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

FORM 10-Q

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

For the quarterly period ended: March 30, 2007
or

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

Commission File Number: 001-14543

LABOR READY, INC.

(Exact name of Registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization)

1015 A Street, Tacoma, Washington
(Address of principal executive offices)

91-1287341
(IRS Employer
Identification No.)

98402
(Zip Code)

Registrant's telephone number, including area code: **(253) 383-9101**

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of April 27, 2007, there were 46,419,810 shares of the registrant's common stock outstanding.

Documents incorporated by reference: None.

LABOR READY, INC.

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March 30, 2007 and December 29, 2006

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PART I. Financial Information

Item 1. Financial Statements

LABOR READY, INC.
CONSOLIDATED BALANCE SHEETS

In Thousands

ASSETS

	<u>March 30, 2007</u>	<u>December 29, 2006</u>
	<u>(Unaudited)</u>	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 59,796	\$ 107,944
Marketable securities	83,822	91,510
Accounts receivable	119,205	125,282
Allowance for doubtful accounts	(4,456)	(5,109)
Prepaid expenses, deposits and other	13,578	15,651
Income tax receivable	-	2,229
Deferred income taxes	4,134	2,251
Total current assets	<u>276,079</u>	<u>339,758</u>
PROPERTY AND EQUIPMENT:		
Buildings and land	22,149	21,505
Computers and software	44,450	39,341
Cash dispensing machines	14,268	14,280

Furniture and equipment	8,551	8,345
	<u>89,418</u>	<u>83,471</u>
Less accumulated depreciation and amortization	53,275	51,522
	<u>36,143</u>	<u>31,949</u>
Property and equipment, net		
OTHER ASSETS:		
Restricted cash and other assets	145,622	143,731
Deferred income taxes	4,883	6,972
Goodwill	37,364	37,364
Other assets, net	30,270	32,532
	<u>218,139</u>	<u>220,599</u>
Total other assets		
Total assets	<u>\$ 530,361</u>	<u>\$ 592,306</u>

See accompanying notes to consolidated financial statements

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LABOR READY, INC.
CONSOLIDATED BALANCE SHEETS
In Thousands (Except Par Values)
LIABILITIES AND SHAREHOLDERS' EQUITY

	March 30, 2007 (Unaudited)	December 29, 2006
CURRENT LIABILITIES:		
Accounts payable	\$ 28,131	\$ 22,653
Accrued wages and benefits	20,417	25,596
Current portion of workers' compensation claims reserve	49,669	52,229
Income tax payable	2,131	-
Other current liabilities	815	907
	<u>101,163</u>	<u>101,385</u>
Total current liabilities		
LONG-TERM LIABILITIES:		
Workers' compensation claims reserve, less current portion	138,178	137,206
Other non-current liabilities	1,251	1,197
	<u>139,429</u>	<u>138,403</u>
Total long-term liabilities		
Total liabilities	<u>240,592</u>	<u>239,788</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$0.131 par value, 20,000 shares authorized; No shares issued and outstanding	—	—
Common stock, no par value, 100,000 shares authorized; 46,940 and 50,637 shares issued and outstanding	3,248	76,372
Cumulative foreign currency translation adjustment, net of tax	2,749	2,717
Cumulative unrealized gain on marketable securities	6	11

Retained earnings	283,766	273,418
Total shareholders' equity	289,769	352,518
Total liabilities and shareholders' equity	<u>\$ 530,361</u>	<u>\$ 592,306</u>

See accompanying notes to consolidated financial statements

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LABOR READY, INC.
CONSOLIDATED STATEMENTS OF INCOME
In Thousands (Except Per Share Data)
(Unaudited)

	Thirteen Weeks Ended	
	March 30, 2007	March 31, 2006
Revenue from services	\$ 290,237	\$ 297,067
Cost of services	197,446	204,150
Gross profit	92,791	92,917
Selling, general and administrative expenses	77,376	74,224
Depreciation and amortization	2,401	2,796
Income from operations	13,014	15,897
Interest expense	(262)	(263)
Interest and other income	3,544	3,009
Interest and other income, net	3,282	2,746
Income before tax expense	16,296	18,643
Income tax	5,948	7,177
Net income	<u>\$ 10,348</u>	<u>\$ 11,466</u>
Net income per common share:		
Basic	\$ 0.21	\$ 0.21
Diluted	\$ 0.21	\$ 0.21
Weighted average shares outstanding:		
Basic	49,076	53,680
Diluted	49,342	54,447

LABOR READY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
In Thousands
(Unaudited)

	Thirteen Weeks Ended	
	March 30, 2007	March 31, 2006
Net income	\$ 10,348	\$ 11,466
Other comprehensive income:		
Foreign currency translation adjustment, net of tax	32	145
Unrealized (loss) gain on marketable securities	(5)	9
Other comprehensive income	27	154
Comprehensive income	<u>\$ 10,375</u>	<u>\$ 11,620</u>

LABOR READY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In Thousands

(Unaudited)

	Thirteen Weeks Ended	
	March 30, 2007	March 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 10,348	\$ 11,466
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,401	2,796
Provision for doubtful accounts	1,631	1,598
Deferred income taxes	229	(7,763)
Stock-based compensation	2,356	2,497
Excess tax benefits from stock-based compensation	(418)	(1,877)
Other operating activities	-	(194)
Changes in operating assets and liabilities:		
Accounts receivable	3,793	8,992
Income taxes	4,792	15,160
Other assets	3,889	506
Accounts payable	5,478	6
Accrued wages and benefits	(5,179)	(4,410)
Workers' compensation claims reserve	(1,588)	5,473
Other current liabilities	-	(38)
Net cash provided by operating activities	<u>27,732</u>	<u>34,212</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(6,189)	(3,859)
Purchases of marketable securities	(102,813)	(11,243)
Maturities of marketable securities	110,496	12,002
Change in restricted cash and other assets	(1,891)	(7,431)
Net cash used in investing activities	<u>(397)</u>	<u>(10,531)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase and retirement of common stock	(76,749)	-
Net proceeds from sale of stock through options and employee benefit plans	837	1,335
Excess tax benefits from stock-based compensation	418	1,877
Payments on debt	(188)	(193)
Net cash (used in) provided by financing activities	<u>(75,682)</u>	<u>3,019</u>
Effect of exchange rates on cash	199	202
Net change in cash and cash equivalents	<u>(48,148)</u>	<u>26,902</u>
CASH AND CASH EQUIVALENTS, beginning of period	107,944	82,155
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 59,796</u>	<u>\$ 109,057</u>

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

NOTE 1: ACCOUNTING PRINCIPLES AND PRACTICES

The accompanying unaudited consolidated financial statements are prepared in accordance with generally accepted accounting principles for interim financial information and rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures usually found in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The unaudited consolidated financial statements reflect all adjustments, including normal recurring adjustments, which in the opinion of management are necessary to fairly state the financial position, results of operations and cash flows for the interim periods presented. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in our annual report on Form 10-K for the year ended December 29, 2006. Operating results for the thirteen week period ended March 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 28, 2007.

The consolidated financial statements are presented on a 52/53-week fiscal year end basis, with the last day of the fiscal year ending on the last Friday of December. Fiscal years 2007 and 2006 are 52-week years.

Revenue recognition

Revenue from services is recognized at the time the service is performed and is net of adjustments related to customer credits. A portion of our revenue is derived from cash dispensing machine ("CDM") fees, which are immaterial for all periods presented. Sales coupons or other incentives are recognized in the period the related revenue is earned.

Cost of services

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

Stock-based compensation

We account for stock-based compensation under the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised), *Share-Based Payment*, using the modified-prospective transition method. Under this transition method, we recognize stock-based compensation expense for stock-based awards granted subsequent to the year ended December 30, 2005 in accordance with the provisions of SFAS No. 123R, and the estimated expense for the portion vesting in the period for options granted prior to, but not vested as of December 30, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123. Compensation cost for all stock-based awards is recognized using the straight-line method.

Total stock-based compensation expense recognized in the consolidated financial statements for the thirteen weeks ended March 30, 2007 was \$2.4 million, before income taxes, compared to total stock-based compensation expense for the thirteen weeks ended March 31, 2006 of \$2.5 million, before income taxes.

See further discussion of stock-based compensation in Note 10.

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New accounting pronouncements

We adopted the provisions of Financial Standards Accounting Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48") an interpretation of FASB Statement No. 109 ("SFAS 109") on December 30, 2006, the first day of our 2007 fiscal year. See Note 12 for further discussion.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which establishes a framework for measuring fair value and requires expanded disclosure about the information used to measure fair value. The statement applies whenever other statements require, or permit, assets or liabilities to be measured at fair value. The statement does not expand the use of fair value in any new circumstances and is effective for fiscal years, and interim periods within those fiscal years, beginning after November 15, 2007, with early adoption encouraged. We are currently evaluating the impact of SFAS No. 157 and whether our adoption of SFAS No. 157 will have a material effect on our consolidated financial position, results of operations or cash flows.

In February, 2007, the FASB issued SFAS No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, which modifies certain presentation and disclosure requirements in the Consolidated Balance Sheets and applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We do not anticipate the adoption of SFAS No. 159 will have a material effect on our consolidated financial position, results of operations or cash flows.

NOTE 2: MARKETABLE SECURITIES

Management determines the appropriate classification, pursuant to SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, of our investments in debt securities ("Marketable Securities") at the time of purchase and re-evaluates such determination at each balance sheet date. Marketable Securities consist of revenue bonds and other municipal obligations, which usually have maturities or reset dates of one year or less. At March 30, 2007 and December 29, 2006, those securities were classified as available-for-sale and stated at fair value, with the unrealized holding gains and losses reported in the shareholders' equity section of our Consolidated Balance Sheets. There were no material unrealized holding gains or losses at March 30, 2007 or December 29, 2006. The specific identification method is used for computing realized gains and losses on the sale of available-for-sale securities. For the thirteen weeks ended March 30, 2007 and March 31, 2006, there were no material realized gains or losses on sales of available-for-sale securities. These marketable securities are available to fund current operations, if necessary.

NOTE 3: RESTRICTED CASH AND OTHER ASSETS

We have cash deposits and other restricted assets with independent financial institutions predominantly for the purpose of securing our workers' compensation obligations. These assets may be released as workers' compensation claims are paid or when letters of credit are released.

The following is a summary of restricted cash and other assets:

	March 30, 2007	December 29, 2006
Workers' Assurance Program – committed collateral(1)	\$ 140.4	\$ 138.7
Cash collateralizing surety bonds	3.9	3.8
Workers' Assurance Program- uncommitted cash(1)	0.4	0.5
Other	0.9	0.7
Total Restricted Cash and Other Assets	\$ 145.6	\$ 143.7

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(1) We have agreements with certain financial institutions through our wholly-owned and consolidated subsidiary, Workers' Assurance of Hawaii, Inc. (our "Workers' Assurance Program"), that allow us to restrict cash for the purpose of providing cash-backed instruments for our workers' compensation collateral. These instruments include cash-backed letters of credit, cash held in trusts as well as cash deposits held by our insurance carriers. Committed collateral represents instruments that have been provided or pledged to an insurance company to cover the cost of claims in the event we are unable to make payment. Uncommitted cash represents cash available for

funding future commitments.

NOTE 4: RECEIVABLES FROM INSURANCE COMPANIES

For workers' compensation claims originating in self-insured states, the majority of our current workers' compensation insurance policies from independent, third-party carriers, cover any claims for a particular event above a \$2.0 million deductible, on a "per occurrence" basis.

Our workers' compensation reserves include not only estimated expenses for claims within our deductible layer but also estimated expenses related to claims above our deductible limits ("excess claims"). We record an estimated receivable for the insurance coverage on excess claims based on the contractual policy agreements we have with insurance companies. We discount this receivable to its estimated net present value using the risk-free rates associated with the weighted average lives of our excess claims. The weighted average claim lives are actuarially determined. When appropriate, based on our best estimate, we record a valuation allowance against the insurance receivable to reflect amounts that may not be realized.

Two of the workers' compensation insurance companies ("Troubled Insurance Companies") with which we formerly did business are in liquidation and have failed to pay a number of excess claims to date. These excess claims have been presented to the state guaranty funds of the states in which the claims originated. Certain of these excess claims have been rejected by the state guaranty funds due to statutory eligibility limitations. We have concluded that recovery is unlikely on a portion of these claims. Therefore, we have recorded a valuation allowance against the insurance receivables from the Troubled Insurance Companies not covered by state guaranty funds.

Our valuation allowance against receivables from Troubled Insurance Companies as of March 30, 2007 and December 29, 2006 is \$5.0 million and \$2.5 million, respectively. Total discounted receivables from insurance companies, net of related valuation allowance, as of March 30, 2007 and December 29, 2006 are \$14.8 million and \$16.6 million, respectively and are included in Other assets, net in the accompanying Consolidated Balance Sheets.

We also record a receivable for other matters where we expect reimbursement from our insurance company. Included in prepaid expenses, deposits and other in the accompanying Consolidated Balance Sheets at March 30, 2007 is a receivable from our insurance company of \$1.8 million in connection with certain litigation.

NOTE 5: INTANGIBLE ASSETS

The following table presents our purchased intangible assets other than Goodwill, which are included in Other assets, net in the Consolidated Balance Sheets (in thousands):

	March 30, 2007	December 29, 2006
Amortizable intangible assets:		
Trade name/trademarks	\$ 400	\$ 400
Customer relationships	11,600	11,600
Non-compete agreements	1,600	1,600
	<u>13,600</u>	<u>13,600</u>
Less accumulated amortization	6,172	5,726
Total amortized intangible assets, net	<u>\$ 7,428</u>	<u>\$ 7,874</u>
Unamortizable intangible assets:		
Trade name/trademarks	\$ 6,500	\$ 6,500
Total unamortizable intangible assets	<u>\$ 6,500</u>	<u>\$ 6,500</u>

Intangible assets recorded as a result of the CLP Resources acquisition in May 2005 and the Spartan Staffing acquisition in April 2004 totaled \$20.1 million. Intangible assets are amortized using the straight line method over their estimated useful lives. Unamortized intangible assets of \$7.4 million consist entirely of Customer relationships resulting from the CLP acquisition with an estimated useful life of 6.5 years. The majority of our trade name/trademarks do not have definite lives and, accordingly, are not amortized. All other intangible assets are fully amortized. Amortization expense of our amortizable intangible assets was \$0.4 million and \$0.8 million for the thirteen weeks ended March 30, 2007 and March 31, 2006, respectively.

The following table provides estimated amortization expense of intangible assets other than goodwill for the next five years and thereafter (in thousands):

Remainder of 2007	\$ 1,222
2008	1,585
2009	1,585
2010	1,585
2011	1,451
Thereafter	-
	<u>\$ 7,428</u>

Goodwill totaled \$37.4 million at March 30, 2007 and December 29, 2006. Goodwill recorded as a result of the CLP Resources acquisition in 2005 totaled \$31.0 million. Goodwill recorded as a result of the Spartan Staffing acquisition in 2004 totaled \$6.4 million.

NOTE 6: WORKERS' COMPENSATION INSURANCE AND RESERVES

We provide workers' compensation insurance to our temporary and permanent employees. Our workers' compensation insurance policies must be renewed annually. Our current coverage with American International Group, Inc. ("AIG") is for occurrences during the period from July 2006 through June 2007. While we have primary responsibility for all claims, our insurance coverage provides reimbursement for certain losses and expenses beyond the deductible limits. For workers' compensation claims originating in self-insured states, the majority of our current workers' compensation insurance policies cover any claims for a particular event above a \$2.0 million deductible, on a "per occurrence" basis. This results in our being substantially self-insured. Furthermore, we have full liability for all further payments on claims which originated between January 2001 and June 2003, without recourse to any third party insurer as the result of a novation agreement we entered into with Kemper Insurance Company in

Our workers' compensation reserve is discounted to its estimated net present value using discount rates based on average returns of "risk-free" Treasury instruments, which are evaluated on a quarterly basis. At March 30, 2007, our reserves are discounted at rates ranging from 4.31% to 6.00%. Included in the accompanying Consolidated Balance Sheets as of March 30, 2007 and December 29, 2006 are discounted workers' compensation claims reserves in the amounts of \$187.8 million and \$189.4 million, respectively.

For workers' compensation claims originating in Washington, West Virginia, North Dakota, Wyoming, Canada and Puerto Rico (our "monopolistic jurisdictions") we pay workers' compensation insurance premiums and obtain full coverage under government-administered programs. Accordingly, because we are not the primary obligor, our financial statements do not reflect the liability for workers' compensation claims in these monopolistic jurisdictions.

Workers' compensation expense is recorded as part of our cost of services and consists of the following components: self-insurance reserves net of changes in discount, monopolistic jurisdictions premiums, insurance premiums and any changes in the valuation allowance related to receivables from Troubled Insurance Companies as described in Note 4. Workers' compensation expense totaling \$14.4 million and \$18.4 million was recorded for the thirteen weeks ended March 30, 2007 and March 31, 2006, respectively.

NOTE 7: NET INCOME PER SHARE

Basic net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is calculated by dividing adjusted net income by the weighted average number of common shares and potential common shares outstanding during the period. Potential common shares include the dilutive effects of outstanding options and non-vested restricted stock except where their inclusion would be anti-dilutive.

Anti-dilutive shares associated with our stock options relate to those stock options with a grant price higher than the average market value of our stock during the periods presented. Commencing with fiscal year 2006, post SFAS No. 123R adoption, anti-dilutive shares also include in-the-money options for which the sum of the assumed proceeds, including unrecognized compensation expense, exceeds the average stock price during the quarter. The weighted average number of anti-dilutive stock options and non-vested restricted stock not considered as part of our calculation were 0.8 million during the thirteen weeks ended March 30, 2007 and 0.3 million during the thirteen weeks ended March 31, 2006.

The following table presents the calculation of Net income per common share- Basic and Diluted (in thousands, except per share data):

	Thirteen Weeks Ended	
	March 30, 2007	March 31, 2006
Net income	\$ 10,348	\$ 11,466
Weighted average number of common shares used in basic net income per common share	49,076	53,680
Dilutive effect of outstanding stock options and non-vested restricted stock	266	767
Weighted average number of common shares used in diluted net income per common share	49,342	54,447
Net income per common share:		
Basic	\$ 0.21	\$ 0.21
Diluted	\$ 0.21	\$ 0.21

The decrease in weighted average shares year over year is primarily due to our extensive share repurchase program. See Note 11 for further discussion.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Revolving Credit Facility

We have an \$80.0 million credit agreement with certain unaffiliated financial institutions (the "Revolving Credit Facility") that expires in November 2008. The Revolving Credit Facility, which is secured by substantially all our assets except our real estate, provides us with access to loan advances and letters of credit. The amounts we may borrow (our borrowing capacity) under this agreement are largely a function of the levels of our accounts receivable from time to time, supplemented by pledged collateral. Under the terms of the Revolving Credit Facility, we pay a variable rate of interest based on a margin above LIBOR for borrowings and a variable unused commitment fee, both based on a consolidated leverage ratio of consolidated total debt to consolidated EBITDA. Fees for letters of credit are based on the margin in effect plus a fee of 0.05%. As of March 30, 2007, our margin was 0.50% and our unused capacity fee was 0.15%. At March 30, 2007, we had \$45.5 million of letters of credit issued against that borrowing capacity leaving us with \$34.5 million available for future borrowings. The Revolving Credit Facility requires that we comply with certain financial covenants. Among other things, these covenants require us to maintain certain leverage and coverage ratios. We are currently in compliance with all covenants related to the Revolving Credit Facility.

Workers' Compensation Commitments

We are required by our insurance carriers and certain state workers' compensation programs to collateralize a portion of our workers' compensation obligation with cash and cash-backed instruments, irrevocable letters of credit, or surety bonds. The letters of credit issued against the Revolving Credit Facility bear fluctuating annual fees, which were approximately 0.55% of the principal amount of the letters of credit outstanding as of March 30, 2007. The letters of credit issued related to our Workers' Assurance Program bear fluctuating annual fees, which were approximately 0.46% of the principal amount of the letters of credit outstanding as of March 30, 2007. The surety bonds bear annual fees based on a percentage of the bond, which is determined by each independent surety carrier but does not exceed 2.0% of the bond amount, subject to a minimum charge.

At March 30, 2007 and December 29, 2006 we had provided our insurance carriers and certain states with commitments in the form and amounts outlined below (in millions):

	Workers' Compensation Commitments as of:	
	March 30, 2007	December 29, 2006
Workers' Assurance Program - committed collateral	\$ 140.4	\$ 138.7
Letters of credit	45.5	45.5
Surety bonds (1)	17.6	17.6
Other cash-backed instruments	0.6	0.6
Total Collateral Commitments	<u>\$ 204.1</u>	<u>\$ 202.4</u>

(1) We had \$3.9 million and \$3.8 million of restricted cash collateralizing our surety bonds at March 30, 2007 and December 29, 2006, respectively.

Capital Leases

The following is a summary of property held under non-cancelable capital leases and reported in property and equipment in the Consolidated Balance Sheets (in thousands):

	March 30, 2007	December 29, 2006
Computers and software	\$ 2,699	\$ 2,945
Cash dispensing machines	—	922
Furniture and equipment	159	206
	2,858	4,073
Less accumulated depreciation and amortization	<u>1,573</u>	<u>2,217</u>
	<u>\$ 1,285</u>	<u>\$ 1,856</u>

Future minimum lease payments under these non-cancelable capital leases as of March 30, 2007 are \$0.8 million for the remainder of 2007 and \$0.2 million for 2008. There are currently no minimum lease payments under non-cancelable capital leases after 2008.

Our capital lease obligations are reported in other liabilities in the Consolidated Balance Sheets. The weighted average interest rate on capitalized leases is approximately 3.0% and the lease terms range from 36 to 60 months.

Operating Leases

We have contractual commitments in the form of operating leases related to branch offices, vehicles and equipment. Future non-cancelable minimum lease payments under our operating lease commitments as of March 30, 2007 for each of the next five years and thereafter are \$4.7 million for the remainder of 2007; \$5.1 million for 2008; \$3.8 million for 2009; \$2.9 million for 2010; \$2.1 million for 2011 and \$3.1 million thereafter.

The majority of operating leases pertaining to our branch offices provide for renewal options ranging from three to five years. Operating leases are generally renewed in the normal course of business, and most of the options are negotiated at the time of renewal. However, for the majority of our leases, both parties to the lease have the right to cancel the lease with 90 days notice. Accordingly, we have not included these leases in our disclosure of future minimum lease payments. Total branch office rent expense for the thirteen weeks ended March 30, 2007 and March 31, 2006 was approximately \$6.5 million and \$6.0 million, respectively.

Legal Contingencies and Developments

From time to time we are the subject of compliance audits by federal, state and local authorities relating to a variety of regulations including wage and hour laws, taxes, workers' compensation, immigration and safety. From time to time we are also subject to legal proceedings in the ordinary course of our operations. A summary of our most significant pending litigation and regulatory proceedings is set forth below. It is not possible at this time for us to determine fully the effect of all legal proceedings on our consolidated financial position, results of operations or liquidity; however, to the extent possible, where legal liabilities can be estimated and are considered probable, we have recorded a liability. To the extent that an insurance company is contractually obligated to reimburse us for a liability, we record a receivable for the amount of the probable reimbursement. We have

established reserves for our contingent legal and regulatory liabilities in the amount of \$6.5 million at March 30, 2007 and \$6.6 million at December 29, 2006. We believe that none of the currently pending legal proceedings, individually or in the aggregate, will have a material adverse impact on our financial position, results of operations or cash flows beyond amounts that have been accrued in the financial statements, although we can make no assurances in this regard.

On July 29, 2002, Marisol Balanderan and 55 other plaintiffs filed an action against us and one of our customers in California State Court, Los Angeles County. The plaintiffs are temporary employees and job applicants who seek unquantified compensatory and punitive damages based on allegations that they were subjected to discrimination in dispatch to jobs on the basis of their female gender, throughout a period from September 2001 through January 2002. On April 26, 2007, the parties entered into a settlement agreement which resolved all outstanding claims. The settlement is subject to Court approval. A hearing for court approval of the settlement terms will occur on May 2, 2007. All amounts related to settlement are accounted for in our established reserves for our contingent legal and regulatory liabilities.

On February 6, 2003, Scott Romer and Shawna Clark, both former Labor Ready employees, filed an action against us in California State Court, Los Angeles County. The plaintiffs allege that they were wrongfully exempted from overtime pay during their employment. They seek unquantified compensatory damages and certification of a class of similarly situated employees. On January 6, 2004, Patricia Huntley and Brandon McCall filed a complaint in intervention and have been included as plaintiffs in this lawsuit. This matter has been consolidated with the Recio matter below.

On July 16, 2003, Alecia Recio, Elizabeth Esquivel, Debbie Owen and Barry Selbts, each a current or former Labor Ready employee, jointly filed an action in United States District Court for the Central District of California, alleging failure to pay overtime under state and federal law and seeking unspecified damages and certification of a class of similarly situated employees. On September 23, 2003, the court dismissed the case for improper venue. On October 1, 2003, Recio re-filed her case in California State Court, Los Angeles County, seeking similar relief on behalf of Labor Ready employees employed in the State of California. On December 14, 2006 the Court denied our motion to transfer venue to the United States District Court for the Western District of Washington. This matter is currently in the discovery phase.

On January 12, 2005, the New Jersey Division of Taxation (the "Division") filed a Notice of Assessment Related to Final Audit Determination asserting that we owe \$7.0 million for delinquent sales taxes, penalties and interest for the period October 1, 2000 through September 30, 2004. The amount of the assessment is based on the Division's assertion that 100% of our revenue from New Jersey operations is subject to sales tax. We disputed the Division's position that we provide taxable services under New Jersey law and filed an administrative protest. The administrative protest was handled internally by the Division and did not involve any outside or independent governmental bodies. On September 19, 2006, the Division issued a final determination increasing the amount that we allegedly owe for delinquent sales taxes, penalties and interest to \$8.1 million. We have now sought independent review of this determination by filing a complaint with the Tax Court of New Jersey on December 15, 2006 and accordingly have not reserved for this matter as of March 30, 2007.

On December 15, 2006, Patricia Tennyson, a temporary employee, filed an action in California State Court, Ventura County, alleging that we failed to pay her all hours worked. The plaintiff further alleges that we engaged in unfair business practices in California. The plaintiff is seeking unspecified damages and certification of a class of similarly situated employees. On April 10, 2007, the court granted the plaintiff's motion to dismiss the matter without prejudice. This matter is resolved.

NOTE 9: SUPPLEMENTAL CASH FLOW INFORMATION

	Thirteen Weeks Ended	
	March 30, 2007	March 31, 2006
	(Amounts in Thousands)	
Non-cash investing and financing activities:		
Assets acquired with capital lease obligations	\$ —	\$ 279
Asset retirement obligation	\$ 150	\$ —
Common stock bonus	\$ —	\$ 339

NOTE 10: STOCK BASED COMPENSATION

Stock options

We have stock option and incentive plans for directors, officers, and employees, which provide for nonqualified stock options and incentive stock options. We issue new shares of common stock upon exercise of stock options. The majority of our stock options vest evenly over a four-year period from the date of grant and expire if not exercised within five years from the date of grant. The maximum contractual term for our outstanding stock option awards is ten years.

We account for stock-based compensation under the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised), *Share-Based Payment*, using the modified-prospective transition method. SFAS No. 123R establishes accounting for stock-based awards exchanged for employee services. Accordingly, stock-based compensation cost is measured at grant date based on the fair value of the award and recognized in our income statement over the requisite service period. See information regarding stock-based compensation recorded in our income statement in Note 1 to this Form 10-Q.

A summary of the weighted average assumptions and results for options granted during the periods presented is as follows:

	Thirteen Weeks Ended	
	March 30, 2007	March 31, 2006
Expected life (in years)	3.48	3.48
Expected volatility	40.5%	43.5%
Risk-free interest rate	4.9%	4.3%
Expected dividend yield	0.0%	0.0%
Weighted average fair value of options granted during the period	\$ 6.74	\$ 7.80

As of March 30, 2007, total unrecognized stock-based compensation expense related to nonvested stock options was approximately \$3.2 million, which is expected to be recognized over a weighted average period of 2.0 years through 2011. Stock option activity follows (shares in thousands):

	Thirteen Weeks Ended March 30, 2007	
	Shares	(1) Price
Outstanding at beginning of period	1,207	\$ 13.93
Granted	247	\$ 18.98
Exercised	(133)	\$ 8.30
Forfeited	(11)	\$ 10.72
Expired	(11)	\$ 19.56
Outstanding at the end of the period	1,299	\$ 15.48
Exercisable at the end of the period	730	\$ 13.91

(1) Weighted average exercise price.

Restricted Stock

Restricted stock is granted to certain key employees and vests over periods ranging from three to four years. A retention period following vesting of two to four years is in place for a certain percentage of shares granted to executive officers. The shares are not subject to forfeiture during the retention period but cannot be sold. Compensation

cost of restricted stock is calculated based on the grant-date market value. We recognize compensation cost on a straight line basis over the vesting period for the awards that are expected to vest.

Restricted stock activity follows (shares in thousands):

	Thirteen Weeks Ended March 30, 2007	
	Shares	(1) Price
Nonvested at beginning of period	467	\$ 19.89
Granted	227	\$ 18.98
Vested	(103)	\$ 18.08
Forfeited	(11)	\$ 19.22
Nonvested at the end of the period	<u>580</u>	<u>\$ 19.85</u>

(1) Weighted average market price on grant date.

As of March 30, 2007, total unrecognized stock-based compensation expense related to non-vested restricted stock was approximately \$10.2 million, which is expected to be recognized over a weighted average period of 1.9 years through 2011.

Employee stock purchase plan

Our Employee Stock Purchase Plan (the "ESPP") provides substantially all permanent employees who have completed six months of service and meet certain limited qualifications, an opportunity to purchase shares of our 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. 1.9 million shares of common stock have been reserved for purchase under the ESPP, of which 1.4 million shares have been issued and 0.5 million shares remain available for future issuance. The ESPP expires on June 30, 2008. During the thirteen weeks ended March 30, 2007 and March 31, 2006, participants purchased 25,000 and 22,000 shares in the ESPP for cash proceeds of \$0.4 million and \$0.4 million, respectively.

We consider our ESPP to be compensatory under SFAS No. 123R and accordingly we recognize compensation expense over the requisite service period for stock purchases made under the plan. The requisite service period is one month and begins on the enrollment date and ends on the purchase date.

NOTE 11: STOCK REPURCHASE

On January 31, 2007, we announced that our Board of Directors authorized the future purchase of our common stock in either open market or private transactions at a total cost of up to \$75.0 million. During the thirteen weeks ended March 30, 2007, we purchased and retired 4.1 million shares of our common stock for \$76.7 million, including commissions, \$13.1 million of which was under a previous repurchase authorization and \$63.6 million of which was under the January 31, 2007 authorization. Share repurchases were funded through cash and cash equivalents. As of March 30, 2007, we had \$11.4 million authorized for future purchases. As of April 12, 2007 we had completed the January 2007 authorization for the purchase of common stock by purchasing an additional 0.6 million shares of our common stock for \$11.4 million. We did not acquire any shares of our common stock during the thirteen week period ended March 31, 2006.

On April 18, 2007, we announced that our Board of Directors authorized additional repurchases of our common stock in either open market or private transactions at a total cost of up to \$100.0 million.

NOTE 12: INCOME TAXES

We adopted the provisions of FIN 48 on December 30, 2006. Upon adoption of FIN 48, we recognized no material adjustment in the liability for unrecognized income tax benefits. At the adoption date of December 30, 2006, we had \$1.6 million of unrecognized tax benefits, all of which would impact our effective tax rate if recognized. As of March 30, 2007 there have not been any material changes in the amount of the liability for unrecognized tax benefits since the date of adoption.

We continue to recognize interest and penalties related to uncertain tax positions in Interest expense and Selling, general and administrative expenses, respectively. At the adoption date amounts for accrued interest and penalties were not material.

The tax years 2002-2006 remain open to examination by the major taxing jurisdictions to which we are subject.

NOTE 13: SUBSEQUENT EVENT

On April 30, 2007, pursuant to a Stock Purchase Agreement we acquired all of the stock of Skilled Services Corporation ("SSC"), a privately-held Florida corporation, for approximately \$25.5 million in cash. Founded in 1993, SSC is a skilled construction trades staffing provider with 21 locations in Florida, Texas, Arizona, California, Colorado, and North Carolina.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Form 10-Q contains forward-looking statements. These statements relate to our expectations for future events and future financial performance. Generally, the words "anticipate," "expect," "intend" and similar expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements. These statements are only predictions. Actual events or results may differ materially. Factors which could affect our financial results are described in Part 1 of our Form 10-K for the year ended December 29, 2006 and in the "Risk Factors" included in this Form 10-Q. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assume responsibility for the accuracy and completeness of the forward-looking statements. We undertake no duty to update any of the forward-looking statements after the date of this report to conform such statements to actual results or to changes in our expectations.

Executive Overview

Labor Ready is an international provider of temporary employees for manual labor, light industrial, and skilled construction trades, operating under the brand names of Labor Ready, Labour Ready, Workforce, Spartan Staffing, and CLP Resources. Our customers are primarily small- to mid-sized businesses in various industries. Annually, we serve more than 300,000 customers and put approximately 600,000 people to work. At the end of March 30, 2007 we had 913 branches located in all 50 of the United States, Canada, Puerto Rico and the United Kingdom. We believe our ability to provide a large number of temporary employees on short notice, usually the same day as requested, provides us with a competitive advantage.

Revenue for the thirteen weeks ended March 30, 2007 of \$290.0 million decreased 2.3% compared to \$297.1 million for the same period in 2006. The decline in revenue resulted in a 9.8% decrease in net income for the thirteen weeks ended March 30, 2007 of \$10.3 million or \$0.21 per diluted share, compared to net income of \$11.5 million or \$0.21 per diluted share for the thirteen weeks ended March 31, 2006. The change in revenue was primarily due to a decrease in same branch revenue as a result of a slowing residential construction market. To a lesser extent, we experienced less growth from new branches and an increase in the loss of revenue from closed branches. We have scaled back the number of new branch openings and have closed underperforming branches in response to the slower economic conditions we have experienced during the last half of 2006 and into 2007.

Gross margin improved to 32.0% for the thirteen weeks ended March 30, 2007 compared to 31.3% for the same period last year. The increase in gross margin was primarily due to a decrease in workers' compensation expense offset by increased wage and pricing pressure. The improvement in workers' compensation expense is related to improvements in accident prevention and risk management. Wage pressure to our temporary workers was heavily driven by numerous minimum wage increases which have not been fully passed through in the bill rates we charge our customers. Selling, general and administrative ("SG&A") expenses as a percentage of revenue were 26.7% of revenue for the thirteen weeks ended March 30, 2007 compared to 25.0% for the same period in 2006. The increase can be attributed to less revenue than in the same quarter a year ago and a change in the mix of branches operating in each of our brands.

Net interest and other income as a percentage of sales improved slightly to 1.1% of revenue for the thirteen weeks ended March 30, 2007 compared to 0.9% for the same period in 2006. The increase can be attributed to higher yields on invested cash.

On January 31, 2007, we announced that our Board of Directors authorized the future purchase of our common stock in either open market or private transactions at a total cost of up to \$75.0 million. During the thirteen weeks ended March 30, 2007, we purchased \$76.7 million of our common stock, including commissions, \$13.1 million of which was under a previous repurchase authorization and \$63.6 million of which was under the January 31, 2007 authorization. As of March 30, 2007, we had \$11.4 million authorized for future purchases under the January 31, 2007 authorization. As of April 12, 2007 we had completed the authorization for the purchase of common stock by purchasing an additional 0.6 million shares of our common stock for \$11.4 million. On April 18, 2007, we announced that our Board of Directors authorized additional repurchases of our common stock in either open market or private transactions at a total cost of up to \$100.0 million.

Results of Operations

Thirteen Weeks Ended March 30, 2007 Compared to Thirteen Weeks Ended March 31, 2006

The following table compares the operating results for the thirteen weeks ended March 30, 2007 and March 31, 2006 (in thousands):

	Thirteen Weeks Ended		
	March 30, 2007	March 31, 2006	Percent Change
Revenue from services	\$ 290,237	\$ 297,067	(2.3%)
Cost of services	197,446	204,150	(3.3%)
Gross profit	92,791	92,917	(0.1%)
Selling, general and administrative expenses	77,376	74,224	4.2%
Depreciation and amortization	2,401	2,796	(14.1%)
Interest expense	(262)	(263)	(0.4%)
Interest and other income	3,544	3,009	17.8%
Income before tax expense	16,296	18,643	(12.6%)
Net income	\$ 10,348	\$ 11,466	(9.8%)

Branch Offices and Revenue from Services The number of branch offices increased to 913 at March 30, 2007 from 908 at March 31, 2006, a net increase of five branch offices. Revenue for the thirteen weeks ended March 30, 2007 decreased 2.3% compared to the same quarter a year ago. The change in revenue was made up of the following four components: (a) a (3.1%) decrease in same store branch revenue, defined as those branches opened one year or longer, (b) a (1.2%) decline in revenue related to branches

closed over the past twelve months, (c) a 1.6% increase in revenue from new branches opened less than one year and (d) a 0.4% increase from other miscellaneous factors. The change in revenue was primarily due to a decrease in same branch revenue as a result of a slowing residential construction market. To a lesser extent, we experienced less growth from new branches and an increase in the loss of revenue from closed branches. We have scaled back the number of new branch openings and have closed underperforming branches in response to the slower economic conditions we have experienced during the last half of 2006 and into 2007.

Cost of Services and Gross Profit. Cost of services was 68.0% of revenue for the thirteen weeks ended March 30, 2007 compared to 68.7% for the thirteen weeks ended March 31, 2006. Workers' compensation costs for the thirteen weeks ended March 30, 2007 were approximately 5.0% of revenue compared to 6.2% in the thirteen weeks ended March 31, 2006. The reduction to our workers' compensation costs is the product of our safety and risk management programs that continue to reduce the frequency of accidents. The decrease in workers' compensation costs was partially offset by an increase in wages paid to temporary workers. Seventeen U.S. states and four Canadian provinces increased minimum wages during the thirteen weeks ended March 30, 2007 which have not been fully passed through in the bill rates we charge our customers. Our average pay rate mix increased 4.4% and bill rate mix increased 3.5%.

Selling, General, and Administrative Expenses. Selling, general and administrative ("SG&A") expenses as a percentage of revenue were 26.7% for the thirteen weeks ended March 30, 2007 compared to 25.0% for the thirteen weeks ended March 31, 2006. This increase was primarily due to the decline in revenue and also a change in the mix of branches operating in each of our brands. During the thirteen weeks ended March 30, 2007 we had a larger mixture of CLP and Spartan Staffing branches compared to the same quarter a year ago, which have a higher cost structure than the Labor Ready brand.

Depreciation and Amortization Expenses. Depreciation and amortization expenses decreased to \$2.4 million for the thirteen weeks ended March 30, 2007 from \$2.8 million for the thirteen weeks ended March 31, 2006. The decrease in the current year is the result of certain intangible assets becoming fully amortized during 2006.

Interest and Other Income. Interest and other income was \$3.5 million for the thirteen weeks ended March 30, 2007 compared to \$3.0 million for the thirteen weeks ended March 31, 2006. The change in interest and other income is attributable to higher yields on our restricted cash balances.

Income Tax. Our effective tax rate on earnings for the thirteen weeks ended March 30, 2007 was 36.5%, compared to 38.5% for the thirteen weeks ended March 31, 2006. The principal difference between the statutory federal income tax rate of 35.0% and our effective income tax rate results from state income taxes, federal tax credits, tax exempt interest income, and certain non-deductible expenses. The decrease in our effective tax rate reflects the tax benefit from the extension of the Work Opportunity Tax Credit at the end of 2006.

We have a net deferred tax asset of approximately \$9.0 million at March 30, 2007 resulting primarily from workers' compensation reserves, contingent liabilities and allowance for doubtful accounts. We assessed our past earnings history and trends, projected sales, expiration dates of loss carry forwards, and our ability to implement tax planning strategies which are designed to accelerate or increase taxable income.

Summary of Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to workers' compensation claims, bad debts, goodwill and intangible assets, contingencies and litigation and income taxes. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Workers' Compensation Reserves. We maintain reserves for workers' compensation claims, including the excess claims portion above our deductible, using actuarial estimates of the future cost of claims and related expenses. These estimates are impacted by items that have been reported but not settled and items that have been incurred but not reported. This reserve, which reflects potential liabilities to be paid in future periods based on estimated payment patterns, is discounted to its estimated net present value using discount rates based on average returns of "risk-free" U.S. Treasury instruments with maturities comparable to the average lives of our workers' compensation claims. We evaluate the reserve regularly throughout the year and make adjustments accordingly. If the actual cost of such claims and related expenses exceeds the amounts estimated, additional reserves may be required.

Allowance for Doubtful Accounts. We establish an allowance for doubtful accounts for estimated losses resulting from the failure of our customers to make required payments. We evaluate this allowance regularly throughout the year and make adjustments as needed. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Goodwill and Intangible Assets. As a result of our acquisitions, we have recorded goodwill and various intangible assets at their estimated fair values. The estimated fair values of the acquired indefinite-lived intangible assets are based on our expectations regarding future operating results and cash flows. The purchase price in excess of the fair value of the acquired tangible and intangible assets is classified as goodwill and is tested for impairment in the fourth quarter of each fiscal year and whenever events or circumstances indicate that an impairment may have occurred. Fair value for purposes of our impairment test is determined based on discounted cash flows, market multiples or appraised values as appropriate. Such analysis requires the use of certain future market assumptions and discount factors, which are subjective in nature. Estimated values can be affected by many factors beyond the company's control such as business and economic trends and government regulation. Management believes that the assumptions used to determine fair value are appropriate and reasonable. However, changes in circumstances or conditions affecting these assumptions could have a significant impact on the fair value determination, which could then result in a material impairment charge to the company's results of operations.

Reserves for Contingent Legal and Regulatory Liabilities. We have established reserves for contingent legal and regulatory liabilities. We record a liability when our management judges that it is probable that a legal claim will result in an adverse outcome and the amount of liability can be estimated. We evaluate this reserve regularly throughout the year and make adjustments as needed. If the actual outcome of these matters is different than expected, an adjustment is charged or credited to expense in the period the outcome occurs or the period in which the estimate changes.

Income Taxes and Related Valuation Allowances We account for income taxes by recording taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our financial statements or tax returns. As required under Statement of Financial Accounting Standard No. 109, *Accounting for Income Taxes* ("SFAS No. 109"), and related interpretations, we measure these expected future tax consequences based upon the provisions of tax law as currently enacted; the effects of future changes in tax laws are not anticipated. Future tax law changes, such as a change in the corporate tax rate, could have a material impact on our financial condition or results of operations.

Liquidity and Capital Resources

Cash Flow Summary (This summary should be read in conjunction with the Consolidated Statements of Cash Flows in Item 1 of Part 1 of this Form 10-Q)

Cash Flows from Operating Activities

Net cash provided by operating activities was \$27.7 million for the thirteen weeks ended March 30, 2007 and was due primarily to our net income and cash provided by operating assets and liabilities.

Net income totaled \$10.3 million for the thirteen weeks ended March 30, 2007. Cash provided by operating assets and liabilities was primarily due to increases in accounts payable and income taxes payable and decreases in other assets and accounts receivable, offset by decreases in accrued wages and benefits. These changes were primarily the result of timing of payments and receipts.

Net cash provided by operating activities was lower for the thirteen weeks ended March 30, 2007 than the comparable prior year period. The decrease was largely a result of change in income taxes payable in the prior year due mostly to the timing and method of making estimated income tax payments.

Cash Flows from Investing Activities

Net cash used in investing activities was \$0.4 million for the thirteen weeks ended March 30, 2007. Cash used in investing activities included capital expenditures due to technology projects. These outflows were offset by cash provided by investing activities for net maturities of marketable securities.

Cash Flows from Financing Activities

Net cash used in financing activities was \$75.7 million for the thirteen weeks ended March 30, 2007. During the thirteen weeks ended March 30, 2007, we purchased and retired 4.1 million shares of our common stock for \$76.7 million, including commissions, \$13.1 million of which was under a previous repurchase authorization and \$63.6 million of which was under a January 31, 2007 authorization. Share repurchases were funded through cash and cash equivalents. As of March 30, 2007, we had \$11.4 million authorized for future purchases. As of April 12, 2007 we had completed the January 31, 2007 authorization for the purchase of common stock by purchasing an additional 0.6 million shares of our common stock for \$11.4 million. On April 18, 2007, we announced that our Board of Directors authorized additional repurchases of our common stock in either open market or private transactions at a total cost of up to \$100.0 million.

Capital Resources

We have an \$80.0 million credit agreement with certain unaffiliated financial institutions (the "Revolving Credit Facility") that expires in November 2008. The Revolving Credit Facility, which is secured by substantially all our assets except our real estate, provides us with access to loan advances and letters of credit. The amounts we may borrow (our borrowing capacity) under this agreement are largely a function of the levels of our accounts receivable from time to time, supplemented by pledged collateral. Under the terms of the Revolving Credit Facility, we pay a variable rate of interest based on a margin above LIBOR for borrowings and a variable unused commitment fee, both based on a consolidated leverage ratio of consolidated total debt to consolidated EBITDA. Fees for letters of credit are based on the margin in effect plus a fee of 0.05%. As of March 30, 2007, our margin was 0.50% and our unused capacity fee was 0.15%. At March 30, 2007, we had \$45.5 million of letters of credit issued against that borrowing capacity leaving us with \$34.5 million available for future borrowings. The Revolving Credit Facility requires that we comply with certain financial covenants. Among other things, these covenants require us to maintain certain leverage and coverage ratios. We are currently in compliance with all covenants related to the Revolving Credit Facility.

We have agreements with certain financial institutions through our wholly-owned and consolidated subsidiary, Workers' Assurance of Hawaii, Inc. (our "Workers' Assurance Program"), that allow us to restrict cash for the purpose of providing cash-backed instruments for our workers' compensation collateral. These instruments include cash-backed letters of credit, cash held in trusts as well as cash deposits held by our insurance carriers. At March 30, 2007 we had restricted cash in our Workers' Assurance Program totaling \$140.8 million. Of this cash, \$140.4 million was committed to insurance carriers leaving \$0.4 million available for future needs.

We believe that cash provided from operations and our capital resources will be adequate to meet our cash requirements over the next twelve months.

Workers' Compensation Collateral and Claims Reserves

We provide workers' compensation insurance for our temporary and permanent employees. Our workers' compensation insurance policies must be renewed annually. Our current coverage with American International Group, Inc. ("AIG") is for occurrences during the period from July 2006 through June 2007. While we have primary responsibility for all claims, our insurance coverage provides reimbursement for certain losses and expenses beyond the deductible limits. For workers' compensation claims originating in self-insured states, the majority of our current workers' compensation insurance policies cover claims for a particular event above a \$2.0 million deductible, on a "per occurrence" basis. This results in our being substantially self-insured. Furthermore, we have full liability for all further payments on claims which originated between January 2001 and June 2003, without recourse to any third party insurer as the result of a novation agreement we entered into with Kemper Insurance Company in December 2004.

We are required by our insurance carriers and certain state workers' compensation programs to collateralize a portion of our workers' compensation obligation with cash and cash-backed instruments, irrevocable letters of credit, or surety bonds. Our insurance carriers annually assess the amount of collateral they will require from us relative to our workers' compensation obligation for which they become responsible should we become insolvent. Such amounts can increase or decrease independent of our assessments and reserves.

At March 30, 2007 and December 29, 2006 we had provided our insurance carriers and certain states with commitments in the form and amounts outlined below (in millions):

Workers' Compensation Commitments as of:

	March 30, 2007	December 29, 2006
Workers' Assurance Program - committed collateral (1)	\$ 140.4	\$ 138.7
Letters of credit	45.5	45.5
Surety bonds (2)	17.6	17.6
Other cash-backed instruments	0.6	0.6
Total Collateral Commitments	<u>\$ 204.1</u>	<u>\$ 202.4</u>

(1) We have agreements with certain financial institutions through our wholly-owned and consolidated subsidiary, Workers' Assurance of Hawaii, Inc. (our "Workers' Assurance Program"), that allow us to restrict cash for the purpose of providing cash-backed instruments for our workers' compensation collateral.

(2) We had \$3.9 million and \$3.8 million of restricted cash collateralizing our surety bonds at March 30, 2007 and December 29, 2006, respectively.

Our surety bonds are issued by independent insurance companies on our behalf and bear annual fees based on a percentage of the bond, which is determined by each independent surety carrier, but does not exceed 2.0% of the bond amount, subject to a minimum charge. The terms of these bonds are subject to review and renewal every one to four years and most bonds can be canceled by the sureties with as little as 60 days notice.

Our Workers' Assurance Program cash and cash-backed instruments include cash-backed letters of credit, cash held in trusts and cash deposits held by our insurance carriers. The fees related to those instruments subject to an annual fee were approximately 0.45% as of March 30, 2007.

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The following table provides a reconciliation of our collateral commitments to our workers' compensation reserve as of the period end dates presented (in millions):

	March 30, 2007	December 29, 2006
Ending workers' compensation reserve:	\$ 187.8	\$ 189.4
a) Discount on reserves	41.6	41.3
b) Timing of collateral release with prior providers	14.5	13.0
c) Collateral posted with current provider in comparison to obligation incurred	(17.0)	(19.4)
d) Reserves for claims above our deductible ("excess claims"), net of discount	(22.8)	(21.9)
Total Collateral Commitments	<u>\$ 204.1</u>	<u>\$ 202.4</u>

Our total collateral commitments differ from our workers' compensation reserve due to several factors including the following which are reconciled above: (a) our claims reserves are discounted to their estimated net present value while our collateral commitments are based on the gross, undiscounted reserve; (b) a delay in the release of collateral posted with prior insurance companies for claims that have been previously paid and, therefore, are no longer reflected in the reserve; (c) collateral posted with the current insurance carrier in comparison to the estimated balance of unpaid claims; and (d) discounted reserves for claims above our deductible.

Generally, our workers' compensation reserve for estimated claims increases as temporary labor services are provided and decreases as payments are made on these claims. Although the estimated claims are expensed as incurred, the claim payments are made over a weighted average period of approximately six years. Collateral for our workers' compensation program is posted with various state workers' compensation programs and insurance carriers based upon their assessments of our potential liabilities. Due to the timing difference between the recognition of expense and claim payments as described above, we generally anticipate that both our reserves and our collateral obligations will continue to grow.

Our workers' compensation reserve is established using estimates of the future cost of claims and related expenses that have been reported but not settled, as well as those that have been incurred but not reported. Throughout the year, management regularly reviews and evaluates the adequacy of reserves for prior periods. We maintain reserves for workers' compensation claims, including the excess claims portion above our deductible, using actuarial estimates of the future cost of claims and related expenses. Adjustments to prior period reserves are charged or credited to expense in the periods in which the estimate changes. Our claims reserves are discounted to their estimated net present value using discount rates based on average returns of "risk-free" U.S. Treasury instruments with maturities comparable to the weighted average lives of our workers' compensation claims. At March 30, 2007 our reserves are discounted at rates ranging from 4.31% to 6.00%.

Factors we consider in establishing and adjusting these reserves include the estimates provided by our independent actuaries, appropriate discount rates and estimated payment patterns. Factors that have caused our estimated losses for prior years to change include, among other things, (i) inflation of medical and indemnity costs at a rate higher than originally anticipated, (ii) regulatory and legislative developments that have increased benefits and settlement requirements in several states, (iii) a different mix of business than previously anticipated, (iv) the impact of safety initiatives implemented, and (v) positive or adverse development of claim reserves.

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The following table provides an analysis of changes in our workers' compensation claims reserves (in thousands). Changes in reserve estimates are reflected in the income statement for the period when the changes in estimates are made.

	Thirteen Weeks Ended	
	March 30, 2007	March 31, 2006
Beginning balance	\$ 189,435	\$ 167,859

Self-insurance reserve expense		
Expenses related to current year (net of discount)	13,280	16,050
Change related to prior years	(7,288)	(3,296)
Total	5,992	12,754
Amortization of prior years discount	2,288	1,362
Payments		
Payments related to current year claims	(558)	(526)
Payments related to claims from prior years	(10,083)	(9,423)
Total	(10,641)	(9,949)
Net change in excess claims reserve	773	1,306
Ending balance	187,847	173,332
Less current portion	49,669	45,377
Long-term portion	\$ 138,178	\$ 127,955

Other

Included in cash and cash equivalents at March 30, 2007 and December 29, 2006 is cash held within branch CDMs for payment of temporary payrolls in the amount of \$13.4 million and \$19.6 million, respectively.

Our capital expenditures were \$6.2 million and \$4.1 million for the thirteen weeks ended March 30, 2007 and March 31, 2006, respectively. We anticipate total capital expenditures for 2007 to be in the range of \$12 million to \$15 million.

Contractual Obligations and Commitments

We have various contractual obligations that are recorded as liabilities in our consolidated financial statements. Certain contractual obligations, such as operating lease obligations, are not recognized as liabilities in our consolidated financial statements, but are required to be disclosed. There were no material changes outside the ordinary course of business in our contractual obligations during the thirteen week period ended March 30, 2007.

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The following table provides a summary of our contractual obligations as of March 30, 2007 (in thousands):

Contractual Obligations	Payments Due By Period				
	Total	2007	2008 through 2009	2010 through 2011	2012 and later
Capital lease obligations (1)	\$ 971	\$ 774	\$ 197	\$ —	\$ —
Operating leases (2)	21,670	4,653	8,868	4,988	3,161
Purchase obligations (3)	4,814	3,123	1,691	—	—
Other long-term obligations (4)	8,857	2,544	5,823	490	—
Other cash obligations (5)	7,337	7,337	—	—	—
Total Contractual Cash Obligations	\$ 43,649	\$ 18,431	\$ 16,579	\$ 5,478	\$ 3,161

- (1) Primarily consists of payments on computer equipment and technology commitments.
- (2) Excludes all payments related to branch leases cancelable by either party to the lease within 90 days.
- (3) Binding purchase orders for goods or services outstanding at March 30, 2007.
- (4) Primarily consists of voice and data service contracts and licensing agreements.
- (5) Collateral obligations related to workers' compensation policy year ended July 1, 2007.

We are required by our insurance carriers and certain state workers' compensation programs to collateralize a portion of our workers' compensation obligation with cash. Our insurance carriers annually assess the amount of collateral they will require from us relative to our workers' compensation obligation. The amounts of cash available for future restriction are subject to our borrowing capacity under the Revolving Credit Facility and cash available at the time of the restriction. The following table provides a summary of our estimated collateral obligations and the collateral capacity available to us as of March 30, 2007 (in thousands):

Revolving Credit Facility-Capacity	\$ 80,000
Revolving Credit Facility-Committed	(45,500)
Revolving Credit Facility-Available Capacity	34,500
Cash and cash equivalents	59,796
Marketable securities	83,822
Total Capacity	178,118
Estimated Collateral Restriction for 2007	(29,600)
Remaining Collateral Capacity	\$ 148,518

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk related to changes in interest rates and foreign currency exchange rates, each of which could adversely affect the value of our investments. We do not currently use derivative financial instruments. As of March 30, 2007, our purchased investments included in cash and cash equivalents had maturities of less than 90 days. Therefore, an increase in interest rates immediately and uniformly by 10% from our 2006 year end levels would not have a material effect upon our cash and cash equivalent balances, operating results or cash flows.

As of March 30, 2007, our marketable securities consist of revenue bonds and other municipal obligations, which usually have maturities or reset dates of one year or less. Therefore, an increase in interest rates immediately and uniformly by 10% from our 2006 year end levels would not have a material effect upon our marketable securities balances, operating results or cash flows.

We have a certain amount of assets and liabilities denominated in certain foreign currencies related to our international operations. We have not hedged our foreign currency translation risk and we have the ability to hold our foreign-currency denominated assets indefinitely and do not expect that a sudden or significant change in foreign exchange rates will have a material impact on future operating results or cash flows.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)). Based on this evaluation, our CEO and our CFO concluded that, as of March 30, 2007, our disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting. During the thirteen weeks ended March 30, 2007, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

See Note 8 of Notes to Consolidated Financial Statements found in Item 1 of Part I of this Form 10-Q.

Item 1A. Risk Factors

Investing in our securities involves a high degree of risk. The following risk factors, issues and uncertainties should be considered in evaluating our future prospects. In particular, keep these risk factors in mind when you read "forward-looking" statements elsewhere in this report. Forward-looking statements relate to our expectations for future events and time periods. Generally, the words "anticipate," "expect," "intend" and similar expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements. Any of the following risks could harm our business, operating results or financial condition and could result in a complete loss of your investment. Additional risks and uncertainties that are not yet identified or that we currently think are immaterial may also harm our business and financial condition in the future.

There have been no material changes in the risk factors set forth in our Annual Report on Form 10-K for fiscal 2006.

Competition for customers in our industry is intense, and if we are not able to effectively compete, our financial results could be harmed and the price of our securities could decline.

The temporary services industry is 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 us in the staffing industry. Competition in some markets is intense, particularly with regard to recruiting workers, and these competitive forces limit our ability to raise prices to our customers. For example, competitive forces have historically limited our ability to raise our prices to immediately and fully offset increased costs of doing business, including increased labor costs, costs for workers' compensation and state unemployment insurance. As a result of these forces, we have in the past faced pressure on our operating margins. Pressure on our margins remains intense, and we cannot assure you that it will not continue. If we are not able to effectively compete in our targeted markets, our operating margins and other financial results will be harmed and the price of our securities could decline.

If we are not able to obtain insurance on commercially reasonable terms, our financial condition or results of operations could suffer.

We maintain various types of insurance coverage to help offset the costs associated with certain risks to which we are exposed. We have previously experienced, and could again experience, changes in the insurance markets that result in significantly increased insurance costs and higher deductibles. For example, we are required to pay workers' compensation benefits for our temporary and permanent employees. Under our workers' compensation insurance program, we maintain "per occurrence" insurance, which covers claims for a particular event above a \$2.0 million deductible, and we do not maintain an aggregate stop-loss limit other than on a per-occurrence basis. While we have secured coverage with American International Group, Inc. (AIG) for occurrences during the period from July 2006 through June 2007, our insurance policies must be renewed annually, and we cannot guarantee that we will be able to successfully renew such policies for any period after June 2007. In the event we are not able to obtain workers' compensation insurance, or any of our other insurance coverages, on commercially reasonable terms, our ability to operate our business would be significantly impacted and our financial condition and results of operations could suffer.

We also maintain employment practice liability insurance (EPLI) for certain types of claims that may arise out of the course of employment. We currently maintain a policy with a \$1.0 million deductible for single-party claims and a \$2.5 million deductible for multiple-party claims with a maximum aggregate coverage of \$10.0 million per claim and per policy year which is applicable to the coverage period of July 2006 through June 2007. The EPLI market has historically experienced increased losses creating increases in insurance premiums, increases in deductible limits, and decreases in overall coverage. In the event we are unable to retain EPLI coverage on commercially reasonable terms, our financial condition and results of operations could suffer.

We expect that the amount of collateral that we are required to post to support our workers' compensation obligations will increase, which will reduce the capital we have available to grow and support our operations.

We are required to maintain commitments such as cash and cash-backed instruments, irrevocable letters of credit, and/or surety bonds to secure repayment to our insurance companies (or in some instances, the state) of the deductible portion of all open workers' compensation claims. We pledge cash or other assets in order to secure these commitments and there are a number of factors that cause the size of our collateral commitments to grow over time. First, as our business grows so does our workers' compensation reserve and the collateral needed to support it. Second, we sometimes face difficulties in recovering our collateral from insurers, particularly when those insurers are in financial distress, and we cannot guarantee that our collateral for past claims

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will be released in a timely manner as we pay down claims. As a result, we expect that the amount of collateral required to secure our commitments to our insurance carriers will continue to increase. We believe that our current sources of liquidity will satisfy our immediate needs for these obligations; however, our currently available sources of capital for these commitments are limited and we could be required to seek additional sources of capital in the future. These additional sources of financing may not be available on commercially reasonable terms. Even if they are available, these financings could result in dilution of earnings to our existing shareholders.

Our reserves for workers' compensation claims and other liabilities and our allowance for doubtful accounts may be inadequate, and we may incur additional charges if the actual amounts exceed the estimated amounts.

We maintain reserves for workers' compensation claims, including the excess claims portion above our deductible, using actuarial estimates of the future cost of claims and related expenses. These estimates are impacted by items that have been reported but not settled and items that have been incurred but not reported. This reserve, which reflects potential liabilities to be paid in future periods based on estimated payment patterns, is discounted to its estimated net present value using discount rates based on average returns of "risk-free" U.S. Treasury instruments with maturities comparable to the weighted average lives of our workers' compensation claims. We evaluate the reserve regularly throughout the year and make adjustments accordingly. If the actual costs of such claims and related expenses exceed the amounts estimated, or if the discount rates represent an inflated estimate of our return on capital over time, actual losses for these claims may exceed reserves and/or additional reserves may be required. We also establish an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. We have also established reserves for contingent legal and regulatory liabilities, based on management's estimates and judgments of the scope and likelihood of these liabilities. We believe our judgements and estimates are adequate; however if the actual outcome of these matters is less favorable than expected, an adjustment would be charged to expense in the period in which the outcome occurs or the period in which our estimate changes.

Two insurance companies with which we have previously done business are in liquidation, and one other has been relieved of its insurance obligations to us. If our insurers do not fulfill their obligations, we could experience significant losses.

Prior to our current policies with AIG, we purchased annual insurance policies in connection with our workers' compensation obligations from three primary carriers. Prior to 2001, Legion Insurance Company (Legion) and Reliance Insurance Company (Reliance) provided coverage to us. Legion and Reliance are in liquidation and have failed to pay a number of covered claims that exceed our deductible limits ("excess claims"). These excess claims have been presented to the state guaranty funds of the states in which the claims originated. Certain of these excess claims have been rejected by the state guaranty funds due to statutory eligibility limitations. As a result, we have concluded that recovery is unlikely on a portion of these excess claims. To the extent we experience additional claims that exceed our deductible limits and our insurers do not satisfy their coverage obligations, we may be forced to satisfy some or all of those claims directly; this in turn could harm our financial condition or results of operations.

Our workers' compensation reserves include not only estimated expenses for claims within our deductible layer but also estimated expenses related to claims in excess of the deductible. We record a receivable for the insurance coverage on excess claims. We have also recorded a valuation allowance against the insurance receivables from Legion and Reliance to reflect our best estimates of amounts we may not realize as a result of the liquidations of those insurers. The outcome of those liquidations is inherently uncertain; we may realize significantly less than currently estimated, in which case an adjustment would be charged to expense in the period in which the outcome occurs or the period in which our estimate changes.

Kemper Insurance Company (Kemper) provided coverage for occurrences commencing in 2001 through June 30, 2003. In December 2004, we executed a Novation agreement pursuant to which we relinquished insurance coverage and assumed all further liability for all claims originating in the Kemper policy years. These claims are reserved for in the consolidated financial statements. Although we believe our judgements and estimates are adequate, we cannot assure you that claims originating in the Kemper policy years will not experience unexpected adverse developments.

Our operations expose us to the risk of litigation which could lead to significant potential liability and costs that could harm our business, financial condition or results of operations.

We are in the business of employing people and placing them in the workplaces of other businesses. As a result, we are subject to a large number of federal and state laws and regulations relating to employment. This creates a risk of potential claims of discrimination and harassment, violations of health and safety and wage and hour laws, criminal activity, personal injury and other claims. We are also subject to other types of claims in the ordinary course of our business. Some or all of these claims may give rise to litigation, which could be time-consuming for our management team, costly and harmful to our business.

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In addition, we are exposed to class action litigation. The costs of defense and the risk of loss in connection with class action suits are greater than in single-party claims. Due to the costs of defending against such litigation, any judgments that may be awarded against us and the loss of significant management time devoted to such litigation, we cannot assure you that such litigation will not disrupt our business or impact our financial results.

With regard to employment claims, we currently maintain a policy with a \$1.0 million deductible for single-party claims and a \$2.5 million deductible for multiple-party claims with a maximum aggregate coverage of \$10.0 million per claim and per policy year which is applicable to the coverage period of July 2006 through June 2007. With regard to general liability claims, we currently maintain a policy with a \$1.0 million self-insured retention for all claims with a maximum coverage of \$500,000 per claim and a \$5.0 million aggregate per policy year which is applicable to the coverage period of July 2006 through June 2007.

We cannot assure you that our insurance will be sufficient in amount or scope to cover any of these types of liabilities or that we will be able to continue to secure insurance coverage for such liabilities on terms that we find commercially reasonable.

A significant portion of our revenue is derived from operations in a limited number of markets. Recessions in these markets have harmed and could continue to harm our operations.

A significant portion of our revenue is derived from our operations in a limited number of states. Total revenue generated from operations in California, Texas and Florida, accounted for 38% of our overall revenue in 2006 and approximately 35% of our overall revenue in 2005 and 2004.

Any significant economic downturn or increase in interest rates could result in our clients using fewer temporary employees, which could harm our business or cause the price of our securities to decline.

Because demand for personnel services and recruitment services is sensitive to changes in the level of economic activity, our business may suffer during economic downturns. As economic activity slows down, companies tend to reduce their use of temporary employees and recruitment services before undertaking layoffs of their permanent employees, resulting in decreased demand for our personnel. In addition, as a result of our acquisition of CLP Resources, an increasing portion of our revenue is generated from work in the construction industry, so downturns in the construction industry may have a disproportionate impact on us. As interest rates rise, the amount of construction could decline, which will cause a reduction in the demand for the use of temporary employees in the construction industry. As a result, any significant economic downturn or increase in interest rates could harm our business, financial condition or results of operations, or cause the price of our securities to decline.

Establishment and expansion of our international operations will burden our resources and may fail to generate a substantial increase in revenue.

Our international branch operations expose us to certain risks. If we are not able to effectively manage those risks, our financial results could be harmed. As of March 30, 2007, we had 82 branches outside the United States in the United Kingdom and Canada. Risks not already discussed in connection with our domestic branch operations include: fluctuations in the value of foreign currencies and the additional expense and risks inherent in operations in geographically and culturally diverse locations.

We are continually subject to the risk of new regulation, which could harm our business.

In recent years, a number of bills have been introduced in Congress and various state legislatures any one of which, if enacted, would impose conditions which could harm our business. This proposed legislation, much of which is backed by labor unions, has included provisions such as a requirement that our temporary employees receive the same pay and benefits as our customers' permanent employees, a requirement that we spend a certain portion of our revenues on employee health care, a prohibition on fees charged in connection with our CDMs and a requirement that our customers provide workers' compensation insurance for our temporary employees. We take a very active role and incur expense in opposing proposed legislation adverse to our business and in informing policy makers as to the social and economic benefits of our business. However, we cannot guarantee that any of this legislation will not be enacted, in which event demand for our service may suffer.

Organized labor has, in the past and could again in the future, been active in sponsoring legislation which could significantly increase our costs of doing business or decrease the value of our services to our customers, either of which could harm our results of operations.

The cost of compliance with government laws and regulations is significant and could harm our operating results.

We incur 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. We cannot assure you that we will be able to increase fees charged to our customers to offset increased costs relating to these laws and regulations. In addition, from time to time we are subject to audit by various state and governmental authorities to determine our compliance with a variety of these laws and regulations. We have in the past been

found, and may in the future be found, to have violated such laws or regulations. We may, from time to time, incur fines and other losses or negative publicity with respect to any such violation. If we incur additional costs to comply with these laws and regulations or as a result of fines or other losses and we are not able to increase the rates we charge our customers to fully cover any such increase, our margins and operating results may be harmed.

Our business depends extensively on recruiting and retaining qualified branch managers. If we are not able to attract a sufficient number of qualified branch managers, our future growth and financial performance may suffer.

We rely heavily on the performance and productivity of our branch managers, who manage the operation of the branches, including recruitment and daily dispatch of temporary employees, marketing and providing quality customer service. We have historically experienced a high degree of turnover among our branch managers. As a result, we must continue to recruit a sufficient number of managers to staff new branches and to replace managers lost through attrition or termination. Our future growth and financial performance depend on our 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.

Our credit facility requires that we meet certain levels of financial performance. In the event we fail either to meet these requirements or have them waived, we may be subject to penalties and we could be forced to seek additional financing.

We have an \$80.0 million credit agreement with certain unaffiliated financial institutions (the "Revolving Credit Facility") that expires in November 2008. The Revolving Credit Facility requires that we comply with certain financial covenants. Among other things, these covenants require us to maintain certain leverage and coverage ratios. In the past we have negotiated amendments to these covenants to ensure our continued compliance with their restrictions. We cannot assure you that our lender would consent to such amendments on commercially reasonable terms in the future if we once again required such relief. In the event that we do not comply with the covenants and the lender does not waive such non-compliance, we will be in default of our credit agreement, which could subject us to penalty rates of interest and accelerate the maturity of the outstanding balances. Accordingly, in the event of a default under our credit facility, we could be required to seek additional sources of capital to satisfy our liquidity needs. These additional sources of financing may not be available on commercially reasonable terms. Even if they are available, these financings could result in dilution to our existing shareholders.

Our acquisitions or acquisition efforts may not be successful, which may limit our growth or adversely affect our results of operations and financial condition.

As part of our business strategy, we have made acquisitions of other temporary staffing businesses and we may continue to pursue such acquisitions in the future. Unsuccessful acquisition efforts may result in significant additional expenses that would not otherwise be incurred. Following an acquisition, we cannot assure you that we will be able to integrate the operations of the acquired business without significant difficulties, including unanticipated costs, difficulty in retaining customers, failure to retain key employees and the diversion of management attention. In addition, we may not realize the revenues and cost savings that we expect to achieve or that would justify the acquisition investment, and we may incur costs in excess of what we anticipate. These circumstances could adversely affect our results of operations or financial condition.

We have significant working capital requirements.

We require significant working capital in order to operate our business. We may experience periods of negative cash flow from operations and investment activities, especially during seasonal peaks in revenue experienced in the second and third quarter of the year. We invest significant cash into the opening and operations of new branches until they begin to generate revenue sufficient to cover their operating costs. We also pay our temporary employees on a daily basis and bill our customers on a weekly basis, and, on average, collect monthly. As a result, we must maintain cash reserves to pay our temporary employees prior to receiving payment from our customers. In addition, we are required to pledge certain short-term assets to secure letters of credit and to pledge other assets to collateralize our workers' compensation obligations. These collateral requirements may increase in future periods, which would decrease amounts available for working capital purposes. As a result of these factors, if our available cash balances and borrowing base under our existing credit facility do not grow commensurate with the growth in our working capital requirements, we could be

required to explore alternative sources of financing to satisfy our liquidity needs, including the issuance of additional equity or debt securities. Any such issuances could result in dilution to existing shareholders.

Our information and computer processing systems are critical to the operations of our business and any failure could cause significant problems.

Our information technology systems, located at our headquarters, are essential for data exchange and operational communications with branches throughout the country. Any interruption, impairment or loss of data integrity or malfunction of these systems could severely hamper our business and could require that we commit significant additional capital and management resources to rectify the problem.

The loss of any of our key personnel could harm our business.

Our future financial performance will depend to a significant extent on our ability to motivate and retain key management personnel. Competition for qualified management personnel is intense and in the event we experience turnover in our key management positions, we cannot assure you that we will be able to recruit suitable replacements. We must also successfully assimilate new key management personnel into our organization to achieve our operating objectives. Even if we are successful, turnover in key management positions will temporarily harm our financial performance and results of operations until new management becomes familiar with our business. We do not maintain key person life insurance on any of our executive officers.

Our business would suffer if we could not attract enough temporary employees or skilled trade workers.

We compete with other temporary personnel companies to meet our customer needs and we must continually attract reliable temporary employees to fill positions. We have in the past experienced short-term worker shortages and we may continue to experience such shortages in the future. In addition, CLP Resources' business relies on the ability to attract skilled trade workers. If we are unable to find temporary employees or skilled trade workers to fulfill the needs of our customers over a long period of time, we could lose customers and our business could suffer.

Determinations that we have misclassified the jobs performed by our temporary employees for workers' compensation insurance purposes in our monopolistic states, even if the misclassifications are inadvertent, could result in us owing penalties to government regulators and/or having to record additional expense.

In four states (Washington, West Virginia, North Dakota, Wyoming), Canada and Puerto Rico, (our monopolistic states) we pay workers' compensation insurance premiums directly to the government in amounts based in part on the classification of jobs performed by our employees. From time to time, we are subject to audits by various state regulators regarding our classifications of jobs performed by our employees. If it is determined that we have materially misclassified a significant number of our employees, we could be required to pay significant amounts of additional premium as well as penalties and interest.

Labor unions have attempted to harm our business.

Various labor unions and activist groups have attempted to disrupt our business. For example, these groups have backed legislation designed to adversely impact our business, coordinated legal actions directed at our activities and engaged in a public relations campaign to discredit members of our management team and influence our customers. We cannot assure you that these activities will not harm our business or the price of our securities.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below includes repurchases of our common stock pursuant to publicly announced plans or programs and those not made pursuant to publicly announced plans or programs during the thirteen weeks ended March 30, 2007.

On January 31, 2007, we announced that our Board of Directors authorized the future purchase of our common stock in either open market or private transactions at a total cost of up to \$75.0 million. During the thirteen weeks ended March 30, 2007, we purchased \$76.7 million of our common stock, including commissions, \$13.1 million of which was under a previous repurchase authorization and \$63.6 million of which was under the January 31, 2007 authorization. As of March 30, 2007, we had \$11.4 million authorized for future purchases. As of April 12, 2007 we had completed the purchases of common stock remaining under the January 2007 authorization by purchasing an additional 0.6 million shares of our common stock for \$11.4 million. On April 18, 2007, we announced that our Board of Directors authorized additional repurchases of our common stock in either open market or private transactions at a total cost of up to \$100.0 million.

Period	Total number of shares purchased (1)	Weighted average price paid per share (2)	Total number of shares purchased as part of publicly announced plans for programs (1)	Maximum number of shares (or approximate dollar value) that may yet be purchased under plans or programs
12/30/06 through 1/26/07	26,299	\$ 18.51	—	\$ 13.1 million
1/27/07 through 2/23/07	1,708,082	\$ 19.05	1,707,476	\$ 55.5 million
2/24/07 through 3/30/07	2,381,095	\$ 18.58	2,372,935	\$ 11.4 million
Total	4,115,476	\$ 18.78	4,080,411	\$ 11.4 million

(1) During the thirteen weeks ended March 30, 2007, we purchased 35,065 shares in order to satisfy tax withholding obligations upon the vesting of restricted stock. These shares were not acquired pursuant to any repurchase plan or program.

(2) Weighted average price paid per share does not include any adjustments for commissions.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the thirteen weeks ended March 30, 2007.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits

- 10.1 First Amendment to the Executive Employment Agreement between Steven C. Cooper and Labor Ready, Inc., dated as of December 31, 2006
- 10.2 First Amendment to the Executive Employment Agreement between James E. Defebaugh and Labor Ready, Inc., dated as of December 31, 2006
- 10.3 Executive Employment Agreement between Noel Wheeler and Labor Ready, Inc., dated as of May 27, 2005, as amended by First Amendment to the Executive Employment Agreement between Noel Wheeler and Labor Ready, Inc., dated as of December 31, 2006
- 10.4 Executive Employment Agreement between Derrek L. Gafford and Labor Ready, Inc., dated as of December 31, 2006
- 10.5 Executive Employment Agreement between Chris D. Burger and Labor Ready, Inc., dated as of December 31, 2006
- 10.6 Executive Employment Agreement between Wayne W. Larkin and Labor Ready, Inc., dated as of December 31, 2006
- 10.7 Executive Employment Agreement between Richard L. Mercuri and Labor Ready, Inc., dated as of December 31, 2006
- 10.8 Form of Change In Control Agreement for executive officers
- 10.9 Form of Non-Competition Agreement for executive officers
- 10.10 Form of Indemnification Agreement for executive officers
- 31.1 Certification of Steven C. Cooper, Chief Executive Officer of Labor Ready, Inc., Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Derrek L. Gafford, Chief Financial Officer of Labor Ready, Inc., Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Steven C. Cooper, Chief Executive Officer of Labor Ready, Inc. and Derrek L. Gafford, Chief Financial Officer of Labor Ready, Inc., Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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.

<u>/s/ Steven C. Cooper</u>	<u>5/3/07</u>
Signature	Date
By: Steven C. Cooper, Director, Chief Executive Officer and President	
<u>/s/ Derrek L. Gafford</u>	<u>5/3/07</u>
Signature	Date
By: Derrek L. Gafford, Chief Financial Officer and Executive Vice President	

**FIRST AMENDMENT TO THE
EXECUTIVE EMPLOYMENT AGREEMENT
Between Steven C. Cooper and Labor Ready, Inc.**

WHEREAS, Steven C. Cooper ("Executive") and Labor Ready, Inc. ("Labor Ready" or "Company") entered into an Executive Employment Agreement effective as of May 17, 2006 ("Agreement"); and

WHEREAS, the Agreement superseded and replaced prior employment agreements between the Executive and Company dated January 9, 2001 ("2001 Employment Agreement") and March 23, 2005 ("2005 Employment Agreement"); and

WHEREAS, Executive and Company would like to amend the Agreement, the 2001 Employment Agreement and the 2005 Employment Agreement to conform them to the requirements of Section 409A of the Internal Revenue Code, as amended.

NOW, THEREFORE, effective May 17, 2006 for the Agreement, March 23, 2005 for the 2005 Employment Agreement, and January 1, 2005 for the 2001 Employment Agreement, the following paragraph is added to the end of such agreements to read as follows:

REQUIRED SIX-MONTH DELAY IN SEVERANCE PAYMENTS.

Notwithstanding anything in this Agreement to the contrary, if at the time of the Executive's termination of employment the Executive is considered a "specified employee" subject to the required six-month delay in benefit payments under Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended ("Code"), then any separation payments that would otherwise have been paid within the first six (6) months after the Executive's termination of employment shall instead be paid in a single lump sum on (or within 15 days after) the six-month anniversary of such termination of employment. Any remaining severance payments shall be made monthly after such six-month anniversary. For purposes of this Agreement, the Executive will be considered to have terminated employment when the Executive has incurred a "separation from service" for purposes of Code Section 409A(a)(2)(A)(i).

LABOR READY, INC.

EXECUTIVE

By: /s/ James E. Defebaugh

By: /s/ Steven C. Cooper

Name: James E. Defebaugh

Date Executed: December 31, 2006

Title: Executive Vice President and General Counsel

Date Executed: December 31, 2006



**FIRST AMENDMENT TO THE
EXECUTIVE EMPLOYMENT AGREEMENT
Between James E. Defebaugh and Labor Ready, Inc.**

WHEREAS, James E. Defebaugh ("Executive") and Labor Ready, Inc. ("Labor Ready" or "Company") entered into an Executive Employment Agreement effective as of September 12, 2005 ("Agreement"); and

WHEREAS, Executive and Company would like to amend the Agreement to conform it to the requirements of Section 409A of the Internal Revenue Code, as amended.

NOW, THEREFORE, effective September 12, 2005, Section II(A)(2)(b)(i) of the Agreement is amended in its entirety to read as follows:

(i) separation payments for twelve (12) months from the termination date at the base monthly salary in effect for Executive on the termination date, with the actual period of receipt of such payments being referred to as the "Severance Period", provided, however, that if at the time of the Executive's termination of employment the Executive is considered a "specified employee" subject to the required six-month delay in benefit payments under Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended ("Code"), then the separation payments that would otherwise have been paid within the first six (6) months after the Executive's termination of employment shall instead be paid in a single lump sum on (or within 15 days after) the six-month anniversary of such termination of employment. Payments for the remaining six (6) months shall be made monthly after such six-month anniversary. For purposes of this Agreement, the Executive will be considered to have terminated employment when the Executive has incurred a "separation from service" for purposes of Code Section 409A(a)(2)(A)(i); and

LABOR READY, INC.

EXECUTIVE

By: /s/ Steven C. Cooper

By: /s/ James E. Defebaugh

Name: Steven C. Cooper

Date Executed: December 31, 2006

Title: Chief Executive Officer and President

Date Executed: December 31, 2006



EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (this "Agreement") is between Noel Wheeler ("Executive") and Labor Ready Acquisition Sub II, Inc. (the "Company"), and is effective as of May 27, 2005.

RECITALS

A. Executive has served in a management or executive capacity with CLP Resources, Inc. ("Resources"), CLP Holdings Corp. ("Holdings"), and Contractors Labor Pool, Inc. (jointly referred to herein as "CLP") since September 1, 1999. In this capacity, Executive has served a key role on the executive team and has had company-wide management responsibility. Executive and CLP have entered into a contract dated September 1, 1999 ("CLP Employment Agreement").

B. The Company, Labor Ready, Inc. ("Labor Ready"), Holdings and others are negotiating an agreement (the "Merger Agreement") involving the merger of the Company with Holdings (the "Merger"). The entry into this Agreement by the Company and Executive is a condition of the closing of the Merger.

C. As a result of the Merger, the surviving corporation after the Merger will become a wholly-owned subsidiary of Labor Ready (Labor Ready and all of its subsidiaries, including the surviving corporation after the Merger, are collectively referred to herein as the "Labor Ready Group")

D. In Executive's employment with the Company, Executive is expected to have access to confidential and propriety information of the Labor Ready Group which is vital to the ability of the Labor Ready Group to compete in all of its locations.

E. Executive wishes to be employed by the Company and the Company wishes to employ Executive under the terms and conditions stated in this Agreement subject to the closing of the Merger, with the understanding that the employment of Executive is likely to be transferred to another member of the Labor Ready Group in accordance with the terms of this Agreement.

I. COMPENSATION AND POSITION.

A. **Employment.** In consideration of the covenants and promises contained herein and the promise of payment to Executive set forth in section LC, below, and other good and valuable consideration, the Company hereby agrees to employ Executive and Executive hereby agrees to be employed by the Company, upon the terms and conditions hereinafter set forth.

B. **Effective Date.** Executive's employment pursuant to this Agreement shall become effective (the "Effective Date") immediately upon closing of the Merger without further actions. If the Merger is not completed, this Agreement will be automatically terminated.

C. Position anti Compensation.

1. Executive's initial base salary under this Agreement shall be at the annual rate of \$250,000.

2. Subject to the approval of the Labor Ready Board of Directors, following the closing of the Merger and approval of the Labor Ready, Inc. 2005 Long-Term Equity Incentive Plan (the "Plan") by Labor Ready's shareholders, Executive will receive an option grant for 42,574 shares of the common stock of Labor Ready in accordance with and subject to the terms and conditions of the Plan.

3. Subject to the approval of the Labor Ready Board of Directors, following the closing of the Merger and approval of the Plan by Labor Ready's shareholders, Executive will receive a grant of 17,668 shares of restricted stock of Labor Ready in accordance with and subject to the terms and conditions of the Plan.

4. Bonuses.

(a) **Executive Bonus.** Executive shall be eligible to receive an Executive Bonus of up to 25% of Executive's then current salary, subject to eligibility requirements and terms described below. The amount of this Executive Bonus if any, will be determined by the President of Labor Ready within two weeks after the press release of the prior year's results ("Reconciliation Date"), and shall be paid (subject to taxes and withholdings) within seven days after the Reconciliation Date. The Executive Bonus shall be determined as follows:

(i) 12.5% of Executive's Adjusted Salary if the business units under Executive's management (CLP) reach the EBITDA target assigned by the President of Labor Ready "Adjusted Salary" means Executive's base salary adjusted by a multiplier determined by the President of Labor Ready. For 2005, the multiplier will range from 0.5 to 1.2. The full 12.5% can be earned for reaching the full EBITDA target. A prorated amount of the bonus will be earned for EBITDA levels between 90% and 125% of the EBITDA target, based on the following metrics:

Achievement	Bonus Award
125% of the EBITDA target	125% of the target bonus
100% of the EBITDA target	100% of the target bonus amount
90% of the EBITDA target	50% of the target bonus amount
Less than 90% of the EBITDA target	No bonus.

(ii) 12.5% of Executive's Adjusted Salary if the audited net after-tax profit of Labor Ready meets or exceed annual targets established by Labor Ready according to the Short-Term Incentive Plan set forth in the Proxy Statement for the Annual Meeting of Shareholders, dated Wednesday, May 18, 2005. "Adjusted Salary" means Executive's base salary adjusted by a multiplier determined by the President of Labor Ready. For 2005, the multiplier will range from 0.5 to 1.2. At least 25% of the payment must be made in restricted

stock. The full 12.5% can be earned for reaching the full growth target. A prorated amount of the bonus will be earned for growth levels between 50% and 125% of the growth target, based on the following metrics:

Achievement	Bonus Award
125% of the growth target	125% of the target bonus
100% of the growth target	100% of the target bonus amount

50% of the growth target	50% of the target bonus amount
Less than 50% of the growth target.	No bonus.

(b) **Transition Bonus.** For only the fiscal years for 2005 and 2006, Executive shall also be eligible for a Transition Bonus; as such plan may be amended from time to time, subject to requirements set forth below. Executive will have a 2005 and 2006 EBITDA target amount for the business units under Executive's management (CLP) as assigned by the President of Labor Ready.

The Transition Bonus shall be in the gross amount of \$100,000 if the EBITDA of the business units under Executive's management equals or exceeds such targets. A prorated amount of the bonus will be earned for reaching EBITDA levels between 90% and 125% of the EBITDA target, based on the following metrics:

Achievement	Bonus Award
125% of the EBITDA target	125% of the target bonus
100% of the EBITDA target	100% of the target bonus amount
90% of the EBITDA target	50% of the target bonus amount
Less than 90% of the EBITDA target	No bonus.

The amount of this Transition Bonus if any, will be determined by the President of Labor Ready upon the Reconciliation Date, as defined above, and shall be paid (subject to taxes and withholdings) within seven days after the Reconciliation Date.

(c) **Bonus Eligibility.** To be eligible for the Executive or the Transition Bonus, Employee must be employed by Company or Labor Ready on the Reconciliation Date for such bonus and must be in compliance with Employee's obligations under this Agreement. Notwithstanding the foregoing, if Company or Labor Ready terminates Employee's employment prior to such date for either year, if such termination is without Cause, as defined below, or if Executive terminates employment with Labor Ready or the Company for Good Reason and no Cause for termination exists, and if the targets and objectives are achieved, Executive will be paid a prorated amount of the Executive and Transition Bonus adjusted to reflect the number of days of Executive's actual employment in such fiscal year as compared to the number of days that Employee would have worked in such fiscal year had Employee been employed through the end of the year. Such payment would be made at the same times as if Executive had remained employed through the year end.

5. Executive's position will be President and CEO of the surviving corporation after the Merger. In this position, he will be required to (a) devote the necessary time, attention, skill and efforts to performance of his duties as President and CEO, including (i) oversight of the business units under Executive's management; (ii) formulating a succession plan; (iii) identifying and recruiting his successor; (iv) formulating a transition plan; and (b) perform such other duties as may be assigned by the Board of Directors in its discretion. Executive's performance of his obligations under subsections (a) (ii), (iii) and (iv) shall be in accordance with a process approved by the Board of Directors with the input of Executive.

D. Benefits.

1. Executive shall be entitled to all benefits offered generally to employees of the Company or such other entity that takes over the operations of Resources from the Company

2. Executive shall be entitled each year during the term of this Agreement to a vacation accrual of twenty-five (25) business days, no two of which need be consecutive, during which time his compensation shall be paid in full. Vacation benefits shall be subject to the standard policy of the Company regarding vacation or such other entity that takes over the operations of Resources from the Company.

II. TERMS AND CONDITIONS.

A. Employment At Will.

1. The Company and Executive agree that Executive's employment is not for any specific or minimum term, and that subject to Section II.A.2 of this Agreement, the continuation of Executive's employment is subject to the mutual consent of the Company and Executive, and that it is terminable at will, meaning that either the Company or Executive may terminate the employment at any time, for any reason or no reason, with or without cause, notice, pre-termination warning or discipline, or other pre- or post-termination procedures of any kind. Executive acknowledges and agrees that any prior representations to the contrary are void and superseded by this Agreement. Except as noted in Section VI.A, this Agreement expressly supersedes the CLP Employment Agreement and Executive agrees that Executive shall be entitled to no payments or other benefits under such Agreement, including payments or benefits related to a sale of Holdings or any of its subsidiaries as provided in the CLP Employment Agreement. Executive and the Company agree that Executive's employment may be transferred upon the unilateral decision of the Company to another entity within the Labor Ready Group at any time without advance notice and that such transfer of employment shall not constitute "termination" of employment for any purpose under this Agreement, including this Section II.A Executive may not rely on any future representations to the contrary of this section II.A. I, whether written or verbal, express or implied, by any statement, conduct, policy, handbook, guideline or practice of Labor Ready or its employees or agents. Nothing in this Agreement should be construed as creating any right, contract or guarantee of employment.

2. (a) In the event of termination of Executive's employment for any reason, Executive shall be paid unpaid wages and unused vacation earned through the termination date..

(b) If the Company terminates Executive's employment without Cause or Executive terminates employment with Good Reason as defined in this Agreement, in addition to the amounts described in Section II.A.2.a Executive shall be provided with the following as the sole remedy for such termination, subject to withholding:

(i) separation payments for twelve (12) months from the termination date at the base monthly salary in effect for Executive on the termination date, or if such termination occurs during the first two (2) years of Executive's employment under this Agreement, the difference between the number of full months of employment under this Agreement and 24 months, if such difference is longer than twelve (12) months, with the actual period of receipt of such payments being referred to as the "Severance Period"; and

(ii) continued vesting for a period of twelve (12) months past the Executive's employment termination date of any previously awarded Labor Ready stock options, restricted stock and other equity awards in compliance with the terms of the relevant plan or plans, and any applicable sub-plan or option agreement, provided that all vested awards shall be exercised prior to the end of such twelve-month period.

(c) To be entitled to the benefits set forth in Section II.A.2(b), Executive must (i) sign and deliver and not revoke a release in the form of Exhibit A to

this Agreement in accordance with its terms; and (ii) be in full compliance with all provisions of Section III and IV of this Agreement.

3. (a) For the purpose of this Agreement, "Cause," as used herein, means any of the following: (i) any material breach of this Agreement by Executive which, if curable, has not been cured within twenty (20) days after Executive has been given written notice of the need to curtail such breach, or which breach, if previously cured, recurs; (ii) unauthorized use or disclosure of Confidential Information, as defined in this Agreement; (iii) Executive's substantial and repeated failure to perform duties as reasonably directed by the Board of Directors of the Company; (iv) material failure of Executive to comply with rules, policies or procedures of the Company as they may be amended from time to time; (v) dishonesty, fraud or gross negligence related to the business; (vi) personal conduct that is materially detrimental to the business or that violates the letter or spirit of the Company's Code of Business Conduct and Ethics, in the good faith discretion of the Board; or (vii) conviction of or plea of *nolo contendere* to a felony.

(b) "Good Reason," as used herein, means (i) any material breach of this Agreement by the Company which, if curable, has not been cured within 20 days after the Company has been given written notice of the need to cure the breach, or which breach, if previously cured, recurs; (ii) assignment of Executive, without Executive's consent, to a position that is not President and CEO of the entity controlling the operations (as distinguished from administrative functions) formerly conducted by Holdings; (iii) if there is a change in location of Executive's primary place of work of more than 35 miles; or (iv) the material reduction of

Executive's responsibilities and authority below the level of responsibility and authority held by Labor Ready's Regional Vice President of Operations.

B. Arbitration. The Company and Executive agree that any claim arising out of or relating to this Agreement, or the breach of this Agreement, or Executive's application, employment, or termination of employment, shall be submitted to and resolved by binding arbitration under the Federal Arbitration Act. The Company and Executive agree that all claims shall be submitted to arbitration including, but not limited to, claims based on any alleged violation of Title VII or any other federal or state laws; claims of discrimination, harassment, retaliation, wrongful termination, compensation due or violation of civil rights; or any claim based in tort, contract, or equity. Any arbitration between the Company and Executive will be administered by the American Arbitration Association under its Employment Arbitration Rules then in effect. The award entered by the arbitrator will be based solely upon the law governing the claims and defenses pleaded, and will be final and binding in all respects. Judgment on the award may be entered in any court having jurisdiction. In any such arbitration, neither Executive nor Company shall be entitled to join or consolidate claims in arbitration or arbitrate any claim as a representative or member of a class. The Company agrees to pay for the arbitrator's fees where required by law. In any claim or jurisdiction where this agreement to arbitrate is not enforced, the Company and Executive waive any right either may have to bring or join a class action or representative action, and further waive any right either may have under statute or common law to a jury trial. The prevailing party in any arbitration shall be entitled to its reasonable attorneys' fees and costs.

C. Duty of Loyalty. Executive agrees during working hours to devote his full and undivided time, energy, knowledge, skill and ability to the Company's business, to the exclusions of all other business and sideline interests. Executive also agrees not to be employed elsewhere unless first authorized by the Company in writing, and the Company hereby approves Executive's current status as a member of the Board of Directors of American Civil Constructors, provided that no conflict of interest exists at any time during such membership. In no event will Executive allow other activities to interfere with Executive's duties to the Company. Executive agrees to faithfully and diligently perform all duties to the best of Executive's ability. Executive recognizes that the services to be rendered under this Agreement require certain training, skills and experience, and that this Agreement is entered into for the purpose of obtaining such service for the Company. Executive agrees to perform his duties in a careful, safe, loyal and prudent manner. Executive agrees to conduct himself in a way which will be a credit to Labor Ready's reputation and interests.

D. Reimbursement. If Executive ever possesses any Company funds (including without limitation cash and travel advances, overpayments made to Executive by the Company, amounts received by Executive due to the Company's error, unpaid credit or phone charges, excess sick or vacation pay, or any debt owed the Company for any reason, including misuse or misappropriation of Company assets), Executive will remit them to Labor Ready corporate headquarters in Tacoma, Washington promptly unless directed otherwise in writing. If Executive's employment ends, Executive will fully and accurately account to the Company for any Company funds and other property in Executive's possession. If Executive fails to do so, Executive hereby authorizes the Company (subject to any limitations under applicable law) to

make appropriate deductions for amounts agreed to be due and owing from any payment otherwise due Executive (including without limitation, Executive's paycheck, salary, bonus, commissions, expense reimbursements and benefits), in addition to all other remedies available to the Company.

E. Background Investigation. Executive agrees that at any time during employment the Company may, subject to any applicable legal requirements and reasonable grounds, investigate Executive's background for any relevant information on any subject which might have a bearing on job performance including, but not limited to, employment history, education, financial integrity and credit worthiness, and confirm that Executive has no criminal record during the last ten years. Executive shall sign any and all documents necessary for the Company to conduct such investigation. For this purpose, Executive specifically authorizes the Company to obtain any credit reports, background checks and other information which may be useful. Executive acknowledges and, except as may be limited by applicable law, agrees to abide at all times by the terms of Labor Ready's drug and alcohol policy. Executive understands that failure to comply with Labor Ready's policies, including its drug and alcohol policies may result in termination of employment. Labor Ready and Executive acknowledge that in his role as CEO, Executive's job duties may involve entertainment of customers and potential customers in the course of his regular responsibilities. Such entertainment may include drinking of alcohol during meals or other entertainment events, providing customers with alcohol as seasonal gifts, or otherwise possessing and consuming alcohol in moderation. So long as Executive does not drink to the point of inebriation, violate any motor vehicle laws relating to alcohol, or drink to the point of otherwise causing embarrassment to Labor Ready, Labor Ready agrees that such activities identified in this paragraph will not constitute a violation of the Labor Ready policies on alcohol consumption.

III. NON-COMPETITION AND NON-SOLICITATION.

A. Non-Disclosure of Confidential Information.

1. In connection with Executive's duties, Executive may have access to some or all of the Labor Ready Group's "Confidential Information," (including information which was formerly the confidential information of CLP prior to the closing of the Merger) which includes the following, whether recorded or mentally memorized: (i) the ideas, methods, techniques, formats, specifications, procedures, designs, strategies, systems, processes, data and software products which are unique to the Labor Ready Group; (ii) all of the Labor Ready Group's customers, marketing, pricing and financial information, including the names, addresses and any other information concerning any customer; (iii) the content of all of the Labor Ready Group's operations, sales and training manuals; (iv) all other information now in existence or later developed which is similar to the foregoing; and (v) all information which is marked as confidential or explained to be confidential or which, by its nature, is confidential

2. Executive recognizes the importance of protecting the confidentiality and secrecy of Confidential Information. Executive agrees to use his best efforts to protect Confidential Information from unauthorized disclosure to others. Executive understands that protecting Confidential Information from unauthorized disclosure is critically important to the Labor Ready

Group's success and competitive advantage, and that the unauthorized disclosure of Confidential Information would greatly damage the Labor Ready Group. Executive recognizes and agrees that taking and using a trade secret or Confidential Information by memory is no different from taking it on paper or in some other tangible form. Executive agrees that Executive will request clarification from Labor Ready's legal department if Executive is at all uncertain as to whether any information or materials are "Confidential Information,"

3. Executive agrees not to disclose any Confidential Information to others outside the Company or others inside the Company without a need to know such information, use any Confidential Information for Executive's own benefit or make copies of any Confidential Information without Labor Ready's written consent, whether during or after Executive's employment with the Company. Executive recognizes and agrees that he has the duty of care of a fiduciary in protecting the Labor Ready Group's Confidential Information. Executive also agrees to return all Confidential Information in his possession to Labor Ready at Labor Ready's headquarters in Tacoma, Washington, immediately upon Labor Ready's request.

4. If Executive's employment with any member of the Labor Ready Group is terminated, Executive agrees to immediately return to Labor Ready, at its headquarters in Tacoma Washington, all manuals, mailing lists, customer lists, supplies, equipment, checks, petty cash, and all other material and records of any kind concerning the Labor Ready Group's business, that Executive may possess, unless otherwise approved by Labor Ready.

B. Non-Competition.

1. During the term of this Agreement and for a period of two (2) years immediately following the termination of employment with any member of the Labor Ready Group with or without Cause or Good Reason, so long as Labor Ready continues to carry on substantially the same business, defined in this Agreement as Skilled Construction and Industrial Trades Staffing, Day Labor and Light Industrial Staffing, Executive will not, for any reason whatsoever, directly or indirectly, for Executive or on behalf of, or in conjunction with, any other person(s), company, partnership, corporation or business entity, engage in any of the following activities within the "Restricted Area" (as hereinafter defined): own, manage, operate, control, be employed by, participate in, invest in, engage 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 at the time of termination by any member of the Labor Ready Group (including the surviving corporation after the Merger), including, without limitation, the solicitation of business or customers located within the Restricted Area. For this purpose, the term "Restricted Area" means a twenty-five (25) mile radius around each branch of any member of the Labor Ready Group at the time of termination and any location where any member of the Labor Ready Group has placed workers during Executive's employment. This non-competition agreement is enforceable whether Executive's employment is terminated by any member of the Labor Ready Group or Executive. This non-competition agreement does not prevent Executive from involvement in any industries in which the Labor Ready Group is not involved, such as health care, IT, legal, accounting or executive placement, unless any member of the Labor Ready Group has entered into those fields prior to Executive's termination

2. Executive agrees that this covenant is necessary to protect the intellectual property and trade secrets of the Labor Ready Group in view of Executive's key role with the Labor Ready Group and the extent of confidential and proprietary information about the Labor Ready Group to which Executive has information. The Company and Executive agree that the provisions of this Section III.B do not impose an undue hardship on Executive and are not injurious to the public; that this provision is necessary to protect the business of the Labor Ready Group; that the nature of Executive's responsibilities with the Company under this Agreement and Executive's former responsibilities with CLP provide and/or have provided Executive with access to Confidential Information that is valuable and confidential to the Labor Ready Group; that the Company would not continue to employ Executive if Executive did not agree to the provisions of this Section III.B; that this Section III.B is reasonable in terms of length of time and geographic scope; and that sufficient consideration supports this Section III.B. In the event that a court or arbitrator determines that any provision of this Section III.B is unreasonably broad or extensive, including length of time or geographic scope, Executive agrees that such court or arbitrator should narrow such provision to the extent necessary to make it reasonable and enforce the provision as narrowed.

C. No Employee Solicitation. During the term of this Agreement and for a period of two (2) years immediately following the termination of employment, with or without Cause or Good Reason, so long as Labor Ready continues to carry on substantially the same business, Executive will not, for any reason whatsoever, directly or indirectly, for Executive or on behalf of, or in conjunction with, any other person(s), company, partnership, corporation or business entity, solicit, induce or otherwise influence, or attempt to solicit, induce or otherwise influence, in any manner any of the Labor Ready Group's employees to leave their employment with the Labor Ready Group for any reason, including for the purpose of becoming employed by Executive's new employer.

D. No Customer Solicitation. Executive understands and agrees that the methods employed in the Labor Ready Group's business will place Executive in a close business and personal relationship with Labor Ready Group customers. Thus, during the term of this Agreement and for a period of two (2) years immediately following the termination of employment with or without Cause or Good Reason, so long as the Labor Ready Group continues to carry on substantially the same business, Executive will not, for any reason whatsoever, directly or indirectly, for Executive or on behalf of, or in conjunction with, any other person(s), company, partnership, corporation or business entity, contact, call upon, solicit, service, influence or attempt to contact, call upon, solicit, service or influence any customers or potential customers (prospects) of any branch where Executive was stationed within one (1) year before termination of employment with any member of the Labor Ready Group, or with whom Executive had direct or indirect contact or for whom Executive had responsibility during Executive's tenure with any member of the Labor Ready Group or otherwise assisted the Labor Ready Group in providing services to.

E. General Provisions.

1. If Executive violates any of the covenants in this Section III, the time period covered by the covenants will automatically be extended by a length of time equal to the time period during which such violation occurred.

2. The covenants set forth above are independent of any other provision of this Agreement. Executive agrees that they will be enforceable whether or not Executive has any claim against the Company.

3. Executive acknowledges that if Executive violates any of the foregoing covenants, the damage to the Company will be such that the Company is not likely to be made whole with a monetary award. Therefore, Executive agrees that if Executive violates any such covenant, the Company will be entitled to a temporary restraining order, a preliminary injunction and/or a permanent injunction, in addition to any and all other legal or equitable remedies available under law and equity.

4. Executive represents and warrants that Executive has been in full compliance with the provisions protecting Company's Confidential Information as set forth in the CLP Employment Agreement.

5. For the purposes of this Section III, all references to Confidential Information or Confidential Information of the Labor Ready Group also apply to Confidential Information belonging to any affiliate of the Labor Ready Group. Executive's covenants in subsections (B), (C) and (D) of this Section III shall protect affiliates of the Labor Ready Group to the same extent that they protect any member of the Labor Ready Group, to the extent that he has Confidential Information belonging to such affiliates.

F. Other Employers and Obligations.

1. Executive represents to the Company that Executive is not subject to any restriction or duties under any agreement with any third party or otherwise which will be breached by employment with the Company or any member of the Labor Ready Group, or which will conflict with the best interests of any member of the Labor Ready Group or Executive's obligations under this Agreement.

2. Executive warrants that his employment with the Company will not violate any contractual obligations with other parties. Executive will not use during his employment with the Company nor disclose to any member of the Labor Ready Group any confidential or proprietary information or trade secrets from any former or current employers, principals, partners, co-venturers, customers or suppliers, and will not bring onto the premises of any member of the Labor Ready Group any unpublished document or any property belonging to any such person or entities without their consent. If employment with any member of the Labor Ready Group is terminated, Executive agrees to tell his new employer about this Agreement and its terms at the time of re-employment.

IV. ASSIGNMENT OF INVENTIONS.

A. Assignment. Executive will make prompt and full disclosure to the Company, will hold in trust for the sole benefit of the Company, and will assign exclusively to the Company all right, title and interest in and to any and all inventions, discoveries, designs, developments, improvements, copyrightable material and trade secrets (collectively herein "Inventions") that Executive solely or jointly may conceive, develop, author, reduce to practice or otherwise produce during his employment with any member of the Labor Ready Group.

B. Outside Inventions. Executive's obligation to assign shall not apply to any Invention about which Executive can prove all the following: (a) it was developed entirely on Executive's own time; (b) no equipment, supplies, facility, services or trade secret information of any member of the Labor Ready Group was used in its development; (c) it does not relate (i) directly to the business of any member of the Labor Ready Group or (ii) to the actual or demonstrably anticipated business, research or development of any member of the Labor Ready Group; and (d) it does not result from any work performed by Executive for the Labor Ready Group. Executive shall attach a list of all existing Inventions meeting these requirements to this Agreement

V. COMPLIANCE WITH LAWS AND CODE OF CONDUCT.

A. Commitment to Compliance. The Company is committed to providing equal employment opportunity for all persons regardless of race, color, gender, creed, religion, age, marital or family status, national origin, citizenship, mental or physical disabilities, veteran status, ancestry, citizenship, HIV or AIDS, sexual orientation, on-the-job-injuries, or the assertion of any other legally enforceable rights. Equal opportunity extends to all aspects of the employment relationship, including hiring, transfers, promotions, training, termination, working conditions, compensation, benefits, and other terms and conditions of employment. The Company is likewise committed to ensuring that employees are accurately paid for all hours worked.

B. Duty to Comply with the Law. Executive agrees to comply with all federal, state and local laws and regulations, including equal employment opportunity laws and wage and hour laws. Executive agrees to immediately notify the Chairman of the Board of the Company or his or her designee if Executive becomes aware of a violation of the law, or suspects a violation of the law has or will occur. Executive acknowledges that Executive may be held personally liable for intentional violations.

C. Duty to Comply with Labor Ready's Code of Business Conduct and Ethics. Executive acknowledges and agrees that it is his duty to be familiar with Labor Ready's Code of Business Conduct and Ethics, and to comply with all of its provisions.

VI. MISCELLANEOUS.

A. Integration. No promises or other communications made by either the Company or Executive are intended to be binding unless they are set forth in this Agreement. This

Agreement contains the entire agreement between the parties and replaces and supersedes any prior agreements, including the CLP Employment Agreement, except that all of Executive's obligations pertaining to the protection of CLP confidential information and intellectual property as addressed in the CLP Employment Agreement remain in full force and effect in addition to whatever obligations Executive has under this Agreement. Executive represents and agrees that other than as set forth under the Merger Agreement, he is not entitled to any CLP stock options or equity based grants of any type and no other agreements or arrangements exist to the contrary. Upon closing of the Merger, this Agreement will supersede any employment agreement between Executive and CLP. This Agreement may not be modified except by an instrument signed by the Chairman of the Board of the Company or of such other entity that takes over the operations of Resources from the Company. This Agreement will be binding upon Executive's heirs, executors, administrators and other legal representatives.

B. Choice of Law. The Company and Executive agree that this Agreement and all interpretations of the provisions of this Agreement will be governed by the laws of the State of Washington, without regard to choice of law principles.

C. No Waiver. If either party waives any condition or term of this Agreement, it is not waiving any other condition or term, nor is it waiving any rights with respect to any future violation of the same condition or term. If either party chooses to refrain from enforcing any condition or term, the Company does not intend to waive the right to do so. Sections II(B), II(E), III and IV of this Agreement are to remain in effect after termination of the remainder of this Agreement.

D. Severability. The provisions of this Agreement are intended to be severable from each other. No provision will be invalid because another provision is ruled invalid or unenforceable. If any provision in this Agreement is held to be unenforceable in any respect, such unenforceability shall not affect any other provision of this Agreement and shall be re-written to provide the maximum effect consistent with the intent of the provision.

E. Assignment. The Company reserves the right to assign this Agreement at any time to any member of the Labor Ready Group or to any successor in interest to the Company's business without notifying Executive in advance, and Executive hereby expressly consents to such assignment. Immediately upon completion of the Merger, this Agreement shall be an Agreement between Executive and the surviving corporation after the Merger. All terms and conditions of this Agreement will remain in effect with regard to the employing entity to which Executive has been transferred and/or to which this Agreement has been assigned. The parties expressly understand and agree that the Restrictive Covenants set forth at Sections III and IV shall remain in effect and shall expressly apply in favor of the Labor Ready Group regardless of any such transfer and/or assignment.

F. Venue. Where the parties have mutually waived their right to arbitration in writing or have not yet sought to enforce their right to compel arbitration, venue for any legal action in connection with this Agreement will be limited exclusively to the Washington State Superior Court for Pierce County, or the United States District Court for the Western District of Washington at Tacoma. The prevailing party shall be entitled to its reasonable attorneys' fees

and costs. Executive agrees to submit to the personal jurisdiction of the courts identified herein, and agrees to waive any objection to personal jurisdiction in these courts.

LABOR READY ACQUISITION SUB II, EXECUTIVE INC.

By: /s/ Steven C. Cooper

/s/ Noel Wheeler
Noel Wheeler

Name: Steven C. Cooper

Date: 5-26-05

Title: President

Date: May 27, 2005

**FIRST AMENDMENT TO THE
EXECUTIVE EMPLOYMENT AGREEMENT
Between Noel Wheeler and Labor Ready, Inc.**

WHEREAS, Noel Wheeler ("Executive") and Labor Ready, Inc. ("Labor Ready" or "Company") entered into an Executive Employment Agreement effective as of May 27, 2005 ("Agreement"); and

WHEREAS, Executive and Company would like to amend the Agreement to conform it to the requirements of Section 409A of the Internal Revenue Code, as amended.

NOW, THEREFORE, effective May 27, 2005, Section II.A.2(b)(i) of the Agreement is amended in its entirety to read as follows:

(i) separation payments for twelve (12) months from the termination date at the base monthly salary in effect for Executive on the termination date, or if such termination occurs during the first two (2) years of Executive's employment under this Agreement, the difference between the number of full months of employment under this Agreement and 24 months, if such difference is longer than twelve (12) months, with the actual period of receipt of such payments being referred to as the "Severance Period", provided, however, that if at the time of the Executive's termination of employment the Executive is considered a "specified employee" subject to the required six-month delay in benefit payments under Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended ("Code"), then the separation payments that would otherwise have been paid within the first six (6) months after the Executive's termination of employment shall instead be paid in a single lump sum on (or within 15 days after) the six-month anniversary of such termination of employment. The remaining severance payments shall be made monthly after such six-month anniversary. For purposes of this Agreement, the Executive will be considered to have terminated employment when the Executive has incurred a "separation from service" for purposes of Code Section 409A(a)(2)(A)(i); and

LABOR READY, INC.

EXECUTIVE

By: /s/ James E. Defebaugh

By: /s/ Noel Wheeler

Name: James E. Defebaugh

Date Executed: December 31, 2006

Title: Executive Vice President and General Counsel

Date Executed: December 31, 2006

EXECUTIVE EMPLOYMENT AGREEMENT

This Agreement is between Derrek L. Gafford ("Executive") and Labor Ready, Inc. or the Labor Ready, Inc. subsidiary employing Executive ("Labor Ready" or "Company"), and is effective as of December 31, 2006.

I. COMPENSATION AND POSITION.

A. *Employment.*

Executive has served in a management or executive capacity with Labor Ready, Inc. since February 25, 2002 and as of the date of this Agreement serves in the role of Executive Vice President, Chief Financial Officer. In this capacity, Executive has served a key role on the executive team and has had company-wide management responsibility, including responsibility for affiliates of Labor Ready. Executive wishes to continue employment with Labor Ready and Labor Ready wishes to continue to employ Executive Vice President, Chief Financial Officer under the terms and conditions stated in this Agreement. Additionally, Executive has had and is expected to continue to have access to confidential and propriety information of Labor Ready which is vital to the ability of Labor Ready and its affiliates to compete in all of its locations. Executive's entering into this Agreement is a condition of continued employment and continued access to such materials. Valuable consideration, including the mutual covenants and promises contained herein, including, without limit, the terms of Section II(A)(2), is provided to Executive to enter this Agreement, the sufficiency of which is expressly acknowledged.

B. *Effective Date.*

The terms and conditions of this Agreement shall become effective as of the date written above, provided that Executive has voluntarily accepted and executed Labor Ready's Non-Competition Agreement (provided herewith). Acceptance and execution of Labor Ready's Non-Competition Agreement is a condition of continued employment and is a condition precedent to the enforceability of this Agreement.

C. *Compensation.*

Executive's compensation, subject to the terms and conditions set forth in this Agreement, is as follows:

1. **Annual Base Salary.** Executive will receive a salary in the gross amount of \$250,000.00 per year. This position is a salaried position which is exempt under the Fair Labor Standards Act and relevant state law. This salary is in compensation for all work performed by Executive. Executive warrants and acknowledges that Executive is not entitled to "overtime" pay. Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as Company is required to withhold pursuant to any applicable law, regulation or ruling and other customary and usual deductions.

2. **Bonus.** Subject to the conditions set forth below, Executive will be eligible for a bonus, under and subject to the bonus plan in effect for executives for the relevant year ("Bonus Plan"). Executive must be employed by Labor Ready on date of payment and have met all of

the requirements of the Bonus Plan to receive the bonus. The Bonus Plan and all aspects of bonus compensation may be changed at the discretion of the Compensation Committee and/or the Board of Directors.

3. **Equity Awards.** Executive will be eligible for awards in accordance with any applicable equity plan approved by the Compensation Committee, provided that any equity awards shall be subject to the discretion of the Compensation Committee and/or the Board of Directors.

D. *Benefits.*

1. **General.** Executive shall be entitled to all benefits offered generally to executives of Company.

2. **Health & Welfare Benefits.** Executive and Executive's family may participate in benefits starting the first month after Executive's first 90 days of employment under this Agreement, subject to plan terms and conditions, including eligibility requirements.

3. **Vacation.** Executive shall be entitled each year during Executive's employment to vacation days, during which time Executive's compensation shall be paid in full, in accordance with policies in effect for executives to be established by the Company from time to time.

II. TERMS AND CONDITIONS.

A. *Employment at Will.*

1. Company and Executive agree that Executive's employment is not for any specific or minimum term or duration, and that subject to Section II(A)(2) of this Agreement, the continuation of Executive's employment is subject to the mutual consent of Company and Executive, and that it is terminable at will, meaning that either Company or Executive may terminate the employment at any time, for any reason or no reason, with or without cause, notice, pre-termination warning or discipline, or other pre- or post-termination procedures of any kind. Executive acknowledges and agrees that any prior representations to the contrary are void and superseded by this Agreement, and that Executive may not rely on any future representations to the contrary, whether written or verbal, express or implied, by any statement, conduct, policy, handbook, guideline or practice of Labor Ready or its employees or agents. Nothing in this Agreement creates any right, contract or guarantee of continued or a length of term period of employment or gives Executive the right to any particular level of compensation or benefits and nothing in this Agreement should be construed as such. The parties agree that any decision maker who is charged with reviewing disputes surrounding Executive's employment shall reject any legal theory, whether in law or in equity, that is claimed to alter at-will employment, unless such theory cannot be waived as a matter of law.

2. (a) In the event of termination of Executive's employment for any or no reason or with or without Cause, by either Company or Executive, or if Executive's employment ends due to the death or disability of Executive, Executive shall be paid unpaid wages and unused vacation earned through the termination date.

(b) Provided that Executive's employment does not end due to Executive's death or disability, if Labor Ready terminates Executive's employment without Cause as defined in this Agreement, or Executive terminates employment with Good Reason as defined in this Agreement, subject to the conditions set forth below, in addition to the amounts described in Sections II(A)(2)(a) and VI H. Executive shall be provided with the following as the sole remedy for such termination, subject to

withholding:

(i) separation payments for twelve (12) months from the termination date at the base monthly salary in effect for Executive on the termination date, with the actual period of receipt of such payments being referred to as the "Severance Period", provided, however, that if at the time of the Executive's termination of employment the Executive is considered a "specified employee" subject to the required six-month delay in benefit payments under Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended, then the separation payments that would otherwise have been paid within the first six (6) months after the Executive's termination of employment shall instead be paid in a single lump sum on (or within 15 days after) the six-month anniversary of such termination of employment. Payments for the remaining six (6) months shall be made monthly after such six-month anniversary; and

(ii) accelerated vesting in any previously awarded stock options, restricted stock and other equity awards as if Executive had worked for the Company for twelve (12) months after Executive's termination date, provided that any options or other equity awards that are not exercised within the time periods for exercise set forth in the applicable plan, sub-plan or grant agreement, shall expire in accordance with the terms of such plan, sub-plan or grant agreement, as this accelerated vesting will not extend or otherwise delay the time period for exercising an option or other equity award.

(c) As a condition precedent to being entitled to receive the benefits set forth in Section II(A)(2)(b), within twenty-one (21) days of Executive's termination, Executive must (i) sign and deliver and thereafter not revoke a release in the form of Exhibit A to this Agreement in accordance with its terms or a form otherwise acceptable to Company; (ii) be and remain in full compliance with all provisions of Section III and IV of this Agreement; and (iii) be and remain in full compliance with Labor Ready's Non-Competition Agreement and any other covenants with Company entered into by Executive. Company shall have no obligation to make any payments or provide any benefits to the Executive hereunder unless and until the effective date of the waiver and release agreement, as defined therein.

3. (a) For the purpose of this Agreement, "Cause," as used herein, means any of the following (alone or in combination):

(1) Executive is convicted of or takes a plea of nolo contendere to a crime involving dishonesty, fraud or moral turpitude;

(2) Executive has engaged in any of the following: (i) fraud, embezzlement, theft or other dishonest acts, (ii) unprofessional conduct, (iii) gross negligence related to the business or (iv) other conduct that is materially detrimental to the business as determined in the reasonable business judgment of Company;

(3) Executive materially violates a significant Company policy (as they may be amended from time to time), such as policies required by the Sarbanes-Oxley Act, Company's Drug Free Workplace Policy or Company's EEO policies, and does not cure such violation (if curable) within twenty (20) days after written notice from Company;

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(4) Executive willfully takes any action that materially damages the assets (including tangible and intangible assets, such as name or reputation) of Company;

(5) Executive fails to perform Executive's duties in good faith or Executive persistently fails to perform Executive's duties, and does not cure such failures within ten (10) days after written notice from Company or, if notice and cure have previously taken place regarding a similar failure to perform, if the circumstance recurs;

(6) Executive uses or discloses (or allows others to use or disclose) Confidential Information, as defined in this Agreement, without authorization; or

(7) Executive breaches this Agreement in any material respect and does not cure such breach (if curable) within twenty (20) days after written notice from Company or, if notice and cure have previously taken place regarding a similar breach, if a similar breach recurs.

(b) For the purpose of this Agreement, "Good Reason," as used herein, means:

(1) any material breach of this Agreement by Company which, if curable, has not been cured within twenty (20) days after Company has been given written notice of the need to cure the breach;

(2) a substantial reduction of responsibilities assigned to Executive, provided that Company fails to remedy such reduction within twenty (20) days after being provided written notice thereof from Executive that Executive objects to the same; or

(3) a reduction in Executive's base salary, other than as part of an across-the-board salary reduction generally imposed on executives of Company, provided that Company fails to remedy such reduction(s) within twenty (20) days after being provided written notice thereof from Executive that Executive objects to the same.

A termination of employment by the Executive for one of the reasons set forth in Section II. 3(b) (1) — (3) above will not constitute "Good Reason" unless, within the 60-day period immediately following the occurrence of such Good Reason event, Executive has given written notice to Company specifying in reasonable detail the event or events relied upon for such termination and Company has not remedied such event or events within twenty (20) days of the receipt of such notice.

B. Dispute Resolution; Arbitration; Exigent Relief.

Company and Executive agree that any claim arising out of or relating to this Agreement, or the breach of this Agreement, or Executive's application, employment, or termination of employment, shall be submitted to and resolved by binding arbitration under the Federal Arbitration Act. Company and Executive agree that all claims shall be submitted to arbitration including, but not limited to, claims based on any alleged violation of Title VII or any other federal or state laws; claims of discrimination, harassment, retaliation, wrongful termination, compensation due or violation of civil rights; or any claim based in tort, contract, or equity. Any arbitration between Company and Executive will be administered by the American Arbitration Association under its Employment Arbitration Rules then in effect. The award entered by the

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arbitrator will be based solely upon the law governing the claims and defenses pleaded, and will be final and binding in all respects. Judgment on the award may be entered in any court having jurisdiction. In any such arbitration, neither Executive nor Company shall be entitled to join or consolidate claims in arbitration or arbitrate any claim as a representative or member of a class. Company agrees to pay for the arbiter's fees where required by law. In any claim or jurisdiction where this agreement to arbitrate is not enforced, Company and Executive waive any right either may have to bring or join a class action or representative action, and further waive any right either may have under

statute or common law or any other legal doctrine to a jury trial.

Notwithstanding any other provisions of this Agreement regarding dispute resolution, including this Section II B, Executive agrees that Executive's violation or breach, or threatened violation or breach, of any provision of Section III of this Agreement ("Confidential Information") and/or Executive's violation or breach, or threatened violation or breach, of other provisions of this Agreement which otherwise place Company in peril that cannot be readily remedied by monetary damages, would cause Company irreparable harm which would not be adequately compensated by monetary damages and that a temporary and/or preliminary or permanent injunction may be granted by any court or courts having jurisdiction (subject to the venue provision of Section VI F.), restraining the Executive from violation or breach of the terms of this Agreement. The preceding sentence shall not be construed to limit Company from any other relief or damages to which it may be entitled as a result of the Executive's breach of any provision of this Agreement.

C. Duty of Loyalty.

Executive agrees to devote all time that is reasonably necessary to execute and complete Executive's duties to Company. During the time necessary to execute Executive's duties, Executive agrees to devote Executive's full and undivided time, energy, knowledge, skill and ability to Company's business, to the exclusions of all other business and sideline interests. Because of the agreement in the preceding sentence, during Executive's employment with Company, Executive also agrees not to be employed or provide any type of services, whether as an advisor, consultant, independent contractor or otherwise in any capacity elsewhere unless first authorized, in writing, by a proper representative of Company. In no event will Executive allow other activities to conflict or interfere with Executive's duties to Company. Executive agrees to faithfully and diligently perform all duties to the best of Executive's ability. Executive recognizes that the services to be rendered under this Agreement require certain training, skills and experience, and that this Agreement is entered into for the purpose of obtaining such service for Company. Upon request, Executive agrees to provide Company with any information which Executive possesses and which will be of benefit to Company. Executive agrees to perform Executive's duties in a careful, safe, loyal and prudent manner. Executive agrees to conduct him/herself in a way which will be a credit to Labor Ready's reputation and interests, and to otherwise fulfill all fiduciary and other duties Executive has to Company.

Executive represents and warrants that Executive has been in full compliance with all prior covenants Executive has entered into protecting Labor Ready's Confidential Information.

D. Reimbursement.

If Executive ever possesses or controls any Labor Ready funds (including without limitation cash and travel advances, overpayments made to Executive by Labor Ready, amounts received by Executive due to Labor Ready's error, unpaid credit or phone charges, excess sick or

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vacation pay, or any debt owed Labor Ready for any reason, including misuse or misappropriation of company assets), Executive will remit them to Labor Ready corporate headquarters in Tacoma, Washington daily for the entire period of Executive's possession or control of such Labor Ready funds unless directed otherwise in writing. At any time upon request, and at the time when Executive's employment ends for any reason, even without request, Executive shall fully and accurately account to Labor Ready for any Labor Ready funds and other property in Executive's possession or control. If Executive fails to do so, Executive hereby authorizes Company (subject to any limitations under applicable law) to make appropriate deductions from any payment otherwise due Executive (including without limitation, Executive's paycheck, salary, bonus, commissions, expense reimbursements and benefits), in addition to all other remedies available to Company.

E. Background Investigation and Review of Company Property.

1. Executive agrees that at any time during employment Company may, subject to any applicable legal requirements, investigate Executive's background for any relevant information on any subject which might have a bearing on job performance including, but not limited to, employment history, education, financial integrity and credit worthiness, and confirm that Executive has no criminal record during the last ten years. Executive shall sign any and all documents necessary for Company to conduct such investigation. For this purpose, Executive specifically authorizes Company to obtain any credit reports, background checks and other information which may be useful. Executive acknowledges and, except as may be limited by applicable law, agrees to abide at all times by the terms of Labor Ready's drug and alcohol policy. Executive understands that failure to comply with Labor Ready's policies, including its drug and alcohol policies, may result in termination of employment.

2. Executive acknowledges and agrees that unless otherwise expressly prohibited by law, Company has the complete right to review, inspect and monitor all Company property, including, without limitation, email, voicemail, and computer property of Company, and to review, inspect and monitor Executive's use of the internet or other computer related transmission of information, including, without limitation, the identity and use of USB and other computer related drives. Executive acknowledges that Executive has no expectation of privacy in Company's property, including, without limitation, email, voicemail, and computer property.

III. CONFIDENTIAL INFORMATION.

A. Non-Disclosure and Non-Use and other Protection of Confidential Information.

1. In connection with Executive's duties, Executive may have access to some or all of Labor Ready's "Confidential Information," whether original, duplicated, computerized, memorized, handwritten, or in any other form, and all information contained therein, including, without limitation: (a) the ideas, methods, techniques, formats, specifications, procedures, designs, strategies, systems, processes, data and software products which are unique to Labor Ready; (b) all of Labor Ready's business plans, present, future or potential customers or clients (including the names, addresses and any other information concerning any customer or client), marketing, marketing strategies, pricing and financial information, research, training, know-how, operations, processes, products, inventions, business practices, databases and information contained therein, its wage rates, margins, mark-ups, finances, banking, books, records, contracts, agreements, principals, vendors, suppliers, contractors, employees, applicants, Candidates, skill sets of applicants, skill sets of Candidates, marketing methods, costs, prices,

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price structures, methods for calculating and/or determining prices, contractual relationships, business relationships, compensation paid to employees and/or contractors, and/or other terms of employment, employee evaluations, and/or employee skill sets; (c) the content of all of Labor Ready's operations, sales and training manuals; (d) all other information now in existence or later developed which is similar to the foregoing; (e) all information which is marked as confidential or explained to be confidential or which, by its nature, is confidential or otherwise constitutes the intellectual property or proprietary information of Labor Ready; and/or (f) any of Labor Ready's "trade secrets". For the purposes of this Section III, all references to, and agreements regarding, Confidential Information or Confidential Information of Labor Ready also apply to Confidential Information belonging to any affiliate of Labor Ready, and to any confidential or proprietary information of third party clients that Labor Ready has an obligation to keep confidential. Executive's covenants in this Section III shall protect affiliates and clients of Labor Ready to the same extent that they protect Labor Ready. Confidential Information shall not include any portion of the foregoing which (i) is or becomes generally available to the public in any manner or form through no fault of Employee, or

(ii) is approved for Employee's disclosure or use by the express written consent of the Chief Executive Officer of Labor Ready, Inc.

2. Executive agrees and acknowledges that all Confidential Information is to be held in confidence and is the sole and exclusive property of Labor Ready and/or its affiliates or clients. Executive recognizes the importance of protecting the confidentiality and secrecy of Confidential Information. Executive agrees to use Executive's best efforts to protect Confidential Information from unauthorized disclosure to others. Executive understands that protecting Confidential Information from unauthorized disclosure is critically important to Labor Ready's success and competitive advantage, and that the unauthorized use or disclosure of Confidential Information would greatly damage Labor Ready. Executive recognizes and agrees that taking and using Confidential Information, including trade secrets, by memory is no different from taking it on paper or in some other tangible form, and that all of such conduct is prohibited. Executive agrees that, prior to use or disclosure, Executive will request clarification from Labor Ready's legal department if Executive is at all uncertain as to whether any information or materials are "Confidential Information."

3. During Executive's employment and in perpetuity after the termination of Executive's employment for any or no cause or reason, Executive agrees: (a) not to use (or allow others to wrongfully use) any Confidential Information for the benefit of any person (including, without limitation, Executive's benefit) or entity other than Labor Ready; and (b) not to, except as necessary or appropriate for Executive to perform Executive's job responsibilities, disclose (or allow others to wrongfully disclose) any Confidential Information to others or download or make copies of any Confidential Information without Company's written consent, or remove any such records from the offices of Labor Ready except for the sole purpose of conducting business on behalf of Labor Ready. If at any time Executive ever believes that any person has received or disclosed or intends to receive or disclose Confidential Information without Company's consent, Executive agrees to immediately notify Company.

4. At any time during Executive's employment upon Company's request, and at the end of Executive's employment with Company, even without Company's request, Executive covenants, agrees to, and shall immediately return to Labor Ready, at its headquarters in Tacoma, Washington, all Confidential Information as defined herein, and all other material and records of any kind concerning Labor Ready's business, and all other property of Company that Executive may possess or control.

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5. At all times, Executive agrees not to directly or indirectly take, possess, download, allow others to take or possess or download, provide to others, delete or destroy or allow others to delete or destroy, any of Labor Ready's Confidential Information or other property, other than in the normal course of business.

6. Executive agrees that these covenants are necessary to protect Company's Confidential Information, and Company's legitimate business interests (including, without limitation, the confidentiality of Labor Ready's business information and other legitimate interests), in view of Executive's key role with each branch of Company and its affiliates and the extent of confidential and proprietary information about the entire Company and its affiliates and clients to which Executive has information. Company and Executive agree that the provisions of this Section III do not impose an undue hardship on Executive and are not injurious to the public; that they are necessary to protect the business of Company and its affiliates and clients; that the nature of Executive's responsibilities with Company under this Agreement and Executive's former responsibilities with Company provide and/or have provided Executive with access to Confidential Information that is valuable and confidential to Company; that Company would not continue to employ Executive if Executive did not agree to the provisions of this Section III; that this Section III is reasonable in its terms and that sufficient consideration supports this Agreement, including, without limit, this Section III.

7. The covenants set forth above are independent of any other provision of this Agreement. Executive agrees that they will be enforceable whether or not Executive has any claim against Company. Executive and Company agree that this Agreement should be interpreted in the way that provides the maximum protection to Company's Confidential Information.

8. Executive acknowledges that if Executive violates any of the foregoing covenants, the damage to Company will be such that Company is not likely to be made whole with a monetary award. Therefore, Executive agrees that if Executive violates or threatens to violate any such covenant, Company will be entitled to a temporary restraining order, a preliminary injunction and/or a permanent injunction, in addition to any and all other legal or equitable remedies available under law and equity.

9. Executive represents and warrants that Executive has been in full compliance with the provisions protecting Labor Ready's Confidential Information as set forth in any previous agreement with the Company, as well as all other terms and conditions of any previous agreement with the Company.

B. Other Employers and Obligations.

1. Executive represents to Company that Executive is not subject to any restriction or duties under any agreement with any third party or otherwise which will be breached by employment with Company, or which will conflict with Company's best interests or Executive's obligations under this Agreement. Executive agrees to notify Executive's supervisor promptly in the event Executive or other employees is/are solicited for employment by any competitor of Labor Ready.

2. Executive warrants that Executive's employment with Company will not violate any contractual obligations with other parties. Executive will not use during Executive's employment with Company nor disclose to Company any confidential or proprietary information or trade secrets from any former or current employers, principals, partners, co-venturers,

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customers or suppliers, and will not bring onto Company's premises any unpublished document or any property belonging to any such person or entities without their consent. Executive will honor any non-disclosure, proprietary rights, or other contractual agreements with any other person or entity and has disclosed to Company any such agreements that may bear on employment with Company. Executive agrees to tell any prospective new employer about this Agreement and its terms.

IV. ASSIGNMENT OF INVENTIONS.

A. Inventions Assignment.

Executive will make prompt and full disclosure to Company, will hold in trust for the sole benefit of Company, and does assign exclusively to Company all right, title and interest in and to any and all inventions, discoveries, designs, developments, improvements, copyrightable material and trade secrets (collectively herein "Inventions") that Executive solely or jointly may conceive, develop, author, reduce to practice or otherwise produce during Executive's employment with Company.

B. Outside Inventions.

Executive's obligation to assign shall not apply to any Invention about which Executive can prove all the following: (a) it was developed entirely on Executive's own time; (b) no equipment, supplies, facility, services or trade secret information of Labor Ready was used in its development; (c) it does not relate (i) directly to the business of Labor Ready or its affiliates or (ii) to the actual or demonstrably anticipated business, research or development of Labor Ready or its affiliates; and (d) it does not result from any work performed by Executive for Labor Ready or its affiliates. Executive shall attach a list of all existing Inventions meeting these requirements to this Agreement.

V. COMPLIANCE WITH LAWS AND LABOR READY'S CODE OF CONDUCT AND CORPORATE GOVERNANCE GUIDELINES.

A. *Commitment to Compliance.*

Company is committed to providing equal employment opportunity for all persons regardless of race, color, gender, creed, religion, age, marital or family status, national origin, citizenship, mental or physical disabilities, veteran status, ancestry, citizenship, HIV or AIDS, sexual orientation, on-the-job-injuries, or the assertion of any other legally enforceable rights, or other protected status under applicable law. Equal opportunity extends to all aspects of the employment relationship, including hiring, transfers, promotions, training, termination, working conditions, compensation, benefits, and other terms and conditions of employment. Company is likewise committed to ensuring that employees are accurately paid for all hours worked.

B. *Duty to Comply with the Law.*

Executive agrees to and shall comply with all federal, state and local laws and regulations, including, without limit, equal employment opportunity laws and wage and hour laws. Executive agrees to and shall immediately notify Company if Executive becomes aware of a violation of

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the law, or suspects a violation of the law has or will occur. Executive acknowledges that Executive may be held personally liable for intentional violations.

C. *Duty to Comply with Labor Ready's Code of Conduct, and Corporate Governance Guidelines*

Executive acknowledges and agrees that it is Executive's duty to be familiar with Labor Ready's Code of Conduct and Labor Ready's Corporate Governance Guidelines, and to comply with all of their respective provisions.

VI. MISCELLANEOUS.

A. *Integration.*

Except with respect to Labor Ready's Non-Competition Agreement, and the Change in Control Agreement, (i) no promises or other communications made by either Company or Executive are intended to be, or are, binding unless they are set forth in this Agreement; and (ii) this Agreement contains the entire agreement between the parties and replaces and supersedes any prior agreements, including previous employment agreement(s). This Agreement may not be modified except by a written instrument signed by an appropriate officer of Company and by Executive. This Agreement will be binding upon Executive's heirs, executors, administrators and other legal representatives.

B. *Choice of Law.*

Company and Executive agree that this Agreement and all interpretations of the provisions of this Agreement will be governed by the laws of the State of Washington, without regard to choice of law principles.

C. *No Waiver.*

If Company waives any condition or term of this Agreement, Company is not waiving any other condition or term, nor is Company waiving any rights with respect to any future violation of the same condition or term. If Company chooses to refrain from enforcing any condition or term, Company does not intend to waive the right to do so.

D. *Severability.*

The provisions of this Agreement are intended to be severable from each other. No provision will be invalid because another provision is ruled invalid or unenforceable. If any provision in this Agreement is held to be unenforceable in any respect, such unenforceability shall not affect any other provision of this Agreement and shall be re-written to provide the maximum effect consistent with the intent of the provision.

E. *Assignment.*

Company reserves the right to assign this Agreement to its affiliates, an affiliated company or to any successor in interest to Company's business without notifying Executive, and Executive hereby consents to any such assignment. All terms and conditions of this Agreement will remain in effect following any such assignment.

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F. *Venue and Consent to Jurisdiction.*

Where the parties have mutually waived their right to arbitration in writing or have not yet sought to enforce their right to compel arbitration, or where a temporary and/or preliminary or permanent injunction may be necessary to protect the interests of Company, venue for any legal action in connection with this Agreement will be limited exclusively to the Washington State Superior Court for Pierce County, or the United States District Court for the Western District of Washington at Tacoma, or a proper superior court or United State District Court in the jurisdiction in which Executive last worked, or where Executive is engaged in violating the Agreement. Executive and Company agree that the choice of venue lies solely in the discretion of Company. Executive agrees to submit to the personal jurisdiction of the courts identified herein, and agrees to waive any objection to personal jurisdiction in these courts, including but not limited to any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

G. *Non-Disparagement.*

At all times during the Executive's employment with Company and following termination of that employment by either Executive or Company, Executive will not publicly disparage Company or its Subsidiaries or any of their respective directors, officers or employees. Executive will not be in breach of this provision by providing information as required by law or legal compulsion.

H. *Survival.*

Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections II A., B. and D., III, IV, and VI do and shall

survive any termination of the Executive's employment and/or the assignment of this Agreement by Company to any successor in interest or other assignee.

I. Section 409A of the Code.

To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code. This Agreement will be administered in a manner consistent with this intent, and any provision that would cause the Agreement to fail to satisfy Section 409A of the Code will have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by Company without the consent of the Executive).

J. Other.

The headings used in this Agreement are intended for convenience or reference only and will not in any manner amplify, limit, modify or otherwise be used in the construction or interpretation of any provision of this Agreement. References to Sections are to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

LABOR READY, INC.

By: /s/ James E. Defebaugh

Name: James E. Defebaugh

Title: Executive Vice President and General Counsel

/s/ Derrek L. Gafford

EXECUTIVE

By signing this Agreement, I accept and acknowledge that I will abide by the terms and conditions of this Agreement. I agree and understand that nothing in this Agreement shall confer any right with respect to continuation of employment by Company, nor shall it interfere in any way with my right or Company's right to terminate my employment at any time, with or without cause.

EXECUTIVE EMPLOYMENT AGREEMENT

This Agreement is between Christian D. Burger (“Executive”) and Labor Ready, Inc. or the Labor Ready, Inc. subsidiary employing Executive (“Labor Ready” or “Company”), and is effective as of December 31, 2006.

I. COMPENSATION AND POSITION.

A. Employment.

Executive has served in a management or executive capacity with Labor Ready, Inc. since August 18, 2003 and as of the date of this Agreement serves in the role of Senior Vice President, Operations. In this capacity, Executive has served a key role on the executive team and has had company-wide management responsibility, including responsibility for affiliates of Labor Ready. Executive wishes to continue employment with Labor Ready and Labor Ready wishes to continue to employ Executive as Senior Vice President, Operations under the terms and conditions stated in this Agreement. Additionally, Executive has had and is expected to continue to have access to confidential and proprietary information of Labor Ready which is vital to the ability of Labor Ready and its affiliates to compete in all of its locations. Executive’s entering into this Agreement is a condition of continued employment and continued access to such materials. Valuable consideration, including the mutual covenants and promises contained herein, including, without limit, the terms of Section II(A)(2), is provided to Executive to enter this Agreement, the sufficiency of which is expressly acknowledged.

B. Effective Date.

The terms and conditions of this Agreement shall become effective as of the date written above, provided that Executive has voluntarily accepted and executed Labor Ready’s Non-Competition Agreement (provided herewith). Acceptance and execution of Labor Ready’s Non-Competition Agreement is a condition of continued employment and is a condition precedent to the enforceability of this Agreement.

C. Compensation.

Executive’s compensation, subject to the terms and conditions set forth in this Agreement, is as follows:

1. **Annual Base Salary.** Executive will receive a salary in the gross amount of \$250,000.00 per year. This position is a salaried position which is exempt under the Fair Labor Standards Act and relevant state law. This salary is in compensation for all work performed by Executive. Executive warrants and acknowledges that Executive is not entitled to “overtime” pay. Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as Company is required to withhold pursuant to any applicable law, regulation or ruling and other customary and usual deductions.
2. **Bonus.** Subject to the conditions set forth below, Executive will be eligible for a bonus, under and subject to the bonus plan in effect for executives for the relevant year (“Bonus Plan”). Executive must be employed by Labor Ready on date of payment and have met all of

the requirements of the Bonus Plan to receive the bonus. The Bonus Plan and all aspects of bonus compensation may be changed at the discretion of the Compensation Committee and/or the Board of Directors.

3. **Equity Awards.** Executive will be eligible for awards in accordance with any applicable equity plan approved by the Compensation Committee, provided that any equity awards shall be subject to the discretion of the Compensation Committee and/or the Board of Directors.

D. Benefits.

1. **General.** Executive shall be entitled to all benefits offered generally to executives of Company.
2. **Health & Welfare Benefits.** Executive and Executive’s family may participate in benefits starting the first month after Executive’s first 90 days of employment under this Agreement, subject to plan terms and conditions, including eligibility requirements.
3. **Vacation.** Executive shall be entitled each year during Executive’s employment to vacation days, during which time Executive’s compensation shall be paid in full, in accordance with policies in effect for executives to be established by the Company from time to time.

II. TERMS AND CONDITIONS.

A. Employment at Will.

1. Company and Executive agree that Executive’s employment is not for any specific or minimum term or duration, and that subject to Section II(A)(2) of this Agreement, the continuation of Executive’s employment is subject to the mutual consent of Company and Executive, and that it is terminable at will, meaning that either Company or Executive may terminate the employment at any time, for any reason or no reason, with or without cause, notice, pre-termination warning or discipline, or other pre- or post-termination procedures of any kind. Executive acknowledges and agrees that any prior representations to the contrary are void and superseded by this Agreement, and that Executive may not rely on any future representations to the contrary, whether written or verbal, express or implied, by any statement, conduct, policy, handbook, guideline or practice of Labor Ready or its employees or agents. Nothing in this Agreement creates any right, contract or guarantee of continued or a length of term period of employment or gives Executive the right to any particular level of compensation or benefits and nothing in this Agreement should be construed as such. The parties agree that any decision maker who is charged with reviewing disputes surrounding Executive’s employment shall reject any legal theory, whether in law or in equity, that is claimed to alter at-will employment, unless such theory cannot be waived as a matter of law.

2. (a) In the event of termination of Executive’s employment for any or no reason or with or without Cause, by either Company or Executive, or if Executive’s employment ends due to the death or disability of Executive, Executive shall be paid unpaid wages and unused vacation earned through the termination date.

(b) Provided that Executive’s employment does not end due to Executive’s death or disability, if Labor Ready terminates Executive’s employment without Cause as defined in this Agreement, or Executive terminates employment with Good Reason as defined in this Agreement, subject to the conditions set forth below, in addition to the amounts described in Sections II(A)(2)(a) and VI H. Executive shall be provided with the following as the sole remedy for such termination, subject to withholding:

(i) separation payments for twelve (12) months from the termination date at the base monthly salary in effect for Executive on the termination date, with the actual period of receipt of such payments being referred to as the "Severance Period", provided, however, that if at the time of the Executive's termination of employment the Executive is considered a "specified employee" subject to the required six-month delay in benefit payments under Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended, then the separation payments that would otherwise have been paid within the first six (6) months after the Executive's termination of employment shall instead be paid in a single lump sum on (or within 15 days after) the six-month anniversary of such termination of employment. Payments for the remaining six (6) months shall be made monthly after such six-month anniversary; and

(ii) accelerated vesting in any previously awarded stock options, restricted stock and other equity awards as if Executive had worked for the Company for twelve (12) months after Executive's termination date, provided that any options or other equity awards that are not exercised within the time periods for exercise set forth in the applicable plan, sub-plan or grant agreement, shall expire in accordance with the terms of such plan, sub-plan or grant agreement, as this accelerated vesting will not extend or otherwise delay the time period for exercising an option or other equity award.

(c) As a condition precedent to being entitled to receive the benefits set forth in Section II(A)(2)(b), within twenty-one (21) days of Executive's termination, Executive must (i) sign and deliver and thereafter not revoke a release in the form of Exhibit A to this Agreement in accordance with its terms or a form otherwise acceptable to Company; (ii) be and remain in full compliance with all provisions of Section III and IV of this Agreement; and (iii) be and remain in full compliance with Labor Ready's Non-Competition Agreement and any other covenants with Company entered into by Executive. Company shall have no obligation to make any payments or provide any benefits to the Executive hereunder unless and until the effective date of the waiver and release agreement, as defined therein.

3. (a) For the purpose of this Agreement, "Cause," as used herein, means any of the following (alone or in combination):

(1) Executive is convicted of or takes a plea of nolo contendere to a crime involving dishonesty, fraud or moral turpitude;

(2) Executive has engaged in any of the following: (i) fraud, embezzlement, theft or other dishonest acts, (ii) unprofessional conduct, (iii) gross negligence related to the business or (iv) other conduct that is materially detrimental to the business as determined in the reasonable business judgment of Company;

(3) Executive materially violates a significant Company policy (as they may be amended from time to time), such as policies required by the Sarbanes-Oxley Act, Company's Drug Free Workplace Policy or Company's EEO policies, and does not cure such violation (if curable) within twenty (20) days after written notice from Company;

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(4) Executive willfully takes any action that materially damages the assets (including tangible and intangible assets, such as name or reputation) of Company;

(5) Executive fails to perform Executive's duties in good faith or Executive persistently fails to perform Executive's duties, and does not cure such failures within ten (10) days after written notice from Company or, if notice and cure have previously taken place regarding a similar failure to perform, if the circumstance recurs;

(6) Executive uses or discloses (or allows others to use or disclose) Confidential Information, as defined in this Agreement, without authorization; or

(7) Executive breaches this Agreement in any material respect and does not cure such breach (if curable) within twenty (20) days after written notice from Company or, if notice and cure have previously taken place regarding a similar breach, if a similar breach recurs.

(b) For the purpose of this Agreement, "Good Reason," as used herein, means:

(1) any material breach of this Agreement by Company which, if curable, has not been cured within twenty (20) days after Company has been given written notice of the need to cure the breach;

(2) a substantial reduction of responsibilities assigned to Executive, provided that Company fails to remedy such reduction within twenty (20) days after being provided written notice thereof from Executive that Executive objects to the same; or

(3) a reduction in Executive's base salary, other than as part of an across-the-board salary reduction generally imposed on executives of Company, provided that Company fails to remedy such reduction(s) within twenty (20) days after being provided written notice thereof from Executive that Executive objects to the same.

A termination of employment by the Executive for one of the reasons set forth in Section II. 3(b) (1) — (3) above will not constitute "Good Reason" unless, within the 60-day period immediately following the occurrence of such Good Reason event, Executive has given written notice to Company specifying in reasonable detail the event or events relied upon for such termination and Company has not remedied such event or events within twenty (20) days of the receipt of such notice.

B. Dispute Resolution; Arbitration; Exigent Relief.

Company and Executive agree that any claim arising out of or relating to this Agreement, or the breach of this Agreement, or Executive's application, employment, or termination of employment, shall be submitted to and resolved by binding arbitration under the Federal Arbitration Act. Company and Executive agree that all claims shall be submitted to arbitration including, but not limited to, claims based on any alleged violation of Title VII or any other federal or state laws; claims of discrimination, harassment, retaliation, wrongful termination, compensation due or violation of civil rights; or any claim based in tort, contract, or equity. Any arbitration between Company and Executive will be administered by the American Arbitration Association under its Employment Arbitration Rules then in effect. The award entered by the

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arbitrator will be based solely upon the law governing the claims and defenses pleaded, and will be final and binding in all respects. Judgment on the award may be entered in any court having jurisdiction. In any such arbitration, neither Executive nor Company shall be entitled to join or consolidate claims in arbitration or arbitrate any claim as a representative or member of a class. Company agrees to pay for the arbitrator's fees where required by law. In any claim or jurisdiction where this agreement to arbitrate is not enforced, Company and Executive waive any right either may have to bring or join a class action or representative action, and further waive any right either may have under statute or common law or any other legal doctrine to a jury trial.

Notwithstanding any other provisions of this Agreement regarding dispute resolution, including this Section II B, Executive agrees that Executive's violation or breach, or threatened violation or breach, of any provision of Section III of this Agreement ("Confidential Information") and/or Executive's violation or breach, or threatened violation or breach, of other provisions of this Agreement which otherwise place Company in peril that cannot be readily remedied by monetary damages, would cause Company irreparable harm which would not be adequately compensated by monetary damages and that a temporary and/or preliminary or permanent injunction may be granted by any court or courts having jurisdiction (subject to the venue provision of Section VI F.), restraining the Executive from violation or breach of the terms of this Agreement. The preceding sentence shall not be construed to limit Company from any other relief or damages to which it may be entitled as a result of the Executive's breach of any provision of this Agreement.

C. Duty of Loyalty.

Executive agrees to devote all time that is reasonably necessary to execute and complete Executive's duties to Company. During the time necessary to execute Executive's duties, Executive agrees to devote Executive's full and undivided time, energy, knowledge, skill and ability to Company's business, to the exclusions of all other business and sideline interests. Because of the agreement in the preceding sentence, during Executive's employment with Company, Executive also agrees not to be employed or provide any type of services, whether as an advisor, consultant, independent contractor or otherwise in any capacity elsewhere unless first authorized, in writing, by a proper representative of Company. In no event will Executive allow other activities to conflict or interfere with Executive's duties to Company. Executive agrees to faithfully and diligently perform all duties to the best of Executive's ability. Executive recognizes that the services to be rendered under this Agreement require certain training, skills and experience, and that this Agreement is entered into for the purpose of obtaining such service for Company. Upon request, Executive agrees to provide Company with any information which Executive possesses and which will be of benefit to Company. Executive agrees to perform Executive's duties in a careful, safe, loyal and prudent manner. Executive agrees to conduct him/herself in a way which will be a credit to Labor Ready's reputation and interests, and to otherwise fulfill all fiduciary and other duties Executive has to Company.

Executive represents and warrants that Executive has been in full compliance with all prior covenants Executive has entered into protecting Labor Ready's Confidential Information.

D. Reimbursement.

If Executive ever possesses or controls any Labor Ready funds (including without limitation cash and travel advances, overpayments made to Executive by Labor Ready, amounts received by Executive due to Labor Ready's error, unpaid credit or phone charges, excess sick or

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vacation pay, or any debt owed Labor Ready for any reason, including misuse or misappropriation of company assets), Executive will remit them to Labor Ready corporate headquarters in Tacoma, Washington daily for the entire period of Executive's possession or control of such Labor Ready funds unless directed otherwise in writing. At any time upon request, and at the time when Executive's employment ends for any reason, even without request, Executive shall fully and accurately account to Labor Ready for any Labor Ready funds and other property in Executive's possession or control. If Executive fails to do so, Executive hereby authorizes Company (subject to any limitations under applicable law) to make appropriate deductions from any payment otherwise due Executive (including without limitation, Executive's paycheck, salary, bonus, commissions, expense reimbursements and benefits), in addition to all other remedies available to Company.

E. Background Investigation and Review of Company Property.

1. Executive agrees that at any time during employment Company may, subject to any applicable legal requirements, investigate Executive's background for any relevant information on any subject which might have a bearing on job performance including, but not limited to, employment history, education, financial integrity and credit worthiness, and confirm that Executive has no criminal record during the last ten years. Executive shall sign any and all documents necessary for Company to conduct such investigation. For this purpose, Executive specifically authorizes Company to obtain any credit reports, background checks and other information which may be useful. Executive acknowledges and, except as may be limited by applicable law, agrees to abide at all times by the terms of Labor Ready's drug and alcohol policy. Executive understands that failure to comply with Labor Ready's policies, including its drug and alcohol policies, may result in termination of employment.

2. Executive acknowledges and agrees that unless otherwise expressly prohibited by law, Company has the complete right to review, inspect and monitor all Company property, including, without limitation, email, voicemail, and computer property of Company, and to review, inspect and monitor Executive's use of the internet or other computer related transmission of information, including, without limitation, the identity and use of USB and other computer related drives. Executive acknowledges that Executive has no expectation of privacy in Company's property, including, without limitation, email, voicemail, and computer property.

III. CONFIDENTIAL INFORMATION.

A. Non-Disclosure and Non-Use and other Protection of Confidential Information.

1. In connection with Executive's duties, Executive may have access to some or all of Labor Ready's "Confidential Information," whether original, duplicated, computerized, memorized, handwritten, or in any other form, and all information contained therein, including, without limitation: (a) the ideas, methods, techniques, formats, specifications, procedures, designs, strategies, systems, processes, data and software products which are unique to Labor Ready; (b) all of Labor Ready's business plans, present, future or potential customers or clients (including the names, addresses and any other information concerning any customer or client), marketing, marketing strategies, pricing and financial information, research, training, know-how, operations, processes, products, inventions, business practices, databases and information contained therein, its wage rates, margins, mark-ups, finances, banking, books, records, contracts, agreements, principals, vendors, suppliers, contractors, employees, applicants, Candidates, skill sets of applicants, skill sets of Candidates, marketing methods, costs, prices,

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price structures, methods for calculating and/or determining prices, contractual relationships, business relationships, compensation paid to employees and/or contractors, and/or other terms of employment, employee evaluations, and/or employee skill sets; (c) the content of all of Labor Ready's operations, sales and training manuals; (d) all other information now in existence or later developed which is similar to the foregoing; (e) all information which is marked as confidential or explained to be confidential or which, by its nature, is confidential or otherwise constitutes the intellectual property or proprietary information of Labor Ready; and/or (f) any of Labor Ready's "trade secrets". For the purposes of this Section III, all references to, and agreements regarding, Confidential Information or Confidential Information of Labor Ready also apply to Confidential Information belonging to any affiliate of Labor Ready, and to any confidential or proprietary information of third party clients that Labor Ready has an obligation to keep confidential. Executive's covenants in this Section III shall protect affiliates and clients of Labor Ready to the same extent that they protect Labor Ready. Confidential Information shall not include any portion of the foregoing which (i) is or becomes generally available to the public in any manner or form through no fault of Employee, or (ii) is approved for Employee's disclosure or use by the express written consent of the Chief Executive Officer of Labor Ready, Inc.

2. Executive agrees and acknowledges that all Confidential Information to be held in confidence and is the sole and exclusive property of Labor Ready and/or its affiliates or clients. Executive recognizes the importance of protecting the confidentiality and secrecy of Confidential Information. Executive agrees to use Executive's best efforts to protect Confidential Information from unauthorized disclosure to others. Executive understands that protecting Confidential Information from unauthorized disclosure is critically important to Labor Ready's success and competitive advantage, and that the unauthorized use or disclosure of Confidential Information would greatly damage Labor Ready. Executive recognizes and agrees that taking and using Confidential Information, including trade secrets, by memory is no different from taking it on paper or in some other tangible form, and that all of such conduct is prohibited. Executive agrees that, prior to use or disclosure, Executive will request clarification from Labor Ready's legal department if Executive is at all uncertain as to whether any information or materials are "Confidential Information."

3. During Executive's employment and in perpetuity after the termination of Executive's employment for any or no cause or reason, Executive agrees: (a) not to use (or allow others to wrongfully use) any Confidential Information for the benefit of any person (including, without limitation, Executive's benefit) or entity other than Labor Ready; and (b) not to, except as necessary or appropriate for Executive to perform Executive's job responsibilities, disclose (or allow others to wrongfully disclose) any Confidential Information to others or download or make copies of any Confidential Information without Company's written consent, or remove any such records from the offices of Labor Ready except for the sole purpose of conducting business on behalf of Labor Ready. If at any time Executive ever believes that any person has received or disclosed or intends to receive or disclose Confidential Information without Company's consent, Executive agrees to immediately notify Company.

4. At any time during Executive's employment upon Company's request, and at the end of Executive's employment with Company, even without Company's request, Executive covenants, agrees to, and shall immediately return to Labor Ready, at its headquarters in Tacoma, Washington, all Confidential Information as defined herein, and all other material and records of any kind concerning Labor Ready's business, and all other property of Company that Executive may possess or control.

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5. At all times, Executive agrees not to directly or indirectly take, possess, download, allow others to take or possess or download, provide to others, delete or destroy or allow others to delete or destroy, any of Labor Ready's Confidential Information or other property, other than in the normal course of business.

6. Executive agrees that these covenants are necessary to protect Company's Confidential Information, and Company's legitimate business interests (including, without limitation, the confidentiality of Labor Ready's business information and other legitimate interests), in view of Executive's key role with each branch of Company and its affiliates and the extent of confidential and proprietary information about the entire Company and its affiliates and clients to which Executive has information. Company and Executive agree that the provisions of this Section III do not impose an undue hardship on Executive and are not injurious to the public; that they are necessary to protect the business of Company and its affiliates and clients; that the nature of Executive's responsibilities with Company under this Agreement and Executive's former responsibilities with Company provide and/or have provided Executive with access to Confidential Information that is valuable and confidential to Company; that Company would not continue to employ Executive if Executive did not agree to the provisions of this Section III; that this Section III is reasonable in its terms and that sufficient consideration supports this Agreement, including, without limit, this Section III.

7. The covenants set forth above are independent of any other provision of this Agreement. Executive agrees that they will be enforceable whether or not Executive has any claim against Company. Executive and Company agree that this Agreement should be interpreted in the way that provides the maximum protection to Company's Confidential Information.

8. Executive acknowledges that if Executive violates any of the foregoing covenants, the damage to Company will be such that Company is not likely to be made whole with a monetary award. Therefore, Executive agrees that if Executive violates or threatens to violate any such covenant, Company will be entitled to a temporary restraining order, a preliminary injunction and/or a permanent injunction, in addition to any and all other legal or equitable remedies available under law and equity.

9. Executive represents and warrants that Executive has been in full compliance with the provisions protecting Labor Ready's Confidential Information as set forth in any previous agreement with the Company, as well as all other terms and conditions of any previous agreement with the Company.

B. Other Employers and Obligations.

1. Executive represents to Company that Executive is not subject to any restriction or duties under any agreement with any third party or otherwise which will be breached by employment with Company, or which will conflict with Company's best interests or Executive's obligations under this Agreement. Executive agrees to notify Executive's supervisor promptly in the event Executive or other employees is/are solicited for employment by any competitor of Labor Ready.

2. Executive warrants that Executive's employment with Company will not violate any contractual obligations with other parties. Executive will not use during Executive's employment with Company nor disclose to Company any confidential or proprietary information or trade secrets from any former or current employers, principals, partners, co-venturers,

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customers or suppliers, and will not bring onto Company's premises any unpublished document or any property belonging to any such person or entities without their consent. Executive will honor any non-disclosure, proprietary rights, or other contractual agreements with any other person or entity and has disclosed to Company any such agreements that may bear on employment with Company. Executive agrees to tell any prospective new employer about this Agreement and its terms.

IV. ASSIGNMENT OF INVENTIONS.

A. Inventions Assignment.

Executive will make prompt and full disclosure to Company, will hold in trust for the sole benefit of Company, and does assign exclusively to Company all right, title and interest in and to any and all inventions, discoveries, designs, developments, improvements, copyrightable material and trade secrets (collectively herein "Inventions") that Executive solely or jointly may conceive, develop, author, reduce to practice or otherwise produce during Executive's employment with Company.

B. Outside Inventions.

Executive's obligation to assign shall not apply to any Invention about which Executive can prove all the following: (a) it was developed entirely on Executive's own time; (b) no equipment, supplies, facility, services or trade secret information of Labor Ready was used in its development; (c) it does not relate (i) directly to the business of Labor Ready or its affiliates or (ii) to the actual or demonstrably anticipated business, research or development of Labor Ready or its affiliates; and (d) it does not result from any work performed by Executive for Labor Ready or its affiliates. Executive shall attach a list of all existing Inventions meeting these requirements to this Agreement.

V. COMPLIANCE WITH LAWS AND LABOR READY'S CODE OF CONDUCT AND CORPORATE GOVERNANCE GUIDELINES.

A. Commitment to Compliance.

Company is committed to providing equal employment opportunity for all persons regardless of race, color, gender, creed, religion, age, marital or family status, national origin, citizenship, mental or physical disabilities, veteran status, ancestry, citizenship, HIV or AIDS, sexual orientation, on-the-job-injuries, or the assertion of any other legally enforceable rights, or other protected status under applicable law. Equal opportunity extends to all aspects of the employment relationship, including hiring, transfers, promotions, training, termination, working conditions, compensation, benefits, and other terms and conditions of employment. Company is likewise committed to ensuring that employees are accurately paid for all hours worked.

B. Duty to Comply with the Law.

Executive agrees to and shall comply with all federal, state and local laws and regulations, including, without limit, equal employment opportunity laws and wage and hour laws. Executive agrees to and shall immediately notify Company if Executive becomes aware of a violation of

the law, or suspects a violation of the law has or will occur. Executive acknowledges that Executive may be held personally liable for intentional violations.

C. Duty to Comply with Labor Ready's Code of Conduct, and Corporate Governance Guidelines

Executive acknowledges and agrees that it is Executive's duty to be familiar with Labor Ready's Code of Conduct and Labor Ready's Corporate Governance Guidelines, and to comply with all of their respective provisions.

VI. MISCELLANEOUS.

A. Integration.

Except with respect to Labor Ready's Non-Competition Agreement, and the Change in Control Agreement, (i) no promises or other communications made by either Company or Executive are intended to be, or are, binding unless they are set forth in this Agreement; and (ii) this Agreement contains the entire agreement between the parties and replaces and supersedes any prior agreements, including previous employment agreement(s). This Agreement may not be modified except by a written instrument signed by an appropriate officer of Company and by Executive. This Agreement will be binding upon Executive's heirs, executors, administrators and other legal representatives.

B. Choice of Law.

Company and Executive agree that this Agreement and all interpretations of the provisions of this Agreement will be governed by the laws of the State of Washington, without regard to choice of law principles.

C. No Waiver.

If Company waives any condition or term of this Agreement, Company is not waiving any other condition or term, nor is Company waiving any rights with respect to any future violation of the same condition or term. If Company chooses to refrain from enforcing any condition or term, Company does not intend to waive the right to do so.

D. Severability.

The provisions of this Agreement are intended to be severable from each other. No provision will be invalid because another provision is ruled invalid or unenforceable. If any provision in this Agreement is held to be unenforceable in any respect, such unenforceability shall not affect any other provision of this Agreement and shall be re-written to provide the maximum effect consistent with the intent of the provision.

E. Assignment.

Company reserves the right to assign this Agreement to its affiliates, an affiliated company or to any successor in interest to Company's business without notifying Executive, and Executive hereby consents to any such assignment. All terms and conditions of this Agreement will remain in effect following any such assignment.

F. Venue and Consent to Jurisdiction.

Where the parties have mutually waived their right to arbitration in writing or have not yet sought to enforce their right to compel arbitration, or where a temporary and/or preliminary or permanent injunction may be necessary to protect the interests of Company, venue for any legal action in connection with this Agreement will be limited exclusively to the Washington State Superior Court for Pierce County, or the United States District Court for the Western District of Washington at Tacoma, or a proper superior court or United State District Court in the jurisdiction in which Executive last worked, or where Executive is engaged in violating the Agreement. Executive and Company agree that the choice of venue lies solely in the discretion of Company. Executive agrees to submit to the personal jurisdiction of the courts identified herein, and agrees to waive any objection to personal jurisdiction in these courts, including but not limited to any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

G. Non-Disparagement.

At all times during the Executive's employment with Company and following termination of that employment by either Executive or Company, Executive will not publicly disparage Company or its Subsidiaries or any of their respective directors, officers or employees. Executive will not be in breach of this provision by providing information as required by law or legal compulsion.

H. Survival.

Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections II A., B. and D., III, IV, and VI do and shall survive any termination of the Executive's employment and/or the assignment of this Agreement by Company to any successor in interest or other assignee.

I. Section 409A of the Code.

To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code. This Agreement will be administered in a manner consistent with this intent, and any provision that would cause the Agreement to fail to satisfy Section 409A of the Code will have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by Company without the consent of the Executive).

J. Other.

The headings used in this Agreement are intended for convenience or reference only and will not in any manner amplify, limit, modify or otherwise be used in the construction or interpretation of any provision of this Agreement. References to Sections are to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

LABOR READY, INC.

By: /s/ James E. Defebaugh

Name: James E. Defebaugh

Title: Executive Vice President and General Counsel

/s/ Chris D. Burger

EXECUTIVE

By signing this Agreement, I accept and acknowledge that I will abide by the terms and conditions of this Agreement. I agree and understand that nothing in this Agreement shall confer any right with respect to continuation of employment by Company, nor shall it interfere in any way with my right or Company's right to terminate my employment at any time, with or without cause.

EXECUTIVE EMPLOYMENT AGREEMENT

This Agreement is between Wayne W. Larkin ("Executive") and Labor Ready, Inc. or the Labor Ready, Inc. subsidiary employing Executive ("Labor Ready" or "Company"), and is effective as of December 31, 2006.

I. COMPENSATION AND POSITION.

A. Employment.

Executive has served in a management or executive capacity with Labor Ready, Inc. since March 23, 2002 and as of the date of this Agreement serves in the role of Senior Vice President, Operations. In this capacity, Executive has served a key role on the executive team and has had company-wide management responsibility, including responsibility for affiliates of Labor Ready. Executive wishes to continue employment with Labor Ready and Labor Ready wishes to continue to employ Executive as Senior Vice President, Operations under the terms and conditions stated in this Agreement. Additionally, Executive has had and is expected to continue to have access to confidential and proprietary information of Labor Ready which is vital to the ability of Labor Ready and its affiliates to compete in all of its locations. Executive's entering into this Agreement is a condition of continued employment and continued access to such materials. Valuable consideration, including the mutual covenants and promises contained herein, including, without limit, the terms of Section II(A)(2), is provided to Executive to enter this Agreement, the sufficiency of which is expressly acknowledged.

B. Effective Date.

The terms and conditions of this Agreement shall become effective as of the date written above, provided that Executive has voluntarily accepted and executed Labor Ready's Non-Competition Agreement (provided herewith). Acceptance and execution of Labor Ready's Non-Competition Agreement is a condition of continued employment and is a condition precedent to the enforceability of this Agreement.

C. Compensation.

Executive's compensation, subject to the terms and conditions set forth in this Agreement, is as follows:

1. **Annual Base Salary.** Executive will receive a salary in the gross amount of \$250,000.00 per year. This position is a salaried position which is exempt under the Fair Labor Standards Act and relevant state law. This salary is in compensation for all work performed by Executive. Executive warrants and acknowledges that Executive is not entitled to "overtime" pay. Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as Company is required to withhold pursuant to any applicable law, regulation or ruling and other customary and usual deductions.

2. **Bonus.** Subject to the conditions set forth below, Executive will be eligible for a bonus, under and subject to the bonus plan in effect for executives for the relevant year ("Bonus Plan"). Executive must be employed by Labor Ready on date of payment and have met all of

the requirements of the Bonus Plan to receive the bonus. The Bonus Plan and all aspects of bonus compensation may be changed at the discretion of the Compensation Committee and/or the Board of Directors.

3. **Equity Awards.** Executive will be eligible for awards in accordance with any applicable equity plan approved by the Compensation Committee, provided that any equity awards shall be subject to the discretion of the Compensation Committee and/or the Board of Directors.

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1. **General.** Executive shall be entitled to all benefits offered generally to executives of Company.

2. **Health & Welfare Benefits.** Executive and Executive's family may participate in benefits starting the first month after Executive's first 90 days of employment under this Agreement, subject to plan terms and conditions, including eligibility requirements.

3. **Vacation.** Executive shall be entitled each year during Executive's employment to vacation days, during which time Executive's compensation shall be paid in full, in accordance with policies in effect for executives to be established by the Company from time to time.

II. TERMS AND CONDITIONS.

A. Employment at Will.

1. Company and Executive agree that Executive's employment is not for any specific or minimum term or duration, and that subject to Section II(A)(2) of this Agreement, the continuation of Executive's employment is subject to the mutual consent of Company and Executive, and that it is terminable at will, meaning that either Company or Executive may terminate the employment at any time, for any reason or no reason, with or without cause, notice, pre-termination warning or discipline, or other pre- or post-termination procedures of any kind. Executive acknowledges and agrees that any prior representations to the contrary are void and superseded by this Agreement, and that Executive may not rely on any future representations to the contrary, whether written or verbal, express or implied, by any statement, conduct, policy, handbook, guideline or practice of Labor Ready or its employees or agents. Nothing in this Agreement creates any right, contract or guarantee of continued or a length of term period of employment or gives Executive the right to any particular level of compensation or benefits and nothing in this Agreement should be construed as such. The parties agree that any decision maker who is charged with reviewing disputes surrounding Executive's employment shall reject any legal theory, whether in law or in equity, that is claimed to alter at-will employment, unless such theory cannot be waived as a matter of law.

2. (a) In the event of termination of Executive's employment for any or no reason or with or without Cause, by either Company or Executive, or if Executive's employment ends due to the death or disability of Executive, Executive shall be paid unpaid wages and unused vacation earned through the termination date.

(b) Provided that Executive's employment does not end due to Executive's death or disability, if Labor Ready terminates Executive's employment without Cause as defined in this Agreement, or Executive terminates employment with Good Reason as defined in this Agreement, subject to the conditions set forth below, in addition to the amounts described in Sections II(A)(2)(a) and VI H. Executive shall be provided with the following as the sole remedy for such termination, subject to withholding:

(i) separation payments for twelve (12) months from the termination date at the base monthly salary in effect for Executive on the termination date, with the actual period of receipt of such payments being referred to as the "Severance Period", provided, however, that if at the time of the Executive's termination of employment the Executive is considered a "specified employee" subject to the required six-month delay in benefit payments under Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended, then the separation payments that would otherwise have been paid within the first six (6) months after the Executive's termination of employment shall instead be paid in a single lump sum on (or within 15 days after) the six-month anniversary of such termination of employment. Payments for the remaining six (6) months shall be made monthly after such six-month anniversary; and

(ii) accelerated vesting in any previously awarded stock options, restricted stock and other equity awards as if Executive had worked for the Company for twelve (12) months after Executive's termination date, provided that any options or other equity awards that are not exercised within the time periods for exercise set forth in the applicable plan, sub-plan or grant agreement, shall expire in accordance with the terms of such plan, sub-plan or grant agreement, as this accelerated vesting will not extend or otherwise delay the time period for exercising an option or other equity award.

(c) As a condition precedent to being entitled to receive the benefits set forth in Section II(A)(2)(b), within twenty-one (21) days of Executive's termination, Executive must (i) sign and deliver and thereafter not revoke a release in the form of Exhibit A to this Agreement in accordance with its terms or a form otherwise acceptable to Company; (ii) be and remain in full compliance with all provisions of Section III and IV of this Agreement; and (iii) be and remain in full compliance with Labor Ready's Non-Competition Agreement and any other covenants with Company entered into by Executive. Company shall have no obligation to make any payments or provide any benefits to the Executive hereunder unless and until the effective date of the waiver and release agreement, as defined therein.

3. (a) For the purpose of this Agreement, "Cause," as used herein, means any of the following (alone or in combination):

(1) Executive is convicted of or takes a plea of nolo contendere to a crime involving dishonesty, fraud or moral turpitude;

(2) Executive has engaged in any of the following: (i) fraud, embezzlement, theft or other dishonest acts, (ii) unprofessional conduct, (iii) gross negligence related to the business or (iv) other conduct that is materially detrimental to the business as determined in the reasonable business judgment of Company;

(3) Executive materially violates a significant Company policy (as they may be amended from time to time), such as policies required by the Sarbanes-Oxley Act, Company's Drug Free Workplace Policy or Company's EEO policies, and does not cure such violation (if curable) within twenty (20) days after written notice from Company;

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(4) Executive willfully takes any action that materially damages the assets (including tangible and intangible assets, such as name or reputation) of Company;

(5) Executive fails to perform Executive's duties in good faith or Executive persistently fails to perform Executive's duties, and does not cure such failures within ten (10) days after written notice from Company or, if notice and cure have previously taken place regarding a similar failure to perform, if the circumstance recurs;

(6) Executive uses or discloses (or allows others to use or disclose) Confidential Information, as defined in this Agreement, without authorization; or

(7) Executive breaches this Agreement in any material respect and does not cure such breach (if curable) within twenty (20) days after written notice from Company or, if notice and cure have previously taken place regarding a similar breach, if a similar breach recurs.

(b) For the purpose of this Agreement, "Good Reason," as used herein, means:

(1) any material breach of this Agreement by Company which, if curable, has not been cured within twenty (20) days after Company has been given written notice of the need to cure the breach;

(2) a substantial reduction of responsibilities assigned to Executive, provided that Company fails to remedy such reduction within twenty (20) days after being provided written notice thereof from Executive that Executive objects to the same; or

(3) a reduction in Executive's base salary, other than as part of an across-the-board salary reduction generally imposed on executives of Company, provided that Company fails to remedy such reduction(s) within twenty (20) days after being provided written notice thereof from Executive that Executive objects to the same.

A termination of employment by the Executive for one of the reasons set forth in Section II. 3(b) (1) – (3) above will not constitute "Good Reason" unless, within the 60-day period immediately following the occurrence of such Good Reason event, Executive has given written notice to Company specifying in reasonable detail the event or events relied upon for such termination and Company has not remedied such event or events within twenty (20) days of the receipt of such notice.

B. Dispute Resolution; Arbitration; Exigent Relief.

Company and Executive agree that any claim arising out of or relating to this Agreement, or the breach of this Agreement, or Executive's application, employment, or termination of employment, shall be submitted to and resolved by binding arbitration under the Federal Arbitration Act. Company and Executive agree that all claims shall be submitted to arbitration including, but not limited to, claims based on any alleged violation of Title VII or any other federal or state laws; claims of discrimination, harassment, retaliation, wrongful termination, compensation due or violation of civil rights; or any claim based in tort, contract, or equity. Any arbitration between Company and Executive will be administered by the American Arbitration Association under its Employment Arbitration Rules then in effect. The award entered by the

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arbitrator will be based solely upon the law governing the claims and defenses pleaded, and will be final and binding in all respects. Judgment on the award may be entered in any court having jurisdiction. In any such arbitration, neither Executive nor Company shall be entitled to join or consolidate claims in arbitration or arbitrate any claim as a representative or member of a class. Company agrees to pay for the arbitrator's fees where required by law. In any claim or jurisdiction where this agreement to arbitrate is not enforced, Company and Executive waive any right either may have to bring or join a class action or representative action, and further waive any right either may have under statute or common law or any other legal doctrine to a jury trial.

Notwithstanding any other provisions of this Agreement regarding dispute resolution, including this Section II B, Executive agrees that Executive's violation or breach, or threatened violation or breach, of any provision of Section III of this Agreement ("Confidential Information") and/or Executive's violation or breach, or threatened violation or breach, of other provisions of this Agreement which otherwise place Company in peril that cannot be readily remedied by monetary damages, would cause Company irreparable harm which would not be adequately compensated by monetary damages and that a temporary and/or preliminary or permanent injunction may be granted by any court or courts having jurisdiction (subject to the venue provision of Section VI F.), restraining the Executive from violation or breach of the terms of this Agreement. The preceding sentence shall not be construed to limit Company from any other relief or damages to which it may be entitled as a result of the Executive's breach of any provision of this Agreement.

C. Duty of Loyalty.

Executive agrees to devote all time that is reasonably necessary to execute and complete Executive's duties to Company. During the time necessary to execute Executive's duties, Executive agrees to devote Executive's full and undivided time, energy, knowledge, skill and ability to Company's business, to the exclusions of all other business and sideline interests. Because of the agreement in the preceding sentence, during Executive's employment with Company, Executive also agrees not to be employed or provide any type of services, whether as an advisor, consultant, independent contractor or otherwise in any capacity elsewhere unless first authorized, in writing, by a proper representative of Company. In no event will Executive allow other activities to conflict or interfere with Executive's duties to Company. Executive agrees to faithfully and diligently perform all duties to the best of Executive's ability. Executive recognizes that the services to be rendered under this Agreement require certain training, skills and experience, and that this Agreement is entered into for the purpose of obtaining such service for Company. Upon request, Executive agrees to provide Company with any information which Executive possesses and which will be of benefit to Company. Executive agrees to perform Executive's duties in a careful, safe, loyal and prudent manner. Executive agrees to conduct him/herself in a way which will be a credit to Labor Ready's reputation and interests, and to otherwise fulfill all fiduciary and other duties Executive has to Company.

Executive represents and warrants that Executive has been in full compliance with all prior covenants Executive has entered into protecting Labor Ready's Confidential Information.

D. Reimbursement.

If Executive ever possesses or controls any Labor Ready funds (including without limitation cash and travel advances, overpayments made to Executive by Labor Ready, amounts received by Executive due to Labor Ready's error, unpaid credit or phone charges, excess sick or

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vacation pay, or any debt owed Labor Ready for any reason, including misuse or misappropriation of company assets), Executive will remit them to Labor Ready corporate headquarters in Tacoma, Washington daily for the entire period of Executive's possession or control of such Labor Ready funds unless directed otherwise in writing. At any time upon request, and at the time when Executive's employment ends for any reason, even without request, Executive shall fully and accurately account to Labor Ready for any Labor Ready funds and other property in Executive's possession or control. If Executive fails to do so, Executive hereby authorizes Company (subject to any limitations under applicable law) to make appropriate deductions from any payment otherwise due Executive (including without limitation, Executive's paycheck, salary, bonus, commissions, expense reimbursements and benefits), in addition to all other remedies available to Company.

E. Background Investigation and Review of Company Property.

1. Executive agrees that at any time during employment Company may, subject to any applicable legal requirements, investigate Executive's background for any relevant information on any subject which might have a bearing on job performance including, but not limited to, employment history, education, financial integrity and credit worthiness, and confirm that Executive has no criminal record during the last ten years. Executive shall sign any and all documents necessary for Company to conduct such investigation. For this purpose, Executive specifically authorizes Company to obtain any credit reports, background checks and other information which may be useful. Executive acknowledges and, except as may be limited by applicable law, agrees to abide at all times by the terms of Labor Ready's drug and alcohol policy. Executive understands that failure to comply with Labor Ready's policies, including its drug and alcohol policies, may result in termination of employment.

2. Executive acknowledges and agrees that unless otherwise expressly prohibited by law, Company has the complete right to review, inspect and monitor all Company property, including, without limitation, email, voicemail, and computer property of Company, and to review, inspect and monitor Executive's use of the internet or other computer related transmission of information, including, without limitation, the identity and use of USB and other computer related drives. Executive acknowledges that Executive has no expectation of privacy in Company's property, including, without limitation, email, voicemail, and computer property.

III. CONFIDENTIAL INFORMATION.

A. Non-Disclosure and Non-Use and other Protection of Confidential Information.

1. In connection with Executive's duties, Executive may have access to some or all of Labor Ready's "Confidential Information," whether original, duplicated, computerized, memorized, handwritten, or in any other form, and all information contained therein, including, without limitation: (a) the ideas, methods, techniques, formats, specifications, procedures, designs, strategies, systems, processes, data and software products which are unique to Labor Ready; (b) all of Labor Ready's business plans, present, future or potential customers or clients (including the names, addresses and any other information concerning any customer or client), marketing, marketing strategies, pricing and financial information, research, training, know-how, operations, processes, products, inventions, business practices, databases and information contained therein, its wage rates, margins, mark-ups, finances, banking, books, records, contracts, agreements, principals, vendors, suppliers, contractors, employees, applicants, Candidates, skill sets of applicants, skill sets of Candidates, marketing methods, costs, prices,

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price structures, methods for calculating and/or determining prices, contractual relationships, business relationships, compensation paid to employees and/or contractors, and/or other terms of employment, employee evaluations, and/or employee skill sets; (c) the content of all of Labor Ready's operations, sales and training manuals; (d) all other information now in existence or later developed which is similar to the foregoing; (e) all information which is marked as confidential or explained to be confidential or which, by its nature, is confidential or otherwise constitutes the intellectual property or proprietary information of Labor Ready; and/or (f) any of Labor Ready's "trade secrets". For the purposes of this Section III, all references to, and agreements regarding, Confidential Information or Confidential Information of Labor Ready also apply to Confidential Information belonging to any affiliate of Labor Ready, and to any confidential or proprietary information of third party clients that Labor Ready has an obligation to keep confidential. Executive's covenants in this Section III shall protect affiliates and clients of Labor Ready to the same extent that they protect Labor Ready. Confidential Information shall not include any portion of the foregoing which (i) is or becomes generally available to the public in any manner or form through no fault of Employee, or (ii) is approved for Employee's disclosure or use by the express written consent of the Chief Executive Officer of Labor Ready, Inc.

2. Executive agrees and acknowledges that all Confidential Information is to be held in confidence and is the sole and exclusive property of Labor Ready and/or its affiliates or clients. Executive recognizes the importance of protecting the confidentiality and secrecy of Confidential Information. Executive agrees to use Executive's best efforts to protect Confidential Information from unauthorized disclosure to others. Executive understands that protecting Confidential Information from unauthorized disclosure is critically important to Labor Ready's success and competitive advantage, and that the unauthorized use or disclosure of Confidential Information would greatly damage Labor Ready. Executive recognizes and agrees that taking and using Confidential Information, including trade secrets, by memory is no different from taking it on paper or in some other tangible form, and that all of such conduct is prohibited. Executive agrees that, prior to use or disclosure, Executive will request clarification from Labor Ready's legal department if Executive is at all uncertain as to whether any information or materials are "Confidential Information."

3. During Executive's employment and in perpetuity after the termination of Executive's employment for any or no cause or reason, Executive agrees: (a) not to use (or allow others to wrongfully use) any Confidential Information for the benefit of any person (including, without limitation, Executive's benefit) or entity other than Labor Ready; and (b) not to, except as necessary or appropriate for Executive to perform Executive's job responsibilities, disclose (or allow others to wrongfully disclose) any Confidential Information to others or download or make copies of any Confidential Information without Company's written consent, or remove any such records from the offices of Labor Ready except for the sole purpose of conducting business on behalf of Labor Ready. If at any time Executive ever believes that any person has received or disclosed or intends to receive or disclose Confidential Information without Company's consent, Executive agrees to immediately notify Company.

4. At any time during Executive's employment upon Company's request, and at the end of Executive's employment with Company, even without Company's request, Executive covenants, agrees to, and shall immediately return to Labor Ready, at its headquarters in Tacoma, Washington, all Confidential Information as defined herein, and all other material and records of any kind concerning Labor Ready's business, and all other property of Company that Executive may possess or control.

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5. At all times, Executive agrees not to directly or indirectly take, possess, download, allow others to take or possess or download, provide to others, delete or destroy or allow others to delete or destroy, any of Labor Ready's Confidential Information or other property, other than in the normal course of business.

6. Executive agrees that these covenants are necessary to protect Company's Confidential Information, and Company's legitimate business interests (including, without limitation, the confidentiality of Labor Ready's business information and other legitimate interests), in view of Executive's key role with each branch of Company and its affiliates and the extent of confidential and proprietary information about the entire Company and its affiliates and clients to which Executive has information. Company and Executive agree that the provisions of this Section III do not impose an undue hardship on Executive and are not injurious to the public; that they are necessary to protect the business of Company and its affiliates and clients; that the nature of Executive's responsibilities with Company under this Agreement and Executive's former responsibilities with Company provide and/or have provided Executive with access to Confidential Information that is valuable and confidential to Company; that Company would not continue to employ Executive if Executive did not agree to the provisions of this Section III; that this Section III is reasonable in its terms and that sufficient consideration supports this Agreement, including, without limit, this Section III.

7. The covenants set forth above are independent of any other provision of this Agreement. Executive agrees that they will be enforceable whether or not Executive has any claim against Company. Executive and Company agree that this Agreement should be interpreted in the way that provides the maximum protection to Company's Confidential Information.

8. Executive acknowledges that if Executive violates any of the foregoing covenants, the damage to Company will be such that Company is not likely to be made whole with a monetary award. Therefore, Executive agrees that if Executive violates or threatens to violate any such covenant, Company will be entitled to a temporary restraining order, a preliminary injunction and/or a permanent injunction, in addition to any and all other legal or equitable remedies available under law and equity.

9. Executive represents and warrants that Executive has been in full compliance with the provisions protecting Labor Ready's Confidential Information as set forth in any previous agreement with the Company, as well as all other terms and conditions of any previous agreement with the Company.

B. Other Employers and Obligations.

1. Executive represents to Company that Executive is not subject to any restriction or duties under any agreement with any third party or otherwise which will be breached by employment with Company, or which will conflict with Company's best interests or Executive's obligations under this Agreement. Executive agrees to notify Executive's supervisor promptly in the event Executive or other employees is/are solicited for employment by any competitor of Labor Ready.

2. Executive warrants that Executive's employment with Company will not violate any contractual obligations with other parties. Executive will not use during Executive's employment with Company nor disclose to Company any confidential or proprietary information or trade secrets from any former or current employers, principals, partners, co-venturers,

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customers or suppliers, and will not bring onto Company's premises any unpublished document or any property belonging to any such person or entities without their consent. Executive will honor any non-disclosure, proprietary rights, or other contractual agreements with any other person or entity and has disclosed to Company any such agreements that may bear on employment with Company. Executive agrees to tell any prospective new employer about this Agreement and its terms.

IV. ASSIGNMENT OF INVENTIONS.

A. Inventions Assignment.

Executive will make prompt and full disclosure to Company, will hold in trust for the sole benefit of Company, and does assign exclusively to Company all right, title and interest in and to any and all inventions, discoveries, designs, developments, improvements, copyrightable material and trade secrets (collectively herein "Inventions") that Executive solely or jointly may conceive, develop, author, reduce to practice or otherwise produce during Executive's employment with Company.

B. Outside Inventions.

Executive's obligation to assign shall not apply to any Invention about which Executive can prove all the following: (a) it was developed entirely on Executive's own time; (b) no equipment, supplies, facility, services or trade secret information of Labor Ready was used in its development; (c) it does not relate (i) directly to the business of Labor Ready or its affiliates or (ii) to the actual or demonstrably anticipated business, research or development of Labor Ready or its affiliates; and (d) it does not result from any work performed by Executive for Labor Ready or its affiliates. Executive shall attach a list of all existing Inventions meeting these requirements to this Agreement.

V. COMPLIANCE WITH LAWS AND LABOR READY'S CODE OF CONDUCT AND CORPORATE GOVERNANCE GUIDELINES.

A. Commitment to Compliance.

Company is committed to providing equal employment opportunity for all persons regardless of race, color, gender, creed, religion, age, marital or family status, national origin, citizenship, mental or physical disabilities, veteran status, ancestry, citizenship, HIV or AIDS, sexual orientation, on-the-job-injuries, or the assertion of any other legally enforceable rights, or other protected status under applicable law. Equal opportunity extends to all aspects of the employment relationship, including hiring, transfers, promotions, training, termination, working conditions, compensation, benefits, and other terms and conditions of employment. Company is likewise committed to ensuring that employees are accurately paid for all hours worked.

B. Duty to Comply with the Law.

Executive agrees to and shall comply with all federal, state and local laws and regulations, including, without limit, equal employment opportunity laws and wage and hour laws. Executive agrees to and shall immediately notify Company if Executive becomes aware of a violation of

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the law, or suspects a violation of the law has or will occur. Executive acknowledges that Executive may be held personally liable for intentional violations.

C. Duty to Comply with Labor Ready's Code of Conduct, and Corporate Governance Guidelines

Executive acknowledges and agrees that it is Executive's duty to be familiar with Labor Ready's Code of Conduct and Labor Ready's Corporate Governance Guidelines, and to comply with all of their respective provisions.

VI. MISCELLANEOUS.

A. Integration.

Except with respect to Labor Ready's Non-Competition Agreement, and the Change in Control Agreement, (i) no promises or other communications made by either Company or Executive are intended to be, or are, binding unless they are set forth in this Agreement; and (ii) this Agreement contains the entire agreement between the parties and replaces and supersedes any prior agreements, including previous employment agreement(s). This Agreement may not be modified except by a written instrument signed by an appropriate officer of Company and by Executive. This Agreement will be binding upon Executive's heirs, executors, administrators and other legal representatives.

B. Choice of Law.

Company and Executive agree that this Agreement and all interpretations of the provisions of this Agreement will be governed by the laws of the State of Washington, without regard to choice of law principles.

C. No Waiver.

If Company waives any condition or term of this Agreement, Company is not waiving any other condition or term, nor is Company waiving any rights with respect to any future violation of the same condition or term. If Company chooses to refrain from enforcing any condition or term, Company does not intend to waive the right to do so.

D. Severability.

The provisions of this Agreement are intended to be severable from each other. No provision will be invalid because another provision is ruled invalid or unenforceable. If any provision in this Agreement is held to be unenforceable in any respect, such unenforceability shall not affect any other provision of this Agreement and shall be re-written to provide the maximum effect consistent with the intent of the provision.

E. Assignment.

Company reserves the right to assign this Agreement to its affiliates, an affiliated company or to any successor in interest to Company's business without notifying Executive, and Executive hereby consents to any such assignment. All terms and conditions of this Agreement will remain in effect following any such assignment.

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F. Venue and Consent to Jurisdiction.

Where the parties have mutually waived their right to arbitration in writing or have not yet sought to enforce their right to compel arbitration, or where a temporary and/or preliminary or permanent injunction may be necessary to protect the interests of Company, venue for any legal action in connection with this Agreement will be limited exclusively to the Washington State Superior Court for Pierce County, or the United States District Court for the Western District of Washington at Tacoma, or a proper superior court or United State District Court in the jurisdiction in which Executive last worked, or where Executive is engaged in violating the Agreement. Executive and Company agree that the choice of venue lies solely in the discretion of Company. Executive agrees to submit to the personal jurisdiction of the courts identified herein, and agrees to waive any objection to personal jurisdiction in these courts, including but not limited to any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

G. Non-Disparagement.

At all times during the Executive's employment with Company and following termination of that employment by either Executive or Company, Executive will not publicly disparage Company or its Subsidiaries or any of their respective directors, officers or employees. Executive will not be in breach of this provision by providing information as required by law or legal compulsion.

H. Survival.

Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections II A., B. and D., III, IV, and VI do and shall survive any termination of the Executive's employment and/or the assignment of this Agreement by Company to any successor in interest or other assignee.

I. Section 409A of the Code.

To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code. This Agreement will be administered in a manner consistent with this intent, and any provision that would cause the Agreement to fail to satisfy Section 409A of the Code will have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by Company without the consent of the Executive).

J. Other.

The headings used in this Agreement are intended for convenience or reference only and will not in any manner amplify, limit, modify or otherwise be used in the construction or interpretation of any provision of this Agreement. References to Sections are to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

LABOR READY, INC.

By: /s/ James E. Defebaugh

Name: James E. Defebaugh

Title: Executive Vice President and General Counsel

/s/ Wayne W. Larkin

EXECUTIVE

By signing this Agreement, I accept and acknowledge that I will abide by the terms and conditions of this Agreement. I agree and understand that nothing in this Agreement shall confer any right with respect to continuation of employment by Company, nor shall it interfere in any way with my right or Company's right to terminate my employment at any time, with or without cause.

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EXECUTIVE EMPLOYMENT AGREEMENT

This Agreement is between Richard L. Mercuri (“Executive”) and Labor Ready, Inc. or the Labor Ready, Inc. subsidiary employing Executive (“Labor Ready” or “Company”), and is effective as of December 31, 2006.

I. COMPENSATION AND POSITION.

A. Employment.

Executive has served in a management or executive capacity with Labor Ready, Inc. since September 27, 2004 and as of the date of this Agreement serves in the role of Vice President, Human Resources and Organizational Development. In this capacity, Executive has served a key role on the executive team and has had company-wide management responsibility, including responsibility for affiliates of Labor Ready. Executive wishes to continue employment with Labor Ready and Labor Ready wishes to continue to employ Executive as Vice President, Human Resources and Organizational Development under the terms and conditions stated in this Agreement. Additionally, Executive has had and is expected to continue to have access to confidential and propriety information of Labor Ready which is vital to the ability of Labor Ready and its affiliates to compete in all of its locations. Executive’s entering into this Agreement is a condition of continued employment and continued access to such materials. Valuable consideration, including the mutual covenants and promises contained herein, including, without limit, the terms of Section II(A)(2), is provided to Executive to enter this Agreement, the sufficiency of which is expressly acknowledged.

B. Effective Date.

The terms and conditions of this Agreement shall become effective as of the date written above, provided that Executive has voluntarily accepted and executed Labor Ready’s Non-Competition Agreement (provided herewith). Acceptance and execution of Labor Ready’s Non-Competition Agreement is a condition of continued employment and is a condition precedent to the enforceability of this Agreement.

C. Compensation.

Executive’s compensation, subject to the terms and conditions set forth in this Agreement, is as follows:

1. **Annual Base Salary.** Executive will receive a salary in the gross amount of \$215,000.00 per year. This position is a salaried position which is exempt under the Fair Labor Standards Act and relevant state law. This salary is in compensation for all work performed by Executive. Executive warrants and acknowledges that Executive is not entitled to “overtime” pay. Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as Company is required to withhold pursuant to any applicable law, regulation or ruling and other customary and usual deductions.

2. **Bonus.** Subject to the conditions set forth below, Executive will be eligible for a bonus, under and subject to the bonus plan in effect for executives for the relevant year (“Bonus

Plan”). Executive must be employed by Labor Ready on date of payment and have met all of the requirements of the Bonus Plan to receive the bonus. The Bonus Plan and all aspects of bonus compensation may be changed at the discretion of the Compensation Committee and/or the Board of Directors.

3. **Equity Awards.** Executive will be eligible for awards in accordance with any applicable equity plan approved by the Compensation Committee, provided that any equity awards shall be subject to the discretion of the Compensation Committee and/or the Board of Directors.

D. Benefits.

1. **General.** Executive shall be entitled to all benefits offered generally to executives of Company.

2. **Health & Welfare Benefits.** Executive and Executive’s family may participate in benefits starting the first month after Executive’s first 90 days of employment under this Agreement, subject to plan terms and conditions, including eligibility requirements.

3. **Vacation.** Executive shall be entitled each year during Executive’s employment to vacation days, during which time Executive’s compensation shall be paid in full, in accordance with policies in effect for executives to be established by the Company from time to time.

II. TERMS AND CONDITIONS.

A. Employment at Will.

1. Company and Executive agree that Executive’s employment is not for any specific or minimum term or duration, and that subject to Section II(A)(2) of this Agreement, the continuation of Executive’s employment is subject to the mutual consent of Company and Executive, and that it is terminable at will, meaning that either Company or Executive may terminate the employment at any time, for any reason or no reason, with or without cause, notice, pre-termination warning or discipline, or other pre- or post-termination procedures of any kind. Executive acknowledges and agrees that any prior representations to the contrary are void and superseded by this Agreement, and that Executive may not rely on any future representations to the contrary, whether written or verbal, express or implied, by any statement, conduct, policy, handbook, guideline or practice of Labor Ready or its employees or agents. Nothing in this Agreement creates any right, contract or guarantee of continued or a length of term period of employment or gives Executive the right to any particular level of compensation or benefits and nothing in this Agreement should be construed as such. The parties agree that any decision maker who is charged with reviewing disputes surrounding Executive’s employment shall reject any legal theory, whether in law or in equity, that is claimed to alter at-will employment, unless such theory cannot be waived as a matter of law.

2. (a) In the event of termination of Executive’s employment for any or no reason or with or without Cause, by either Company or Executive, or if Executive’s employment ends due to the death or disability of Executive, Executive shall be paid unpaid wages and unused vacation earned through the termination date.

(b) Provided that Executive's employment does not end due to Executive's death or disability, if Labor Ready terminates Executive's employment without Cause as defined in this Agreement, or Executive terminates employment with Good Reason as defined in this Agreement, subject to the conditions set forth below, in addition to the amounts described in Sections II(A)(2)(a) and VI H. Executive shall be provided with the following as the sole remedy for such termination, subject to withholding:

(i) separation payments for twelve (12) months from the termination date at the base monthly salary in effect for Executive on the termination date, with the actual period of receipt of such payments being referred to as the "Severance Period", provided, however, that if at the time of the Executive's termination of employment the Executive is considered a "specified employee" subject to the required six-month delay in benefit payments under Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended, then the separation payments that would otherwise have been paid within the first six (6) months after the Executive's termination of employment shall instead be paid in a single lump sum on (or within 15 days after) the six-month anniversary of such termination of employment. Payments for the remaining six (6) months shall be made monthly after such six-month anniversary; and

(ii) accelerated vesting in any previously awarded stock options, restricted stock and other equity awards as if Executive had worked for the Company for twelve (12) months after Executive's termination date, provided that any options or other equity awards that are not exercised within the time periods for exercise set forth in the applicable plan, sub-plan or grant agreement, shall expire in accordance with the terms of such plan, sub-plan or grant agreement, as this accelerated vesting will not extend or otherwise delay the time period for exercising an option or other equity award.

(c) As a condition precedent to being entitled to receive the benefits set forth in Section II(A)(2)(b), within twenty-one (21) days of Executive's termination, Executive must (i) sign and deliver and thereafter not revoke a release in the form of Exhibit A to this Agreement in accordance with its terms or a form otherwise acceptable to Company; (ii) be and remain in full compliance with all provisions of Section III and IV of this Agreement; and (iii) be and remain in full compliance with Labor Ready's Non-Competition Agreement and any other covenants with Company entered into by Executive. Company shall have no obligation to make any payments or provide any benefits to the Executive hereunder unless and until the effective date of the waiver and release agreement, as defined therein.

3. (a) For the purpose of this Agreement, "Cause," as used herein, means any of the following (alone or in combination):

(1) Executive is convicted of or takes a plea of nolo contendere to a crime involving dishonesty, fraud or moral turpitude;

(2) Executive has engaged in any of the following: (i) fraud, embezzlement, theft or other dishonest acts, (ii) unprofessional conduct, (iii) gross negligence related to the business or (iv) other conduct that is materially detrimental to the business as determined in the reasonable business judgment of Company;

(3) Executive materially violates a significant Company policy (as they may be amended from time to time), such as policies required by the Sarbanes-Oxley Act, Company's Drug Free Workplace Policy or Company's EEO policies, and does not cure such violation (if curable) within twenty (20) days after written notice from Company;

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(4) Executive willfully takes any action that materially damages the assets (including tangible and intangible assets, such as name or reputation) of Company;

(5) Executive fails to perform Executive's duties in good faith or Executive persistently fails to perform Executive's duties, and does not cure such failures within ten (10) days after written notice from Company or, if notice and cure have previously taken place regarding a similar failure to perform, if the circumstance recurs;

(6) Executive uses or discloses (or allows others to use or disclose) Confidential Information, as defined in this Agreement, without authorization; or

(7) Executive breaches this Agreement in any material respect and does not cure such breach (if curable) within twenty (20) days after written notice from Company or, if notice and cure have previously taken place regarding a similar breach, if a similar breach recurs.

(b) For the purpose of this Agreement, "Good Reason," as used herein, means:

(1) any material breach of this Agreement by Company which, if curable, has not been cured within twenty (20) days after Company has been given written notice of the need to cure the breach;

(2) a substantial reduction of responsibilities assigned to Executive, provided that Company fails to remedy such reduction within twenty (20) days after being provided written notice thereof from Executive that Executive objects to the same; or

(3) a reduction in Executive's base salary, other than as part of an across-the-board salary reduction generally imposed on executives of Company, provided that Company fails to remedy such reduction(s) within twenty (20) days after being provided written notice thereof from Executive that Executive objects to the same.

A termination of employment by the Executive for one of the reasons set forth in Section II. 3(b) (1) – (3) above will not constitute "Good Reason" unless, within the 60-day period immediately following the occurrence of such Good Reason event, Executive has given written notice to Company specifying in reasonable detail the event or events relied upon for such termination and Company has not remedied such event or events within twenty (20) days of the receipt of such notice.

B. Dispute Resolution; Arbitration; Exigent Relief.

Company and Executive agree that any claim arising out of or relating to this Agreement, or the breach of this Agreement, or Executive's application, employment, or termination of employment, shall be submitted to and resolved by binding arbitration under the Federal Arbitration Act. Company and Executive agree that all claims shall be submitted to arbitration including, but not limited to, claims based on any alleged violation of Title VII or any other federal or state laws; claims of discrimination, harassment, retaliation, wrongful termination, compensation due or violation of civil rights; or any claim based in tort, contract, or equity. Any arbitration between Company and Executive will be administered by the American Arbitration Association under its Employment Arbitration Rules then in effect. The award entered by the

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arbitrator will be based solely upon the law governing the claims and defenses pleaded, and will be final and binding in all respects. Judgment on the award may be entered in

any court having jurisdiction. In any such arbitration, neither Executive nor Company shall be entitled to join or consolidate claims in arbitration or arbitrate any claim as a representative or member of a class. Company agrees to pay for the arbiter's fees where required by law. In any claim or jurisdiction where this agreement to arbitrate is not enforced, Company and Executive waive any right either may have to bring or join a class action or representative action, and further waive any right either may have under statute or common law or any other legal doctrine to a jury trial.

Notwithstanding any other provisions of this Agreement regarding dispute resolution, including this Section II B, Executive agrees that Executive's violation or breach, or threatened violation or breach, of any provision of Section III of this Agreement ("Confidential Information") and/or Executive's violation or breach, or threatened violation or breach, of other provisions of this Agreement which otherwise place Company in peril that cannot be readily remedied by monetary damages, would cause Company irreparable harm which would not be adequately compensated by monetary damages and that a temporary and/or preliminary or permanent injunction may be granted by any court or courts having jurisdiction (subject to the venue provision of Section VI F.), restraining the Executive from violation or breach of the terms of this Agreement. The preceding sentence shall not be construed to limit Company from any other relief or damages to which it may be entitled as a result of the Executive's breach of any provision of this Agreement.

C. Duty of Loyalty.

Executive agrees to devote all time that is reasonably necessary to execute and complete Executive's duties to Company. During the time necessary to execute Executive's duties, Executive agrees to devote Executive's full and undivided time, energy, knowledge, skill and ability to Company's business, to the exclusions of all other business and sideline interests. Because of the agreement in the preceding sentence, during Executive's employment with Company, Executive also agrees not to be employed or provide any type of services, whether as an advisor, consultant, independent contractor or otherwise in any capacity elsewhere unless first authorized, in writing, by a proper representative of Company. In no event will Executive allow other activities to conflict or interfere with Executive's duties to Company. Executive agrees to faithfully and diligently perform all duties to the best of Executive's ability. Executive recognizes that the services to be rendered under this Agreement require certain training, skills and experience, and that this Agreement is entered into for the purpose of obtaining such service for Company. Upon request, Executive agrees to provide Company with any information which Executive possesses and which will be of benefit to Company. Executive agrees to perform Executive's duties in a careful, safe, loyal and prudent manner. Executive agrees to conduct him/herself in a way which will be a credit to Labor Ready's reputation and interests, and to otherwise fulfill all fiduciary and other duties Executive has to Company.

Executive represents and warrants that Executive has been in full compliance with all prior covenants Executive has entered into protecting Labor Ready's Confidential Information.

D. Reimbursement.

If Executive ever possesses or controls any Labor Ready funds (including without limitation cash and travel advances, overpayments made to Executive by Labor Ready, amounts received by Executive due to Labor Ready's error, unpaid credit or phone charges, excess sick or

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vacation pay, or any debt owed Labor Ready for any reason, including misuse or misappropriation of company assets), Executive will remit them to Labor Ready corporate headquarters in Tacoma, Washington daily for the entire period of Executive's possession or control of such Labor Ready funds unless directed otherwise in writing. At any time upon request, and at the time when Executive's employment ends for any reason, even without request, Executive shall fully and accurately account to Labor Ready for any Labor Ready funds and other property in Executive's possession or control. If Executive fails to do so, Executive hereby authorizes Company (subject to any limitations under applicable law) to make appropriate deductions from any payment otherwise due Executive (including without limitation, Executive's paycheck, salary, bonus, commissions, expense reimbursements and benefits), in addition to all other remedies available to Company.

E. Background Investigation and Review of Company Property.

1. Executive agrees that at any time during employment Company may, subject to any applicable legal requirements, investigate Executive's background for any relevant information on any subject which might have a bearing on job performance including, but not limited to, employment history, education, financial integrity and credit worthiness, and confirm that Executive has no criminal record during the last ten years. Executive shall sign any and all documents necessary for Company to conduct such investigation. For this purpose, Executive specifically authorizes Company to obtain any credit reports, background checks and other information which may be useful. Executive acknowledges and, except as may be limited by applicable law, agrees to abide at all times by the terms of Labor Ready's drug and alcohol policy. Executive understands that failure to comply with Labor Ready's policies, including its drug and alcohol policies, may result in termination of employment.

2. Executive acknowledges and agrees that unless otherwise expressly prohibited by law, Company has the complete right to review, inspect and monitor all Company property, including, without limitation, email, voicemail, and computer property of Company, and to review, inspect and monitor Executive's use of the internet or other computer related transmission of information, including, without limitation, the identity and use of USB and other computer related drives. Executive acknowledges that Executive has no expectation of privacy in Company's property, including, without limitation, email, voicemail, and computer property.

III. CONFIDENTIAL INFORMATION.

A. Non-Disclosure and Non-Use and other Protection of Confidential Information.

1. In connection with Executive's duties, Executive may have access to some or all of Labor Ready's "Confidential Information," whether original, duplicated, computerized, memorized, handwritten, or in any other form, and all information contained therein, including, without limitation: (a) the ideas, methods, techniques, formats, specifications, procedures, designs, strategies, systems, processes, data and software products which are unique to Labor Ready; (b) all of Labor Ready's business plans, present, future or potential customers or clients (including the names, addresses and any other information concerning any customer or client), marketing, marketing strategies, pricing and financial information, research, training, know-how, operations, processes, products, inventions, business practices, databases and information contained therein, its wage rates, margins, mark-ups, finances, banking, books, records, contracts, agreements, principals, vendors, suppliers, contractors, employees, applicants, Candidates, skill sets of applicants, skill sets of Candidates, marketing methods, costs, prices,

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price structures, methods for calculating and/or determining prices, contractual relationships, business relationships, compensation paid to employees and/or contractors, and/or other terms of employment, employee evaluations, and/or employee skill sets; (c) the content of all of Labor Ready's operations, sales and training manuals; (d) all other information now in existence or later developed which is similar to the foregoing; (e) all information which is marked as confidential or explained to be confidential or which, by its nature, is confidential or otherwise constitutes the intellectual property or proprietary information of Labor Ready; and/or (f) any of Labor Ready's "trade secrets". For the purposes of this Section III, all references to, and agreements regarding, Confidential Information or Confidential Information of Labor Ready also apply to

Confidential Information belonging to any affiliate of Labor Ready, and to any confidential or proprietary information of third party clients that Labor Ready has an obligation to keep confidential. Executive's covenants in this Section III shall protect affiliates and clients of Labor Ready to the same extent that they protect Labor Ready. Confidential Information shall not include any portion of the foregoing which (i) is or becomes generally available to the public in any manner or form through no fault of Employee, or (ii) is approved for Employee's disclosure or use by the express written consent of the Chief Executive Officer of Labor Ready, Inc.

2. Executive agrees and acknowledges that all Confidential Information is to be held in confidence and is the sole and exclusive property of Labor Ready and/or its affiliates or clients. Executive recognizes the importance of protecting the confidentiality and secrecy of Confidential Information. Executive agrees to use Executive's best efforts to protect Confidential Information from unauthorized disclosure to others. Executive understands that protecting Confidential Information from unauthorized disclosure is critically important to Labor Ready's success and competitive advantage, and that the unauthorized use or disclosure of Confidential Information would greatly damage Labor Ready. Executive recognizes and agrees that taking and using Confidential Information, including trade secrets, by memory is no different from taking it on paper or in some other tangible form, and that all of such conduct is prohibited. Executive agrees that, prior to use or disclosure, Executive will request clarification from Labor Ready's legal department if Executive is at all uncertain as to whether any information or materials are "Confidential Information."

3. During Executive's employment and in perpetuity after the termination of Executive's employment for any or no cause or reason, Executive agrees: (a) not to use (or allow others to wrongfully use) any Confidential Information for the benefit of any person (including, without limitation, Executive's benefit) or entity other than Labor Ready; and (b) not to, except as necessary or appropriate for Executive to perform Executive's job responsibilities, disclose (or allow others to wrongfully disclose) any Confidential Information to others or download or make copies of any Confidential Information without Company's written consent, or remove any such records from the offices of Labor Ready except for the sole purpose of conducting business on behalf of Labor Ready. If at any time Executive ever believes that any person has received or disclosed or intends to receive or disclose Confidential Information without Company's consent, Executive agrees to immediately notify Company.

4. At any time during Executive's employment upon Company's request, and at the end of Executive's employment with Company, even without Company's request, Executive covenants, agrees to, and shall immediately return to Labor Ready, at its headquarters in Tacoma, Washington, all Confidential Information as defined herein, and all other material and records of any kind concerning Labor Ready's business, and all other property of Company that Executive may possess or control.

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5. At all times, Executive agrees not to directly or indirectly take, possess, download, allow others to take or possess or download, provide to others, delete or destroy or allow others to delete or destroy, any of Labor Ready's Confidential Information or other property, other than in the normal course of business.

6. Executive agrees that these covenants are necessary to protect Company's Confidential Information, and Company's legitimate business interests (including, without limitation, the confidentiality of Labor Ready's business information and other legitimate interests), in view of Executive's key role with each branch of Company and its affiliates and the extent of confidential and proprietary information about the entire Company and its affiliates and clients to which Executive has information. Company and Executive agree that the provisions of this Section III do not impose an undue hardship on Executive and are not injurious to the public; that they are necessary to protect the business of Company and its affiliates and clients; that the nature of Executive's responsibilities with Company under this Agreement and Executive's former responsibilities with Company provide and/or have provided Executive with access to Confidential Information that is valuable and confidential to Company; that Company would not continue to employ Executive if Executive did not agree to the provisions of this Section III; that this Section III is reasonable in its terms and that sufficient consideration supports this Agreement, including, without limit, this Section III.

7. The covenants set forth above are independent of any other provision of this Agreement. Executive agrees that they will be enforceable whether or not Executive has any claim against Company. Executive and Company agree that this Agreement should be interpreted in the way that provides the maximum protection to Company's Confidential Information.

8. Executive acknowledges that if Executive violates any of the foregoing covenants, the damage to Company will be such that Company is not likely to be made whole with a monetary award. Therefore, Executive agrees that if Executive violates or threatens to violate any such covenant, Company will be entitled to a temporary restraining order, a preliminary injunction and/or a permanent injunction, in addition to any and all other legal or equitable remedies available under law and equity.

9. Executive represents and warrants that Executive has been in full compliance with the provisions protecting Labor Ready's Confidential Information as set forth in any previous agreement with the Company, as well as all other terms and conditions of any previous agreement with the Company.

B. Other Employers and Obligations.

1. Executive represents to Company that Executive is not subject to any restriction or duties under any agreement with any third party or otherwise which will be breached by employment with Company, or which will conflict with Company's best interests or Executive's obligations under this Agreement. Executive agrees to notify Executive's supervisor promptly in the event Executive or other employees is/are solicited for employment by any competitor of Labor Ready.

2. Executive warrants that Executive's employment with Company will not violate any contractual obligations with other parties. Executive will not use during Executive's employment with Company nor disclose to Company any confidential or proprietary information or trade secrets from any former or current employers, principals, partners, co-venturers,

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customers or suppliers, and will not bring onto Company's premises any unpublished document or any property belonging to any such person or entities without their consent. Executive will honor any non-disclosure, proprietary rights, or other contractual agreements with any other person or entity and has disclosed to Company any such agreements that may bear on employment with Company. Executive agrees to tell any prospective new employer about this Agreement and its terms.

IV. ASSIGNMENT OF INVENTIONS.

A. Inventions Assignment.

Executive will make prompt and full disclosure to Company, will hold in trust for the sole benefit of Company, and does assign exclusively to Company all right, title and interest in and to any and all inventions, discoveries, designs, developments, improvements, copyrightable material and trade secrets (collectively herein "Inventions") that Executive solely or jointly may conceive, develop, author, reduce to practice or otherwise produce during Executive's employment with Company.

B. Outside Inventions.

Executive's obligation to assign shall not apply to any Invention about which Executive can prove all the following: (a) it was developed entirely on Executive's own time;

(b) no equipment, supplies, facility, services or trade secret information of Labor Ready was used in its development; (c) it does not relate (i) directly to the business of Labor Ready or its affiliates or (ii) to the actual or demonstrably anticipated business, research or development of Labor Ready or its affiliates; and (d) it does not result from any work performed by Executive for Labor Ready or its affiliates. Executive shall attach a list of all existing Inventions meeting these requirements to this Agreement.

V. COMPLIANCE WITH LAWS AND LABOR READY'S CODE OF CONDUCT AND CORPORATE GOVERNANCE GUIDELINES.

A. *Commitment to Compliance.*

Company is committed to providing equal employment opportunity for all persons regardless of race, color, gender, creed, religion, age, marital or family status, national origin, citizenship, mental or physical disabilities, veteran status, ancestry, citizenship, HIV or AIDS, sexual orientation, on-the-job-injuries, or the assertion of any other legally enforceable rights, or other protected status under applicable law. Equal opportunity extends to all aspects of the employment relationship, including hiring, transfers, promotions, training, termination, working conditions, compensation, benefits, and other terms and conditions of employment. Company is likewise committed to ensuring that employees are accurately paid for all hours worked.

B. *Duty to Comply with the Law.*

Executive agrees to and shall comply with all federal, state and local laws and regulations, including, without limit, equal employment opportunity laws and wage and hour laws. Executive agrees to and shall immediately notify Company if Executive becomes aware of a violation of

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the law, or suspects a violation of the law has or will occur. Executive acknowledges that Executive may be held personally liable for intentional violations.

C. *Duty to Comply with Labor Ready's Code of Conduct, and Corporate Governance Guidelines*

Executive acknowledges and agrees that it is Executive's duty to be familiar with Labor Ready's Code of Conduct and Labor Ready's Corporate Governance Guidelines, and to comply with all of their respective provisions.

VI. MISCELLANEOUS.

A. *Integration.*

Except with respect to Labor Ready's Non-Competition Agreement, and the Change in Control Agreement, (i) no promises or other communications made by either Company or Executive are intended to be, or are, binding unless they are set forth in this Agreement; and (ii) this Agreement contains the entire agreement between the parties and replaces and supersedes any prior agreements, including previous employment agreement(s). This Agreement may not be modified except by a written instrument signed by an appropriate officer of Company and by Executive. This Agreement will be binding upon Executive's heirs, executors, administrators and other legal representatives.

B. *Choice of Law.*

Company and Executive agree that this Agreement and all interpretations of the provisions of this Agreement will be governed by the laws of the State of Washington, without regard to choice of law principles.

C. *No Waiver.*

If Company waives any condition or term of this Agreement, Company is not waiving any other condition or term, nor is Company waiving any rights with respect to any future violation of the same condition or term. If Company chooses to refrain from enforcing any condition or term, Company does not intend to waive the right to do so.

D. *Severability.*

The provisions of this Agreement are intended to be severable from each other. No provision will be invalid because another provision is ruled invalid or unenforceable. If any provision in this Agreement is held to be unenforceable in any respect, such unenforceability shall not affect any other provision of this Agreement and shall be re-written to provide the maximum effect consistent with the intent of the provision.

E. *Assignment.*

Company reserves the right to assign this Agreement to its affiliates, an affiliated company or to any successor in interest to Company's business without notifying Executive, and Executive hereby consents to any such assignment. All terms and conditions of this Agreement will remain in effect following any such assignment.

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F. *Venue and Consent to Jurisdiction.*

Where the parties have mutually waived their right to arbitration in writing or have not yet sought to enforce their right to compel arbitration, or where a temporary and/or preliminary or permanent injunction may be necessary to protect the interests of Company, venue for any legal action in connection with this Agreement will be limited exclusively to the Washington State Superior Court for Pierce County, or the United States District Court for the Western District of Washington at Tacoma, or a proper superior court or United State District Court in the jurisdiction in which Executive last worked, or where Executive is engaged in violating the Agreement. Executive and Company agree that the choice of venue lies solely in the discretion of Company. Executive agrees to submit to the personal jurisdiction of the courts identified herein, and agrees to waive any objection to personal jurisdiction in these courts, including but not limited to any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

G. *Non-Disparagement.*

At all times during the Executive's employment with Company and following termination of that employment by either Executive or Company, Executive will not publicly disparage Company or its Subsidiaries or any of their respective directors, officers or employees. Executive will not be in breach of this provision by providing information as required by law or legal compulsion.

H. Survival.

Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections II A., B. and D., III, IV, and VI do and shall survive any termination of the Executive's employment and/or the assignment of this Agreement by Company to any successor in interest or other assignee.

I. Section 409A of the Code.

To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code. This Agreement will be administered in a manner consistent with this intent, and any provision that would cause the Agreement to fail to satisfy Section 409A of the Code will have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by Company without the consent of the Executive).

J. Other.

The headings used in this Agreement are intended for convenience or reference only and will not in any manner amplify, limit, modify or otherwise be used in the construction or interpretation of any provision of this Agreement. References to Sections are to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

LABOR READY, INC.

By: /s/ James E. Defebaugh

Name: James E. Defebaugh

Title: Executive Vice President and General Counsel

/s/ Richard L. Mercuri

EXECUTIVE

By signing this Agreement, I accept and acknowledge that I will abide by the terms and conditions of this Agreement. I agree and understand that nothing in this Agreement shall confer any right with respect to continuation of employment by Company, nor shall it interfere in any way with my right or Company's right to terminate my employment at any time, with or without cause.

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CHANGE IN CONTROL AGREEMENT

This Change in Control Agreement (this “**Agreement**”), dated as of December 31, 2006, is made between Labor Ready, Inc., a Washington corporation (“**Labor Ready**” or the “**Company**”), and (the “**Executive**”).

RECITALS

A. The Executive is a senior executive of the Company and has made and is expected to continue to make major contributions to the short- and long-term profitability, growth and financial strength of the Company;

B. The Company recognizes that the possibility of a Change in Control exists and that such possibility, and the uncertainty it may create among management, may result in the distraction or departure of management personnel, to the detriment of the Company and its shareholders, including a reduction of the value received by shareholders in a Change in Control transaction;

C. The Company desires to assure itself of both present and future continuity of management and to establish fixed severance benefits for certain of its senior executives, including the Executive, applicable in the event of a Change in Control; and

D. The Company desires to provide additional inducement for the Executive to continue to remain in the employ of the Company.

Accordingly, the Company and the Executive agree as follows:

1. **Certain Defined Terms.** In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) “**After-Tax Amount**” means the amount to be received by an Executive determined on an after-tax basis taking into account the excise tax imposed pursuant to Section 4999 of the Code, or any successor provision thereto, any tax imposed by any comparable provision of state law and any applicable federal, state and local income and employment taxes.

(b) “**Base Pay**” means the Executive’s annual base salary rate as in effect at the time a determination is required to be made under Section 4.

(c) “**Board**” means the Board of Directors of the Company. Any action of the Board herein contemplated will be valid if adopted by a majority of the total number of directors then in office or a majority of the Incumbent Directors and for purposes of interpreting, amending or waiving any portion of this Agreement, may be adopted by a majority of the Incumbent Directors by written action, whether or not unanimous, or may be delegated by specific action of the Board of Directors after the date hereof to any Board committee comprised solely of Incumbent Directors who are also Independent Directors.

(d) “**Business Area**” means any location in which Labor Ready conducts or plans to conduct business. Executive acknowledges that Labor Ready has operations in all 50 states, the District of Columbia and at least three other countries, that Labor Ready plans to continue to expand its operations and presence both domestically and internationally and that as a member of Labor Ready’s senior management, Employee’s services are integral to these operations and expansion plans.

(e) “**Cause**” means that, prior to any termination:

(i) The Executive is convicted of or takes a plea of *nolo contendere* to a crime involving dishonesty, fraud or moral turpitude;

(ii) The Executive has engaged in fraud, embezzlement, theft or other dishonest acts;

(iii) The Executive materially violates a significant Company policy, such as policies required by the Sarbanes-Oxley Act, the Company’s Drug Free Workplace Policy or Company’s policy against harassment, and does not cure such violation (if curable) within ten (10) days after written notice from the Company;

(iv) The Executive intentionally takes any action that materially damages the assets (including tangible and intangible assets, such as name or reputation) of the Company; or

(v) The Executive breaches this Agreement in any other material respect and does not cure such breach (if curable) within ten (10) days after written notice from the Company or, if notice and cure have previously taken place regarding a similar breach, if the breach recurs.

For purposes of this Agreement, no act or failure to act on the part of the Executive will be deemed “intentional” if it was due primarily to an error in judgment or ordinary negligence, but will be deemed “intentional” only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive’s action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Executive will not be deemed to have been terminated for “Cause” hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the Board at a meeting of the Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive’s counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board after consultation with outside counsel, there is clear and convincing evidence that the Executive had committed an act constituting “Cause” as herein defined and specifying the particulars thereof in reasonable detail. Nothing herein will limit the right of the Executive or Executive’s beneficiaries to contest the validity or propriety of any such determination.

(f) “**Change in Control**” means that during the Term any of the following events occurs:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a “**Person**”) is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 33 1/3 % of the combined voting power of the then-outstanding Voting Stock of the Company;

(ii) a majority of the Board ceases to be comprised of Incumbent Directors; or

(iii) the consummation of a reorganization, merger, consolidation, plan of liquidation or dissolution, recapitalization or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of the stock or assets of another corporation, or other transaction (each, a “**Business Transaction**”), and as a result of which less than fifty percent (50%) of the outstanding voting interests or securities of the surviving or resulting entity immediately after the Business Transaction are owned in the aggregate by the former shareholders of the Company, as the same shall have existed immediately prior to such Business Transaction, in substantially the same proportions as their ownership before such Business Transaction.

(g) “**COBRA**” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and as set forth in Code Section 4980B and Part 6 of Subtitle B of Title I of ERISA.

(h) “**Code**” means the Internal Revenue Code of 1986, as amended.

(i) “**Conflicting Organization**” means, any person, entity or organization engaged (or about to become engaged) in a business similar to, or that competes with, the business of Labor Ready, including without limitation any person or organization that provides any product, process or service that is similar to or competes with any product, process or service provided by Labor Ready. The term “**Conflicting Organization**” specifically includes without limitation any person, entity or organization that provides temporary and/or permanent staffing services in connection with manual or skilled laborers or employees, including without limitation, for jobs in construction, manufacturing, hospitality services, landscaping, warehousing, agriculture, waste and recycling, transportation, event logistics, and retail.

(j) “**Continuation Period**” means the period specified in Annex A.

(k) “**Employee Benefits**” means the benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which the Executive is entitled to participate, including without limitation any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements that may now exist or any equivalent successor policies, plans, programs or arrangements that may be adopted hereafter by the Company or a Subsidiary, providing benefits and service credit for benefits at least as great in the aggregate as are payable thereunder immediately prior to a Change in Control.

(l) “**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended.

(m) “**Excess Parachute Payment**” means a payment that creates an obligation for Executive to pay excise taxes under Section 280G of the Code or any successor provision thereto.

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(n) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

(o) “**Good Reason**” means the occurrence of one or more of the following events:

(i) Failure to elect or reelect or otherwise to maintain the Executive in the office or the position he had with the Company immediately prior to a Change in Control, or a substantially equivalent or better office or position than that which he had with the Company immediately prior to the Change in Control in either such case with the Company, any legal successor to the Company or, if the Company merges with or into another entity with substantial operations, with respect to the business of the Company and its Subsidiaries substantially as conducted immediately prior to the Change in Control;

(ii) Failure of the Company to remedy any of the following within 10 calendar days after receipt by the Company of written notice thereof from the Executive: (A) a significant adverse change in the nature or scope of the authorities, powers or functions attached to the position with the Company which the Executive held immediately prior to the Change in Control, (B) a reduction in the Executive’s Base Pay, (C) a reduction in the Executive’s incentive or bonus pay opportunity, assuming 100% achievement of the quantitatively measurable conditions to receipt of such incentive or bonus pay, and all such qualitative conditions, in each case as applicable to the Executive immediately prior to the Change in Control (such amount, “**Incentive Pay**”), or (D) the termination or denial of the Executive’s rights to Employee Benefits or a reduction in the scope or value thereof, unless such termination or reduction referred to in clauses (B), (C) or (D) applies on a substantially similar basis to all executive officers of the Company and its parent entities;

(iii) The liquidation, dissolution, merger, consolidation or reorganization of the Company or the transfer of all or substantially all of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) assumed all duties and obligations of the Company under this Agreement pursuant to Section 15(a);

(iv) The Company requires the Executive to have Executive’s principal location of work changed to any location that is in excess of 50 miles from the Executive’s principal residence immediately prior to the Change in Control without Executive’s prior written consent; or

(v) Without limiting the generality or effect of the foregoing, any material breach of this Agreement or any Other Employment Agreement (as defined in Section 6) by the Company or any successor thereto which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such breach.

A termination of employment by the Executive for one of the reasons set forth in clauses (i) - (v) above will not constitute “**Good Reason**” unless, within the 60-day period immediately following the occurrence of such Good Reason event, the Executive has given written notice to the Company specifying in reasonable detail the event or events relied upon for such termination and the Company has not remedied such event or events within 10 days of the receipt of such

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notice. The Company and the Executive may mutually waive in writing any of the foregoing provisions with respect to an event or events that otherwise would constitute Good Reason.

(p) “**Incumbent Directors**” means the individuals who, as of the date hereof, are Directors of the Company and any individual becoming a Director subsequent to the date hereof whose election, nomination for election by the Company’s shareholders, or appointment, was approved by a vote of at least two-thirds of the then Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination); provided, however, that an individual shall not be an Incumbent Director if such individual’s election or appointment to the Board occurs as a

result of an actual or threatened election contest (as described in Rule 14a-12(c) of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(q) **“Independent Directors”** means directors who qualify as “independent” directors under then-applicable New York Stock Exchange rules applicable to compensation committees (whether or not the Company’s securities continue to be listed for trading thereon).

(r) **“Non-Competition Period”** and **“Non-Solicitation Period”** means the period specified in Annex A. If Executive violates any of the covenants in this Agreement, the Non-Competition Period and Non-Solicitation Period covered by the covenants will automatically be extended by a length of time equal to the time period during which such violation occurred.

(s) **“Other Agreement”** means an agreement, contract or understanding (including any option or equity plan or agreement) other than this Agreement, heretofore or hereafter entered into by the Executive with the Company or any Subsidiary.

(t) **“Other Employment Agreements”** are defined in Section 6.

(u) **“Restricted Area”** means a twenty-five (25) mile radius around each Company branch at the time of termination and any location where the Company has placed workers during the Executive’s employment.

(v) **“Restrictive Covenants”** is defined in Sections 8 and 9.

(w) **“Severance Period”** means the period of time commencing on the date of the first occurrence of a Change in Control and continuing until the earlier of (i) the third anniversary of the occurrence of the Change in Control or (ii) the Executive’s death.

(x) **“Specified Employee”** is defined in Section 4.

(y) **“Subsidiary”** means an entity in which the Company directly or indirectly beneficially owns 50% or more of the outstanding Voting Stock.

(z) **“Term”** means the period commencing as of the date hereof and expiring on the close of business on December 31, 2009; ~~provided, however, that~~ (i) commencing on January 1, 2010 and each January 1 thereafter, the term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, the Company or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended; (ii) if a Change in Control occurs

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during the Term, the Term will expire on the last day of the Severance Period, provided that such expiration shall have no effect if the Executive is terminated and is entitled to the benefits provided in Section 4; and (iii) subject to Section 3(c), if, prior to a Change in Control, the Executive ceases for any reason to be a full-time employee of the Company, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect.

(aa) **“Termination Date”** means the date on which the Executive’s employment with the Company and its Subsidiaries terminates. Termination Date shall be interpreted consistent with the meaning of the term “separation from service” under Code Section 409A (a)(s)(A)(i) and the regulations thereunder.

(bb) **“Triggering Termination”** is defined in Section 4.

(cc) **“Voting Stock”** means securities entitled to vote generally in the election of directors.

(dd) **“Welfare Benefits”** means Employee Benefits that are provided under any “welfare plan” (within the meaning of Section 3(1) of ERISA) of the Company.

2. **Operation of Agreement.** This Agreement will be effective and binding immediately upon its execution, but, anything in this Agreement to the contrary notwithstanding, except as provided in Section 3(c), this Agreement will not be operative unless and until a Change in Control occurs. Upon the occurrence of a Change in Control at any time during the Term, without further action, this Agreement will become immediately operative.

3. **Termination Following a Change in Control.**

(a) In the event of the occurrence of a Change in Control, the Executive’s employment may be terminated by the Company during the Severance Period (or pursuant to Section 3(c)) and the Executive will be entitled to the benefits provided by Section 4 unless such termination is the result of the occurrence of one or more of the following events:

(i) The Executive’s death;

(ii) If the Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, the Executive immediately prior to the Change in Control; or

(iii) Cause.

If, during the Severance Period, the Executive’s employment is terminated by the Company other than pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii), the Executive will be entitled to the benefits provided by Section 4, provided that Executive is and remains in full compliance with the obligations in this Agreement and other covenants Executive has entered into with Company, and satisfies the conditions precedent in Section 10.

(b) In the event of the occurrence of a Change in Control, the Executive may terminate employment with the Company during the Severance Period for Good Reason with the right to severance compensation as provided in Section 4 regardless of whether any other

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reason, other than Cause, for such termination exists or has occurred, including without limitation other employment.

(c) Anything in this Agreement to the contrary notwithstanding, if a Change in Control occurs and not more than 90 days prior to the date on which the Change in Control occurs, the Executive's employment with the Company is terminated by the Company other than for Cause or the Executive terminates Executive's employment for Good Reason and Cause does not exist, such termination of employment will be deemed to be a termination of employment after a Change in Control for purposes of this Agreement if the Executive has reasonably demonstrated that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or in anticipation of a Change in Control.

(d) Nothing in this Agreement will (i) be construed as creating an express or implied contract of employment, changing the status of the Executive as an employee at will, giving the Executive any right to be retained in the employ of the Company, or giving the Executive the right to any particular level of compensation or benefits or (ii) interfere in any way with the right of the Company to terminate the employment of the Executive at any time with or without Cause, subject in either case to the obligations of the Company under this Agreement.

4. Severance Compensation

(a) Subject to the conditions of this Agreement, if, following the occurrence of a Change in Control, the Company terminates the Executive's employment during the Severance Period other than pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii), or if the Executive terminates Executive's employment pursuant to Section 3(b) any such termination, a ("**Triggering Termination**"), the Company will pay to the Executive the amounts described in Paragraph 1 of Annex A and will continue to provide to the Executive the benefits described in Paragraph 2 of Annex A each for the periods described therein; provided, however, that if such payment or continued benefits would be considered deferred compensation subject to Code Section 409A (e.g., the payment would occur at a time that is later than two and one-half months after the year in which such payment became no longer subject to a substantial risk of forfeiture) and the Executive is considered a "**Specified Employee**" for purposes of Code Section 409A(a)(2)(B)(i) and the regulations thereunder, payments of the amounts and benefits described in Annex A that are subject to Code Section 409A and which are otherwise payable will not be made until the earlier of (i) six (6) months following the Executive's Termination Date, or (ii) the Executive's death.

(b) Without limiting the rights of the Executive at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the "prime rate" as set forth from time to time during the relevant period in The Wall Street Journal "Money Rates" column, plus 200 basis points, compounded monthly, or, if less, the maximum rate legally allowed. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

(c) Subject to Section 5, if there is a Triggering Termination, the Company will pay in cash to the Executive a lump sum amount equal to the sum of (i) any unpaid incentive compensation that has been earned, accrued, allocated or awarded to the Executive for any performance period ending prior to a Triggering Termination (regardless of whether payment of

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such compensation is contingent on the continuing performance of services by the Executive), plus (ii) the value of any annual bonus or long-term incentive pay earned, accrued, allocated or awarded with respect to the Executive's service during the performance period or periods that includes the date on which the Change in Control occurred. Such payment will be made on or within fifteen (15) days after the latter of (x) five business days after the date the Company (or successor) has all of the information necessary to calculate the amount of the payment, (y) within five business days after a Triggering Termination, and (z) in the case of a payout that is subject to Code Section 409A and the Executive is a Specified Employee, six (6) months after a Triggering Termination. In the case of clauses (i) and (ii), any applicable vesting requirements will be disregarded. In the case of clause (ii), the amount will be calculated at the plan target or payout rate, prorated on the basis of the number of days of the Executive's participation during the applicable performance period to which the incentive pay related divided by the aggregate number of days in such performance period, taking into account service rendered through the payment date. All payments made under this Agreement are less applicable tax withholdings.

(d) If there is a Triggering Termination, all stock options, restricted stock and any other equity award shall become fully vested as of the date of termination notwithstanding the presence or absence of any provision in any Other Agreement executed in connection with the grant of such award.

5. Limitations on Payments and Benefits

Notwithstanding any provision of this Agreement or any Other Agreement to the contrary, if any amount or benefit to be paid or provided under this Agreement or any Other Agreement would be an Excess Parachute Payment (including after taking into account the value, to the maximum extent permitted by Section 280G of the Code, of the Restricted Covenants), but for the application of this sentence, then the payments and benefits to be paid or provided under this Agreement and any Other Agreement will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; provided, however, that the foregoing reduction will not be made if such reduction would result in Executive receiving an After-Tax Amount less than 90% of the After-Tax Amount of the severance payments he or she would have received under Section 4 or under any Other Agreement without regard to this clause. Whether requested by the Executive or the Company, the determination of whether any reduction in such payments or benefits to be provided under this Agreement or otherwise is required pursuant to the preceding sentence, and the value to be assigned to the Executive's Restricted Covenants hereof for purposes of determining the amount, if any, of the Excess Parachute Payment will be made at the expense of the Company by the Company's independent accountants or benefits consultant. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 5 will not of itself limit or otherwise affect any other rights of the Executive pursuant to this Agreement or any Other Agreement. In the event that any payment or benefit intended to be provided is required to be reduced pursuant to this Section 5, the Executive will be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this Section 5. The Company will provide the Executive with all information reasonably requested by the Executive to permit the Executive to make such designation. In the event that the Executive fails to make such designation within 10 business days after receiving notice from the Company of a reduction under this Section 5, the Company may effect such reduction in any manner it deems appropriate.

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6. No Mitigation Obligation; Other Agreements

(a) The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in Paragraph 2(C) of Annex A.

(b) A termination of employment pursuant to Section 3(a), 3(b) or 3(c) will not affect any rights that the Executive may have pursuant to any agreement, policy, plan, program or arrangement of the Company or Subsidiary providing Employee Benefits, which rights will be governed by the terms thereof. To the extent that the Executive receives payments by reason of his or her termination of employment pursuant to any other employment or severance agreement or employee plan (collectively, "**Other Employment Agreements**"), the amounts otherwise receivable under Section 4 will be reduced by the amounts actually paid pursuant to the Other

Employment Agreements, but not below zero, to avoid duplication of payments so that the total amount payable or value of benefits receivable hereunder and under the Other Employment Agreements is not less than the amounts so payable or value so receivable had such benefits been paid in full hereunder. The purpose of this Section 6(b) is to avoid duplication of, but not to limit, payments or benefits, so this Section 6(b) may not be interpreted as being intended to assure that, in circumstances in which a payment would otherwise be due under Section 4, the total amounts received by the Executive or value of benefits provided to him or her will in no event be less than those payable or to be provided hereunder.

7. Legal Fees and Expenses

It is the intent of the Company that, except for those rights and obligations pursuant to Section 8, the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of the Executive's rights in connection with any dispute arising under this Agreement because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such dispute or proceeding. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all reasonable attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing; provided that, in regard to such matters, the Executive has not acted in bad faith or with no colorable claim of success. Such payments will be made within five business days after delivery of the Executive's written requests for payment, accompanied by such evidence of fees and expenses incurred as the Company may reasonably require.

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8. Duty of Loyalty; Non-Competition; Non-Solicitation and Non-Disclosure and Protection of Confidential Information

(a) **Duty of Loyalty.** Executive agrees to devote all time that is reasonably necessary to execute and complete Executive's duties to Company. During the time necessary to execute Executive's duties, Executive agrees to devote Executive's full and undivided time, energy, knowledge, skill and ability to Company's business, to the exclusions of all other business and sideline interests, unless first authorized, in writing, by a proper representative of Company. Because of the agreement in the preceding sentence, during Executive's employment with Company, Executive also agrees not to be employed or provide any type of services, whether as an advisor, consultant, independent contractor or otherwise in any capacity elsewhere unless first authorized, in writing, by a proper representative of Company. In no event will Executive allow other activities to conflict or interfere with Executive's duties to Company. Executive agrees to faithfully and diligently perform all duties to the best of Executive's ability. Executive recognizes that the services to be rendered under this Agreement require certain training, skills and experience, and that this Agreement is entered into for the purpose of obtaining such service for Company. Upon request, Executive agrees to provide Company with any information which Executive possesses and which will be of benefit to Company. Executive agrees to perform Executive's duties in a careful, safe, loyal and prudent manner. Executive agrees to conduct him/herself in a way which will be a credit to Labor Ready's reputation and interests, and to otherwise fulfill all fiduciary and other duties Executive has to Company.

(b) **Non-Competition.** During the term of this Agreement and for the Non-Competition Period (as defined above and in Annex A) immediately following the termination of employment with or without Cause or Good Reason, so long as the Company continues to carry on at least substantially the same business:

(i) Executive shall not, directly or indirectly, in any Business Area, engage in, work for, provide services to, own, manage, operate, control or otherwise engage or participate in, or be connected as an owner, partner, principal, creditor, salesman, guarantor, advisor, member of the board of directors of, employee of, independent contractor of, or consultant to, any Conflicting Organization. The restrictions in this Section 8 (b) include without limitation the solicitation on behalf of a Conflicting Organization of any Client located in any Business Area (e.g., Executive may not on behalf of a Conflicting Organization solicit a Client located within a Business Area by telephoning the Client from a site located outside the Business Area).

(ii) Executive shall not, directly or indirectly, in any Business Area, engage in, work for, provide services to, own, manage, operate, control or otherwise engage or participate in, or be connected as an owner, partner, principal, creditor, salesman, guarantor, advisor, member of the board of directors of, employee of, independent contractor of, or consultant to, any Client.

(iii) Notwithstanding the foregoing provisions of this Section 8 (a) and the restrictions set forth therein, Executive may own securities in any publicly held corporation that is covered by the restrictions set forth in Section 8(b), but only to the extent that Executive does not own, of record or beneficially, more than 5% of the outstanding beneficial ownership of such corporation.

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(c) **Non-Solicitation/Non-Interference with Employees/Candidates.** Executive acknowledges that Labor Ready has a legitimate protectable interest in maintaining a stable and undisrupted workforce. During the term of this Agreement and for the Non-Solicitation Period (as defined above and in Annex A) immediately following the termination of employment with or without Cause or Good Reason, so long as the Company continues to carry on at least substantially the same business:

(i) Executive shall not, directly or indirectly, on behalf of himself/herself, or on behalf of any other person, entity, or organization, employ, solicit for employment, or otherwise seek to employ or retain any Colleague, or in any way assist or facilitate any such employment, solicitation, or retention effort.

(ii) Executive shall not, directly or indirectly, engage in any conduct intended or reasonably calculated to induce or urge any Colleague to discontinue, in whole or in part, his/her employment relationship with Labor Ready.

(iii) Executive shall not directly or indirectly, on behalf of himself/herself, or on behalf of any other person, entity, or organization, initiate contact with any Candidate for the purpose of employing, soliciting for employment, or otherwise seeking to employ or retain any Candidate.

(d) **Non-Solicitation/Non-Interference with Clients.** During the term of this Agreement and for the Non-Solicitation Period (as defined above and in Annex A) immediately following the termination of employment with or without Cause or Good Reason, so long as the Company continues to carry on at least substantially the same business:

(i) Executive shall not, directly or indirectly, solicit any Client for the purpose of providing temporary and/or permanent staffing services on behalf of a Conflicting Organization. Employee's agreement "not to solicit" as set forth in this Section 8(d) means that Executive shall not, either directly or indirectly, for any reason, initiate any contact or communication with any Client for the purpose of soliciting, inviting, encouraging, recommending or requesting any Client to do business with Executive and/or a Conflicting Organization in connection with the provision of temporary and/or permanent staffing services.

(ii) Executive shall not, directly or indirectly, engage in any conduct intended or reasonably calculated to induce or urge any Client to discontinue, in whole or in part, its patronage or business relationship with Labor Ready.

(iii) Executive shall not, directly or indirectly, accept any business from, or do any business with, any Client in connection with the provision of temporary and/or permanent staffing services.

(e) Non-Disclosure and Non-Use and other Protection of Confidential Information.

(i) In connection with Executive's duties, Executive may have access to some or all of Labor Ready's "Confidential Information," whether original, duplicated, computerized, memorized, handwritten, or in any other form, and all information contained therein, including, without limitation: (a) the ideas, methods, techniques, formats, specifications, procedures, designs, strategies, systems, processes, data and software products which are unique to Labor Ready; (b) all of Labor Ready's business plans, present, future or potential customers or clients

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(including the names, addresses and any other information concerning any customer or client), marketing, marketing strategies, pricing and financial information, research, training, know-how, operations, processes, products, inventions, business practices, databases and information contained therein, its wage rates, margins, mark-ups, finances, banking, books, records, contracts, agreements, principals, vendors, suppliers, contractors, employees, applicants, Candidates, skill sets of applicants, skill sets of Candidates, marketing methods, costs, prices, price structures, methods for calculating and/or determining prices, contractual relationships, business relationships, compensation paid to employees and/or contractors, and/or other terms of employment, employee evaluations, and/or employee skill sets; (c) the content of all of Labor Ready's operations, sales and training manuals; (d) all other information now in existence or later developed which is similar to the foregoing; (e) all information which is marked as confidential or explained to be confidential or which, by its nature, is confidential or otherwise constitutes the intellectual property or proprietary information of Labor Ready; and/or (f) any of Labor Ready's "trade secrets". For the purposes of this Section 8, all references to, and agreements regarding, Confidential Information or Confidential Information of Labor Ready also apply to Confidential Information belonging to any affiliate of Labor Ready, and to any confidential or proprietary information of third party clients that Labor Ready has an obligation to keep confidential. Executive's covenants in this Section 8 shall protect affiliates and clients of Labor Ready to the same extent that they protect Labor Ready. Confidential Information shall not include any portion of the foregoing which (i) is or becomes generally available to the public in any manner or form through no fault of Employee, or (ii) is approved for Employee's disclosure or use by the express written consent of the Chief Executive Officer of Labor Ready, Inc.

(ii) Executive agrees and acknowledges that all Confidential Information is to be held in confidence and is the sole and exclusive property of Labor Ready and/or its affiliates or clients. Executive recognizes the importance of protecting the confidentiality and secrecy of Confidential Information. Executive agrees to use Executive's best efforts to protect Confidential Information from unauthorized disclosure to others. Executive understands that protecting Confidential Information from unauthorized disclosure is critically important to Labor Ready's success and competitive advantage, and that the unauthorized use or disclosure of Confidential Information would greatly damage Labor Ready. Executive recognizes and agrees that taking and using Confidential Information, including trade secrets, by memory is no different from taking it on paper or in some other tangible form, and that all of such conduct is prohibited. Executive agrees that, prior to use or disclosure, Executive will request clarification from Labor Ready's legal department if Executive is at all uncertain as to whether any information or materials are "Confidential Information."

(iii) During Executive's employment and in perpetuity after the termination of Executive's employment for any or no cause or reason, Executive agrees: (a) not to use (or allow others to wrongfully use) any Confidential Information for the benefit of any person (including, without limitation, Executive's benefit) or entity other than Labor Ready; and (b) not to, except as necessary or appropriate for Executive to perform Executive's job responsibilities, disclose (or allow others to wrongfully disclose) any Confidential Information to others or download or make copies of any Confidential Information without Company's written consent, or remove any such records from the offices of Labor Ready except for the sole purpose of conducting business on behalf of Labor Ready. If at any time Executive ever believes that any person has received or disclosed or intends to receive or disclose Confidential Information without Company's consent, Executive agrees to immediately notify Company.

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(iv) At any time during Executive's employment upon Company's request, and at the end of Executive's employment with Company, even without Company's request, Executive covenants, agrees to, and shall immediately return to Labor Ready, at its headquarters in Tacoma, Washington, all Confidential Information as defined herein, and all other material and records of any kind concerning Labor Ready's business, and all other property of Company that Executive may possess or control.

(v) At all times, Executive agrees not to directly or indirectly take, possess, download, allow others to take or possess or download, provide to others, delete or destroy or allow others to delete or destroy, any of Labor Ready's Confidential Information or other property, other than in the normal course of business.

(f) Representations and Acknowledgments of Executive. Executive represents and warrants that:

(i) Executive is familiar with the covenants not to compete and not to solicit or interfere with Clients, Candidates and employees, and to protect, not disclose and not use Confidential Information set forth in Sections 8 (b), (c), (d) and (e) of this Agreement;

(ii) Labor Ready has a legitimate business interest in enforcement of the restrictions contained in this Section 8, including without limitation, Labor Ready's need to protect the goodwill of Labor Ready, its investment in training of Executive, the client relationships of Labor Ready, the stability of Labor Ready's workforce, and the confidentiality of Labor Ready's business information, and that of its affiliates and customers/clients and other legitimate interests;

(iii) Executive is fully aware of Executive's obligations under this Agreement, including, without limitation, the length of time, scope and geographic coverage of these covenants and has had an opportunity to consult an attorney. Executive agrees that these covenants and obligations are necessary to protect Company's Confidential Information, and Company's legitimate business interests and other legitimate interests, in view of Executive's key role with each branch of Company and its affiliates and the extent of confidential and proprietary information about the entire Company and its affiliates and clients to which Executive has information. Company and Executive agree that the provisions of this Section 8 do not impose an undue hardship on Executive and are not injurious to the public; that they are necessary to protect the business of Company and its affiliates and clients; that the nature of Executive's responsibilities with Company under this Agreement and Executive's former responsibilities with Company provide and/or have provided Executive with access to Confidential Information that is valuable and confidential to Company; that Company would not enter into this Agreement if Executive did not agree to the provisions of this Section 8; that this Section 8 is reasonable in its terms and that consideration supports this Agreement, including, without limit, Section 8.

(iv) Executive understands that the identity of Labor Ready's Clients sometimes may be ascertainable by observation or through publicly available resources. Nonetheless, Executive acknowledges that as a result of Executive's employment with Labor Ready, Executive will be acting as a representative of Labor Ready and will be utilizing Labor Ready's assets, resources and will be benefiting from Labor Ready's goodwill, name recognition, reputation, and experience in regard to these Clients, and Executive will gain Confidential Information about these Clients, and consequently, the covenants set forth above are reasonable and necessary to protect Labor Ready's legitimate business interests.

(v) The covenants set forth above are independent of any other provision of this Agreement. Executive agrees that they will be enforceable whether or not Executive has any claim against Company. Executive and Company agree that this Agreement should be interpreted in the way that provides the maximum protection to Company's business interests and Confidential Information.

(vi) Executive acknowledges that if Executive violates any of the foregoing covenants, the damage to Company will be such that Company is not likely to be made whole with a monetary award. Therefore, Executive agrees that if Executive violates or threatens to violate any such covenant, Company will be entitled to a temporary restraining order, a preliminary injunction and/or a permanent injunction, in addition to any and all other legal or equitable remedies available under law and equity.

9. **Nondisparagement.** At all times during the Executive's employment with Company and following termination of that employment by either Executive or Company, Executive will not publicly disparage Company or its Subsidiaries or any of their respective directors, officers or employees. Executive will not be in breach of this provision by providing information as required by law or legal compulsion.

10. **Waiver and Release.** As a condition precedent to receiving any payments and benefits under this Agreement, the Executive shall execute (and not later revoke) the Waiver and Release Agreement attached as Annex B or a form otherwise acceptable to Company on or within thirty (30) days after written request. The Company shall have no obligation to make any payments or provide any benefits to the Executive hereunder unless and until the effective date of the Waiver and Release Agreement, as defined therein.

11. **Employment Rights.** Nothing expressed or implied in this Agreement does or will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Subsidiary prior to or following any Change in Control.

12. **Withholding of Taxes.** The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation or ruling.

13. **Successors and Binding Agreement**

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 15(a) and 15(b). Executive hereby consents to any such assignment as expressly provided in Sections 15(a) and 15(b). Without limiting the generality or effect of the foregoing, the Executive's right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 15(c), the Company will have no liability to pay any amount so attempted to be assigned, transferred or delegated.

14. **Notices.** For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as FedEx, DHL or UPS, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at Executive's principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

15. **Governing Law.** The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Washington and federal law, without giving effect to the principles of conflict of laws of such State, except as expressly provided herein.

16. **Dispute Resolution; Arbitration; Exigent Relief; Venue and Consent to Jurisdiction.** Company and Executive agree that any claim arising out of or relating to this Agreement, or the breach of this Agreement, or Executive's application, employment, or termination of employment, shall be submitted to and resolved by binding arbitration under the Federal Arbitration Act. Company and Executive agree that all claims shall be submitted to arbitration including, but not limited to, claims based on any alleged violation of Title VII or any other federal or state laws; claims of discrimination, harassment, retaliation, wrongful termination, compensation due or violation of civil rights; or any claim based in tort, contract, or equity. Any arbitration between Company and Executive will be administered by the American Arbitration Association under its Employment Arbitration Rules then in effect. The award entered by the arbitrator will be based solely upon the law governing the claims and defenses pleaded, and will be final and binding in all respects. Judgment on the award may be entered in any court having jurisdiction. In any such arbitration, neither Executive nor Company shall be entitled to join or consolidate claims in arbitration or arbitrate any claim as a representative or member of a class. Company agrees to pay for the arbiter's fees where required by law. In any claim or jurisdiction where this agreement to arbitrate is not enforced, Company and Executive waive any right either may have to bring or join a class action or representative action, and further waive any right either may have under statute or common law or any other legal doctrine to a jury trial.

Notwithstanding any other provisions of this Agreement regarding dispute resolution, including this Section 16, Executive agrees that Executive's violation or breach, or threatened violation or breach, of any provision of Sections 8 of this Agreement ("Duty of Loyalty; Non-Competition; Non-Solicitation and Non-Disclosure and Protection of Confidential Information") and/or Executive's violation or breach, or threatened violation or breach, of other provisions of this Agreement which otherwise place Company in peril that cannot be readily remedied by monetary damages, would cause Company irreparable harm which would not be adequately compensated by monetary damages and

that a temporary and/or preliminary or permanent injunction may be granted by any court or courts having jurisdiction (subject to the venue provision below), restraining the Executive from violation or breach of the terms of this Agreement. The preceding sentence shall not be construed to limit Company from any other relief or damages to which it may be entitled as a result of the Executive's breach of any provision of this Agreement.

Where the parties have mutually waived their right to arbitration in writing or have not yet sought to enforce their right to compel arbitration, or where a temporary and/or preliminary or permanent injunction may be necessary to protect the interests of Company, venue for any legal action in connection with this Agreement will be limited exclusively to the Washington State Superior Court for Pierce County, or the United States District Court for the Western District of Washington at Tacoma, or a proper superior court or United State District Court in the jurisdiction in which Executive last worked, or where Executive is engaged in violating the Agreement. Executive and Company agree that the choice of venue lies solely in the discretion of Company. Executive agrees to submit to the personal jurisdiction of the courts identified herein, and agrees to waive any objection to personal jurisdiction in these courts, including but not limited to any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

17. Validity. The provisions of this Agreement are intended to be severable from each other. No provision will be invalid because another provision is ruled invalid or unenforceable. If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstance will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal. If any covenant in Section 8 should be deemed invalid, illegal or unenforceable because its time, geographical area, or restricted activity, is considered excessive, such covenant will be modified to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

18. Integration. Except with respect to Labor Ready's Non-Competition Agreement, and Executive Employment Agreement (all provided herewith) (i) no promises or other communications made by either Company or Executive are intended to be, or are, binding unless they are set forth in this Agreement; and (ii) this Agreement contains the entire agreement between the parties and replaces and supersedes any prior agreements, including Other Employment Agreement(s). No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and an appropriate representative of the Company. This Agreement will be binding upon Executive's heirs, executors, administrators and other legal representatives.

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19. Miscellaneous. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. The headings used in this Agreement are intended for convenience or reference only and will not in any manner amplify, limit, modify or otherwise be used in the construction or interpretation of any provision of this Agreement. References to Sections are to Sections of this Agreement. References to Paragraphs are to Paragraphs of an Annex to this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto.

20. Survival. Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections 3(c), 4, 5, 7, 8, 9, 10, 11, 12, 13(a), 13(b), 15, 16, 20 and 22 will survive any termination or expiration of this Agreement or the termination of the Executive's employment following a Change in Control for any reason whatsoever.

21. Beneficiaries. The Executive will be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following the Executive's death, and may change such election, in either case by giving the Company written notice thereof in accordance with Section 16. In the event of the Executive's death or a judicial determination of the Executive's incompetence, reference in this Agreement to the "Executive" will be deemed, where appropriate, to be the Executive's beneficiary, estate or other legal representative.

22. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same agreement.

23. Section 409A of the Code. To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code. This Agreement will be administered in a manner consistent with this intent, and any provision that would cause the Agreement to fail to satisfy Section 409A of the Code will have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of the Executive).

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

LABOR READY, INC.

By: _____

Name: _____

Title: _____

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EXECUTIVE

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ANNEX A

SEVERANCE COMPENSATION, ETC.

(1) An amount equal to two times the sum of (A) Base Pay (at the rate in effect for the year in which the Termination Date occurs), plus (B) Incentive Pay (in an amount equal to target bonus immediately prior to the Change in Control or, if such target shall not have been established or shall be reduced after a Change in Control, the highest aggregate Incentive Pay earned in any of the three fiscal years immediately preceding the year in which the Change in Control occurred) shall be payable as follows: (i) fifty percent (50%) of such amount shall be payable within 5 business days after a Termination Date and (ii) fifty percent (50%) of such amount shall be payable in equal monthly installments over the Non-Competition Period.

(2) (A) For any Welfare Benefits that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination or denial described in Section 1(o)(ii)) that are considered to be "reimbursement arrangements" covered under Proposed Treasury Regulation Section 1.409A-1(b)(9)(iv)(A) (or its successor when final 409A regulations become effective):

(i) for a period of the lesser of 18 months following the Termination Date or the Non-Competition Period (the "**Continuation Period**"), subject to subpart (ii) below and the last two sentences of this subpart (i), the Company will arrange to provide the Executive with Welfare Benefits substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 1(o)(ii)) except that the level of any such Welfare Benefits to be provided to the Executive may be reduced in the event of a corresponding reduction generally applicable to all similarly situated recipients of or participants in such Welfare Benefits. If and to the extent that any benefit described in this Paragraph 2(A) cannot reasonably be paid or provided under any policy, plan, program or arrangement of the Company or any Subsidiary, as the case may be, nor through the purchase of a conversion or other individual insurance policy or policies for the Executive and, if applicable, the Executive's dependents, or if it would be less expensive for the Company to pay the amount set forth in subpart (ii) below rather than to pay or provide continued coverage for any such benefit, then the Company will pay the amount set forth in subpart (ii) below. With respect to group medical and dental coverage, the Company may in its discretion choose to provide continued coverage through the payment of the cost of continued coverage pursuant to COBRA for the Executive and the Executive's dependents under a group medical and dental plan sponsored by the Company, a Subsidiary or other affiliate of Company (as appropriate) until the earlier of the end of the Continuation Period or the date the Executive or dependent ceases to be eligible for COBRA.

(ii) the Company will pay to the Executive a lump sum cash amount equal to the difference between (1) the present value of the continuation of such benefits for the Continuation Period and (2) the present value of the benefits the Executive will receive under Paragraph 2(A)(i). The payment will be made within thirty (30) days after the Termination Date unless the payment is subject to Code Section 409A and the Executive is a specified employee under Code Section 409A(a)(2)(B)(i), in which case it will be made six (6) months after the Termination Date. The payment will be reduced by applicable tax withholdings.

(B) For any Welfare Benefits that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the

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reduction, termination, or denial described in Section 1(o)(ii)) that are not considered to be "reimbursement arrangements" covered under Proposed Treasury Regulation Section 1.409A-1(b)(9)(iv)(A) (or its successor once final 409A regulations become effective), the Company shall pay to the Executive a cash lump sum in an amount equal to the present value of the continuation of such benefits for the Continuation Period. The payment will be made within thirty (30) days after the Termination Date unless the payment is subject to Code Section 409A and the Executive is a specified employee under Code Section 409A(a)(2)(B)(i), in which case it will be made six (6) months after the Termination Date. The payment will be reduced by applicable tax withholdings.

(C) Welfare Benefits otherwise receivable by the Executive pursuant to this Paragraph 2 will be reduced to the extent comparable Welfare Benefits are actually received by the Executive from another employer during the Continuation Period following the Executive's Termination Date, and any such Welfare Benefits actually received by the Executive will be reported by the Executive to the Company.

(3) The "**Non-Competition Period**" contemplated by Section 8 and this Annex A will be twenty-four months from the Termination Date.

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ANNEX B

RELEASE OF CLAIMS

This Release of Claims ("**Release**") is hereby executed by ("the Executive") in accordance with the Change in Control Agreement between the Executive and Labor Ready, Inc. ("the Company"), dated , 2006 ("**CIC Agreement**").

RECITALS

A. The Company and the Executive are parties to the CIC Agreement.

B. The CIC Agreement provides for certain payments and benefits to the Executive upon termination of the Executive's employment under certain circumstances, provided that the Executive signs and delivers to the Company upon such termination a Release in substantially the form of this Release.

C. The Executive desires for the Company to make payments in accordance with the CIC Agreement and therefore executes this Release.

TERMS

1. **Waiver, Release and Covenant.** On behalf of the Executive and the Executive's marital community, heirs, executors, administrators and assigns, the Executive expressly waives, releases, discharges and acquits any and all claims against the Company and its present, former and future affiliates, related entities, predecessors, successors and assigns, and all of their present, former and future officers, directors, stockholders, employees, agents, partners, and members, in their individual and representative capacities (collectively "**Released Parties**") that arise from or relate to the Executive's employment with the Company and/or the termination of such employment ("**Released Claims**"). This waiver and release includes any and all Released Claims (including claims to attorneys' fees), damages, causes of action or disputes, whether known or unknown, based upon acts or omissions occurring or that could be alleged to have occurred before the execution of this Release. Released Claims include, without limitation, claims for wages, employee benefits, and damages of any kind whatsoever arising out of any: contract, express or implied, including without limitation the CIC Agreement; tort; discrimination; wrongful termination; any federal, state, local or other governmental statute or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in CIC Act, as amended ("**ADEA**"); the Employee Retirement Income Security Act of 1974; and any other legal limitation on the employment relationship. The Executive also covenants and promises never to file, press or join in any complaint or lawsuit for personal relief or any amounts of any nature based on any Released Claim and agrees that any such claim, if filed by the Executive, shall be dismissed, except that this covenant and promise does

not apply to any claim of the Executive challenging the validity of this Release in connection with claims arising under the ADEA and/or the Older Workers' Benefit Protection Act of 1990 ("OWBPA"). The Executive represents and warrants that he is the sole owner of all Released Claims and has not assigned, transferred, or otherwise disposed of the Executive's right or interest in those matters. Notwithstanding the foregoing, this waiver and release does not apply to claims that arise after the date that the release is executed, claims to vested benefits under ERISA, workers' compensation claims or any other claims that may not be released under this Release in accordance with applicable law.

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2. **Acknowledgment of Sufficiency of Consideration.** The Executive acknowledges and agrees that in the absence of the Executive's execution of this Release, the Company is not obligated to provide the Executive with the payment and benefits described in Annex A of the CIC Agreement, and that the payment and benefits set forth in Annex A of the CIC Agreement are adequate consideration for the covenants and release herein.

3. **Covenants and Obligations under CIC Agreement.** Nothing in this Release supersedes or restricts any obligations that the Executive owes to the Company, including, without limitation, the obligation to protect the Company's interests in confidential information and trade secrets and inventions under the CIC Agreement and/or under applicable law. Executive agrees to comply with all covenants that Executive has entered into with Company.

4. **Review and Revocation Period.** The Executive has a period of seven (7) calendar days after delivering this Release to the Company to revoke this Release. To revoke, the Executive must deliver a notice revoking his agreement to this Release to the CEO of the Company. This Release shall become effective on the eighth day after delivery of this executed Release by the Executive to the Company ("**Effective Date**"), provided that the Executive has not revoked the Release. The Company shall have no obligation to provide the Executive with any payment or benefits as described in the CIC Agreement if the Executive revokes this Release.

5. **Governing Law.** This Release shall be interpreted in accordance with the law of the State of Washington, without regard to the conflicts of law provisions of such laws.

6. **Severability.** If any provision of this Release constitutes a violation of any law or is or becomes unenforceable or void, then such provision, to the extent only that it is in violation of law, unenforceable or void, shall be deemed modified to the extent necessary so that it is no longer in violation of law, unenforceable or void, and such provision will be enforced to the fullest extent permitted by law. If such modification is not possible, such provision, to the extent that it is in violation of law, unenforceable or void, shall be deemed severable from the remaining provisions of this Release, which shall remain binding.

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7. **Knowing and Voluntary Agreement.** the Executive hereby warrants and represents that (a) the Executive has carefully read this Release and finds that it is written in a manner that he understands; (b) the Executive knows the contents hereof; (c) the Executive has been advised to consult with his personal attorney regarding the Release and its effects and has done so; (d) the Executive understands that he is giving up all Released Claims and all damages and disputes that have arisen before the date of this Release, except as provided herein; (e) the Executive has had ample time to review and analyze this entire Release; (f) the Executive did not rely upon any representation or statement concerning the subject matter of this Release, except as expressly stated in the Release; (g) the Executive has been given at least twenty-one (21) days to consider this Release and seven (7) days to revoke this Release; (h) the Executive understands this Release's final and binding effect; and (i) the Executive has signed this Release as his free and voluntary act.

8. **Arbitration and Venue.** The Company and the Executive agree that any claim arising out of or relating to this Release, or the breach of this Release shall be submitted to and resolved by binding arbitration under the Federal Arbitration Act. The Company and the Executive agree that all claims shall be submitted to arbitration including, but not limited to, claims based on any alleged violation of Title VII or any other federal or state laws; claims of discrimination, harassment, retaliation, wrongful termination, compensation due or violation of civil rights; or any claim based in tort, contract, or equity. Any arbitration between the Company and the Executive will be administered by the American Arbitration Association under its Employment Arbitration Rules then in effect. The award entered by the arbitrator will be based solely upon the law governing the claims and defenses pleaded, and will be final and binding in all respects. Judgment on the award may be entered in any court having jurisdiction. In any such arbitration the Company shall be entitled to join or consolidate claims in arbitration or arbitrate any claim as a representative or member of a class. The Company agrees to pay for the arbiter's fees where required by law. In any claim or jurisdiction where this agreement to arbitrate is not enforced, the Company and the Executive waive any right either may have to bring or join a class action or representative action, and further waive any right either may have under statute or common law to a jury trial. Where the parties have mutually waived their right to arbitration in writing or have not yet sought to enforce their right to compel arbitration, venue for any legal action in connection with this Release will be limited exclusively to the Washington State Superior Court for Pierce County, or the United States District Court for the Western District of Washington at Tacoma. The Executive agrees to submit to the personal jurisdiction of the courts identified herein, and agrees to waive any objection to personal jurisdiction in these courts.

EXECUTED this day of .

Executive

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NON-COMPETITION AGREEMENT

In consideration of Labor Ready, Inc., or the Labor Ready, Inc. subsidiary, affiliate, related business entity, successor, or assign employing Executive (collectively "Labor Ready" or the "Company"), employing me, compensating me, providing me with benefits, providing me with administrative support; providing me with the benefit of Labor Ready's research, know how, market strategies and business plans; and specifically in consideration of the additional consideration provided in the Executive Employment Agreement and Change In Control Agreement executed concurrently herewith, the adequacy, sufficiency and receipt of which is hereby acknowledged, and intending to be legally bound, I, ("Executive"), hereby acknowledge that I understand and agree that the provisions hereof are part of and a condition of my employment with Labor Ready, and are effective as of December 31, 2006.

I. NON-COMPETITION, NON-INTERFERENCE, NON-SOLICITATION, AND CONFIDENTIALITY

A. Definitions.

1. "*Business Area*" means any location in which Labor Ready conducts or plans to conduct business. Executive acknowledges that Labor Ready has operations in all 50 states, the District of Columbia and at least three other countries, that Labor Ready plans to continue to expand its operations and presence both domestically and internationally and that as a member of Labor Ready's senior management, Executive's services are integral to these operations and expansion plans.

2. "*Candidate*" means, any individual who has applied for and/or accepted placement in a job by Labor Ready with a Client, and (i) about whom Executive obtained information, or (ii) with whom Executive interacted on behalf of Labor Ready.

3. "*Client*" means, any individual, business or other entity to which Labor Ready provided any services, at any time within twenty-four (24) months prior to Executive's last date of employment with Labor Ready.

4. "*Colleague*" means any Labor Ready employee who has been employed by Labor Ready during the six months prior to the termination of Executive's employment with Labor Ready.

5. "*Confidential Information*" means, whether original, duplicated, computerized, memorized, handwritten, or in any other form, and all information contained therein, including, without limitation: (a) the ideas, methods, techniques, formats, specifications, procedures, designs, strategies, systems, processes, data and software products which are unique to Labor Ready; (b) all of Labor Ready's business plans, present, future or potential customers or clients (including the names, addresses and any other information concerning any customer or client),

marketing, marketing strategies, pricing and financial information, research, training, know-how, operations, processes, products, inventions, business practices, databases and information contained therein, its wage rates, margins, mark-ups, finances, banking, books, records, contracts, agreements, principals, vendors, suppliers, contractors, employees, applicants, Candidates, skill sets of applicants, skill sets of Candidates, marketing methods, costs, prices, price structures, methods for calculating and/or determining prices, contractual relationships, business relationships, compensation paid to employees and/or contractors, and/or other terms of employment, employee evaluations, and/or employee skill sets; (c) the content of all of Labor Ready's operations, sales and training manuals; (d) all other information now in existence or later developed which is similar to the foregoing; (e) all information which is marked as confidential or explained to be confidential or which, by its nature, is confidential or otherwise constitutes the intellectual property or proprietary information of Labor Ready; and/or (f) any of Labor Ready's "trade secrets". For the purposes of this Section, all references to, and agreements regarding, Confidential Information or Confidential Information of Labor Ready also apply to Confidential Information belonging to any affiliate of Labor Ready, and to any confidential or proprietary information of third party clients that Labor Ready has an obligation to keep confidential. Executive's covenants in this Section shall protect affiliates and clients of Labor Ready to the same extent that they protect Labor Ready. Confidential Information shall not include any portion of the foregoing which (i) is or becomes generally available to the public in any manner or form through no fault of Executive, or (ii) is approved for Executive's disclosure or use by the express written consent of the Chief Executive Officer of Labor Ready, Inc.

6. "*Conflicting Organization*" means, any person, entity or organization engaged (or about to become engaged) in a business similar to, or that competes with, the business of Labor Ready, including without limitation any person or organization that provides any product, process or service that is similar to or competes with any product, process or service provided by Labor Ready. The term "Conflicting Organization" specifically includes without limitation any person, entity or organization that provides temporary and/or permanent staffing services in connection with manual or skilled laborers or employees, including without limitation, for jobs in construction, manufacturing, hospitality services, landscaping, warehousing, agriculture, waste and recycling, transportation, event logistics, and retail.

B. Confidentiality, Non-Disclosure and Non-Use Obligations.

1. Executive agrees that all records and Confidential Information obtained by Executive as a result of Executive's employment with Labor Ready, whether original, duplicated, computerized, memorized, handwritten, or in any other form, and all information contained therein, are confidential and the sole and exclusive property of Labor Ready. Executive understands and agrees that the business of Labor Ready and the nature of Executive's employment will require Executive to have access to Confidential Information of and about Labor Ready, its business, its Candidates, and its Clients. During Executive's employment and thereafter, Executive will not use Confidential Information or remove any such records from the offices of Labor Ready except for the sole purpose of conducting business on behalf of Labor Ready. Executive further agrees that during Executive's employment and thereafter, Executive will not divulge or disclose this Confidential Information to any third party and under no

circumstances will Executive reveal or permit this information to become known by any competitor of Labor Ready.

2. Executive agrees and acknowledges that all Confidential Information is to be held in confidence and is the sole and exclusive property of Labor Ready and/or its affiliates or clients. Executive recognizes the importance of protecting the confidentiality and secrecy of Confidential Information. Executive agrees to use Executive's best efforts to protect Confidential Information from unauthorized disclosure to others. Executive understands that protecting Confidential Information from unauthorized disclosure is critically important to Labor Ready's success and competitive advantage, and that the unauthorized use or disclosure of Confidential Information would greatly damage Labor Ready. Executive recognizes and agrees that taking and using Confidential Information, including trade secrets, by memory is no different from taking it on paper or in some other tangible form, and that all of such conduct is prohibited. Executive agrees that, prior to use or disclosure, Executive will request clarification from Labor Ready's legal department if Executive is at all uncertain as to whether any information or materials are "Confidential Information."

3. During Executive's employment and in perpetuity after the termination of Executive's employment for any or no cause or reason, Executive agrees: (a) not

to use (or allow others to wrongfully use) any Confidential Information for the benefit of any person (including, without limitation, Executive's benefit) or entity other than Labor Ready; and (b) not to, except as necessary or appropriate for Executive to perform Executive's job responsibilities, disclose (or allow others to wrongfully disclose) any Confidential Information to others or download or make copies of any Confidential Information without Company's written consent, or remove any such records from the offices of Labor Ready except for the sole purpose of conducting business on behalf of Labor Ready. If at any time Executive ever believes that any person has received or disclosed or intends to receive or disclose Confidential Information without Company's consent, Executive agrees to immediately notify Company.

4. At any time during Executive's employment upon Company's request, and at the end of Executive's employment with Company, even without Company's request, Executive covenants, agrees to, and shall immediately return to Labor Ready, at its headquarters in Tacoma, Washington, all Confidential Information as defined herein, and all other material and records of any kind concerning Labor Ready's business, and all other property of Company that Executive may possess or control.

5. At all times, Executive agrees not to directly or indirectly take, possess, download, allow others to take or possess or download, provide to others, delete or destroy or allow others to delete or destroy, any of Labor Ready's Confidential Information or other property, other than in the normal course of business.

6. Executive agrees that these covenants are necessary to protect Company's Confidential Information, and Company's legitimate business interests (including, without limitation, the confidentiality of Labor Ready's business information and other legitimate interests), in view of Executive's key role with each branch of Company and its affiliates and the

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extent of confidential and proprietary information about the entire Company and its affiliates and clients to which Executive has information. Company and Executive agree that the provisions of this Section do not impose an undue hardship on Executive and are not injurious to the public; that they are necessary to protect the business of Company and its affiliates and clients; that the nature of Executive's responsibilities with Company under this Agreement and Executive's former responsibilities with Company provide and/or have provided Executive with access to Confidential Information that is valuable and confidential to Company; that Company would not employ or continue to employ Executive if Executive did not agree to the provisions of this Section; that this Section is reasonable in its terms and that consideration supports this Section, including new consideration as set forth in the Executive Employment Agreement.

C. Duty of Loyalty.

1. Executive agrees that at all times during Executive's employment with Labor Ready, Executive owes Labor Ready a duty of loyalty and a duty to act in good faith. Executive agrees that during Executive's employment, Executive will not individually, or in combination with any other Executive, individual, or competitor of Labor Ready, violate or breach the terms of this Agreement.

2. Executive agrees to devote all time that is reasonably necessary to execute and complete Executive's duties to Company. During the time necessary to execute Executive's duties, Executive agrees to devote Executive's full and undivided time, energy, knowledge, skill and ability to Company's business, to the exclusion of all other business and sideline interests. Because of the agreement in the preceding sentence, during Executive's employment with Company, Executive also agrees not to be employed or provide any type of services, whether as an advisor, consultant, independent contractor or otherwise in **any** capacity elsewhere unless first authorized, in writing, by a proper representative of Company. In no event will Executive allow other activities to conflict or interfere with Executive's duties to Company. Executive agrees to faithfully and diligently perform all duties to the best of Executive's ability. Executive recognizes that the services to be rendered under this Agreement require certain training, skills and experience, and that this Agreement is entered into for the purpose of obtaining such service for Company. Upon request, Executive agrees to provide Company with any information which Executive possesses and which will be of benefit to Company. Executive agrees to perform Executive's duties in a careful, safe, loyal and prudent manner. Executive agrees to conduct him/herself in a way which will be a credit to Labor Ready's reputation and interests, and to otherwise fulfill all fiduciary and other duties Executive has to Company.

D. Return of Information, Records, and Materials. Executive agrees that upon the termination of Executive's employment with Labor Ready or at the request of Labor Ready at any time, Executive will immediately deliver to Labor Ready all Labor Ready property, including without limitation all information, records, materials, and copies thereof in any form whatsoever, that are related in any way to Labor Ready or its business, or which are otherwise referred to in Sections I.A.5 and I.B. above.

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Executive acknowledges and agrees that unless otherwise expressly prohibited by law, Company has the complete right to review, inspect and monitor all Company property, including, without limitation, email, voicemail, and computer property of Company, and to review, inspect and monitor Executive's use of the internet or other computer related transmission of information, including, without limitation, the identity and use of USB and other computer related drives. Executive acknowledges that Executive has no expectation of privacy in Company's property, including, without limitation, email, voicemail, and computer property.

E. Non-Competition Covenant.

1. Executive agrees that during Executive's employment with Labor Ready and for a period of twelve (12) months (except as provided in Section I.E.3 below) following the termination of Executive's employment for any reason, Executive shall not, directly or indirectly, in any Business Area, engage in, work for, provide services to, own, manage, operate, control or otherwise engage or participate in, or be connected as an owner, partner, principal, creditor, salesman, guarantor, advisor, member of the board of directors of, Executive of, independent contractor of, or consultant to, any Conflicting Organization. The restrictions in this Section I.E.1 include without limitation the solicitation on behalf of a Conflicting Organization of any Client located in any Business Area (e.g., Executive may not on behalf of a Conflicting Organization solicit a Client located within a Business Area by telephoning the Client from a site located outside the Business Area).

2. Notwithstanding the foregoing provisions of Section I.E and the restrictions set forth therein, Executive may own securities in any publicly held corporation that is covered by the restrictions set forth in Section I.E, but only to the extent that Executive does not own, of record or beneficially, more than 5% of the outstanding beneficial ownership of such corporation.

3. Notwithstanding anything in this Agreement to the contrary, within fifteen (15) days after the termination of Executive's employment for any reason, the Company in its sole discretion may elect to extend the non-competition period set forth in Section I.E.1 from twelve (12) months to twenty-four (24) months by delivering written notice to Executive of the Company's election to extend such period. If the Company elects to extend the non-competition period to twenty-four (24) months and either the Company terminated the Executive's employment without Cause as defined in the Executive Employment Agreement, or the Executive terminated employment with Good Reason as defined in the Executive Employment Agreement, then, provided that the Executive has complied with all conditions precedent to the Executive being entitled to receive any separation payments pursuant to the Executive Employment Agreement, the period during which the Executive is entitled to receive separation payments pursuant to the Executive Employment Agreement will automatically and without further action be extended from twelve (12) months to twenty-four (24) months.

F. Non-Solicitation/Non-Interference with Executives/Candidates.

1. Executive acknowledges that Labor Ready has a legitimate protectable interest in maintaining a stable and undisrupted workforce. Executive agrees that during Executive's employment and for a period of twenty-four (24) months following the termination of

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Executive's employment for any reason, Executive will not, directly or indirectly, on behalf of himself/herself, or on behalf of any other person, entity, or organization, employ, solicit for employment, or otherwise seek to employ or retain any Colleague, or in any way assist or facilitate any such employment, solicitation, or retention effort.

2. Executive agrees that during Executive's employment and for a period of twenty-four (24) months following the termination of Executive's employment for any reason, Executive shall not, directly or indirectly, engage in any conduct intended or reasonably calculated to induce or urge any Colleague to discontinue, in whole or in part, his/her employment relationship with Labor Ready.

3. Executive agrees that during Executive's employment and for a period of twenty-four (24) months following the termination of Executive's employment for any reason, Executive will not directly or indirectly, on behalf of himself/herself, or on behalf of any other person, entity, or organization, initiate contact with any Candidate for the purpose of employing, soliciting for employment, or otherwise seeking to employ or retain any Candidate.

G. Non-Solicitation/Non-Interference with Clients.

1. During Executive's employment and for a period of twenty-four (24) months following the termination of Executive's employment for any reason, Executive shall not, directly or indirectly, solicit any Client for the purpose of providing temporary and/or permanent staffing services on behalf of a Conflicting Organization. Executive's agreement "not to solicit" as set forth in this Section I.G.1 means that Executive will not, either directly or indirectly, for any reason, initiate any contact or communication with any Client for the purpose of soliciting, inviting, encouraging, recommending or requesting any Client to do business with Executive and/or a Conflicting Organization in connection with the provision of temporary and/or permanent staffing services.

2. During Executive's employment and for a period of twenty-four (24) months following the termination of Executive's employment for any reason, Executive shall not, directly or indirectly, engage in any conduct intended or reasonably calculated to induce or urge any Client to discontinue, in whole or in part, its patronage or business relationship with Labor Ready.

3. During Executive's employment and for a period of twenty-four (24) months following the termination of Executive's employment for any reason, Executive shall not, directly or indirectly, accept any business from, or do any business with, any Client in connection with the provision of temporary and/or permanent staffing services.

H. Representations and Acknowledgments of Executive.

Executive represents that:

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1. Executive is familiar with the covenants not to compete and not to interfere with Clients, Candidates and Executives set forth in Article I of this Agreement;

2. Labor Ready has a legitimate business interest in enforcement of the restrictions contained in Article I, including without limitation, Labor Ready's need to protect the goodwill of Labor Ready, its investment in training of the Executive, the client relationships of Labor Ready, the stability of Labor Ready's workforce, and the confidentiality of Labor Ready's business information and other legitimate interests;

3. Executive is fully aware of Executive's obligations under this Agreement, including, without limitation, the length of time, scope and geographic coverage of these covenants and has had an opportunity to consult an attorney and Labor Ready and Executive agree that the provisions of Article I do not impose an undue hardship on Executive and are not injurious to the public; that they are necessary to protect the business of Labor Ready and its affiliates and clients; that the nature of Executive's responsibilities with Labor Ready under this Agreement and Executive's former responsibilities with Labor Ready provide and/or have provided Executive with access to Confidential Information that is valuable and confidential to Labor Ready; that Labor Ready would not employ or continue to employ Executive if Executive did not agree to the provisions of Article I; that Article I is reasonable in its terms and that consideration supports Article I, including new consideration as set forth in the Executive Employment Agreement;

4. Executive's execution of this agreement, and Executive's employment by Labor Ready, does not violate any agreement that Executive has entered into with a third party, and Executive acknowledges that any inaccuracy in this representation and warranty will constitute grounds for Executive's immediate termination by Labor Ready which will, upon any such termination, have no further obligation to Executive. Executive agrees to indemnify and hold Labor Ready harmless from any and all suits and claims arising out of any breach of any terms and conditions contained in any such agreements entered into by Executive; and

5. Executive understands that the identity of Labor Ready's Clients sometimes may be ascertainable by observation or through publicly available resources. Nonetheless, Executive acknowledges that as a result of Executive's employment with Labor Ready, Executive will be acting as a representative of Labor Ready and will be utilizing Labor Ready's assets, resources and will be benefiting from Labor Ready's goodwill, name recognition, reputation, and experience in regard to these Clients, and Executive will gain Confidential Information about these Clients, and consequently, the covenants set forth above are reasonable and necessary to protect Labor Ready's legitimate business interests.

I. Injunctive Relief; Further Remedies. In the event that Executive breaches or threatens to breach, or Labor Ready reasonably believes that Executive is about to breach, any of the covenants of Sections I.B, I.C, I.D, I.E, I.F, or I.G, Executive agrees that Labor Ready will be entitled to injunctive relief as well as an equitable accounting of all earnings, profits and other benefits arising from violation of this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which Labor Ready may be entitled in law or equity. Executive agrees that Labor Ready will suffer immediate and irreparable harm and that money damages will not be adequate to compensate Labor Ready or to protect and preserve the status

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quo. Therefore, Executive HEREBY CONSENTS TO THE ISSUANCE OF A TEMPORARY RESTRAINING ORDER, WITH OR WITHOUT NOTICE, AND A

PRELIMINARY OR PERMANENT INJUNCTION ordering:

1. that Executive immediately return to Labor Ready all Confidential Information as defined in this Agreement, and any other Labor Ready property described in Section I.B above, in any form whether original, copied, computerized, handwritten, or recreated, and that Executive be permanently enjoined and restrained from using or disclosing all said Confidential Information and records;

2. that, during Executive's employment with Labor Ready and for the greater period of twelve (12) months or twenty-four (24) months if elected by Labor Ready pursuant to Article 1.E.3, following the termination of Executive's employment for any reason, Executive be enjoined from engaging in, working for, providing services to, owning, managing, operating, controlling or otherwise engaging or participating in, or being connected as an owner, partner, principal, creditor, salesman, guarantor, advisor, member of the board of directors of, employee of, independent contractor of, or consultant to, any Conflicting Organization and/or any Client within any Business Area;

3. that, during Executive's employment with Labor Ready and for a period of twenty-four (24) months following the termination of Executive's employment for any reason, Executive be enjoined from employing, soliciting for employment, or otherwise seeking to employ, retain, divert or take away any Colleague, or in any other way assisting or facilitating any such employment, solicitation or retention effort; and further that Executive be enjoined from engaging in any conduct intended or reasonably calculated to induce or urge any Colleague to discontinue, in whole or in part, his/her employment relationship with Labor Ready;

4. that, during Executive's employment and for a period of twenty-four (24) months following the termination of Executive's employment for any reason, Executive be enjoined from directly or indirectly, on behalf of himself/herself, or on behalf of any other person, entity, or organization, initiating contact with any Candidate for the purpose of employing, soliciting for employment, or otherwise seeking to employ or retain any Candidate; and

5. that, during Executive's employment with Labor Ready and for a period of twenty-four (24) months following the termination of Executive's employment for any reason, Executive be enjoined from soliciting any Client for the purpose of providing temporary and/or permanent staffing services, including without limitation that Executive be enjoined from initiating any contact or communication with any Client for the purpose of soliciting, inviting, encouraging, recommending or requesting any Client to do business with a Conflicting Organization in connection with the provision of temporary and/or permanent staffing services; and further, that Executive be enjoined from accepting or doing business with any Client in connection with the provision of temporary and/or permanent staffing services; and further that Executive be enjoined from engaging in any conduct intended or reasonably calculated to induce or urge any Client to discontinue, in whole or in part, its patronage or business relationship with Labor Ready.

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Executive hereby agrees that the duration of any injunction shall be increased in an amount equal to any period of time during which Executive failed to comply with the covenants contained in this Agreement.

J. Notice of Agreement to Subsequent Employers, Business Partners, and/or Investors. Executive agrees that Executive will tell any prospective new employer, business partners, and/or investors, prior to accepting employment or engaging in a business venture that this Agreement exists, and further, Executive agrees to provide a true and correct copy of this Agreement to any prospective employer, business partner and/or investor prior to accepting employment or engaging in any business venture. Executive further authorizes Labor Ready to provide a copy of this Agreement to any new employer, business partner and/or investor.

K. Severability. If any section, provision, paragraph, phrase, word, and/or line (collectively "Provision") of this Agreement is held to be unenforceable, then this Agreement will be deemed amended to the extent necessary to render the otherwise unenforceable Provision, and the rest of the Agreement, valid and enforceable. If a court declines to amend this Agreement as provided herein, the invalidity or unenforceability of any Provision of this Agreement shall not affect the validity or enforceability of the remaining Provisions, which shall be enforced as if the offending Provision had not been included in this Agreement.

II. MISCELLANEOUS PROVISIONS

A. Choice of Law. This Agreement will be governed by, construed, interpreted, and its validity determined, under the law of the State in which Executive last worked for Labor Ready.

B. Jurisdiction and Venue. Executive and Company hereby irrevocably and unconditionally submit to the exclusive jurisdiction of the Washington State Superior Court for Pierce County, or the United States District Court for the Western District of Washington at Tacoma, or a proper superior court or United State District Court in the jurisdiction in which Executive last worked, or where Executive is engaged in violating the Agreement. Executive and Company agree that the choice of venue lies solely in the discretion of Company. Executive agrees to submit to the personal jurisdiction of the courts identified herein, and agrees to waive any objection to personal jurisdiction in these courts, including but not limited to any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

C. Binding Effect and Assignability. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors, assigns, affiliated entities, and any party-in-interest. Executive agrees and understands that, should Labor Ready be acquired by, merge with, or otherwise combine with another corporation or business entity, the surviving entity will have all rights to enforce the terms of this Agreement as if it were Labor Ready itself enforcing the Agreement. Company reserves the right to assign this Agreement to its affiliates, an affiliated company or to any successor in interest to Company's business without notifying Executive, and Executive hereby consents to any such assignment. All terms and conditions of this Agreement will remain in effect following any such assignment. Notwithstanding the foregoing, Executive may not assign this Agreement.

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D. No Waiver of Rights. A waiver by Labor Ready of the breach of any of the provisions of this Agreement by Executive shall not be deemed a waiver by Labor Ready of any subsequent breach, nor shall recourse to any remedy hereunder be deemed a waiver of any other or further relief or remedy provided for herein. No waiver shall be effective unless made in writing and signed by the Chief Executive Officer of Labor Ready, Inc. This Agreement shall be enforceable regardless of any claim Executive may have against Labor Ready.

E. Employment at Will. Nothing by way of this Agreement is intended to, nor shall it, affect the at-will nature of Executive's employment with Labor Ready. Executive's employment with Labor Ready shall terminate at the will of either Executive or Labor Ready, with or without cause and with or without notice at any time. This at-will relationship cannot be changed or altered in any way unless expressly modified in writing by the Chief Executive Officer of Labor Ready, Inc. Executive agrees that if Executive elects to terminate Executive's employment with Labor Ready, Executive will provide Labor Ready with two week's prior notice of termination.

F. Attorneys' Fees. Executive agrees that if Labor Ready prevails in any suit or proceeding to enforce its rights under this Agreement, Executive will indemnify Labor Ready for all expenses of every nature and character incurred by Labor Ready including, without limitation, all reasonable attorneys' fees, costs and disbursements.

G. Headings for Convenience Only. The headings contained in this Agreement are for the convenience of the parties and for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

H. Survival. This Agreement shall survive the termination of Executive's employment, however caused.

EXECUTIVE ACKNOWLEDGES AND AGREES THAT EXECUTIVE HAS READ AND UNDERSTANDS THIS AGREEMENT, THAT EXECUTIVE HAS BEEN GIVEN AN OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL CONCERNING THE TERMS OF THIS AGREEMENT, AND THAT EXECUTIVE AGREES TO THE TERMS OF THIS AGREEMENT.

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IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties hereto have executed this Agreement as of the date first written above.

LABOR READY, INC., a Washington
corporation

EXECUTIVE:

By: _____

By: _____

Name: _____

Name: _____

Title: _____

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LABOR READY, INC.

INDEMNIFICATION
AGREEMENT

This Agreement is made as of the _____ day of _____, 2006, by and between LABOR READY, INC., a Washington corporation (the "**Company**"), and ("**Indemnitee**").

RECITALS

- A. The Company desires to attract and retain qualified directors and officers, and to provide them with protection against liability and expenses incurred while acting in that capacity.
- B. The Company's articles of incorporation (the "**Articles of Incorporation**") and its bylaws (the "**Bylaws**") contain provisions for indemnifying directors and officers of the Company, and the Articles of Incorporation, Bylaws and Title 23B of the Revised Code of Washington (the "**Washington Business Corporation Act**") contemplate that separate contracts may be entered into between the Company and its directors and officers with respect to their indemnification by the Company, which contracts may provide greater protection than is afforded by the Articles of Incorporation and Bylaws.
- C. The Company recognizes that Indemnitee has reservations about serving or continuing to serve the Company without adequate protection against personal liability arising from such service, and that it is also of critical importance to Indemnitee that adequate provision be made for advancing costs and expenses of legal defense.
- D. The Board of Directors of the Company has approved as being in the best interests of the Company indemnity agreements substantially in the form of this Agreement for directors and certain officers of the Company.

NOW, THEREFORE, in consideration of the promises, conditions, representations and warranties set forth herein, including the Indemnitee's continued service to the Company, the Company and Indemnitee hereby agree as follows:

1. **Definitions.** The following terms, as used herein, shall have the following respective meanings; other terms not specifically defined herein have the meanings provided in the Washington Business Corporation Act, as hereafter defined, or the Bylaws:

"**Covered Amount**" means all losses, claims, damages, liabilities, expenses (including attorneys' fees), judgments, fines, ERISA excise taxes or penalties, amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred by Indemnitee in connection with a Proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in, or at least not opposed to, the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe Indemnitee's conduct was unlawful.

"**final judgment**" or "**finally adjudged**" shall mean that a court having jurisdiction has issued a decision, order or judgment that disposes of the action and such action is not subject to appeal.

"**Proceeding**" means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, whether formal or informal, in which Indemnitee is, was or becomes involved as a party or otherwise, by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company or that, being or having been such a director, officer, employee or agent, Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, whether the basis of such proceeding is alleged action (or inaction) by Indemnitee in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent; provided, however, that, except with respect to an action to enforce the provisions of this Agreement, Proceeding shall not include any action, suit, claim or proceeding instituted by or at the direction of Indemnitee unless such action, suit, claim or proceeding is or was authorized by the Company's board of directors.

2. **Indemnification.**

(a) **Scope.** The Company agrees to hold harmless and indemnify Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by this Agreement, the Articles of Incorporation, the Bylaws, the Washington Business Corporation Act or otherwise. In the event of any change, after the date of this Agreement, in any applicable law, statute or rule regarding the right of a Washington corporation to indemnify a member of its board of directors or an officer, such changes, to the extent that they would expand Indemnitee's rights hereunder, shall be within the purview of Indemnitee's rights and the Company's obligations hereunder, and, to the extent that they would narrow Indemnitee's rights hereunder, shall be excluded from this Agreement; provided, however, that any change that is required by applicable laws, statutes or rules to be applied to this Agreement shall be so applied regardless of whether the effect of such change is to narrow Indemnitee's rights hereunder.

(b) **Additional Indemnification.** If Indemnitee was or is made a party, or is threatened to be made a party, to or is otherwise involved (including, without limitation, as a witness) in any Proceeding, the Company shall hold harmless and indemnify Indemnitee from and against any and all Covered Amounts.

(c) **Determination of Entitlement.** In the event that a determination of Indemnitee's entitlement to indemnification is required pursuant to Section 23B.08.550 of the Washington Business Corporation Act or any successor thereto or pursuant to other applicable law, the appropriate decision-maker shall make such determination; provided, however, that Indemnitee shall initially be presumed in all cases to be entitled to indemnification, unless the Company shall deliver to Indemnitee written notice of a determination that Indemnitee is not entitled to indemnification within sixty (60) calendar days of the final disposition of the Proceeding under which such Indemnitee is seeking indemnification, such determination shall conclusively be deemed to have been made in favor of the Company's provision of indemnification and the Company hereby agrees not to assert otherwise.

(d) **Survival.** The indemnification provided under this Agreement shall apply to any and all Proceedings, notwithstanding that Indemnitee has ceased to be a director, officer, employee or agent of the Company.

3. **Notification and Defense of Claim**

(a) **Notification.** Promptly after receipt by Indemnitee of notice of the commencement of any Proceeding, Indemnitee will, if a claim in respect thereof is to be

made against the Company under this Agreement, notify the Company in writing of the commencement thereof; but the omission to notify the Company will not relieve the Company from any liability which it may have to Indemnitee under this Agreement unless and only to the extent that such omission can be shown to have prejudiced the Company's ability to defend the Proceeding.

(b) Defense of Claim. With respect to any such Proceeding as to which Indemnitee notifies the Company of the commencement thereof:

(i) The Company may participate therein at its own expense;

(ii) The Company, jointly with any other indemnifying party similarly notified, may assume the defense thereof, with counsel satisfactory to Indemnitee (Indemnitee's consent to such counsel may not be unreasonably withheld). After notice from the Company to Indemnitee of its election to assume the defense thereof, the Company shall not be liable to Indemnitee under this Agreement for any legal or other expenses subsequently incurred by Indemnitee in connection with the defense thereof unless (A) the employment of counsel by Indemnitee has been authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of the defense of such action, or (C) the Company shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel shall be at the expense of the Company. The Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which Indemnitee shall have made the conclusion provided for in 3(b)(ii) (B) above;

(iii) The Company shall not be liable to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any Proceeding effected without its written consent;

(iv) The Company shall not settle any action or claim in any manner which would impose any penalty or limitation on Indemnitee without Indemnitee's written consent; and

(v) Neither the Company nor Indemnitee will unreasonably withhold its, his or her consent to any proposed settlement.

(c) Notice to Insurers. If, at the time of the receipt of a notice of a claim pursuant to Section 3(a) hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

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4. *Expense Advances.*

(a) Expense Advances. The right to indemnification of Covered Amounts conferred hereby shall include the right to have the Company pay Indemnitee's expenses in any Proceeding as such expenses are incurred and in advance of such Proceeding's final disposition (such right is referred to hereinafter as an "**Expense Advance**"). Any Expense Advance to be made under this Agreement shall be paid by the Company to Indemnitee within twenty (20) calendar days following delivery of a written request therefor by Indemnitee to the Company.

(b) Conditions to Expense Advance. The Company's obligation to provide an Expense Advance is subject to the following conditions:

(i) Indemnitee shall submit to the Company a written undertaking, constituting an unlimited general obligation of the Indemnitee, to repay any and all of the Expense Advance if it is ultimately determined that the Indemnitee did not meet the required standard of conduct;

(ii) Indemnitee shall submit to the Company a written affirmation of the Indemnitee's good faith belief that the Indemnitee has met the standard of conduct required to be eligible for indemnification; and

(iii) Indemnitee shall give the Company such information and cooperation as it may reasonably request and as shall be within Indemnitee's power.

5. *Enforcement.*

(a) Enforcement. In the event that a claim for indemnification, an Expense Advance or otherwise is made hereunder and is not paid within sixty (60) calendar days of the final disposition of the Proceeding under which an Indemnitee is seeking indemnification (twenty days for an Expense Advance), provided that written notice of such final disposition is promptly delivered to the Company, Indemnitee may, but need not, at any time thereafter bring suit against the Company to recover the unpaid amount of the claim (an "**Enforcement Action**").

(b) Presumptions in Enforcement Action. In any Enforcement Action the following presumptions (and limitation on presumptions) shall apply:

(i) The Company shall conclusively be presumed to have entered into this Agreement and assumed the obligations imposed on it hereunder in order to induce Indemnitee to continue as an officer and/or director, as the case may be, of the Company;

(ii) Neither (i) the failure of the Company (including the Company's board of directors, independent or special legal counsel or the Company's shareholders) to have made a determination prior to the commencement of the Enforcement Action that indemnification of Indemnitee is proper in the circumstances nor (ii) an actual determination by the Company, its board of directors, independent or special legal counsel or shareholders that Indemnitee is not entitled to indemnification shall preclude the bringing of an Enforcement Action.; and

(iii) If Indemnitee is or was serving as a director, officer, employee or agent of a corporation of which a majority of the shares entitled to vote in the election of its directors is held by the Company or in an executive or management capacity in a partnership, joint venture, trust or other

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enterprise of which the Company or a wholly-owned subsidiary of the Company is a general partner or has a majority ownership, then Indemnitee shall conclusively be deemed to be serving such entity at the request of the Company.

(c) Attorneys' Fees and Expenses for Enforcement Action. In the event Indemnitee is required to bring an Enforcement Action, the Company shall indemnify and hold harmless Indemnitee against all of Indemnitee's fees and expenses in bringing and pursuing the Enforcement Action (including attorneys' fees at any stage, including

on appeal); provided, however, that the Company shall not be required to provide such indemnification for such attorneys' fees or expenses if it is finally adjudicated that each of the material assertions made by Indemnitee in such Enforcement Action was not made in good faith or was frivolous.

6. *Limitations on Indemnification; Mutual Acknowledgment.*

(a) Limitation on Indemnification. No indemnification pursuant to this Agreement shall be provided by the Company:

(i) On account of any suit in which a final judgment is rendered against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company in violation of the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto;

(ii) For Covered Amounts that have been paid directly to Indemnitee by an insurance carrier under a policy of officers' and directors' liability insurance maintained by the Company;

(iii) On account of Indemnitee's conduct which is finally adjudged to have been intentional misconduct, a knowing violation of law or RCW 23B.08.310 or any successor provision of the Washington Business Corporation Act, or a transaction from which Indemnitee derived benefit in money, property or services to which Indemnitee is not legally entitled, unless and only to the extent that a court shall in a final judgment determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such amounts which the court shall deem proper; or

(iv) If a final judgment by a court having jurisdiction in the matter shall determine that such indemnification is not lawful.

(b) Mutual Acknowledgment. The Company and Indemnitee acknowledge that, in certain instances, federal law or public policy may override applicable state law and prohibit the Company from indemnifying Indemnitee under this Agreement or otherwise. For example, the Company and Indemnitee acknowledge that the Securities and Exchange Commission (the "SEC") has taken the position that indemnification is not permissible for liabilities arising under certain federal securities laws, and federal legislation prohibits indemnification for certain ERISA violations. Furthermore, Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the SEC to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

7. *D&O Insurance.* The Company hereby covenants and agrees that, so long as Indemnitee shall continue to serve as an officer or director of the Company and thereafter so long as Indemnitee shall

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be subject to any Proceeding, the Company shall maintain in full force and effect a policy or policies of insurance with reputable insurance companies providing the officers and directors of the Company with coverage for losses from wrongful acts. In all policies of director and officer liability insurance, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director, or of the Company's officers, if Indemnitee is not a director of the Company but is an officer. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain such insurance if the Company's board of directors determines in good faith that such insurance is not reasonably available, if the premium costs for such insurance are disproportionate to the amount of coverage provided, if the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or if Indemnitee is covered by similar insurance maintained by a parent or subsidiary of the Company; provided however that such decision shall not adversely affect coverage of director and officer liability insurance for periods prior to such decision without the unanimous vote of all directors.

8. *Rights Not Exclusive.* The rights provided hereunder shall not be deemed exclusive by any other rights to which the Indemnitee may be entitled under the Washington Business Corporation Act, Articles of Incorporation, Bylaws or any agreement, vote of shareholders or of disinterested directors or otherwise, both as to action in Indemnitee's official capacity and as to action in any other capacity by holding such office, and shall continue after the Indemnitee ceases to serve the Company as a Indemnitee.

9. *Notices.* Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given when actually received (either through delivery in person or by telex or facsimile transmission) or two business days after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified.

10. *No Employment Rights.* Nothing contained in this Agreement is intended to create in Indemnitee any right to continued or future employment.

11. *Severability.* In the event that any provision of this Agreement is determined by a court to require the Company to do or to fail to do an act which is in violation of the Washington Business Corporation Act or other applicable law, such provision shall be limited or modified in its application to the minimum extent necessary to avoid a violation of law, and, as so limited or modified, such provision and the balance of this Agreement shall be enforceable in accordance with their terms.

12. *Choice of Law.* This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Washington.

13. *Consent to Jurisdiction.* The Company and the Indemnitee each hereby irrevocably consent to the jurisdiction of the state and federal courts located in King County, Washington for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement.

14. *Entire Agreement; Enforcement of Rights.* This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification, amendment or termination of this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to

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this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

15. *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

16. *Successor and Assigns.* This Agreement shall be (i) binding upon all successors and assigns of the Company (including any transferee of all or substantially all of its assets and any successor by merger or otherwise by operation of law) and (ii) shall be binding on and inure to the benefit of the heirs, personal representatives and estate of Indemnitee.

17. **Amendment.** No amendment, modification, termination or cancellation of this Agreement shall be effective unless made in a writing signed by each of the parties hereto.

[remainder of page left intentionally blank]

IN WITNESS WHEREOF, the Company and Indemnitee have executed this Agreement as of the day and year first above written.

LABOR READY, INC.

By: _____
Title: _____

INDEMNITEE

, Indemnitee

CERTIFICATION

I, Steven C. Cooper, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Labor Ready, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2007

/s/Steven C. Cooper
Steven C. Cooper
Chief Executive Officer

CERTIFICATION

I, Derrek L. Gafford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Labor Ready, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2007

/s/ Derrek L. Gafford
Derrek L. Gafford
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

We, Steven C. Cooper, the chief executive officer of Labor Ready, Inc. (the "Company"), and Derrek L. Gafford, the chief financial officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report of the Company on Form 10-Q, for the fiscal period ended March 30, 2007 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Steven C. Cooper
Steven C. Cooper
Chief Executive Officer

/s/ Derrek L. Gafford
Derrek L. Gafford
Chief Financial Officer

May 3, 2007

A signed original of this written statement required by Section 906 has been provided to Labor Ready, Inc. and will be retained by Labor Ready, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
