temporary workers and office staff. Each state has specific workers' compensation programs and requirements regarding the deposit of funds for the payment of workers' compensation claims and related claim settlement and administrative expenses. In Washington, West Virginia and Ohio (the "Monopolistic States"), the Company is required to make payments at rates established by each state based on the job classification of the insured workers and previous claims experience of the Company. These payments are made directly to a workers' compensation administrator employed by the State, who in turn disburses funds for the settlement of claims and related expenses. Amounts paid to these state administered programs which are not disbursed for claims and related claim settlement and administrative expenses are returned to the Company. At December 31, 1995 and 1996, the Company recorded workers' compensation deposits and credits receivables from the Monopolistic States of $967,644 and $835,566, and workers' compensation liabilities of $536,165 and $587,411.

Workers' compensation claims in the remaining states (the "Non-Monopolistic States") are managed by a third party administrator engaged by the Company. These Non-Monopolistic States allow a fronting insurance company licensed to do business in those states to guarantee Labor Ready's ability to pay these claims and related expenses as they occur, and allow the claims to be managed by the Company or selected claims administrators. For Non-Monopolistic States workers' compensation, the Company purchased "stop loss" insurance coverage for most individual claims in excess of $250,000 and for 1995 and 1996 aggregate losses in excess of $5.0 million and $7.6 million, in 1995 and 1996 respectively.

In 1995 and 1996, the Company deposited $4.6 million and $10.6 million, respectively, 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 December 31, 1995 and 1996, $2.3 million and $7.4 million, remained on deposit for the payment of future claims and is included in workers' compensation deposits and credits. Estimated incurred losses and related settlement and administrative expenses of $1.1 million and $3.9 million are included in current workers' compensation claims payable at December 31, 1995 and 1996, and will be paid from those deposits. Additional workers' compensation claims payable of $600,000 related to claims incurred prior to 1995, are also included in workers' compensation claims liabilities at December 31, 1996.

Workers' compensation expense of $3,126,601, $5,907,771 and $9,735,118 is included in cost of services in 1994, 1995 and 1996. In December, 1996, the Company used $1,714,744 in cash to finance the original capitalization of Labor Ready Assurance Company, a wholly owned foreign subsidiary Company. This subsidiary, was created to provide the Company with a more cost efficient method of administering, paying and settling the claims incurred relative to workers compensation. Operation of this subsidiary began during the Company's first quarter of 1997.

3. NOTE PAYABLE

As of January 1, 1995, the Company's accounts receivable were pledged to a private financing company for an accounts receivable revolving credit line. On October 31, 1995, the Company re-negotiated its loan agreement which changed the nature of the borrowings to an asset based loan limited to the lesser of 80% of eligible receivables (as defined in the credit agreement) or $5,000,000. Borrowings under the line, which were set to expire on April 30, 1996, were secured by the Company's accounts receivable. Interest on borrowings was charged at prime plus two percent plus a facility fee of one percent per annum and an administrative fee equal to one-fifth of one percent per month. The agreement required compliance with certain financial covenants principally relating to working capital, debt to equity, and dividend payment restrictions. As of December 31, 1995, the Company was in compliance with the covenants except for the dividend payment restrictions, for which a waiver was obtained.

3. NOTE PAYABLE (CONTINUED)

On February 15, 1996, the Company entered into an agreement with US Bank to provide the Company with a $10,000,000 revolving line of credit at prime plus 1/4% and a maturity date of September 30, 1996. This agreement replaced the Company's former revolving line of credit, which was repaid in February 1996. The US Bank revolving line of credit was collateralized by all the Company's accounts, chattel paper and contract rights.

In August 1996, the Company entered into an agreement with US Bank to provide the Company with a $20,000,000 revolving line of credit at the bank's prime rate (8.25% at December 31, 1996), an origination fee of $25,000, and a maturity date of June 30, 1998. The line of credit is secured by the accounts receivable of the Company. This line of credit replaced the Company's former $10,000,000 line of credit which was repaid in June, 1996, and contains certain financial covenants principally relating to tangible net worth, working capital and cash flow. As of December 31, 1996 the Company was in compliance with all covenants.

Short-term borrowing activity was as follows:

<TABLE>
<CAPTION>

	DECEMBER 31, 1995	DECEMBER 31, 1996
<S>	<C>	<C>
Balance outstanding at year-end	$ 1,591,206	$ --
Stated interest rate at year-end, including applicable fees	11.95%	8.63%
Maximum amount outstanding at any month end	$ 7,731,789	$ 8,018,974
Average amount outstanding	$ 5,907,364	$ 2,387,188
Weighted average interest rate during the year, including applicable fees	16.49%	10.87%

</TABLE>

The average amount outstanding and the weighted average interest rate during the year were computed based upon the average daily balances and rates.

4. LONG-TERM DEBT

Long-term debt consists of the following:

<TABLE>
<CAPTION>

	DECEMBER 31, 1995	DECEMBER 31, 1996
<S>	<C>	<C>
Mortgage note payable - secured by a building in Tacoma, Washington, payable at $1,637 per month through February, 2004, including interest at 8%	$112,366	$102,257
Other notes payable, repaid in 1996 (Note 6)	880,688	--
Long-term debt	993,054	102,257
Less current maturities	39,117	11,905
Long-term debt, less current maturities	$953,937	$ 90,352

</TABLE>

Scheduled long-term debt maturities as of December 31, 1996 are as follows:

Year Ending December 31,	Amount
1997	$11,905
1998	12,893
1999	13,963
2000	15,123
2001	15,230
Thereafter	33,143
	$ 102,257

5. SUBORDINATED DEBT

In October 1995, the Company issued subordinated debt with detachable stock warrants for the purchase of 1,113,552 shares at an exercise price of $7.78 per share, in exchange for $10,000,000. The debt had a stated interest rate of 13%, was secured by substantially all assets of the Company, and was to be repaid in 17 quarterly installments commencing in October 1998. The Company recorded a debt discount and allocated $1,259,377 of the proceeds to the value of the detachable stock warrants. In connection with arranging the debt agreement, the Company incurred costs of approximately $800,000 which were capitalized as intangible assets and other, for amortization over the life of the debt. The debt agreement contained various financial covenants, with which the Company was in compliance with as of December 31, 1995.

In September 1996, the Company repaid the outstanding balance of the subordinated debt and accelerated the exercise date of the detachable stock warrants to allow immediate exercise at a price of $7.78 per share. Upon pre-payment, 1,023,552 shares of common stock were purchased through the exercise of detachable stock warrants and the cancellation of $7,961,073 of subordinated debt. The remaining $2,038,927 of debt was paid by the Company in cash. An extraordinary loss of $1,197,400 (net of the related income tax benefit of $703,200) was recorded on the write-off of the unamortized debt discount and debt issue costs.

1. RELATED PARTY DEBT

In 1995, officers of the Company provided cash to the Company in exchange for short-term notes payable. These notes payable aggregated $424,687 and carried an interest rate of 12%. These notes payable were paid in full during 1995.

The Company's legal counsel, who is also a member of the board of directors, received $337,000 in payment for legal services performed for the Company in 1996.

7. CONVERTIBLE DEBENTURES

In 1993, the Company sold $356,200 of convertible debentures. The debentures were convertible into Common Stock at a price of $0.51 per share through June 30, 1994 with the conversion price increasing $0.06 on June 30 of each subsequent year through 1998. In 1994, $271,200 of the debentures were converted into 535,265 shares at $0.51 per share. In 1995, the remaining $75,000 of convertible debentures were converted into 131,840 shares of Common Stock at $0.57 per share.

8. PREFERRED STOCK

The Company has authorized 5,000,000 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 the Board of Directors of the Company 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, 1994, 1995 and 1996, the Company had 1,921,687 outstanding shares of the Series A Preferred Stock with the following terms:

Par value $0.444, with each share of Series A Preferred Stock entitled to one vote in all matters submitted to a vote of the shareholders of the Company.

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 the option of the Company 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 both February and July of 1996, the Board of Directors authorized a three-for-two Preferred Stock split. These Preferred Stock splits were 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 two separate stock splits.

During 1994, 223,509 shares of Preferred Stock outstanding were canceled as a result of settlement of litigation. There is no established market for the Company's Preferred Stock and management estimated the value of these canceled shares to be insignificant.

A Preferred Stock dividend in the amount of $42,704 was accrued December 31, 1994, 1995, and 1996, and paid in January 1995, 1996, and 1997.

9. COMMON STOCK

In both July, 1996 and November, 1995, the Board of Directors authorized a three-for-two Common Stock split. These two Common Stock splits were 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 these stock splits.

9. COMMON STOCK (CONTINUED)

In September and October of 1994, the Company issued 431,550 and 636,110 shares of Common Stock, respectively, in a private placement for $0.95 per share. Each share of Common Stock issued included a detachable stock warrant for one share of Common Stock. All of these warrants were exercised in March 1995, at a price of $1.67 per share.

In connection with the issuance of the $10,000,000 of subordinated debt in 1995 (see Note 5) the Company issued options and warrants to purchase 1,113,552 shares of Common Stock at an exercise price of $7.78 per share. The remaining and outstanding warrants as of September 1996, were exercised as a result of the Company's prepayment of the subordinated debt in September, 1996 (see Note 5).

In June 1996, the Company successfully completed the sale of 1,950,000 shares of common stock, through an underwritten public offering, at a price of $16.33 per share ($15.23 net of underwriting costs). An additional 292,500 shares of common stock were sold pursuant to an underwriters over-allotment option, also at the same price per share. Upon the commencement of this offering, the Company's common stock was approved for quotation on the Nasdaq National Market. In connection with the public offering, the Company incurred costs of approximately $574,000 which were offset against the common stock sale proceeds. These net proceeds were used to prepay debt, purchase of an office building in Tacoma, Washington, fund workers' compensation deposits, and fund the opening of new dispatch offices.

10. INCOME TAXES

Temporary differences which give rise to the deferred tax assets (liabilities) consist of the following at December 31, 1995 and 1996:

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	1996
<S>	<C>	<C>
Allowance for doubtful accounts.	$323,990	$469,975
Prepaid expenses	(161,385)	(272,595)
Workers' compensation credits receivable	(360,931)	(317,515)
Workers' compensation claims	721,895	1,690,995
Net operating loss carry-forwards.	126,985	119,417
Depreciation and amortization expenses	(30,828)	(1,126,603)
Vacation accrual	20,515	69,160
Other, net	75,166	(108,504)
Net tax deferrals.	715,407	524,330

Non-current deferred tax assets (liabilities), net	16,477	(1,144,144)
Current deferred tax assets, net	$698,930	$1,668,474

</TABLE>

The Company has assessed its past earnings history and trends, budgeted sales, expiration dates of loss carry-forwards, and its ability to implement tax planning strategies which are designed to accelerate or increase taxable income. Based on the results of this analysis, no valuation allowance on the Company's net deferred tax assets has been established as management believes that it is more likely than not that the net deferred tax assets will be realized.

10. INCOME TAXES (CONTINUED)

As of December 31, 1996, the Company has net operating loss carry-forwards totaling $314,256, limited to use of $26,188 per year, the majority of which expire in 2006.

Taxes on income consists of:

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1994	1995	1996
<S>	<C>	<C>	<C>
Current:			
Federal	$506,919	$1,419,728	$602,942
State	89,081	234,436	87,809
Total Current	596,000	1,654,164	690,751
Deferred			
Federal	(221,074)	(482,051)	166,579
State	(38,926)	(20,400)	24,498
Total deferred:	(260,000)	(502,451)	191,077
Total taxes on income, including $703,200 tax benefit of extraordinary item	$336,000	$1,151,713	$881,828

</TABLE>

A reconciliation between taxes computed at the United States federal statutory tax rate, and the consolidated effective tax rate is as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					
	1994		1995		1996	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Income tax expense based on statutory rate	$403,853	34	$1,092,597	34	$546,078	34
Increase (decrease) resulting from:						
State income taxes, net of federal benefit	71,268	6	106,046	3	59,089	4
Change in valuation allowance	(157,128)	(13)	--	--	--	--
Utilization of net operating losses not previously benefited	--		(46,930)	(1)	(9,768)	(1)
Prior year over accrual	--	--	--	--	169,129	11
Other, net	18,007	1	--	--	117,300	7

Total taxes on income.	$336,000	28	$1,151,713	36	$ 881,828	55

</TABLE>

11. COMMITMENTS AND CONTINGENCIES

The Company rents certain properties for temporary labor dispatch offices. The leases generally provide for termination on 30 days notice and upon payment of three months rent. Certain of these leases have 1 year minimum terms and require additional payments for taxes, insurance, maintenance and renewal options. Lease commitments for 1997 at December 31, 1996 total approximately $885,000. Lease expenses for the years ended December 31, 1994, 1995 and 1996 totaled $380,000, $1,113,000, and $2,347,000, respectively.

The Company is, from time to time, involved in various lawsuits arising in the ordinary course of business which will not, in the opinion of management, have a material effect on the Company's results of operations.

The Board of Directors entered into an executive employment agreement with a key officer of the Company. The agreement is for a period of time commencing on October 31, 1995 and ending December 31, 1998, and contains certain restrictions on the covered employee. Officer compensation under this agreement has been set by the Board at $375,000 per year and shall be increased annually on the first of each calendar year to 110% of the preceding years' salary.

12. RETIREMENT PLAN

Effective October 1, 1994, the Company established a 401(k) savings plan for qualifying employees. Employees can voluntarily elect to contribute up to 15% of their annual compensation to the Plan. Profit sharing contributions are made at the discretion of the Company's Board of Directors. Employees are eligible the calendar quarter following the completion of one year of service and are fully vested in the 401(k) plan after five years of service. The amount charged to expense under the 401(k) plan totaled $48,250 and $81,700 for the years ended December 31, 1995 and 1996.

13. VALUATION AND QUALIFYING ACCOUNTS

Allowance for doubtful accounts activity was as follows:

	YEAR ENDED DECEMBER 31,	
	1995	1996
Balance, beginning of year	$ 365,927	$ 868,607
Charged expense.	1,084,526	2,078,489
Write-offs, net of recoveries.	(581,846)	(1,710,320)
Balance, end of year	$ 868,607	$1,236,776

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Company's financial instruments were as follows:

<TABLE>
<CAPTION>

	DECEMBER 31,			
	1995		1996	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
<S>	<C>	<C>	<C>	<C>
Cash and cash equivalents. . .	$5,359,113	$5,359,113	$17,597,821	$17,597,821
Short-term borrowings.	$1,591,206	$1,591,206	--	--

Long-term debt	$ 993,054	$1,012,248	$ 102,257	$ 99,768
Subordinated debt.	$8,740,623	$8,709,000	--	--
Warrants	--	$1,290,000	--	--

</TABLE>

The following methods and assumptions were used by the Company in estimating fair values for financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheets for cash and cash equivalents approximates fair value.

Short-term borrowings: The carrying amounts of the short-term borrowings approximates fair value due to the short-term maturity of the debt.

Long-term debt: The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturities.

Subordinated debt: The fair value of the subordinated debt, representing the amount at which the debt could be exchanged on the open market, are determined based on the Company's then current incremental borrowing rate for similar types of borrowing arrangements.

Warrants: The fair value of the warrants is based on the difference between the face value of the related debt and the present value of the future stream of debt payments.

15. EMPLOYEE STOCK PURCHASE PLAN

Effective November 20, 1996, the Company adopted 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 its common stock through payroll deductions. The ESPP permits payroll deductions up to 10% of eligible after-tax compensation. On January 1 and July 1, 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 purchase date or the last day of the six month period. The ESPP provides that no participant shall purchase stock that the aggregate fair market value exceeds $25,000 during any calendar year. The ESPP expires on June 30, 2001. A total of 150,000 shares are available for purchase under the ESPP. There were no shares issued under the ESPP during the year ended December 31, 1996.

16. STOCK COMPENSATION PLANS

In November, 1996, the Company filed Form S-8 with the Securities and Exchange Commission registering 350,000 shares of the Company's Common Stock under the 1996 Employee Stock Option and Incentive Plans (collectively the "Plans"). In accounting for these Plans, the Company applied APB Opinion #25, Accounting for Stock Issued to Employees, and related Interpretations. Under APB Opinion #25, because the exercise price of the Company's employee stock options approximates 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 at the date of grant. All 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.

Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), Accounting for Stock-Based Compensation, requires the Company to provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's 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 1995 and 1996, respectively: expected life of options of 5 years and 5 years, expected volatility of 11.6% and 11.2% risk-free interest rates of 6.1% and 6.0%, and a 0% dividend yield. The weighted average fair value at date of grant for options granted during 1995 and 1996 approximated $7.69 and $14.59 per option.

Under the provisions of SFAS 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	1995	1996
Net Income		

As reported	$2,061,807	$724,283
Pro forma	$1,957,946	$352,222
Primary earnings per share		
As reported	$ 0.23	$ 0.06
Pro forma	$ 0.22	$ 0.03

The following table summarizes stock option activity:

	STOCK OPTIONS	WEIGHTED-AVERAGE PRICE PER SHARE
Outstanding at January 1, 1995	339,750	$1.57
Granted.	1,196,202	7.69
Expired or canceled.	(24,750)	2.09
Exercised.	--	--
Outstanding at December 31, 1995	1,511,202	7.17
Granted.	279,000	14.59
Expired or canceled.	(66,750)	2.92
Exercised.	(1,306,978)	6.62
Outstanding at December 31, 1996	416,474	$12.22

16. STOCK COMPENSATION PLANS (CONTINUED)
The following table summarizes information about fixed-price stock options outstanding at December 31, 1996:

<TABLE>
<CAPTION>

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF PRICES	NUMBER OUTSTANDING	WEIGHTED-AVERAGE CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED-AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>
$1.98	22,500	2.83 Years	$1.98	11,250	$1.98
3.21 - 4.97	22,724	3.21	3.69	9,337	3.69
5.19 - 7.93	134,400	3.98	7.29	14,850	7.29
9.07	32,850	4.33	9.07	8,213	9.07
13.38	168,000	4.83	13.38	-	-
18.67	36,000	4.50	18.67	-	-
$1.98 - 18.67	416,474	4.38	$ 10.39	43,650	$ 5.49

</TABLE>

17. SIGNIFICANT CHANGES IN THE FOURTH QUARTER
In December 1996, the Company recognized the effect of adverse loss development on worker's compensation claims by recording a $1.9 million charge to 1996 fourth quarter earnings. The Company also recorded $2.7 million of net capitalized pre-opening costs related to dispatch offices opened in 1996 by reducing fourth quarter cost of services and selling, general and administrative expenses. The net after tax effect of these adjustments on the first three quarters of 1996 was not considered material to the quarterly financial statements taken as a whole.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

TENURE OF DIRECTORS AND OFFICERS

The names, ages and positions of the directors, executive officers and certain key employees of the Company 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 of the Company, except that Todd A. Welstad is the son of Glenn A. Welstad.
<TABLE>

<CAPTION>

NAME	AGE	POSITION
Glenn A. Welstad	52	Chairman of the Board, Chief Executive Officer and President
Ralph E. Peterson.	62	Director, Executive Vice President, and Chief Operating Officer
Ronald L. Junck.	48	Director and Secretary
Richard W. Gasten.	59	Director
Thomas E. McChesney.	50	Director
Robert J. Sullivan	66	Director
Charles B. Russell	38	Chief Financial Officer, Treasurer and Assistant Secretary
Scott J. Sabo.	35	Director of Operations
Robert H. Sovern	48	Assistant Treasurer
Keith T. Terrano	40	Director of Risk Management
Todd A. Welstad.	27	Director of Information Systems
Paul A. Rieckers	28	Corporate Controller

</TABLE>

BUSINESS EXPERIENCE

The business experience and brief resumes on each of the Directors, Executive Officers, and significant employees are as follows:

GLENN A. WELSTAD has served as the Company's Chairman of the Board of Directors, Chief Executive Officer and President since February 1988. Prior to joining the Company, Mr. Welstad was an officer of Body Toning, Inc., W.I.T. Enterprises, and Money Mailer from February 1987 to March 1989. In 1969 Mr. Welstad founded Northwest Management Corporation, a holding company for restaurant operations. Over the course of 15 years, Mr. Welstad expanded the operations to twenty-two locations in five states, which included eight Hardee's Hamburger Restaurants as well as pizza and Mexican restaurants. In March 1984, Mr. Welstad sold his ownership interest in Northwest Management Corporation.

RALPH E. PETERSON has served as a director of the Company since January 1996, and as Executive Vice President and Chief Operating Officer since September 1996. Prior to that, he served as Chief Financial Officer and Assistant Secretary of the Company from January 1996 and as Treasurer from June 1996 until November 1996. Prior to joining the Company he served as Executive Vice President and Chief Financial Officer of Rax Restaurants, Inc. from December 1991 until August 1995. Rax Restaurants, Inc. entered Chapter 11 bankruptcy on November 23, 1992 and emerged from bankruptcy pursuant to a plan of reorganization on November 8, 1993. From April 1983 to his retirement in December 1991, Mr. Peterson was Executive Vice President and Chief Financial Officer and a director of Hardee's Food Systems, Inc., a restaurant company operating and franchising over 4,000 restaurants located throughout the United States and abroad.

RONALD L. JUNCK has served as a director and Secretary of the Company since November 1995. He is an attorney in Phoenix, Arizona where he has specialized in business law and commercial transactions since 1974. Mr. Junck serves as legal counsel to the Company and received $337,000 for legal services during 1996.

RICHARD W. GASTEN has served as a director of the Company since August 1996. Mr. Gasten also has served as a director of the Company's Canadian subsidiary and as a consultant to the Company since September 1995. Since May 1985 to March 1997, Mr. Gasten has served as a management consultant for several companies. Additionally, Mr. Gasten has over 25 years experience as a member of executive management with Western Capital Trust Company, Vancouver, B.C., Unity Bank of Canada and The Bank of Nova Scotia.

THOMAS E. MCCHESNEY has served as a director of the Company since July 1995. In September 1996, Mr. McChesney became associated with Blackwell Donaldson and Company, as director of investment banking. Mr. McChesney was associated with Bathgate and McColley Capital, L.L.C, from January 1996 to September 1996. Mr. McChesney is also a director of Firstlink Communications, Inc. and THISoftware Co., Inc. Previously, Mr. McChesney was an officer and director of Paulson Investment Co. and Paulson Capital Corporation from March 1977 to June 1995.

ROBERT J. SULLIVAN has served as a director of the Company since November 1994. Prior to joining the Company he served as a financial consultant of the Company from July 1993 to June 1994. Mr. Sullivan served as Chief Financial Officer of Unifast Industries, Inc. from June 1990 to November 1991, and General Manager of Reserve Supply Company of Long Island from July 1992 to December 1993. Additionally, Mr. Sullivan has an extensive career of over 33 years in financial management, as both a CPA and audit manager with Price Waterhouse & Co. and as a member of executive management with companies listed on NYSE and

AMEX such as American Express Company, Bush Universal, Inc., Cablevision Systems, Inc. and Micron Products, Inc.

CHARLES B. RUSSELL , CPA, has served as Chief Financial Officer, Treasurer and Assistant Secretary of the Company since November 1996. Prior to joining the Company he served as Vice President Finance of DAKA Restaurants, Inc., a $300 million diversified food service company, from October 1995. From June 1992 to October 1995, Mr. Russell served as Corporate Controller and Vice President Finance and Treasurer of Rax Restaurants, Inc. Rax Restaurants, Inc. entered Chapter 11 bankruptcy on November 23, 1992 and emerged from bankruptcy pursuant to a plan of reorganization on November 8, 1993. Mr. Russell was a financial manager with Limited Express, Inc. from June 1990 to June 1992. Prior to joining Limited Express, Inc. Mr. Russell served eight years in public accounting with Laventhal & Horwath and Deloitte Haskins and Sells.

SCOTT J. SABO has served as Director of Operations of the Company since February 1995. Mr. Sabo joined the Company June 1990 and held positions within the Company as a customer service representative, sales manager, branch manager and area director before being promoted to Regional Director, Eastern Region in June 1994. Prior to joining the Company he was employed by Labor World, a national temporary labor service company, from April 1987 to May 1990, as a branch manager.

ROBERT H. SOVERN has served as Assistant Treasurer of the Company since June 1996. Mr. Sovern joined the Company in March 1996 as Director of Accounts Receivable, Credit and Collection. Prior to joining the Company he was an entrepreneur operating Hallmark gift shops since August 1989. Mr. Sovern was President and Chief Executive Officer of Heritage Savings and Loan Association, Olympia, WA from December 1984 to July 1989 and served as an executive with Great Northwest Federal Savings, Bremerton and Poulsbo, WA from July 1977 to December 1984. Mr. Sovern also served as a banking officer for three years with Federal Home Loan Bank and University Federal Savings.

KEITH T. TERRANO has served as Director of Risk Management of the Company since April 1996. Prior to joining the Company he was Vice President of Cornerstone Insurance Company and Senior Director of Risk Management of Hillhaven Corporation from October 1987 to March 1996.

TODD A. WELSTAD has served as Director of Management Information Systems of the Company since October 1994. Mr. Welstad joined the Company in January 1994 as the manager of the Tacoma branch office and in August 1994 was promoted to a Systems Analyst in the MIS Department. Prior to joining the Company he was employed as a Technical Supervisor at Micro-Rel, a division of Medtronics, from February 1989 to December 1994.

PAUL A. RIECKERS, CPA, has served as Corporate Controller since December 1996. Prior to joining the Company, Mr. Rieckers served four years in public accounting with BDO Seidman, LLP.

ITEM 11. EXECUTIVE COMPENSATION

The Company's Chief Executive Officer and Executive Vice President each received the compensation set forth below in 1996. None of the other executive officers of the Company received compensation in excess of $100,000 in 1996.

SUMMARY COMPENSATION TABLE (1)

	ANNUAL COMPENSATION		LONG -TERM COMPENSATION AWARDS
Name and Position	Year	Salary ($)	Securities Underlying Options/ SARs(#)
Glenn A. Welstad	1996	401,486	-
Chairman of the Board, Chief	1995	375,000	-
Executive Officer and President	1994	216,653	-
Ralph E. Peterson	1996	154,772	225,000
Executive Vice President and	1995	--	-
Chief Operating Officer	1994	--	-

(1) None of the named executives received compensation reportable under the Restricted Stock Awards or Long-Term Incentive Plan Payouts columns.

OPTION GRANTS DURING 1996 FISCAL YEAR

The following table provides information related to options granted to the named executive officers during 1996.
<TABLE>

<CAPTION>

OPTION/SAR GRANTS IN LAST FISCAL YEAR

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM (1)		
Name	Number of Securities Underlying Options/SARS Granted (2)	% of total Options/SARS Granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)(3)	Expiration Date	0%	5%	10%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Ralph E. Peterson							
Executive Vice President and	75,000	27%	7.93	2/26/01	$105,002	$342,982	$644,900
Chief Operating Officer	150,000	54%	13.38	10/30/01	$ --	$1,500,072	$2,366,023

</TABLE>

(1) The potential realizable value portion of the table illustrates value that might be realized upon exercise of the options immediately prior to the expiration of their term, assuming the specified compounded rates of appreciation on the Company's Common Stock over the term of the options. These numbers do not take into account certain provisions of the options providing for cancellation of the option following termination of employment.

(2) Options to acquire shares of Common Stock, each of which vest 1/4 annually, beginning October 30, 1997.

(3) The option exercise price may be paid in shares of Common Stock owned by the executive officer, in cash, or in any other form of valid consideration or a combination of any of the foregoing, as determined by the Compensation Committee in its discretion.

OPTION EXERCISES DURING 1996 AND YEAR END OPTION VALUES

The following table provides information related to options exercised by the named executive officers during 1996 and the number and value of options held at year end. The Company does not have any outstanding stock appreciation rights ("SARs").
<TABLE>
<CAPTION>

AGGREGATE OPTION/SAR EXERCISES IN 1996 AND
YEAR END OPTION/SAR VALUE

	NUMBER OF UNEXERCISED OPTIONS/SARS AT DECEMBER 31, 1996 (#)		NUMBER OF UNEXERCISED OPTIONS/SARS AT DECEMBER 31, 1996 (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT DECEMBER 31, 1996 ($) (1)	
NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Ralph E. Peterson Executive Vice President and Chief Operating Officer	--	--	45,000	180,000	$ 74,175	$ 296,700

</TABLE>

- ----------------------------
(1) The closing price for the Company's common stock as reported by Nasdaq on December 31, 1996, was $12.88.

COMPENSATION COMMITTEE:

The Company's executive compensation is determined by a compensation committee comprised of three members of the Board of Directors. Messrs. Junck, Welstad and Sullivan (Chairman) are members of the Compensation Committee. Compensation is determined by the Directors using comparative statistics from other temporary labor service businesses.

EMPLOYMENT AGREEMENTS:

On October 31, 1995, the Company entered into an employment agreement with Glenn Welstad, the Company's chairman and chief executive officer, which provides for annual compensation of $31,250 per month, subject to annual increases on the anniversary date of the agreement of 10% of the prior period's base salary. In addition, the employment agreement provides for a bonus, as determined by the compensation committee, based on Mr. Welstad's performance, and the overall performance of the Company. The term of Mr. Welstad's employment agreement runs from October 31, 1995 through December 31, 1998.

The Company and Scott Sabo, Director of Operations, are parties to an employment agreement dated December 19, 1994, whereby Mr. Sabo agreed to serve as Regional Director or in such other capacity as the Company shall direct. The agreement provides for both salary plus commissions. Mr. Sabo's employment with the Company is on an "at will" basis and may be terminated by either party at any time.

ITEM 12. PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of each class of equity securities of the Company as of December 31, 1996 for (i) each person known to the Company to own beneficially 5% or more of any such class as of December 31, 1996, (ii) each director of the Company, (iii) each executive officer of the Company required to be identified as a Named Executive Officer pursuant to Item 402 of Regulation S-K and (iv) all officers and directors of the Company as a group. Except as otherwise noted, the named beneficial owner has sole voting and investment power. See "Management" for a description of each individual's position with the Company, if any.

NAME & ADDRESS OF BENEFICIAL OWNER	TITLE OF CLASS	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (NUMBER OF SHARES)(1)	PERCENT OF CLASS
Glenn A. Welstad (2)	Common Stock	1,771,257	14.3%
	Preferred Stock	1,308,488	66.1%
Ralph E. Peterson (3)	Common Stock	60,000	0.5%
Ronald L. Junck (4)	Common Stock	65,187	0.5%
Richard W. Gasten (4)	Common Stock	450	*
Thomas E. McChesney (5). . . .	Common Stock	39,187	0.3%
Robert J. Sullivan (5)	Common Stock	10,950	5.2%
All Officers and Directors as Group (12 Individuals)	Common Stock	2,027,432	16.7%
	Preferred Stock	1,308,488	66.1%

- ---------------------
* Less than 1%.

(1) Beneficial ownership is calculated in accordance with Rule 13d-3(d)(1) of the Securities Exchange Act of 1934, as amended and includes shares of Common Stock issuable upon exercise of options, warrants, and other securities convertible into or exchangeable for Common Stock currently exercisable or exercisable within 60 days of December 31, 1996.

(2) The business address of Mr. Welstad is 1016 S. 28th Street, Tacoma, WA., 98409.

(3) Includes currently exercisable options to purchase 15,000 shares of Common Stock at $7.93 per share and 30,000 shares of Common Stock at $13.375 per share.

(4) Includes currently exercisable options to purchase 450 shares of Common Stock at $9.07 per share.

(5) Includes currently exercisable options to purchase 450 shares of Common Stock at $4.97 per share.

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-20 of this Form 10-K. The Financial Statement Table of Contents is on Page F-1. The Exhibit Index is found on Page 24 of this Form 10-K.

No reports on Form 8-K were filed during the quarter ended December 31, 1996.

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/ Glenn Welstad 3/11/97

Signature Date
By: Glenn Welstad, Chairman of the Board,
Chief Executive Officer and 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/ Glenn A. Welstad 3/11/97
- --
Signature Date
Glenn A. Welstad, Chairman of the Board, Chief Executive Officer and President

/s/ Ralph E. Peterson 3/11/97
- --
Signature Date
Ralph E. Peterson, Chief Operating Officer and Director

/s/ Charles B. Russell 3/11/97
- --
Signature Date
Charles B. Russell, Chief Financial Officer, Treasurer and Assistant Secretary

Ronald L. Junck 3/11/97
- --
Signature Date
Ronald L. Junck, Secretary and Director

Robert J. Sullivan 3/11/97
- --
Signature Date
Robert J. Sullivan, Director

Thomas E. McChesney 3/11/97
- --
Signature Date
Thomas E. McChesney, Director

EXHIBIT INDEX

FORM 10-K
LABOR READY, INC

EXHIBIT INDEX

Exhibit Number	Description	Page

3	Articles of Incorporation	*
3.1	Articles of Amendment to Articles of Incorporation	*
3.2	Bylaws	*
4	Instruments Defining Rights of Security Holders	*
10	Material Contracts	
1.1	Warrant Purchase Agreements	*
1.2	Executive Employment Agreement between LR and Glenn A.Welstad	*
1.3	Employment Agreement between LR and Scott Sabo	*
10.4	Business Loan Agreement between LR and U.S. Bank of Washington, N.A., dated September 10, 1996.	
10.5	Form of Lease for LR dispatch office	*
10.6	1996 Labor Ready Employee Stock Option and Incentive Plan	*
10.7	1996 Employee Stock Purchase Plan	*
11	Computation of Earnings Per Share	
27	Financial Data Schedule	

* As previously filed in the Company's Form 10 Registration Statement, SEC File No. 0-23828.

COPIES OF EXHIBITS MAY BE OBTAINED UPON REQUEST DIRECTED TO MR. CHARLES B. RUSSELL, LABOR READY, INC., 1016 S. 28TH STREET, TACOMA, WASHINGTON, 98409.

EXHIBIT 10.4

BUSINESS LOAN AGREEMENT BETWEEN LABOR READY, INC. AND U.S. BANK OF WASHINGTON, N.A., DATED SEPTEMBER 10, 1996.

EXHIBIT 10.4

[U.S. BANK LOGO]

BUSINESS LOAN AGREEMENT

<TABLE>
<CAPTION>

Principal	Loan Date	Maturity	Loan No.	Call	Collateral	Account	Officer	Initials
$20,000,000.00	08-10-1996	06-30-1998	397 - 83	36522	365	4919402202	55640	

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item.

</TABLE>

Borrower: LABOR READY, INC.
2156 PACIFIC AVE.
TACOMA, WA 98402

LENDER: U.S. BANK OF WASHINGTON, NATIONAL ASSOCIATION
Tacoma Corporate Banking
1145 Broadway, Suite 1100
Tacoma, WA 98402

THIS BUSINESS LOAN AGREEMENT between LABOR READY, INC. ("Borrower") and U.S. BANK OF WASHINGTON, NATIONAL ASSOCIATION ("Lender") is made and executed on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans and other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement. All such loans and financial accommodations, together with all future loans and financial accommodations from Lender to Borrower, are referred to in this Agreement individually as the "Loan and collectively as the "Loans." Borrower understands and agrees that: (a) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements, as set forth in this Agreement; (b) the granting, renewing, or extending of any Loan by Lender at all times shall be subject to Lender's sole judgment and discretion; and (c) all such Loans shall be and shall remain subject to the following terms and conditions of this Agreement.

TERM. This Agreement shall be effective as of September 10, 1996, and shall continue thereafter until all indebtedness of Borrower to Lender has been performed in full and the parties terminate this Agreement in writing.

DEFINITIONS. The following words shall have the following meanings when used in this Agreement. Terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. All references to dollar amounts shall mean amounts in lawful money of the United States of America.

Agreement. The word "Agreement" means this Business Loan Agreement, as this Business Loan Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Business Loan Agreement from time to time.

Borrower. The word "Borrower" means LABOR READY, INC. The word "Borrower" also includes, as applicable, all subsidiaries and affiliates of Borrower as provided below in the paragraph titled "Subsidiaries and Affiliates."

CERCLA. The word "CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.

Cash Flow. The words "Cash Flow" mean net income after taxes, and exclusive of extraordinary gains and income, plus depreciation and amortization.

Collateral. The word "Collateral" means and includes without limitation all property and assets granted as collateral security for a Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, deed of trust, assignment, pledge, chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

Debt. The word "Debt" means all of Borrower's liabilities excluding Subordinated Debt.

ERISA. The word "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

Event of Default. The words "Event of Default" mean and include without limitation any of the Events of Default set forth below in the section titled "EVENTS OF DEFAULT."

Grantor. The word "Grantor" means and includes without limitation each and all of the persons or entities granting a Security Interest in any Collateral for the Indebtedness, including without limitation all Borrowers granting such a Security Interest.

Guarantor. The word "Guarantor" means and includes without limitation each and all of the guarantors, sureties, and accommodation parties in connection with any indebtedness.

Indebtedness. The word "Indebtedness" means and includes without limitation all Loans, together with all other obligations, debts and liabilities of Borrower to Lender, or any one or more of them, as well as all claims by Lender against Borrower, or any one or more of them; whether now or hereafter existing, voluntary or involuntary, due or not due, absolute or contingent, liquidated or unliquidated; whether Borrower may be liable individually or jointly with others; whether Borrower may be obligated as a guarantor, surety, or otherwise; whether recovery upon such indebtedness may be or hereafter may be or hereafter may become barred by any statute of limitations; and whether such indebtedness may be or hereafter may become otherwise unenforceable.

Lender. The word "Lender" means U.S. BANK OF WASHINGTON, NATIONAL ASSOCIATION, its successors and assigns.

Liquid Assets. The words "Liquid Assets" mean Borrower's cash on hand plus Borrower's readily marketable securities.

Loan. The word "Loan" or "Loans" means and includes without limitation any and all commercial loans and financial accommodations from Lender to Borrower, whether now or hereafter existing, and however evidenced, including without limitation those loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time.

Note. The word "Note" means and includes without limitation Borrower's promissory note or notes, if any, evidencing Borrower's Loan obligations in favor of Lender, as well as any substitute, replacement or refinancing note or notes therefor.

Permitted Liens. The words "Permitted Liens" mean: (a) liens and security interests securing Indebtedness owed by Borrower to Lender; (b) liens for taxes, assessments, or similar charges either not yet due or being contested in good faith; (c) liens of materialmen, mechanics, warehousemen, or carriers, or other like liens arising in the ordinary course of business and securing obligations which are not yet delinquent; (d) purchase money liens or purchase money security interests upon or in any property acquired or held by Borrower in the ordinary course of business to secure indebtedness outstanding on the date of this Agreement or permitted to be incurred under the paragraph of this Agreement titled "Indebtedness and Liens"; (e) liens and security interests which, as of the date of this Agreement, have been disclosed to and approved by the Lender in writing; and (f) these liens and security interests which in the aggregate constitute an immaterial and insignificant monetary amount with respect to the net value of Borrower's assets.

Related Documents. The words "Related Documents" mean and include without limitation all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

Security Agreement. The words "Security Agreement" mean and include without limitation any agreements, promises, covenants, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

Security Interest. The words "Security Interest" mean and include without limitation any type of collateral security, whether in the form of a lien, charge, mortgage, deed of trust, assignment, pledge, chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment

intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

SARA. The word "SARA" means the Superfund Amendments and Reauthorization Act of 1986 as now or hereafter amended.

Subordinated Debt. The words "Subordinated Debt" mean indebtedness and liabilities of Borrower which have been subordinated by written agreement to indebtedness owed by Borrower to Lender in form and substance acceptable to Lender.

Tangible Net Worth. The words "Tangible Net Worth" mean Borrower's total assets excluding all intangible assets (i.e., goodwill, trademarks, patents, copyrights, organizational expenses, and similar intangible items, but including leaseholds and leasehold improvements) less total Debt.

Working Capital. The words "Working Capital" mean Borrower's current assets, excluding prepaid expenses, less Borrower's current liabilities.

CONDITIONS PRECEDENT TO EACH ADVANCE. Lender's obligation to make the initial Loan Advance and each subsequent Loan Advance under this Agreement shall be subject to the fulfillment to Lender's satisfaction of all of the conditions set forth in this Agreement and in the Related Documents.

Loan Documents. Borrower shall provide to Lender in form satisfactory to Lender the following documents for the Loan: (a) the Note, (b) Security Agreements granting to Lender security interests in the Collateral, (c) Financing Statements perfecting Lender's Security Interests; (d) evidence of insurance as required below; and (e) any other documents required under this Agreement or by Lender or its counsel.

Borrower's Authorization. Borrower shall have provided in form and substance satisfactory to Lender properly certified resolutions, duly authorizing the execution and delivery of this Agreement, the Note and the Related Documents, and such other authorizations and other documents and instruments as Lender or its counsel, in their sole discretion, may require.

Payment of Fees and Expenses. Borrower shall have paid to Lender all fees, charges, and other expenses which are then due and payable as specified in this Agreement or any Related Document.

Representations and Warranties. The representations and warranties set forth in this Agreement, in the Related Documents, and in any document or certificate delivered to Lender under this Agreement are true and correct.

No Event of Default. There shall not exist at the time of any advance a condition which would constitute an Event of Default under this Agreement.

REPRESENTATION AND WARRANTIES. Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each disbursement of Loan proceeds, as of the date of any renewal; extension or modification of any Loan, and at all times any indebtedness exists:

Organization. Borrower is a corporation which is duly organized, validly existing, and in good standing under the laws of the State of Washington and is validly existing and in good standing in all states in which Borrower is doing business. Borrower has the full power and authority to own its properties and to transact the businesses in which it is presently engaged or presently proposes to engage. Borrower also is duly qualified as a foreign corporation and is in good standing in all states in which the failure to so qualify would have a material adverse effect on its businesses or financial condition.

Authorization. The execution, delivery, and performance of this Agreement and all Related Documents by Borrower, to the extent to be executed, delivered or performed by Borrower, have been duly authorized by all necessary action by Borrower; do not require the consent or approval of any other person, regulatory authority or governmental body; and do not conflict with, result in a violation of, or constitute a default under (a) any provision of its articles of incorporation or organization, or bylaws, or any agreement or other instrument binding upon Borrower or (b) any law, governmental regulation, court decree, or order applicable to Borrower.

Financial Information. Each financial statement of Borrower supplied to Lender truly and completely disclosed Borrower's financial condition as of the date of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

Legal Effect. This Agreement constitutes, and any instrument or agreement required hereunder to be given by Borrower when delivered will constitute, legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

Properties. Except as contemplated by this Agreement or as previously disclosed in Borrower's financial statements or in writing to Lender and as accepted by Lender, and except for property tax liens for taxes not presently due and payable, Borrower owns and has good title to all of Borrower's properties free and clear of all Security Interests, and has not executed any security documents or financing statements relating to such properties. All of Borrower's properties are titled in Borrower's legal name, and Borrower has not used, or filed a financing statement under, any other name for at least the last five (5) years.

Hazardous Substances. The terms "hazardous waste," "hazardous substance," "disposal," "release," and "threatened release," as used in this Agreement, shall have the same meanings as set forth in the "CERCLA," "SARA," the Hazardous Materials

Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or Federal laws, rules, or regulations adopted pursuant to any of the foregoing. Except as disclosed to and acknowledged by Lender in writing, Borrower represents and warrants that: (a) During the period of Borrower's ownership of the properties, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any hazardous waste or substance by any person on, under, about or from any of the properties. (b) Borrower has no knowledge of, or reason to believe that there has been (i) any use, generation, manufacture, storage, treatment, disposal, release, or threatened release of any hazardous waste or substance on, under, about or from the properties by any prior owners or occupants of any of the properties, or (ii) any actual or threatened litigation or claims of any kind by any person relating to such matters. (c) Neither Borrower nor any tenant, contractor, agent or other authorized user of any of the properties shall use, generate, manufacture, store, treat, dispose of, or release any hazardous waste or substance on, under, about or from any of the properties; and any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations, and ordinances, including without limitation those laws, regulations and ordinances described above. Borrower authorizes Lender and its agents to enter upon the properties to make such inspections and tests as Lender may deem appropriate to determine compliance of the properties with this section of the Agreement. Any inspections or tests made by Lender shall be at Borrower's expense and for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Borrower or to any other person. The representations and warranties contained herein are based on Borrower's due diligence in investigating the properties for hazardous waste and hazardous substances. Borrower hereby (a) releases and waives any future claims against Lender for indemnity or contribution in the event Borrower becomes liable for cleanup or other costs under any such laws, and (b) agrees to indemnify and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Agreement or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release occurring prior to Borrower's ownership or interest in the properties, whether or not the same was or should have been known to Borrower. The provisions of this section of the Agreement, including the obligation to indemnify, shall survive the payment of the Indebtedness and the termination or expiration of this Agreement and shall not be affected by Lender's acquisition of any interest in any of the properties, whether by foreclosure or otherwise.

Litigation and Claims. No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Borrower is pending or threatened, and no other event has occurred which may materially adversely affect Borrower's financial condition or properties, other than litigation, claims, or other events, if any, that have been disclosed to and acknowledged by Lender in writing.

Taxes. To the best of Borrower's knowledge, all tax returns and reports of Borrower that are or were required to be filed, have been filed, and all taxes, assessments and other

governmental charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided.

Lien Priority. Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements, or permitted the filing or attachment of any Security Interests on or affecting any of the Collateral directly or indirectly securing repayment of Borrower's Loan and Note, that would be prior or that may in any way be superior to Lender's Security Interests and rights in and to such Collateral.

Binding Effect. This Agreement, the Note, all Security Agreements directly or indirectly securing repayment of Borrower's Loan and Note and all of the Related Documents are binding upon Borrower as well as upon Borrower's successors, representatives and assigns, and are legally enforceable in accordance with their respective terms.

Commercial Purposes. Borrower intends to use the Loan proceeds solely for business of commercial related purposes.

Employee Benefit Plans. Each employee benefit plan as to which Borrower may have any liability complies in all material respects with all applicable requirements of law and regulations, and (i) no Reportable Event nor Prohibited Transaction (as defined in ERISA) has occurred with respect to any such plan, (ii) Borrower has not withdrawn from any such plan or initiated steps to do so, (iii) no steps have been taken to terminate any such plan, and (iv) there are no unfunded liabilities other than those previously disclosed to Lender in writing.

Location of Borrower's Offices and Records. Borrower's place of business, or Borrower's Chief executive office, if Borrower has more than one place of business, is located at 2156 PACIFIC AVE., TACOMA, WA 98402. Unless borrower has designated otherwise in writing this location is also the office or offices where Borrower keeps its records concerning the Collateral.

Information. All information heretofore or contemporaneously herewith furnished by Borrower to Lender for the purpose of or in connection with this Agreement or any transaction contemplated hereby is, and all information hereafter furnished by or on behalf of Borrower to Lender will be, true and accurate in every material respect on the date as of which such information is dated or certified; and none of such information is or will be incomplete by omitting to state any material fact necessary to make such information not misleading.

Survival of Representations and Warranties. Borrower understands and agrees that Lender, without independent investigation, is relying upon the above representations and warranties in extending Loan Advances to Borrower. Borrower further agrees that the foregoing representations and warranties shall be continuing in nature and shall remain in full force and effect until such time as Borrower's Indebtedness shall be paid in full, or

until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender that, while this Agreement is in effect, Borrower will:

Litigation. Promptly inform Lender in writing of (a) all material adverse changes in Borrower's financial condition, and (b) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.

Financial Records. Maintain its books and records in accordance with generally accepted accounting principles, applied on a consistent basis, and permit Lender to examine and audit Borrower's books and records at all reasonable times.

Financial Statements. Furnish Lender with, as soon as available, but in no event later than one hundred twenty (120) days after the end of each fiscal year, Borrower's balance sheet and income statement for the year ended, audited by a certified public accountant satisfactory to Lender, and, as soon as available, but in no event later than forty five (45) days after the end of each fiscal quarter, Borrower's balance sheet and profit and loss statement for the period ended, prepared and certified as correct to the best knowledge and belief by Borrower's chief financial officer or other officer or person acceptable to Lender. All financial reports required to be provided under this Agreement shall be prepared in accordance with generally accepted accounting principles, applied on a consistent basis, and certified by Borrower as being true and correct.

Additional Information. Furnish such additional information and statements, lists of assets and liabilities, agings of receivable and payables, inventory schedules, budgets, forecasts, tax returns, and other reports with respect to Borrower's financial condition and business operations as Lender may request from time to time.

Financial Covenants and Ratios. Comply with the following covenants and ratios:

Tangible Net Worth. Maintain a minimum Tangible Net Worth of not less than $35,000,000.00.

Net Worth Ratio. Maintain a ratio of Total Liabilities to Tangible Net Worth of less than 1.00 to 1.00.

Working Capital. Maintain Working Capital in excess of $20,000,000.00.

Cash Flow Requirements. Maintain Cash Flow at not less than the following level: 2.50 to 1.00; THE CASH FLOW COVERAGE RATIO WILL BE MEASURED AT THE FISCAL YEAR END ONLY, DEFINED AS NET PROFIT AFTER

TAX PLUS NON-CASH CHARGES PLUS INTEREST EXPENSE DIVIDED BY INTEREST EXPENSE. Except as provided above, all computations made to determine compliance with the requirements contained in this paragraph shall be made in accordance with generally accepted accounting principles, applied on a consistent basis, and certified by Borrower as being true and correct.

Insurance. Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, coverages and with insurance companies reasonably acceptable to Lender. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such loss payable or other endorsements as Lender may require.

Insurance Reports. Furnish to Lender, upon request of Lender, reports on each existing insurance policy showing such information as Lender may reasonably request, including without limitation the following: (a) the name of the insurer; (b) the risks insured; (c) the amount of the policy; (d) the properties insured; (e) the then current property values on the basis of which insurance has been obtained, and the manner of determining those values; and (f) the expiration date of the policy. In addition, upon request of Lender (however not more often than annually), Borrower will have an independent appraiser satisfactory to Lender determine, as applicable, the actual cash value or replacement cost of any Collateral. The cost of such appraisal shall be paid by Borrower.

Other Agreements. Comply with all terms and conditions of all other agreements, whether now or hereafter existing, between Borrower and any other party and notify Lender immediately in writing of any default in connection with any other such agreements.

Loan Proceeds. Use all Loan proceeds solely for Borrower's business operations, unless specifically consented to the contrary by Lender in writing.

Taxes, Charges and Liens. Pay and discharge when due all of its indebtedness and obligations, including without limitation all assessments, taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income or profits, prior to the date on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits. Provided however, Borrower will not be required to pay and discharge any such assessment, tax, charge, levy, lien or claim so long as (a) the legality of the same shall be contested in good faith by appropriate proceedings, and (b) Borrower shall have

established on its books adequate reserves with respect to such contested assessment, tax, charge, levy, lien, or claim in accordance with generally accepted accounting practices. Borrower, upon demand of Lender, will furnish to Lender evidence of payment of the assessments, taxes, charges, levies, liens and claims and will authorize the appropriate governmental official to deliver to Lender at any time a written statement of any assessments, taxes, charges, levies, liens and claims against Borrower's properties, income, or profits.

Performance. Perform and comply with all terms, conditions, and provisions set forth in this Agreement and in the Related Documents in a timely manner, and promptly notify Lender if Borrower learns of the occurrence of any event which constitutes an Event of Default under this Agreement or under any of the Related Documents.

Operations. Maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel; provide written notice to Lender of any change in executive and management personnel; conduct its business affairs in a reasonable and prudent manner and in compliance with all applicable federal, state and municipal laws, ordinances, rules and regulations respecting its properties, charters, businesses and operations, including without limitation, compliance with the American With Disabilities Act and with all minimum funding standards and other requirements of ERISA and other laws applicable to Borrower's employee benefit plans.

Inspection. Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Loan or Loans and Borrower's other properties and to examine or audit Borrower's books, accounts, and records and to make copies and memoranda of Borrower's books, accounts, and records. If Borrower now or at any time hereafter maintains any records (including without limitation computer generated records and computer software programs for the generation of such records) in the possession of a third party, Borrower, upon request of Lender, shall notify such party to permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at Borrower's expense.

Compliance Certificate. Unless waived in writing by Lender, provide Lender NOT REQUIRED and at the time of each disbursement of Loan proceeds with a certificate executed by Borrower's chief financial officer, or other officer or person acceptable to Lender, certifying that the representations and warranties set forth in this Agreement are true and correct as of the date of the certificate and further certifying that, as of the date of the certificate, no Event of Default exists under this Agreement.

Environmental Compliance and Reports. Borrower shall comply in all respects with all environmental protection federal, state and local laws, statutes, regulations and ordinances; not cause or permit to exist, as a result of an intentional or unintentional action or omission on its part or on the part of any third party, on property owned and/or occupied by Borrower, any environmental activity where damage may result to the environment, unless such environmental activity is pursuant to and in compliance with the conditions of a permit issued by the appropriate federal, state or local governmental authorities; shall furnish to Lender promptly and in any event within thirty (30) days after receipt thereof a copy of any notice, summons, lien, citation, directive, letter or other communication from any governmental agency or instrumentality concerning any intentional or unintentional action or omission on Borrower's part in connection with any environmental activity whether or not there is damage to the environment and/or other natural resources.

Additional Assurances. Make, execute and deliver to Lender such promissory notes, mortgages, deeds of trust, security agreements, financing statements, instruments, documents and other agreements as Lender or its attorneys may reasonably request to evidence and secure the Loans and to perfect all Security Interests.

RECOVERY OF ADDITIONAL COSTS. If the imposition of or any change in any law, rule, regulation or guideline, or the interpretation or application of any thereof by any court or administrative or governmental authority (including any request or policy not having the force of law) shall impose, modify or make applicable any taxes (except U.S. federal, state or local income or franchise taxes imposed on Lender), reserve requirements, capital adequacy requirements or other obligations which would (a) increase the cost to Lender for extending or maintaining the credit facilities to which this Agreement relates, (b) reduce the amounts payable to Lender under this Agreement or the Related documents, or (c) reduce the rate of return on Lender's capital as a consequence of Lender's obligations with respect to the credit facilities to which this Agreement relates, then Borrower agrees to pay Lender such additional amounts as will compensate Lender therefor, within five (5) days after Lender's written demand for such payment, which demand shall be accompanied by an explanation of such imposition or charge and a calculation in reasonable detail of the additional amounts payable by Borrower, which explanation and calculations shall be conclusive in the absence of manifest error.

NEGATIVE COVENANTS. Borrower covenants and agrees with Lender that while this Agreement is in effect, Borrower shall not, without the prior written consent of Lender:

Indebtedness and Liens. (a) Except for trade debt incurred in the normal course of business and indebtedness to Lender contemplated by this Agreement, create, incur or assume Indebtedness for borrowed money, including capital leases, (b) except as allowed as a Permitted Lien, sell, transfer, mortgage, assign, pledge, lease, grant a security interest in, or encumber any of Borrower's assets, or (c) sell with recourse any of Borrower's accounts, except to Lender.

Continuity of Operations. (a) Engage in any business activities substantially different than those in which Borrower is presently engaged, (b) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change ownership, change its name, dissolve or transfer or sell Collateral out of the ordinary course of business, (c) pay any dividends on Borrower's stock (other than dividends payable in its stock), provided, however that notwithstanding the foregoing, but only so long as no Event of Default has

occurred and is continuing or would result from the payment of dividends, if Borrower is a "Subchapter S Corporation" (as defined in the Internal Revenue Code of 1986, as amended), Borrower may pay cash dividends on its stock to its shareholders from time to time in amounts necessary to enable the shareholders to pay income taxes and make estimated income tax payments to satisfy their liabilities under federal and state law which arise solely from their status as Shareholders of a Subchapter S Corporation because of their ownership of shares of stock of Borrower, or (d) purchase or retire any of Borrower's outstanding shares or alter or amend Borrower's capital structure.

Loans, Acquisitions and guaranties. (a) Loan, invest or advance money or assets, (b) purchase, create or acquire any interest in any other enterprise or entity, or (c) incur any obligation as surety or guarantor other than in the ordinary course of business.

CESSATION OF ADVANCES. If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan Advances or to disburse Loan proceeds if: (a) Borrower or any Guarantor is in default under the terms of this Agreement or any of the Related Documents or any other agreement that Borrower or any Guarantor has with Lender; (b) Borrower or any Guarantor becomes insolvent, files a petition in bankruptcy or similar proceedings, or is adjudged a bankrupt; (c) there occurs a material adverse change in Borrower's financial condition, in the financial condition of any Guarantor, or in the value of any Collateral securing any Loan; (d) any Guarantor seeks, claims or otherwise attempts to limit, modify or revoke such Guarantor's guaranty of the Loan or any other loan with Lender; or (e) Lender in good faith deems itself insecure, even though no Event of Default shall have occurred.

ACCESS LAWS. Without limiting the generality of any provision of this agreement requiring Borrower to comply with applicable laws, rules, and regulations, Borrower agrees that it will at all times comply with applicable laws relating to disabled access including, but not limited, to, all applicable titles of the Americans with Disabilities Act of 1990.

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

RIGHT OF SETOFF. Borrower grants to Lender a contractual possessory security interest in, and hereby assigns, conveys, delivers, pledges, and transfers to Lender all Borrower's right, title and interest in and to, Borrower's accounts with Lender (whether checking, savings, or some other account), including without limitation all accounts held jointly with someone else and all accounts Borrower may open in the future, excluding however all IRA and Keogh accounts, and all trust accounts for which the grant of a security interest would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts.

EVENTS OF DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Default on Indebtedness. Failure of Borrower to make any payment when due on the Loans.

Other Defaults. Failure of Borrower or any Grantor to comply with or to perform when due any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents, or failure of Borrower to comply with or to perform any other term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Should Borrower or any Grantor default under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's or any Grantor's ability to repay the Loans or perform their respective obligations under this Agreement or any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by or on behalf of Borrower or any Grantor under this Agreement or the Related Documents is false or misleading in any material respect at the time made or furnished, or becomes false or misleading at any time thereafter.

Defective Collateralization. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any Security Agreement to create a valid and perfected Security Interest) at any time and for any reason.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower, any creditor of any Grantor against any collateral securing the Indebtedness, or by any governmental agency. This includes a garnishment, attachment, or levy on or of any of Borrower's deposit accounts with Lender.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

Change in Ownership. Any change in ownership of twenty-five percent (25%)

or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

Insecurity. Lender, in good faith, deems itself insecure.

EFFECT OF AN EVENT OF DEFAULT. If any Event of Default shall occur, except where otherwise provided in this Agreement or the Related Documents, all commitments and obligations of Lender under this Agreement or the Related Documents or any other agreement immediately will terminate (including any obligation to make Loan Advances or disbursements), and, at Lender's option, all Indebtedness immediately will become due and payable, all without notice of any kind to Borrower, except that in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, Lender shall have all the rights and remedies provided in the Related Documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of Lender's rights and remedies shall be cumulative and may be exercise singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower or of any Grantor shall not affect Lender's right to declare a default and to exercise its rights and remedies.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Applicable Law. This Agreement has been delivered to Lender and accepted by Lender in the State of Washington. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Pierce County, the State of Washington. Subject to the provisions on arbitration, this Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

Arbitration. Lender and Borrower agree that all disputes, claims and controversies between them, whether individual, joint, or class in nature, arising from this Agreement or otherwise, including without limitation contract and tort disputes, shall be arbitrated pursuant to the Rules of the American Arbitration Association, upon request of either party. No act to take or dispose of any Collateral shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This includes, without limitation, obtaining injunctive relief or a temporary restraining order; invoking a power of sale under any deed of trust or mortgage; obtaining a writ of attachment or imposition of a receiver; or exercising any rights relating to personal property, including taking or disposing of such property with or without judicial process pursuant to Article 9 of the Uniform Commercial Code. Any disputes, claims, or controversies concerning the

lawfulness or reasonableness of any act, or exercise of any right, concerning any Collateral, including any claim to rescind, reform, or otherwise modify any agreement relating to the Collateral, shall also be arbitrated, provided however that no arbitrator shall have the right or the power to enjoin or restrain any act of any party. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. Nothing in this Agreement shall preclude any party from seeking equitable relief from a court of competent jurisdiction. The statute of limitations, estoppel, waiver, laches, and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of an action for these purposes. The Federal Arbitration Act shall apply to the construction, interpretation, and enforcement of this arbitration provision.

Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

Multiple Parties; Corporate Authority. All obligations of Borrower under this Agreement shall be joint and several, and all references to Borrower shall mean each and every Borrower. This means that each of the Borrowers signing below is responsible for all obligations in this Agreement.

Consent to Loan Participation. Borrower agrees and consents to Lender's sale or transfer, whether, now or later, of one or more participation interests in the Loans to one or more purchasers, whether related or unrelated to Lender. Lender may provide, without any limitation whatsoever, to any one or more purchasers, or potential purchasers, any information or knowledge Lender may have about Borrower or about any other matter relating to the Loan, and Borrower hereby waives any rights to privacy it may have with respect to such matters. Borrower additionally waives any and all notices of sale of participation interests as well as all notices of any repurchase of such participation interests. Borrower also agrees that the purchasers of any such participation interests will be considered as the absolute owners of such interests in the Loans and will have all the rights granted under the participation agreement or agreements governing the sale of such participation interests. Borrower further waives all rights of offset or counterclaim that it may have now or later against Lender or against any purchaser of such a participation interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligation under the Loans irrespective of the failure or insolvency of any holder of any interest in the Loans. Borrower further agrees that the purchaser of any such participation interests may enforce its interests irrespective of any personal claims or defenses that Borrower may have against Lender.

Costs and Expenses. Borrower agrees to pay upon demand all of Lender's expenses, including without limitation attorneys' fees, incurred in connection with the preparation, execution, enforcement, modification and collection of this Agreement or in connection with the Loans made pursuant to this Agreement. Lender may pay someone else to help collect the Loans and to enforce this Agreement, and Borrower will pay that amount.

This includes, subject to any limits under applicable law, Lender's attorneys' fees and lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also will pay any court costs, in addition to all other sums provided by law.

Notices. All notices required to be given under this Agreement shall be given in writing, may be sent by telefacsimile, and shall be effective when actually delivered or when deposited with a nationally recognized overnight courier or deposited in the United States mail, first class, postage prepaid, addressed to the party to whom the notice is to be given at the address shown above. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. To the extent permitted by applicable law, if there is more than one Borrower, notice to any Borrower will constitute notice to all Borrowers. For notice purposes, Borrower will keep Lender informed at all times of Borrower's current address(es).

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be invalid or unenforceable as to any person or circumstance, such findings shall not render that provision invalid or unenforceable as to any other persons or circumstances. If feasible, any such offending provision shall be deemed to be modified to be within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of this Agreement in all other respects shall remain valid and enforceable.

Subsidiaries and Affiliates of Borrower. To the extent the context of any provisions of this Agreement makes it appropriate, including without limitation any representation, warranty or covenant, the word "Borrower" as used herein shall include all subsidiaries and affiliates of Borrower. Notwithstanding the foregoing however, under no circumstances shall this Agreement be construed to require Lender to make any Loan or other financial accommodation to any subsidiary or affiliate of Borrower.

Successors and Assigns. All covenants and agreements contained by or on behalf of Borrower shall bind its successors and assigns and shall inure to the benefit of Lender, its successors and assigns. Borrower shall not, however, have the right to assign its rights under this Agreement or any interest therein, without the prior written consent of Lender.

Survival. All warranties, representations, and covenants made by Borrower in this Agreement or in any certificate or other instrument delivered by

Borrower to Lender under this Agreement shall be considered to have been relied upon by Lender and will survive the making of the Loan and delivery to Lender of the Related Documents, regardless of any investigation made by Lender or on Lender's behalf.

Waiver. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the

part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Borrower, or between Lender and any Grantor, shall constitute a waiver of any of Lender's rights or of any obligations of Borrower or of any; Grantor as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent in subsequent instances where such consent is required, and in all cases such consent may be granted or withheld in the sole discretion of Lender.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT, AND BORROWER AGREES TO ITS TERMS. THIS AGREEMENT IS DATED AS OF SEPTEMBER 10, 1996.

BORROWER:

LABOR READY, INC.

By /s/ Ralph E. Peterson
Its: Chief Financial Officer

LENDER:

U.S. BANK OF WASHINGTON, NATIONAL ASSOCIATION

By /s/ Bruce H. Marley
Authorized Officer

ALTERNATIVE RATE OPTIONS
PROMISSORY NOTE
(PRIME RATE, IBOR)

$20,000,000.00 Date: September 10, 1996

LABOR READY, INC. ("Borrower")

U.S. BANK OF WASHINGTON, NATIONAL ASSOCIATION ("Lender")

1. TYPE OF CREDIT. This note is given to evidence Borrower's obligation to repay all sums which Lender may from time to time advance to Borrower ("Advances") under a:

/ / single disbursement loan. Amounts loaned to Borrower hereunder will be disbursed in a single Advance in the amount shown in Section 2.

/X/ revolving line of credit. No Advances shall be made which create a maximum amount outstanding at any one time which exceeds the maximum amount shown in Section 2. However, Advances hereunder may be borrowed, repaid and reborrowed, and the aggregate Advances loaned hereunder from time to time may exceed such maximum amount.

/ / non-revolving line of credit. Each Advance made from time to time hereunder shall reduce the maximum amount available shown in Section 2. Advances loaned hereunder which are repaid may not be reborrowed.

2. PRINCIPAL BALANCE. The unpaid principal balance of all Advances outstanding under this note ("Principal Balance") at one time shall not exceed $20,000,000.00.

3. PROMISE TO PAY. For value received Borrower promises to pay to Lender or order at 1420 5th Avenue, Seattle, WA 98101, the Principal Balance of this

note, with interest thereon at the rate(s) specified in Sections 4 and 11 below.

4. INTEREST RATE. The interest rate on the Principal Balance outstanding may vary from time to time pursuant to the provisions of this note. Subject to the provisions of this note, Borrower shall have the option from time to time of choosing to pay interest at the rate or rates and for the applicable periods of time based on the rate options provided herein; PROVIDED, however, that once Borrower notifies Lender of the rate option chosen in accordance with the provisions of this note, such notice shall constitute Borrower's irrevocable request for an Advance hereunder at the rate option specified in such notice. The rate options are the Prime Borrowing Rate and the IBOR Borrowing Rate, each as defined herein.

(a) The Prime Borrowing Rate.

(i) The Prime Borrowing Rate is a per annum rate equal to Lender's prime rate plus 0.000% per annum.

(ii) Whenever Borrower desires to use the Prime Borrowing Rate option, Borrower shall give Lender notice orally or in writing in accordance with Section 15 of this note, which notice shall specify the requested disbursement date and principal amount of the Advance, and that Borrower has chosen the Prime Borrowing Rate option.

(iii) Prepayments of all or any part of the Principal Balance bearing interest at the Prime Borrowing Rate may be made at any time without penalty. Upon prepayment of any such principal amount, Borrower also must pay all accrued interest thereon to the date of prepayment.

(iv) Subject to Section 11 of this note, interest shall accrue on the unpaid Principal Balance at the Prime Borrowing Rate unless and except to the extent that the IBOR Borrowing Rate is in effect.

(b) The IBOR Borrowing Rate.

(i) The following terms shall have the following meanings:

"Business Day" means any day other than a Saturday, Sunday, or other day that commercial banks in Portland, Oregon or New York City are authorized or required by law to close.

"IBOR Amount" means each principal amount for which Borrower chooses to have the IBOR Borrowing Rate apply for any specified IBOR Interest Period.

"IBOR Interest Period" means as to any IBOR Amount, a period of 1, 2, 3 or 6 months commencing on the date the IBOR Borrowing Rate becomes applicable thereto; PROVIDED, however, that: (A) no IBOR Interest Period shall be selected which would extend beyond June 30, 1998; (B) no IBOR Interest Period shall extend beyond the date of any principal payment required under Section 8 of this note, unless the sum of the principal amounts bearing interest at the Prime Borrowing Rate, plus IBOR Amounts with IBOR Interest Periods ending on or before the scheduled date of such principal payment, plus principal amounts remaining unborrowed under a line of credit, equals or exceeds the amount of such principal payment; (C) any IBOR Interest Period which would otherwise expire on a day which is not a Business Day, shall be extended to the next succeeding Business Day, unless the result of such extension would be to extend such IBOR Interest Period into another calendar month, in which event the IBOR Interest Period shall end on the immediately preceding Business Day; and (D) any IBOR Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such IBOR Interest Period) shall end on the last Business Day of a calendar month.

(ii) The IBOR Borrowing Rate is Lender's IBOR Rate plus 1.500% per annum. Lender's IBOR Rate for any IBOR Interest Period is the rate per annum (computed on the basis of a 360-day year and the actual number of days elapsed) equal to the arithmetic average (rounded upward to the nearest 1/16 of 1%) of the rates per annum determined by Lender as of the times specified in Section 4(b)(iii) on the date two (2) Business Days prior to the first day of

such IBOR Interest Period as the rates offered to Lender by three Eurodollar money market dealers in such Eurodollar market as may be selected by Lender for U.S. dollar deposits to be delivered on the first day of such IBOR Interest Period for the number of months therein; PROVIDED, however, that Lender's IBOR Rate shall be adjusted to take into account the maximum reserves required to be maintained for Eurocurrency liabilities by banks during each such IBOR Interest Period as specified in Regulation D of the Board of Governors of the Federal Reserve System or any successor regulation.

(iii) Borrower may obtain IBOR Borrowing Rate quotes from Lender between 8:00 a.m. and 12:00 noon (Portland, Oregon time) on any Business Day. Any IBOR Borrowing Rate quoted (A) before 10:00 a.m. shall be based on Lender's IBOR Rate determined as of approximately 8:00 a.m. on such day, and Borrower may request an Advance at such rate only by giving Lender notice in accordance with Section 4(b)(iv) before 10:00 a.m. on such day; and (B) between 10:00 a.m. and 12:00 noon shall be based on Lender's IBOR Rate determined as of approximately 10:00 a.m. on such day, and Borrower may request an Advance at such rate only by giving Lender notice in accordance with Section 4(b)(iv) not later than 12:00 noon on such day.

(iv) Whenever Borrower desires to use the IBOR Borrowing Rate option, Borrower shall give Lender irrevocable notice (either in writing or orally and promptly confirmed in writing) between 8:00 a.m. and 12:00 noon (Portland, Oregon time) two (2) Business Days in advance of the desired effective date of such rate. Any oral notice shall be given by, and any written notice or confirmation of an oral notice shall be signed by, the person(s) authorized in Section 15 of this note, and shall specify the requested effective date of the rate, IBOR Interest Period and IBOR Amount, and whether Borrower is requesting a new Advance at the IBOR Borrowing Rate under a line of credit, conversion of any portion of the Principal Balance bearing interest at the Prime Borrowing Rate to an IBOR Amount, or a new IBOR Interest Period for an outstanding IBOR Amount. Notwithstanding any other term of this note, Borrower may elect the IBOR Borrowing Rate in the minimum principal amount of $20,000,000.00 and in integral multiples of $1,000,000.00; PROVIDED, however, that no more than 1 separate IBOR Interest Periods may be in effect at any one time.

(v) Borrower may not prepay all or any part of any IBOR Amount(s).

(vi) If at any time Lender's IBOR Rate is unascertainable or unavailable to Lender or if IBOR Rate loans become unlawful, the option to select the IBOR Borrowing Rate shall terminate immediately. If the IBOR Borrowing Rate is then in effect (A) it shall terminate automatically with respect to all IBOR Amounts (i) on the last of each then applicable IBOR Interest Period, if Lender may lawfully continue to maintain such loans, or (ii) immediately if Lender may not lawfully continue to maintain such loans through such day, and (B) subject to Section 11, the Prime Borrowing Rate automatically shall become effective as to such amounts upon such termination.

(vii) If at any time after the date hereof (A) any revision in or adoption of any applicable law, rule, or regulation or in the interpretation or administration thereof (i) shall subject Lender or its Eurodollar lending office to any tax, duty, or other charge, or change the basis of taxation of

payments to Lender with respect to any loans bearing interest based on Lender's IBOR Rate, or (ii) shall impose or modify and reserve, insurance, special deposit, or similar requirements against assets of, deposits with or for the account of, or credit extended by Lender or its Eurodollar lending office, or impose on Lender or its Eurodollar lending office any other condition affecting any such loans, and (B) the result of any of the foregoing is (i) to increase the cost to Lender of making or maintaining any such loans or (ii) to reduce the amount of any sum receivable under this not by Lender or its Eurodollar lending office, Borrower shall pay Lender within 15 days after demand by Lender such additional amount as will compensate Lender for such increased cost or reduction. The determination hereunder by Lender of such additional amount shall be conclusive in the absence of manifest error. If Lender demands compensation under this Section 4(b)(vii), Borrower may upon three (3) Business Days' notice to Lender pay the accrued interest on all IBOR Amounts, together with any additional amounts payable under Section 4(b)(viii). Subject to Section 11, upon Borrower's paying such accrued interest and additional costs, the Prime Borrowing Rate immediately shall be effective with respect to the unpaid principal balance of such IBOR Amounts.

(viii) Upon any termination of any IBOR Borrowing Rate (including but not limited to conversion to another rate) or payment of all or any portion of any IBOR Amount on a date other than the last day of the than applicable IBOR Interest Period, including without limitation (A) acceleration under Section 11 or (B) repayment in response to a notice under Section 4(b)(vii), Borrower shall pay to Lender on demand such amount as Lender reasonably determines (determined as though 100% of the applicable IBOR Amount had been funded in the applicable Eurodollar market) is equivalent to all direct or indirect losses, expenses, liabilities, or reductions in yield to Lender resulting therefrom, whether incurred in connection with liquidation or reemployment of funds or otherwise.

(ix) If Borrower chooses the IBOR Borrowing Rate, Borrower shall pay interest based on such rate, plus any other applicable taxes or charges hereunder, even though Lender may have obtained the funds loaned to Borrower from sources other than the applicable Eurodollar market. Lender's determination of the IBOR Borrowing Rate and any such taxes or charges shall be conclusive in the absence of manifest error.

(x) Notwithstanding any other term of this note, Borrower may not select the IBOR Borrowing Rate if an event of default hereunder has occurred and is continuing.

(xi) Nothing contained in this note, including, without limitation, the determination of any IBOR Interest Period or Lender's quotation of any IBOR Borrowing Rate, shall be construed to prejudice Lender's right, if any, to decline to make any requested Advance or to require payment on demand.

5. COMPUTATION OF INTEREST. All interest under Section 4 and Section 11 will be computed at the applicable rate based on a 360-day year and applied to the actual number of days elapsed.

6. PAYMENT SCHEDULE.

(a) Principal. Principal shall be paid:

/ / on demand.
/X/ on demand, or if no demand, on one payment of all outstanding principal plus all accrued unpaid interest on June 30, 1998.
/ / on .
/ / subject to Section 7, in installments of
/ / each, plus accrued interest
/ / each including accrued interest
beginning on and on the same day of each thereafter until when the entire Principal Balance plus interest thereon shall be due and payable.

/ /

(b) Interest.

(i) Interest on all amounts bearing interest at the Prime Borrowing Rate shall be paid:

/X/ on the 15th day of September and on the same day of each month thereafter prior to maturity and at maturity.
/ / at maturity.
/ / at the time each principal installment is due and at maturity.
/ / -----

(ii) Interest on all IBOR Borrowing Rate Amounts shall be paid:

/ / on the last day of the applicable IBOR Interest Period, and if such IBOR Interest Period is longer than three months, on the last day of each three month period occurring during such IBOR Interest Period, and at maturity.
/X/ on the 15th day of September and on the same day of each month thereafter prior to maturity and at maturity.
/ / at maturity.
/ / at the time each principal installment is due and at maturity.
/ / -----

7. CHANGE IN PAYMENT AMOUNT. If the interest rate on this note is subject to change in accordance with Section 4, the holder of this note may, from time to time, in holder's sole discretion, increase or decrease the amount of each of the installments remaining unpaid at the time of each change in rate to an amount holder in its sole discretion deems necessary to continue amortizing the Principal Balance at the same rate established by the installment amounts specified in Section 6(a), whether or not a "balloon" payment may also be due upon maturity of this note. Holder shall notify the undersigned of each such change in writing. Whether or not the installment amount is increased under this Section 7, Borrower understands that, as a result of increases in the rate of interest in accordance with Section 4, the final payment due, whether or

not a "balloon" payment, shall include the entire Principal Balance and interest thereon then outstanding, and may be substantially more than the installment specified in Section 6.

8. ALTERNATE PAYMENT DATE. Notwithstanding any other term of this note, if in any month there is no day on which a scheduled payment would otherwise be due (e.g. February 31), such payment shall be paid on the last banking day of that month.

9. PAYMENT BY AUTOMATIC CHARGE.

/X/ Please automatically deduct the amount of all principal and interest payments from account number 0547-517821. If there are insufficient funds in the account to pay the automatic deduction in full, Lender may allow the account to become overdrawn, or Lender may reverse the automatic deduction. Borrower will pay all the fees on the account which result from the automatic deductions, including any overdraft/NSF charges. If for any reason Lender does not charge the account for a payment, or if an automatic payment is reversed, the payment is still due according to this note. If the account is a Money Market Account, the number of withdrawals from that account is limited as set out in the agreement. Lender may cancel the automatic deduction at any time in its discretion.

Provided, however, if no account number is entered above, Borrower does not want to make payments by automatic charge.

10. LENDER'S PRIME RATE. Lender's prime rate is the rate of interest which Lender from time to time establishes as its prime rate and is not, for example, the lowest rate of interest which Lender collects from any borrower or class of borrowers. When Lender's prime rate is applicable under Section 4(a) or 11(b), the interest rate hereunder shall be adjusted without notice effective on the day Lender's prime rate changes, but in no event shall the rate of interest be higher than allowed by law.

11. DEFAULT.

(a) Without prejudice to any right of Lender to require payment on demand or to decline to make any requested Advance, each of the following shall be an event of default: (i) Borrower fails to make any payment when due, (ii) Borrower fails to perform or comply with any term, covenant or obligation in this note or any agreement related to this note, or in any other agreement or loan Borrower has with Lender, (iii) Borrower defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this note or perform Borrower's obligations under this note or any related documents, (iv) Any representation or statement made or furnished to Lender by Borrower or on Borrower's behalf is false or misleading in any material respect, (v) Borrower becomes insolvent, a receiver is appointed for any part of borrower's property, Borrower makes an assignment for the benefit of creditors, or any proceeding is commenced either by Borrower or against borrower under any bankruptcy or insolvency laws, (vi) Any creditor tries to take any of Borrower's property on or in which Lender has a lien or security interest. This includes a garnishment of any of Borrower's accounts with Lender, (vii) Any of the events described in this default section

occurs with respect to any guarantor of this note or any guaranty of Borrower's indebtedness to Lender ceases to be, or is asserted not to be, in full force and effect, (vii) Lender in good faith deems itself insecure. If this note is payable on demand, the inclusion of specific events of default shall not prejudice Lender's right to require payment on demand or to decline to make any requested Advance.

(b) Without prejudice to any right of Lender to require payment on demand, upon the occurrence of an event of default, Lender may declare the entire unpaid Principal Balance on this note and all accrued unpaid interest immediately due and payable, without notice. Upon default, including failure to pay upon final maturity, Lender, at its option, may also, if permitted under applicable law, increase the interest rate on this note to a rate equal to the Prime Borrowing Rate plus 5%. The interest rate will not exceed the maximum rate permitted by applicable law. In addition, if any payment of principal or interest is 15 or more days past due, Borrower will be charged a late charge of 5% of the delinquent payment.

12. EVIDENCE OF PRINCIPAL BALANCE; PAYMENT ON DEMAND. Holder's records shall, at any time, be conclusive evidence of the unpaid Principal Balance and interest owing on this note. Notwithstanding any other provisions of this note, in the event holder makes Advances hereunder which result in an unpaid Principal Balance on this note which at any time exceeds the maximum amount specified in Section 2, Borrower agrees that all such Advances, with interest, shall be payable on demand.

13. LINE OF CREDIT PROVISIONS. If the type of credit indicated in Section 1 is a revolving line of credit or a non-revolving line of credit, Borrower agrees that Lender is under no obligation and has not committed to make any Advances hereunder. Each Advance hereunder shall be made at the sole option of Lender.

14. DEMAND NOTE. If this note is payable on demand, Borrower acknowledges and agrees that (a) Lender is entitled to demand Borrower's immediate payment in full of all amounts owing hereunder and (b) neither anything to the contrary contained herein or in any another loan documents (including but not limited to, provisions relating to defaults, rights of cure, default rate of interest, installment payments, late charges, periodic review of Borrower's financial

condition, and covenants) nor any act of Lender pursuant to any such provisions shall limit or impair Lender's right or ability to require Borrower's payment in full of all amounts owing hereunder immediately upon Lender's demand.

15. REQUESTS FOR ADVANCES.

(a) Any Advance may be made or interest rate option selected upon the request of Borrower (if an individual), any of the undersigned (if Borrower consists of more than one individual), any person or persons authorized in subsection (b) of this Section 15, and any person or persons otherwise authorized to execute and deliver promissory notes to Lender on behalf of Borrower.

(b) Borrower hereby authorizes any 1 of the following individuals to request Advances and to select interest rate options:
GLENN A. WELSTAD AND RALPH E. PETERSON

unless Lender is otherwise instructed in writing.

(c) All Advances made pursuant to this Section 15 shall be disbursed by deposit directly to Borrower's account number 0547-517821 at Pacific Avenue (Tacoma) branch of Lender, or by cashier's check issued to Borrower.

(d) Borrower agrees that Lender shall have no obligation to verify the identity of any person making any request pursuant to Section 15, and Borrower assumes all risks of the validity and authorization of such requests. In consideration of Lender agreeing, at its sole discretion, to make Advances upon such requests, Borrower promises to pay holder, in accordance with the provisions of this note, the Principal Balance together with interest thereon and other sums due hereunder, although any Advances may have been requested by a person or persons not authorized to do so.

16. PERIODIC REVIEW. Lender will review Borrower's credit accommodations periodically. At the time of the review, Borrower will furnish Lender with any additional information regarding Borrower's financial condition and business operations that Lender requests. This information may include but is not limited to, financial statements, tax returns, lists of assets and liabilities, agings of receivables and payables, inventory schedules, budgets and forecasts. If upon review, Lender, in its sole discretion, determines that there has been a material adverse change in Borrower's financial condition, Borrower will be in default. Upon default, Lender shall have all rights specified herein.

17. NOTICES. Any notice hereunder may be given by ordinary mail, postage paid and addressed to Borrower at the last known address of Borrower as shown on holder's records. If Borrower consists of more than one person, notification of any of said persons shall be complete notification of all. Notice may be given either before or reasonably soon after the effective date of the change.

18. ATTORNEYS FEES. Whether or not litigation or arbitration is commenced, Borrower promises to pay all costs of collecting overdue amounts. Without limiting the foregoing, in the event that holder consults an attorney regarding the enforcement of any of its rights under this note or any document securing the same, or if this note is placed in the hands of an attorney for collection or if suit or litigation is brought to enforce this note or any document securing the same, Borrower promises to pay all costs thereof including such additional sums as the court of arbitrator(s) may adjudge reasonable as attorney fees, including without limitation, costs and attorney fees incurred in any appellate court, in any proceeding under the bankruptcy code, or in any receivership and post-judgment attorney fees incurred in enforcing any judgment.

19. WAIVERS; CONSENT. Each party hereto, whether maker, co-maker, guarantor or otherwise, waivers diligence, demand, presentment for payment, notice of non-payment, protest and notice of protest and waives all defenses based on suretyship or impairment of collateral. Without notice to Borrower and without diminishing or affecting Lender's rights or Borrower's obligations hereunder, Lender may deal in any manner with any person who at any time is liable for, or provides any real or personal property collateral for, any indebtedness of Borrower to Lender, including the indebtedness evidenced by this note. Without limiting the foregoing, Lender

may, in its sole discretion: (a) make secured or unsecured loans to Borrower and agree to any number of waivers, modifications, extensions and renewals of any length of such loans, including the loan evidenced by this note; (b) impair, release (with or without substitution of new collateral), fail to perfect a security interest in, fail to preserve the value of, fail to dispose of in accordance with applicable law, any collateral provided by any person; (c) sue, fail to sue, agree not to sue, release, and settle or compromise with, any person.

20. JOINT AND SEVERAL LIABILITY. All undertakings of the undersigned Borrowers are joint and several and are binding upon any marital community of which any of the undersigned are members. Holder's rights and remedies under this note shall be cumulative.

21. ARBITRATION.

(a) Either Lender or Borrower may require that all disputes, claims, counterclaims and defenses, including those based on or arising from any alleged tort ("Claims") relating in any way to this note or any transaction of which this note is a part (the "Loan"), be settled by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and Title 9 of the U.S. Code. All Claims will be subject to the statutes of limitation applicable if they were litigated. This provision is void if the Loan, at the time of the proposed submission to arbitration, is secured by real property located outside of Oregon or Washington, or if the effect of the arbitration procedure (as opposed to any Claims of Borrower) would be to materially impair Lender's ability to realize on any collateral securing the Loan.

(b) If arbitration occurs and each party's Claim is less than $100,000, one neutral arbitrator will decide all issues; if any party's Claim is $100,000 or more, three neutral arbitrators will decide all issues. All arbitrators will be active Washington State Bar members in good standing. All arbitration hearings will be held in Seattle, Washington. In addition to all other powers, the arbitrator(s) shall have the exclusive right to determine all issues of arbitrability. Judgment on any arbitration award may be entered in any court with jurisdiction.

(c) If either party institutes any judicial proceeding relating to the Loan, such action shall not be a waiver of the right to submit any Claim to arbitration. In addition, each has the right before, during and after any arbitration to exercise any number of the following remedies, in any order or concurrently: (i) setoff; (ii) self-help repossession; (iii) judicial or non-judicial foreclosure against real or personal property collateral; and (iv) provisional remedies, including injunction, appointment of receiver, attachment, claim and delivery and replevin.

22. GOVERNING LAW.

This note shall be governed by and construed and enforced in accordance with the laws of the State of Washington without regard to conflicts of law principles; PROVIDED, however, that to the extent that Lender has greater rights or remedies under Federal law, this provision shall not be deemed to deprive Lender of such rights and remedies as may be available under Federal law.

<TABLE>
<CAPTION>

Principal	Loan Date	Maturity	Loan No.	Call	Collateral	Account	Officer	Initials
$20,000,000.00	08-10-1996	06-30-1998	397 - 83	36522	365	4919402202	55640	

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item.

</TABLE>

Borrower: LABOR READY, INC.
2156 PACIFIC AVE.
TACOMA, WA 98402

LENDER: U.S. BANK OF WASHINGTON, NATIONAL ASSOCIATION
Tacoma Corporate Banking
1145 Broadway, Suite 1100
Tacoma, WA 98402

23. DISCLOSURE.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NON ENFORCEABLE UNDER WASHINGTON LAW.

EACH OF THE UNDERSIGNED HEREBY ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS DOCUMENT.

LABOR READY, INC.
Borrower Name (Corporation,
Partnership or other Entity)

By /s/ Ralph E. Peterson

Title Chief Financial Officer

Signature of Individual Borrower

Signature of Individual Borrower

Signature of Individual Borrower

For valuable consideration, Lender agrees to the terms of the arbitration provision set forth in this note.

Lender name: U.S. Bank of Washington, N.A.

By: /s Bruce H. Marley

Title: Vice President

Date: September 12, 1996

[U.S. BANK LOGO]

DISBURSEMENT REQUEST AND AUTHORIZATION

<TABLE>
<CAPTION>

Principal	Loan Date	Maturity	Loan No.	Call	Collateral	Account	Officer	Initials
$20,000,000.00	08-10-1996	06-30-1998	397 - 83	36522	365	4919402202	55640	

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Borrower: LABOR READY, INC.
2156 PACIFIC AVE.
TACOMA, WA 98402

LENDER: U.S. BANK OF WASHINGTON,
NATIONAL ASSOCIATION
Tacoma Corporate Banking
1145 Broadway, Suite 1100
Tacoma, WA 98402

LOAN TYPE. This is a Variable Rate (at LENDER'S PRIME RATE. THIS IS THE RATE OF INTEREST WHICH LENDER FROM TIME TO TIME ESTABLISHES AS ITS PRIME RATE AND IS NOT, FOR EXAMPLE, THE LOWEST RATE OF INTEREST WHICH LENDER COLLECTS FROM ANY BORROWER OR CLASSES OF BORROWERS), Revolving Line of Credit Loan to a Corporation for $20,000,000.00 due on June 30, 1998. This is a secured renewal loan.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

/ / Personal, Family or Household Purposes or Personal Investment.

/X/ Business (including Real Estate Investment).

SPECIFIC PURPOSE. The specific purpose of this loan is: TO FUND RECEIVABLES AND GENERAL WORKING CAPITAL REQUIREMENTS, AND FOR THE ISSUANCE OF STANDBY LC's UNDER A $10MM SUB-LIMIT.

DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of $20,000,000.00 as follows:

AMOUNT PAID ON BORROWER'S ACCOUNT:	$20,000,000.00
$20,000,000.00 Payment on Loan # 83 - RENEWAL LINE	

NOTE PRINCIPAL: $20,000,000.00

CHARGES PAID IN CASH. Borrower has paid or will pay in cash as agreed the following charges:

PREPAID FINANCE CHARGES PAID IN CASH

$25,000.00 Loan Fees (0.125%)	payable quarterly in arrears on the unused portion of the loan. /s/BHM /s/REF
TOTAL CHARGES PAID IN CASH:	$25,000.00

PAYMENT BY AUTOMATIC DEDUCTION. Borrower hereby authorizes Lender to automatically deduct the amount of all principal and/or interest payments on this Note from Borrower's account number 0547-517821 with Lender or such other account as Borrower may designate in writing. If there are insufficient funds in the account to pay the automatic deduction in full, Lender may allow the account to become overdrawn, or Lender may reverse the automatic deduction. Borrower will pay all fees on the account which result from the automatic deductions, including any overdraft/NSF charges. If for any reason Lender does not charge the account for a payment, or if an automatic payment is reversed, the payment is still due according to this Note. If the account is a Money Market Account, the number of withdrawals from that account is limited as set out in the account agreement. Lender may cancel the automatic deduction at any time in its discretion.

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

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECEIVING FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED SEPTEMBER 10, 1996.

BORROWER:

LABOR READY, INC.

By: /s/ Ralph E. Peterson
Its: Chief Financial Officer

Certification of accounts will be periodically verified by the National Audit Company.

U.S. BANK OF WASHINGTON, NATIONAL ASSOCIATION	NAME
	Borrower
By /s/ Bruce H. Marley	By /s/ Ralph E. Peterson
Its Vice President	Its Chief Financial Officer
Date September 12, 1996	

BORROWER: Labor Ready, Inc. ATTACHMENT TO LOAN AGREEMENT DATED 8/27/96

U.S. Bank of Washington, National Association will grant credit to the Borrower under the following provisions:

COLLATERAL

ACCOUNTS RECEIVABLE:

Advance Rate 80% of Eligible Accounts

Eligible Accounts:
/ / Current - 60 Days Past Due
/X/ 90 Days past Date of Invoice
/ / Concentration Accounts over 10% of Total Accounts Receivable with prior Bank approval only.

Ineligible Accounts/Amounts:
/ / Accounts with ___% of outstanding amount over _____ past due invoice.
/X/ Accounts due form officers, employees, affiliated companies and individuals.
/X/ Accounts subject to set off.
/X/ Amounts resulting from COD's, finance charges and consignment.
/X/ Amounts due from foreign entities or individuals. EXCEPT FOR CANADIAN ACCOUNTS
/ / Accounts due from federal government or agencies.
/X/ Retainages
/X/ Dated billings
/X/ Progress Billings on contract receivables
/ / Accounts subject to other Security Interest
/ / Other:

INVENTORY

Advance rate N/A %

Eligible Inventory:
/ / Raw material
/ / Work in Process
/ / Finished Goods

OPERATING PARAMETERS:

/X/ Borrower's Certificate Month End (frequency)
/X/ Bank Control Account 0546 000 001 .
/X/ Account Receivable Aging Monthly (frequency)
/ / Accounts Payable Aging N/A (frequency)
/ / Inventory Certification N/A (frequency)

Certification of accounts will be periodically verified by the National Audit Company.

U.S. BANK OF WASHINGTON, NATIONAL ASSOCIATION	NAME
	Borrower
By /s/ Bruce H. Marley	By /s/ Ralph E. Peterson
Its Vice President	Its Chief Financial Officer
Date September 12, 1996	

EXHIBIT 11.

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

EXHIBIT 11. STATEMENT RE COMPUTATION OF PER SHARE EARNINGS.

<TABLE>
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	1996	1995	1994
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Primary earnings per share:			
Common stock equivalents			
Options granted and unexercised (Note 3)	282,261	404,008	212,127
Total weighted average shares issued (Note 1)	10,576,814	8,288,360	6,332,828
Weighted average shares outstanding	10,859,075	8,692,368	6,544,955
Net Income	724,283	2,061,807	851,805
Less: Preferred stock dividends	(42,704)	(42,704)	(42,705)
Net Income after preferred stock dividends	681,579	2,019,103	809,100
PRIMARY EARNINGS PER SHARE	$ 0.06	$ 0.23	$ 0.13
Fully diluted earnings per share (Note 2):			
Common stock equivalents			
Options granted and unexercised (Note 3)	282,261	404,008	212,127
Total weighted average shares issued (Note 1)	10,576,814	8,288,360	6,332,828
Weighted average shares outstanding	10,859,075	8,692,368	6,544,955
Net Income	724,283	2,061,807	851,805
Less: Preferred stock dividends	(42,704)	(42,704)	(42,705)
Net Income after preferred stock dividends	681,579	2,019,103	809,100
FULLY DILUTED EARNINGS PER SHARE	$ 0.06	$ 0.23	$ 0.13
NOTE 1:			
Total weighted average shares issued:			
Shares outstanding at beginning of year	8,818,848	7,458,141	5,856,467
Total weighted average shares issued (retired) during the year	1,757,966	830,219	476,361
Total weighted average shares issued - primary EPS	10,576,814	8,288,360	6,332,828
NOTE 2:			
The amount of weighted average shares outstanding for fully diluted is calculated in the same manner as the primary earnings per share. No other potentially dillutive securities exist			
NOTE 3:			
Total weighted average options granted and unexercised:			
Options outstanding at the beginning of the year	1,511,202	239,866	--
Total weighted average options issued (retired) during the year	(1,228,941)	164,142	212,127
Total weighted average options granted and unexercised	282,261	404,008	212,127

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THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE COMPANY'S
CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 1996 AND FOR THE YEAR THEN
ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL
STATEMENTS.
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