

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): **January 1, 2005**

LABOR READY, INC.

(Exact Name of Registrant as Specified in Its Charter)

Washington

(State or Other Jurisdiction of Incorporation)

001-14543

(Commission File Number)

91-1287341

(IRS Employer Identification No.)

1015 A Street, Tacoma, Washington
(Address of Principal Executive Offices)

98402
(Zip Code)

(253) 383-9101

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry Into a Material Definitive Agreement

Amendments to the executive compensation arrangements (the "Plan") for five executive officers of Labor Ready, Inc. (the "Company") became effective January 3, 2005. The Plan, as amended, is substantially similar to the plan in effect for the fiscal year ended December 31, 2004 and consists of an annual cash incentive bonus and long-term equity incentive awards. Participation and all awards are at the discretion of the Board of Directors.

The cash incentive bonus is based on a pre-established performance target which requires the attainment of an increase in net after tax profits (excluding option compensation expenses). Individual target bonuses will continue to range from 25% to 45% of base compensation. Bonuses will continue to be subject to thresholds, targets and maximums similar to those used in the last two fiscal years. The maximum payout is 50% of base salary for each executive. As was previously established, at least 25% of the payment must be made in stock, and the Board of Directors may apply a multiplier of .5 to 1.2 to each executive's bonus to reflect variations in individual performance.

The annual equity incentive portion of the plan is also substantially similar to awards made in 2004 consisting of restricted stock and stock options having equal values taking into account the two different forms of equity compensation and using Black-Scholes based methodologies. The aggregate grants for 2005 are based on multiples of base salaries which range from 1.0 to 1.5. Awards made in 2005 will vest ratably over three years rather than the three year cliff vesting employed in 2004. A portion of the shares received are also subject to transfer restrictions which will require retention of 75% of the "net shares received," after payment of the exercise price and related withholding taxes; for awards received in 2004 for a period of at least 2 years and for awards received in 2005 for a period of at least 4 years, in each case after the options or restricted shares vest. The Board has discretion, but is not obligated, to reduce the retention shares for executives who retire or otherwise terminate their employment.

New forms of agreements to implement the equity awards in 2004 and 2005 have been approved by the Compensation Committee of the Board of Directors and are attached as exhibits to this report.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

- 99.1 Form of Stock Option Agreement (Nonqualified Stock Options) under the 1996 Labor Ready Employee Stock Option and Incentive Plan
- 99.2 Form of Stock Option Grant Notice (2004 Grants) under the 1996 Labor Ready Employee Stock Option and Incentive Plan

- 99.3 Form of Stock Option Grant Notice (2005 Grants) under 1996 Labor Ready Employee Stock Option and Incentive Plan
- 99.4 Form of Notice of Exercise of Stock Option
- 99.5 Form of Restricted Stock Agreement under the 1996 Labor Ready Employee Stock Option and Incentive Plan
- 99.6 Form of Restricted Stock Grant Notice (2004 Grants) under the 1996 Labor Ready Employee Stock Option and Incentive Plan
- 99.7 Form of Restricted Stock Grant Notice (2005 Grants) under the 1996 Labor Ready Employee Stock Option and Incentive Plan

SIGNATURES

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

LABOR READY, INC.
(Registrant)

Date: January 7, 2005

By: /s/ Steven C. Cooper

Steven C. Cooper
Chief Financial Officer

STOCK OPTION AGREEMENT
(Nonqualified Stock Options)
Under the
Labor Ready, Inc.

1996 LABOR READY EMPLOYEE STOCK OPTION AND INCENTIVE PLAN

Pursuant to your Stock Option Grant Notice (“Grant Notice”) and this Stock Option Agreement, Labor Ready, Inc. (the “Company”) has granted you an option under its 1996 Labor Ready Employee Stock Option and Incentive Plan (the “Plan”) to purchase the number of shares of the Company’s common stock (“Shares”) indicated in your Grant Notice at the exercise price indicated in your Grant Notice. Defined terms not explicitly defined in this Stock Option Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of your option are as follows:

1. VESTING AND EXPIRATION OF OPTIONS. Subject to the limitations contained herein, your option will vest as provided in your Grant Notice, provided that vesting will cease upon the termination of your employment with the Company and its Subsidiaries and Affiliates. If there is a Change in Control (as defined in the Plan) while you are employed by the Company or any Subsidiary or Affiliate of the Company, and you are terminated without Cause or you terminate for Good Reason, your options shall become immediately 100% vested upon such Change in Control. Any options in which you are not vested when you terminate employment with the Company and its Subsidiaries and Affiliates shall expire and become void on your employment termination date.

2. NUMBER OF SHARES AND EXERCISE PRICE. The number of Shares subject to your option and your exercise price per share referenced in your Grant Notice may be adjusted from time to time for changes in the Company’s capital structure at the Board’s sole discretion, as provided in the Plan.

3. METHOD OF PAYMENT. Payment of the exercise price is due in full upon exercise of all or any part of your option. You may elect to make payment of the exercise price in cash or by check, or in any other manner acceptable to the Company, which may include one or more of the following:

(a) Payment pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Shares, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds (sometimes referred to as a “cashless exercise”). This payment method would be in the Company’s sole discretion at the time

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your option is exercised and would be on condition that, at the time of exercise, the Shares are publicly traded and quoted regularly in *The Wall Street Journal*.

(b) Payment by delivery of Shares owned by you that you have held for the period required to avoid a charge to the Company’s reported earnings (generally six months) or that you did not acquire directly or indirectly from the Company, that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. This payment method would be on condition that, at the time of exercise, the Shares are publicly traded and quoted regularly in *The Wall Street Journal*. “Delivery” for these purposes shall include delivery to the Company of your attestation of ownership of such Shares in a form approved by the Company. Notwithstanding the foregoing, you may not exercise your option by tender to the Company of Shares to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company’s stock.

4. WHOLE SHARES. You may exercise your option only for whole Shares.

5. SECURITIES LAW COMPLIANCE. Notwithstanding anything to the contrary contained herein, you may not exercise your option unless the Shares issuable upon such exercise are then registered under the Securities Act or, if such Shares are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of your option must also comply with other applicable laws and regulations governing your option, and you may not exercise your option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

6. TERM. The term of your option commences on the Date of Grant and expires upon the *earliest* of the following:

(a) ninety (90) days after the termination of your employment with the Company and all Subsidiaries and Affiliates for any reason, provided that if during any part of such ninety (90) day period your option is not exercisable solely because of the condition set forth in the preceding paragraph relating to “Securities Law Compliance,” your option shall not expire until the earlier of the Expiration Date or until it shall have been exercisable for an aggregate period of ninety (90) days after the termination of your employment with the Company and all Subsidiaries and Affiliates;

(b) the Expiration Date (if any) indicated in your Grant Notice; or

(c) the seventh (7th) anniversary of the Date of Grant.

7. EXERCISE.

(a) You may exercise the vested portion of your option during its term by delivering a Notice of Exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate,

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during regular business hours, together with such additional documents as the Company may then require.

(b) By exercising your option you agree that, as a condition to any exercise of your option, the Company may require you to enter into an arrangement acceptable to the Company providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (i) the exercise of your option, (ii) the lapse of any substantial risk of forfeiture to which the Shares are subject at the time of exercise, or (iii) the disposition of Shares acquired upon such exercise.

8. TRANSFERABILITY. Your option is not transferable, except by will or by the laws of descent and distribution, and is exercisable during your life only by you.

9. OPTION NOT A SERVICE CONTRACT. Your option is not an employment or service contract, and nothing in your option shall be deemed to create

in any way whatsoever any obligation on your part to continue in the employ of the Company or a Subsidiary or Affiliate, or of the Company or a Subsidiary or Affiliate to continue your employment. In addition, nothing in your option shall obligate the Company or a Subsidiary or Affiliate, their respective shareholders, boards of directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or a Subsidiary or Affiliate.

10. WITHHOLDING OBLIGATIONS.

(a) At the time you exercise your option, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for (including by means of a "cashless exercise" to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or a Subsidiary or Affiliate, if any, which arise in connection with your option.

(b) Upon your request and subject to approval by the Company, in its sole discretion, and compliance with any applicable conditions or restrictions of law, the Company may withhold from fully vested Shares otherwise issuable to you upon the exercise of your option a number of whole Shares having a Fair Market Value, determined by the Company as of the date of exercise, not in excess of the minimum amount of tax required to be withheld by law.

(c) You may not exercise your option unless the tax withholding obligations of the Company and/or any Subsidiary or Affiliate are satisfied. Accordingly, you may not be able to exercise your option when desired even though your option is vested.

11. **NOTICES.** Any notices provided for in your option or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

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12. **GOVERNING PLAN DOCUMENT.** Your option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your option, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of your option and those of the Plan, the provisions of the Plan shall control.

13. **STOCKHOLDER RIGHTS.** You will not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any Shares of the Company with respect to your option unless and until you have satisfied all requirements for exercise of your option.

14. **RESTRICTIONS ON TRANSFER OF SHARES.** Seventy-five percent (75%) of the Net Shares ("Long Term Shares") cannot be sold, gifted, pledged or otherwise transferred prior to the expiration of the retention period specified in your Grant Notice. The retention period for the Long Term Shares received upon exercise begins on the date your option vests and ends after the number of years specified in your Grant Notice have been completed after your option vests. The amount of the "Net Shares" that you receive as a result of your option exercise is the amount of Shares with respect to which you exercised your option, less any Shares that you sold or otherwise transferred or that were withheld to pay the purchase price for such Shares or to pay federal, state, local or foreign tax withholding owed as a result of the exercise of your option. Shares sold or otherwise transferred or withheld to pay the exercise price or tax withholdings can be Shares covered by the option, or Shares you previously acquired, but the computation of the tax withholding is based solely on the obligations resulting from the exercise of the option. Upon your termination of employment with the Company and all Subsidiaries and Affiliates, the Company's Board of Directors or the committee that administers the Plan may, in its discretion, reduce the retention period remaining on your Long Term Shares by as much as fifty percent (50%) of the remaining retention period. The Company may place restrictive legends and stop transfer instructions on the Long Term Shares issued to you stating that the Shares cannot be transferred prior to the expiration of the retention period.

15. **GOLDEN PARACHUTE TAXES.** In the event that any amounts paid or deemed paid to you pursuant to this Agreement are deemed to constitute "excess parachute payments" as defined in Section 280G of the Code (taking into account any other payments made to you under the Plan and any other compensation paid or deemed paid to you), or if you are deemed to receive an "excess parachute payment" by reason of the acceleration of vesting of your options granted under the Plan due to a Change in Control, the amount of such payments or deemed payments shall be reduced (or, alternatively, the number of options that become 100% vested shall be reduced), so that no such payments or deemed payments shall constitute excess parachute payments. The determination of whether a payment or deemed payment constitutes an excess parachute payment shall be in the sole discretion of the Company's Board of Directors.

16. CERTAIN DEFINITIONS.

(a) "Cause" shall mean any of the following:

(i) any material breach of an agreement between the Participant and the Company which, if curable, has not been cured within twenty (20) days after the Participant

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has been given written notice of the need to cure such breach, or which breach, if previously cured, recurs;

(ii) willful unauthorized use or disclosure of confidential information or trade secrets of the Company by the Participant;

(iii) the Participant's continued willful and intentional failure to satisfactorily perform Participant's essential responsibilities, in the good faith discretion of the Board, provided that the Participant has been given at least twenty (20) days' written notice of the need to cure the failure and cure has not been effected within that time period, or which failure, if previously cured, recurs;

(iv) material failure of the Participant to comply with rules, policies or procedures of the Company, as they may be amended from time to time, provided that the Participant has been given at least twenty (20) days' written notice of the need to cure the failure, if such failure is curable, and cure has not been effected within that time period, or which failure, if previously cured, recurs;

(v) Participant's dishonesty, fraud or gross negligence related to the business or property of the Company;

(vi) personal conduct that is materially detrimental to the business of the Company; or

conviction of or plea of *nolo contendere* to a felony.

(b) "Terminate for Good Reason" shall mean any voluntary termination by written resignation of the Continuous Status as a Participant of any Employee after a Change of Control because of: (1) a material reduction in the Participant's authority, responsibilities or scope of employment; (2) an assignment of duties to the Participant inconsistent with the Participant's role at the Company prior to the Change of Control, (3) a reduction in the Participant's base salary or total incentive compensation; (4) a material reduction in the Participant's benefits unless such reduction applies to all Participants of comparable rank; and (5) the relocation of the

Participant's primary work location more than fifty (50) miles from the Participant's primary work location prior to the Change of Control; provided that the Participant's written notice of voluntary resignation must be tendered within one (1) year of the Change of Control, and shall specify which of the events described in (1) through (5) resulted in the resignation.

LABOR READY, INC.
STOCK OPTION GRANT NOTICE [2004 Grants]
(1996 Labor Ready Employee Stock Option and Incentive Plan)

Labor Ready, Inc. (the "Company"), pursuant to its 1996 Labor Ready Employee Stock Option and Incentive Plan (the "Plan"), grants as of the Date of Grant below to Optionholder an option to purchase the number of shares of the Company's common stock ("Shares") set forth below. This nonqualified stock option is subject to all of the terms and conditions as set forth herein and in the Stock Option Agreement, the Plan, and the Notice of Exercise, all of which are incorporated by reference herein in their entirety. The Stock Option Agreement and form of Notice of Exercise are attached hereto. Copies of the Plan are available upon request.

Optionholder: _____
Date of Grant: _____
Number of Shares Subject to Option: _____
Exercise Price (Per Share): _____
Total Exercise Price: _____
Expiration Date: _____

Vesting Terms: Three-Year Cliff Vesting. The Option is zero percent (0%) vested until the third (3rd) annual anniversary of the Date of Grant, at which time the Option becomes 100% vested if you are employed with the Company or a Subsidiary or Affiliate of the Company at such time.

Retention Period: Two-Year Retention Period. The Long Term Shares (i.e., 75% of the Net Shares, as described in the Stock Option Agreement) received upon exercise of the Option must be held for two (2) years after the Option vest.

Payment: Optionholder may choose to pay by one or a combination of the following methods (as described in the Stock Option Agreement and which are subject to change and may be conditioned under certain circumstances):

- By cash or check
- Pursuant to a Regulation T Program ("cashless exercise")
- By delivery of already-owned shares

Additional Terms/Acknowledgements: The undersigned Optionholder acknowledges receipt of, and understands and agrees to, this Grant Notice, the Stock Option Agreement and the Notice of Exercise, and understands that a copy of the Plan is available upon request. Optionholder further acknowledges that as of the Date of Grant, this Grant Notice, the Stock Option Agreement and the Plan set forth the entire understanding between Optionholder and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements on that subject.

LABOR READY, INC.

OPTIONHOLDER

By: _____
Signature

Signature

Name: _____

Name: _____

Title: _____

Date: _____

Date: _____

ATTACHMENTS: Stock Option Agreement and Notice of Exercise

ATTACHMENT I
STOCK OPTION AGREEMENT

ATTACHMENT II
NOTICE OF EXERCISE

LABOR READY, INC.
STOCK OPTION GRANT NOTICE (2005 Grants)
(1996 Labor Ready Employee Stock Option and Incentive Plan)

Labor Ready, Inc. (the "Company"), pursuant to its 1996 Labor Ready Employee Stock Option and Incentive Plan (the "Plan"), grants as of the Date of Grant below to Optionholder an option to purchase the number of shares of the Company's common stock ("Shares") set forth below. This nonqualified stock option is subject to all of the terms and conditions as set forth herein and in the Stock Option Agreement, the Plan, and the Notice of Exercise, all of which are incorporated by reference herein in their entirety. The Stock Option Agreement and form of Notice of Exercise are attached hereto. Copies of the Plan are available upon request.

Optionholder: _____
Date of Grant: _____
Number of Shares Subject to Option: _____
Exercise Price (Per Share): _____
Total Exercise Price: _____
Expiration Date: _____

Vesting Terms: Three-Year Vesting. The Option vests in three equal installments. One third of the Option will vest on each successive annual anniversary of the Date of Grant, becoming 100% vested on the third annual anniversary of the Date of Grant, so long as you are employed with the Company or a Subsidiary or Affiliate of the Company at such time.

Retention Period: Four-Year Retention Period. The Long Term Shares (i.e., 75% of the Net Shares, as described in the Stock Option Agreement) received upon exercise of the Option must be held for four (4) years after the Option vests.

Payment: Optionholder may choose to pay by one or a combination of the following methods (as described in the Stock Option Agreement and which are subject to change and may be conditioned under certain circumstances):

- By cash or check
- Pursuant to a Regulation T Program ("cashless exercise")
- By delivery of already-owned shares

Additional Terms/Acknowledgements: The undersigned Optionholder acknowledges receipt of, and understands and agrees to, this Grant Notice, the Stock Option Agreement and the Notice of Exercise, and understands that a copy of the Plan is available upon request. Optionholder further acknowledges that as of the Date of Grant, this Grant Notice, the Stock Option Agreement and the Plan set forth the entire understanding between Optionholder and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements on that subject.

LABOR READY, INC.

OPTIONHOLDER

By: _____ Signature
Name: _____ Name: _____
Title: _____ Date: _____
Date: _____

ATTACHMENTS: Stock Option Agreement and Notice of Exercise

ATTACHMENT I
STOCK OPTION AGREEMENT

ATTACHMENT II
NOTICE OF EXERCISE

LABOR READY, INC.

NOTICE OF EXERCISE
OF
STOCK OPTION

TO: Labor Ready, Inc. (the "Company")

The undersigned hereby exercises Stock Option dated _____ granted by the Company pursuant to its 1996 Labor Ready Employee Stock Option and Incentive Plan and related Stock Option Agreement, to purchase _____ Shares of common stock of the Company (the "Option Shares") at a price of \$ _____ per Share, for a total purchase price of \$ _____.

Payment method (Choose one or a combination of the following methods). See Section 3 of your Stock Option Agreement and notify the Company's General Counsel if you wish to pay by other than cash or check since these alternatives may be subject to special conditions or not available under certain circumstances.

- cash or check
- By Regulation T Program ("cashless exercise")
- Delivery of already-owned shares

Details:

By this exercise, the undersigned agrees to provide for the payment by the undersigned to the Company (in the manner designated by the Company) of applicable tax withholding obligation, if any, relating to the exercise of the foregoing Stock Option.

DATE

SIGNATURE

PRINT NAME

RESTRICTED STOCK AGREEMENT

Under the

1996 LABOR READY EMPLOYEE STOCK OPTION AND INCENTIVE PLAN

Pursuant to your Restricted Stock Grant Notice ("Grant Notice") and this Restricted Stock Agreement, Labor Ready, Inc. (the "Company") has granted to you under its 1996 Labor Ready Employee Stock Option and Incentive Plan (the "Plan") the number of shares of the Company's common stock ("Shares") indicated in your Grant Notice. The Shares are subject to certain vesting and transfer restrictions and are referred to herein as "Restricted Stock". Defined terms not explicitly defined in this Restricted Stock Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of your award are as follows:

1. VESTING AND FORFEITURE OF RESTRICTED STOCK Subject to the limitations contained herein, you will vest in your Restricted Stock as provided in your Grant Notice, provided that vesting will cease upon the termination of your employment with the Company and its Subsidiaries and Affiliates. If there is a Change in Control (as defined in the Plan) while you are employed by the Company or any Subsidiary or Affiliate of the Company, and you are terminated without Cause or you terminate for Good Reason, your Restricted Stock shall become immediately 100% vested upon such Change in Control and subsequent termination. Any Restricted Stock in which you are not vested when you terminate employment with the Company and its Subsidiaries and Affiliates shall be forfeited and ownership of such Shares shall return to the Company on your employment termination date.

2. NUMBER OF SHARES OF RESTRICTED STOCK The number of Shares of Restricted Stock referenced in your Grant Notice may be adjusted from time to time for changes in the Company's capital structure at the Board's sole discretion, as provided in the Plan.

3. OWNERSHIP AND TAXATION UPON VESTING IN RESTRICTED STOCK

(a) Until you vest in your Restricted Stock and any transfer restrictions that apply pursuant to Section 8 below are released, the Restricted Stock shall be held by the Company on your behalf. Your ownership of the Restricted Stock shall be evidenced by a stock certificate, appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company, or other appropriate means as determined by the Company. In the event ownership of Shares is prohibited due to foreign exchange, securities regulations, or other provisions of applicable law, you, or in the event of your death, your legal representative, shall receive cash

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proceeds in an amount equal to the value of the Shares otherwise distributable to you upon vesting in the Restricted Stock and release of transfer restrictions, net of the satisfaction of the requirements of Section 3(b) below.

(b) Upon vesting in your Restricted Stock, you shall pay, or make adequate arrangements satisfactory to the Company or a Subsidiary or Affiliate to pay, any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or a Subsidiary or Affiliate, if any, which arise in connection with your vesting in the Restricted Stock. You hereby authorize the Company (or a Subsidiary or Affiliate that employs you), at the time your Restricted Stock becomes vested or at any time thereafter, to withhold from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for, sums to satisfy the required tax withholdings. Alternatively, or in addition, if permissible under local law, the Company may, in its sole discretion, (i) sell or arrange for the sale of a portion of the Restricted Stock to satisfy the withholding obligation or to reclaim ownership of a portion of the Restricted Stock at the minimum withholding and payment of the tax withholding amount, and/or (ii) reclaim ownership of a portion of the Restricted Stock, provided that the Company shall retake ownership in only the amount of Shares necessary to satisfy the minimum withholding amount. You shall pay to the Company (or the Subsidiary or Affiliate that employs you) any amount needed to pay the tax withholding obligations that cannot be satisfied by the means previously described. The Company may refuse to release the transfer restrictions on the Restricted Stock if you fail to meet your tax withholding obligations.

(c) In lieu of releasing restrictions on fractional Shares, on the vesting of a fraction of a Share, the Company shall vest the entire Share where the fraction represents .5 or more of the Share, and shall not vest any of the Share where such fraction represents less than .5 of the Share.

(d) Until your Restricted Stock is evidenced by a stock certificate, appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company, or other appropriate means, you shall have no right to vote or receive dividends or any other rights as a shareholder with respect to such Shares. No adjustment will be made for a dividend or other right for which the record date is prior to the date you are recorded as the owner of the Shares, except as provided in Section 4.4 of the Plan.

(e) By signing this Agreement, you agree not to sell any of the Shares in which you become vested at a time when applicable laws or Company policies prohibit a sale.

4. TRANSFERABILITY. Your right in the Restricted Stock awarded under this Agreement and any interest therein may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner, other than by will or by the laws of descent or distribution, prior to the vesting in respect of such Restricted Stock.

5. RESTRICTED STOCK AWARD NOT A SERVICE CONTRACT. Your award of Restricted Stock is not an employment or service contract, and nothing in your award shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ of

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the Company or a Subsidiary or Affiliate, or of the Company or a Subsidiary or Affiliate to continue your employment. In addition, nothing in your award shall obligate the Company or a Subsidiary or Affiliate, their respective shareholders, boards of directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or a Subsidiary or Affiliate.

6. GOVERNING PLAN DOCUMENT. Your Restricted Stock award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of your award and those of the Plan, the provisions of the Plan shall control.

7. STOCKHOLDER RIGHTS. You will be deemed to be the holder of, and will have all of the rights of a holder with respect to, any Shares with respect to your Restricted Stock once your ownership of such Shares is evidenced as set forth in 3 above, even if you have not vested in your Restricted Stock, provided, however, that any dividends paid or distributions made on Restricted Stock in which you are not vested shall be subject to the same vesting schedule as the Restricted Stock upon which the dividend is paid or distribution made, and the Restricted Stock shall be subject to transfer restrictions as set forth in Section 4 above and Section 8 below.

8. RESTRICTIONS ON TRANSFER OF SHARES. Seventy-five percent (75%) of the Net Shares ("Long Term Shares") of Restricted Stock in which you

become vested cannot be sold, gifted or otherwise transferred prior to the expiration of the retention period specified in your Grant Notice. The retention period for the Long Term Shares received begins on the date of the vesting of Restricted Stock and ends after the number of years specified in your Grant Notice have been completed. The "Net Shares" is the amount of Restricted Stock that vests, less any Shares that you sold or otherwise transferred or in which the Company reclaimed ownership to pay federal, state, local or foreign tax withholding owed as a result of the vesting of your Restricted Stock. Shares sold or otherwise transferred can be Shares covered by the Restricted Stock, or Shares you previously acquired, but the computation of the tax withholding is based solely on the obligations resulting from the vesting of your Restricted Stock. Upon your termination of employment with the Company and all Subsidiaries and Affiliates, the Company's Board of Directors or the Committee that administers the Plan may, in its discretion, reduce the retention period remaining on your Long Term Shares by as much as fifty percent (50%) of the remaining retention period. The Company may place restrictive legends and stop transfer instructions on the Long Term Shares issued stating that the Shares cannot be transferred prior to the expiration of the retention period.

9. GOLDEN PARACHUTE TAXES. In the event that any amounts paid or deemed paid to you pursuant to this Agreement are deemed to constitute "excess parachute payments" as defined in Section 280G of the Code (taking into account any other payments made to you under the Plan and any other compensation paid or deemed paid to you), or if you are deemed to receive an "excess parachute payment" by reason of the acceleration of vesting of your Restricted Stock granted under the Plan due to a Change in Control, the amount of such payments or deemed payments shall be reduced (or, alternatively, the number of Shares of

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Restricted Stock that become 100% vested shall be reduced), so that no such payments or deemed payments shall constitute excess parachute payments. The determination of whether a payment or deemed payment constitutes an excess parachute payment shall be in the sole discretion of the Company's Board of Directors.

10. CERTAIN DEFINITIONS.

(a) "Cause" shall mean any of the following:

- (i) any material breach of an agreement between the Participant and the Company which, if curable, has not been cured within twenty (20) days after the Participant has been given written notice of the need to cure such breach, or which breach, if previously cured, recurs;
- (ii) willful unauthorized use or disclosure of confidential information or trade secrets of the Company by the Participant;
- (iii) the Participant's continued willful and intentional failure to satisfactorily perform Participant's essential responsibilities, in the good faith discretion of the Board, provided that the Participant has been given at least twenty (20) days' written notice of the need to cure the failure and cure has not been effected within that time period, or which failure, if previously cured, recurs;
- (iv) material failure of the Participant to comply with rules, policies or procedures of the Company, as they may be amended from time to time, provided that the Participant has been given at least twenty (20) days' written notice of the need to cure the failure, if such failure is curable, and cure has not been effected within that time period, or which failure, if previously cured, recurs;
- (v) Participant's dishonesty, fraud or gross negligence related to the business or property of the Company;
- (vi) personal conduct that is materially detrimental to the business of the Company; or

conviction of or plea of *nolo contendere* to a felony.

(b) "Terminate for Good Reason" shall mean any voluntary termination by written resignation of the Continuous Status as a Participant of any Employee after a Change of Control because of: (1) a material reduction in the Participant's authority, responsibilities or scope of employment; (2) an assignment of duties to the Participant inconsistent with the Participant's role at the Company prior to the Change of Control, (3) a reduction in the Participant's base salary or total incentive compensation; (4) a material reduction in the Participant's benefits unless such reduction applies to all Participants of comparable rank; and (5) the relocation of the Participant's primary work location more than fifty (50) miles from the

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Participant's primary work location prior to the Change of Control; provided that the Participant's written notice of voluntary resignation must be tendered within one (1) year of the Change of Control, and shall specify which of the events described in (1) through (5) resulted in the resignation.

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**LABOR READY, INC.
RESTRICTED STOCK GRANT NOTICE [2004 Grants]
(1996 Labor Ready Employee Stock Option and Incentive Plan)**

Labor Ready, Inc. (the "Company"), pursuant to its 1996 Labor Ready Employee Stock Option and Incentive Plan (the "Plan"), grants as of the Date of Grant below to Awardee the number of shares of the Company's common stock set forth below. The shares granted hereunder are subject to certain vesting and transfer restrictions as set forth below, and are referred to herein as "Restricted Stock". The Restricted Stock is subject to all of the terms and conditions as set forth herein and in the Restricted Stock Agreement and the Plan, both of which are incorporated by reference herein in their entirety. The Restricted Stock Agreement is attached hereto. Copies of the Plan are available upon request.

Awardee: _____
Date of Grant: _____
Number of Shares of Restricted Stock Granted: _____

Vesting Terms: Three-Year Cliff Vesting. The Restricted Stock is zero percent (0%) vested until the third (3rd) annual anniversary of the Date of Grant, at which time the Restricted Stock becomes 100% vested if the Awardee is employed with the Company or a Subsidiary or Affiliate of the Company at such time.

Retention Period: Two-Year Retention Period. The Long Term Shares (i.e., 75% of the Net Shares, as described in the Restricted Stock Agreement) determined upon vesting of the Restricted Stock must be held for two (2) years after the Restricted Stock is vested.

Additional Terms/Acknowledgements: The undersigned Awardee acknowledges receipt of, and understands and agrees to, this Grant Notice and the Restricted Stock Agreement, and understands that a copy of the Plan is available upon request. Awardee further acknowledges that as of the Date of Grant, this Grant Notice, the Restricted Stock Agreement and the Plan set forth the entire understanding between Awardee and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements on that subject.

LABOR READY, INC.

AWARDEE

By: _____
Signature

Signature

Name: _____

Name: _____

Title: _____

Date: _____

Date: _____

ATTACHMENTS: Restricted Stock Agreement

ATTACHMENT

RESTRICTED STOCK AGREEMENT

**LABOR READY, INC.
RESTRICTED STOCK GRANT NOTICE (2005 AWARDS)
(1996 Labor Ready Employee Stock Option and Incentive Plan)**

Labor Ready, Inc. (the "Company"), pursuant to its 1996 Labor Ready Employee Stock Option and Incentive Plan (the "Plan"), grants as of the Date of Grant below to Awardee the number of shares of the Company's common stock set forth below. The shares granted hereunder are subject to certain vesting and transfer restrictions as set forth below, and are referred to herein as "Restricted Stock". The Restricted Stock is subject to all of the terms and conditions as set forth herein and in the Restricted Stock Agreement and the Plan, both of which are incorporated by reference herein in their entirety. The Restricted Stock Agreement is attached hereto. Copies of the Plan are available upon request.

Awardee: _____
Date of Grant: _____
Number of Shares of Restricted Stock Granted: _____

Vesting Terms: Three-Year Vesting. The Restricted Stock vests in three equal installments. One third of the Restricted Stock will vest on each successive annual anniversary of the Date of Grant, becoming 100% vested on the third annual anniversary of the Date of Grant, so long as you are employed with the Company or a Subsidiary or Affiliate of the Company at such time.

Retention Period: Four-Year Retention Period. The Long Term Shares (i.e., 75% of the Net Shares, as described in the Restricted Stock Agreement) determined upon vesting of the Restricted Stock must be held for four (4) years after the Restricted Stock is vested.

Additional Terms/Acknowledgements: The undersigned Awardee acknowledges receipt of, and understands and agrees to, this Grant Notice and the Restricted Stock Agreement, and understands that a copy of the Plan is available upon request. Awardee further acknowledges that as of the Date of Grant, this Grant Notice, the Restricted Stock Agreement and the Plan set forth the entire understanding between Awardee and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements on that subject.

LABOR READY, INC.

AWARDEE

By: _____
Signature

Signature

Name: _____

Name: _____

Title: _____

Date: _____

Date: _____

ATTACHMENTS: Restricted Stock Agreement

ATTACHMENT

RESTRICTED STOCK AGREEMENT