

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

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

(Mark One)

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

For the year ended December 31, 1998.

OR

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

For the transition period from _____ to _____

Commission File Number 0-23828

LABOR READY, INC.

(Exact name of 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)

(253) 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
Common Stock, No Par Value	The New York Stock Exchange

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

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

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. / /

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 NYSE quoted closing price) of the
common stock held by non-affiliates (24,477,289 shares) of the Registrant at
March 15, 1999 was approximately \$654.8 million. As of March 15, 1999, there
were 28,218.982 shares of the Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

ITEM 1. BUSINESS

Information in this Annual Report on Form 10-K includes forward-looking statements, which are often identified by the words "believes", "anticipates" and similar expressions. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Factors which could affect the Company's financial results are described below and in Item 7 of this report. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrences of unanticipated events.

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 freight handling, warehousing, landscaping, construction and light manufacturing industries. These businesses require workers for lifting, hauling, cleaning, assembling, digging, painting and other types of manual or unskilled work. The Company has rapidly grown from eight dispatch offices in 1991 to 486 dispatch offices at December 31, 1998. All of the growth in dispatch offices was achieved by opening Company-owned locations rather than through acquisitions. The Company's revenues have grown from \$6.0 million in 1991 to \$606.9 million in 1998. This revenue growth has been generated both by opening new dispatch offices and by continuing to increase sales at existing dispatch offices. In 1998, the average cost to open a new dispatch office was approximately \$45,000 and dispatch offices opened in 1998 typically generated revenues sufficient to cover their operating costs within six months. In 1998, the average revenue per dispatch office open for more than one full year was approximately \$1.6 million (\$1.4 million in 1997).

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 STAFFING INDUSTRY REPORT (May 1998), the United States' market for the industrial segment of the temporary staffing marketplace (which includes the short-term, light industrial market that the Company serves) grew at a compound annual growth rate of approximately 17% from approximately \$6.0 billion in 1992 to an estimated \$14.6 billion in 1998. The Company believes the short-term light industrial segment of the temporary staffing industry is highly fragmented and presents opportunities for larger, well capitalized companies to compete effectively, mainly through the development of information systems which efficiently process a high volume of transactions and coordinate multi-location activities, and the management of workers' compensation costs.

Historically, the demand for temporary workers has been driven primarily by the need to satisfy peak production requirements and to temporarily replace full-time employees absent due to illness, vacation or abrupt termination. More recently, competitive pressures have forced businesses to focus on reducing costs, including converting fixed, permanent labor costs to variable or flexible costs. The use of temporary workers typically shifts employment costs and risks, such as workers' compensation and unemployment insurance and the possible adverse effects of changing employment regulations, to temporary staffing companies, which can allocate those costs and risks over a larger pool of employees and customers. In addition, through the use of temporary employees, businesses avoid the inconvenience and expense 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. From January 1, 1999 to March 15, 1999, the Company has opened 142 new dispatch offices and plans to open approximately 58 additional dispatch offices during the first half of the year. The Company plans to open 200 dispatch offices in 2000.

- - INCREASE REVENUES FROM EXISTING DISPATCH OFFICES. As each 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 dispatch office general manager in this process. The Company also employs coordinated sales and marketing strategies designed to complement these efforts, including the development of national accounts, and targeted direct mail and telemarketing campaigns.

- - IMPROVE OPERATING EFFICIENCIES AND REDUCE OPERATING COSTS. Due to the short-term 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 administer effectively 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 its dispatch offices. In addition, the Company has designed and implemented a proprietary management information system that efficiently manages an extensive, Company-wide employee, payroll, sales and customer database and provides management with valuable, timely management reporting.
- - 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. and extending hours of operation to 24 hours, 7 days per week where the market demands. One of the Company's competitive advantages is that it is able to provide workers on short notice (often the same day as requested) and offers 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. With the introduction of an automated Cash Dispensing Machine ("CDM") at each dispatch office in 1998, workers find the Company's policy of "Work Today, Cash Today" even more appealing.
- - AGGRESSIVELY RECRUIT TEMPORARY WORKERS. During 1998, the Company installed a cash dispensing machine in all of its dispatch offices in the United States. With the CDMs in operation, workers have a choice of a daily paycheck or cash payment through the CDM. The Company retains the change on each worker's daily pay plus \$1 for the service. Management believes the CDM program will enhance the Company's ability to attract temporary workers. In 1998, the Company wrote approximately 6.5 million payroll checks for its temporary workers. Implementation of the CDMs has significantly reduced the number of payroll checks the Company would have otherwise processed.

The Company intends to continue to focus on the short-term, light industrial manual labor 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 other operating efficiencies not available to its smaller competitors and by rapidly expanding through opening new dispatch offices and increasing revenue at existing dispatch offices.

DISPATCH OFFICE EXPANSION

The Company has rapidly grown from 17 dispatch offices in 1993 to 486 dispatch offices at December 31, 1998. The Company's expansion has been achieved primarily by opening Company-owned dispatch offices. 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/St. Paul, Minnesota metropolitan area and one franchised dispatch office located in Fargo, North Dakota.

LABOR READY DISPATCH OFFICES
BY GEOGRAPHIC REGION

<TABLE>
<CAPTION>

	AT DECEMBER 31,			
	1994	1995	1996	1997
1998				
<S>	<C>	<C>	<C>	<C>
<C>				
Northwest	17	25	27	42

51				
California	9	22	30	43
72				
Central	10	23	40	51
70				
Midwest	2	6	26	45
69				
Mid-Atlantic	8	14	38	54
70				
Southeast	1	11	29	45
66				
Northeast	0	1	2	22
50				
Atlantic	0	0	4	6
27				
Canada	4	4	4	8
11				

Total.	51	106	200	316
486				

</TABLE>

The Company currently anticipates opening 200 dispatch offices during the first half of 1999, and 200 dispatch offices in 2000. Dispatch office openings in 1999 will be primarily in the Northeast, Southeast, Midwest and California. The Company analyzes acquisition opportunities, and 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/St. Paul 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 significant during the periods presented herein.

ECONOMICS OF DISPATCH OFFICES. The Company has standardized the process of opening dispatch offices. In 1998, the average aggregate cost of opening a new dispatch office was approximately \$45,000. Approximately \$13,000 of these costs includes salaries, recruiting, testing, training, lease and other related costs, which have been capitalized as dispatch office pre-opening costs and amortized using the straight-line method over two years. The remaining approximately \$32,000 of the cost of opening a dispatch office includes computer systems and other equipment related costs, leasehold improvements and a cash dispensing machine and related equipment. These costs are not expected to increase significantly in 1999. New dispatch offices are expected to generate revenue sufficient to cover their operating costs within six months. On average, the volume necessary for profitable operations is approximately \$12,000 per week. In 1998, dispatch offices open for at least one full year generated average annual revenue of approximately \$1.6 million (\$1.4 million in 1997) or approximately \$31,000 per dispatch office, per week (\$27,000 per dispatch office, per week in 1997).

CRITERIA FOR NEW DISPATCH OFFICES. Labor Ready identifies desirable areas for locating new dispatch offices with an economic model that analyzes the potential supply of temporary workers and customer demand based on a zip code resolution of employment figures, demographics and the relative distance to the nearest Labor Ready dispatch office. In addition, the Company locates dispatch offices in areas convenient for its temporary workers, which are on or near public transportation, and have parking available. 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 direct mail and other advertising costs are spread among more dispatch offices and because the new dispatch office benefits from existing customer relationships and established Labor Ready brand recognition.

DISPATCH OFFICE MANAGEMENT. 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 the recruiting and daily dispatch of temporary workers, sales and accounts receivable collection. 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. The Company commits substantial resources to the training, development, and operational support of its general managers.

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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 job site, 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 and the customer. The customer provides additional safety and other equipment, if required. New assignments are filled from a daily sign-in sheet, considering customer requests for specific temporary workers on repeat work orders or new engagements.

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 job openings are requested on short notice, often the same day as the workers are needed at the job site.

The workers are provided with a work order, which is endorsed by the customer to confirm work performance, and which must be presented at the dispatch office in order to receive payment for the hours worked. Workers are generally paid daily by check, and with the addition of a CDM at each dispatch office, workers have the choice of being paid each day in cash. Computer systems at each dispatch office perform the calculations necessary to determine the wages, less taxes and applicable withholdings, and print security-controlled checks, which are distributed to each worker. Alternatively, the system prints a payroll voucher which contains a unique security code. The worker enters the code into the CDM and is disbursed his or her net pay, less the change and \$1 for the CDM service.

Dispatch offices generally open early, usually by 5:30 a.m., with some open 24 hours depending on market demand, 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 a 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 that require workers for lifting, hauling, cleaning, assembling, digging, painting and other types of manual or unskilled work. The Company's customers are primarily businesses in the freight handling, warehousing, landscaping, construction and light manufacturing industries. Over the past several years, the Company has been diversifying its customer base to include more customers in the retail, wholesale, sanitation, printing, and hospitality industries.

New dispatch offices initially target virtually all businesses in its market area with direct mail and telemarketing campaigns. Dispatch office general managers, and the regional and national sales force are responsible for following up the marketing campaigns with telephone or personal calls. Frequently, a new dispatch office will have a high concentration of customers in the construction industry. As dispatch offices mature, the customer base broadens and the mix of work diversifies. Many customers have elements of seasonality in their workflow, especially customers in the construction and landscaping industries. The Company currently derives its business from a large number of customers, and is not dependent on any single large customer for more than 2% of its revenues. During 1998, the Company's ten largest customers

accounted for sales of \$28.5 million, or 4.7% of total revenues (\$20.9 million, or 6.2% of total revenues in 1997). 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 1998, the Company provided temporary workers to in excess of 190,000 customers. Labor Ready filled more than 4.8 million work orders in 1998 (2.8 million in 1997).

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Many customers use Labor Ready to screen prospective employees for future permanent 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, minimizing the expense of employee turnover and personnel agency fees.

BILLING AND COLLECTIONS. The Company has implemented an automated credit and collections system that allows each dispatch office to establish a credit limit for new customers by telephonically accessing a computer based credit system. Initial credit limits are based on a credit-scoring matrix developed by the Company. No workers are dispatched without using this system. Credit limits range from COD to \$100,000. The credit department, using other credit reporting agencies, bank/trade references and balance sheet analysis, reviews and approves additional credit extensions beyond those recommended by this system. 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 monitor more closely the activity of the customer.

SALES AND MARKETING. Each dispatch office is responsible for its own sales and marketing efforts in its local market area. The dispatch office general manager is primarily responsible for sales and customer service, with all branch employees being involved in sales and customer relations. The Company purchases a direct marketing database, and from a centralized direct mail department, conducts an intensive direct-mail campaign in the local market area of each dispatch office. For new dispatch offices, the direct-mail campaign targets virtually all businesses in its local market area. Follow-up mailings target business in the Company's traditional market niche. Follow-up telephone and personal calls on qualified leads are made by the dispatch office general manager and the Company's sales force.

The Company currently employs approximately 70 sales personnel at the dispatch offices and 3 sales professionals who focus exclusively on sales to customers whose operations are national in scope and who therefore need workers in multiple locations throughout the United States and Canada. Additionally, the Company employs one sales professional whose efforts are devoted to developing new customers in the marine industry.

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 telemarketing and direct-mail campaigns, yellow-page advertising, personal sales contacts, word of mouth, and billboard advertising.

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 or a CDM voucher for cash at the end of the day. Labor Ready's temporary workers are frequently persons who are unemployed or in between jobs. The majority of the workers are male and most are between the ages of 18 and 40 and live in low-income neighborhoods.

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

After reviewing work orders for that day's customer requests, the dispatch office general manager prescreens the qualifications of the available temporary workers to assure that 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 complaints from customers are generally reprimanded or terminated. 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 customers' job sites are grounds for immediate dismissal. The Company lists workers who were terminated in a central database to prevent rehire by other dispatch offices.

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The Company withholds FICA and federal, state, and, where applicable, city and county income taxes from its temporary workers' wages for disbursement to governmental agencies. Additionally, the Company maintains federal and state unemployment insurance, and workers' compensation coverage for its temporary employees.

RECRUITMENT OF TEMPORARY WORKERS. The Company attracts its pool of temporary workers through billboard advertisements, flyers, newspaper advertisements, dispatch office displays, and word of mouth. The Company believes its strategy of locating dispatch offices in areas convenient for its workers, 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. With the addition of a CDM at each dispatch office, management believes that the Company's "Work Today, Cash Today" policy is an added incentive for temporary workers. Workers also find other Company policies attractive, such as the emphasis on worker safety, including Company provided safety training and equipment, and modest cash advances for lunch or gas to workers short on cash. Temporary workers are also aware of the Company's no-fee policy toward customers who offer temporary workers a regular position. The possibility of landing a regular position serves as an added incentive to the Company's workers.

Management believes that Labor Ready has earned a good reputation with its temporary laborers because the Company consistently has jobs available and treats its workers with respect. The Company believes this also helps attract a motivated and responsive workforce. As a result, the Company believes referrals by current or former temporary workers who have had good experience with the Company account for a significant percentage of its recruiting successes.

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 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 through coordination with other local dispatch offices.

MANAGEMENT, EMPLOYEES AND TRAINING. At December 31, 1998, the Company employed a total of 121 administrative and executive staff in the corporate office, and 2,185 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's recruiting focus is on hiring additional management and supervisory personnel with experience in managing multi-location operations.

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

MANAGEMENT INFORMATION SYSTEMS. The Company has developed its own proprietary system to process all required credit, billing, collection, temporary worker payroll and related payroll tax returns, together with other management information and reporting systems necessary for the management of hundreds of thousands of workers and staff in multiple locations. The Company plans to complete the installation of the next generation, client server version of this software in all dispatch offices in 1999. The upgrade of hardware at all dispatch offices, to dedicated servers running Microsoft's 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. During 1997, the Company added a third workstation to most dispatch offices and provided laptop computers to all its area directors. Additionally, during 1997, the Company

successfully implemented a new client server based financial reporting and management information system which includes general ledger and accounts payable modules, and budget/actual comparison reporting by dispatch office. Further add-on systems and programs are planned and in process to enhance purchasing management, property and equipment accounting, enable real-time management reporting for district managers and transition to electronic data interchange with the Company's customers and vendors.

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During 1998, the Company increased its MIS department to twenty full-time professionals who continually upgrade the systems and add features and enhance operations and reliability. The operations and financial reporting 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 receivable balances. Dispatch offices can run a variety of reports on demand, such as receivables aging, margin reports, and customer activity reports. Area directors and district managers can also call into the system and monitor their territories from the field. 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 key internal controls. All work order tickets are entered into the system at the dispatch office level. No payroll check can be issued at a dispatch office without a corresponding work ticket on the computer system. When a payroll check or CDM voucher is issued, the customer's weekly invoice and the dispatch office receivables ledger are automatically updated. Printed checks have watermarks and computer-generated signatures that are difficult to duplicate. The Company has developed a proprietary system, which beginning in 1998 allows the payroll software to generate either a payroll check, or at the workers' option, a cash withdrawal from the dispatch office's CDM. The Company has filed a patent application for this system of controlling the CDMs for the disbursement of payroll funds. All cash receipts are received in lockbox accounts and are matched to customers' receivable records using an automated data capture system.

WORKERS' COMPENSATION PROGRAM. The Company provides workers' compensation insurance to its temporary workers and regular employees. For workers' compensation claims originating in the majority of states (the 43 non-monopolistic states), the Company has purchased a deductible insurance policy. Under terms of the policy, the Company's workers' compensation exposure is limited to a deductible amount per occurrence and a maximum aggregate stop-loss limit. Should any single occurrence exceed the deductible amount per occurrence, all losses and expenses beyond the deductible amount are paid by independent insurance companies unrelated to the Company. Similarly, should the total of paid losses related to any one year period exceed the maximum aggregate stop-loss limit for that year, all losses beyond the maximum aggregate stop-loss limit are paid by independent insurance companies unrelated to the Company. In 1997, the per occurrence deductible amount was \$250,000 per claim, to an aggregate maximum of \$11.60 per \$100 of temporary worker payroll, or \$18.8 million. For claims arising in 1998, the per occurrence deductible amount was increased to \$350,000 and the maximum aggregate stop-loss limit was reduced to \$10.41 per \$100 of temporary worker payroll, or \$31.7 million.

For claims arising in years prior to 1997, the Company has insured all losses beyond amounts reserved in its financial statements with independent insurance companies unrelated to the Company. The difference between the discounted maximum aggregate stop-loss limit for claims arising in 1997 and 1998 and the total of claims paid and reserved for in the Company's financial statements for the same periods is \$4.0 million. This amount represents the discounted maximum additional exposure, net of tax, to the Company before its maximum aggregate stop-loss limits are met for all periods before December 31, 1998.

The Company establishes its reserve for workers' compensation claims using actuarial estimates of the future cost of claims and related expenses that have been reported but not settled, and that have been incurred but not reported. Adjustments to the claims reserve are charged or credited to expense in the periods in which they occur. Included in the accompanying consolidated balance sheets as of December 31, 1998 and 1997, are workers' compensation claims reserves in the non-monopolistic states of \$24.4 million and \$12.9 million, respectively. The claims reserves were computed using a discount rate of 6.0% at December 31, 1998 and 1997.

Workers' compensation expense totaling \$30.6 million, \$19.2 million and \$10.0 million was recorded as a component of cost of services in each of the years ended December 31, 1998, 1997 and 1996, respectively.

For the 1997 and 1998 program years, the Company is required to provide collateral in the amount of the maximum aggregate stop-loss limits, less claims paid to date. The Company provides approximately 50% of the required collateral in the form of a surety bond, and 50% in letters of credit. Accordingly, at December 31, 1998, \$14.5 million of the collateral was satisfied with surety bonds and \$12.6 million was satisfied with letters of credit for the years ended December 31, 1998 and 1997.

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For workers' compensation claims originating in Washington, Ohio, and West Virginia (the monopolistic states), and Canada and Puerto Rico, the Company pays workers' compensation insurance premiums as required by state administered programs. The insurance premiums are established by each jurisdiction, generally based upon the job classification of the insured workers and the previous claims experience of the Company. 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 December 31, 1998 and 1997, the Company recorded workers' compensation credit receivables of \$1.4 million and \$1.1 million respectively, and workers' compensation liabilities of \$1.2 million and \$0.6 million respectively, related to the monopolistic states.

In December 1998, the Company purchased a deductible insurance policy for the non-monopolistic states covering the years ended 1999 and 2000. The policy includes substantially the same terms and limitations as the 1998 policy described above except that the Company is required to provide collateral in the amount of 60% of claims reserves. The collateral for the 1999 program will consist of 50% letters of credit and 50% surety bond. Accordingly, subsequent to year end, the Company provided the insurance carrier with a letter of credit totaling \$4 million and a surety bond for \$12.5 million. During 1999, the total amount of the letters of credit and surety bonds for the 1999 program year will increase to approximately \$24.0 million.

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

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 Company's temporary workers are generally considered the customer's employees while on the customer's job site for the purpose of applicable safety standards compliance.

In 1998, the Company's accident rate was approximately one incident per 7,853 man hours worked, an improvement over the Company's accident rate of approximately one incident per 7,764 per man hours worked in 1997. 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 temporary workers, issuing safety equipment, monitoring job sites, and communicating with customers to promote job site safety. 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. Additionally, "Tailgate" safety training sessions are conducted at the customers' job site.

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

Dispatch office personnel are trained to discuss job safety parameters with customers on incoming work order requests. Managers conduct job site visits for new customer job orders and periodic "spot checks" of existing customers to

review safety conditions at job sites. Workers are encouraged to report unsafe working conditions to the Company.

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

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COMPETITION

The short-term, light industrial manual labor sector of the temporary services industry is highly fragmented and highly competitive, with limited barriers to entry. A large percentage of temporary staffing companies serving this sector of the industry are local operations with fewer than five offices. Within local or regional markets, these firms actively compete with the Company for business. The primary basis of competition among local firms is service and the ability to provide the requested amount of workers on time, and to a lesser extent, price. 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. However, 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 short-term, light industrial market and provide new and increased competition to Labor Ready. The Company believes that, among the larger competitors, the primary competitive factors in obtaining and retaining customers are the cost of temporary labor, the quality of the temporary workers provided, the responsiveness of the temporary labor company, and the number and location of offices. The availability to the Company's customers of multiple temporary service providers can create significant pricing pressure as competitors compete for the available customers, and this pricing pressure could adversely impact profit margins.

TRADEMARKS

The Company's business is not presently dependent on any patents, licenses, franchises, or concessions. "Labor Ready," and the service mark "Work Today, Paid Today" are registered with the U.S. Patent and Trademark Office. The Company has filed with the U.S. Patent and Trademark Office, for registration of the service mark "Work Today, Cash Today" and has commenced a patent application for the system of controlling a network of CDMs for the disbursement of payroll.

ITEM 2 PROPERTIES

The Company leases virtually all of its dispatch offices. Dispatch office leases generally permit the Company to terminate the lease 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 that 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 that is currently listed as available for lease 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. The building currently serves as Labor Ready's corporate headquarters and administrative offices. Additionally, the Company owns a dispatch office in Kansas City, Missouri. During 1997 and 1998, the Company sold two buildings formerly used as a dispatch offices for proceeds of \$120,000 and \$185,000, respectively. Management believes all of the Company's facilities are currently suitable for their intended use. At present growth rates, management believes that its headquarters facility will be adequate through the year 2000.

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.

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, 1998.

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PART II

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

The Company's common stock commenced trading on the New York Stock Exchange ("NYSE") on October 28, 1998. Beginning on June 12, 1996, the Company's common stock was traded on the Nasdaq National Market and prior to that date, the Company's common stock was traded over-the-counter. The high and low bids (for periods before October 28, 1998) and sale prices (for periods after October 28, 1998) were as follows:

<TABLE>
<CAPTION>

	QUARTER ENDED -----	HIGH* -----	LOW* -----
<S>		<C>	<C>
	March 31, 1997	6.17	3.33
	June 30, 1997	4.56	2.89
	September 30, 1997	10.94	4.50
	December 31, 1997	17.17	9.11
	March 31, 1998	23.67	10.17
	June 30, 1998	30.63	17.50
	September 30, 1998	40.50	11.38
	December 31, 1998	24.50	11.50

</TABLE>

*Dollar amounts are adjusted to reflect the three-for-two stock splits which were effective on October 24, 1997 and May 11, 1998.

The Company had 690 shareholders of record as of December 31, 1998. The quotation information has been derived from the NYSE and Nasdaq Stock Market and information for periods prior to October 28, 1998 does not include retail markups, markdowns or commissions and may not be reflective of 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.

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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 Sheet as of December 31, 1998 and 1997, and the Consolidated Statements of Income, Shareholders' Equity, and Cash Flows for the years then ended were audited by Arthur Andersen LLP, whose report thereon appears elsewhere herein. The Consolidated Statements of Income, Shareholders' Equity, and Cash Flows for the year ended December 31, 1996 were audited by BDO Seidman, LLP, whose report thereon appears elsewhere herein. The Statement of Operations Data for the years ended December 31, 1995 and 1994, and the balance Sheet Data at December 31, 1996, 1995 and 1994 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
(IN THOUSANDS, EXCEPT PER SHARE DATA AND NUMBER OF OFFICES)

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,

	1994	1995	1996	1997
1998				
<S>	<C>	<C>	<C>	<C>
<C>				
STATEMENT OF OPERATIONS DATA:				
Revenues from services	\$38,951	\$94,362	\$163,450	\$335,409
\$606,895				
Gross profit	12,095	29,479	47,919	98,742
183,971				
Income before taxes and extraordinary item	1,188	3,214	3,506	12,522
33,390				
Extraordinary item, net of income tax	--	--	(1,197)	--
--				
Net income	852	2,062	724	6,963
19,799				
Earnings per common share				
Basic	\$0.05	\$0.11	\$0.03	\$0.25
\$0.71				
Diluted	\$0.05	\$0.10	\$0.03	\$0.25
\$0.69				
Weighted average shares outstanding (1)				
Basic	14,727	18,650	23,798	27,669
27,796				
Diluted	14,727	19,559	24,433	28,167
28,666				

</TABLE>
<TABLE>
<CAPTION>

AT DECEMBER 31,

	1994	1995	1996	1997
1998				
<S>	<C>	<C>	<C>	<C>
<C>				
BALANCE SHEET DATA:				
Current assets	\$7,572	\$20,730	\$48,534	\$65,617
\$105,933				
Total assets	8,912	26,182	64,125	80,367
130,736				
Current liabilities	5,631	7,956	10,961	15,788
34,842				
Long-term liabilities	319	9,695	1,572	6,538
15,397				
Total liabilities	5,950	17,650	12,533	22,326
50,239				
Shareholders' equity	2,962	8,532	51,592	58,041
80,497				
Cash dividends declared (2)	43	43	43	43
43				
Working capital	1,941	12,774	37,573	49,829
71,091				

OPERATING DATA: (UNAUDITED)

Revenues from dispatch offices open for full year	\$27,311	\$65,798	\$133,156	\$280,538
\$508,980				
Revenues from dispatch offices opened during year	\$11,640	\$28,564	\$30,294	\$54,871
\$97,915				
Dispatch offices open at period end	51	106	200	316
486				

(1) The weighted average shares outstanding have been adjusted to reflect the three for two stock splits which were each effective on November 22, 1995, July 7, 1996, October 24, 1997 and May 11, 1998.

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

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 freight handling, warehousing, landscaping, construction, light manufacturing, and other light industrial businesses. The Company has rapidly grown from 17 dispatch offices in 1993 to 486 dispatch offices at December 31, 1998. 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 \$39.0 million in 1994 to \$606.9 million in 1998. This revenue growth has been generated both by opening new dispatch offices and by continuing to increase sales at existing dispatch offices. In 1998, the average annual revenue per dispatch office open for more than a full year was approximately \$1.6 million (approximately \$1.4 million in 1997).

The Company expects to open 200 new dispatch offices in the first half of 1999 and 200 dispatch offices in 2000. In 1998, the Company incurred costs of approximately \$7.6 million to open 170 new dispatch offices, an average of approximately \$45,000 per dispatch office. Approximately \$13,000 of these costs includes salaries, recruiting, testing, training, lease and other related costs, which are capitalized as dispatch office pre-opening costs and amortized using the straight-line method over two years. The remaining approximately \$32,000 of the cost of opening a dispatch office includes computer systems and other equipment related costs, leasehold improvements and a cash dispensing machine and related equipment. 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 within 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 1998 was approximately 39 days. Consequently, the Company historically has experienced significant negative cash flow from operations and investment activities during periods of high growth. While the Company has generated net positive cash flows from operations in each of the two years ended December 31, 1998 and 1997, the Company may 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. See "Liquidity and Capital Resources" and "Outlook: Issues and Uncertainties - Working Capital Requirements."

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. From time to time during peak periods, the Company experiences shortages of available temporary workers. See "Outlook: Issues and Uncertainties -- Availability of Temporary Workers."

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

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, 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 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 were not material during any period presented herein.

The typical customer order is for two temporary workers and the typical payroll check paid by the Company is less than \$50. The Company is not dependent on any individual customer for more than 2% of its annual revenues. During 1998, the Company provided temporary workers to in excess of 190,000 customers and filled more than 4.8 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.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
<S>	<C>	<C>	<C>
Revenues from services	100.0%	100.0%	100.0%
Cost of services	70.7	70.6	69.7
Selling, general and administrative expenses	26.3	25.1	23.8
Depreciation and amortization	1.1	1.2	1.0
Interest (income) expense and other, net	(.2)	(.6)	.04
Income before taxes on income and extraordinary item	2.1	3.7	5.5
Net income4	2.1	3.2

YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998

DISPATCH OFFICES. The number of offices grew to 486 at December 31, 1998 from 316 locations at December 31, 1997, a net increase of 170 dispatch offices or 53.8%. The Company estimates that its aggregate costs of opening 170 new dispatch offices in 1998 was \$7.6 million, an average of approximately \$45,000 per dispatch office, compared to aggregate costs of approximately \$3.8 million, an average of approximately \$33,000 per dispatch office, to open 116 new stores in 1997. The increase in per-store costs in 1998 was primarily the result of the addition of a cash dispensing machine and related equipment. Approximately \$13,000 of 1998 pre-opening costs includes 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 \$32,000 of pre-opening costs includes computer systems and other equipment related costs, leasehold improvements and a cash dispensing machine and related equipment. The number of dispatch offices grew to 316 at December 31, 1997 from 200 locations at December 31, 1996, a net increase of 116 dispatch offices, or 58.0%. The Company estimates that its aggregate costs of opening 116 new dispatch offices in 1997 was approximately \$3.8 million (an average of approximately \$33,000 per dispatch office) compared to aggregate costs of approximately \$5.6 million (an average of approximately \$60,000 per dispatch office) to open 94 new stores in 1996. The decrease in per-store costs in 1997 was primarily the result of a shorter manager training period and the use of regional training centers.

REVENUES FROM SERVICES. Revenues from services increased to \$606.9 million in 1998 as compared to \$335.4 million in 1997, an increase of \$271.5 million or 80.9%. The increase in revenues is primarily due to continued increases in revenues from mature dispatch offices as the Company consolidates its position in the marketplace and builds brand awareness. Additionally, the Company opened 170 new dispatch offices in 1998 and increased its average revenues per new dispatch office from approximately \$473,000 in 1997 to approximately \$576,000 in 1998. In 1998, the Company opened 161 of its 170 new dispatch offices in the first half of the year, compared to 97 dispatch offices opened in the first half and 19 opened in the second half of 1997. Opening dispatch offices in the first half of the year enables each new dispatch office to realize higher revenues during the Company's busiest time of the year. Included in revenues from services for the years ended December 31, 1998 and 1997 were CDM fees of \$3.6 million and \$0, respectively.

Revenues from services increased to \$335.4 million for 1997 as compared to \$163.5 million for 1996, an increase of \$171.9 million or 105.2%. The increase in revenues was primarily due to continued increases in revenues from mature dispatch offices as the Company consolidates its position in the marketplace and builds brand awareness. Additionally, the Company opened 116 new dispatch offices in 1997 and increased its average revenues per new dispatch office from approximately \$322,000 in 1996 to approximately \$473,000 in 1997. In 1997, the Company opened 97 of its 116 new dispatch offices in the first half of the year, compared to 45 dispatch offices opened in the first half and 49 opened in the second half of 1996. Additionally, the minimum wage rate was increased from \$4.75 per hour to \$5.15 per hour in October 1997.

<TABLE>
<CAPTION>

	<C>	<C>
<S>		
<C>		
Increase in revenues from dispatch offices open for full year . . .	\$38,794	\$117,088
\$173,571		
Revenues from new dispatch offices opened during year.	30,294	54,871
97,915		
Total increase over prior year	\$69,088	\$171,959
\$271,486		

</TABLE>

COST OF SERVICES. Cost of services increased to \$422.9 million in 1998 from \$236.7 million in 1997, an increase of \$186.2 million or 78.7%. The increase in cost of services was due largely to the 80.9% increase in revenue from 1997 to 1998. Cost of services was 69.7% of revenue in 1998 compared to 70.6% of revenue in 1997, an improvement of .9%. Cost of services as a percentage of revenues decreased as compared to 1997 levels as the Company's workers' compensation claims experience continues to improve. Additionally, the Company continues to increase sales in mature stores and improve margins as it consolidates its position in the marketplace. Finally, the inclusion of CDM fees in revenues from services contributed .4% to the improvement in cost of services as a percentage of revenue from 1998 to 1997.

Cost of services increased to \$236.7 million in 1997 from \$115.5 million in 1996, an increase of \$121.2 million or 104.9%. The increase in cost of services was due largely to the 105.2% increase in revenue from 1996 to 1997. Cost of services was 70.6% of revenue in 1997 compared to 70.7% of revenue in 1996. Cost of services as a percentage of revenues remained approximately constant as compared to 1996 levels as the Company was generally no longer required to use introductory lower rates to attract new customers in new dispatch offices. Additionally, cost increases including minimum wage increases, workers' compensation and unemployment insurance rate increases are passed through to customers as higher billing rates.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were \$144.2 million in 1998 as compared to \$84.1 million in 1997, an increase of \$60.1 million, or 71.5%. The increase was largely due to increases in personnel and infrastructure to support a 80.9% increase in revenue from 1997 to 1998. Selling, general and administrative expenses were 23.8% of revenues in 1998 as compared to 25.1% of revenues in 1997. The decrease in selling, general and administrative expenses as a percentage of revenue is due mainly to economies of scale on fixed and semi-fixed administrative costs. Included in selling, general and administrative costs for the years ended December 31, 1998 and 1997 are CDM related expenses of \$1.9 million and \$0, respectively. 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 administrative capabilities to accommodate anticipated revenue growth.

Selling, general and administrative expenses were \$84.1 million in 1997 as compared to \$42.9 million in 1996, an increase of \$41.2 million or 96.0%. The increase was largely due to increases in personnel and infrastructure to support a 105.2% increase in revenue from 1996 to 1997. Selling, general and administrative expenses were 25.1% of revenues in 1997 as compared to 26.3% of revenues in 1996. The decrease in selling, general and administrative expenses as a percentage of revenue was due mainly to economies of scale on fixed and semi-fixed administrative costs.

DEPRECIATION AND AMORTIZATION EXPENSE. Depreciation and amortization expenses were \$6.1 million in 1998 and \$4.0 million in 1997, an increase of \$2.1 million or 52.5%. The increase in depreciation and amortization expense is the result of amortization of dispatch office pre-opening costs as the Company continued its rapid expansion by adding 170 stores in 1998. Additionally, the Company added approximately \$13.2 million in property and equipment during the year, including information systems and equipment for the new stores, cash dispensing machines for all of its United States' stores and enhanced management information systems hardware and software. Included in depreciation and amortization expense for the years ended December 31, 1998 and 1997 is depreciation on CDMs of \$.6 million and \$0, respectively.

Depreciation and amortization expenses were \$4.0 million in 1997 and \$1.8 million in 1996, an increase of \$2.2 or 122.2%. The increase in depreciation and amortization expense is the result of amortization of dispatch office pre-opening costs as the Company continued its rapid expansion by adding 116 stores in 1997. Additionally, the Company added approximately \$4.0 million in

property and equipment during the year including information systems and equipment for the new stores and enhanced management information systems hardware and software.

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In March 1998, the Accounting Standards Executive Committee 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 remaining 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 \$1.4 million.

INTEREST (INCOME) EXPENSE AND OTHER, NET. Interest (income) expense and other, net was an expense of \$.3 million in 1998 compared to income of \$1.9 million in 1997, an increase in expense of \$2.2 million. Approximately \$1.2 million of the difference was due to investment income earned during 1997 on the Company's workers' compensation deposits, which were replaced by letters of credit and surety bonds in 1998. Additionally, the Company had lower cash balances available for investing in 1998 due to cash balances of approximately \$15.2 million held in the CDMs at December 31, 1998 for payment of temporary worker payroll. Finally, included in interest (income) expense and other, net is interest expense on the CDM capital leases of \$.5 million and \$0 for the years ended December 31, 1998 and 1997, respectively.

Interest (income) expense and other, net was income of \$1.9 million in 1997 compared to income of \$.3 million in 1996, an increase of \$1.6 million or 533.3%. Approximately \$1.2 million of the increase was due to investment income earned during 1997 on the Company's workers' compensation deposits.

TAXES ON INCOME. Taxes on income increased to \$13.6 million in 1998 from \$5.6 million in 1997, an increase of \$8.0 million or 142.9%. The increase in taxes was largely due to the 167.2% increase in pretax income to \$33.4 million in 1998 from \$12.5 million in 1997. The Company's effective tax rate was 40.7% in 1998 as compared to 44.8% in 1997. The decrease in the effective income tax rate was due primarily to prior period amounts included in the 1997 tax provision. The principal difference between the statutory federal income tax rate and the Company's effective income tax rate result from state income taxes and certain non-deductible expenses.

Taxes on income increased to \$5.6 million in 1997 from \$1.6 million (before adjustment for the tax effect of the extraordinary item) in 1996, an increase of \$4.0 million or 250.0%. The increase in taxes was largely due to the 257.1% increase in pretax income to \$12.5 million in 1997 from \$3.5 million in 1996. The Company's effective tax rate was 44.8% in 1997 as compared to 45.7% in 1996. The decrease in the effective income tax rate was due primarily to the decrease in prior period amounts as a percentage of the total tax provision. The principal difference between the effective income tax rate and the statutory rate are adjustments to taxes resulting from prior years. Prior year amounts primarily represent corrections of state tax rates and results of revenue agent reviews of the 1995 and 1996 federal income tax returns.

The Company had a net deferred tax asset of approximately \$8.4 million at December 31, 1998, 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.

NET INCOME. Net income increased to \$19.8 million in 1998 from net income of \$7.0 million in 1997, an increase of \$12.8 million or 182.9%. The increase was largely due to an 80.9% increase in revenues in 1998 from 1997.. Contributing to the increase in net income was a decrease in costs of services as a percentage of revenue to 69.7% in 1998 from 70.6% in 1997 and a decrease in selling, general and administrative costs as a percentage of revenues to 23.8% of revenues in 1998 from 25.1% of revenues in 1997.

Net income increased to \$7.0 million in 1997 from net income of \$.7 million in 1996, an increase of \$6.3 million or 900.0%. The increase was largely due to a 105.2% increase in revenues in 1997 from 1996.. Contributing to the increase in net income was a decrease in selling, general and administrative costs as a percentage of revenues to 25.1% of revenues in 1997 from 26.3% of revenues in 1996, and recognition of \$1.2 million of investment interest on the Company's workers' compensation deposits. Additionally, in 1996, the Company incurred an extraordinary charge of \$1.2 million related to the retirement of its

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by (used in) operating activities was \$13.3 million, \$11.3 million and (\$7.1) million, in 1998, 1997 and 1996, respectively. The increase in cash flows from operations in 1998 as compared to 1997 is largely due to net income for the year, increases in non-cash expenses including depreciation and amortization and the provision for doubtful accounts, offset by an increase in the Company's net deferred tax asset during the year. Additionally, the reserve for workers' compensation claims grew by \$12.1 million, due mainly to the increase in revenues over 1997. Finally, income taxes payable, net of income taxes receivable, increased by \$5.7 million as a result of the Company's increased profitability over 1997. These increases were offset by the increase in accounts receivable of \$37.1 million over 1997. The increase in accounts receivable is a result of the Company's growth, and because of seasonal fluctuations, accounts receivable balances are historically higher in the fourth quarter.

The increase in cash flows from operations in 1997 as compared to 1996 is largely due to net income for the year, increases in non-cash expenses including depreciation and amortization and the provision for doubtful accounts, offset by an increase in the Company's net deferred tax asset during the year. Additionally, the reserve for workers' compensation claims grew by \$8.5 million, due mainly to the increase in revenues over 1996, and workers' compensation deposits and credits declined by \$7.2 million when the Company replaced its cash deposits with letters of credits. Finally, income taxes payable, net of income taxes receivable, increased by \$2.1 million as a result of the Company's increased profitability over 1996. These increases were offset by the increase in accounts receivable of \$21.3 million over 1996. The increase in accounts receivable is a result of the Company's growth, and because of seasonal fluctuations, accounts receivable balances are historically higher in the fourth quarter.

The Company used net cash in investing activities of \$9.2 million in 1998, \$4.9 million in 1997 and \$11.0 million in 1996. The increase in cash used in investing activities in 1998 as compared to 1997 is due primarily to the increase in capital expenditures incurred to open 170 new dispatch offices in 1998 as compared to 116 in 1997. These expenditures include primarily store pre-opening costs, computer systems and related equipment, and leasehold improvements. Additionally, the Company continued to acquire additional hardware and software to accommodate the Company's information needs during its rapid expansion program.

The decrease in cash used in investing activities in 1997 as compared to 1996 is due primarily to the purchase and improvement of the corporate office building in 1996 and the replacement of \$1.6 million of restricted cash held by the Company's captive insurance subsidiary with a letter of credit in 1997. Additionally, the Company's expenditures for new dispatch office pre-opening costs declined to \$2.6 million in 1997 compared to \$3.6 million in 1996.

Net cash (used in) provided by financing activities was (\$.1) million, (\$1.9) million and \$30.4 million in 1998, 1997 and 1996, respectively. The decrease in cash used by financing activities in 1998 as compared to 1997 is due mainly to the increase in proceeds from the sale of stock through the Company's employee stock option and employee stock purchase plans. Additionally, in 1998, the Company made payments of \$.6 million on the CDM capital leases and used cash of \$1.9 million to repurchase 106,116 shares of its common stock on the open market.

The decrease in cash provided by financing activities in 1997 as compared to 1996 is due mainly to the Company's sale of common stock for net proceeds of \$33.6 million in 1996. Additionally, in 1997, checks issued against future deposits decreased by \$1.1 million and the Company used cash of \$1.4 million to repurchase 343,884 shares of its common stock on the open market.

During 1998, the Company entered into a line-of-credit agreement with U.S. Bank with interest at the bank's prime rate (7.75% at December 31, 1998). The agreement allows the company to borrow up to the lesser of \$40 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 2000. 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 December 31, 1998. Subsequent to year end, the Company entered into a new line-of-credit agreement with the bank which increases the Company's borrowing limit to \$60 million.

As discussed further in Note 2 to the consolidated financial statements, the Company is required by the workers' compensation program to collateralize a portion its workers' compensation liability with irrevocable letters of credit. At December 31, 1998, the Company had provided its insurance carriers with letters of credit totaling \$12.6 million. The letters of credit bear fees of .75% per year and are supported by an equal amount of available borrowings on the line-of-credit. Accordingly, at December 31, 1998, no borrowings were outstanding on the line-of-credit, \$12.6 million was committed by the letters of credit and \$27.4 million was available for borrowing. Subsequent to year end, the Company increased its outstanding letters of credit by \$4.0 million.

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Historically, the Company has financed its operations through cash generated by external financing including term loans, lines-of-credit and the 1996 common stock offering. 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.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk related to changes in interest rates, and to a minor extent, foreign currency exchange rates, each of which could adversely affect the value of the Company's investments. The Company does not currently use derivative financial instruments. At December 31, 1998, the Company's investments have maturities when purchased of less than 90 days. As such, an increase in interest rates immediately and uniformly by 10% from levels at December 31, 1998 would not have a material affect upon the Company's cash and cash equivalent balances. Because of the relative short maturities of investments held by the Company, it does not expect its operating results or cash flows to be affected to any significant degree by a sudden change in market interest rates on its cash and cash equivalents portfolio.

The Company has a minor amount of assets and liabilities denominated in certain foreign currencies related to the Company's international operations. The Company has not hedged its translation risk on these currencies and the Company has the ability to hold its foreign-currency denominated assets indefinitely and does not expect that a sudden or significant change in foreign exchange rates would have a material impact on future net income or cash flows.

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 and daily dispatch of temporary workers, marketing and providing quality customer service. The Company opened 170 dispatch offices in 1998 and plans to open 200 new offices in the first half of 1999 and 200 in 2000. The Company must therefore recruit a sufficient number of managers to staff each new office and to replace managers lost through 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 frequently have no prior experience in the temporary employment industry.

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

WORKING CAPITAL REQUIREMENTS. While the Company has generated positive cash flows from operations in each of the two years ended December 31, 1998 and 1997, the Company has historically experienced significant negative cash flow from operations and investment activities resulting from the rapid growth in dispatch offices. In 1998, the Company incurred costs of approximately \$7.6 million to open 170 new dispatch offices, an average of approximately \$45,000 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 especially during seasonal peaks in revenue experienced in the third and fourth quarter of the year.

INDUSTRY RISKS. Temporary staffing companies employ 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 job site 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. The general level of economic activity, interest rates and unemployment in the U.S. and specifically within the construction, landscaping and light industrial trades may significantly affect demand for the Company's services.

SEASONALITY. Many of the Company's customers are in the construction and landscaping industries, which are significantly affected by seasonal factors such as the weather. 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.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK. The information required by this item is incorporated by reference from the section titled "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

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

YEAR 2000 ISSUES. As the Year 2000 approaches, there are uncertainties concerning whether computer systems and electronic equipment with date functions 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. Due to the Company's reliance on its management information systems, failure of the management information systems for any

reason (including Year 2000 noncompliance) could result in the loss of communications with its dispatch offices and could result in unforeseeable but potentially material losses to the Company. However, management believes that the Year 2000 does not pose a significant operational problem for the Company's computer systems.

The Company has developed and is currently implementing a significant upgrade to its proprietary management information systems to address the dramatic growth (and expected future growth) in the number of the Company's dispatch offices and provide certain enhanced features. The software upgrade is Year 2000 compliant. Through December 31, 1998, the Company has incurred approximately \$1.2 million in development costs which is included in the accompanying consolidated balance sheets in "Computers and Software". The Company expects that the upgrade will be installed Company-wide not later than September 30, 1999.

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Management has identified three systems with potential Year 2000 problems: (1) the existing management information system, which is being replaced as discussed above, (2) the communication system currently used to exchange point of sale information between corporate headquarters and the dispatch offices and, (3) the payroll system for corporate employees (but not for temporary employees dispatched to customers). The Company expects to correct the Year 2000 problem related to its system for communicating point of sale information with an upgrade supplied by the vendor. Alternatively, the Company believes that it could implement an alternative, Year 2000 compliant system with minimal cost. The Company expects to upgrade the payroll system by year-end, but will use, if necessary, a third party capable of providing payroll services. The Company has not negotiated the cost of such services but believes there are alternative providers to assure that any costs incurred are at competitive rates.

The Company has tested and will continue to test other computer components and software including its non-information processing systems such as its data and phone communications systems for Year 2000 compliance. Based on such testing, the Company expects to replace its voice mail system for a total cost of approximately \$75,000. Testing has indicated no other year 2000 compliance problems. If other systems fail, the Company will be required to replace them. Replacement systems are mass produced and available from a large number of vendors and would constitute an immaterial expense relative to the operating budget of the Company.

Management believes that as a result of the nature of the Company's business the Company bears little exposure to risk of Year 2000 non-compliance by third parties. The Company acquires supplies (e.g., personal safety equipment, office supplies) that are mass-produced and readily available from a large number of suppliers. None of the Company's customers represent more than 2% of the Company's revenues, so that, unless a significant number of the Company's customers experience complete disruptions to their business, the Company is unlikely to experience significant loss of revenue. Nevertheless, the Company is currently conducting a survey of its largest vendors and customers in order to assess the readiness of these third parties with which it deals. If the Company determines that any of its vendors are unable to adequately address Year 2000 issues, the Company believes that alternatives could be found before the Year 2000.

The Company believes that its systems will be Year 2000 compliant by year end, if not before, and that the Year 2000 issue will not materially impact the Company. The forward looking statements referenced above, including the preceding sentence, are subject to a number of risks and uncertainties, including the ability of customers, vendors and other third parties to solve timely their Year 2000 issues, the accuracy of Year 2000 testing methods and that remediation of Year 2000 issues will be correctly implemented. The Company does not have a contingency plan to address unexpected Year 2000 issues; however the Company has taken steps to develop a contingency plan for certain Year 2000 issues and anticipates completion by April 30, 1999.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required hereunder are included in the Annual Report as set forth in Item 14 hereof.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

TENURE OF DIRECTORS AND OFFICERS

The names, ages and positions of the directors, executive officers and certain key employees of the Company as of March 15, 1999 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 Officer and	55	<C> Chairman of the Board, Chief Executive Officer and President
Ronald L. Junck Counsel and	51	Director, Executive Vice President, General Secretary
Richard W. Gasten Labour	61	Director and Vice President and Secretary of Ready Temporary Services, Ltd.
Thomas E. McChesney	52	Director
Robert J. Sullivan	68	Director
Joseph P. Sambataro, Jr. Officer,	48	Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary
Dennis Diamond	38	Chief Operating Officer
Robert H. Sovern	50	Assistant Treasurer
Robert F. Groen	48	Director of Risk Management
Todd A. Welstad	29	Chief Information Officer
Joseph L. Havlin	44	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.

RONALD L. JUNCK has served as a Director and Secretary of the Company since November 1995. In February 1998, Mr. Junck joined the Company as Executive Vice President and General Counsel. From 1974 until 1998, Mr. Junck practiced law in Phoenix, Arizona, specializing in business law and commercial transactions and serving as the Company's outside counsel. As an attorney, he has extensive trial experience in a variety of commercial cases and has lectured widely at a number of colleges and universities.

RICHARD W. GASTEN has served as a Director of the Company since August 1996. Mr. Gasten has also served as a Director of Labour Ready Temporary Services, Ltd., the Company's Canadian subsidiary and as a consultant to the Company since September 1995. In June 1997, Mr. Gasten was appointed to the position of Vice President and Secretary of Labour Ready. With this appointment, the consulting agreement with Mr. Gasten terminated. 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. MCCHESENEY 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 is also a director of Firstlink Communications, Inc. and Nations Express, 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.

JOSEPH P. SAMBATARO, JR. has served as Executive Vice President, Treasurer, Chief Financial Officer and Assistant Secretary of the Company since August 1997. Prior to joining the Company, he served as the Managing Partner of the Seattle office of BDO Seidman, LLP, an accounting and consulting firm from 1990 to 1997. In 1985 Mr. Sambataro was co-founder, and served as Director and Officer of Ecova Corporation, an on-site toxic waste remediation company until 1989. From 1972 until 1985 Mr. Sambataro was a Partner with KPMG Peat Marwick in the New York, Miami and Seattle offices. Mr. Sambataro obtained a degree in accounting from Fordham University in 1972 and is a member of the American Institute of Certified Public Accountants.

DENNIS DIAMOND has served as Chief Operating Officer since June 1998. Since joining the Company in 1993, Mr. Diamond has served in a variety of positions of increasing responsibility, most recently, as Executive Vice President of Operations since March 1998 and Vice President of Operations for the Western Division since October 1997. Mr. Diamond started with Labor Ready in 1993 as a dispatch office general manager and has served as a District Manager and Area Director in various locations with the Company. Mr. Diamond received his Masters of Business Administration from Kansas State University in 1991 and his Bachelor's Degree in Political Science from Clemson University in 1982.

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. Mr. Sovern was President and Chief Executive Officer of Heritage Savings and Loan Association, Olympia, Washington from December 1984 to July 1989 and served as an executive with Great Northwest Federal Savings, Bremerton and Poulsbo, Washington 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.

ROBERT F. GROEN has served the Company as Director of Risk Management since March 1998. From March 1989 to August 1997, Mr. Groen was employed by Humana, Inc. as Director of Corporate Insurance and Risk Management. Mr. Groen also served as Chief Operating Officer of Illinois Providence Trust and Illinois Compensation Trust from October 1980 to March 1989.

TODD A. WELSTAD has served as Chief Information Officer of the Company since August 1997. Mr. Welstad joined the Company in January 1994 as the manager of the Tacoma dispatch office and in August 1994 was promoted to Systems Analyst in the MIS Department. From October 1994 until August 1997, Mr. Welstad served as Director of the MIS Department. From February 1989 to December 1994, Mr. Welstad was employed as a Technical Supervisor at Micro-Rel, a division of Medtronics.

JOSEPH L. HAVLIN has served as Corporate Controller of the Company since September 1997. Prior to joining the Company he served as Chief Financial Officer for West 175 Enterprises, Inc. from July 1996 to September 1997 and as Audit Partner in the Seattle office of BDO Seidman, LLP from October 1993 to July 1996. Mr. Havlin served as Chief Financial Officer of the United States operations of a large Chinese trading company from 1989 to 1991 and from 1984 to 1989 he served as audit manager in the Seattle office of Arthur Young & Co. Mr. Havlin obtained a degree in accounting from Western Washington University in 1984 and is a member of the American Institute of Certified Public Accountants.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities and Exchange Act of 1934, as amended, requires the Company's officers and directors and certain other persons to file timely certain reports regarding ownership of, and transactions in, the Company's securities with the Securities and Exchange Commission. Copies of the required filings must also be furnished to the Company. Based solely on its review of such forms received by it or representations from certain reporting persons, the Company believes that during 1998 all applicable Section 16(a) filing requirements were met, except that a Form 4 was not filed timely with respect to Ralph E. Peterson's exercise on November 5, 1998 of an option to acquire 50,253 shares of the Company's common stock. This event was reported on a Form 5 dated February 12, 1999.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the compensation earned by the Chief Executive Officer and the next four most highly compensated executive officers of the Company.

<TABLE>
<CAPTION>

SUMMARY COMPENSATION TABLE (1)

Name and Position	Year	ANNUAL COMPENSATION Salary (\$)	LONG -TERM COMPENSATION AWARDS Securities Underlying Options/ SARs (#)	ALL OTHER COMPENSATION Matching 401(k) Contributions
<S>	<C>	<C>	<C>	<C>
Glenn A. Welstad	1998	497,380	30,000	\$2,500
Chairman of the Board, Chief Executive Officer and President	1997	452,958	-	\$2,375
	1996	401,486	-	
Ralph E. Peterson (2)	1998	240,000	30,000	-
Executive Vice President - Corporate And Business Development	1997	265,026	1,125	-
	1996	154,772	506,250	-
Dennis D. Diamond	1998	198,692	30,000	\$2,484
Chief Operating Officer	1997	172,917	79,875	\$2,195
	1996	170,233	-	
Joseph P. Sambataro, Jr.	1998	192,692	30,000	\$1,731
Executive Vice President Chief Financial Officer, Treasurer and Assistant Secretary	1997	53,328	270,000	-
Thomas E. Gilbert	1998	168,000	6,369	\$2,500
Vice President - Western Region	1997	153,577	23,625	\$1,487
	1996	86,263	13,500	-

</TABLE>

- (1) None of the named executives received compensation reportable under the Restricted Stock Awards or Long-Term Incentive Plan Payouts columns.
- (2) Effective December 31, 1998, Mr. Peterson resigned as Executive Vice President Corporate and Business Development and effective March 12, 1999, he resigned as Director.

OPTION GRANTS DURING 1998 FISCAL YEAR

The following table provides information related to options granted to the named executive officers during 1998.

<TABLE>
<CAPTION>

OPTION/SAR GRANTS IN LAST FISCAL YEAR

INDIVIDUAL GRANTS 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	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM (1)	
					5%	10%

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Glenn Welstad Chairman of the Board, Chief Executive Officer and President	30,000	2%	18.08	2/27/03	149,910	331,110

Ralph E. Peterson Executive Vice President- Corporate and Business Development	30,000	2%	18.08	2/27/03	149,910	331,110

Dennis D. Diamond Chief Operating Officer	30,000	2%	18.08	2/27/03	149,910	331,110

Joseph P. Sambataro, Jr. Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary	30,000	2%	18.08	2/27/03	149,910	331,110

Thomas E. Gilbert Vice President - Western Region	6,369	.3%	18.08	2/27/03	31,826	70,295

</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. The options vest 25% annually over the next four years.
- (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.

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OPTION EXERCISES DURING 1998 AND YEAR END OPTION VALUES

The following table provides information related to options exercised by the named executive officers during 1998 and the number and value of options held at year-end. The Company does not have any outstanding stock appreciation rights ("SARs").

AGGREGATE OPTION/SAR EXERCISES IN 1998 AND
YEAR END OPTION/SAR VALUE

<TABLE>
<CAPTION>

UNEXERCISED MONEY OPTIONS/SARS AT 1998 (\$)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT DECEMBER 31, 1998 (#)	VALUE OF IN-THE- EXERCISABLE

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	EXERCISABLE	UNEXERCISABLE	EXERCISABLE
UNEXERCISABLE					

<S>	<C>	<C>	<C>	<C>	<C>

Glenn Welstad Chairman of the Board, Chief Executive Officer And President \$48,135	--	--	--	30,000	--

Ralph E. Peterson Executive Vice President Corporate and Business Development \$3,007,170	50,835	\$1,980,236	152,529	233,343	\$2,096,569

Dennis D. Diamond Chief Operating Officer \$714,963	--	--	34,706	85,632	\$490,651

Joseph P. Sambataro, Jr. Executive Vice President Chief Financial Officer Treasurer and Assistant Secretary \$1,956,023	--	\$1,000,552	75,000	165,000	\$1,059,938

Thomas E. Gilbert Vice President - Western Region \$276,508 </TABLE>	9,281	--	--	25,213	--

- (1) The closing price for the Company's common stock as reported by the New York Stock Exchange on December 31, 1998, was \$19.69.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Company's executive compensation is determined by a compensation committee comprised of two members of the Board of Directors, Messrs. McChesney and Sullivan. The philosophy of the Company's executive compensation program is that compensation of executive officers should be directly and materially linked both to the operating performance of the Company and to the interests of Shareholders.

Annual cash compensation, together with stock options, is designed to attract and retain qualified executives and to ensure that such executives have a continuing stake in the long term success of the Company. Beginning in 1998, the Compensation Committee developed more formal policies with respect to executive compensation through the use of a consulting firm. In 1998, the Board of Directors approved guidelines for annual grants of stock options to management and administrative personnel. Under the plan as approved, each of the executive officers of the Company receives a grant of 20,000 options per year, subject to annual approval by the Compensation Committee.

With respect to compensation for the Company's CEO, base salary for 1998 and prior years has been set by a contract that expired December 31, 1998. The Company has reached an agreement, and expects to finalize a new contract as described below, with Mr. Welstad early in 1999. With respect to both base salary and incentive compensation, the Compensation Committee believes that there is substantial basis for increasing the CEO's compensation. The Company's common stock price has increased dramatically in the past four and a half years (more than 1,400%), many times the Company's peer group and the Nasdaq Composite. In addition, revenue growth during the last year and last five years increased 81% and 1,458%, respectively, while earnings have increased in the same periods 183% and 2,224%, respectively.

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The Compensation Committee believes that, as the Company's single largest shareholder, the CEO's interests are already aligned with the interests of all shareholders. However, based on the Company's outstanding performance for the last year and the prior five years, the Committee believes that there is a significant basis for increasing the CEO's compensation. The Committee would view favorably increasing the CEO's cash compensation through salary adjustments or bonuses or granting additional stock-based compensation, or both. Instead, the CEO has requested, and the Committee has given preliminary approval, to (1) entering into a split dollar insurance policy with a trust for his estate planning purposes; and (2) increasing his salary the same as in past years, by 10%.

With respect to other executive officers, the Compensation Committee sets salary based on recommendations of the CEO, unless the officer's salary is established by written contract. With respect to officers that have recently joined the Company, the recommendations are based on the CEO's negotiations with the officer as necessary to attract such persons to become officers of the Company. With respect to other officers, especially the CEO's son, the Compensation Committee reviews the salaries for officers with comparable duties at the median of companies of comparable revenue size in the Pacific Northwest. These companies are selected informally without the use of a compensation

consultant. Annual salary increases are typically modest, except to reflect changes in responsibilities.

In 1997, the Company began developing a cash incentive bonus plan for management employees. The draft plans were rejected and, in early 1998, the Company engaged a consultant to assist it in developing a plan for incentive cash compensation. At this time, both the Company's CEO and the Compensation Committee believe that stock option grants provide an adequate incentive for management employees. As a result, the Compensation Committee does not at this time anticipate adopting an incentive cash compensation plan. The Compensation Committee intends to review periodically the need for and benefits of such a plan.

Members of the Compensation Committee

Thomas E. McChesney, Chair
Robert J. Sullivan

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 at inception of the agreement, 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 has reached an agreement with Mr. Welstad for the renewal of his employment agreement through December 31, 2003. Under terms of the agreement, Mr. Welstad will receive his current salary, with scheduled annual increases of 10%, 20,000 stock options annually as provided by the Company's Employee Stock Option and Incentive Plan and an Executive Split Dollar Plan ("the Plan"). Under terms of the Plan, a family trust established by Mr. Welstad will purchase a \$15 million life insurance policy on the life of Mr. Welstad and his spouse. The Company will advance annual premiums of approximately \$167,000 and will receive repayment of these premium advances upon surrender of the policy, the death of the insured or at the end of the tenth policy year.

In March 1997, the Company entered into an employment agreement with Ralph E. Peterson, the Company's Executive Vice President - Corporate and Business Development, which provides for annual compensation of \$20,000 per month at inception of the agreement, subject to annual increases on the anniversary date of the agreement at the discretion of the Board of Directors. In addition, the employment agreement provides for a bonus, as determined by the compensation committee, based on Mr. Peterson's performance, and the overall performance of the Company. The agreement provides Mr. Peterson with options to purchase 337,500 of the Company's common stock at its fair market value at date of grant of \$5.95. 67,500 of the options vest on the date of grant and the balance in equal annual amounts to 2000. The agreement expires in 2000 unless extended by mutual agreement between Mr. Peterson and the Board of Directors or is terminated pursuant to its terms. Effective December 31, 1998, Mr. Peterson and the Company agreed to terminate his employment agreement and Mr. Peterson resigned his duties as Executive Vice President Corporate and Business Development. Effective March 12, 1999, Mr. Peterson resigned as Director. The Company has entered into an employment agreement with Mr. Peterson through April 30, 2002 which provides for a salary of \$2,000 per month and continuation of the vesting schedule for options which had been previously granted. Mr. Peterson will continue to assist the company with business development and other special projects as directed by its President and CEO.

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In August 1997, the Company entered into an employment agreement with Joseph P. Sambataro, Jr., the Company's Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary, which provides for annual compensation of \$13,500 per month, subject to annual increases on the anniversary date of the agreement at the discretion of the Board of Directors. In addition, the employment agreement provides for a bonus, as determined by the compensation committee, based on Mr. Sambataro's performance, and the overall performance of the Company. The agreement provides Mr. Sambataro with options to purchase 270,000 of the Company's common stock at its fair market value at date of grant of \$5.55. 67,500 of the options vest on the date of grant and 33,750 options vest semi-annually to 2000. The agreement expires in 2001 unless extended by mutual agreement between Mr. Sambataro and the Board of Directors or is terminated pursuant to its terms.

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, 1998 for (i) each person known to the Company to own beneficially 5% or more of

any such class as of December 31, 1998, (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.

<TABLE>

<CAPTION>

NAME & ADDRESS OF BENEFICIAL OWNER	TITLE OF CLASS	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (NUMBER OF SHARES) (1)	PERCENT OF CLASS
<S>	<C>	<C>	<C>
Glenn A. Welstad (1) (2)	Common Stock	3,509,888	12.4%
	Preferred Stock	3,209,826	74.2%
Ralph E. Peterson (1)	Common Stock	263,101	*
Joseph P. Sambataro, Jr (1)	Common Stock	116,250	*
Dennis Diamond (1)	Common Stock	47,269	*
Ronald L. Junck (1)	Common Stock	224,801	*
Richard W. Gasten (1)	Common Stock	21,675	*
Thomas E. McChesney (1)	Common Stock	89,959	*
Robert J. Sullivan (1)	Common Stock	65,737	*
All Officers and Directors as Group (11 Individuals) (1)	Common Stock	4,349,618	15.4%
	Preferred Stock	3,209,826	74.2%

</TABLE>

* 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, 1998.

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Mr. Junck is an employee of the Company, a member of its board of directors, and is also a shareholder in a law firm that received approximately \$429,000, \$587,000 and \$337,000 in payment for legal services performed for the Company in 1998, 1997 and 1996, respectively.

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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-21 of this Form 10-K. The Financial Statement Table of Contents is on Page F-1. The Exhibit Index is found on Page 29 and 30 of this Form 10-K.

The Company filed a Current Report on Form 8-K on November 5, 1998 which reported under Item 5 "Other Events" that 1) the Company commenced trading on the NYSE on October 27, 1998, 2) American Stock Transfer and Trust had been appointed as the Company's transfer agent, and 3) the number of Preferred Shares purchasable upon exercise of a Purchase Right had been adjusted 6.7/1000 of a Preferred Share.

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 A. Welstad 3/30/99

Signature Date
By: Glenn A. 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 3/30/99
Signature Date

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

/s/ Joseph P. Sambataro, Jr. 3/30/99

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

/s/ Ronald L. Junck 3/30/99

Signature Date
Ronald L. Junck, Executive Vice President, Secretary,
General Counsel and Director

/s/ Robert J. Sullivan 3/30/99

Signature Date
Robert J. Sullivan, Director

/s/ Richard W. Gasten 3/30/99

Signature Date
Richard W. Gasten, Vice President and Secretary, Labour
Ready Temporary Services, Ltd. and Director

/s/ Thomas E. Mcchesney 3/30/99

Signature Date
Thomas E. Mcchesney, Director

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EXHIBIT INDEX

FORM 10-K
LABOR READY, INC.

<TABLE>

<CAPTION>

Exhibit Number

Description

<S>	<C>	<C>
3	Articles of Incorporation	(1)
3.1	Articles of Amendment to Articles of Incorporation	(1)
3.2	Bylaws	(1)
4	Instruments Defining Rights of Security Holders	(1)
4.1	Rights Agreement Dated January 6, 1998	(2)
10	Material Contracts	
10.1	Warrant Purchase Agreements	(1)
10.2	Executive Employment Agreement between Labor Ready, Inc. And Glenn A. Welstad	(1)
10.3	Employment Agreement between Labor Ready, Inc. and Joseph P. Sambataro, Jr. dated August 1, 1997	
10.4	Business Loan Agreement between Labor Ready, Inc. and U.S. Bank of Washington, N.A., dated February 3, 1999	
10.5	Form of Lease for Labor Ready, Inc. dispatch office	(1)
10.6	1996 Employee Stock Option and Incentive Plan	(1)
10.7	1996 Employee Stock Purchase Plan	(1)
10.8	Employment Agreement between Labor Ready, Inc. and Ralph E. Peterson dated February 10, 1999	
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	
10.10	Business Loan Agreement between Labor Ready, Inc. and U.S. Bank of Washington N.A., dated June 18, 1998	
10.11	Excess Bond to Secure Premium and Deductible Obligations between Labor Ready, Inc., Travelers Casualty and Surety Company of America, Mutual Indemnity (U.S.) Ltd., and Legion Insurance Company dated September 1, 1998	

- 10.12 Employment Agreement between Labor Ready, Inc. and Ronald L. Junck dated March 20, 1998
- 10.13 Bond to Secure Premium and Deductible Obligations between Labor Ready, Inc. Travelers Casualty and Surety Company of America, Reliance National Indemnity Company dated February 16, 1999

</TABLE>

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EXHIBIT INDEX (CONTINUED)

<TABLE>
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Exhibit Number	Description	
-----	-----	
<S> 16	<C> Letter re change in certifying accountant	<C> (3)
21	Subsidiaries of Labor Ready, Inc.	
23	Consents of Independent Certified Public Accountants	
23.1	Consent of Arthur Andersen LLP - Independent Public Accountants	
23.2	Consent of BDO Seidman, LLP - Independent Certified Public Accountants	
27	Financial Data Schedules	
27.1	December 31, 1998 and for the year then ended	
27.2	December 31, 1996 and 1997, for each of the two years in the period ended December 31, 1997	
27.3	March 31, 1998 and for the three month period then ended	

- (1) Incorporated by reference to the Company's Form 10 Registration Statement, SEC File No. 0-2382.
- (2) Incorporated by reference to the Company's Current Report on Form 8-K Filed on January 16, 1998.
- (3) Incorporated by reference to the Company's Current Report on Form 8-K filed on September 26, 1997.

</TABLE>

COPIES OF EXHIBITS MAY BE OBTAINED UPON REQUEST DIRECTED TO MR. JOSEPH P. SAMBATARO, JR., LABOR READY, INC., 1016 S. 28TH STREET, TACOMA, WASHINGTON, 98409.

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LABOR READY, INC.
CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Statements of Income	
Years Ended December 31, 1998, 1997 and 1996	F-6
Consolidated Statements of Shareholders' Equity	
Years Ended December 31, 1998, 1997 and 1996	F-7
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F-1

REPORT OF INDEPENDENT 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, 1998 and 1997, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended. 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. The financial statements of Labor Ready, Inc. for the year ended December 31, 1996, were audited by other auditors whose report dated February 24, 1997, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Labor Ready, Inc. and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Seattle, Washington
February 12, 1999

/s/ Arthur Andersen LLP

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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 statements of income, shareholders' equity and cash flows of Labor Ready, Inc. and subsidiaries for the year 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 audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Labor Ready, Inc. and subsidiaries for the year ended December 31, 1996 in conformity with generally accepted accounting principles.

Spokane, Washington
February 24, 1997

/s/ BDO Seidman, LLP

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LABOR READY, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1998 AND 1997
(IN THOUSANDS)

ASSETS

<TABLE>
<CAPTION>

	1998	1997
	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	\$25,940	\$22,117
Accounts receivable, less allowance for doubtful accounts of \$4,218 and \$2,851.	65,484	36,614
Workers' compensation deposits and credits.	2,961	1,082
Prepaid expenses and other	4,947	2,660
Deferred income taxes.	6,601	3,144
	-----	-----
Total current assets	105,933	65,617
	-----	-----
PROPERTY AND EQUIPMENT:		
Buildings and land.	4,854	4,448
Computers and software	13,443	8,220
Cash dispensing equipment.	7,376	--
Furniture and equipment	667	497
	-----	-----
	26,340	13,165
Less accumulated depreciation	6,069	2,839
	-----	-----
Property and equipment, net	20,271	10,326
	-----	-----
OTHER ASSETS:		
Intangible assets and other, less accumulated amortization of \$6,383 and \$3,569.	2,630	3,076
Deferred income taxes.	1,751	1,212
Restricted cash in captive insurance subsidiary.	151	136
	-----	-----
Total other assets	4,532	4,424
	-----	-----
Total assets.	\$130,736	\$80,367
	-----	-----

</TABLE>

See accompanying notes to consolidated financial statements.

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LABOR READY, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1998 AND 1997
(IN THOUSANDS EXCEPT PER SHARE DATA)

LIABILITIES AND SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

	1998	1997
	<C>	<C>
CURRENT LIABILITIES:		
Accounts payable	\$ 6,889	\$ 3,711
Accrued wages and benefits	7,544	4,080
Workers' compensation claims reserve, current portion	15,300	7,109
Income taxes payable	4,355	875
Current maturities of long-term debt.	754	13
	34,842	15,788
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities	5,073	76
Workers' compensation claims reserve, less current portion	10,324	6,462
	15,397	6,538
Total liabilities	50,239	22,326
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$0.197 par value, 20,000 shares authorized; 4,324 shares issued and outstanding	854	854
Common stock, no par value, 100,000 shares authorized; 27,974 and 27,662 shares issued and outstanding	54,131	49,694
Cumulative foreign currency translation adjustment	(159)	86
Retained earnings	25,671	7,407
	80,497	58,041
Total liabilities and shareholders' equity.	\$130,736	\$80,367

</TABLE>

See accompanying notes to consolidated financial statements.

LABOR READY, INC.
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	1998	1997	1996
	<C>	<C>	<C>
Revenues from services	\$606,895	\$335,409	\$163,450
Cost of services	422,924	236,666	115,532
Gross profit.	183,971	98,743	47,918
Selling, general and administrative expense	144,249	84,081	42,955
Depreciation and amortization.	6,076	4,011	1,797
	33,646	10,651	3,166
Income from operations.	33,646	10,651	3,166
Interest (income) expense and other, net	256	(1,871)	(340)
	33,390	12,522	3,506
Income before taxes on income and extraordinary item	33,390	12,522	3,506

Taxes on income	13,591	5,559	1,585
Income before extraordinary item	19,799	6,963	1,921
Extraordinary item, net of income tax benefit of \$703	--	--	(1,197)
Net income	\$19,799	\$6,963	\$ 724
Basic income per common share:			
Income before extraordinary item . . .	\$0.71	\$0.25	\$0.08
Extraordinary item, net.	--	--	(0.05)
Net income	\$0.71	\$0.25	\$0.03
Diluted income per common share:			
Income before extraordinary item . . .	\$0.69	\$0.25	\$0.08
Extraordinary item, net.	--	--	(0.05)
Net income	\$0.69	\$0.25	\$0.03
Weighted average shares outstanding:			
Basic	27,796	27,669	23,798
Diluted	28,666	28,167	24,433

</TABLE>

See accompanying notes to consolidated financial statements.

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LABOR READY, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS)

<TABLE>
<CAPTION>

CUMULATIVE

RETAINED EARNINGS (ACCUMULATED DEFICIT)	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	COMMON STOCK		PREFERRED STOCK	
		SHARES	AMOUNT	SHARES	AMOUNT
<S> <C>		<C>	<C>	<C>	<C>
BALANCE, January 1, 1996		19,842	\$ 7,117	4,324	\$854
\$ (29)					\$590
Net income for the year		--	--	--	--
724					
Common stock issued for 401(k) Plan.		12	48	--	--
--					
Common stock issued from public stock offering		5,046	33,586	--	--
--					
Common stock issued on debt extinguishment and warrants exercised		2,303	7,961	--	--
--					
Common stock issued on the exercise of options		638	805	--	--
--					
Preferred stock dividend		--	--	--	--
(43)					
Foreign currency translation		--	--	--	--
(21)					

BALANCE, January 1, 1997	27,841	49,517	4,324	854	1,271
(50)					
Net income for the year	--	--	--	--	6,963
Common stock repurchased	(344)	(611)	--	--	(784)
Common stock issued for 401(k)Plan.	13	81	--	--	--
Common stock acquired through Employee Stock Purchase Plan . .	79	375	--	--	--
Common stock issued on the exercise of warrants	32	111	--	--	--
Common stock issued on the exercise of options	41	221	--	--	--
Preferred stock dividend	--	--	--	--	(43)
Foreign currency translation . . .	--	--	--	--	--
136					

BALANCE, January 1, 1998	27,662	49,694	4,324	854	7,407
86					
Net income for the year	--	--	--	--	19,799
Common stock repurchased	(106)	(424)	--	--	(1,492)
Common stock issued for 401(k)Plan.	9	116	--	--	--
Common stock acquired through Employee Stock Purchase Plan . .	56	838	--	--	--
Common stock issued on the exercise of warrants	6	22	--	--	--
Common stock issued on the exercise of options	347	3,885	--	--	--
Preferred stock dividend.	--	--	--	--	(43)
Foreign currency translation. . . .	--	--	--	--	--
(245)					

BALANCE, December 31, 1998	27,974	\$54,131	4,324	\$ 854	\$25,671
\$ (159)					

</TABLE>

See accompanying notes to consolidated financial statements.

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LABOR READY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS)

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$19,799	\$ 6,963	\$ 724
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	6,076	4,011	1,797
Loss (gain) on capital assets sold	(14)	(76)	4
Provision for bad debts.	8,274	5,761	2,078
Extinguishment of debt, extraordinary item	--	--	1,901

Deferred income taxes	(3,996)	(3,832)	191
Changes in assets and liabilities			
Accounts receivable	(37,157)	(21,279)	(10,906)
Workers' compensation deposits and credits	(1,880)	7,183	(4,950)
Prepaid expenses and other	(2,304)	(676)	(1,382)
Accounts payable	3,306	1,605	1,161
Accrued wages and benefits	3,492	1,035	1,458
Workers' compensation claims reserve	12,053	8,494	3,133
Income taxes payable (receivable)	5,715	2,121	(2,356)
--			
Net cash provided by (used in) operating activities	13,364	11,310	(7,147)
--			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(9,452)	(3,967)	(5,750)
Proceeds from sale of capital assets	160	120	9
(Increase) decrease in restricted cash	(15)	1,579	(1,715)
(Increase) decrease in intangible assets and other	143	(2,595)	(3,558)
--			
Net cash used in investing activities	(9,164)	(4,863)	(11,014)
--			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net payments on note payable	--	--	(1,591)
Checks issued against future deposits	--	(1,139)	625
Payments on capital leases	(565)	--	--
Net proceeds from public offering	--	--	33,586
Proceeds from warrants exercised	22	110	--
Proceeds from options exercised	1,650	170	805
Proceeds from sale of stock through employee stock purchase plan	838	375	--
Purchase and retirement of treasury stock	(1,916)	(1,395)	--
Repayment of subordinated debt	--	--	(2,070)
Payments on long-term debt	(89)	(13)	(891)
Preferred stock dividends paid	(86)	--	(43)
--			
Net cash (used in) provided by financing activities	(146)	(1,892)	30,421
Effect of exchange rates on cash	(231)	(36)	(21)
--			
Net increase in cash and cash equivalents	3,823	4,519	12,239
CASH AND CASH EQUIVALENTS, beginning of year	22,117	17,598	5,359
--			
CASH AND CASH EQUIVALENTS, end of year	\$25,940	\$22,117	\$17,598
--			
--			

</TABLE>

See accompanying notes to consolidated financial statements.

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LABOR READY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS)

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	\$ 813	\$ 30	\$ 332
Income taxes	\$11,882	\$7,979	\$2,859
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Contribution of common stock to 401(k) Plan	\$ 116	\$ 81	\$ 48
Issuance of a note receivable on the sale of capital assets	--	--	\$ 23

Issuance of common stock on debt retirement	--	--	\$7,961
Preferred stock dividends accrued	--	\$ 43	--
Tax effect of disqualifying dispositions on options exercised.	\$2,235	\$ 51	--
Assets acquired with capital lease obligations	\$6,393	--	--

</TABLE>

See accompanying notes to consolidated financial statements.

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LABOR READY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS EXCEPT PER SHARE DATA)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

Labor Ready, Inc. and its wholly-owned subsidiaries Labour Ready Temporary Services Ltd., Labor Ready Puerto Rico, Inc., Labor Ready Assurance Company and Workers' Assurance Corporation of Hawaii, Inc. (together, "the Company") provide temporary staffing for manual labor jobs to customers primarily in the industrial and small business markets from 486 offices located throughout the United States, Canada and Puerto Rico. The Company provides services to a wide variety of customers, none of which individually comprise a significant portion of revenues within a geographic region or for the Company as a whole. The consolidated financial statements include the accounts of Labor Ready, Inc. and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

B. REVENUE RECOGNITION

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

C. COST OF SERVICES

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

D. CASH AND CASH EQUIVALENTS

The Company considers all highly liquid instruments purchased with a maturity of three months or less at date of purchase to be cash equivalents.

E. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which are 31 to 39 years for buildings and improvements, 3 to 5 years for computers and software, 7 years for cash dispensing machines and 5 to 7 years for furniture and equipment.

F. INTANGIBLE ASSETS AND OTHER

Intangible and other assets consist primarily of dispatch office pre-opening costs and acquired customer lists and non-compete agreements. Dispatch office pre-opening costs are capitalized until such facilities become operational and are amortized using the straight-line method over an estimated useful life of 2 years. Other intangible assets are stated at cost and are amortized 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.

G. INCOME TAXES

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

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LABOR READY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS EXCEPT PER SHARE DATA)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. FOREIGN CURRENCY TRANSLATION

Cumulative foreign currency translation adjustment relates to the Company's consolidated foreign subsidiary, Labour Ready Temporary Services, Ltd. Foreign currency translation is calculated by application of the current rate method and is included in the determination of consolidated shareholders' equity at the respective balance sheet dates.

I. USE OF ESTIMATES

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

J. NEW ACCOUNTING STANDARDS

In March 1998, the Accounting Standards Executive Committee 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 remaining 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 \$1.4 million.

SFAS No. 130 "Reporting Comprehensive Income" establishes standards for reporting and disclosure of comprehensive income. SFAS No. 130 became effective during 1998. Comprehensive income for the Company includes charges or credits to equity resulting from foreign currency translation adjustments. Net income and comprehensive income were not significantly different in 1998, 1997 and 1996.

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", requires the Company to report certain information about operating segments. SFAS No. 131 became effective for the Company's year ended December 31, 1998. The Company provides services to customers primarily in the freight handling, warehousing, landscaping, construction and light manufacturing industries, none of which individually comprise a significant portion of revenues within a geographic region for the Company as a whole. Virtually all of the Company's sales are made to customers in the United States. The remaining sales are made to customers in Canada and Puerto Rico.

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LABOR READY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS EXCEPT PER SHARE DATA)

2. WORKERS' COMPENSATION

The Company provides workers' compensation insurance to its temporary workers and regular employees. For workers' compensation claims originating in the majority of states (the 43 non-monopolistic states), the Company has purchased a deductible insurance policy. Under terms of the policy, the Company's workers' compensation exposure is limited to a deductible amount per occurrence and a maximum aggregate stop-loss limit. Should any single occurrence exceed the deductible amount per occurrence, all losses and expenses beyond the deductible amount are paid by independent insurance companies unrelated to the Company. Similarly, should the total of paid losses related to any one year period exceed the maximum aggregate stop-loss limit for that year, all losses beyond the maximum aggregate stop-loss limit are paid by independent insurance companies unrelated to the Company. In 1997, the per occurrence deductible amount was \$250,000 per claim, to an aggregate maximum of \$11.60 per \$100 of temporary worker payroll, or \$18.8 million. For claims arising in 1998, the per occurrence deductible amount was increased to \$350,000 and the maximum aggregate stop-loss limit was reduced to \$10.41 per \$100 of temporary worker payroll, or \$31.7 million.

For claims arising in years prior to 1997, the Company has insured all losses beyond amounts reserved in its financial statements with independent insurance companies unrelated to the Company. The difference between the discounted

maximum aggregate stop-loss limit for claims arising in 1997 and 1998 and the total of claims paid and reserved for in the Company's financial statements for the same periods is \$4.0 million. This amount represents the discounted maximum additional exposure, net of tax, to the Company before its maximum aggregate stop-loss limits are met for all periods before December 31, 1998.

The Company establishes its reserve for workers' compensation claims using actuarial estimates of the future cost of claims and related expenses that have been reported but not settled, and that have been incurred but not reported. Adjustments to the claims reserve are charged or credited to expense in the periods in which they occur. Included in the accompanying consolidated balance sheets as of December 31, 1998 and 1997, are workers' compensation claims reserves in the non-monopolistic states of \$24.4 million and \$12.9 million, respectively. The claims reserves were computed using a discount rate of 6.0% at December 31, 1998 and 1997.

Workers' compensation expense totaling \$30.6 million, \$19.2 million and \$10.0 million was recorded as a component of cost of services in each of the years ended December 31, 1998, 1997 and 1996, respectively.

For the 1997 and 1998 program years, the Company is required to provide collateral in the amount of the maximum aggregate stop-loss limits, less claims paid to date. The Company provides approximately 50% of the required collateral in the form of a surety bond, and 50% in letters of credit. Accordingly, at December 31, 1998, \$14.5 million of the collateral was satisfied with surety bonds and \$12.6 million was satisfied with letters of credit for the years ended December 31, 1998 and 1997.

For workers' compensation claims originating in Washington, Ohio, and West Virginia (the monopolistic states), and Canada and Puerto Rico, the Company pays workers' compensation insurance premiums as required by state administered programs. The insurance premiums are established by each jurisdiction, generally based upon the job classification of the insured workers and the previous claims experience of the Company. 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 December 31, 1998 and 1997, the Company recorded workers' compensation credit receivables of \$1.4 million and \$1.1 million respectively, and workers' compensation liabilities of \$1.2 million and \$0.6 million respectively, related to the monopolistic states.

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LABOR READY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS EXCEPT PER SHARE DATA)

2. WORKERS' COMPENSATION (CONTINUED)

In December 1998, the Company purchased a deductible insurance policy for the non-monopolistic states covering the years ended 1999 and 2000. The policy includes substantially the same terms and limitations as the 1998 policy described above except that the Company is required to provide collateral in the amount of 60% of claims reserves. The collateral for the 1999 program will consist of 50% letters of credit and 50% surety bond. Accordingly, subsequent to year end, the Company provided the insurance carrier with a letter of credit totaling \$4 million and a surety bond for \$12.5 million. During 1999, the total amount of the letters of credit and surety bonds for the 1999 program year will increase to approximately \$24.0 million.

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

3. NOTE PAYABLE

During 1998, the Company entered into a line-of-credit agreement with a bank with interest at the bank's prime rate (7.75% at December 31, 1998). The agreement allows the company to borrow up to the lesser of \$40.0 million or 80% of eligible receivables as defined by the bank. The line-of-credit is secured primarily by the Company's accounts receivable and expires in June 2000. 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 December 31, 1998. Subsequent to year end, the Company entered into a new line-of-credit agreement with the bank on substantially the same terms but which

increases the Company's borrowing limit to \$60.0 million.

As discussed further in Note 2, the Company is required by the workers' compensation program to collateralize a portion its workers' compensation liability with irrevocable letters of credit. At December 31, 1998, the Company had provided its insurance carriers with letters of credit totaling \$12.6 million. The letters of credit bear fees of .75% per year and are supported by an equal amount of available borrowings on the line-of-credit. Accordingly, at December 31, 1998, no borrowings were outstanding on the line-of-credit, \$12.6 million was committed by the letters of credit and \$27.4 million was available for borrowing. Subsequent to year end, the Company increased its letters of credit outstanding by \$4.0 million.

During the years ended December 31, 1998 and 1997, short-term borrowing activity was as follows:

<TABLE>
<CAPTION>

	December 31,	
	1998	1997
<S>	<C>	<C>
Balance outstanding at year-end	\$ --	\$ --
Stated interest rate at year-end, including applicable fees	7.75%	8.63%
Maximum amount outstanding during the year	\$ 19,475	\$ 1,700
Average amount outstanding	\$ 5,486	\$ 1,200
Weighted average interest rate during the year, including applicable fees .	8.10%	11.50%

</TABLE>

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

LABOR READY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS EXCEPT PER SHARE DATA)

4. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income less preferred stock dividends by the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed by dividing net income less preferred stock dividends by the weighted average number of common shares and common stock equivalents outstanding during the year. Common stock equivalents for the Company include the dilutive effect of outstanding options. In July 1996, October 1997 and May 1998, the Company declared three-for-two stock splits which have each been retroactively applied in the determination of weighted average shares outstanding.

Basic and diluted earnings per share were calculated as follows:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Basic:			
Income before extraordinary item	\$ 19,799	\$ 6,963	\$ 1,922
Less preferred stock dividends	43	43	43
Income before extraordinary item available to common shareholders	\$ 19,756	\$ 6,920	\$ 1,879
Weighted average shares outstanding	27,796	27,669	23,798
Income before extraordinary item per share .	\$.71	\$.25	\$.08
Diluted.:			
Income before extraordinary item available to common shareholders	\$ 19,756	\$ 6,920	\$ 1,879
Weighted average shares outstanding	27,796	27,669	23,798
Plus options to purchase common stock outstanding at end of year	2,182	2,033	937
Less shares assumed repurchased	(1,312)	(1,535)	(302)
Weighted average shares outstanding, including dilutive effect of options	28,666	28,167	24,433

Income before extraordinary item per share .	\$.69	\$.25	\$.08
	-----	-----	-----
	-----	-----	-----

</TABLE>

5. SUBORDINATED DEBT

In October 1995, the Company issued subordinated debt with detachable stock warrants for the purchase of 2,505 shares at an exercise price of \$3.46 per share, in exchange for \$10,000. 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 \$3.46 per share. Upon pre-payment, 2,303 shares of common stock were purchased through the exercise of detachable stock warrants and the cancellation of \$7,961 of subordinated debt. The remaining \$2,039 of debt was paid by the Company in cash. An extraordinary loss of \$1,197 (net of the related income tax benefit of \$703) was recorded on the write-off of the unamortized debt discount and debt issue costs. As of December 31, 1998, warrants to purchase 43 shares of common stock at an exercise price of \$3.46 per share remained outstanding.

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LABOR READY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS EXCEPT PER SHARE DATA)

6. RELATED PARTY TRANSACTIONS

A member of the board of directors, is also a shareholder in a law firm that received approximately \$429, \$587 and \$337 in payment for legal services performed for the Company in 1998, 1997 and 1996, respectively.

7. PREFERRED STOCK

The Company has authorized 20,000 shares of blank check preferred stock. The blank check preferred stock is issuable in one or more series, each with such designations, preferences, rights, qualifications, limitations and restrictions as 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, 1998 and 1997, the Company had 4,324 outstanding shares of \$0.197 par value Series A preferred stock.

Each share of Series A preferred stock is 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 July 1996, October 1997 and May 1998, the board of directors authorized three-for-two preferred stock splits. 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 stock splits.

Pursuant to the Rights Plan discussed further in Note 8, 375 shares of preferred stock have been reserved for issuance under terms of the Plan.

A preferred stock dividend in the amount of \$43 was accrued and paid at December 31, 1998 and 1996. The 1997 preferred stock dividend in the amount of \$43 was accrued at December 31, 1997 and paid in January 1998.

8. COMMON STOCK

In July 1996, October 1997 and May 1998, the Board of Directors authorized three-for-two common stock splits. These 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 each of these stock splits.

In connection with the issuance of the \$10,000 subordinated debt in 1995, the

Company issued options and warrants to purchase 2,505 shares of Common Stock at an exercise price of \$3.46 per share. 2,303 of these warrants were exercised as a result of the Company's prepayment of the subordinated debt in September 1996 (see Note 5).

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LABOR READY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
 (IN THOUSANDS EXCEPT PER SHARE DATA)

8. COMMON STOCK (CONTINUED)

In June 1996, the Company successfully completed the sale of 5,046 shares of common stock, through an underwritten public offering, at a price of \$7.26 per share (\$6.77 net of underwriting costs). In connection with the public offering, the Company incurred costs of approximately \$574, which were offset against the common stock sale proceeds. These net proceeds were used to prepay debt, purchase the home office building in Tacoma, Washington, fund workers' compensation deposits, and fund the opening of new dispatch offices.

During 1998 and 1997, the Company repurchased 106 and 344 shares of common stock on the open market for cash consideration of \$1,916 and \$1,395, respectively. The repurchased shares were retired and are not available for reissuance. Excess acquisition cost over the average per share carrying value of common stock is charged to retained earnings.

In 1998, the board of directors adopted a Shareholders Rights Plan ("the Rights Plan") and declared a dividend distribution of one right for each outstanding share of the Company's common stock. Under the terms of the Rights Plan, each Right entitles the holder to purchase one one-hundredth of a share of the Series A preferred stock at an exercise price of \$113.06. The rights are exercisable a specified number of days following (1) the acquisition by a person or group of persons of 15% or more of the Company's common stock, or (2) the commencement of a tender or exchange offer for 15% or more of the Company's common stock. The Company has reserved 375 shares of the Series A Preferred stock for issuance upon exercise of the rights. The rights may be redeemed by the Company, subject to the approval of the board of directors, for \$.01 cents per right in accordance with the provisions of the Rights Plan. If any group or person acquires 50% or more of the Company's common stock, the holders of the unredeemed rights (except for the acquiring group or person) may purchase for the exercise price, the number of common shares having a market value equal to two times the exercise price. The rights expire in January 2008, unless redeemed earlier by the Company.

9. INCOME TAXES

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

<TABLE>
 <CAPTION>

	December 31,	
	1998	1997
<S>	<C>	<C>
Allowance for doubtful accounts.	\$1,587	\$1,072
Prepaid expenses	(456)	(216)
Workers' compensation credits receivable	(527)	(433)
Workers' compensation claims reserve.	8,724	5,075
Net operating loss carry-forwards, net of valuation allowances of \$489 and \$691.	468	115
Depreciation and amortization expenses	(1,666)	(1,478)
Vacation accrual.	344	228
Other, net	(122)	(7)
Net tax deferrals.	8,352	4,356
Non-current deferred tax (liabilities) assets, net.	1,751	1,212
Current deferred tax assets, net	\$6,601	\$3,144

</TABLE>

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LABOR READY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
 (IN THOUSANDS EXCEPT PER SHARE DATA)

9. INCOME TAXES (CONTINUED)

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 net deferred tax assets has been established for Labor Ready, Inc. as management believes that it is more likely than not that the net deferred tax assets will be realized.

At December 31, 1998, Labour Ready Temporary Services, Limited has federal net operating loss carryforwards of approximately \$1.0 million with expiration dates through 2005. During 1998, the Company reduced the valuation allowance related to the net operating loss carryforwards recorded in prior years by \$177. The reduction reflects the Company's expectation that it is more likely than not that it will generate future taxable income in Canada to utilize the carryforwards.

As of December 31, 1998, Labor Ready, Inc. has net operating loss carry-forwards of approximately \$590, the majority of which expire in 2006 as applicable federal tax regulations limit the Company to an annual deduction of approximately \$26. The company has recognized a valuation allowance on the portion expiring in 2006.

Taxes on income consists of:

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1998	1997	1996
	-----	-----	-----
	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Current:			
Federal	\$14,077	\$7,603	\$603
State	3,510	1,788	88
	-----	-----	-----
Total Current	17,587	9,391	691
	-----	-----	-----
Deferred			
Federal	(3,454)	(3,259)	167
State	(542)	(573)	24
	-----	-----	-----
Total deferred	(3,996)	(3,832)	191
	-----	-----	-----
Total taxes on income, including \$703 tax benefit of extraordinary item in 1996	\$13,591	\$5,559	\$882
	-----	-----	-----

</TABLE>

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

<TABLE>
<CAPTION>

	Year Ended December 31,					
	1998		1997		1996	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
	-----	----	-----	----	-----	----
--						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Income tax expense based on statutory rate	\$11,686	35	\$4,383	35	\$546	
34						
Increase (decrease) resulting from:						
State income taxes, net of federal benefit.	1,740	5	697	6	59	
4						
Prior year amounts.	--	--	487	4	169	
11						
Other, net	165	1	(8)	(1)	108	
6						
	-----	----	-----	----	-----	----
	-----	----	-----	----	-----	----
Total taxes on income.	\$13,591	41	\$5,559	44	\$882	
55						
	-----	----	-----	----	-----	----
	-----	----	-----	----	-----	----

</TABLE>

LABOR READY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS EXCEPT PER SHARE DATA)

10. COMMITMENTS AND CONTINGENCIES

The Company leases substantially all of its dispatch offices. These 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 are cancelable thereafter upon 30 days notice and the payment of three months rent. Many leases require additional payments for taxes, insurance, maintenance and renewal options. Minimum lease commitments under terms of the leases at December 31, 1998 total approximately \$4.2 million, substantially all of which would be payable in 1999. Rent expense for the years ended December 31, 1998, 1997 and 1996 was \$9,019, \$5,026 and \$2,347, respectively.

In December 1997, the Company entered into a lease agreement for automated Cash Dispensing Machines ("CDM") for installation in the Company's dispatch offices. The lease, which is classified as a capital lease, is payable over 84 months with an imputed interest rate of 9.2% and is secured by the CDMs.

Cost and accumulated amortization of the CDMs are as follows at December 31, 1998:

<TABLE>
<CAPTION>

Cash dispensing machines	<C>	\$6,393
Less accumulated amortization		604

		\$5,789

</TABLE>

Future minimum lease payments under capital leases together with the present value of the minimum lease payments as of December 31, 1998 are as follows:

<TABLE>
<CAPTION>

Year ended December 31:	<C>	
1999		\$1,304
2000		1,304
2001		1,304
2002		1,304
2003		1,304
Thereafter		1,690

Total minimum lease payments		8,210
Less executory costs		399

Net minimum lease payments		7,811
Less imputed interest		1,984

		\$5,827

</TABLE>

The Company is, from time to time, involved in various lawsuits arising in the ordinary course of business. Although there can be no absolute assurance, in the opinion of management, these will not have a material effect on the Company's consolidated results of operations or financial condition.

In 1995, the Company entered into an employment agreement with its President and CEO, which provides for annual compensation of \$31 per month at inception of the agreement, 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 the President's performance, and the overall performance of the Company. The agreement expired in 1998, and subsequent to year end, the Company reached an agreement with its President for the renewal of his employment agreement on substantially similar terms through December 31, 2003.

11. RETIREMENT PLAN

In 1994, the Company established a 401(k) savings plan ("the Plan"). Qualifying employees can 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 and have been made in the form of the Company's common stock. Employees are eligible to participate in the Plan the calendar quarter following the completion of one year of service. Employees are fully vested in matching contributions made to the Plan after completing five years of service. The amount charged to expense under the Plan was \$178, \$118 and \$82 for the years ended December 31, 1998, 1997 and 1996, respectively.

12. VALUATION AND QUALIFYING ACCOUNTS

Allowance for doubtful accounts activity was as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Balance, beginning of year	\$2,851	\$1,237	\$ 869
Charged to expense	8,274	5,761	2,078
Write-offs, net of recoveries	(6,907)	(4,147)	(1,710)
Balance, end of year	\$4,218	\$2,851	\$1,237

</TABLE>

13. EMPLOYEE STOCK PURCHASE PLAN

In November, 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. Participant account balances are used to purchase shares of common stock at the lesser of 85% of the fair market value of shares on either the first day or the last day of each month. The ESPP provides that no participant shall purchase stock that the aggregate fair market value exceeds \$25 during any calendar year. The ESPP expires on June 30, 2001. 1,238 shares of common stock have been reserved for purchase under the ESPP. During 1998 and 1997, 56 and 79 shares were purchased by participants in the plan for cash proceeds of \$838 and \$375, respectively.

14. STOCK COMPENSATION PLANS

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

The Plan states 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. The majority of the options vest evenly over a four year period from the date of grant and then expire if not exercised within five years from the date of grant. 2,888 shares of common stock have been reserved for issuance under terms of the Plan.

LABOR READY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(IN THOUSANDS EXCEPT PER SHARE DATA)

14. STOCK COMPENSATION PLANS (CONTINUED)

Statement of Financial Accounting Standards 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 1998, 1997 and 1996, respectively: expected life of options of 5 years, expected volatility of 88%, 67%, and 11%, risk-free interest rates of 5.0%, 6.0% and 6.0%, and a 0% dividend yield.

Under the provisions of SFAS No. 123, the Company's net income and earnings

per share would have been reduced to the pro forma amounts indicated below:

	1998	1997	1996
Net Income			
As reported	\$19,799	\$6,963	\$724
Pro forma	\$16,401	\$6,159	\$352
Pro forma earnings per share			
Basic	\$ 0.59	\$ 0.22	\$ 0.01
Diluted	\$ 0.57	\$ 0.22	\$ 0.01

The following table summarizes stock option activity:

	Year Ended December 31,					
	1998		1997		1996	
	SHARES	(1) PRICE	SHARES	(1) PRICE	SHARES	(1) PRICE
Outstanding at beginning of year	2,033	\$6.97	937	\$5.43	3,400	\$3.19
Granted \$6.49	782	\$19.44	1,276	\$8.31	628	
Exercised	(281)	\$5.04	(73)	\$3.86	(2,941)	\$2.94
Expired or canceled	(356)	\$13.10	(107)	\$5.03	(150)	\$1.30
Outstanding at end of year	2,178	\$10.98	2,033	\$6.97	937	\$5.43
Exercisable at end of year	572	\$6.63	477	\$4.65	98	\$2.44
Weighted average fair value of options granted		\$14.08		\$7.86		

(1) Weighted average exercise price.

At December 31, 1998, 710,000 shares of the Company's common stock were available for future grant under the Company's stock option plan.

LABOR READY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
 (IN THOUSANDS EXCEPT PER SHARE DATA)

14. STOCK COMPENSATION PLANS (CONTINUED)

Information relating to stock options outstanding and exercisable at December 31, 1998 is as follows:

WEIGHTED-RANGE OF PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING	AVERAGE CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	AVERAGE EXERCISE PRICE
PRICE					

<S>	<C>	<C>	<C>	<C>	<C>
\$0.88 - 8.89	1,205	3.10	5.71	479	5.25
12.33 - 18.08	813	4.10	16.10	91	13.58
21.61 - 29.53	160	4.38	24.64	2	21.61

\$0.88 - 29.53	2,178	3.57	\$10.98	572	\$6.63

</TABLE>

LOAN AND SECURITY AGREEMENT

This Agreement is between the undersigned Borrower and the undersigned Lender concerning loans and other credit accommodations to be made by Lender to Borrower.

SECTION 1. PARTIES

1.1 The "BORROWER" is the person, firm, corporation or other entity identified as the Borrower in Section 15 and its successors and assigns. If more than one Borrower is specified in Section 15, all references to Borrower shall mean each of them, jointly and severally, individually and collectively, and the successors and assigns of each. Furthermore, if more than one Borrower is specified in Section 15, the terms of this Agreement shall be binding on each Borrower and may be enforced as if there was a separate agreement with each Borrower, regardless of the enforceability of the Agreement as against other Borrowers.

1.2 The "LENDER" is U.S. BANK NATIONAL ASSOCIATION and its successors and assigns.

SECTION 2. 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.

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

(b) ACCOMMODATIONS. The word "Accommodations" means credit accommodations extended by the Lender, consisting of letters of credit, merchandise purchase guaranties or other guaranties or indemnities for Borrower's account.

(c) ACCOUNT. Account. The word "Account" means a trade account, account receivable, or other right to payment for goods sold or services rendered owing to Borrower (or to a third party grantor acceptable to Lender).

(d) ACCOUNT DEBTOR. The words "Account Debtor" mean the person or entity obligated upon an Account.

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(e) ADVANCE. The word "Advance" means a disbursement of Loan funds under this Agreement.

(f) BORROWING BASE. The words "Borrowing Base" mean, as determined by Lender from time to time, the lesser of (a) \$60,000,000.00; or (b) 80.000% of the aggregate amount of Eligible Accounts.

(g) BUSINESS DAY. The words "Business Day" mean any day other than a Saturday, Sunday, or other day that commercial banks in Seattle, Washington, Portland, Oregon or New York City are authorized or required by law to close; provided, however that when used in connection with a LIBOR Rate, LIBOR Amount or LIBOR Interest Period such term shall also exclude any day on which dealings in U.S. dollar deposits are not carried on in the London interbank market.

(h) CASH FLOW. The words "Cash Flow" mean earnings before interest expense, income tax, depreciation, amortization, and any non-cash extraordinary items.

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

(j) 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. The word "Collateral" includes without limitation

all collateral described below in the section titled "COLLATERAL."

(k) DEBT. The word "Debt" means all of Borrower's liabilities which bear interest, plus the amount of outstanding Accommodations.

(l) ELIGIBLE ACCOUNTS. The words "Eligible Accounts" mean, at any time, all of Borrower's Accounts which contain selling terms and conditions acceptable to Lender. The net income of any Eligible Account against which Borrower may borrow shall exclude all returns, discounts, credits, and offsets of any nature. Unless otherwise agreed to by Lender in writing, Eligible Accounts do not include: (i) Accounts with respect to which the Account Debtor is an officer, an employee or agent of Borrower; (ii) Accounts with respect to which the Account Debtor is a Subsidiary of, or affiliated with or related to Borrower or its officers, or directors; (iii) Accounts with respect to which goods are placed on consignment, guaranteed sale, or other terms by reason of which the payment by the Account Debtor may be conditional; (iv) Accounts with respect to which Borrower is or may become liable to the Account Debtor for goods sold or

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services rendered by the Account Debtor to borrower; (v) Accounts which are subject to dispute, counterclaim, or setoff; (vi) Accounts with respect to which the goods have not been shipped or delivered, or the services have not been rendered, to the Account Debtor; (vii) Accounts with respect to which Lender, in its sole discretion, deems the creditworthiness or financial condition of the Account Debtor to be unsatisfactory; (viii) Accounts of any Account Debtor who has filed or has had filed against it a petition in bankruptcy or an application for relief under any provision of any state or federal bankruptcy, insolvency, or debtor-in-relief acts, or who has had appointed a trustee, custodian, or receiver for the assets of such Account Debtor; or who had made an assignment for the benefit of creditors or has become insolvent or fails generally to pay its debts (including its payrolls) as such debts become due; (ix) Accounts which had not been paid in full within sixty (60) days from the invoice date; (x) Datings; Progress Billings; Retainages; Cash Sales; C.O.D.; Service Charges; (xi) any Account of an Account Debtor that is not a resident of the United States, Puerto Rico, and Canada; or (xii) Accounts which are not Collateral.

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

(n) 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 12, titled "EVENTS OF DEFAULT."

(o) EXPIRATION DATE. The words "Expiration Date" mean the earlier of the date of termination of Borrower's obligations to Lender under this Agreement, or June 30, 2000.

(p) 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.

(q) 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.

(r) INDEBTEDNESS. The word "Indebtedness" means any and all Loans, Advances, Accommodations, if any, and all other indebtedness, liabilities and obligations of every kind, nature and description owing by Borrower to Lender and/or its affiliates, including principal, interest, charges, fees and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether arising under this Agreement or otherwise, whether now existing or hereafter arising, whether arising

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before, during or after the initial or any renewal Term or after the commencement of any case with respect to Borrower under the United States Bankruptcy Code or any similar statute, whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, original, renewed or extended and whether arising directly or howsoever acquired by Lender including from any other entity outright, conditionally or as collateral security, by assignment, merger with any other entity, participations or interests of Lender in the obligations of

Borrower to others, assumption, operation of law, subrogation or otherwise and shall also include all amounts chargeable to Borrower under this Agreement or in connection with any of the foregoing;

(s) INTEREST RATE. The words "Interest Rate" mean the interest rate on the Principal Balance.

(t) LIBOR. The word "LIBOR" means, for any LIBOR Interest Period, the rate per annum (computed on the basis of a 360-day year and the actual number of days elapsed and rounded upward to the nearest 1/16 of 1%) established by Lender as its LIBOR, based on Lender's determination, on the basis of such factors as Lender deems relevant, of the rate of interest at which U.S. dollar deposits would be offered to U.S. Bank National Association in the London interbank market at approximately 11 a.m. London time on the date which is two Business Days prior to the first day of such LIBOR Interest Period for delivery on the first day of such LIBOR Interest Period for the number of months therein; provided, however, that the LIBOR shall be adjusted to take into account the maximum reserves required to be maintained for Eurocurrency liabilities by banks during each such LIBOR Interest Period as specified in Regulation D of the Board of Governors of the Federal Reserve System or any successor regulation.

(u) LIBOR AMOUNT. The words "LIBOR Amount" mean each principal amount for which Borrower chooses to have the LIBOR Borrowing Rate apply for any specified LIBOR Interest Period.

(v) LIBOR INTEREST PERIOD. The words "LIBOR Interest Period" mean as to any LIBOR Amount, a period of one, two, three, six or twelve months commencing on the date the LIBOR Borrowing Rate becomes applicable thereto; provided, however, that: (i) the first day of each LIBOR Interest Period must be a Business Day; (ii) no LIBOR Interest Period shall be selected which would extend beyond June 30, 2000; (iii) no LIBOR Interest Period shall extend beyond the date of any principal payment required under this Agreement, unless the sum of the Prime Rate Amount, plus LIBOR Amounts with LIBOR 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; (iv) any LIBOR 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 LIBOR Interest Period into another calendar month, in which event the LIBOR Interest Period shall end on the immediately preceding Business Day; and (v) any

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LIBOR 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 LIBOR Interest Period) shall end on the last Business Day of a calendar month.

(w) LINE OF CREDIT. The words "Line of Credit" mean the credit facility described in the Section 3.1, titled "LINE OF CREDIT" below.

(x) LIQUID ASSETS. The words "Liquid Assets" mean Borrower's cash on hand plus Borrower's readily marketable securities.

(y) 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.

(z) 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.

(aa) 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) those 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.

(bb) PRIME RATE. The words "Prime Rate" mean 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 the Prime Rate is applicable under Section 4(a) or 13. the interest rate hereunder shall be adjusted without notice effective on the day the Prime Rate changes, but in no event shall the rate of interest be higher than allowed by law.

(cc) PRIME RATE AMOUNT. The words "Prime Rate Amount" mean any portion of the Principal Balance bearing interest at the Prime Borrowing Rate.

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(dd) PRINCIPAL BALANCE. The words "Principal Balance" mean the unpaid principal balance of all Advances outstanding at any one time.

(ee) 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.

(ff) SECURITY AGREEMENT. The words "Security Agreement" mean and include without limitations any agreements, promises, covenant, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

(gg) 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.

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

(ii) 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.

(jj) SUBSIDIARY. The word "Subsidiary" means a subsidiary of the Borrower, which includes, but is not limited to, a corporation, partnership, limited liability company, or other entity in which the Borrower directly or indirectly owns or controls the shares of stock or other ownership interests having ordinary voting power to elect a majority of the board of directors (or appoint other comparable managers) of such corporation, partnership, limited liability company, or other entity.

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

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(ll) TOTAL FUNDED DEBT. The words "Total Funded Debt" mean Debt, plus all capital lease obligations of the Borrower.

(mm) WORKING CAPITAL. The words "Working Capital" mean Borrower's current assets, excluding prepaid expenses, less Borrower's current liabilities.

SECTION 3. LOANS AND OTHER CREDIT ACCOMMODATIONS.

3.1 LINE OF CREDIT. Lender agrees to make Advances to Borrower from time to time from the date of this Agreement to its expiration, provided that the aggregate amount of outstanding Indebtedness at any one time does not exceed the Borrowing Base.

(a) CONDITIONS PRECEDENT TO EACH ADVANCE. Lender's obligation to make any Advance to or for the account of Borrower under this Agreement is subject to the following conditions precedent, with all documents, instruments, opinions, reports, and other items required under this Agreement to be in form and substance satisfactory to Lender:

(i) Lender shall have received evidence that this Agreement and all Related Documents have been duly authorized, executed, and delivered by

Borrower to Lender.

(ii) Lender shall have received such opinions of counsel, supplemental opinions, and documents as Lender may request.

(iii) The security interests in the Collateral shall have been duly authorized, created, and perfected with first lien priority and shall be in full force and effect.

(iv) Lender, at its option and for its sole benefit, shall have conducted an audit of Borrower's Accounts, books, records, and operations, and Lender shall be satisfied as to their condition.

(v) Borrower shall have paid to Lender all fees, costs, and expenses specified in this Agreement and the Related Documents as are then due and payable.

(vi) There shall not exist at the time of any Advance a condition which would constitute an Event of Default under this Agreement, and Borrower shall have delivered to Lender the compliance certificate called for in Section 7.15 below, titled "Compliance Certificate."

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(b) REQUESTS FOR ADVANCES.

(i) 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 (ii) of this 3.1(b), and any person or persons otherwise authorized to execute and deliver promissory notes to Lender on behalf of Borrower.

(ii) Borrower hereby authorizes any one of the following individuals to request Advances and to select interest rate options: Glenn Welstad, Bob Sovern, Joseph Havlin, Bob Breen and Joseph P. Sambataro, Jr., unless Lender is otherwise instructed in writing.

(iii) All Advances shall be disbursed by deposit directly to Borrower's account number 153501534249 at a branch of Lender, or by cashier's check issued to Borrower.

(iv) Borrower agrees that Lender shall have no obligation to verify the identity of any person making any request pursuant to this Section 3.1(b), 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 Agreement, 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.

(c) MANDATORY LOAN REPAYMENTS. If at any time the aggregate principal amount of the outstanding Indebtedness shall exceed the applicable Borrowing Base, Borrower, immediately upon written or oral notice from Lender, shall pay to Lender an amount equal to the difference between the outstanding principal balance of the Indebtedness and the Borrowing Base. On the Expiration Date, Borrower shall pay to Lender in full the aggregate unpaid principal amount of all Advances then outstanding and all accrued unpaid interest, together with all other applicable fees, costs and charges, if any, not yet paid.

(d) LOAN ACCOUNT. Lender shall maintain on its books a record of account in which Lender shall make entries for each Advance and such other debits and credits as shall be appropriate in connection with the credit facility. Lender shall provide Borrower with periodic statements of Borrower's account, which statements shall be considered to be correct and conclusively binding on Borrower unless Borrower notifies Lender to the contrary within thirty (30) days after Borrower's receipt of any such statement which Borrower deems to be incorrect.

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(d) RESERVES. Lender shall have a continuing right to deduct reserves in determining the Borrowing Base ("Reserves") and to increase and decrease such Reserves from time to time, if and to the extent that, in Lender's reasonable credit judgment, such Reserves are necessary to protect Lender against any state of facts which does, or would, with notice or passage of time or both, constitute an Event of Default or have an adverse effect on any Collateral. Lender may, at its option, implement Reserves by designating as ineligible a

sufficient amount of Accounts which would otherwise be Eligible Accounts so as to reduce the Borrowing Base by the amount of the intended Reserve.

3.2 ACCOMMODATIONS.

(a) Lender may, in its sole discretion, issue or cause Accommodations to be issued, from time to time, at Borrower's request and on terms and conditions and for purposes satisfactory to Lender. Borrower shall execute and perform additional agreements relating to the Accommodations in form and substance acceptable to Lender and the issuer of any Accommodations, all of which shall supplement the rights and remedies granted herein. Any payments made by Lender or any affiliate of Lender in connection with the Accommodations shall constitute additional Advances to Borrower.

(b) In addition to the fees and costs of any issuer in connection with issuing or administering Accommodations, Borrower shall pay to the Lender, in advance, a charge on open Accommodations at the rate of .75% per annum (the "Accommodation Charges"). Accommodation Charges shall be due and payable on the date of issuance of any Accommodation and on the first day of each calendar quarter thereafter.

(c) No Accommodation will be issued if the Accommodation as requested, plus fees and costs for issuance, would cause the outstanding Indebtedness to exceed the Borrowing Base or cause the amount of outstanding Accommodations to exceed at any time the Accommodation Sublimit of \$40,000,000.00.

(d) All indebtedness, liabilities and obligations of any sort whatsoever, however arising, whether present or future, fixed or contingent, secured or unsecured, due or to become due, paid or incurred, arising or incurred in connection with any Accommodation shall be included in the term "Indebtedness," as defined herein, and shall include, without limitation, (i) all amounts due or which may become due under any Accommodation; (ii) all amounts charged or chargeable to Borrower or to Lender by any bank, other financial institution or correspondent bank which opens, issues or is involved with such Accommodations; (iii) Lender's Accommodation Charges and all fees, costs and other charges of any issuer of any Accommodation; and (iv) all duties, freight, taxes, costs, insurance and all such other charges and expenses which may pertain directly or indirectly to any Indebtedness or Accommodations or to the goods or documents relating thereto.

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(e) Borrower unconditionally agrees to indemnify and hold Lender harmless from any and all loss, claim or liability (including reasonable attorneys' fees) arising from any transactions or occurrences relating to any Accommodations established or opened for Borrower's account, the Collateral relating thereto and any drafts or acceptances thereunder, including any such loss or claim due to any action taken by an issuer of any Accommodation. Borrower further agrees to indemnify and hold Lender harmless for any errors or omissions in connection with the Accommodations, whether caused by Lender, by the issuer of any Accommodation or otherwise. Borrower's unconditional obligation to indemnify and hold Lender harmless under this provision shall not be modified or diminished for any reason or in any manner whatsoever, except for Lender's gross negligence or willful misconduct. Borrower agrees that any charges made to Lender by any issuer of any Accommodation shall be conclusive on borrower and may be charged to Borrower's account.

(f) Lender shall not be responsible for: the conformity of any goods to the documents presented; the validity or genuineness of any documents; delay, default, or fraud by the Borrower or shipper and/or anyone else in connection with the Accommodations or any underlying transaction.

(g) Borrower agrees that with respect to any action taken by Lender, if taken in good faith, or any action taken by an issuer of any Accommodation, under or in connection with any Lender in furtherance thereof, Lender shall have the full right and authority to clear and resolve any questions of non-compliance of documents; to give any instructions as to acceptance or rejection of any documents or goods; to execute for Borrower's account any and all applications for steamship or airway guarantees, indemnities or delivery orders; to grant any extensions of the maturity of time of payment for, or time of presentation of, any drafts, acceptances or documents; and to agree to any amendments, renewals, extensions, modifications, changes or cancellations of any of the terms or conditions of any of the applications or Accommodations. All of the foregoing actions may be taken in Lender's sole name, and the issuer thereof shall be entitled to comply with and honor any and all such documents or instruments executed by or received solely from Lender, all without any notice to or any consent from Borrower. None of the foregoing actions described in this subsection (g) may be taken by Borrower without Lender's express written consent.

SECTION 4. INTEREST AND FEES.

4.1. INTEREST RATE. The interest rate on the Principal Balance outstanding

may vary from time to time pursuant to the provisions of this Agreement. Subject to the provisions of this Agreement, 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 its selection of the LIBOR Borrowing Rate option chosen in accordance with the provisions of this Agreement, such notice shall be irrevocable. The rate options are the Prime Borrowing Rate and the LIBOR Borrowing Rate, each as defined in Section 2

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hereof. Interest shall be computed at the applicable rate based upon a three hundred sixty (360) day year and applied to the actual days applicable. Interest shall be paid on the first (1st) day of each month until the Expiration Date, at which time the Principal Balance and all accrued interest will be due.

(a) THE PRIME BORROWING RATE.

(i) The Prime Borrowing Rate is a per annum rate equal to the Prime Rate.

(ii) Whenever Borrower desires to use the Prime Borrowing Rate option, Borrower shall give Lender notice orally or in writing in accordance with Section 3.1(b) of this Agreement, which notice shall specify the requested effective date (which must be a Business Day) and principal amount of the Advance or increase in the Prime Rate Amount, and whether Borrower is requesting a new Advance under a line of credit or conversion of a LIBOR Amount to the Prime Borrowing Rate.

(iii) Subject to Section 13 of this Agreement, interest shall accrue on the unpaid Principal Balance at the Prime Borrowing Rate unless and except to the extent that the LIBOR is in effect.

(b) THE LIBOR BORROWING RATE.

(i) The LIBOR Borrowing Rate is the LIBOR plus 1.25% per annum.

(ii) Borrower may obtain LIBOR Borrowing Rate quotes from Lender between 8:00 a.m. and 1:00 p.m. (Portland, Oregon time) on any Business Day. Borrower may request an Advance, conversion of any portion of the Prime Rate Amount to a LIBOR Amount or a new LIBOR Interest Period for an existing LIBOR Amount, at such rate only by giving Lender notice in accordance with Section 4(b)(iii) before 10:00 a.m. (Portland, Oregon time) on such day.

(iii) Whenever Borrower desires to use the LIBOR 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 1:00 p.m. (Portland, Oregon time) two (2) Business Days prior to 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 3.1(b)(iii) of this Agreement, and shall

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specify the requested effective date of the rate, LIBOR Interest Period and LIBOR Amount, and whether Borrower is requesting a new Advance at the LIBOR Borrowing Rate under a line of credit, conversion of all or any portion of the Prime Rate Amount to a LIBOR Amount, or a new LIBOR Interest Period for an outstanding LIBOR Amount. Notwithstanding any other term of this Agreement, Borrower may elect the LIBOR Borrowing Rate in the minimum principal amount of \$500,000.00 and in multiples of \$100,000.00 above such amount.

(iv) If at any time the LIBOR is unascertainable or unavailable to Lender or if LIBOR loans become unlawful, the option to select the LIBOR Borrowing Rate shall terminate immediately. If the LIBOR Borrowing Rate is then in effect, (A) it shall terminate automatically with respect to all LIBOR Amounts (i) on the last day of each then applicable LIBOR 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 13 of this Agreement, the Prime Borrowing Rate automatically shall become effective as to such amounts upon such termination.

(v) 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 the LIBOR, or (ii) shall impose or modify any 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 directly (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 Agreement 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)(v), Borrower may upon three (3) Business Days' notice to Lender pay the accrued interest on all LIBOR Amounts, together with any additional amounts payable under Section 4(b)(vi). Subject to Section 13 of this Agreement, 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 LIBOR Amounts.

(vi) Borrower shall pay to Lender, on demand, such amount as Lender reasonably determines (determined as though 100% of the applicable LIBOR Amount had been funded in the London interbank market) is necessary to compensate Lender for any direct or indirect losses, expenses, liabilities, costs, expenses or

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reductions in yield to Lender, whether incurred in connection with liquidation or re-employment of funds or otherwise, incurred or sustained by Lender as a result of: (A) Any payment or prepayment of a LIBOR Amount, termination of the LIBOR borrowing rate or conversion of a LIBOR Amount to the Prime Borrowing Rate on a day other than the last day of the applicable LIBOR Interest Period (including as a result of acceleration or a notice pursuant to Section 4(b)(v)); or (B) Any failure of Borrower to borrow, continue or prepay any LIBOR Amount or to convert any portion of the Prime Rate Amount to a LIBOR Amount after Borrower has given a notice thereof to Lender.

(vii) If Borrower chooses the LIBOR 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 London interbank market. Lender's determination of the LIBOR Borrowing Rate and any such taxes or charges shall be conclusive in the absence of manifest error.

(viii) Notwithstanding any other term of this Agreement or the Related Documents, Borrower may not select the LIBOR Borrowing Rate if an event of default hereunder has occurred and is continuing.

(ix) Nothing contained in this Agreement or the Related Documents, including without limitation the determination of any LIBOR Interest Period or Lender's quotation of any LIBOR 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.

4.2 UNUSED LINE FEE. Borrower shall pay Lender quarterly, on the first day of each quarter, in arrears, an Unused Line Fee of .15% for each quarter, calculated upon the amount, if any, by which the \$60,000,000.00 exceeds the average daily balance outstanding on the Indebtedness during the preceding quarter.

4.3 ACCOUNT SERVICING FEE. The Borrower shall pay to the Lender an Account Servicing Fee of \$20,000.00. The Account Servicing Fee shall be paid in two equal installments. The first installment shall be due February 16, 1999. The second installment shall be due January 31, 2000.

SECTION 5. GRANT OF SECURITY INTEREST.

5.1 GRANT OF SECURITY INTEREST. To secure the payment and performance in full of all Indebtedness, Borrower hereby grants to Lender a continuing security interest in and lien upon, and a right of setoff against, and Borrower hereby assigns and pledges to Lender, all of the Collateral, including any Collateral not deemed eligible for lending purposes.

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5.2 "COLLATERAL" shall mean all of the following property of Borrower:

All now owned and hereafter acquired right, title and interest of Borrower in, to and in respect of all: accounts, contract rights; chattel paper; investment property; general intangibles (including, but not limited to, tax and

duty refunds, registered and unregistered patents, trademarks, service marks, copyrights, trade names, applications for the foregoing, trade secrets, goodwill, processes, drawings, blueprints, customer lists, licenses, whether as licensor or licensee, choses in action and other claims, and existing and future leasehold interests in equipment and fixtures); documents; instruments; letters of credit, bankers' acceptances or guaranties; cash monies, deposits, securities, bank accounts, deposit accounts, credits and other property now or hereafter held in any capacity by Lender, its affiliates or any entity which, at any time, participates in Lender's financing of Borrower or at any other depository or other institution; agreements or property securing or relating to any of the items referred to above;

All present and future books and records relating to any of the above including, without limitation, all computer programs, printed output and computer readable data in the possession or control of the Borrower, any computer service bureau or other third party; and

All products and proceeds of the foregoing in whatever form and wherever located, including, without limitation, all insurance proceeds and all claims against third parties for loss or destruction of or damage to any of the foregoing.

5.3 PERFECTION OF SECURITY INTERESTS. Borrower agrees to execute such financing statements and to take whatever other actions are requested by Lender to perfect and continue Lender's Security Interests in the Collateral. Upon request of Lender, Borrower will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Borrower will note Lender's interest upon any and all chattel paper if not delivered to Lender for possession by Lender. Contemporaneous with the execution of this Agreement, Borrower will execute one or more UCC financing statements and any similar statements as may be required by applicable law, and will file such financing statements and all such similar statements in the appropriate location or locations. Borrower hereby appoints Lender as its irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect or to continue any Security Interest. Lender may at any time, and without further authorization from Borrower, file a carbon, photograph, facsimile, or other reproduction of any financing statement for use as a financing statement. Borrower will reimburse Lender for all expenses for the perfection, termination, and the continuation of the perfection of Lender's security

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interest in the Collateral. Borrower promptly will notify Lender of any change in Borrower's name including any change to the assumed business names of Borrower. Borrower also promptly will notify Lender of any change in Borrower's Social Security Number or Employer Identification Number. Borrower further agrees to notify Lender in writing prior to any change in address or location of Borrower's principal governance office or should Borrower merge or consolidate with any other entity.

5.4 COLLATERAL RECORDS. Borrower does now, and all times hereafter shall keep correct and accurate records of the Collateral, all of which records shall be available to Lender or Lender's representative upon demand for inspection and copying at any reasonable time. With respect to the Accounts, Borrower agrees to keep and maintain such records as Lender may require, including without limitation information concerning Eligible Accounts and Account balances and agings.

5.5 COLLATERAL SCHEDULES. Concurrently with the execution and delivery of this Agreement, Borrower shall execute and deliver to Lender a schedule of Accounts and Eligible Accounts, in form and substance satisfactory to the Lender. Thereafter Borrower shall execute and deliver to Lender such supplemental schedules of Eligible Accounts and such other matters and information relating to Borrower's Accounts as Lender may request. Supplemental schedules shall be delivered according to the following schedule: BORROWER TO FURNISH LENDER WITH ACCOUNTS RECEIVABLE AGINGS ON A MONTHLY BASIS, IN SUMMARY FORM, ON THE BORROWING BASE CERTIFICATE, BROKEN OUT AS FOLLOWS: INVOICE DATE TO 30 DAYS FROM INVOICE DATE; 31 DAYS TO 60 DAYS FROM INVOICE DATE; TOTAL ELIGIBLE ACCOUNTS; ALL OTHER ACCOUNTS; TOTAL ACCOUNTS. BORROWER TO SUBMIT A BORROWER'S CERTIFICATE WITHIN 15 DAYS OF EACH MONTH-END.

5.6 COLLATERAL AUDITS. Borrower agrees to undergo annual collateral audits, to be performed by Lender or Lender approved auditors. Direct verifications will be required, to be performed by certified public accountants via audited statements.

SECTION 6. REPRESENTATIONS AND WARRANTIES.

Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date on each disbursement of Loan proceeds, as of the day of any renewal, extension or modification of any Loan, and all times any

Indebtedness exists:

6.1 ACCOUNTS. With respect to the Accounts, Borrower represents and warrants to Lender: (a) Each Account represented by Borrower to be an Eligible Account for purposes of this Agreement conforms to the requirements of the definition of an Eligible Account; (b) all Account information listed on schedules delivered to Lender will be true and correct, subject to immaterial variance; and (c) Lender, its assigns, or agents shall have the right at any time and at Borrower's expense to inspect, examine, and audit Borrower's records and to confirm with Account Debtors the accuracy of such Accounts.

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

6.3 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 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.

6.4 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.

6.5 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.

6.6 PROPERTIES. Except for Permitted Liens, 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.

6.7 HAZARDOUS SUBSTANCES. 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

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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.

6.8 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.

6.9 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.

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6.10 LIEN PRIORITY. Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements, or permitted the titling 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.

6.11 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.

6.12 COMMERCIAL PURPOSES. Borrower intends to use the Loan proceeds solely for business or commercial related purposes.

6.13 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.

6.14 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 1016 South 28th Street, Tacoma, WA 98409. Unless Borrower has designated otherwise in writing, this location is also the office or offices where Borrower keeps its records concerning the Collateral.

6.15 INFORMATION. All information heretofore or contemporaneously herewith furnished by Borrower to Lender for the purposes 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.

6.16 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.

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SECTION 7. AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender, while this Agreement is in effect, Borrower will:

7.1 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.

7.2 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.

7.3 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.

7.4 SEC FILINGS. Borrower covenants and agrees to furnish the Lender with, as soon as available but in no event later than one hundred twenty (120) days after the end of each fiscal year, a copy of Borrower's 10K report as filed with the Security and Exchange Commission and, as soon as possible but in no event later than forty-five (45) days after the end of each fiscal quarter, a copy of Borrower's 10Q report as filed with the Security and Exchange Commission.

7.5 ADDITIONAL INFORMATION. Furnish such additional information and statements, lists of assets and liabilities, agings of receivables 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.

7.6 FINANCIAL COVENANTS AND RATIOS. Comply with the following covenants and ratios:

(a) TANGIBLE NET WORTH. Maintain a minimum Tangible Net Worth of not less than \$50,000,000.00.

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(b) CURRENT RATIO. Maintain a ratio of current assets to current liabilities of not less than 1.75 to 1.00.

(c) WORKING CAPITAL. Maintain Working Capital in excess of \$40,000,000.00.

(d) DEBT TO CASH FLOW RATIO. Maintain a ratio of Debt to Cash Flow of no more than 2.50 to 1.00. This ratio will be measured on a trailing four-quarter basis.

(e) INTEREST COVERAGE RATIO. Maintain a ratio of Cash Flow to Interest Expense of not less than 4.00 to 1.00. This ratio will be defined as Cash Flow plus Accommodation fees and commitment fees paid, divided by gross interest expense, plus Accommodation fees and commitment fees paid. This ratio will be measured on a trailing four-quarter basis.

The following provisions shall apply for purposes of determining compliance with the foregoing financial covenants and ratios: MINIMUM TANGIBLE NET WORTH COVENANT WILL INCREASE BY 50.00% OF BORROWER'S NET PROFIT AFTER TAXES FOR THE PREVIOUS FISCAL YEAR END. THIS INCREASE WILL BE EFFECTIVE JUNE 30 ANNUALLY. 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 to the consolidated financial statements of Labor Ready, Inc., and all of its Subsidiaries, and certified by Borrower as being true and correct.

7.7 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.

7.8 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

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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.

7.9 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.

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

7.11 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, in 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.

7.12 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.

7.13 OPERATIONS. Maintain executive 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 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 Americans With Disabilities Act and with all minimum funding standards and other requirements of ERISA and other laws applicable to Borrower's employee benefit plans.

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7.14 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.

7.15 COMPLIANCE CERTIFICATE. Unless waived in writing by Lender, provide Lender quarterly 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.

7.16 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 any 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.

7.17 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.

SECTION 8. 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 directly (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

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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.

SECTION 9. 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:

9.1 INDEBTEDNESS AND LIENS: (a) Except as allowed as a Permitted Lien, mortgage, assign, pledge, lease, grant a security interest in, or encumber any of Borrower's assets, (b) sell or transfer any of Borrower's assets outside the ordinary course of Borrower's business, or (c) sell with recourse any of Borrower's accounts, except to Lender.

9.2 CONTINUITY OF OPERATIONS. (a) Engage in any business activities substantially different than those in which Borrower is presently engaged, or (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.

9.3 LOANS, ACQUISITIONS AND GUARANTIES. (a) Loan, invest in 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.

SECTION 10. 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.

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SECTION 11. 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.

SECTION 12. EVENTS OF DEFAULT.

Each of the following shall constitute an Event of Default under this Agreement:

12.1 DEFAULT ON INDEBTEDNESS. Failure of Borrower to make any payment when due on the Loans.

12.2 OTHER MATERIAL DEFAULTS. Failure of Borrower or any Grantor to comply with or to perform when due any other material 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 material term, obligation, covenant or condition contained in any other agreement between Lender and Borrower; provided, however, that Borrower shall have five (5) business days from the receipt of notice of breach to cure non-monetary breaches, except in situations which, in Lender's judgment, such notice or opportunity to cure would have a material adverse effect on Lender or the Collateral. Lender shall use its best efforts to notify Borrower promptly of the occurrence of any Event of Default.

12.3 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.

12.4 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 in any material respect at any time thereafter.

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12.5 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.

12.6 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.

12.7 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 if the successful prosecution of such proceeding would have a material adverse effect on the Borrower or its business operations. This includes a garnishment, attachment, or levy on or of any of Borrower's deposit accounts with Lender.

12.8 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.

12.9 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.

SECTION 13. 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. Furthermore, upon the occurrence of an Event of Default, including failure to pay upon final maturity, the Lender, at its option, may also, if permitted under applicable law, increase the Interest Rate 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. 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

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applicable law, all of Lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and 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.

SECTION 14. TERM OF AGREEMENT; MISCELLANEOUS.

14.1 TERM. This Agreement shall only become effective upon execution and delivery by Borrower and Lender and shall continue in full force and effect until June 30, 2000.

14.2 AMENDMENTS. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in the 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.

14.3 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 KING 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.

14.4 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 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. The statute of limitations,

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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.

14.5 ARBITRATION PROCEDURE AND VENUE. If either party makes a demand for arbitration as provided herein and each party's claim is less than \$100,000, one neutral arbitrator will decide all issues. If a party's claim is \$100,000 or more, then in such case, the parties will each select an arbitrator who will then select a third arbitrator. All arbitration hearings will be held in Seattle, Washington.

14.6 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.

14.7 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 interest. 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 purchase of such a participation interest and unconditionally agrees that either Lender or such purchase 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.

14.8 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

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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.

14.9 NOTICES. All notices required to be given under this Agreement shall be given in writing, may be sent by telefacsimile (unless otherwise required by law), and shall be effective when actually delivered or when deposited in the United States mail, via certified mail, return receipt requested, addressed to the party to whom the notice is to be given at the address shown in Section 16 below. 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).

14.10 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 finding 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.

14.11 SUBSIDIARIES AND AFFILIATES OF BORROWER. To the extent the context of

any provision 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/or 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.

14.12 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.

14.13 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.

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14.14 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.

14.15 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.

SECTION 15. IDENTIFICATION OF BORROWER(S).

15.1 Borrowers: Labor Ready, Inc.
Labor Ready Northwest, Inc.
Labor Ready Southwest, Inc.
Labor Ready Central, Inc.
Labor Ready Central II, LLC
Labor Ready Central III, LP
Labor Ready Midwest, Inc.
Labor Ready Mid-Atlantic, Inc.
Labor Ready Mid-Atlantic II, Inc.
Labor Ready Mid-Atlantic III, LP
Labor Ready Northeast, Inc.
Labor Ready Southeast, Inc.
Labor Ready Southeast II, Inc.
Labor Ready Southeast III, LP
Labor Ready GP Co., Inc.
Labor Ready Properties, Inc.

15.2 Borrowers' Chief Executive Office: 1016 South 28th Street
Tacoma, WA 98409

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SECTION 16. BORROWER'S AND LENDER'S ADDRESSES FOR NOTICE PURPOSES.

<TABLE>
<CAPTION>

BORROWER:	LENDER:
<S>	<C>
Labor Ready, Inc.	U.S. Bank National Association
Attention: Chief Financial Officer	Attention: Manager
1016 South 28th Street	Tacoma Corporate Banking
Tacoma, WA 98409	1145 Broadway, Suite 1100
	Tacoma, WA 98402

</TABLE>

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS LOAN AGREEMENT, AND BORROWER AGREES TO ITS TERMS. THIS AGREEMENT IS DATED AS OF FEBRUARY 3, 1999.

BORROWER:

LENDER:

LABOR READY, INC.

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
Executive Vice President and
Chief Financial Officer

By: /s/ Bruce H. Marley

Authorized Officer

LABOR READY NORTHWEST, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY SOUTHWEST, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

(SIGNATURES OF BORROWER CONTINUED ON FOLLOWING PAGE)

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BORROWER (CONTINUED):

LABOR READY CENTRAL, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY CENTRAL II, LLC

By: Labor Ready Central, Inc.,
Its Sole Member

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY CENTRAL III, LP

By: Labor Ready GP Co., Inc.,
Its General Partner

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY MIDWEST, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.

President

(SIGNATURES OF BORROWER CONTINUED ON FOLLOWING PAGE)

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BORROWER (CONTINUED):

LABOR READY MID-ATLANTIC, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY MID-ATLANTIC II, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY MID-ATLANTIC III, LP

By: Labor Ready GP Co., Inc.,
Its General Partner

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY NORTHEAST, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY SOUTHEAST, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

(SIGNATURES OF BORROWER CONTINUED ON FOLLOWING PAGE)

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BORROWER (CONTINUED):

LABOR READY SOUTHEAST II, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY SOUTHEAST III, LP

By: Labor Ready GP Co., Inc.
Its General Partner

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY GP CO., INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY PROPERTIES, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

ALTERNATIVE RATE OPTIONS
PROMISSORY NOTE
(PRIME RATE, LIBOR)

\$60,000,000.00

Dated as of: February 3, 1999

Labor Ready, Inc.
Labor Ready Northwest, Inc.
Labor Ready Southwest, Inc.
Labor Ready Central, Inc.
Labor Ready Central II, LLC
Labor Ready Central III, LP
Labor Ready Midwest, Inc.
Labor Ready Mid-Atlantic, Inc.
Labor Ready Mid-Atlantic II, Inc.
Labor Ready Mid-Atlantic III, LP
Labor Ready Northeast, Inc.
Labor Ready Southeast, Inc.
Labor Ready Southeast II, Inc.
Labor Ready Southeast III, LP
Labor Ready GP Co., Inc.
Labor Ready Properties, Inc.

(Collectively, "Borrower")

U.S. BANK NATIONAL ASSOCIATION

("Lender")

1. TYPE OF CREDIT. This note is given to evidence Borrower's obligation to repay all Indebtedness of Borrower to Lender pursuant to the terms of a Loan and Security Agreement dated as of February 3, 1999 ("Agreement"). Under the terms of the Agreement, Lender has agreed to make Advances to Borrower under a Line of Credit. No Advances shall be made which would cause the aggregate amount of outstanding Indebtedness at any one time to exceed Sixty Million and No/100 Dollars (\$60,000,000.00). However, Advances hereunder may be borrowed, repaid and reborrowed. Capitalized terms not defined herein shall have the meaning assigned to them in the Agreement.

2. PROMISE TO PAY. For value received Borrower promises to pay to Lender or order at 1145 Broadway, Suite 1100, Tacoma, WA. the Principal Balance of this note, with interest thereon at the rate(s) specified in Sections 3 and 7 below.

3. 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 its selection of the LIBOR Borrowing Rate option chosen in accordance with the provisions of this note, such notice shall be irrevocable.

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The rate options are the Prime Borrowing Rate and the LIBOR Borrowing Rate, each as defined herein. Interest shall be computed at the applicable rate based upon a three hundred sixty (360) day year and applied to the actual days applicable. Interest shall be paid on the first (1st) day of each month until the Expiration Date, at which time the Principal Balance and all accrued interest will be due.

(a) THE PRIME BORROWING RATE.

(i) The Prime Borrowing Rate is a per annum rate equal to the Prime Rate.

(ii) Whenever Borrower desires to use the Prime Borrowing Rate option, Borrower shall give Lender notice orally or in writing in accordance with Section 9 of this note, which notice shall specify the requested effective date (which must be a Business Day) and principal amount of the Advance or increase in the Prime Rate Amount, and whether Borrower is requesting a new Advance under the Line of Credit or conversion of a LIBOR Amount to the Prime Borrowing Rate.

(iii) Subject to Section 7 of this note, interest shall accrue on the unpaid Principal Balance at the Prime Borrowing Rate unless and except to the extent that the LIBOR Borrowing Rate is in effect.

(b) THE LIBOR BORROWING RATE.

(i) The LIBOR Borrowing Rate is LIBOR, plus 1.25% per annum.

(ii) Borrower may obtain LIBOR Borrowing Rate quotes from Lender between 8:00 a.m. and 1:00 p.m. (Portland, Oregon time) on any Business Day. Borrower may request an Advance, conversion of any portion of the Prime Rate Amount to a

LIBOR Amount or a new LIBOR Interest Period for an existing LIBOR Amount, at such rate only by giving Lender notice in accordance with Section 3 (b) (iii) before 10:00 a.m. (Portland, Oregon time) on such day.

(iii) Whenever Borrower desires to use the LIBOR 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 1:00 p.m. (Portland, Oregon time) two (2) Business Days prior to 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 9 of this note, and shall specify the requested effective date of the rate, LIBOR Interest Period and LIBOR Amount, and whether Borrower is requesting a new Advance at the LIBOR Borrowing Rate under the Line of Credit, conversion of all or any portion of the Prime Rate Amount to a LIBOR Amount, or a new LIBOR Interest Period for an outstanding LIBOR Amount. Notwithstanding any other term of this note, Borrower may elect the LIBOR Borrowing Rate in the minimum principal amount of \$500,000.00 and in multiples of \$100,000.00 above such amount.

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(iv) If at any time the LIBOR Rate is unascertainable or unavailable to Lender or if LIBOR Rate loans become unlawful, the option to select the LIBOR Borrowing Rate shall terminate immediately. If the LIBOR Borrowing Rate is then in effect, (A) it shall terminate automatically with respect to all LIBOR Amounts (i) on the last day of each then applicable LIBOR 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 7, the Prime Borrowing Rate automatically shall become effective as to such amounts upon such termination.

(v) 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 the LIBOR Rate, or (ii) shall impose or modify any 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 directly (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 note 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 3(b)(v), Borrower may upon three (3) Business Days' notice to Lender pay the accrued interest on all LIBOR Amounts, together with any additional amounts payable under Section 3(b)(vi). Subject to Section 7, 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 LIBOR Amounts.

(vi) Borrower shall pay to Lender, on demand, such amount as Lender reasonably determines (determined as though 100% of the applicable LIBOR Amount had been funded in the London interbank market) is necessary to compensate Lender for any direct or indirect losses, expenses, liabilities, costs, expenses or reductions in yield to Lender, whether incurred in connection with liquidation or re-employment of funds or otherwise, incurred or sustained by Lender as a result of: (A) Any payment or prepayment of a LIBOR Amount, termination of the LIBOR Borrowing Rate or conversion of a LIBOR Amount to the Prime Borrowing Rate on a day other than the last day of the applicable LIBOR Interest Period (including as a result of acceleration or a notice pursuant to Section 3 (b) (v)); or (B) Any failure of Borrower to borrow, continue or prepay any LIBOR Amount or to convert any portion of the Prime Rate Amount to a LIBOR Amount after Borrower has given a notice thereof to Lender.

(vii) If Borrower chooses the LIBOR 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 London interbank market. Lender's determination of the LIBOR Borrowing Rate and any such taxes or charges shall be conclusive in the absence of manifest error.

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

continuing.

(ix) Nothing contained in this note, including without limitation the determination of any LIBOR Interest Period or Lender's quotation of any LIBOR 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.

4. COMPUTATION OF INTEREST. All interest under Section 3 and Section 7 will be computed at the applicable rate based on a 360-day year and applied to the actual number of days elapsed.

5. PREPAYMENT.

(a) Prepayments of all or any part of the Prime Rate Amount may be made at any time without penalty.

(b) Except as otherwise specifically set forth herein, Borrower may not prepay all or any part of any LIBOR Amount or terminate any LIBOR Borrowing Rate, except on the last day of the applicable LIBOR Interest Period.

6. PAYMENT BY AUTOMATIC DEBIT. Borrower hereby authorizes Lender to automatically deduct the amount of all principal and interest payments from account number 153501534249 at a branch of Lender. 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 and non-sufficient funds 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.

7. 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 material term, covenant or obligation in this note, the Agreement, or the Related Documents, 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, the Agreement, or the 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 either now or at the time made or furnished, (v) Borrower becomes insolvent, liquidates or dissolves, a receiver is appointed for any part of Borrower's property, (vi) Borrower makes an assignment for

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the benefit of creditors, or any proceeding is commenced either by Borrower or against Borrower under any bankruptcy or insolvency laws, (vii) There is any material adverse change in the financial condition or management of Borrower.

(b) Upon the occurrence of an event of default and after such notice, if any, as may be required under the Agreement, Lender may declare the entire unpaid Principal Balance and all accrued unpaid interest immediately due and payable. 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.

8. 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 in the absence of manifest error. Notwithstanding any other provisions of this note, in the event holder makes Advances hereunder which cause the aggregate amount of the Indebtedness at any time to exceed Sixty Million and No/100 Dollars (\$60,000,000.00), Borrower agrees that all such Advances, with interest, shall be payable on demand.

9. REQUESTS FOR ADVANCES.

(a) Any Advance may be made or interest rate option selected upon the request of any of the undersigned, any person or persons authorized in subsection (b) of this Section 9, and any person or persons otherwise authorized to execute and deliver promissory notes to Lender on behalf of Borrower.

(b) Borrower hereby authorizes any one of the following individuals to request

Advances and to select interest rate options: Glenn Welstad, Bob Breen, Bob Sovern, Joseph Havlin and Joseph P. Sambataro, Jr., unless Lender is otherwise instructed in writing.

(c) All Advances shall be disbursed by deposit directly to Borrower's account number 153501534249 at a 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 this Section 9, 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.

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10. NOTICES. Any notice hereunder shall be given in accordance with Section 14.9 of the Agreement.

11. ATTORNEY 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 or 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.

12. WAIVERS; CONSENT. Each party hereto, whether maker, co-maker, guarantor or otherwise, waives 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.

13. JOINT AND SEVERAL LIABILITY. All undertakings of the undersigned Borrowers are joint and several. Lender's rights and remedies under this note shall be cumulative.

14. SEVERABILITY. If any term or provision of this note is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable for any reason whatsoever, such illegality, invalidity or unenforceability shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable, and this note shall be construed as if such illegal, invalid or unenforceable provision had not been contained herein. In the event there is a conflict between a provision of this note and a provision in the Agreement, the provision of the Agreement shall control.

15. GOVERNING LAW. This note shall be governed by and construed and enforced in accordance with 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 may be available under Federal law.

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16. 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.

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

BORROWER:

LABOR READY, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
Executive Vice President and
Chief Financial Officer

LABOR READY NORTHWEST, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY SOUTHWEST, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY CENTRAL, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

(SIGNATURES OF BORROWER CONTINUED ON FOLLOWING PAGE)

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BORROWER (CONTINUED):

LABOR READY CENTRAL II, LLC

By: Labor Ready Central, Inc.,
Its Sole Member

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY CENTRAL III, LP

By: Labor Ready GP Co., Inc.,
Its General Partner

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY MIDWEST, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY MID-ATLANTIC, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

(SIGNATURES OF BORROWER CONTINUED ON FOLLOWING PAGE)

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BORROWER (CONTINUED):

LABOR READY MID-ATLANTIC II, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY MID-ATLANTIC III, LP

By: Labor Ready GP Co., Inc.,
Its General Partner

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY NORTHEAST, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY SOUTHEAST, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY SOUTHEAST II, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

(SIGNATURES OF BORROWER CONTINUED ON FOLLOWING PAGE)

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BORROWER (CONTINUED):

LABOR READY SOUTHEAST III, LP

By: Labor Ready GP Co., Inc.
Its General Partner

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY GP CO., INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

LABOR READY PROPERTIES, INC.

By: /s/ Joseph P. Sambataro, Jr.

Joseph P. Sambataro, Jr.
President

EMPLOYMENT AGREEMENT

This Employment Agreement is made and entered into by and between Labor Ready, Inc., a Washington corporation, including its subsidiaries ("Company") and Ralph E. Peterson ("Employee").

RECITALS

WHEREAS, Employee is a former officer of the Company;

WHEREAS, Company believes that Employee's experience, knowledge of corporate affairs, reputation and industry contacts are of great value to the Company; and

WHEREAS, Company wishes to continue to employ Employee and Employee is willing to continue to be employed by Company on a part-time basis.

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

1. PRIOR AGREEMENTS. All prior employment agreements between Company and Employee shall be superseded and replaced in their entirety by this Agreement, effective as of May 1, 1999. The letter agreement dated January 6, 1999 is hereby rescinded and declared to be void, just as though the parties had never entered into the letter agreement. Employee's resignation as an officer of the Company shall remain in effect. Stock options previously granted to Employee shall continue to vest during Employee's employment, according to the original vesting schedule. Upon Employee's death, all unvested stock options shall immediately vest.

2. EMPLOYMENT. The Company agrees to and hereby does employ Employee, and Employee agrees to and hereby does continue to be employed by the Company, subject to the supervision and direction of the Chairman, President and Chief Executive Officer. Employee's employment shall be for a period commencing May 1, 1999 and ending on April 30, 2002, unless such period is extended by written agreement of the parties or is sooner terminated pursuant to the provisions of Paragraphs 5, 8 or 9.

3. DUTIES OF EMPLOYEE. Employee agrees to devote the necessary time, attention, skill, and efforts to the performance of his duties as Special Projects Coordinator for the Company or such other duties as may be assigned by the Company in its discretion. Employee's work shall be subject to the supervision and direction of Company. Assignments given to Employee shall be completed by Employee in the time and manner specified by Company. Company and Employee agree that the employment of Employee shall be on a part-time basis.

4. COMPENSATION.

Employee's salary shall be at the rate of Two Thousand and No/100 Dollars (\$2,000.00) per month.

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

6. REIMBURSEMENT FOR EXPENSES. Company shall reimburse Employee for reasonable out-of-pocket expenses that Employee shall incur in connection with his services for Company contemplated by this Agreement, on presentation by Employee of appropriate vouchers and receipts for such expenses to Company.

7. BENEFITS. Employee shall be entitled to all benefits offered generally to employees of Company who are working on less than a half-time basis.

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

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

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

9. TERMINATION BY EMPLOYEE. If Company shall cease conducting its business, take any action looking toward its dissolution or liquidation, make an assignment for the benefit of its creditors, admit in writing its inability to pay its debts as they become due, file a voluntary petition or be the subject of an involuntary petition in bankruptcy, or be the subject of any state or federal insolvency proceeding of any kind, then Employee may, in his sole discretion, by written notice to Company, terminate his employment and Company hereby consents to the release of Employee under such circumstances and agrees that if Company ceases to operate or to exist as a result of such event, the noncompetition and other provisions of Paragraph 13 of this Agreement shall terminate. In addition, Employee shall have the right to terminate this Agreement upon giving three (3) months written notice to Company.

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

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

12. CONFIDENTIAL INFORMATION.

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

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

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

(3) All operations, sales and training manuals;

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

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

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

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

13. COVENANTS AGAINST COMPETITION. It is understood and agreed that the nature of the methods employed in Company's business is such that Employee will be placed in a close business and personal relationship with the customers of Company.

Thus, during the term of this Employment Agreement and for a period of two (2) years immediately following the termination of Employee's employment, for any reason whatsoever, so long as Company continues to carry on the same business, said Employee shall not, for any reason whatsoever, directly or indirectly, for himself or on behalf of, or in conjunction with, or acting through, any other person, persons, company, partnership, corporation or business entity:

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

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

(c) Own, manage, loan money to, invest in, advise, consult with, operate, control, be employed by, participate in or be connected in any manner with the ownership, management, operation or control of the same, similar, or related line of business as that carried on by Company or which competes in any manner with Company; and

(d) Make any public statement or announcement, or permit anyone else to make any public statement or announcement that Employee was formerly employed by or connected with Company.

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

14. ENFORCEMENT OF COVENANTS.

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

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

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

16. ARBITRATION. Company and Employee agree with each other that any claim of Employee arising out of or relating to this Agreement or the breach of this Agreement or Employee's employment by Company, including, without limitation, any claim for compensation due, wrongful termination and any claim alleging discrimination or harassment in any form shall be resolved by binding arbitration, except for claims in which injunctive relief is sought and obtained. The arbitration shall be administered by the American Arbitration Association under its Employment Arbitration Rules at the American Arbitration Association Office nearest the place of employment. The award entered by the arbitrator shall be final and binding in all respects and judgment thereon may be entered in any Court having jurisdiction.

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

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

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

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

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

as each party shall designate by notice.

22. SURVIVAL OF CERTAIN TERMS. The terms and conditions set forth in Paragraphs 12 through 16 of this Agreement shall survive termination of the remainder of this Agreement.

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

EMPLOYEE:

COMPANY:

Ralph E. Peterson

Labor Ready, Inc., a Washington corporation

By: /S/ RALPH E. PETERSON

By: /S/ GLENN WELSTAD

Ralph E. Peterson

Glenn Welstad, Chairman, President
and Chief Executive Officer

Date: 2/10/99

Date: 2/10/99

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement is made and entered into by and between Labor Ready, Inc., a Washington corporation, including its subsidiaries ("Company") and Ronald L. Junck ("Executive").

RECITALS

WHEREAS, Executive has been serving as outside legal counsel and Secretary of the Company;

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

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

WHEREAS, the Company's Board of Directors has elected Executive to the office of Executive Vice President and General Counsel of the Company in addition to the office of Secretary.

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

1. EMPLOYMENT. The Company agrees to and hereby does employ Executive, and Executive agrees to and hereby does become employed by the Company, subject to the supervision and direction of the Chairman, President and Chief Executive Officer and of the Board of Directors. Executive's employment shall be for a period commencing on February 3, 1998 and ending on February 2, 2002, unless such period is extended by written agreement of the parties or is sooner terminated pursuant to the provisions of Paragraphs 4, 11 or 12.

2. DUTIES OF EXECUTIVE. Executive agrees to devote the necessary time, attention, skill, and efforts to the performance of his duties as Executive Vice President and General Counsel of the Company and such other duties as may be assigned by the Chairman, President and General Counsel or the Board of Directors in their discretion.

Executive may continue to be employed by the Law Offices of Ronald L. Junck, P.C.

3. COMPENSATION.

(a) Executive's initial salary shall be at the rate of Five Thousand and No/100 Dollars (\$5,000.00) per month, payable semi-monthly, from February 3, 1998, increasing to \$16,667 per month on August 1, 1998.

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

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

5. OPTIONS TO PURCHASE COMMON STOCK. Executive is granted an option to purchase 150,000 shares of the Company's common stock. The terms and conditions of the option are set forth in Exhibit A.

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

7. VACATION. Executive shall be entitled each year during the term of this Agreement to a vacation of fifteen (15) business days, no two of which need be

consecutive, during which time his compensation shall be paid in full. The length of annual vacation time shall increase by one day for every year of service to the Company after 1998 to a maximum of 25 business days per year.

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

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

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

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

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

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

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

other provisions of Paragraph 16 of this Agreement shall terminate. In addition, Executive shall have the right to terminate this Agreement upon giving three (3) months written notice to Company.

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

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

15. CONFIDENTIAL INFORMATION.

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

(1) The ideas, methods, techniques, formats, specifications,

procedures, designs, systems, processes, data and software products which are unique to Company;

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

(3) All operations, sales and training manuals;

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

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

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

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

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

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

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

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

(d) Make any public statement or announcement, or permit anyone else to make any public statement or announcement that Executive was formerly employed by or connected with Company.

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

17. ENFORCEMENT OF COVENANTS.

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

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

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

19. ARBITRATION. Company and Executive agree with each other that any claim of Executive arising out of or relating to this Agreement or the breach of this Agreement or Executive's employment by Company, including, without limitation, any claim for compensation due, wrongful termination and any claim alleging discrimination or harassment in any form shall be resolved by binding arbitration, except for claims in which injunctive relief is sought and obtained. The arbitration shall be administered by the American Arbitration Association under its Commercial Arbitration Rules at the American Arbitration Association Office nearest the place of employment. The award entered by the arbitrator shall be final and binding in all respects and judgment thereon may be entered in any Court having jurisdiction.

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

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

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

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

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

25. SURVIVAL OF CERTAIN TERMS. The terms and conditions set forth in Paragraphs 16, 17 and 18 of this Agreement shall survive termination of the remainder of this Agreement.

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

EXECUTIVE:

Ronald L. Junck

By: /s/ Ronald L. Junck

Ronald L. Junck

Date: 3/20/93

COMPANY:

Labor Ready, Inc., a Washington
corporation

By: /s/ Glenn Welstad

Glenn Welstad, Chairman, President
and Chief Executive Officer

Date: 3/20/98

EXHIBIT A

STOCK OPTION GRANT

GRANT DATE: February 3, 1998

GRANT PRICE: \$20.750 (Closing price on the Grant Date)

TOTAL NUMBER OF SHARES: 150,000

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

<TABLE>
<CAPTION>

DATE <S>	NUMBER OF SHARES <C>
2/3/98	18,750
8/3/98	18,750
2/3/99	18,750
8/3/99	18,750
2/3/00	18,750
8/3/00	18,750
2/3/01	18,750
8/3/01	18,750

</TABLE>

TERMS AND CONDITIONS OF THE STOCK OPTION GRANT:

1. Except as otherwise provided herein, all unexercised options shall expire five (5) years from the Grant Date or upon the termination date, whichever is earlier, if the Executive Employment Agreement is terminated for cause. If the Executive Employment Agreement is terminated for some reason other than cause, then all options shall immediately vest and the exercise date shall be extended to a date which is five years after the date of termination.

2. Company shall register all shares acquired through the exercise of Executive's options.

3. Executive shall be responsible for any income tax consequences and expense associated with the grant or exercise of the options, and is responsible for consulting his individual tax advisor.

4. As provided in the Employee Stock Option and Incentive Plan, payment for shares purchased through the exercise of options may be made either in cash or its equivalent or by tendering previously acquired shares at market value, or both.

BOND TO SECURE PREMIUM AND DEDUCTIBLE OBLIGATIONS

Bond Number: 19 S 103144565 BCM

KNOW ALL MEN BY THESE PRESENTS:

That Labor Ready, Inc., as principal ("Principal") and Travelers Casualty and Surety Company of America as surety ("Surety"), are held and firmly bound unto Reliance National Indemnity Company, Reliance National Insurance Company, Reliance Insurance Company, United Pacific Insurance Company, Reliance Insurance Company of Illinois, and Reliance National Insurance Company of California, and each of its affiliates and subsidiaries, as obligee (herein collectively and individually referred to as "Obligee") for the payment of the Obligations (hereafter defined), up to the maximum penal sum of Twelve Million Five Hundred Thousand and no/100 dollars (\$12,500,000.00) lawful money of the United States to payment of which sum, Principal and Surety hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

WHEREAS, Obligee has issued certain insurance policies on behalf of the Principal and has entered into certain other agreements with the Principal which are described on Exhibit A hereto and as may be amended and/or renewed from time to time (herein collectively referred to as the "Agreement(s)"), and:

WHEREAS, the Obligee requires security for all of the Principal's Obligations to Obligee under each of the Agreements. For purposes of this Bond, "Obligation(s)" is defined herein the same way as it is in the Agreements.

NOW, THEREFORE, if and when the Obligations shall be fully and finally paid and satisfied this Bond shall be null and void; otherwise this Bond shall remain in full force and effect and Principal and Surety in any event agree as follows:

1) Within ten (10) business days of Surety's receipt of a demand for payment under this Bond ("Demand"), Surety shall pay to the Obligee the amount of such Demand. The Obligee's Demand to the Surety of the amount due, either as security or for payment or for reimbursement pursuant to the Agreement(s), shall be absolute proof of the existence and extent of the liability of the Principal and the Surety to the Obligee hereunder. The Obligee may present one or more Demands at any time in its sole discretion, provided however, Surety shall not be obligated to pay an aggregate amount in excess of the penal sum of the bond.

2) In the event that Obligee shall demand the entire penal sum of the Bond under a Demand (less any previous amounts paid to Obligee under the Bond), Obligee shall hold all funds ("Bond Collateral") received as security for the Obligations and shall apply such funds to the Obligations from time to time in its sole discretion. At such time as Obligee determines in its sole discretion that all of the Obligations are fully and finally paid and such payment is not subject to avoidance or other turnover, Obligee shall return to the Surety the unapplied portion of the Bond Collateral. The Surety, whether in its capacity as surety or subrogee of the Principal, waives, to the fullest extent permitted by applicable law each and every right which it may have to contest Obligee's computation of the Obligations or the application of the Bond Collateral by the Obligee to the Obligations, and waives, to the fullest extent permitted by applicable law, each and every right which it may have to seek reimbursement, restitution or recovery of any Bond Collateral. Obligee shall not be required to (i) segregate Bond Collateral from its general funds, (ii) hold or invest Bond Collateral in an interest-bearing or income-producing investment or (iii) account to Surety for interest or income in the event the same would be otherwise attributable to Bond Collateral. The Principal shall not at any time have any rights or property interests in this Bond, the Bond Collateral or other proceeds of this Bond.

3) Failure to pay or reimburse the Obligee as herein provided shall cause the Surety to be additionally liable for any and all reasonable costs and expenses, including attorney's fees and interest, incurred by the Obligee in enforcing this bond, such liability to be in addition to the bond penalty.

4) Surety's obligations hereunder shall not be affected by (i) any failure by Obligee to assert any claim or demand or to enforce any right or remedy against Principal or its property, or any other party liable with respect to the Obligations, (ii) any failure to perfect an interest in, or any release, impairment or other diminution of, any collateral (including, but not limited to, rights of recoupment or setoff) held by Obligee which secures any of the Obligations, (iii) any matter or proceeding arising in connection with any modification, limitation, discharge, assumption, or reinstatement with respect to any Agreements or Obligations, (iv) any modification of or amendment to any Agreements or Obligations without Surety's consent or prior notification provided that, the penal sum of the Bond may not be increased without the consent of Surety; however, failure

to give such consent will not prevent Obligee from drawing up to the full amount of the Bond (less any previous amounts paid to Obligee under the Bond) either as security or for payment or for reimbursement under the Agreements, or (v) any other circumstances which might otherwise constitute a legal or equitable discharge or defense for Surety.

5) This Bond shall become effective JANUARY 1, 1999 and shall remain in full force and effect thereafter for a period of one year and will automatically extend for additional one year periods from the expiry date hereof, or any future expiration date, unless the Surety provides to the Obligee not less than ninety (90) days advance written notice of its intent not to renew this Bond or unless this Bond is earlier canceled pursuant to the following. This Bond may be canceled at any time upon ninety (90) days advance written notice from Surety to

Obligee. It is understood and agreed that the Obligee may recover the full amount of the Bond (less any previous amounts paid to Obligee under the Bond) if the Surety cancels or nonrenews the Bond and, within thirty (30) days prior to the effective date of cancellation or nonrenewal, the Obligee has not received collateral acceptable to it to replace the Bond.

6) Any notice, Demand, certification or request for payment, given or made under this Bond shall be made in writing and shall be given by a personal delivery or expedited delivery service, postage pre-paid, addressed to the parties at the addresses specified below or to such other address as shall have been specified by such parties to each of the parties to the transactions contemplated hereby.

If to the Surety: TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
ONE TOWER SQUARE, 3PB
HARTFORD, CT 06183-9062
ATTENTION: BOND CLAIM

If to Obligee:
RELIANCE NATIONAL INDEMNITY COMPANY
77 WATER STREET
NEW YORK, NEW YORK 10005
ATTENTION: JOHN LAZAR, CORPORATE SECRETARY -- RISK MGT.

If to the Principal:
LABOR READY, INC.
1016 SOUTH 28TH STREET
TACOMA, WASHINGTON 98402
ATTENTION. GLEN A. WELSTAD, CHAIRMAN

Notice given under this Bond shall be effective only when received.

In WITNESS THEREOF, the said Principal and Surety have signed and sealed this instrument on this 16th day of February, 1999.

LABOR READY, INC.

By: /s/ Joseph P. Sambataro, Jr.

Principal

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

By: /s/ Lora L. Cotrell

Lora L Cotrell, Attorney-in-Fact

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
TRAVELERS CASUALTY AND SURETY COMPANY
FARMINGTON CASUALTY COMPANY
HARTFORD, CONNECTICUT 06183-9062
TRAVELERS CASUALTY AND SURETY COMPANY OF ILLINOIS
NAPERVILLE, ILLINOIS 60563-8458

POWER OF ATTORNEY AND CERTIFICATE OF AUTHORITY OF ATTORNEY(S)-IN-FACT

KNOW ALL. PERSONS BY THESE PRESENTS, THAT TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, corporations duly organized under the laws of the State of Connecticut, and having their principal offices in the City of Hartford, County of Hartford. State of Connecticut, and TRAVELERS CASUALTY AND SURETY COMPANY OF ILLINOIS a corporation duly organized under the laws of the State of Illinois, and having its principal office in the City of Naperville, County of DuPage, State of Illinois, (hereinafter the "Companies") hath made, constituted and appointed. and do by these presents make, constitute and appoint RICHARD C. SCHULTZ, LORA L. COTTRELL, P. J. MCKINNIS, NORA O. GARZA, MARY BESCHER, LISA D. KADEL, MARY ATHANITES, BRIAN SANDY, KIP R. MCBEAN, MARY E. DAVIS, NEIL L. RANDERSON, JOAN M. KELLEY, KRISTEN C. FOX or GEORGE J. BOWDOURIS * *

of Englewood, CO, their true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred to sign, execute and acknowledge at any place within the United States, or, if the following line be filled in, within the area there designated the following instrument(s): by his/her sole signature and act any and all bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking and any and all consents incident thereto

AND TO BIND THE COMPANIES, THEREBY AS FULLY AND TO THE SAME EXTENT AS IF THE SAME WERE SIGNED BY THE DULY AUTHORIZED OFFICERS OF THE COMPANIES, AND ALL THE ACTS OF SAID ATTORNEY(S)-IN-FACT, PURSUANT TO THE AUTHORITY HEREIN GIVEN, ARE HEREBY RATIFIED AND CONFIRMED.

This appointment is made under and by authority of the following Standing Resolutions of said Companies, which Resolutions are now in full force and effect:

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Second Vice President, any Vice President, any Second Vice President the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary may appoint Attorneys-in-Fact and Agents to act for and on behalf of the company and may give such appointee such authority as his or her certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking and any of said officers or the Bond of Directors at any time may remove any such appointee and revoke the power given him or her.

VOTED. That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President may delegate all or any part of the foregoing authority to one or more officers or employees of this Company, provided that each such delegation is in writing and a copy thereof is filed in the office of the Secretary.

VOTED: That any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary, or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact and Agents pursuant to the power prescribed in his or her certificate or their certificates of authority or by one or more Company officers pursuant to a written delegation of authority.

This Power of Attorney and Certificate of Authority is signed and sealed by facsimile under and by authority of the following Standing Resolution voted by the Boards of Directors of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY FARMINGTON CASUALTY COMPANY and TRAVELERS CASUALTY AND SURETY COMPANY OF ILLINOIS, which Resolution is now in full force and effect:

VOTED: That the signature of each of the following officers: President. any Executive Vice President, any Senior Vice President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof and any such power of attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon

the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

IN WITNESS WHEREOF TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY, FARMINGTON CASUALTY COMPANY and TRAVELERS CASUALTY

AND SURETY COMPANY OF ILLINOIS have caused this instrument to be signed by their Senior Vice President and their corporate seals to be hereto affixed this 14th day of October, 1998.

STATE OF CONNECTICUT TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
 TRAVELERS CASUALTY AND SURETY COMPANY
 FARMINGTON CASUALTY COMPANY
 TRAVELERS CASUALTY AND SURETY COMPANY OF ILLINOIS
)SS. Hartford
COUNTY OF HARTFORD

By: /s/ George W. Thompson

GEORGE W. THOMPSON
SENIOR VICE PRESIDENT

On this 14th day of October, 1998 before me personally came GEORGE W. THOMPSON to me known, who, being by me duly sworn, did depose and say: that he/she is Senior Vice President of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY, FARMINGTON CASUALTY COMPANY and TRAVELERS CASUALTY AND SURETY COMPANY OF ILLINOIS, the corporations described in and which executed the above instrument; that he/she knows the seals of said corporations; that the seals affixed to the said instrument are such corporate seals; and that he/she executed the said instrument on behalf' of the corporations by authority of his/her office under the Standing Resolutions thereof.

/s/ Marie C. Tetreault

My commission expires
June 30, 2001 Notary Public
Marie C. Tetreault

CERTIFICATE

I, the undersigned, Assistant Secretary of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, stock corporations of the State of Connecticut, and TRAVELERS CASUALTY AND SURETY COMPANY OF ILLINOIS, stock corporation of the State of Illinois, DO HEREBY CERTIFY that the foregoing and attached Power of Attorney and Certificate of Authority remains in full force and has not been revoked; and furthermore, that the Standing Resolutions of the Boards of Directors, as set forth in the Certificate of Authority, are now in force.

Signed and Sealed at the Home Office of the Company, in the City of Hartford, State of Connecticut. Dated this 16th day of February, 1999.

By: /s/ Brian Hoffman

BRIAN HOFFMAN
ASSISTANT SECRETARY, BOND

EXHIBIT A TO BOND NUMBER 19 S 103144565 BCM

"Agreement(s)" shall be defined as those Agreements listed below, including any modifications that may be made from time to time, and the insurance policies described therein:

1. Agreement(s): Insurance Program Agreement between Reliance National Indemnity Company and Labor Ready, Inc. Date: January 1, 1999

SUBSIDIARIES OF LABOR READY, INC.

<TABLE> <CAPTION>	INCORPORATED IN STATE/COUNTRY OF
CORPORATE NAME	-----
<S>	<C>
Labor Ready Northwest, Inc.	Washington
Labor Ready Southwest, Inc.	Washington
Labor Ready Central, Inc.	Washington
Labor Ready Central II, LLC	Washington
Labor Ready Central III, LP	Washington
Labor Ready Midwest, Inc.	Washington
Labor Ready Mid-Atlantic, Inc.	Washington
Labor Ready Mid-Atlantic II, Inc.	Washington
Labor Ready Mid-Atlantic III, LP	Washington
Labor Ready Northeast, Inc.	Washington
Labor Ready Southeast, Inc.	Washington
Labor Ready Southeast II, Inc.	Washington
Labor Ready Southeast III, LP	Washington
Labor Ready GP Co., Inc.	Washington
Labor Ready Properties, Inc.	Nevada
Workers Assurance of Hawaii, Inc.	Hawaii
Labor Ready Assurance Company	Cayman Islands
Labour Ready Temporary Services, Ltd.	Canada
Labour Ready Temporary Services UK, Ltd.	United Kingdom
Labor Ready Puerto Rico, Inc.	Puerto Rico

</TABLE>

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

March 30, 1999

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Labor Ready, Inc.
Tacoma, Washington

We hereby consent to the incorporation by reference of our report dated February 24, 1997, relating to the consolidated financial statements of Labor Ready, Inc. for the year ended December 31, 1996 included in the Company's Form 10-K for the year ended December 31, 1998, into the Company's previously filed Registration Statements on Form S-8 No. 333-36191, 333-16455 and 333-16459.

March 30, 1999
Spokane, Washington

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONSOLIDATED FINANCIAL STATEMENTS OF LABOR READY, INC. AT DECEMBER 31, 1998
AND FOR THE YEAR THEN ENDED.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF LABOR READY, INC. AT DECEMBER 31, 1997 AND 1996 AND FOR EACH OF THE TWO YEARS IN THE PERIOD ENDING DECEMBER 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF LABOR READY, INC. AT APRIL 3, 1998 AND FOR THE 13 WEEKS THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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