UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended April 3, 1998

Commission File Number 0-23828

Labor Ready, Inc.

(Exact Name of Registrant as specified in its charter)

Washington	91-1287341
(State of Incorporation)	(I.R.S. Employer IdentificationNo.)
1016 S. 28th Street, Tacoma, Washington	98409
(Address of Principal Executive Offices)	(Zip Code)

(253) 383-9101

(Registrant's Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 18,505,002 shares of no par value common stock were outstanding as of April 16, 1998.

LABOR READY, INC.

INDEX

LABOR READY, INC.

CONSOLIDATED BALANCE SHEETS

IN THOUSANDS OF DOLLARS

ASSETS

	(UNAUDITED) APRIL 3, 1998	DECEMBER 31, 1997
CURRENT ASSETS:		
Cash and cash equivalents	$17,880	$22,117
Accounts receivable, less allowance for doubtful accounts of $2,963 and $2,851	37,150	36,614
Workers' compensation deposits and credits	2,284	1,082
Prepaid expenses and other	3,567	2,660
Deferred income taxes	2,150	3,144
Total current assets	63,031	65,617
PROPERTY AND EQUIPMENT:		
Buildings and land	4,611	4,448
Computers and software	9,726	8,220
Cash dispensing machines	4,208	--
Furniture and equipment	521	497
	19,066	13,165
Less accumulated depreciation	3,395	2,839
Property and equipment, net	15,671	10,326
OTHER ASSETS:		
Intangible assets and other, less amortization of $4,393 and $3,569	3,341	3,076
Deferred income taxes	2,320	1,212
Restricted cash	122	136
Total other assets	5,783	4,424
Total assets	$84,485	$80,367

See accompanying notes to consolidated financial statements.

LABOR READY, INC.

CONSOLIDATED BALANCE SHEETS

IN THOUSANDS OF DOLLARS

LIABILITIES AND SHAREHOLDERS' EQUITY

	(UNAUDITED) APRIL 3, 1998	DECEMBER 31, 1997

<S> <C> <C>

CURRENT LIABILITIES:		
Accounts payable	$3,378	$3,711
Accrued wages and benefits	3,821	4,080
Workers' compensation claims reserve - current portion	6,932	7,109
Income taxes payable	--	875
Current maturities of long-term debt	404	13
Total current liabilities	14,535	15,788
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities	3,798	76
Workers' compensation claims reserve, less current portion	7,363	6,462
Total long-term liabilities	11,161	6,538
Total liabilities	25,696	22,326
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, $0.296 par value, 5,000 shares authorized; 2,883 shares issued and outstanding	854	854
Common stock, no par value, 25,000 shares authorized; 18,503 and 18,442 shares issued and outstanding	50,539	49,694
Cumulative other comprehensive income (expense):		
Foreign currency translation adjustment	(145)	86
Retained earnings	7,541	7,407
Total shareholders' equity	58,789	58,041
Total liabilities and shareholders' equity	$84,485	$80,367

</TABLE>

See accompanying notes to consolidated financial statements.

LABOR READY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

IN THOUSANDS OF DOLLARS (EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

<TABLE>
<CAPTION>

<S> <C> <C>

	THIRTEEN WEEKS ENDED	
	APRIL 3, 1998	MARCH 31, 1997
Revenues from services	$94,030	$51,714
Cost of services	65,695	36,922
Gross profit	28,335	14,792
Selling, general and administrative	26,913	15,383
Depreciation and amortization	1,380	929
Income (loss) from operations	42	(1,520)
Interest income, net	208	162
Income (loss) before income tax (provision) benefit	250	(1,358)
Income tax (provision) benefit	(105)	565

Net income (loss).	$ 145	$ (793)
Net income (loss) per common share:		
Basic	$0.01	$(0.04)
Diluted	$0.01	$(0.04)
Weighted average shares outstanding:		
Basic	18,459	18,549
Diluted..	19,001	18,549

</TABLE>

See accompanying notes to consolidated financial statements.

LABOR READY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

IN THOUSANDS OF DOLLARS

(UNAUDITED)

<TABLE>
<CAPTION>

	THIRTEEN WEEKS ENDED	
	APRIL 3, 1998	MARCH 31 1997
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 145	$ (793)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	1,380	929
Provision for doubtful accounts	1,144	851
Deferred income taxes	(114)	(670)
Changes in assets and liabilities		
Accounts receivable	(1,900)	(3,351)
Workers' compensation deposits and credits.	(1,206)	(1,917)
Prepaid expenses and other.	(908)	111
Accounts payable.	(228)	(748)
Accrued wages and benefits.	(260)	(657)
Workers' compensation claims reserve.	727	601
Income taxes payable.	(588)	70
Net cash used in operating activities.	(1,808)	(5,574)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures.	(1,692)	(1,379)
Increase (decrease) in restricted cash in captive insurance subsidiary.	14	(727)
Additions to intangible assets and other.	(1,087)	(1,377)
Net cash used in investing activities.	(2,765)	(3,483)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Checks issued against future deposits	--	381
Proceeds from options and warrants exercised. . . .	343	8
Proceeds from sale of stock through Employee Stock Purchase Plan	100	28
Purchase and retirement of treasury stock	--	(529)
Payments on long-term debt and capital leases . . .	(95)	(4)
Net cash provided by (used in) financing activities. .	348	(116)

Effect of exchange rates on cash	(12)	(42)
Net increase in cash and cash equivalents.	(4,237)	(9,215)
CASH AND CASH EQUIVALENTS, beginning of period	22,117	17,598
CASH AND CASH EQUIVALENTS, end of period	$17,880	$ 8,383

</TABLE>

See accompanying notes to consolidated financial statements.

ITEM 1. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures usually found in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's 1997 annual report on Form 10-K. The accompanying consolidated financial statements reflect all adjustments, including normal recurring adjustments, which in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. Operating results for the thirteen week period ended April 3, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998.

NOTE 2. WORKERS' COMPENSATION

The Company provides workers' compensation insurance to its temporary workers and regular employees. In Washington, Ohio and West Virginia, (the monopolistic states), the Company is required to make payments into state administered programs, at rates established by each state, based upon the job classification of the insured workers and the previous claims experience of the Company. The Washington program provides for a retroactive adjustment of workers' compensation payments based upon actual claims experience. Upon adjustment, overpayments to the program are returned to the Company and underpayments, if any, are assessed. At April 3, 1998 and December 31, 1997, the Company recorded workers' compensation credit receivables of $1.4 million and $1.1 million and workers' compensation liabilities of $0.4 million and $0.6 million related to the monopolistic states.

For workers' compensation claims originating in the remaining states (the non-monopolistic states), the Company self-insures the deductible amount per claim to a maximum aggregate stop-loss limit and has engaged a third party administrator to manage the claims and related claims expense. The deductible amount was $250,000 per claim to an aggregate maximum of approximately $5.0 million, $6.5 million and $19.0 million in 1995, 1996 and 1997, respectively. In January 1998, the Company renewed its insurance program, the terms of which included a reduction of the 1995 and 1996 aggregate maximums to $4.5 million and $5.2 million, respectively. Additionally, for claims arising in 1998, the per claim deductible was increased to $350,000 and the maximum aggregate stop-loss limit was reduced from $11.60 to $10.41 per $100 of temporary worker payroll.

In 1997, the Company replaced its cash deposits required by the workers' compensation program with irrevocable letters of credit totaling $15.9 million. The letters of credit bear fees of .75% per year and are supported by an equal amount of available borrowings on the Company's $30 million line-of-credit. Accordingly, at December 31, 1997 and April 3, 1998, no borrowings were outstanding on the line-of-credit, and $15.9 million was committed by the letters of credit. During April 1998, the Company increased the letters of credit to $18.1 million and has agreed to increase the letters of credit by a further $3.7 million through June 1998.

The Company establishes provisions for future claim liabilities based upon actuarial estimates of the future cost of claims and related expenses that have been reported but not settled, and that have been incurred but not reported. Adjustments to the claims reserve are charged or credited to expense in the periods in which they occur. Included in the accompanying consolidated balance sheet as of April 3, 1998 and December 31, 1997, are reserves for claims and claim related expenses arising in non-monopolistic states of $13.9 million and

$12.9 million. The reserve for workers' compensation claims was computed using a discount rate of 6.0% at April 3, 1998 and December 31, 1997.

Workers' compensation expense totaling $4.8 million and $3.0 million was recorded as a component of cost of services in each of the quarters ended April 3, 1998 and March 31, 1997, respectively.

NOTE 2. WORKERS' COMPENSATION, CONTD.

The Company has formed a wholly-owned, off-shore captive, Labor Ready Assurance Company ("Labor Ready Assurance"), for the management and payment of workers' compensation claims and claim related expenses. Labor Ready Assurance reinsures levels of coverage for losses in excess of the aggregate stop-loss limits with unrelated insurance carriers. Funds are deposited with Labor Ready Assurance for the payment of claims and claim related expenses, and annual premiums are paid to Labor Ready Assurance based principally upon the cost of reinsurance and other operating expenses. At April 3, 1998 and December 31, 1997, $122,000 and $136,000 remained on deposit with Labor Ready Assurance and was recorded as restricted cash in the accompanying consolidated balance sheets.

The Company has established a risk management department at its corporate headquarters to manage its insurers, third party administrators, and medical service providers. To reduce wage-loss compensation claims, the Company has established a "light duty", transitional return to work program. Workers in the program are employed within the Company in the local dispatch office or on customer assignments that require minimal physical exertion. The Company's information system generates weekly workers' compensation loss minimization reports for both corporate and dispatch office use. The Company has an on-line connection with its third party administrator that allows the Company to maintain visibility of all claims, manage their progress and generate required management information.

NOTE 3. RECENTLY ISSUED ACCOUNTING STANDARD

Certain pre-opening costs incurred to open new dispatch offices, including salaries, recruiting, testing, training, lease and other related costs, are capitalized and amortized using the straight-line method over two years. In March 1998, the Accounting Standards Executive Committee (the "AcSEC") issued Statement of Position 98-5, "Reporting on the Costs of Start-up Activities" ("the Statement"). The Statement establishes new rules for the financial reporting of start-up costs, and will require the Company to expense the cost of establishing new dispatch offices as incurred and write off, as a cumulative effect of adopting the Statement, any capitalized pre-opening costs in the first quarter of the year adopted. The Statement is effective for years beginning after December 31, 1998 and the Company will adopt it in the first quarter of 1999. The effect of adopting the Statement will be to recognize a non-operating expense, net of tax, of approximately $1.8 million, plus any additional pre-opening costs capitalized during the next three quarters ended December 31, 1998, net of amortization expense recognized during the period.

NOTE 4. SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

<TABLE>
<CAPTION>

	THIRTEEN WEEKS ENDED	
	APRIL 3, 1998	MARCH 31, 1997
<S>	<C>	<C>
Cash paid during the period for:		
Interest.	$ 125	$23
Income taxes.	$ 815	$31
Non-cash investing and financing activities:		
Tax effect of disqualifying dispositions on options exercised	$ 287	--
Preferred stock dividends accrued	$ 11	$11
Contribution of common stock to 401(k) plan	$ 116	--
Assets acquired with capital lease obligations. . . .	$4,208	--

</TABLE>

NOTE 5. EARNINGS PER SHARE

The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share", which replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Basic earnings per share is computed by dividing net income (loss), less preferred stock dividends, by the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed by dividing net income (loss), less preferred stock dividends, by the weighted average number of common shares and common stock equivalents outstanding during the year. Common stock equivalents for the Company include the dilutive effect of outstanding options, except where their inclusion would be anti-dilutive.

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NOTE 5. EARNINGS PER SHARE, CONTD.

Basic and diluted earnings per share were calculated as follows (amounts in thousands, except per share data):
<TABLE>
<CAPTION>

	THIRTEEN WEEKS ENDED	
	APRIL 3, 1998	MARCH 31, 1997
<S>	<C>	<C>
Basic:		
Net income (loss)	$145	$(793)
Less preferred stock dividends.	(11)	(11)
Income (loss) allocable to common shareholders.	$134	$(804)
Weighted average shares outstanding	18,459	18,549
Net income (loss) per share	$0.01	$(0.04)
Diluted:		
Income (loss) allocable to common shareholders. . .	$134	$(804)
Weighted average shares outstanding	18,459	18,549
Plus options to purchase common stock outstanding at end of period.	1,364	--
Less shares assumed repurchased	(822)	--
Weighted average shares outstanding, including dilutive effect of options.	19,001	18,549
Net income (loss) per share	$0.01	$(0.04)

</TABLE>

NOTE 6. COMPREHENSIVE INCOME

The Company's comprehensive income is as follows (amounts in thousands):
<TABLE>
<CAPTION>

	THIRTEEN WEEKS ENDED	
	APRIL 3, 1998	MARCH 31, 1997
<S>	<C>	<C>
Net income (loss)	$ 145	$(793)
Other comprehensive income (expense), net of income taxes of $93 and $17:		
Foreign currency translation	(138)	(25)
Comprehensive income (loss)	$ 7	$(818)

</TABLE>

NOTE 7. COMMITMENT

In December 1997, the Company entered into an agreement to lease 450 automated Cash Dispensing Machines ("CDMs") for installation in all of the Company's dispatch offices. The fair market value of the CDMs at inception of the lease is approximately $6.2 million. The lease is payable over 84 months with an imputed interest rate of 9.0% and is secured by the CDMs. During the three months ended April 3, 1998, the Company installed 302 CDMs in its dispatch offices throughout the United States. Accordingly, the Company recorded assets under capital lease and capital lease obligations totaling $4.2 million with future minimum lease payments over the next 5 years of approximately $0.4 million per year. The Company anticipates installing CDMs at all of its dispatch offices in the United States during 1998. Included as an exhibit to this Form 10-Q is an example of a CDM lease, all such leases having substantially identical terms and conditions.

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

Certain matters discussed in this Form 10-Q are forward-looking statements within the meaning of the Private Litigation Reform Act of 1995, and as such, may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, but are not limited to, those set forth in Item 7 entitled Management's Discussion of Financial Condition and Results of Operations in the Company's Form 10-K for the year ended December 31, 1997. Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be attained.

OVERVIEW

Labor Ready is a leading, national provider of temporary workers for manual labor jobs. The Company's customers are primarily in the construction, freight handling, warehousing, landscaping, light manufacturing, and other light industrial industries. The Company has rapidly grown from eight dispatch offices in 1991 to 420 dispatch offices at April 3, 1998. The Company's annual revenues grew from approximately $6 million in 1991 to $335 million for the year ended December 31, 1997. This revenue growth has been generated both by opening new dispatch offices in markets throughout the U.S. and Canada and by continuing to increase sales at existing dispatch offices.

The Company opened 104 dispatch offices during the first quarter of 1998 and expects to open at least 63 additional dispatch offices by June 30, 1998. The Company expects the average cost of opening each new dispatch office in 1998 to be approximately $50,000. The cost of opening a new dispatch office includes extensive management training, the installation of sophisticated computer and other office systems and a Cash Dispensing Machine ("CDM"). 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 generally bills its customers weekly. Consequently, the Company experiences significant negative cash flow from operations and investment activities during periods of high growth. The Company may continue to experience periods of negative cash flow from operations and investment activities while it rapidly opens dispatch offices and may require additional sources of working capital in order to continue to grow.

Many of the Company's customers are construction and landscaping businesses, which are significantly affected by the weather. Construction and landscaping businesses and, to a lesser degree, other customer businesses typically increase activity in spring, summer and early fall months and decrease activity in late fall and winter months. Further, inclement weather can slow construction and landscaping activities in such periods. As a result, the Company has generally experienced a significant increase in temporary labor demand in the spring, summer and early fall months, and lower demand in the late fall and winter months.

Depending upon location, new dispatch offices initially target the construction industry for potential customers. As dispatch offices mature, the customer base broadens and the customer mix diversifies. From time to time during peak periods, the Company experiences shortages of available temporary workers. By July 1998, the Company expects to have completed the installation of the CDMs in all of its dispatch offices. The CDMs provide the Company's temporary workers with the option of receiving cash payment instead of a payroll check. The Company believes this additional feature is unique among its direct competitors and should increase the Company's ability to attract available temporary workers.

Cost of services includes the wages and related payroll taxes of temporary workers, workers' compensation expense, unemployment compensation insurance and transportation. Cost of services as a percentage of revenues has historically been affected by numerous factors, including the use of lower introductory rates to attract new customers at new dispatch offices.

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

RESULTS OF OPERATIONS

The following table sets forth the percentage of revenues represented by certain items in the Company's Consolidated Statements of Operations for the periods indicated:
<TABLE>
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	THIRTEEN WEEKS ENDED	
	APRIL 3, 1998	MARCH 31, 1997
<S>	<C>	<C>
Revenues from services	100.0%	100.0%
Cost of services	(69.9)	(71.4)
Selling, general and administrative expenses	(28.6)	(29.7)
Depreciation and amortization	(1.5)	(1.8)
Interest income, net	0.2	0.3
Income (loss) before tax (provision) benefit	0.3	(2.6)
Net income (loss)	0.2	(1.5)

</TABLE>

THIRTEEN WEEKS ENDED APRIL 3, 1998 COMPARED TO THIRTEEN WEEKS ENDED MARCH 31, 1997

DISPATCH OFFICES. The number of offices grew to 420 at April 3, 1998 from 316 locations at December 31, 1997, a net increase of 104 dispatch offices, or 32.9%. During the quarter ended March 31, 1997, the number of offices grew to 256 from 200 locations at December 31, 1996, a net increase of 56 dispatch offices, or 28.0%. The Company estimates that its aggregate costs of opening 104 new dispatch offices in the first quarter of 1998 was approximately $5.2 million, an average of approximately $50,000 per dispatch office, compared to aggregate costs of approximately $1.8 million, an average of approximately $33,000 per dispatch office, to open 56 new stores in the first quarter of 1997. The increase in per-store costs in 1998 was primarily the result of the addition of a CDM to each dispatch office. Approximately $1.1 million of 1998 costs includes dispatch office pre-opening costs such as salaries, recruiting, testing, training, lease and other related costs, which are capitalized and amortized using the straight-line method over two years. The remaining approximately $4.1 million includes computer systems and other equipment related costs, CDMs, and leasehold improvements.

REVENUES FROM SERVICES. Revenues from services increased to $94.0 million in the first quarter of 1998 as compared to $51.7 million in the first quarter of 1997, an increase of $42.3 million or 81.8%. The increase in revenues is due primarily to the increase in the number of dispatch offices and continued increases in revenues from mature dispatch offices. Additionally, the Company continues to consolidate its position in the marketplace and build brand awareness, eliminating the need to discount billing rates to attract new customers at new dispatch offices.

COST OF SERVICES. Cost of services increased to $65.7 million in the first quarter of 1998 from $36.9 million in the first quarter of 1997, an increase of $28.8 million or 77.9%. The increase in cost of services was due largely to the 81.8% increase in revenue from 1997 to 1998. Cost of services was 69.9% of revenue in the first quarter of 1998 compared to 71.4% of revenue in the first quarter of 1997. Cost of services as a percentage of revenues improved 1.5% as compared to the first quarter of 1997 because the Company is generally no longer required to use introductory lower rates to attract new customers in new dispatch offices. Additionally, the Company's workers' compensation claims experience continued to improve. Workers' compensation expense as a percentage of sales improved from 5.8% in the first quarter of 1997 to 5.1% in the first quarter of 1998.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were $26.9 million in the first quarter of 1998 as compared to $15.4 million in the first quarter of 1997, an increase of $11.5 million or 74.7%. The increase was largely due to an 81.8% increase in revenue from 1997 to 1998. Selling, general and administrative expenses were 28.6% of revenues in the first quarter of 1998 as compared to 29.7% of revenues in the first quarter of 1997. The decrease in selling, general and administrative expenses as a percentage of revenue in the first quarter of 1998 is due mainly to economies of scale on fixed and semi-fixed dispatch office operating and corporate administrative costs. The Company expects that selling, general and administrative expenses as a percentage of revenues may fluctuate in future periods as the Company from time to time upgrades its operating and administrative capabilities to accommodate anticipated revenue and dispatch office growth.

DEPRECIATION AND AMORTIZATION EXPENSE. Depreciation and amortization expense was $1.4 million in the first quarter of 1998 and $0.9 million in the first quarter of 1997, an increase of $0.5 million or 48.5%. The increase in depreciation and amortization expense is primarily the result of amortization of dispatch office pre-opening costs as the Company continued its rapid expansion by adding 116 stores in 1997 and 104 stores during the first quarter of 1998. Additionally, the Company added approximately $4.0 million in property and equipment during 1997 and $5.9 million in the first quarter of 1998. These additions primarily include information systems, CDMs and other equipment for new dispatch offices and enhanced management information systems hardware and software.

In March 1998, the Accounting Standards Executive Committee (the "AcSEC") issued Statement of Position 98-5, "Reporting on the Costs of Start-up Activities" ("the Statement"). The Statement establishes new rules for the financial reporting of start-up costs, and will require the Company to expense the cost of establishing new dispatch offices as incurred and write off, as a cumulative effect of adopting the Statement, any capitalized pre-opening costs in the first quarter of the year adopted. The Statement is effective for years beginning after December 31, 1998 and the Company will adopt it in the first quarter of 1999. The effect of adopting the Statement will be to recognize a non-operating expense, net of tax, of approximately $1.8 million, plus any additional pre-opening costs capitalized during the next three quarters ended December 31, 1998, net of amortization expense recognized during the period.

INTEREST INCOME, NET. Interest income, net of interest expense was $208,000 in the first quarter of 1998 compared to $162,000 in the first quarter of 1997, an increase of $46,000 or 28.4%. The increase was the result of higher invested cash balances in the first quarter of 1998 as compared to the first quarter of 1997. The increase was offset in part by an increase in interest expense from $22,627 in 1997 to $104,348 in 1998 as the Company has recorded the acquisition of the CDMs as a capital lease.

TAXES ON INCOME. Taxes on income increased to a provision of $0.1 million in the first quarter of 1998 from a tax benefit of $0.6 million in the first quarter of 1997, an increase of $0.7 million. The increase in taxes was due to the increase in pretax income to $0.1 million in the first quarter of 1998 from a pretax loss of $1.4 million in the first quarter of 1997. The Company's effective tax rate was 42.0% in the first quarter of 1998 as compared to 41.6% in the first quarter of 1997. The principal difference between the statutory income tax rate and the Company's effective income tax rate result from state income taxes, certain non-deductible expenses and non-taxable interest income.

The Company had a net deferred tax asset of approximately $4.5 million at April 3, 1998, resulting primarily from workers' compensation claims reserves. The Company has not established a valuation allowance against this net deferred tax asset as management believes that it is more likely than not that the tax benefits will be realized in the future based on the historical levels of pre-tax income and expected future taxable income.

NET INCOME. Net income for the quarter ended April 3, 1998 increased to $0.1 million from a 1997 first quarter net loss of $0.8 million, an increase of $0.9 million. The increase was largely due to an 81.8% increase in revenues in first quarter 1998 to $94.0 million from first quarter 1997 revenues of $51.7 million. Contributing to the increase in net income was a decrease in cost of services as a percentage of revenues from 71.4% in first quarter 1997 to 69.9% in the first quarter of 1998 and a decrease in selling, general and administrative costs as a percentage of revenues from 29.7% in the first quarter of 1997 to 28.6% in first quarter 1998.

LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities was $1.8 million in the first quarter of 1998 and $5.6 million in the first quarter of 1997. The decrease in cash used in operations in 1998 as compared to 1997 is largely due to net income for the quarter ended April 3, 1998, increases in non-cash expenses including depreciation and amortization and the provision for doubtful accounts, and a smaller increase in the Company's net deferred tax asset. Additionally, the net change in assets and liabilities including accounts receivable, accounts payable, accrued wages and benefits and workers' compensation deposits and credits was smaller than in the first quarter of 1997. These changes were offset by a decrease in income taxes payable and an increase in prepaid expenses and other in first quarter 1998 as compared to first quarter 1997.

The Company used net cash in investing activities of $2.8 million in first quarter 1998, and $3.5 million in the first quarter of 1997. The decrease in cash used in investing activities in 1998 as compared to 1997 is due primarily to the replacement of restricted cash held by the Company's captive insurance subsidiary with letters of credit in December 1997. The Company's expenditures for new dispatch office pre-opening costs declined to $1.1 million in first quarter 1998 compared to $1.4 million in the first quarter of 1997 and was approximately offset by an increase in the Company's capital expenditures from $1.4 million in first quarter 1997 to $1.7 million in the first quarter of 1998.

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Net cash provided by (used in) financing activities was $348,000 in first quarter 1998 and $(127,000) in first quarter 1997. The increase in cash provided by financing activities in 1998 as compared to 1997 is due mainly to the Company's sale of common stock on exercise of options and warrants and through the Employee Stock Purchase Plan. Additionally, in the first quarter of 1997 the Company used cash of $529,000 to repurchase shares of its common stock on the open market, a use of cash which was partially offset by an increase in checks issued against future deposits of $381,000.

During 1997, the Company entered into a line-of-credit agreement with U.S. Bank with interest at the bank's prime rate (8.5% at April 3, 1998). The agreement allows the company to borrow up to the lesser of $30 million or 80% of eligible accounts receivable, as defined by the bank. The line-of-credit is secured primarily by the Company's accounts receivable and expires in June 1999. The line-of-credit agreement requires that the Company maintain minimum net worth and working capital amounts. The Company was in compliance with the requirements at April 3, 1998.

As discussed further in Note 2 to the consolidated financial statements, in 1997 the Company replaced the cash deposits required by its workers' compensation program with irrevocable letters of credit totaling $15.9 million. The letters of credit bear fees of .75% and are supported by an equal amount of available borrowings on the line-of-credit. Accordingly, at April 3, 1998, no borrowings were outstanding on the line-of-credit, $15.9 million was committed by the letters of credit and $14.1 million was available for borrowing. During April 1998, the Company increased the letters of credit to $18.1 million and has agreed to increase the letters of credit by a further $3.7 million through June 1998. During 1998, the Company expects to complete negotiations with its lender to increase its line-of-credit to approximately $60 million on substantially the same terms as its existing line-of-credit.

In December 1997, the Company entered into an agreement to lease 450 automated CDMs for installation in all of the Company's dispatch offices. The fair market value of the CDMs at inception of the lease is approximately $6.2 million. The lease is payable over 84 months with an imputed interest rate of 9.0% and is secured by the CDMs. During the three months ended April 3, 1998, the Company installed 302 CDMs in its dispatch offices throughout the United States. Accordingly, the Company recorded assets under capital lease and capital lease obligations totaling $4.2 million with future minimum lease payments over the next 5 years of approximately $0.4 million per year. The Company anticipates installing CDMs at all of its dispatch offices in the United States during 1998. Included as an exhibit to this Form 10-Q is an example of a CDM lease, all such leases having substantially identical terms and conditions.

Historically, the Company has financed its operations through cash generated by external financing including term loans, lines-of-credit and a common stock offering completed in 1996. The principal use of cash is to finance the growth in receivables and the cost of opening new dispatch offices. The Company may experience cash flow deficits from operations and investing activities while the Company expands its operations, including the acceleration of opening new dispatch offices. Management expects cash flow deficits to be financed by profitable operations, the use of the Company's line of credit, and may consider other equity or debt financings as necessary. The Company analyzes acquisition opportunities from time to time and may pursue acquisitions in certain circumstances. Any acquisitions the Company enters into may require additional equity or debt financing.

INFORMATION PROCESSING SYSTEMS AND THE YEAR 2000

As the year 2000 approaches, there are uncertainties concerning whether computer systems will properly recognize date-sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or fail. Management believes that the year 2000 does not pose a significant operational problem for the Company's computer systems. The Company has completed its assessment of its significant systems and believes them to be year 2000 compliant. Management has not completed its assessment of the systems of third parties with which it deals. While it is not possible at this time to assess the effect of a third party's inability to adequately address year 2000 issues, management does not believe the potential problems associated with year 2000 will have a material effect on its financial condition or results of operations.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS:
THE FOLLOWING EXHIBITS ARE BEING FILED AS A PART OF THIS REPORT:

EXHIBIT NO.	DESCRIPTION
10.9	Form of equipment lease and related schedules at various dates Between the Company as lessor, T&W Financial Corporation as Lessee and Diebold Corporation as vendor.
27	Financial Data Schedule as of April 3, 1998 and March 31, 1997 and for each of the thirteen week periods then ended.

(b) REPORTS ON FORM 8-K
On January 6, 1998, the Company filed a Report on Form 8-K, reporting under Item 5, disclosing that the Company had declared a dividend of one preferred share purchase right for each outstanding share of common stock of the Company. The dividend was payable to shareholders of record on February 2, 1998.

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.

REGISTRANT: LABOR READY, INC.

By: /s/ Glenn A. Welstad — May 8, 1998

Glenn A. Welstad — Date
Chairman of the Board, Chief Executive Officer and President

By: /s/ Joseph P. Sambataro, Jr. — May 8, 1998

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

T & W
FINANCIAL SERVICES COMPANY, L.L.C. 6416 Pacific Hwy. E., Tacoma WA 98424
P.O. Box 3028, Federal Way, WA 98063 LEASE NUMBER: 1 11291901

LESSEE: LABOR READY, INC.

ADDRESS: 1016 South 28th Street Tacoma, WA 98409

EQUIPMENT LOCATION: 331 W. Main St. (store 295) Durham NC 27701 (Durham County)

EQUIPMENT & VENDOR(S): SEE SCHEDULE "A" ATTACHED HERETO AND MADE A PART HEREOF

TERMS: 84 MONTHLY RENTALS OF $224.92 + APPLICABLE NC TAX OF 13.50 = 238.42 (U.S.) SECURITY DEPOSIT: $238.42

TERMS AND CONDITIONS OF LEASE

1. LEASE. Lessee hereby leases from Lessor, and Lessor leases to Lessee, the personal property described above, together with any replacement parts, additions, repairs or accessories now or hereafter incorporated in or affixed to it (hereafter referred to as the "Equipment").
2. ACCEPTANCE OF EQUIPMENT. Lessee agrees to inspect the Equipment and to execute an Acknowledgement and Acceptance of Equipment by Lessee notice as provided by Lessor, after the Equipment has been delivered and after Lessee is satisfied that the Equipment is satisfactory in every respect Lessee hereby authorizes Lessor to insert in this Lease serial numbers or other identifying data with respect to the Equipment.

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3. DISCLAIMER OF WARRANTIES AND CLAIMS: LIMITATION OF REMEDIES. THERE ARE NO WARRANTIES BY OR ON BEHALF OF LESSOR. Lessee acknowledges and agrees by his signature below as follows:

(a) LESSOR MAKES NO WARRANTIES EITHER EXPRESS OR IMPLIED AS TO THE CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY, ITS FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE, ITS DESIGN, ITS CAPACITY, ITS QUALITY, OR WITH RESPECT TO ANY CHARACTER-ISTICS OF THE EQUIPMENT;

(b) Lessee has fully inspected the Equipment which it has requested Lessor to acquire and lease to Lessee, and the Equipment is in good condition and to Lessee's complete satisfaction;

(c) Lessee leases the Equipment "as is" and with all faults;

(d) Lessee specifically acknowledges that the Equipment is leased to Lessee soley for commercial or business purposes and not for personal, family, household or agricultural purposes;

(e) If the Equipment is not properly installed, does not operate as represented or warranted by the supplier or manufacturer, or is unsatisfactory for any reason, regardless of cause or consequence, Lessee's only remedy, if any, shall be against the suppiler or manufacturer of the Equipment and not against Lessor;

(f) Provided Lessee is not in default under this Lease, Lessor assigns to Lessee any warranties made by the supplier or the manufacturer of the Equipment:

(g) LESSEE SHALL HAVE NO REMEDY FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES AGAINST LESSOR; and

(h) NO DEFECT, DAMAGE, OR UNFITNESS OF THE EQUIPMENT FOR ANY PURPOSE SHALL RELIEVE LESSEE OF THE OBLIGATION TO PAY RENT OR RELIEVE LESSEE OF ANY OTHER OBLIGATION UNDER THIS LEASE.

4. CHOICE OF LAW, JURISDICTION AND VENUE. This Lease shall not be effective until signed by Lessor at its principal place of business listed above, Tacoma, WA, and shall be considered to have been made and shall be construed under the laws of the State of Washington. Lessee agrees that should any legal action, suit, or proceeding by initiated by any part to this Agreement with regard to or arising out of this Lease, or the Equipmant covered hereby, such action shall be brought only in the Superior Court of the State of Washington in and for Pierce County and all parties consent to the jurisdiction of such Court as to all such actions.
5. STATUTORY FINANCE LEASE. Lessee agrees and acknowledges that it is the intent of both parties to this Lease that it qualify as a statutory finance lease under Article 2A of the Uniform Commercial Code. Lessee acknowledges and agrees that Lessee has selected both: (1) the Equipment; and (2) the supplier from whom Lessor is to purchase the Equipment. Lessee acknowledges that Lessor has not participated in any way in Lessee's selection of the Equipment or of the suppiler, and Lessor has not selected, manufactured, or supplied the Equipment.

LESSEE IS ADVISED THAT IT MAY HAVE RIGHTS UNDER THE CONTRACT EVIDENCING THE LESSOR'S PURCHASE OF THE EQUIPMENT FROM THE SUPPLIER CHOSEN BY LESSEE AND THAT LESSEE SHOULD CONTACT THE SUPPLIER OF THE EQUIPMENT FOR A DESCRIPTION OF ANY SUCH RIGHTS.
6. ASSIGNMENT BY LESSEE PROHIBITED. Lessee is expressly prohibited from making any assignment of this Lease, subleasing the Equipment or any interest therein, pledging or transferring the Lease, or otherwise disposing of the Equipment covered hereby, in the absence of prior written consent of Lessor.
7. RENTAL PAYMENTS. Lessee agrees to pay rent in accordance with the terms

herein, the first monthly payment to be due on the 15TH DAY OF FEBRUARY, 1998, and a like amount on the same day of each succeeding calendar month thereafter, payments to be made at Lessor's address set forth above, or as otherwise directed by Lessor.

(a) THIS LEASE IS NOT CANCELABLE OR TERMINABLE BY LESSEE.

(b) SEE REVERSE SIDE FOR ADDITIONAL TERMS AND CONDITIONS WHICH ARE A PART OF THIS LEASE.

(c) LESSEE UNDERSTANDS AND ACKNOWLEDGES THAT NO BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER IS AN AGENT OF LESSOR, NO BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER IS AUTHORIZED TO WAIVE OR ALTER ANY TERM OR CONDITION OF THIS LEASE ANO NO REPRESENTATION AS TO THE EQUIPMENT OR ANY OTHER MATTER BY THE BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, SHALL IN ANY WAY AFFECT LESSEE'S DUTY TO PAY THE RENTALS AND TO PERFORM LESSEE'S OBLIGATIONS SET FORTH IN THIS LEASE.

LESSEE ACKNOWLEDGES HAVING READ AND UNDERSTOOD ALL OF THE TERMS AND PROVISIONS OF THIS LEASE, INCLUDING THE REVERSE SIDE HEREOF, AND AGREES TO BE BOUND BY ALL OF THE TERMS AND PROVISIONS CONTAINED HEREIN UPON THE EXECUTION OF THIS LEASE AGREEMENT OR EARLIER ACCEPTANCE OF THE LEASED EQUIPMENT.

LESSOR: T & W FINANCIAL SERVICES COMPANY L.L.C.   LESSEE: LABOR READY, INC.

/s/ Michael Price	DATE 1/15/98	/s/ Robert H. Sovern	DATE 1/14/98
		Robert H. Sovern Assistant Treasurer	

8. COMMENCEMENT AND EXPIRATION. This lease shall commence upon Lessor's acceptance of it. Lessor shall have no obligation to Lessee under this Lease if the Equipment, for whatever reason, is not delivered to Lessee within 90 days after Lessee signs this Lease. Lessor shall have no obligation to Lessee under this Lease if Lessee fails to execute and deliver to Lessor an Acknowledgement and Acceptance of Equipment by Lessee notice for the Equipment within 30 days after the Equipment is delivered to Lessee. Unless earlier terminated or cancelled by Lessor, this Lease shall expire upon the expiration of the number of months (following Lessee's acceptance of the Equipment) set forth in "Term of Lease" above.

9. SECURITY DEPOSIT. As security for the prompt and full payment of the amounts due under this Lease, and Lessee's complete performance of all of its obligations under this Lease, and any extension or renewal hereof, Lessee has deposited with Lessor the security amount set forth in the section show as "Security Deposit". In the event any default shall be made in the performance of any of Lessee's obligations under this Lease, Lessor shall have the right, but shall not be obligated, to apply the security deposit to the curing of such default. Within 15 days after Lessor mails notice to Lessee that Lessor has applied any portion of the security deposit to the curing of any default, Lessee shall restore said security deposit to the full amount set forth above. On the expiration or earlier termination of cancellation of this Lease, or any extension or renewal hereof, provided Lessee has paid all of the rent called for and fully performed all other provisions of this Lease, Lessor will return to the Lessee any then remaining balance of said security deposit, without interest. Said security deposit may be commingled with Lessor's other funds.

10. LIMITED PREARRANGED AMENDMENTS; SPECIFIC POWER OF ATTORNEY. In the event it is necessary to amend the terms of this Lease to reflect a change in one more of the following conditions:

(a) Lessor's actual cost of procuring the Equipment, or

(b) Lessor's actual cost of providing the Equipment to Lessee, or

(c) A change in rental payments a result of (a) or (b) above, or

(d) Description of the Equipment;

Lessee agrees that any such amendment shall be described in a letter from Lessor to Lessee, and unless within 15 days after the date of such letter Lessee objects in writing to Lessor, this Lease shall be deemed amended and such amendments shall be incorporated in this Lease herein as if originally set forth.

Lessee grants to Lessor a specific power of attorney for Lessor to use as follows: (1) Lessor may sign and file on Lessee's behalf any document Lessor deems necessary to perfect or protect Lessor's interest in the Equipment or pursuant to the Uniform Commercial Code; and (2) Lessor may sign, endorse or negotiate for Lessor's benefit any instrument representing proceeds from any policy of insurance covering the Equipment.

11. LOCATION. The Equipment shall be kept at the location specified above or, if none is specified, at Lessee's address as set forth above and shall not be removed without Lessor's prior written consent.

12. USE. Lessee shall use the Equipment in a careful manner, make all necessary repairs at Lessee's expense, shall comply with all laws relating to its possession, use, or maintenance, and shall not make any alterations, additions or improvements to the Equipment without Lessor's prior written consent. All additions, repairs or improvements made to the Equipment shall belong to Lessor.

13. OWNERSHIP; PERSONALTY. The Equipment is, and shall remain, the property of Lessor, and Lessee shall have no right, title, or interest in the Equipment except as expressly set forth in this Lease. The Equipment shall remain personal property even though installed in or attached to real property.

14. SURRENDER. By this Lease, Lessee acquires no ownership rights in the Equipment, and has no option to purchase same. Upon the expiration, or earlier termination or cancellation of this Lease, or in the event of default under Paragraph 22 hereof, Lessee agrees to pay a termination fee of $150.00 and, at its expense, shall return the equipment in good repair, ordinary wear and tear resulting from proper use thereof alone expected, by delivering it, packed and ready for shipment, to such place or carrier as Lessor may specify. In the event Lessee fails to return the equipment to Lessor as directed, Lessor is entitled to charge and Lessee shall be obligated to pay rent to Lessor at the same rate provided herein, as a month-to-month lease, until the equipment is return to Lessor.

15. RENEWAL. At the expiration of the Lease, Lessee shall return the Equipment in accordance with Paragraph 14 hereof. At Lessor's option, this Lease may be continued on a month-to-month basis until 30 days after Lessee returns the Equipment to Lessor. In the event the Lease is so continued, Lessee shall be assessed and agrees to pay a renewal fee of $150.00 and, in additon, shall pay to Lessor rentals in the same periodic amounts indicated under "Amount of Each Payment," above.

16. LOSS AND DAMAGE. Lessee shall at all times after signing this Lease bear the enire risk of loss, theft, damage or destruction of the Equipment from any cause whatsoever, and no loss, theft, damage or destruction of the Equipment shall relieve Lessee of the obligation to pay rent or to comply with any other obligation under this Lease. In the event of damage to any part of the Equipment, Lessee shall immediately place the same in good repair at Lessee's expense. If Lessor determines that any part of the Equipment is lost, stolen, destroyed, or damaged beyond repair, Lessee shall, at Lessee's option do one of the following:

(a) Replace the same with like equipment in good repair, acceptable to Lessor; or

(b) Pay Lessor in cash the following: (i) all amounts due by Lessee to Lessor under this Lease up to the date of the Loss; (ii) the accelerated balance of the total amounts due for the remaining term of this Lease attributable to said item, discounted to present value at a discount rate of 6% as of the date of loss; and , (iii) the Lessor's estimate as of the time this Lease was entered into of Lessor's residual interest in the Equipment discounted to present value at a discount rate of 6%, as of the date of loss. Upon Lessor's receipt of payment as set forth above, Lessee shall be entitled to title to the Equipment without any warranties. If insurance proceeds are used to fully comply with this subparagraph, the balance of any such proceeds shall go to Lessee to compensate for loss of use of the Equipment for the remaining term of the Lease.

17. INSURANCE; LIENS; TAXES. Lessee shall provide and maintain insurance against loss, theft, damage, or destruction of the Equipment in an amount not less than the full replacement value of the Equipment, with loss payable to Lessor. Lessee also shall provide and maintain comprehensive general all-risk liability insurance including but not limited to product liability coverage, insuring Lessor and Lessee, with a severability of interest endorsement, or its equivalent against any and all loss or liability for all damages, either to persons or property or otherwise, which might result from or happen in connection with the condition, use, or operation of the Equipment, with such limits and with an insurer satisfactory to Lessor. Each policy shall expressly provide that said insurance as to Lessor and its assigns shall not be invalidated by any act, omission, or neglect of Lessee and cannot be cancelled without 30 day's prior written notice to Lessor. As to each policy Lessee shall furnish to Lessor a certificate of insurance from the insurer, which certificate shall evidence the insurance coverage required by this paragraph. Lessor shall have no obligation to ascertain the existance of or provide any insurance coverage for the Equipment or for Lessee's benefit.

Lessee shall keep the Equipment free and clear of all levies, liens, and encumbrances. Lessee shall pay all charges and taxes (local, state and federal) which may now or hereafter upon the ownership, leasing, rental, sale, purchase, possession, or use of the Equipment, excluding, however, all taxes on or measured by Lessor's net income. If Lessee fails to procure or maintain said insurance or to pay said charges or taxes. In that event, Lessor shall have the right, but shall not be obligated, to effect such insurance, or pay such charges or taxes, Lessor shall notify Lessee of such payment and Lessee shall repay to Lessor the cost thereof within 15 days after such notice is mailed to Lessee.

18. INDEMNITY. Lessee shall idemnify Lessor against any claims, actions, damages or liabilities, including all attorney fees, arising out of or connected with Equipment, without limitation. Such indemnification shall survive the expiration, cancellation, or termination of this Lease. Lessee waives any immunity lessee may have under any industrial insurance act, with regard to indemnification of Lessor.

19. ASSIGNMENT BY LESSOR. Any assignee of Lessor shall have all of the rights but none of the obligations of Lessor under this Lease. Lessee shall recognize and hereby consents to any assignment of this Lease by Lessor, and shall not assert against the assignee any defense, conterclaim, or setoff that Lessee may have against Lessor. Subject to the foregoing, this Lease inures to the benefit of and is binding upon the heirs, devisees, personal representatives, survivors, successors in interest, and assignes the parties hereto.

20. SERVICE/COLLECTION CHARGES. If Lessee shall fail to make any payment required by this Lease within 10 days of the due date thereof, Lessee shall pay

Lessor a service charge of 10% of the amount due; provided, that no more than one such service charge shall be imposed on any delinquent payment; and in additon, Lessee agrees to pay all collection charges and other expenses incurred by Lessor as a result of the failure to timely make any payments under the Lease. Furthermore, should Lessee default under the Lease result in Lessor accelerating all unpaid future rentals, Lessee agrees to pay to Lessor interest on the accelerated amount, and any other amount due or to become due under the Lease, from the due date thereof until paid at the rate of 18% per annum or the maximum rate allowed by law.

21. TIME OF ESSENCE. Time is of the essence, and this provision shall not be impliedly waived by the acceptance on occasion of late or defective performance.

22. DEFAULT. Lessee shall be in default if:

(a) Lessee shall fail to make any payment due under the term of this Lease for a period of 10 days from the due date thereof; or

(b) Lessee shall fail to observe, keep, or perform any provision of this Lease, and such failure shall continue for a period of 10 days; or

(c) Lessee has made any misleading or false statement in connection with application for or performance of this Lease; or

(d) The equipment or any part thereof shall be subject to any lien, levy, seizure, assignment, transfer, bulk transfer, encumbrance, application, attachment, execution, sublease, or sale without prior written consent of Lessor, or if Lessee shall abandon the Equipment or permit any other entity or person to use the Equipment without the prior written consent of the Lessor; or

(e) Lessee dies or ceases to exist; or

(f) Lessee defaults an any other agreement it has with Lessor; or

(g) Any guarantor of this Lease defaults on any obligation to Lessor or any of the above listed events of default occur with respect to any guarantor or any such guarantor files or has filed against it a petition under the bankruptcy laws.

23. REMEDIES. If Lessee is in default, Lessor, with or without notice to Lessee, shall have the right to exercise any one or more of the following remedies, concurrently or separately, and without any election of remedies, concurrently or separately, and without any election of remedies being deemed to have been made:

(a) Lessor may enter upon Lessee's premises and without any court order or other process of law may repossess and remove the Equipment, or render the Equipment, or render the Equipment unusable without removal, either with or without notice to Lessee. Lessee hereby waives any trespass or right of action for damages by reason of such entry, removal, or disabling. Any such repossession shall not constitute a termination of this Lease unless Lessor so notifies Lessee in writing;

(b) Lessor may require Lessee, at its expense, to return the Equipment in good repair, ordinary wear and tear resulting from proper use thereof alone excepted, by delivering it, packed and ready for shipment, to such place or carrier as Lessor may specify;

(c) Lessor may cancel or terminate this Lease and may retain any and all prior payments paid by Lessee;

(d) Lessor may declare all sums due and to become due under the Lease immediately due and payable, including as to any or all items of Equipment, without notice or demand to Lessee;

(e) Lessor may re-lease the Equipment, without notice to Lessee, to any third party, upon such terms and conditions as Lessor alone shall determine, or may sell the Equipment, without notice to Lessee at private or public sale, at which sale Lessor may be the purchaser;

(f) Lessor may sue for and recover from Lessee the sum of all unpaid rents and other payments due under this Lease then accrued, all accelerated future payments due under this Lease discounted to their present value at a discount rate of 6% as of the date of default, plus Lessor's estimate at the time of Lease was entered into of Lessor's residual interest in the Equipment, reduced to present value at a discount rate of 6% as of the date of default, less the net proceeds of disposition, if any, of the Equipment;

(g) To pursue any other remedy available at law, by statute or in equity.

No right or remedy herein conferred upon or reserved to Lessor is exclusive of any other right or remedy herein, or by law or by equity provided or permitted, but shall be cumulative of every other right or remedy given herein or now or hereafter existing by law or equity or by statute or otherwise, and may be enforced concurrently therewith or from time to time. No single or partial exercise by Lessor of any right or remedy shall preclude any other or further exercise of any other right or remedy.

24. UCC FILING. Lessee authorizes Lessor to file financing statements in accordance with the Uniform Commercial Code signed only by the Lessor or one signed by Lessor as Lessee's Attorney-in-fact which Lessee hereby grants the Lessor.

25. MULTIPLE LESSEES. Lessor may, with consent of any one of the Lessees hereunder, modify, extend, or change any of the terms hereof without consent or knowledge of the others, without in any way releasing, waiving, or impairing any right granted to Lessor against the others. Lessees and each of them are jointly and severally responsible and liable to Lessor under this Lease.

26. EXPENSE OF ENFORCEMENT. In the event of any legal action with respect to this Lease, the prevailing party in any such action shall by entitled to reasonable attorney fees, including attorney fees incurred at the trial level, including action in bankruptcy court, on appeal or review, or incurred without action, suits, or proceedings, together with all costs and expenses incurred in pursuit thereof.

27. ENTIRE AGREEMENT; NO ORAL MODIFICATIONS; NO WAIVER. This instrument constitutes the entire agreement between Lessor and Lessee. No provision of the lease shall be modified or rescinded unless in writing signed by a representative of Lessor. Waiver by Lessor of any provision hereof in one instance shall not constitute a waiver as to any other instance.

28. SEVERABILITY. This Lease is intended to constitute a valid and enforceable legal instrument, and no provision of this Lease that may be deemed unenforceable shall in any way invalidate any other provision or provisions hereof, all of which shall remain in full force and effect.

SCHEDULE "A"

This Schedule is to be attached to and become a part of Lease No. 11291901

dated 1/15/98

QUANTITY | DESCRIPTION OF EQUIPMENT

VENDOR 1: Diebold Incorporated
P.O. Box 8230
Canton OH 44711

(1) INTERBOLD 1064 1 SERIES FRONT LOAD LOBBY ATM

This Schedule is hereby verified correct and the undersigned Lessee acknowledges receipt of a copy.

LESSOR: T & W FINANCIAL SERVICES COMPANY L.L.C LESSEE: LABOR READY, INC.

/s/ Michael Price	/s/ Robert H. Sovern
	Robert H. Sovern Asst. Treasurer

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(1)Debtor(s) (Last Name First) and Address(es): Labor Ready, Inc. 331 W. Main Street Store #295 Durham, NC 27701	(2) Secured Party(ies) (Name(s) and Address(es): T&W Funding Company I, L.L.C. P.O. Box 3028 Federal Way, WA 98063 91-1766212
(3)(a) Collateral is or includes fixtures. (b) Timber, Minerals or Accounts Subject to G.S. 25-9-103(5) are covered (c) Crops Are Growing Or To Be Grown* On Real Property Described in Section (5). If either block 3(a) or block 3(b) applies describe real estate, including record owner(s) in section (5).	(4) Assignee(s) of Secured Party, Address(es):

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(5) This Financing Statement Covers the Following types (or items) of Property
11291901 Filed with: Durham

This is a protective lease filing covering the following personal property: Debtor/Lessee grants to Creditor/Lessor herein a security interest in the specific equipment described herein together with any and all accessions including, but not limited to, any repair or warranty exchanges, additions or replacements to such property and any proceeds from the sale of the property.
Equipment: INTERBOLD 1064 1 SERIES FRONT LOAD LOBBY ATM Lease#11291901

*On Farm Collateral Filing, Name County Debtor Resides in
Products of the Collateral Are Also Covered. (Cannot be Filed unles County is named.)

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(6) Signatures: Debtor(s)   Secured Party(ies) (or Assignees)
T & W Funding Company I, L.L.C.

/s/ Robert H. Sovern

Labor Ready, Inc.

(By)   (By)

(1) FILING OFFICER COPY - NUMERICAL

Signature of Secured Party Pemlitted in Lieu of Debtor's Signature
(1) Collateral is subject to Security Interst in Another jurisdiction and Collateral Is Brought Into This State Debtor's Location Changed To This State
(2) For Other Situations See:
G. S.25-9-402 (2)

Prepared with UCC Direct for Windows Data File Services, Inc., P.O. Box 275, Van Nuys, CA 91408-0275 Tel (818) 909-2200   UCC-1

Return Acknowledgement To:
Data File Services, Inc.
P.O. Box 275
Van Nuys
CA 91408-2750

The UCC filing is pursuant to WASHINGTON UNIFORM COMMERCIAL CODE, Chapter 62A.9 RCW, to perfect a security Interest in the below named collateral

1. DEBTOR(S) (see instruction #2)
Debtor 1
PERSONAL (last, first, middle name and address) SSN:_________
BUSINESS (legal business name and address) FEIN:________
Debtor 2
SSN:_____________
FEIN: ___________

2. FOR OFFICE USE ONLY - DO NOT WRITE IN THIS BOX

Labor Ready, Inc.
1016 S. 28th Street
Tacoma, WA 98409

TRADE NAME, DBA, AKA

3. SECURED PARTY(IES) (name and address)
T&W Funding Company I, L.L.C.
P.O. Box 3028
Federal Way, WA 98063 91 -1766212
(name and address)

4. ASSIGNEE(S) of SECURED PARTY(IES) if applicable (name and address)

5. SECURED PARTY CONTACT PERSON:______________Phone: ______

6. CHECK ONLY IF APPLICABLE: (For definitions of TRANSMITTING UTILITY AND PRODUCTS OF COLLATERAL, see instruction sheet.)
Debtor is a Transmitting Utility   Products of Collateral are also covered
Filed With: WASHINGTON

7. THIS FINANCING STATEMENT covers the following collateral: (Attach additional 8.5" x 11: sheet(s) if needed.)
This is a protective lease filing covering the following personal property: Debtor/Lessee grants to Creditor/Lessor herein a security interest in the specific equipment described herein together with any and all accessions including, but not limited to, any repair or warranty exchanges, additions or replacements to such property and any proceeds from the sale of the property.
Equipment: INTER-BOLD 1064 I SERIES FRONT LOAD LOBBY ATM

8. RETURN ACKNOWLEDGEMENT COPY TO:
(name and address)
Data File Services, Inc
P.O. Box 275
Van Nuys, CA 91408-275
800-331-3282
818-909-4717

9. File With
UNIFORM COMMERCIAL CODE
DEPARTMENT OF LICENSING
P.O. BOX 9660
Olympia, WA 98507-9660
206-753-2523

MAKE CHECKS PAYABLE TO THE DEPARTMENT OF LICENSING

10. FOR OFFICE USE ONLY IMAGES TO BE FILMED

11. If collateral is described below,

this statement may be signed by the Secured Party instead of the Debtor. Please check the appropriate box, complete the adjacent lines and box 13, if collateria is:	1.________________________________ ORIGINAL FILING NUMBER
	2.__________________________________ FILING OFFICE WHERE FILED
Already subject to a security interest in another jurisdiction when it ws brought into this state or when the debtor's location was changed to this state. (complete adjacent lines 1 and 2)	3.__________________________________ FORMER NAME OF DEBTOR(S)

SEE ATTACHED

proceeds of the original collateral described above in which a security interest was perfected. (complete adjacent lines 1 and 2) listed on a filing which has lapsed. (complete adjacent lines 1 and 2)

listed on a filing which has lapsed. (complete adjacent lines 1 and 2)

acquired after a change of name, identity, or corporate structure of the debtor(s). (complete adjacent line 1,2 and 3)

---

12. DEBTOR NAME(S) AND SIGNATURE(S):	13. SECURED PARTY NAME(S) AND SIGNATURE(S) ARE REQUIRED IF BOX 11 HAS BEEN COMPLETED.
Labor Ready, Inc.	T & W Funding Company I, L.L.C.
_____________________________________ TYPE NAME(S) OF DEBTOR(S); AS IT APPEARS IN BOX 1.	_____________________________________ TYPE NAME(S) OF SECURED PARTY(IES) AS IT APPEARS IN BOX 3 OR 4.
/s/ Robert H. Sovern ___________________________________ SIGNATURE(S) OF DEBTOR(S)	_____________________________________ SIGNATURE(S) OF SECURED PARTY(IES)
___________________________________ SIGNATURE(S) OF DEBTOR(S)	_____________________________________ SIGNATURE(S) OF SECURED PARTY(IES)

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(1) FILING OFFICER - INDEX Prepared with UCC Direct for Window Data File Services, Inc. P.O. Box 275, Van Nuys, CA 91480-0275 Tel (818) 909-2200

DELIVERY & ACCEPTANCE

T & W FINANCIAL SERVICES COMPANY L.L.C.	6416 Pacific Hwy. E. Tacoma, WA 98424 P.O. Box 3028 Federal Way, WA 98063	LEASE NUMBER: 11291901 DATE OF LEASE: 1/15/98

LESSEE: LABOR READY, INC.

SEE SCHEDULE "A" ATTACHED HERETO AND MADE A PART HEREOF

ACKNOWLEDGEMENT AND ACCEPTANCE
OF EQUIPMENT BY LESSEE

Lessee hereby acknowledges that the Equipment described above has been received in good condition and repair, has been properly installed, tested, and inspected, and is operating satisfactorily in all respects for all of Lessee's intended uses and purposes. Lessee hereby accepts unconditionally and irrevocably the Equipment.

By signature below, Lessee specifically authorizes and requests Lessor to make payment to the supplier of the Equipment. Lessee agrees that said Equipment has not been delivered, installed, or accepted on a trial basis.

WITH THE DELIVERY OF THIS DOCUMENT TO LESSOR, LESSEE ACKNOWLEDGES AND AGREES THAT LESSEE'S OBLIGATIONS TO LESSOR BECOME ABSOLUTE AND IRREVOCABLE AND LESSEE SHALL BE FOREVER ESTOPPED FROM DENYING THE TRUTHFULNESS OF THE REPRESENTATIONS MADE IN THIS DOCUMENT.

DATE OF ACCEPTANCE:	LESSEE: LABOR READY, INC.
	/s/ Robert H. Sovern
January 14, 1998	Robert H. Sovern Asst. Treasurer

IMPORTANT: THIS DOCUMENT HAS LEGAL AND FINANCIAL CONSEQUENCES TO YOU. DO NOT SIGN THIS DOCUMENT UNTIL YOU HAVE ACTUALLY RECEIVED ALL OF THE EQUIPMENT AND ARE COMPLETELY SATISFIED WITH IT.

INSURANCE AUTHORIZATION LETTER

T & W
FINANCIAL SERVICES COMPANY L.L.C.
6416 Pacific Hwy. E.
Tacoma, WA 98424
P.O. Box 3028
Federal Way, WA 98063

LEASE NUMBER: 11291901
DATE OF LEASE: 1/15/98

To: NAME________________________
ADDRESS_____________________
CITY/STATE/ZIP______________
(AREA CODE) PHONE #_________
CONTACT PERSON______________

For Office Use Only/Date:___________________
Policy #:____________________________________
Carrier:_____________________________________
Expiration Date:_____________________________

FROM: LABOR READY, INC.
1016 S. 28th St.
Tacoma WA 98409

We have entered into a lease agreement with T & W FINANCIAL SERVICES COMPANY L.L.C. / FUNDING COMPANY I, L.L.C. or its Assignee for the following equipment, with a value of $13,992.80.

SEE SCHEDULE "A" ATTACHED HERETO AND MADE A PART HEREOF

This equipment is located at: 331 W. MAIN ST. (STORE 295), DURHAM NC 27701.

This is a net lease and we are responsible for the insurance cost. Please see that we have immediate coverage and notify Lessor at once in the form of a copy of the insurance policy or a Certificate of Insurance. If the letter is sent, please include therein the standard 10-day notice of cancellation clause.

xxx PHYSICAL DAMAGE: Insurance is to be provided for fire, theft, extended coverage, vandalism and malicious mischief for the full value of the equipment. Lessor is to be named as LOSS PAYEE. AS ITS INTEREST MAY APPEAR.

LIABILITY: Coverage should be written with minimum limits of S100,000/300,000 for BODILY INJURY and $50,000 PROPERTY DAMAGE. Lessor is to be named as ADDITIONAL INSURED.

TITLED VEHICLE LIMITS: The minimum limits for EACH vehicle lease shall be:

Bodily Injury Rability per individual	$500,000.00
Bodily Injury liability per accident	$500,000.00
Property Damage liability	$250,000.00
Fire, Theft and Comprehensive	FULL

If you have any questions, please call T&W Leasing, Inc. Insurance Department at 1(206)922-5164.

Thank you.

/s/ Robert H. Sovern

Robert H. Sovern Asst. Treasurer

EXHIBIT "A"

T & W
6416 Pacific Hwy. E.

FINANCIAL SERVICES COMPANY L.L.C.   Tacoma, WA 98424
P.O. Box 3028
Federal Way, WA 98063

Lessee guarantees to Lessor that the net sales proceeds from the sale of the equipment at the end of the term of the Lease shall be $1.00. Lessor shall use its best efforts to sell the equipment within sixty (60) days of the termination of the Lease. The sale may be on any terms so long as Lessor acts in good faith and in a commercially-reasonable manner, but so long as Lessor so acts, it shall be conclusively presumed that the sales price is the fair market value of the equipment and that the failure to realize the guaranteed residual value is due to excessive use of the property or other cause, not anticipated when the Lease was signed, and entitling the Lessor to additional rental. Under this clause, if the net sales proceeds are less than the guaranteed residual value, Lessee agrees to pay Lessor in cash, the difference within thirty (30) days after the date of sale.

Attached to and made a part of that certain Equipment Lease Agreement dated

1/15/98 , between LABOR READY. INC., as Lessee, and T & W FINANCIAL SERVICES COMPANY L.L.C., as Lessor.

LESSOR: T&W FINANCIAL SERVICES COMPANY L.L.C.   LESSEE: LABOR READY, INC.

/s/ Michael Price

/s/ Robert H. Sovern

Robert H. Sovern Asst. Treasurer

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