

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

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

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the year ended December 31, 2000.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

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

Washington

91-1287341

(State of Incorporation of Organization)

(I.R.S. Employer Identification Number)

1015 A Street, Tacoma, Washington

98402

(Address of Principal Executive Offices)

(Zip Code)

(253) 383-9101
(Registrant's Telephone Number)

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

Title of each class
Common Stock, No Par Value

Name of each exchange on which registered
The New York Stock Exchange

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

Title of each class
None

Name of each exchange on which registered
None

Indicated by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of Registrant's knowledge, in any definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / /

Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the last ninety days. YES NO .

The aggregate market value (based on the NYSE quoted closing price) of the common stock held by non-affiliates (40,482 shares) of the Registrant at February 28, 2001 was approximately \$161,928 million. As of February 28, 2001, there were 40,884 shares of the Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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

Item 1. Business

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

to reflect events or circumstances after the date hereof or to reflect the occurrences of unanticipated events.

Introduction

Labor Ready, Inc. (the "Company"), incorporated in Washington in 1985, is a leading national provider of temporary workers for manual labor jobs. The Company's customers are primarily businesses in the freight handling, warehousing, landscaping, construction and light manufacturing industries. These businesses require workers for lifting, hauling, cleaning, assembling, digging, painting and other types of manual or unskilled work. The Company has rapidly grown from eight dispatch offices in 1991 to 816 dispatch offices at December 31, 2000. All of the growth in dispatch offices was achieved by opening Company owned locations rather than through acquisitions. The Company's revenues have grown from \$6.0 million in 1991 to \$976.6 million in 2000. This revenue growth has been generated by opening new dispatch offices in markets throughout the U.S., Canada, United Kingdom and Puerto Rico. In 2000, the average cost to open a new dispatch office was approximately \$45,000 and dispatch offices opened in 2000 typically generated revenues sufficient to cover their operating costs within approximately one year. The average revenue per dispatch office for offices in operation at the end of year and open for more than one full year was approximately \$1.4 million in 2000 and \$1.5 million in 1999.

Industry Overview

The temporary staffing industry has grown rapidly in recent years as companies have used temporary employees to control personnel costs and to meet fluctuating personnel needs. According to the *Staffing Industry Report*, the United States' market for the industrial segment of the temporary staffing marketplace (which includes the short-term, light industrial market that the Company serves) grew at a compound annual growth rate of approximately 9% in 2000 and has forecasted another 9% increase in this \$18 billion industry in 2001. The Company believes the short-term light industrial segment of the temporary staffing industry is highly fragmented and presents opportunities for larger, well capitalized companies to compete effectively, mainly through systems and procedures which efficiently process a high volume of transactions, coordinate multi-location activities and manage workers' compensation costs.

Historically, the demand for temporary workers has been driven primarily by the need to satisfy peak production requirements and to temporarily replace full-time employees absent due to illness, vacation or abrupt termination. More recently, competitive pressures have forced businesses to focus on reducing costs, including converting fixed, permanent labor costs to variable or flexible costs. The use of temporary workers typically shifts employment costs and risks, such as workers' compensation and unemployment insurance and the possible adverse effects of changing employment regulations, to temporary staffing companies, which can better manage those costs and risks. In addition, through the use of temporary employees, businesses avoid the inconvenience and expense of hiring and firing regular employees.

Company Strategy

The Company's goal is to maintain and enhance its stakeholder and shareholder value. Key elements of the Company's strategy to achieve this objective are as follows:

- **Improve Revenue and Profit in all Offices.** The Company's strategy is to increase revenues and profits in each dispatch office by expanding sales to existing customers and by aggressively expanding the number and mix of customers served. More experienced area directors and district managers assist the dispatch office manager in this process. The Company also coordinates sales and marketing strategies designed to complement these efforts, including a market sales manager, the development of national accounts, targeted direct mail, telemarketing campaigns and national advertising.
- **Provide Excellent Customer Service.** The Company emphasizes excellence in customer service and maintains a commitment to providing a superior quality of service through policies such as opening offices no later than 5:30 a.m. and extending hours of operation where the market demands. One of the Company's competitive advantages is that it is able to provide workers on short notice, usually the same day as requested and offers a "satisfaction guaranteed" policy. The Company is committed to supplying motivated workers to its customers. Most workers find the Company's "Work Today, Paid Today" policy appealing and arrive at the dispatch office early in the morning motivated to put in a good day's work and receive a paycheck at the end of the day. With the use of an automated Cash Dispensing Machine ("CDM") at most dispatch offices, workers find the Company's policy of "Work Today, Cash Today" even more appealing.
- **Grow Through Strategic Methods of Expansion.** The Company has changed its philosophy about growth, turning from what was probably "too rapid expansion" to "controlled growth." The Company is committed to only opening offices that can quickly reach or exceed performance standards, and closing offices that are under-performing. This strategy is calculated to increase average sales per dispatch office.
- **Improve Operating Efficiencies and Reduce Operating Costs.** Due to extensive fragmentation in the short-term temporary labor market, the Company believes its national presence provides it with key operating efficiencies, competitive advantages and access to capital markets to provide needed working capital. The Company has standardized the operation, general design, staffing and equipment of its dispatch offices. In addition, the Company has designed and implemented a proprietary information system that efficiently manages an extensive, Company-wide employee, payroll, sales and customer database and provides management with valuable, timely management reporting.

- **Aggressively Recruit Temporary Workers.** The Company has installed a CDM in most of its dispatch offices. With the CDMs in operation, workers have a choice of a daily paycheck or cash payment through the CDM. For workers choosing to use the CDM, The Company retains the change on each worker's daily pay plus \$1 for the service. Management believes the CDM program will enhance the Company's ability to attract temporary workers. In 2000, the Company issued approximately 9.8 million payroll payments in the form of either check or cash to its temporary workers.

Dispatch Office Expansion

The Company has rapidly grown from 106 dispatch offices at the beginning of 1996 to 816 dispatch offices at December 31, 2000. The Company's expansion has been achieved primarily by opening Company owned dispatch offices. During 2000, the Company opened 211 dispatch offices and closed 82, for a net increase of 129 new openings. The following table sets forth the number and country of dispatch offices open at the end of each of the last five years. The information below does not include five Labor Ready franchised dispatch offices.

Labor Ready Dispatch Offices by Country

	At December 31,				
	2000	1999	1998	1997	1996
United States	765	670	474	308	196
Canada	33	15	11	8	4
Puerto Rico	4	1	1	--	--
United Kingdom	14	1	--	--	--
Total	816	687	486	316	200

The Company currently anticipates opening approximately 50 new dispatch offices during 2001. The Company will continue to analyze individual dispatch office performance, which may lead to additional dispatch office closures in 2001. The Company analyzes acquisition opportunities, and may from time to time pursue acquisitions in certain circumstances and may also alter the pace of its expansion based on future developments and market conditions.

Economics of Dispatch Offices. The Company has standardized the process of opening dispatch offices. In 2000, the average aggregate cost of opening a new dispatch office was approximately \$45,000. Approximately \$13,000 of these costs includes salaries, recruiting, testing, training, lease and other related costs; the remaining \$32,000 includes computer systems and other equipment related costs, leasehold improvements and a cash dispensing machine and related equipment. These costs are not expected to increase significantly in 2001. New dispatch offices are expected to generate revenue sufficient to cover their operating costs within one year. On average, the volume necessary for profitable operations is approximately \$12,000 per week. Dispatch offices in operation at the end of the year and open for at least one full year generated average annual revenue of approximately \$1.4 million in 2000.

Criteria for New Dispatch Offices. Labor Ready identifies desirable areas for locating new dispatch offices with an economic model that analyzes the potential supply of temporary workers and customer demand based on a zip code resolution of employment figures, demographics and the relative distance to the nearest Labor Ready dispatch office. In addition, the Company locates dispatch offices in areas convenient for its temporary workers, which are on or near public transportation, and have parking available. After the Company establishes a dispatch office in a metropolitan area, the Company usually clusters additional locations within the same area. Multiple locations in a market reduce both opening costs and operating risk for new dispatch offices because direct mail and other advertising costs are spread among more dispatch offices and because the new dispatch office benefits from existing customer relationships and established Labor Ready brand recognition.

Dispatch Office Management. The Company believes that the key factor determining the success of a new dispatch office is identifying and retaining an effective dispatch office manager. Each dispatch office manager has primary responsibility for managing the operations of the dispatch office, including the recruiting and daily dispatch of temporary workers, sales and accounts receivable collection. The Company pays monthly bonuses to qualifying dispatch office managers based on accounts receivable collections and gross margins during the month.

Each dispatch office manager has primary responsibility for customer service and the dispatch office's sales efforts, including identifying and soliciting local businesses likely to have a need for temporary manual workers. The Company's experience is that certain types of individuals are better suited to perform the critical management functions necessary for the dispatch office to generate the revenues required to achieve profitability, regardless of the size of the metropolitan area. The Company commits substantial resources to the training, development, and operational support of its dispatch office managers.

Operations

Dispatch Offices. Typically, workers report to the dispatch office to be assigned jobs. This process allows the Company to determine which workers are available for assignments and to provide the best match between the qualifications of those present and the customers work requirements. Work assignments are filled on a nondiscriminatory basis.

During the early morning hours, the dispatch office manager and an assistant coordinate incoming customer work orders, assign the

available workers to the job openings for the day, and assist as necessary in arranging transportation to the job site. Prior to dispatch, a branch employee makes sure workers have the basic safety equipment required for the job, such as boots, back braces, hard hats, or safety goggles, all of which are provided at no charge to the worker and the customer. The customer provides additional safety and other equipment, if required.

Some work assignments have been scheduled in advance, however, a majority of those are repeat work orders from customers. A significant portion of the job openings are requested on short notice, often the same day as the workers are needed at the job site.

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

Dispatch offices generally open by 5:30 a.m. and generally remain open until the last temporary worker is paid. Dispatch offices are generally staffed with at least two full-time employees, including the dispatch office manager and a customer service representative. Dispatch office managers manage the daily dispatch of temporary workers, and are responsible for monitoring and collecting receivables, managing the credit application process for each customer, inspecting customer job sites for site safety, and managing the sales and marketing efforts of the dispatch office.

Employment applications are taken throughout the day for potential new temporary employees. Applications are used to facilitate workers' compensation safeguards and quality control systems by permitting the Company to test for alcohol or drugs in case of a work-related illness or injury, to establish various other conditions of employment, and to comply with applicable immigration requirements.

Customers. The Company's customers require workers for lifting, hauling, cleaning, assembling, digging, painting and other types of manual or unskilled work. The Company's customers are primarily businesses in the freight handling, warehousing, landscaping, construction and light manufacturing industries. Over the past several years, the Company has been seeking to diversify its customer base to include more customers in the retail, wholesale, sanitation, printing, and hospitality industries.

New dispatch offices initially target businesses in their market area with direct mail and telemarketing campaigns. Dispatch office managers, the regional or local sales force and telemarketers are responsible for following up the marketing campaigns with telephone or personal calls. Many customers have elements of seasonality in their workflow, especially customers in the construction and landscaping industries. The Company currently derives its business from a large number of customers, and is not dependent on any single large customer for more than 1% of its revenues. The Company's ten largest customers accounted for sales of \$42.1 million, or 4.3% of total revenues in 2000 and \$37.9 million, or 4.5% of total revenues in 1999. While a single dispatch office may derive a substantial percentage of its revenues from a single customer, the loss of that customer would not have a significant impact on the Company's revenues. During 2000, the Company provided temporary workers to over 290,000 customers.

Many customers use Labor Ready to screen prospective employees for future permanent hires. Because Labor Ready does not charge a fee if a customer hires a Company worker, customers on occasion send prospective employees to the Company with a specific request for temporary assignment to their business. Customers thereby have the opportunity to observe the prospective employee in an actual working situation, minimizing the expense of employee turnover and personnel agency fees.

Credit and Collections. The Company has implemented an automated credit and collections system that allows each dispatch office to establish a credit limit for new customers by telephonically accessing a computer based credit system. Initial credit limits are based on a credit-scoring matrix developed by the Company. The credit department, using other credit reporting agencies, bank/trade references and balance sheet analysis, reviews and approves additional credit extensions beyond those recommended by this system. Initial credit limits range from COD to \$100,000 and once a customer has reached 75% of its credit limit, the customer screen on the Company's system has a red warning to alert the dispatch office to monitor more closely the activity of the customer.

Sales and Marketing. Marketing is accomplished primarily through telemarketing and direct-mail campaigns, yellow-page advertising, personal sales contacts, word of mouth, and billboard advertising. Each dispatch office is responsible for its own sales and marketing efforts in its local market area in coordination with corporate marketing and advertising. The dispatch office manager is primarily responsible for sales and customer service, with all branch employees being involved in sales and customer relations. The Company purchases a direct marketing database, and from a centralized direct mail department, conducts an intensive direct-mail campaign in the local market area of each dispatch office. For new dispatch offices, the direct-mail campaign targets a broad range of businesses in its local market area. Follow-up mailings target business in the Company's traditional market niche. Follow-up telephone and personal calls on qualified leads are made by the dispatch office manager or a sales representative.

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

Temporary Workers. Most workers find the Company's "Work Today, Cash Today" policy appealing and arrive at the dispatch office early in the morning ready to put in a good day's work and receive a paycheck or a CDM voucher for cash at the end of the day. The majority of the workers are male and most are between the ages of 18 and 40 and live in low-income neighborhoods.

The Company's daily pool of temporary workers at each dispatch office generally numbers between 40 and 200, depending upon the

time of year. Because of increasing diversification of the Company's customer base and a wider dispersion of dispatch offices in different geographic areas of the United States, the Company is less dependent on weather than in its early years. Good weather, nevertheless, brings incrementally more job orders and workers. Consequently, the Company is busiest in the late spring, summer and early fall.

Under the Company's "satisfaction guaranteed" policy, replacements for all unsatisfactory workers are promptly provided if the customer notifies the Company within the first two hours of work. Employees who receive two complaints from customers are generally reprimanded or terminated. The Company will immediately terminate any employee who agrees to take a work order and does not report at the customer's job site. Any use of obscene language, alcohol or drugs on the dispatch office premises or at the customers' job sites are grounds for immediate dismissal. The Company lists workers who were terminated in a central database to prevent rehire by other dispatch offices.

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

Recruitment of Temporary Workers. The Company attracts its pool of temporary workers through billboard advertisements, flyers, newspaper advertisements, dispatch office displays, and word of mouth. The Company believes its strategy of locating dispatch offices in areas convenient for its workers, with ready access to public transportation, is particularly important in attracting workers.

The Company's "Work Today, Paid Today" policy is prominently displayed at most dispatch offices and, in the Company's experience, is a highly effective method of attracting temporary workers. With the addition of a CDM at most dispatch offices, management believes that the Company's "Work Today, Cash Today" policy is an added incentive for temporary workers. Workers also find other Company policies attractive, such as the emphasis on worker safety, including Company provided safety training and equipment. Temporary workers are also aware of the Company's no-fee policy toward customers who offer temporary workers a regular position. The possibility of locating a regular position serves as an added incentive to the Company's workers.

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

The Company experiences from time to time, during peak periods, shortages of available temporary workers. Dispatch offices with a shortage of workers attempt to fill work orders by asking temporary workers to inform friends, relatives and neighbors of job openings and by identifying prospective workers from the Company's employee data base. On occasion, work orders requiring large numbers of temporary workers will be filled through coordination with other local dispatch offices.

Management, Employees and Training. At December 31, 2000, the Company employed approximately 250 administrative and executive staff in the corporate office, and approximately 3,000 people as supervisors, dispatch office managers, customer service representatives, district managers, area directors and support staff. Dispatch office managers report to district managers who in turn report to area directors. For positions above dispatch office manager, the Company's recruiting focus is on hiring management and supervisory personnel with experience in managing multi-location operations.

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

Management Information Systems. The Company has developed its own proprietary system to process all required credit, billing, collection, temporary worker payroll and related payroll information for tax returns, together with other information and reporting systems necessary for the management of hundreds of thousands of workers and staff in multiple locations.

The system maintains all of the Company's key databases, from the tracking of work orders to payroll processing to maintaining worker records. The current system regularly exchanges all point of sale information between the corporate headquarters and the dispatch offices, including customer credit information and outstanding receivable balances. Dispatch offices can run a variety of reports on demand, such as receivables aging, margin reports, and customer activity reports. Area directors and district managers are able to monitor their territories from remote locations. The Company believes its proprietary software system provides Labor Ready with significant competitive advantages over competitors that utilize less sophisticated systems.

The Company's system also provides it with key internal controls. All work order tickets are entered into the system at the dispatch office level. No payroll check can be issued at a dispatch office without a corresponding work ticket on the computer system. When a payroll check or CDM voucher is issued, the customer's weekly invoice and the dispatch office receivables ledger are automatically updated. Printed checks have watermarks and computer-generated signatures that are difficult to duplicate. The Company has developed a proprietary system, which allows the payroll software to generate either a payroll check, or at the workers' option, a cash withdrawal from the dispatch office's CDM. All cash receipts are received in lockbox accounts and are matched to customers' receivable records using an automated data capture system.

Workers' Compensation Program. The Company provides workers' compensation insurance for its temporary workers and regular employees. For workers' compensation claims originating in the majority of states (the 46 non-monopolistic states), the Company has purchased a deductible insurance policy. Under terms of the policy, the Company's workers' compensation exposure is limited to a deductible amount per occurrence and a maximum aggregate stop-loss limit. Should any single occurrence exceed the deductible amount per occurrence, all losses and expenses beyond the deductible amount are paid by independent insurance companies unrelated to the Company. Similarly, should the total of paid losses related to any one year period exceed the maximum aggregate stop-loss limit for that year, all losses beyond the maximum aggregate stop-loss limit are paid by independent insurance companies unrelated to the Company.

The Company establishes its reserve for workers' compensation claims using actuarial estimates of the future cost of claims and related expenses that have been reported but not settled, and that have been incurred but not reported. Adjustments to the claims reserve are charged or credited to expense in the periods in which they occur.

For workers' compensation claims originating in Washington, Ohio and West Virginia (the monopolistic states), Canada and Puerto Rico, the Company pays workers' compensation insurance premiums as required by government administered programs. The insurance premiums are established by each jurisdiction, generally based upon the job classification of the insured workers and the previous claims experience of the Company.

For workers' compensation claims originating in the United Kingdom, the Company has purchased an employers' liability insurance policy.

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

Government Regulations

Safety Programs. As an employer, the Company is subject to applicable state and/or federal statutes and administrative regulations pertaining to job site safety. Where states do not have a safety program certified by the federal Occupational Safety & Health Administration ("OSHA"), the Company is subject to the standards prescribed by the federal Occupational Safety & Health Act and rules promulgated by OSHA. However, the Company's temporary workers are generally considered the customer's employees while on the customer's job site for the purpose of applicable safety standards compliance.

In 2000, the Company's accident rate was approximately one incident per 7,468 man hours worked, compared to the Company's accident rate of approximately one incident per 7,769 per man hours worked in 1999. The Company continues to emphasize safety awareness, which helps control workers' compensation costs, through training of its management employees and office staff, safety sessions with temporary workers, issuing safety equipment, monitoring job sites, and communicating with customers to promote job site safety. Temporary workers are trained in safety procedures primarily by showing safety tapes at the beginning of their employment. Bulletin boards with safety-related posters are prominently displayed.

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

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

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

Competition

The short-term, manual labor sector of the temporary services industry is highly fragmented and highly competitive, with limited barriers to entry. A large percentage of temporary staffing companies serving this sector of the industry are local operations with fewer than five offices. Within local or regional markets, these firms actively compete with the Company for business. The primary bases of competition among local firms are service, the ability to provide the requested amount of workers on time and price. While entry into the market has limited barriers, lack of working capital frequently limits growth of smaller competitors.

Although there are several large full-service and specialized temporary labor companies competing in national, regional and local markets, those companies have not yet aggressively expanded in the Company's targeted market segment. However, many of these competitors have substantially greater financial and marketing resources than those of the Company. One or more of these competitors may decide at any time to enter or expand their existing activities in the short-term, light industrial market and provide new and increased competition to Labor Ready. The Company believes that, among the larger competitors, the primary competitive factors in obtaining and retaining customers are the cost of temporary labor, the quality of the temporary workers provided, the responsiveness of the temporary labor company, and the number and location of offices. The presence of one or more temporary service competitors in a particular market can

create significant pricing pressure and this pricing pressure could adversely impact profit margins.

Trademarks

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

Item 2. Properties

The Company leases virtually all of its dispatch offices. Dispatch office leases generally permit the Company to terminate the lease on 90 days notice and upon payment of three months rent. Certain leases have a minimum one-year term and require additional payments for taxes, insurance, maintenance and renewal options.

The Company owns a 24,000 square foot building and a 44,000 square foot office building with an adjoining 10,000 square foot warehouse, which currently serve as Labor Ready's corporate headquarters and administrative offices in Tacoma, Washington. During 2000, the Company purchased a 157,000 square foot office building with an attached parking garage in downtown Tacoma, Washington, which will serve as the Company's headquarters after occupancy. Additionally, the Company owns a dispatch office in Tacoma, Washington. Management believes all of the Company's facilities are currently suitable for their intended use.

Item 3. Legal Proceedings

From time to time, the Company is subject to legal proceedings in the ordinary course of its operations. On July 19, 2000, Dale Kindle and Levoyd Williams filed an action in Georgia State Court, Fulton County. The suit was later amended, adding plaintiffs Quinton McGee and Jimmy T. Stringer, and was removed to the U.S. District Court for the Northern District of Georgia (the "Kindle Litigation"). On August 17, 2000, Curtis Adkins filed an action in West Virginia State Court, Kanawha County (the "Adkins Litigation"). On October 3, 2000, Willie Wilkerson, Marco Medina and Arthur Demarchis filed an action in California State Court, Santa Clara County (the "Wilkerson Litigation"), and Anthony Flynn, Robert Hampton and Eugene Tonissen filed an action in New York State Court, Kings County (the "Flynn Litigation"). On February 14, 2001, Allen Yarbrough, Armando Ramirez, Phyllis Stennis, Earl Levels and Maurice Johnson filed an action in California State Court, Alameda County (the "Yarbrough Litigation").

The Kindle, Wilkerson and Flynn Litigation allege violations of state law in connection with the fees charged by the Company for voluntary use of the CDMs. The Kindle Litigation also alleges violations of state law in allegedly charging workers transportation and equipment rental fees and in purportedly failing to obtain consent of workers to exposure to hazardous chemicals. The Adkins Litigation and Yarbrough Litigation allege violation of federal or state wage and hour laws for failing to pay workers for all hours worked. In each case, the plaintiffs are present or former workers for the Company and are seeking unspecified damages and certification of a class of workers. Except for the Adkins Litigation, the actions also request injunctive relief.

On January 26, 2001, the court in the Wilkerson Litigation sustained the Company's demurrer on all counts, dismissing the plaintiffs' lawsuit in its entirety. On February 5, 2001, the plaintiffs filed an amended complaint in an effort to revive their claims.

In February 2001, the Washington Department of Labor and Industries issued an assesment to the Company for \$498,000 claimed to be owing for workers' compensation premiums for 1998, as well as \$236,000 in interest and penalties. The Company strongly disputes the assessment and intends to appeal. The Department of Labor and Industries has stated that it will also audit the Company's payment of workers' compensation premiums for 1999 and 2000. The Company believes that the Labor and Industries assessment and audits will not have a material adverse impact on its financial condition or results of operations, although no assurances can be made in this regard.

The Company believes that it has complied with all federal and state laws at issue and that each of these cases is without merit. Consequently, the Company intends to continue to vigorously defend each of these lawsuits. The Company believes that none of these proceedings, individually or in the aggregate, will have a material adverse impact on its financial condition or results of operations, although the Company can make no assurances in this regard.

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

No matters were submitted to a vote of security holders during the fourth quarter ended December 31, 2000.

PART II

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

The high and low bids during the fiscal quarters of 1999 and 2000 were as follows:

Quarter Ended	High*	Low*
April 2, 1999	18.80	13.50
July 2, 1999	27.63	15.50
October 1, 1999	22.33	9.94
December 31, 1999	14.75	9.88
March 31, 2000	11.94	7.94

June 30, 2000	10.56	5.75
September 29, 2000	6.31	3.75
December 31, 2000	3.94	2.63

* Dollar amounts are adjusted to reflect the three-for-two stock split, which was effective on June 24, 1999.

The Company had 716 shareholders of record as of December 31, 2000. The quotation information has been derived from the NYSE. No cash dividends have been declared on the Company's common stock to date and the Company does not intend to pay a cash dividend on common stock in the foreseeable future. Future earnings will be used to finance the growth and development of the Company.

Item 6. Selected Financial Information.

The following selected consolidated financial information of the Company has been derived from the Company's audited Consolidated Financial Statements. The data should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein.

Summary Consolidated Financial And Operating Data (in thousands, except per share data and number of offices)

	Year Ended December 31,				
	2000	1999	1998	1997	1996
Statement of Operations Data:					
Revenues from services	\$976,573	\$850,873	\$606,895	\$335,409	\$163,450
Gross profit	292,480	263,507	183,971	98,742	47,919
Income before taxes, cumulative effect of change in accounting principle and extraordinary item	15,945	40,430	33,390	12,522	3,506
Cumulative effect of change in accounting principle and extraordinary item, net of income tax	—	(1,453)	—	—	(1,197)
Net income	10,059	23,124	19,799	6,963	724
Earnings per common share					
Basic	\$0.24	\$0.54	\$0.47	\$0.17	\$0.02
Diluted	\$0.24	\$0.53	\$0.46	\$0.17	\$0.02
Weighted average shares outstanding (1)					
Basic	42,295	42,521	41,694	41,504	35,697
Diluted	42,508	43,456	42,999	42,251	36,650

At December 31,

	2000	1999	1998	1997	1996
Balance Sheet Data:					
Current assets	\$150,406	\$134,931	\$105,933	\$65,617	\$48,534
Total assets	205,423	174,481	130,736	80,367	64,125
Current liabilities	50,044	37,197	34,842	15,788	10,961
Long-term liabilities	43,275	26,148	15,397	6,538	1,572
Total liabilities	93,319	63,345	50,239	22,326	12,533
Shareholders' equity	112,104	111,136	80,497	58,041	51,592
Cash dividends declared (2)	23	43	43	43	43
Working capital	100,362	97,734	71,091	49,829	37,573
Operating Data: (unaudited)					
Revenues from dispatch offices open for full year	\$877,115	\$754,348	\$508,980	\$280,538	\$133,156
Revenues from dispatch offices opened during year	\$81,453	\$96,525	\$97,915	\$54,871	\$30,294
Revenues from dispatch offices closed during year	\$18,005	--	--	--	--
Dispatch offices open at period end	816	687	486	316	200

- (1) The weighted average shares outstanding have been adjusted to reflect the three for two stock splits which were each effective on July 7, 1996, October 24, 1997, May 29, 1998 and June 24, 1999.
- (2) Represents cash dividends on Preferred Stock. In 2000, the Company repurchased all outstanding preferred stock. The Company has never paid cash dividends on its Common Stock and does not anticipate that it will do so in the foreseeable future. See Item 5 "Market for Registrant's Common Equity and Related Stockholder Matters".

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

The following discussion and analysis should be read in connection with the Company's Consolidated Financial Statements and the notes thereto and other financial information included elsewhere in this document.

Overview

Labor Ready is a leading national provider of temporary workers for manual labor jobs. The Company's customers are primarily in freight handling, warehousing, landscaping, construction, light manufacturing, and other light industrial businesses. The Company has rapidly grown from 106 dispatch offices in 1995 to 816 dispatch offices at December 31, 2000. All of the growth in dispatch offices was achieved by opening Company owned locations rather than through acquisitions. The Company's revenues grew from approximately \$94.4 million in 1995 to \$976.6 million in 2000. This revenue growth has been generated by opening new dispatch offices in markets throughout the U.S., Canada, United Kingdom and Puerto Rico. In 2000, the average annual revenue per dispatch office open for more than a full year was approximately \$1.4 million in 2000 and approximately \$1.5 million in 1999.

The Company expects to open approximately 50 new dispatch offices in 2001 and will continue to analyze individual dispatch office performance, which may lead to additional dispatch office closures in 2001. In 2000, the Company incurred costs of approximately \$9.5 million to open 211 new dispatch offices, an average of approximately \$45,000 per dispatch office. Approximately \$13,000 of these costs includes salaries, recruiting, testing, training, lease and other related costs; the remaining \$32,000 includes computer systems and other equipment related costs, leasehold improvements and a cash dispensing machine and related equipment. Further, once open, the Company invests significant amounts of additional cash into the operations of new dispatch offices until they begin to generate sufficient revenue to cover their operating costs, generally within one year. The Company pays its temporary workers on a daily basis, and bills its customers on a weekly basis. The average collection cycle for 2000 was approximately 35 days. Consequently, the Company historically has experienced significant negative cash flow from operations and investment activities during periods of high growth and may require additional sources of working capital in order to continue to grow. See Liquidity and Capital Resources and Outlook: Issues and Uncertainties – Working Capital Requirements.

Construction and landscaping businesses and, to a lesser degree, other customer businesses typically increase activity in spring, summer and early fall months and decrease activity in late fall and winter months. Inclement weather can slow construction and landscaping activities in such periods. As a result, the Company has generally experienced a significant increase in temporary labor demand in the spring, summer and early fall months, and lower demand in the late fall and winter months. From time to time during peak periods, the Company experiences shortages of available temporary workers. See "Outlook: Issues and Uncertainties — Availability of Temporary Workers."

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

Temporary workers assigned to customers remain Labor Ready employees. Labor Ready is responsible for employee-related expenses of its temporary workers, including workers' compensation, unemployment compensation insurance, and Medicare and Social Security taxes. The Company does not provide health, dental, disability or life insurance to its temporary workers. The Company bills its customers and pays its workers for the hours worked by the temporary workers assigned to the customer. Therefore, wages for the Company's temporary workers are a variable cost that increases or decreases directly in proportion to revenue.

The Company has one franchisee, which operates five dispatch offices. The Company does not intend to grant additional franchises. Royalty revenues from the franchised dispatch offices were not material during any period presented herein.

The Company is not dependent on any individual customer for more than 1% of its annual revenues. During 2000, the Company provided temporary workers to more than 290,000 customers and filled more than 6.7 million work orders.

Results of Operations

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

	Year ended December 31,		
	2000	1999	1998
Revenues from services	100.0%	100.0%	100.0%
Cost of services	70.0	69.0	69.7
Selling, general and administrative expenses	27.5	25.5	23.8
Depreciation and amortization	0.8	0.6	1.0
Interest expense and other, net	0.1	0.1	0.0
Income before taxes on income and cumulative effect of change in accounting principle	1.6	4.8	5.5
Net income	1.0	2.7	3.3

Years Ended December 31, 2000, 1999 and 1998

Dispatch Offices. The number of offices grew to 816 at December 31, 2000 from 687 locations at December 31, 1999, a net increase of 129 dispatch offices or 18.8%, and from 486 locations at December 31, 1998, a net increase of 201 dispatch offices or 41.4%.

Revenues from Services. Revenues from services increased to \$976.6 million in 2000 as compared to \$850.9 million in 1999, an increase of \$125.7 million or 14.8%. The increase in revenues is primarily due to the increase in the number of dispatch offices and an increase in the average bill rate offset by a decline in billable hours in mature stores. Of the 211 year 2000 openings, the 197 remaining at year end produced average revenues of approximately \$410,000 as compared to 1999 when the Company opened 201 offices, which had average revenues of \$480,000. Included in revenues from services for the years ended December 31, 2000 and 1999 were CDM fees of \$8.3 million and \$7.7 million, respectively.

Revenues from services increased to \$850.9 million in 1999 as compared to \$606.9 million in 1998, an increase of \$244.0 million or 40.2%. The increase in revenues is primarily due to continued increases in revenues from mature dispatch offices as the Company consolidates its position in the marketplace and builds brand awareness. The Company opened 201 offices, which produced average revenues of approximately \$480,000 as compared to 1998 when the Company opened 170 offices, which had average revenues of \$576,000. Included in revenues from services for the years ended December 31, 1999 and 1998 were CDM fees of \$7.7 million and \$3.6 million, respectively.

	(in thousands)		
	2000	1999	1998
Increase in revenues from dispatch offices open for full year	\$44,247	\$147,453	\$173,571
Revenues from new dispatch offices opened during year	81,453	96,525	97,915
Total increase over prior year	\$125,700	\$243,978	\$271,486

Cost of Services. Cost of services increased to \$684.1 million in 2000 from \$587.4 million in 1999, an increase of \$96.7 million or 16.5%. The increase in cost of services was due largely to the 14.8% increase in revenue from 1999 to 2000. Cost of services was 70.0% of revenue in 2000 compared to 69.0% of revenue in 1999, an increase of 1.0%. Cost of services as a percentage of revenues was higher in 2000 due to a one time benefit received, in the first quarter of 1999, for several changes made to the workers' compensation program. The increase in CDM fees in revenues from services had no effect on the increase in cost of services as a percentage of revenue from 2000 to 1999.

Cost of services increased to \$587.4 million in 1999 from \$422.9 million in 1998, an increase of \$164.5 million or 38.9%. The increase in cost of services was due largely to the 40.2% increase in revenue from 1998 to 1999. Cost of services was 69.0% of revenue in 1999 compared to 69.7% of revenue in 1998, an improvement of 0.7%. Cost of services as a percentage of revenues decreased as compared to 1998 levels as the Company made several changes to its workers' compensation program, which resulted in a benefit, offset by a slight increase to wages paid to workers. The increase in CDM fees in revenues from services contributed 0.4% to the improvement in cost of services as a percentage of revenue from 1999 to 1998.

Selling, General, and Administrative Expenses. Selling, general and administrative expenses were \$268.4 million in 2000 as compared to \$217.3 million in 1999, an increase of \$51.1 million, or 23.5%. Selling, general and administrative expenses were 27.5% of revenues in 2000 as compared to 25.5% of revenues in 1999. The increase in selling, general and administrative expenses as a percentage of revenue is due mainly to an increase in staffing costs. Included in selling, general and administrative costs for the years ended December 31, 2000 and 1999 are CDM related expenses of \$3.1 million and \$2.9 million, respectively. The Company expects that selling, general and administrative expenses as a percentage of revenues may fluctuate in future periods as the Company from time to time upgrades its administrative capabilities to accommodate anticipated revenue growth.

Selling, general and administrative expenses were \$217.3 million in 1999 as compared to \$144.2 million in 1998, an increase of \$73.1 million, or 50.6%. The increase was largely due to the 40.2% increase in revenue from 1998 to 1999. Selling, general and administrative expenses were 25.5% of revenues in 1999 as compared to 23.8% of revenues in 1998. The increase in selling, general and administrative expenses as a percentage of revenue is due mainly to an increase in bad debt expense and recruiting and training fees related to hiring additional branch managers and sales representatives. Included in selling, general and administrative costs for the years ended December 31, 1999 and 1998 are CDM related expenses of \$2.9 million and \$1.9 million, respectively. The Company expects that selling, general and administrative expenses as a percentage of revenues may fluctuate in future periods as the Company from time to time upgrades its administrative capabilities to accommodate anticipated revenue growth.

Depreciation and Amortization Expense. Depreciation and amortization expenses were \$7.4 million in 2000 and \$4.8 million in 1999, an increase of \$2.6 million or 54.2%. The increase in depreciation and amortization expense is primarily due to the higher levels of depreciation resulting from the addition of \$10.8 million in property and equipment during the year. These additions primarily include CDMs and related equipment, computer equipment, software and other equipment needed for the new offices opened during the period and to expand the Company's data processing capabilities to accommodate the Company's continued growth. Included in depreciation and amortization expense for the years ended December 31, 2000 and 1999 is depreciation on CDMs of \$1.7 million and \$1.0 million, respectively.

Depreciation and amortization expenses were \$4.8 million in 1999 and \$6.1 million in 1998, a decrease of \$1.3 million or 21.3%. The decrease in depreciation and amortization expense is primarily the result of the elimination of amortization expense when the Company adopted Statement of Position 98-5 (SOP 98-5). Beginning in 1999, SOP 98-5 requires the Company to expense as incurred, pre-opening costs for new dispatch offices, and recognize as a cumulative effect of a change in accounting principle, a one-time charge for the unamortized balance of pre-opening costs. The cumulative effect of adopting SOP 98-5 resulted in a \$1.5 million charge, net of tax, in 1999 to relieve the unamortized balance of pre-opening costs. Prior to the change, the Company had capitalized pre-opening costs and amortized them over two years. Offsetting this decrease is higher levels of depreciation resulting from the addition of \$15.2 million in property and

equipment during the year. These additions primarily include CDMs and related equipment, computer equipment, software and other equipment needed for the new offices opened during the period and to expand the Company's data processing capabilities to accommodate the Company's continued growth. Included in depreciation and amortization expense for the years ended December 31, 1999 and 1998 is depreciation on CDMs of \$1.0 million and \$0.6 million, respectively.

Interest Expense and Other, Net. The Company recorded net interest expense of \$0.8 million for the period ending December 31, 2000 as compared to \$1.0 million of expense for the same period in 1999. The decrease in net interest expense was the result of increased cash flow, which enabled the Company to decrease its borrowings on the line of credit, offset by increases in interest expense on CDM leases and higher letter of credit and line of credit fees than in 1999. Additionally, cash balances held in CDMs for payment of temporary worker payrolls will continue to reduce cash for investing.

The Company recorded net interest expense of \$1.0 million for the period ending December 31, 1999 as compared to \$0.3 million of expense for the same period in 1998. The increase in net interest expense was the result of increases in interest expense on CDM leases, higher letter of credit and line of credit fees than in 1998 as a result of providing additional collateral to the Company's workers' compensation insurers and increasing the line of credit to \$60 million, and an increase in borrowings on the line of credit. Additionally, cash balances held in CDMs for payment of temporary worker payrolls will continue to reduce cash for investing.

Taxes On Income. Taxes on income decreased to \$5.9 million in 2000 from \$15.9 million in 1999, a decrease of \$10.0 million or 62.9%. The decrease in taxes is commensurate with the decrease in income from operations on a year over year basis. The Company's effective tax rate was 36.9% in 2000 as compared to 39.2% in 1999. The decrease in the effective income tax rate was primarily due to the losses of the Company's foreign subsidiaries. The principal difference between the statutory federal income tax rate and the Company's effective income tax rate result from state income taxes and certain non-deductible expenses.

Taxes on income increased to \$15.9 million in 1999 from \$13.6 million in 1998, an increase of \$2.3 million or 16.9%. The increase in taxes was due to the increase in income before taxes and cumulative effect of accounting change to \$40.4 million for 1999 as compared to \$33.6 million for 1998. The Company's effective tax rate was 39.2% in 1999 as compared to 40.7% in 1998. The decrease in the effective income tax rate was primarily due to the increase in the Company's losses from foreign operations. The principal difference between the statutory federal income tax rate and the Company's effective income tax rate result from state income taxes and certain non-deductible expenses.

The Company had a net deferred tax asset of approximately \$19.3 million at December 31, 2000, resulting primarily from workers' compensation deposits, credits and reserves. Due to the uncertainty of the realization of certain tax planning measures, the Company has established a valuation allowance against its net deferred tax asset in the amount of \$0.4 million.

Net Income. Net income decreased to \$10.1 million in 2000 from net income of \$23.1 million in 1999, a decrease of \$13.0 million or 56.3%. This decrease in net income was related to the increase in cost of services, selling, general and administrative expenses and depreciation and amortization.

Net income increased to \$23.1 million in 1999 from net income of \$19.8 million in 1998, an increase of \$3.3 million or 16.7%. This increase in net income is primarily the result of increased revenues and gross margins and decreases in amortization expense, offset by a one-time charge of \$1.5 million related to the change in accounting principle for dispatch office pre-opening costs as discussed above.

Liquidity and Capital Resources

Net cash provided by (used in) operating activities was \$39.1 million, (\$4.1 million) and \$13.3 million, in 2000, 1999 and 1998, respectively. The increase in cash flows from operations in 2000 as compared to 1999 is largely due to the increase in collections of accounts receivable along with an increase in accounts payable and reserves for workers' compensation and a decrease in prepaid expenses offset by the decrease in year over year net income.

The decrease in cash flows from operations in 1999 as compared to 1998 is largely due to the increase in accounts receivable and number of days in accounts receivable, income taxes and deferred income taxes. The increase in accounts receivable, of \$44.2 million, is a result of the Company's growth. The decrease in cash flow for these items were offset by the non-cash provision for bad debt, depreciation and amortization and an increase in the reserve for workers' compensation and net income for the year.

The Company used net cash in investing activities of \$18.3 million in 2000, \$14.2 million in 1999 and \$9.2 million in 1998. The increase in cash used in investing activities in 2000 as compared to 1999 is due primarily to the increase in capital expenditures, which includes the Company's new corporate headquarters.

The increase in cash used in investing activities in 1999 as compared to 1998 is due primarily to the increase in capital expenditures incurred to open 201 new dispatch offices in 1999 and an increase to the Company's data processing capabilities to accommodate the growth in dispatch offices and upgrade computer systems in existing locations.

Net cash provided by (used in) financing activities was (\$1.5 million), \$9.3 million and (\$0.1 million) in 2000, 1999 and 1998, respectively. The increase in cash used in financing activities in 2000 as compared to 1999 is due mainly to the increase in the amount of preferred and common stock repurchased and retired by the Company offset by the increase in debt. In 2000, the Company repurchased and retired approximately 2.4 million shares of common stock and 6.5 million shares of preferred stock at a cost of approximately \$10.8 million for the common shares and \$0.9 million for the preferred shares. The Company also made payments of \$1.4 million on the CDM capital leases.

The increase in cash provided by financing activities in 1999 as compared to 1998 is due mainly to the increase in short term borrowings and proceeds from the sale of stock through stock options and warrants exercised and the Company's employee benefit plans. Additionally, in 1999, the Company made payments of \$0.9 million on the CDM capital leases and used cash of \$1.4 million to repurchase 136,300 shares of its common stock on the open market.

During 1999, the Company entered into a line-of-credit agreement with U.S. Bank ("U.S. Bank Agreement"). This agreement allows the Company to borrow up to the lesser of \$60 million or 80% of eligible accounts receivable, as defined by the bank, with interest at the lesser of the bank's prime rate (9.50% at December 31, 2000) or the London Inter-Bank Offering Rate (LIBOR) plus 1.25%. The agreement is secured primarily by the Company's accounts receivable and is due in full on June 30, 2001. The line of credit agreement requires that the Company maintain minimum net worth and working capital amounts. The Company was in compliance with the requirements at December 31, 2000. Subsequent to year end, the Company replaced this agreement with a \$100 million accounts receivable securitization facility.

In 2000, the Company entered into a secured credit facility with U.S. Bank for the purchase of a building in downtown Tacoma, WA. The agreement allows the Company to borrow up to \$10.0 million with interest at the London Inter-Bank Rate plus 1.30%. This facility is secured by the First Deed of Trust on subject property and cross-collateralized with the Company's accounts receivable and is due in full on November 30, 2001. The Company had \$6.2 million outstanding at December 31, 2000. The Company expects to move its corporate headquarters and administrative offices to this building in 2001. Subsequent to year end, this loan has been repaid in full.

As discussed further in the consolidated financial statements, the Company is required by the workers' compensation program to collateralize a portion of its workers' compensation liability with irrevocable letters of credit. At December 31, 2000, the Company had provided its insurance carriers with letters of credit totaling \$27.1 million. The letters of credit bear fees of .75% per year and are supported by an equal amount of available borrowings on the line-of-credit. Accordingly, at December 31, 2000, no borrowings were outstanding on the line-of-credit, \$27.1 million was committed by the letters of credit and \$32.9 million was available for borrowing. Subsequent to year end, the Company increased its outstanding letters of credit by \$16.2 million.

Subsequent to year end, the Company entered into a \$100 million accounts receivable securitization facility (the "Accounts Receivable Facility"). The Accounts Receivable Facility provides loan advances through the sale of substantially all of the Company's eligible domestic accounts receivable to a wholly owned subsidiary of the Company. The Accounts Receivable Facility includes a corporate guarantee by the Company and requires the Company to meet similar financial covenants to those set forth in the U.S Bank Agreement.

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

Item 7A. Qualitative and Quantitative Disclosures About Market Risk

We are exposed to market risk related to changes in interest rates, and to a minor extent, foreign currency exchange rates, each of which could adversely affect the value of our investments. We do not currently use derivative financial instruments. At December 31, 2000, our purchased investments have maturities of less than 90 days. As such, an increase in interest rates immediately and uniformly by 10% from levels at December 31, 2000 would not have a material affect upon our cash and cash equivalent balances. Because of the relative short maturities of the investments we hold, we do not expect our operating results or cash flows to be affected to any significant degree by a sudden change in market interest rates on its cash and cash equivalents portfolio.

We have a minor amount of assets and liabilities denominated in certain foreign currencies related to our international operations. We have not hedged our translation risk on these currencies 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 net income or cash flows.

Outlook: Issues and Uncertainties

The following issues and uncertainties, among others, should be considered in evaluating its growth outlook.

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

If we fail to manage our growth effectively, our results will suffer. Our growth is dependent upon such factors as our ability to attract and retain sufficient qualified management personnel to manage multiple and individual dispatch offices, the availability of sufficient temporary workers to meet customer needs, workers' compensation costs, collection of accounts receivable and availability of working capital, all of which are subject to uncertainties. We must continually adapt our management structure and internal control systems as we continue our growth.

The loss of any of our key personnel could adversely affect us. In 2000, we experienced significant turnover in key members of our

management team, including our Chief Executive Officer. We must successfully integrate all new management and other key positions within our organization in order to achieve our operating objectives. As a result, our future financial performance depends on our ability to recruit, motivate and retain key management personnel.

The costs of government regulations and workers' compensation are significant. 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. In the past year, certain special interest groups engaged lobbyists and coordinated regulatory and legal actions directed against us designed to further their own interests. The states of Ohio and Washington have also recently audited and challenged certain of our worker classifications for our workers' compensation purposes. These audits may result in us paying additional premium charges and/or penalties that could impact our financial performance. We have purchased private insurance policies in all states other than Washington, Ohio and West Virginia. Therefore, we do not believe we will be exposed to material additional premium charges or penalties based on classification of work in states where we have insurance coverage. However, we can not assure you that the insurance will be adequate or that the providers will continue to renew our coverage in the future periods. In general, we attempt to increase fees charged to our customers to offset increased costs relating to these laws and regulations, but may be unable to do so. If Congress or state legislatures adopt laws specifying benefits for temporary workers or otherwise impacting our operations, demand for our services may be adversely affected. In addition, workers' compensation expenses are based on our actual claims experiences in each state and the actual aggregate workers' compensation costs may exceed estimates.

Our business depends extensively on recruiting and retaining qualified dispatch office managers. We rely heavily on the performance and productivity of our dispatch office managers, who manage the operation of the dispatch offices, including recruitment and daily dispatch of temporary workers, marketing and providing quality customer service. We opened 201 dispatch offices in 1999 and 211 in 2000. We expect to open approximately 50 offices in 2001. We must recruit a sufficient number of managers to staff each new office and to replace managers lost through attrition or termination. Our future growth and 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 growth and expansion requires significant working capital to finance our business. While our cash flow was positive in 2000, we have historically experienced periods of significant negative cash flow from operations and investment activities resulting from the rapid growth in the number of dispatch offices. In 2000, we incurred costs of approximately \$9.5 million to open 211 new dispatch offices, an average of approximately \$45,000 per dispatch office. Once open, we invest significant additional cash into the operations of new dispatch offices until they begin to generate sufficient revenue to cover their operating costs. In addition, we pay our temporary personnel on a daily basis and bill our customers on a weekly basis. As a result, we must maintain sufficient cash reserves to pay our temporary personnel prior to receiving payment from our customers. We expect to require additional sources of capital in order to continue to grow especially during seasonal peaks in revenue experienced in the third and fourth quarter of the year. In early 2001, we entered into a new credit facility with GE Capital that contains significant financial covenants. In the event that we do not comply with the covenants and GE Capital does not consent to such non-compliance, we will be required to seek additional sources of capital to satisfy our liquidity needs. There can be no assurance that such additional sources will be available to us or, if available, at commercially reasonable terms. In addition, we may issue additional equity or debt securities to finance any such capital needs, which could result in dilution to existing shareholders.

Our industry incurs all the risk associated with employing manual labor, including the risk of litigation, which we try to manage but can lead to significant potential liability. From time to time we are party to litigation in the ordinary course of our business. In the past year, certain special interest groups have coordinated legal actions directed at us designed to further their own interests. We can not assure you that such litigation will not disrupt our business or impact our financial results, 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. Temporary staffing companies, such as ours, employ people in the workplace of their customers. This creates a risk of potential litigation based on claims of discrimination and harassment, violations of health and safety and wage and hour laws, criminal activity, and other claims. While we try to limit our liability by contract, we may be held responsible for the actions at a job site of workers not under our direct control. Like other temporary staffing companies, we are also affected by fluctuations and interruptions in the business of their customers.

Our business will likely be affected by economic fluctuations affecting the U.S. economy. The general level of economic activity, interest rates and unemployment in the U.S. and specifically within the construction, landscaping and light industrial trades may significantly affect demand for our services.

Our business tends to be busier during warmer seasonal periods. Many of our customers are in the construction and landscaping industries, which are significantly affected by seasonal factors such as the weather. We generally experience increased demand in the spring, summer and early fall, while inclement weather is generally coupled with lower demand for our services.

Our business would suffer if we could not attract temporary workers to fill the jobs we offer. We compete with other temporary personnel companies to meet our customer needs. We must continually attract reliable temporary workers to fill positions and may from time to time experience shortages of available temporary workers.

Our information and computer processing systems are critical to the operations of our business and any failure could cause significant problems. Our management information systems, located at our headquarters, are essential for data exchange and operational communications with dispatch offices throughout the country. Any interruption, impairment or loss of data integrity or malfunction of these systems could severely hamper our business.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data required hereunder are included in Item 14 hereof.

Item 9. Changes in and Disagreements With Accountants On Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Tenure of Directors and Officers

The names, ages and positions of the directors, executive officers and certain key employees of the Company as of March 1, 2001 are listed below along with their business experience during the past five years. No family relationships exist among any of the directors or executive officers of the Company.

Name	Age	Position
Richard L. King	51	Director, Chief Executive Officer and President
Robert J. Sullivan	70	Chairman of the Board of Directors
Ronald L. Junck	53	Executive Vice President, General Counsel and Secretary
Steven C. Cooper	38	Executive Vice President and Chief Financial Officer
Matthew J. Rodgers	38	Executive Vice President of Operations
Todd A. Welstad	31	Chief Information Officer
Richard W. Gasten	63	Director, President of Labour Ready Temporary Services, Ltd.
Thomas E. McChesney	54	Director
Gates McKibbin	54	Director
George Northcroft	55	Director
Joseph P. Sambataro, Jr. (1)	50	Director and Executive Vice President
Carl W. Schafer	65	Director

- (1) Mr. Sambataro resigned as the Chief Financial Officer on January 9, 2001 and will retire from his Executive Vice President duties as of March 31, 2001. Mr. Sambataro will remain on the Board of Directors.

Business Experience

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

Richard L. King has served as a Director since July 2000 and as Chief Executive Officer and President since May 2000. Prior to joining Labor Ready, Mr. King was Chief Operating Officer and President of Albertson's, Inc. from 1996 to June 1999. During his tenure at Albertson's, King had responsibility for a \$16 billion operation, with more than 100,000 employees and nearly 1,000 stores.

Robert J. Sullivan has served as Chairman of the Board of the Company since July 2000 and as a Director since November 1994. Mr. Sullivan has an extensive career of over 35 years in financial management with Price Waterhouse & Co. and as a member of executive management with companies listed on NYSE and AMEX.

Ronald L. Junck has served as Executive Vice President and General Counsel of the Company since February 1998. Mr. Junck has been Secretary since 1995 and was a Director from 1995 through 2000. From 1974 until 1998, Mr. Junck practiced law in Phoenix, Arizona, specializing in business law and commercial transactions, and served as outside counsel for the Company from its inception in 1989 until he joined the Company as General Counsel.

Steven C. Cooper has served as Executive Vice President and Chief Financial Officer since January 2001. Mr. Cooper served as the Company's Vice President of Finance since August 2000 and joined the Company in April 1999 as Corporate Controller. Prior to joining the Company, Mr. Cooper's most recent position was with Arthur Andersen as a Senior Manager from 1998 to 1999. From 1993 to 1998, Mr. Cooper held a Director position in the Finance Department of Albertson's. Previous to that he was a Senior Manager with Deloitte & Touche.

Matthew J. Rodgers has served as Executive Vice President of Operations since February 2001. Mr. Rodgers joined Labor Ready in February of 1998 and has served as a District Manager, Area Director and Regional Vice President. Prior to joining the Company, Mr. Rodgers most recent position was with Cugino, Inc., a foodservice franchising company from 1996 to 1998. Prior to that, Mr. Rodgers obtained over 12 years of operations and management experience in various multi brand franchise businesses.

Todd A. Welstad has served as Chief Information Officer of the Company since August 1997. Mr. Welstad joined the Company in January 1994 in operations and worked as a Systems Analyst for Labor Ready. Prior to 1994, Mr. Welstad worked in Information Systems at Micro-Rel, a division of Medtronics.

Richard W. Gasten has served as a Director of the Company since August 1996. Mr. Gasten has also served as a Director of Labour Ready Temporary Services, Ltd., the Company's Canadian subsidiary. Mr. Gasten was appointed to President of Labour Ready in September 2000. Mr. Gasten has over 25 years experience as a member of executive management with Western Capital Trust Company, Vancouver,

B.C., Unity Bank of Canada and The Bank of Nova Scotia.

Gates McKibbin has served as a Director of the Company since March 1, 2001. Since 1996, Ms. McKibbin has been self employed and developed a number of comprehensive leadership programs for large, nationally respected organizations. Prior to her consulting she was Vice President of Change Management for Bank of America.

Thomas E. McChesney has served as a director of the Company since July 1995. In September 1996, Mr. McChesney became associated with Blackwell Donaldson and Company, as director of investment banking. Mr. McChesney is also a director of USOL Holdings Inc., a NASDAQ listed company and Nations Express, Inc.

George Northcroft has served as a Director of the Company since March 1, 2001. Since 1994, Mr. Northcroft has served as the Treasury Director for Nordstrom. He has over 25 years of financial management, consumer credit and marketing experience with Fortune 100 corporations.

Joseph P. Sambataro, Jr. has served as a Director of the Company since January 2000. Mr. Sambataro joined the Company in August 1997 as Executive Vice President, Treasurer, Chief Financial Officer and Assistant Secretary and served these functions until recently and will retire from his Executive Vice President duties on March 31, 2001. Prior to joining the Company, he served as the Managing Partner of the Seattle office of BDO Seidman, LLP, an accounting and consulting firm, from 1990 to 1997.

Carl W. Schafer has served as a Director of the Company since September of 1999. Mr. Schafer currently serves as President of The Atlantic Foundation. Prior to his work with The Atlantic Foundation, Mr. Schafer's experience includes the U.S. Bureau of the Budget, Financial Vice President and Treasurer of Princeton University, Chairman of the investment advisory committee for the Howard Hughes Medical Institute and Principal of Rockefeller & Co., Inc. He also serves on various boards including the Paine Webber and Guardian Groups of mutual funds.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities and Exchange Act of 1934, as amended, requires the Company's officers and directors and certain other persons to timely file certain reports regarding ownership of, and transactions in, the Company's securities with the Securities and Exchange Commission. Copies of the required filings must also be furnished to the Company. Based solely on its review of such forms received by it or representations from certain reporting persons, the Company believes that during 2000 all applicable Section 16(a) filing requirements were met.

Item 11. Executive Compensation

The following table sets forth the compensation earned by each person who served as Chief Executive Officer and the next four most highly compensated executive officers of the Company during 2000.

SUMMARY COMPENSATION TABLE (1)

Name and Position	Annual Compensation		Long-term Compensation Awards	All Other Compensation	
	Year	Salary (\$)	Securities Underlying Options/ SARs(#)	Matching 401(k) Contributions	Split Dollar Life Insurance
Richard L. King Director, Chief Executive Officer and President	2000	290,608	500,000	\$-	-
Glenn A. Welstad (2) Chairman of the Board, Chief Executive Officer and President	2000	259,161	-	-	\$166,000
	1999	519,231	30,000	\$2,500	\$166,000
	1998	497,380	45,000	\$2,500	-
Ronald L. Junck Executive Vice President, General Counsel and Secretary	2000	250,000	42,000	-	-
	1999	207,692	30,000	-	-
	1998	73,077	382,500	-	-
Joseph P. Sambataro, Jr. (3) Director, Executive Vice President and Chief Financial Officer	2000	250,000	12,000	\$2,625	-
	1999	207,692	30,000	\$2,500	-
	1998	192,692	45,000	\$1,731	-
Todd A. Welstad Chief Information Officer	2000	250,000	42,000	\$2,500	-
	1999	193,143	30,000	\$1,932	-
	1998	137,769	45,000	\$1,378	-

- (1) None of the named executives received compensation reportable under the Restricted Stock Awards or Long-Term Incentive Plan Payouts columns.
- (2) Effective June 30, 2000, Mr. Glenn Welstad resigned as Chairman of the Board and effective May 16, 2000, he resigned as Chief Executive Officer and President.
- (3) Mr. Sambataro resigned as the Chief Financial Officer on January 9, 2001 and will retire from his Executive Vice President duties as of March 31, 2001. Mr. Sambataro will remain on the Board of Directors.

Option Grants During 2000 Fiscal Year

The following table provides information related to options granted to the named executive officers during 2000.

Option/SAR Grants in Last Fiscal Year

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (1)	
	Number of Securities Underlying Options/SARS Granted (2)	% of total Options/SARS Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)(3)	Expiration Date	5%	10%
Richard L. King	350,000	18.2%	10.00	5/16/05	969,472	2,148,764
Director, Chief Executive Officer and President	150,000	7.8%	4.81	8/1/05	199,995	443,326
Glenn Welstad (4)	—	—	—	—	—	—
Chairman of the Board, Chief Executive Officer and President						
Ronald L. Junck	12,000	0.6%	8.25	3/1/05	27,393	60,637
Executive Vice President, General Counsel and Secretary	30,000	1.6%	3.94	10/24/05	32,690	72,379
Joseph P. Sambataro, Jr. (5)	12,000	0.6%	8.25	3/1/05	27,393	60,637
Director, Executive Vice President and Chief Financial Officer						
Todd A. Welstad	12,000	0.6%	8.25	3/1/05	27,393	60,637
Chief Information Officer	30,000	1.6%	3.94	10/24/05	32,690	72,379

- (1) The potential realizable value portion of the table illustrates value that might be realized upon exercise of the options immediately prior to the expiration of their term, assuming the specified compounded rates of appreciation on the Company's Common Stock over the term of the options. These numbers do not take into account certain provisions of the options providing for cancellation of the option following termination of employment.
- (2) Options to acquire shares of Common Stock. The options vest 25% annually over the next four years.
- (3) The option exercise price may be paid in shares of Common Stock owned by the executive officer, in cash, or in any other form of valid consideration or a combination of any of the foregoing, as determined by the Compensation Committee in its discretion.
- (4) Effective June 30, 2000, Mr. Glenn Welstad resigned as Chairman of the Board and effective May 16, 2000, he resigned as Chief Executive Officer and President.
- (5) Mr. Sambataro resigned as the Chief Financial Officer on January 9, 2001 and will retire from his Executive Vice President duties as of March 31, 2001. Mr. Sambataro will remain on the Board of Directors.

Option Exercises During 2000 and Year End Option Values

The following table provides information related to options exercised by the named executive officers during 2000 and the number and value of options held at year-end. The Company does not have any outstanding stock appreciation rights ("SARs").

AGGREGATE OPTION/SAR EXERCISES IN 2000 AND YEAR END OPTION/SAR VALUE

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options/SARs at December 31, 2000 (#)		Value of Unexercised in-the-Money Options/SARs at December 31, 2000 (\$) (1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Richard L. King Director, Chief Executive Officer and President	—	—	—	500,000	\$—	\$—
Glenn Welstad (2) Chairman of the Board, Chief Executive Officer And President	—	—	—	—	\$—	\$—
Ronald L. Junck Executive Vice President, General Counsel and Secretary	—	\$4,933	286,499	141,376	\$—	\$—
Joseph P. Sambataro, Jr. (3) Director, Executive Vice President and Chief Financial Officer	—	—	217,119	57,000	\$—	\$—
Todd A. Welstad Chief Information Officer	507	—	148,503	85,255	\$21,847	\$—

- (1) The closing price for the Company's common stock as reported by the New York Stock Exchange on December 29, 2000, was \$3.31.
- (2) Effective June 30, 2000, Mr. Glenn Welstad resigned as Chairman of the Board and effective May 16, 2000, he resigned as Chief Executive Officer and President.
- (3) Mr. Sambataro resigned as the Chief Financial Officer on January 9, 2001 and will retire from his Executive Vice President duties as of March 31, 2001. Mr. Sambataro will remain on the Board of Directors.

Compensation Committee Report on Executive Compensation

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

Annual cash compensation, together with stock options, is designed to attract and retain qualified executives and to ensure that such executives have a continuing stake in the long term success of the Company. The annual compensation of Mr. King, the Company's Chief Executive Officer, has been set by a written employment contract entered into in 2000, which set compensation at \$475,000 per year, subject to annual increases. Mr. King is also eligible to receive stock under the Company's Employee Stock Option and Incentive Plan, as administered by the Compensation Committee of the Board of Directors. In 2000, the Board of Directors approved grants of stock options to management and administrative personnel as indicated in the preceding tables. Under the plan as approved, each of the executive officers of the Company received a grant of 12,000 options. All future grants and executive compensation are subject to annual approval by the Compensation Committee.

With respect to other executive officers compensation, the Compensation Committee sets salaries based on recommendations of the CEO, unless the officer's salary is established by written contract. Annual salary increases are typically modest, except to reflect changes in responsibilities. The Compensation Committee compares the salaries with those of comparable positions at companies of comparable revenue size in the Pacific Northwest. These companies are selected informally without the use of a compensation consultant.

Employment Agreements:

In May of 2000, the Company entered into an employment agreement with Richard King, the Company's Chief Executive Officer and President, which provides for annual compensation of \$475,000, subject to annual increases on the anniversary date of the agreement at the discretion of the Compensation Committee. In addition, the employment agreement provides for a bonus, as determined by the Compensation Committee, based on Mr. King's performance and the overall performance of the Company. The agreement provides Mr. King with options to purchase 350,000 shares of the Company's common stock at its fair market value of \$10.00 at date of grant. Under this plan, 62,500 options vest annually through May of 2004 and the remaining 100,000 shares vest in November of 2004. The agreement expires in 2005.

In February 1998, the Company entered into an employment agreement with Ronald L. Junck, the Company's Executive Vice President, General Counsel and Secretary, which provides for initial annual compensation of \$16,667 per month, subject to annual increases on the anniversary date of the agreement at the discretion of the Board of Directors. In addition, the employment agreement provides for a

bonus, as determined by the compensation committee, based on Mr. Junck's performance and the overall performance of the Company. The agreement provides Mr. Junck with options to purchase 337,500 of the Company's common stock at its fair market value of \$9.22 at date of grant. 42,188 options vest semi-annually to 2001. The agreement expires in 2002.

In August 1997, the Company entered into an employment agreement with Joseph P. Sambataro, Jr., the Company's Executive Vice President, Chief Financial Officer, Treasurer, and Assistant Secretary, which provides for initial annual compensation of \$13,500 per month, subject to annual increases on the anniversary date of the agreement at the discretion of the Board of Directors. In addition, the employment agreement provides for a bonus, as determined by the compensation committee, based on Mr. Sambataro's performance and the overall performance of the Company. The agreement provides Mr. Sambataro with options to purchase 405,000 of the Company's common stock at its fair market value of \$3.70 at date of grant. 101,250 of the options vest on the date of grant and 50,625 options vest semi-annually to 2000. The agreement expires in 2001. Mr. Sambataro resigned as the Chief Financial Officer on January 9, 2001 and will retire from his Executive Vice President duties as of March 31, 2001. Mr. Sambataro will remain on the Board of Directors.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of Common Stock of the Company as of December 31, 2000 for (i) each person known to the Company to own beneficially 5% or more of the Common Stock as of December 31, 2000, (ii) each director of the Company, (iii) each executive officer of the Company required to be identified as a named executive officer pursuant to Item 402 of Regulation S-K and (iv) all officers and directors of the Company as a group. Except as otherwise noted, the named beneficial owner has sole voting and investment power. As of December 31, 2000, the Company had no other classes of outstanding equity securities.

Name & Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership (Number of Shares)(1)	Percent of Class
Richard L. King	Common Stock	14,000	*
Ronald L. Junck (1)	Common Stock	538,099	1.3%
Joseph P. Sambataro, Jr (1) (2)	Common Stock	294,148	*
Todd A. Welstad (1)	Common Stock	224,811	*
Robert J. Sullivan (1)	Common Stock	146,915	*
Richard W. Gasten (1)	Common Stock	52,572	*
Thomas E. McChesney (1)	Common Stock	202,591	*
Carl W. Schafer (1)	Common Stock	4,000	*
Wanger Asset Management, L.P. (3) (6)	Common Stock	3,293,000	8.1%
Wallace R. Weitz & Company (4) (7)	Common Stock	5,266,700	12.9%
William C. and Gloria A. Newton (5) (8)	Common Stock	3,136,610	7.7%
All Officers and Directors as a Group (8 Individuals) (1)	Common Stock	1,477,136	3.6%

* Less than 1%.

(1) Beneficial ownership is calculated in accordance with Rule 13d-3(d)(1) of the Securities Exchange Act of 1934, as amended and includes shares of Common Stock issuable upon exercise of options, warrants, and other securities convertible into or exchangeable for Common Stock currently exercisable or exercisable within 60 days of December 31, 2000.

(2) Mr. Sambataro resigned as the Chief Financial Officer on January 9, 2001 and will retire from his Executive Vice President duties as of March 31, 2001. Mr. Sambataro will remain on the Board of Directors.

(3) The business address of Wanger Asset Management, L.P. is 227 West Monroe Street, Suite 3000, Chicago, IL 60606.

(4) The business address of Wallace R. Weitz & Company is 1125 South 103rd Street, Suite 600, Omaha, NE 68124-6008.

(5) The business address of Mr. and Mrs. Newton is 5300 North Prince Place, Jackson Hole, WY 83001-9260.

(6) Shared voting power between Liberty Wanger Asset Management, L.P. ("WAM"), WAM Acquisition GP, Inc., the general partner of WAM and Liberty Acorn Trust.

(7) Sole voting power.

(8) Mr. and Mrs. Newton have shared voting power on 2,401,210 common shares. Mr. Newton has sole voting power on 735,100 common shares and Mrs. Newton has sole voting power on 300 common shares.

Item 13. Certain Relationships and Related Transactions

On June 21, 2000, a \$3.5 million unauthorized loan was issued to then Chairman of the Board, Glenn Welstad. The loan was repaid on

June 27, 2000 with interest of \$5,542 (9.5% annual interest rate).

In the third quarter of 2000, the Company paid Mr. Welstad \$650,447 for the purchase of his 4,814,739 shares of preferred stock and the accumulated dividends.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

The Financial Statements are found on pages F-1 through F-19 of this Form 10-K. The Financial Statement Table of Contents is on Page F-1. The Exhibit Index is found on Page 29 and 30 of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LABOR READY, INC.

/s/ Richard L. King 3/30/01

Signature Date
By: Richard L. King, Director, Chief Executive
Officer and President

/s/ Steven C. Cooper 3/30/01

Signature Date
By: Steven C. Cooper, Chief Financial Officer and
Executive Vice President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Richard L. King 3/30/01

Signature Date
Richard L. King, Director, Chief Executive
Officer and President

/s/ Robert J. Sullivan 3/30/01

Signature Date
Robert J. Sullivan, Chairman of the Board

/s/ Richard W. Gasten 3/30/01

Signature Date
Richard W. Gasten, Director

/s/ Thomas E. McChesney 3/30/01

Signature Date
Thomas E. McChesney, Director

/s/ Joseph P. Sambataro, Jr. 3/30/01

Signature Date
Joseph P. Sambataro, Jr., Director

/s/ Carl W. Schafer 3/30/01

Signature Date
Carl W. Schafer, Director

EXHIBIT INDEX

FORM 10-K
Labor Ready, Inc.

Exhibit Number	Description	
3	Articles of Incorporation	(1)
3.1	Articles of Amendment to Articles of Incorporation	(1)
3.2	Bylaws	(1)
4	Instruments Defining Rights of Security Holders	(1)
4.1	Rights Agreement Dated January 6, 1998	(2)
10	Material Contracts	
10.1	Warrant Purchase Agreements	(1)
10.2	Employment Agreement between Labor Ready, Inc. and Joseph P. Sambataro, Jr. dated August 1, 1997	(1)
10.3	Business Loan Agreement between Labor Ready, Inc. and U.S. Bank of Washington, N.A., dated February 3, 1999	(1)
10.4	Form of Lease for Labor Ready, Inc. dispatch office	(1)
10.5	1996 Employee Stock Option and Incentive Plan	(1)
10.6	1996 Employee Stock Purchase Plan	(1)
10.7	Form of equipment lease and related schedules at various dates between the Company as lessor, T&W Financial Corporation as Lessee and Diebold Corporation as Vendor	(1)
10.8	Employment Agreement between Labor Ready, Inc. and Ronald L. Junck dated March 20, 1998	(1)
10.9	Bond to Secure Premium and Deductible Obligations between Labor Ready, Inc. Travelers Casualty and Surety Company of America, Reliance National Indemnity Company dated February 16, 1999	(1)
10.10	Form of equipment lease and related schedules at various dates between the Company as lessor, Wells Fargo Equipment Finance, Inc. as lessee	(1)
10.11	Executive Employment Agreement between Labor Ready, Inc. and Richard L. King dated May 16, 2000	(1)
10.12	Transition Agreement between Labor Ready, Inc. and Glen Welstad dated July 2, 2000	(1)
10.13	Form of equipment lease and related schedules at various dates Between the Company as lessor and LaSalle National Leasing Corporation as lessee	(1)
10.14	Excess Bond to Secure Premium and Deductible Obligations between Labor Ready, Inc., National Union Fire Insurance Company of Pittsburgh, PA and Reliance National Indemnity Company dated May 8, 2000	
10.15	Excess Bond to Secure Premium and Deductible Obligations between Labor Ready, Inc., Greenwich Insurance Company, Mutual Indemnity (U.S.) Ltd., and Legion Insurance Company dated January 19, 2001	
10.16	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Northwest, Inc., Fidelity and Deposit Company of Maryland and State of Oregon dated June 1, 2000	
10.17	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready, Inc., Fidelity and Deposit Company of Maryland and State of Colorado dated June 28, 2000	
10.18	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Northeast, Inc., Fidelity and Deposit Company of Maryland and Commonwealth of Pennsylvania dated July 1, 2000	
10.19	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Southeast, Inc., Fidelity and Deposit Company of Maryland and State of Louisiana dated July 1, 2000	
10.20	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Midwest, Inc., Fidelity and Deposit Company of Maryland and State of Michigan dated July 12, 2000	
10.21	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Southeast III L.P., Fidelity and Deposit Company of Maryland and State of Georgia dated July 31, 2000	
10.22	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Mid-Atlantic III L.P., Fidelity and Deposit Company of Maryland and State of Indiana dated July 12, 2000	
10.23	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Midwest, Inc., Fidelity and Deposit Company of Maryland and State of Illinois dated October 10, 2000	
10.24	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Central, Inc., Fidelity and Deposit Company of Maryland and State of Missouri dated September 7, 2000	

10.25	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Mid-Atlantic, Inc., Fidelity and Deposit Company of Maryland and State of North Carolina dated January 1, 2001
10.26	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Central, Inc., Fidelity and Deposit Company of Maryland and State of Kansas dated January 1, 2001
10.27	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Central, Inc., Fidelity and Deposit Company of Maryland and State of Arkansas dated December 28, 2000
10.28	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Midwest, Inc., Fidelity and Deposit Company of Maryland and State of Iowa dated January 1, 2001
10.29	Excess Bond to Workers' Compensation Self-Insurer Obligations between Labor Ready Southwest, Inc., Fidelity and Deposit Company of Maryland and State of Nevada dated February 16, 2001
10.30	General Indemnity Agreement between Labor Ready, Inc. and Fidelity and Deposit Company of Maryland dated June 19, 2000
10.31	General Indemnity Agreement between Labor Ready, Inc. and Great American Insurance Company dated November 3, 2000
10.32	Commercial Surety General Indemnity Agreement between Labor Ready, Inc. and Greenwich Insurance Company dated January 4, 2001
10.33	Commercial Surety General Indemnity Agreement between Labor Ready, Inc. and National Union Insurance Company of Pittsburgh, PA dated April 6, 2000
10.34	2000 Employee Stock Option and Incentive Plan
21	Subsidiaries of Labor Ready, Inc.
23	Consent of Arthur Andersen LLP – Independent Public Accountants

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

Copies of Exhibits may be obtained upon request directed to Mr. Steve Cooper, Labor Ready, Inc., 1015 A Street, Tacoma, Washington, 98402.

LABOR READY, INC.

CONSOLIDATED FINANCIAL STATEMENTS

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[Consolidated Statements of Comprehensive Income](#)

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[Consolidated Statements of Cash Flows](#)

Years Ended December 31, 2000, 1999 and 1998

[Notes to Consolidated Financial Statements](#)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Shareholders of Labor Ready, Inc.

We have audited the accompanying consolidated balance sheets of Labor Ready, Inc. (Washington Corporation) as of December 31, 2000 and 1999, and the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit

includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Labor Ready, Inc. as of December 31, 2000 and 1999, and the results of their operations and their cash flows for the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

As explained in the Accounting Policies Note to the Financial Statements, effective January 1, 1999 the Company adopted the provisions of Statement of Position 98-5, "Reporting on the Costs of Startup Activities" which requires the Company to expense the cost of establishing new dispatch offices.

Seattle, Washington
February 5, 2001

/s/ Arthur Andersen LLP

LABOR READY, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2000 and 1999
(In Thousands)

ASSETS

	2000	1999
CURRENT ASSETS:		
Cash and cash equivalents	\$36,048	\$16,845
Accounts receivable, less allowance for doubtful accounts of \$7,661 and \$9,899	93,017	93,716
Workers' compensation deposits and credits	4,497	4,955
Prepaid expenses and other	6,878	9,310
Income tax receivable	195	2,004
Deferred income taxes	9,771	8,101
Total current assets	150,406	134,931
PROPERTY AND EQUIPMENT:		
Buildings and land	7,057	6,298
Computers and software	29,912	23,709
Cash dispensing equipment	13,790	10,797
Furniture and equipment	1,620	766
Construction in progress	8,850	--
	61,229	41,570
Less accumulated depreciation	17,827	10,838
Property and equipment, net	43,402	30,732
OTHER ASSETS:		
Intangible assets and other, less accumulated amortization of \$248 and \$213	398	48
Deferred income taxes	9,521	6,743
Restricted cash in captive insurance subsidiary	1,696	2,027
Total other assets	11,615	8,818
Total assets	\$205,423	\$174,481

See accompanying notes to consolidated financial statements.

LABOR READY, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2000 and 1999
(In Thousands Except Per Share Data)

LIABILITIES AND SHAREHOLDERS' EQUITY

	2000	1999
CURRENT LIABILITIES:		
Accounts payable	\$18,683	\$11,756
Accrued wages and benefits	10,201	8,531
Workers' compensation claims reserve, current portion	19,452	15,732
Current maturities of long-term debt	7,911	1,178
Total current liabilities	56,247	37,197
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities	6,843	6,590
Workers' compensation claims reserve, less current portion	30,229	19,558
Total long-term liabilities	37,072	26,148
Total liabilities	93,319	63,345
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$0.131 par value, 20,000 shares authorized; 0 and 6,486 shares issued and outstanding	--	854
Common stock, no par value, 100,000 shares authorized; 40,941 and 42,802 shares issued and outstanding	52,074	60,189
Cumulative foreign currency translation adjustment	(250)	(151)
Retained earnings	60,280	50,244
Total shareholders' equity	112,104	111,136
Total liabilities and shareholders' equity	\$205,423	\$174,481

See accompanying notes to consolidated financial statements.

LABOR READY, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2000, 1999 and 1998
(In Thousands Except Per Share Data)

	2000	1999	1998
Revenues from services	\$976,573	\$850,873	\$606,895
Cost of services	684,093	587,366	422,924
Gross profit	292,480	263,507	183,971
Selling, general and administrative expense	268,379	217,294	144,249
Depreciation and amortization	7,380	4,804	6,076
Income from operations	16,721	41,409	33,646
Interest expense and other, net	(776)	(979)	(256)
Income before taxes on income and cumulative effect of accounting change	15,945	40,430	33,390
Taxes on income	5,886	15,853	13,591
Income before cumulative effect of accounting change	10,059	24,577	19,799

Cumulative effect of accounting change, net of income tax benefit of \$897,000	—	(1,453)	—
Net income	\$10,059	\$23,124	\$19,799
Income Per Share:			
Basic	\$0.24	\$0.54	\$0.47
Diluted	\$0.24	\$0.53	\$0.46
Weighted average shares outstanding:			
Basic	42,295	42,521	41,694
Diluted	42,508	43,456	42,999

See accompanying notes to consolidated financial statements.

LABOR READY, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2000, 1999 and 1998
(In Thousands)

	2000	1999	1998
Preferred stock			
Balance, beginning of year	\$854	\$854	\$854
Preferred stock repurchased	(854)	--	--
Balance, end of year	--	854	854
Common stock			
Balance, beginning of year	60,189	52,639	49,694
Common stock issued on the exercise of options and warrants	1,210	7,785	3,907
Common stock issued through employee benefit plans	1,499	1,209	954
Common stock repurchased	(10,824)	(1,444)	(1,916)
Balance, end of year	52,074	60,189	52,639
Cumulative translation adjustment			
Balance, beginning of year	(151)	(159)	86
Foreign currency translation	(99)	8	(245)
Balance, end of year	(250)	(151)	(159)
Retained earnings			
Balance, beginning of year	50,244	27,163	7,407
Net income	10,059	23,124	19,799
Preferred stock dividends	(23)	(43)	(43)
Balance, end of year	60,280	50,244	27,163
Total Shareholders' equity	\$112,104	\$111,136	\$80,497

LABOR READY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2000, 1999 and 1998
(In Thousands)

	2000	1999	1998
Net income	\$10,059	\$23,124	\$19,799
Other Comprehensive Income			
Foreign currency translation	(99)	8	(245)

Total Comprehensive Income

\$9,960

\$23,132

\$19,554

See accompanying notes to consolidated financial statements.

LABOR READY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2000, 1999 and 1998
(In Thousands)

	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$10,059	\$23,124	\$19,799
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	7,380	4,804	6,076
Provision for doubtful accounts	15,425	15,998	7,398
Deferred income taxes and other	(4,448)	(6,492)	(4,010)
Loss on disposal of property and equipment	428	--	--
Cummulative effect of accounting change	--	2,350	--
Changes in operating assets and liabilities			
Accounts receivable	(14,726)	(44,230)	(36,281)
Workers' compensation deposits and credits	458	(1,994)	(1,880)
Prepaid expenses and other	2,432	(4,161)	(2,304)
Accounts payable	3,788	(1,714)	3,306
Accrued wages and benefits	1,670	987	3,492
Workers' compensation claims reserve	14,391	9,666	12,053
Income taxes	2,261	(2,473)	5,715
Net cash provided by (used in) operating activities	39,118	(4,135)	13,364
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(18,421)	(12,358)	(9,292)
Restricted cash	331	(1,876)	(15)
Intangible assets and other	(385)	--	143
Proceeds from sale of property and equipment	139	--	--
Net cash used in investing activities	(18,336)	(14,234)	(9,164)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Short term borrowings, net	9,385	6,684	--
Payments on capital leases and long-term debt	(1,378)	(936)	(654)
Proceeds from options and warrants exercised	758	3,899	1,672
Proceeds from sale of stock through employee benefit plans	1,499	1,063	838
Purchase and retirement of common stock	(10,824)	(1,444)	(1,916)
Purchase and retirement of preferred stock	(854)	--	--
Preferred stock dividends paid	(66)	--	(86)
Net cash provided by (used in) financing activities	(1,480)	9,266	(146)
Effect of exchange rates on cash	(99)	8	(231)
Net increase (decrease) in cash and cash equivalents	19,203	(9,095)	3,823
CASH AND CASH EQUIVALENTS, beginning of year	16,845	25,940	22,117
CASH AND CASH EQUIVALENTS, end of year	\$36,048	\$16,845	\$25,940

See accompanying notes to consolidated financial statement

LABOR READY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2000, 1999 and 1998
(In Thousands Except Per Share Data)

ACCOUNTING POLICIES

Basis of presentation. Labor Ready, Inc. and its wholly-owned subsidiaries (together, "the Company") provide temporary staffing for manual labor jobs to customers primarily in the industrial and small business markets from 816 offices located throughout the United States,

Canada, United Kingdom and Puerto Rico. The Company provides services to a wide variety of customers, none of which individually comprise a significant portion of revenues within a geographic region or for the Company as a whole. The consolidated financial statements include the accounts of Labor Ready, Inc. and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

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

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

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

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

Intangible assets and other. Intangible and other assets consist primarily of purchased customer lists. Other intangible assets are stated at cost and are amortized using the straight-line method over periods not exceeding ten years. Management evaluates, on an ongoing basis, the carrying value of intangible assets and makes a specific provision against the asset when an impairment is identified.

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

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

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

New accounting standards. In September 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities — a replacement of FASB Statement No. 125" ("SFAS 140"). SFAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral. The accounting standards of SFAS 140 are effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The Company is in the process of evaluating the impact, if any, on its reported financial condition or results of operations from the adoption of SFAS 140.

In December 1999, the Securities and Exchange Commission staff released Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101). This pronouncement summarizes certain views of the SEC staff in applying generally accepted accounting principles to revenue recognition. SAB 101 did not impact the Company's revenue recognition policies.

In the first quarter of 1999, the Company adopted the provisions of Statement of Position 98-5, "Reporting on the Costs of Start-up Activities" (SOP 98-5). SOP 98-5 establishes new rules for the financial reporting of start-up costs, and requires the Company to expense the cost of establishing new dispatch offices as incurred and write off, as a cumulative effect of adopting SOP 98-5, any capitalized pre-opening costs in the first quarter of the year adopted. Prior to adopting SOP 98-5, pre-opening costs incurred to open new dispatch offices, including salaries, recruiting, testing, training, lease and other related costs, were capitalized and amortized using the straight-line method over two years. The cumulative effect of adopting SOP 98-5 was to decrease net income by \$1.5 million or \$0.03 per common share.

In June 1998, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of the hedge transaction. In July 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of SFAS No. 133." SFAS No. 137 deferred the effective date of SFAS No. 133 until fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Activities — an amendment of SFAS No. 133." Currently, the Company does not use derivative instruments; therefore the adoption of this statement should not have a material effect on the Company's results of operations or its financial position.

Reclassifications. Certain prior year amounts have been reclassified to conform with the current year presentation.

SUPPLEMENTAL CASH FLOW INFORMATION

Selected cash payments and non-cash activities were as follows:

	2000	1999	1998
Cash paid during the year for:			
Interest	\$1,209	\$1,517	\$813
Income taxes	\$8,088	\$24,192	\$11,882
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Common stock issued to employee benefit plans	\$186	\$146	\$116
Preferred stock dividends accrued	\$--	\$43	\$--
Stock option income tax benefit	\$452	\$3,886	\$2,235
Assets acquired with capital lease obligations	\$2,161	\$2,877	\$6,393

WORKERS' COMPENSATION

The Company provides workers' compensation insurance to its temporary workers and regular employees. For workers' compensation claims originating in the majority of states (the 46 non-monopolistic states), the Company has purchased a deductible insurance policy. Under terms of the policy, the Company's workers' compensation exposure is limited to a deductible amount per occurrence and a maximum aggregate stop-loss limit. Should any single occurrence exceed the deductible amount per occurrence, all losses and expenses beyond the deductible amount are paid by independent insurance companies unrelated to the Company. Similarly, should the total of paid losses related to any one year period exceed the maximum aggregate stop-loss limit for that year, all losses beyond the maximum aggregate stop-loss limit are paid by independent insurance companies unrelated to the Company.

The Company establishes its reserve for workers' compensation claims using actuarial estimates of the future cost of claims and related expenses that have been reported but not settled, and that have been incurred but not reported. Adjustments to the claims reserve are charged or credited to expense in the periods in which they occur. Included in the accompanying consolidated balance sheets as of December 31, 2000 and 1999 are workers' compensation claims reserves in the non-monopolistic states of \$48.8 million and \$34.7 million and in the monopolistic states of \$0.9 million and \$0.7 million, respectively. The claims reserves were computed using a discount rate of 6.0% at December 31, 2000 and 1999.

Workers' compensation expense totaling \$54.2 million, \$38.2 million and \$30.6 million was recorded as a component of cost of services in each of the years ended December 31, 2000, 1999 and 1998, respectively.

For workers' compensation claims originating in Washington, Ohio and West Virginia (the monopolistic states), Canada and Puerto Rico, the Company pays workers' compensation insurance premiums as required by government administered programs. The insurance premiums are established by each jurisdiction, generally based upon the job classification of the insured workers and the previous claims experience of the Company.

For workers' compensation claims originating in the United Kingdom, the Company has purchased an employers' liability insurance policy. This policy carries a 10 million GBP limit.

LINE OF CREDIT AND DEBT

The Company has a line-of-credit agreement with U.S. Bank ("U.S. Bank Agreement"). This agreement allows the company to borrow up to the lesser of \$60.0 million or 80% of eligible receivables as defined by the bank, with interest at the lesser of the bank's prime rate (9.50% at December 31, 2000) or the London Inter-Bank Offering Rate plus 1.25%. The agreement is secured primarily by the Company's accounts receivable and expires in June 2001. The agreement requires that the Company maintain minimum net worth and working capital amounts. The Company was in compliance with the requirements at December 31, 2000. Subsequent to year end, the Company entered into a \$100 million accounts receivable securitization facility (the "Accounts Receivable Facility"), which replaces the U.S. Bank Agreement. The Accounts Receivable Facility provides loan advances and letter of credit commitments through the sale of substantially all of the Company's eligible domestic accounts receivable to a wholly owned subsidiary of the Company. The Accounts Receivable Facility includes a corporate guarantee by the Company and requires the Company to meet similar financial covenants to those set forth in the U.S. Bank Agreement.

The Company is required by the workers' compensation program to collateralize a portion of its workers' compensation liability with irrevocable letters of credit. At December 31, 2000, the Company had provided its insurance carriers with letters of credit totaling \$27.1 million. The letters of credit bear fees of .75% per year and are supported by an equal amount of available borrowings on the line-of-credit. Accordingly, at December 31, 2000, no borrowings were outstanding on the line-of-credit, \$27.1 million was committed by the letters of credit and \$32.9 million was available for borrowing. Subsequent to year end, the Company increased its letters of credit outstanding by \$16.2 million.

In 2000, the Company entered into a secured credit facility with U.S. Bank for the purchase of a building in downtown Tacoma, WA. The agreement allows the Company to borrow up to \$10.0 million with interest at the London Inter-Bank Rate plus 1.30%. This facility is secured by the First Deed of Trust on subject property and cross-collateralized with the Company's accounts receivable and is due in full on November 30, 2001. The Company had \$6.2 million outstanding at December 31, 2000. The Company expects to move its corporate headquarters and administrative offices to this building in 2001. Subsequent to year end, this loan has been repaid in full.

During the years ended December 31, 2000 and 1999, short-term borrowing activity was as follows:

December 31,

	2000	1999
Balance outstanding at year-end	\$--	\$--
Stated interest rate at year-end, including applicable fees	9.50%	8.50%
Maximum amount outstanding during the year	\$15,950	\$20,124
Average amount outstanding	\$5,004	\$7,885
Weighted average interest rate during the year, including applicable fees	9.50%	8.18%

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

INCOME PER SHARE

Basic earnings per share is computed by dividing net income less preferred stock dividends by the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed by dividing net income less preferred stock dividends by the weighted average number of common shares and common stock equivalents outstanding during the year. Common share equivalents for the Company include the dilutive effect of outstanding options, except where their inclusion would be anti-dilutive. Options are anti-dilutive when the exercise price is greater than the average market price for the period. The Company has 3,471, 701 and 96 anti-dilutive options at the end of 2000, 1999 and 1998. In May 1998 and June 1999, the Company declared three-for-two stock splits which have each been retroactively applied in the determination of weighted average shares outstanding.

Basic and diluted earnings per share were calculated as follows:

	2000	1999	1998
Basic:			
Income before cumulative effect of accounting change	\$10,059	\$24,577	\$19,799
Less preferred stock dividends	23	43	43
Income before cumulative effect of accounting change available to common shareholders	10,036	24,534	19,756
Cumulative effect of accounting change	--	(1,453)	--
Income available to common shareholders	\$10,036	\$23,081	\$19,756
Weighted average shares outstanding	42,295	45,521	41,694
Income before cumulative effect of accounting change per share	\$0.24	\$0.57	\$0.47
Cumulative effect of accounting change, net	--	(.03)	--
Income per share	\$0.24	\$0.54	\$0.47
Diluted:			
Income available to common shareholders	\$10,036	\$23,081	\$19,756
Weighted average shares outstanding	42,295	42,521	41,694
Plus options to purchase common stock outstanding at end of year	4,711	3,525	3,273
Less shares assumed repurchased	(4,498)	(2,590)	(1,968)
Weighted average shares outstanding, including dilutive effect of options	42,508	43,456	42,999
Income before cumulative effect of accounting change per share	\$0.24	\$0.56	\$0.46
Cumulative effect of accounting change, net	--	(0.03)	--
Income per share	\$0.24	\$0.53	\$0.46

PREFERRED STOCK

The Company has authorized 20,000 shares of blank check preferred stock. The blank check preferred stock is issuable in one or more series, each with such designations, preferences, rights, qualifications, limitations and restrictions as the Board of Directors of the Company may determine and set forth in supplemental resolutions at the time of issuance, without further shareholder action.

The initial series of blank check Preferred Stock of the corporation authorized by the Board of Directors in accordance with the Articles of Incorporation, was designated as Series A Preferred Stock. At December 31, 2000 and 1999, the Company had 0 and 6,486 outstanding shares of \$0.131 par value Series A Preferred Stock. The Company repurchased, at the par value of \$0.131 per share plus accumulated dividends, and retired 6,486 preferred shares in 2000.

Each share of Series A Preferred Stock is entitled to one vote in all matters submitted to a vote of the shareholders of the Company. The Series A Preferred Stock will vote on par with the Common Shares as a single class unless the action being considered involves a change in the rights of the Series A Preferred Stock. The Series A Preferred Stock bears a cumulative annual dividend rate of five percent accrued on December 31 of each year, is redeemable at par value plus accumulated dividends at the option of the Company at any time after December 31, 1994, and contains an involuntary preferential liquidation distribution equivalent to the par value plus all accumulated dividends remaining unpaid.

In May 1998 and June 1999 the Board of Directors authorized three-for-two preferred stock splits. These preferred stock splits were effected in the form of three shares of preferred stock issued for every two shares of preferred stock outstanding as of each date of declaration. All applicable share and per share data have been adjusted for the effect of the stock splits.

Pursuant to the Rights Plan, 563 shares of preferred stock have been reserved for issuance under terms of the Plan.

A preferred stock dividend in the amount of \$23 was paid upon the repurchase and retirement of the preferred stock in third quarter of 2000. A preferred stock dividend in the amount of \$43 was accrued at December 31, 1999 and paid in February 2000.

COMMON STOCK

In May 1998 and June 1999, the Board of Directors authorized three-for-two common stock splits. These common stock splits were effected in the form of three shares of common stock issued for every two shares of common stock outstanding as of the date of declaration. All applicable share and per share data have been adjusted for the effect of each of these stock splits.

During 2000, 1999 and 1998, the Company repurchased 2,377 shares, 136 shares and 159 shares of common stock on the open market for cash consideration of \$10,824, \$1,444 and \$1,916, respectively. The repurchased shares were retired and are not available for reissuance.

In 1998, the Board of Directors adopted a Shareholders Rights Plan ("the Rights Plan") and declared a dividend distribution of one right for each outstanding share of the Company's common stock. Under the terms of the Rights Plan, each right entitles the holder to purchase one one-hundredth of a share of the Series A Preferred Stock at an exercise price of \$75.37. The rights are exercisable a specified number of days following (1) the acquisition by a person or group of persons of 15% or more of the Company's common stock, or (2) the commencement of a tender or exchange offer for 15% or more of the Company's common stock. The Company has reserved 563 shares of the Series A Preferred Stock for issuance upon exercise of the rights. The rights may be redeemed by the Company, subject to the approval of the Board of Directors, for \$.01 cents per right in accordance with the provisions of the Rights Plan. If any group or person acquires 50% or more of the Company's common stock, the holders of the unredeemed rights (except for the acquiring group or person) may purchase for the exercise price, the number of common shares having a market value equal to two times the exercise price. The rights expire in January 2008, unless redeemed earlier by the Company.

INCOME TAXES

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

	December 31,	
	2000	1999
Allowance for doubtful accounts	\$2,947	\$3,762
Prepaid expenses	(1,096)	(1,222)
Workers' compensation	18,696	13,260
Net operating loss carry-forwards, net of valuation allowance	1,318	710
Depreciation and amortization expenses	(3,094)	(2,054)
Other, net	521	388
	\$19,292	\$14,844
Net tax deferrals	\$19,292	\$14,844

The Company has assessed its past earnings history and trends, budgeted sales, expiration dates of loss carry-forwards, and its ability to implement tax planning strategies which are designed to accelerate or increase taxable income. Based on the results of this analysis and the uncertainty of the realization of certain tax planning measures, the Company has established a valuation allowance against its carryforward benefits in the amount of \$400.

At December 31, 2000, Labour Ready Temporary Services, Limited and Labour Ready Temporary Services UK, Limited have federal net operating loss carryforwards of approximately \$2.3 million and \$3.6 million with expiration dates through 2007 and indefinite in the UK.

Taxes on income consists of:

	Year Ended December 31,		
	2000	1999	1998
Current:			
Federal	\$8,840	\$18,350	\$14,077
State	1,508	3,098	3,510
Total Current	10,348	21,448	17,587
Deferred:			
Federal	(3,540)	(4,514)	(3,454)
State	(576)	(736)	(542)
Foreign	(346)	(345)	--
Total deferred	(4,462)	(5,595)	(3,996)
Total taxes on income, including \$897 tax benefit of accounting change in 1999	\$5,886	\$15,853	\$13,591

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

	Year Ended December 31,					
	2000		1999		1998	
	Amount	%	Amount	%	Amount	%
Income tax expense based on statutory rate	\$5,581	35	\$14,151	35	\$11,686	35
Increase (decrease) resulting from:						
State income taxes, net of federal benefit	606	4	1,536	4	1,740	5
Other, net	(301)	(2)	166	--	165	1
Total taxes on income	\$5,886	37	\$15,853	39	\$13,591	41

COMMITMENTS AND CONTINGENCIES

The Company leases substantially all of its dispatch offices. These leases generally provide for termination on 90 days notice and upon payment of three months rent. Certain of these leases have 1 year minimum terms and are cancelable thereafter upon 90 days notice and the payment of three months rent. Many leases require additional payments for taxes, insurance, maintenance and renewal options. Minimum lease commitments under terms of the leases at December 31, 2000 total approximately \$8.9 million, substantially all of which would be payable in 2001. Rent expense for the years ended December 31, 2000, 1999 and 1998 was \$18.3 million, \$13.6 million and \$9.0 million, respectively.

The Company purchased a 157,000 square foot office building with an adjacent parking garage in downtown Tacoma, Washington. The aggregate purchase price of the building, parking garage and estimated tenant improvements is approximately \$11.5 million. The Company has entered into a secured credit facility with U.S. Bank for this building. The agreement allows the Company to borrow up to \$10.0 million with interest at the London Inter-Bank Rate plus 1.30%. This facility is secured by the First Deed of Trust on subject property and cross-collateralized with the Company's accounts receivable and is due in full on November 30, 2001. The Company has \$6.2 million outstanding under the facility at December 31, 2000. The Company expects to move its corporate headquarters and administrative offices to this building in 2001. Subsequent to year end, this loan has been repaid in full.

The Company has entered into lease agreements for automated Cash Dispensing Machines ("CDMs") for installation in the Company's dispatch offices. The leases, which are classified as capital leases, are payable over 60, 72 and 84 months with imputed interest rates of 7.06%, 6.37% and 9.02% and a residual payment equal to 20% of the CDMs' original cost. The leases are secured by the CDMs.

Cost and accumulated amortization of the CDMs are as follows at December 31, 2000:

Cash dispensing machines	\$13,790
--------------------------	----------

Less accumulated amortization (3,839)

\$9,951

Future minimum lease payments under capital leases together with the present value of the minimum lease payments as of December 31, 2000 are as follows:

Year ended December 31:

2001	\$2,183
2002	2,183
2003	2,183
2004	2,183
2005	718
Thereafter	2

Total minimum lease payments 9,452

Less imputed interest (901)

\$8,551

From time to time, the Company is subject to legal proceedings in the ordinary course of its operations. On July 19, 2000, Dale Kindle and Levoyd Williams filed an action in Georgia State Court, Fulton County. The suit was later amended, adding plaintiffs Quinton McGee and Jimmy T. Stringer, and was removed to the U.S. District Court for the Northern District of Georgia (the "Kindle Litigation"). On August 17, 2000, Curtis Adkins filed an action in West Virginia State Court, Kanawha County (the "Adkins Litigation"). On October 3, 2000, Willie Wilkerson, Marco Medina and Arthur Demarchis filed an action in California State Court, Santa Clara County (the "Wilkerson Litigation"), and Anthony Flynn, Robert Hampton and Eugene Tonissen filed an action in New York State Court, Kings County (the "Flynn Litigation"). On February 14, 2001, Allen Yarbrough, Armando Ramirez, Phyllis Stennis, Earl Levels and Maurice Johnson filed an action in California State Court, Alameda County (the "Yarbrough Litigation").

The Kindle, Wilkerson and Flynn Litigation allege violations of state law in connection with the fees charged by the Company for voluntary use of the CDMs. The Kindle Litigation also alleges violations of state law in allegedly charging workers transportation and equipment rental fees and in purportedly failing to obtain consent of workers to exposure to hazardous chemicals. The Adkins Litigation and Yarbrough Litigation allege violation of federal or state wage and hour laws for failing to pay workers for all hours worked. In each case, the plaintiffs are present or former workers for the Company and are seeking unspecified damages and certification of a class of workers. Except for the Adkins Litigation, the actions also request injunctive relief.

On January 26, 2001, the court in the Wilkerson Litigation sustained the Company's demurrer on all counts, dismissing the plaintiffs' lawsuit in its entirety. On February 5, 2001, the plaintiffs filed an amended complaint in an effort to revive their claims.

In February 2001, the Washington Department of Labor and Industries issued an assesment to the Company for \$498,000 claimed to be owing for workers' compensation premiums for 1998, as well as \$236,000 in interest and penalties. The Company strongly disputes the assessment and intends to appeal. The Department of Labor and Industries has stated that it will also audit the Company's payment of workers' compensation premiums for 1999 and 2000. The Company believes that the Labor and Industries assessment and audits will not have a material adverse impact on its financial condition or results of operations, although no assurances can be made in this regard.

The Company believes that it has complied with all federal and state laws at issue and that each of these cases is without merit. Consequently, the Company intends to continue to vigorously defend each of these lawsuits. The Company believes that none of these proceedings, individually or in the aggregate, will have a material adverse impact on its financial condition or results of operations, although the Company can make no assurances in this regard.

VALUATION AND QUALIFYING ACCOUNTS

Allowance for doubtful accounts activity was as follows:

	Year Ended December 31,		
	2000	1999	1998
Balance, beginning of year	\$9,899	\$4,218	\$2,851
Charged to expense, net of recoveries	15,425	15,998	7,398
Write-offs	(17,663)	(10,317)	(6,031)
Balance, end of year	\$7,661	\$9,899	\$4,218

EMPLOYEE STOCK PURCHASE PLAN

The Company has an Employee Stock Purchase Plan (the "ESPP") to provide substantially all employees who have completed six months of service and meet certain limited qualifications, relative to weekly total hours and calendar months worked, an opportunity to purchase shares of its common stock through payroll deductions. The ESPP permits payroll deductions up to 10% of eligible after-tax compensation. Participant account balances are used to purchase shares of common stock at the lesser of 85% of the fair market value of shares on either the first day or the last day of each month. The ESPP expires on June 30, 2001. 900 shares of common stock have been reserved for purchase under the ESPP. During 2000, 1999 and 1998, participants purchased 273, 98 and 84 shares in the plan for cash proceeds of \$1,313, \$1,063 and \$838, respectively.

STOCK COMPENSATION PLANS

In June 1996 and March 2000, the Company adopted the 1996 and 2000 Employee Stock Option and Incentive Plans (the "Plans"). In accounting for the Plans, the Company applied APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations. Under APB Opinion No. 25, because the exercise price of the Company's employee stock options is not less than the market price of the underlying stock at the date of grant, no compensation cost is recognized.

The Plans state that the exercise price of each option may or may not be granted at an amount that equals the market value of the underlying stock at the date of grant. The majority of the options vest evenly over a four year period from the date of grant and then expire if not exercised within five years from the date of grant. 4,838 and 1,500 shares of common stock have been reserved for issuance under terms of the 1996 Plan and 2000 Plan. Subsequent to year end, the Board of Directors authorized an additional 1,500 shares of common stock for issuance under the 2000 Plan.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", requires the Company to provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's stock option plans had been determined in accordance with the fair value based method prescribed in SFAS No. 123. The fair value of option grants is estimated on the date of grant utilizing the Black-Scholes option pricing model with the following weighted average assumptions for grants in 2000, 1999 and 1998, respectively: expected life of options of 5 years, expected volatility of 70%, 89%, and 88%, risk-free interest rates of 5.0%, 5.5% and 5.0%, and a 0% dividend yield.

Under the provisions of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	2000	1999	1998
Net Income			
As reported	\$10,059	\$23,124	\$19,799
Pro forma	\$5,238	\$18,800	\$16,401
Pro forma earnings per share			
Basic	\$0.12	\$0.44	\$0.39
Diluted	\$0.12	\$0.43	\$0.38

The following table summarizes stock option activity:

	Year Ended December 31,					
	2000		1999		1998	
	Shares	(1) Price	Shares	(1) Price	Shares	(1) Price
Outstanding at beginning of year	3,525	\$10.85	3,267	\$7.32	3,049	\$4.65
Granted	1,926	\$7.38	2,118	\$14.91	1,173	\$12.96
Exercised	(226)	\$3.35	(868)	\$4.66	(421)	\$3.36
Canceled	(434)	\$11.10	(992)	\$10.94	(534)	\$8.73
Outstanding at end of year	4,791	\$9.49	3,525	\$10.85	3,267	\$7.32
Exercisable at end of year	1,751	\$8.97	996	\$7.58	858	\$4.42
Weighted average fair value of options granted		\$4.49		\$10.37		\$9.39

(1) Weighted average exercise price.

At December 31, 2000, 1,195 shares of the Company's common stock were available for future grant under the Company's stock option plans.

Information relating to stock options outstanding and exercisable at December 31, 2000 is as follows:

Range of Prices	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted- Average Contractual Life	Weighted- Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
\$1.47 – 7.00	1,320	4.68	4.25	547	4.00
7.01 – 14.00	2,533	3.94	9.60	934	9.74
14.01 – 20.63	938	3.11	16.54	270	16.39
\$1.47 – 20.63	4,791	3.98	9.49	1,751	8.97

RELATED PARTY TRANSACTIONS

In June of 2000, a \$3.5 million unauthorized loan was issued to then Chairman of the Board, Glenn Welstad. The loan was repaid with interest, of 9.5% per annum, within six days of the transaction and was not outstanding at the end of the period.

In the third quarter of 2000, the Company paid Mr. Welstad \$650,447 for the purchase of his 4,814,739 shares of preferred stock and the accumulated dividends.

EXCESS BOND TO SECURE PREMIUM AND DEDUCTIBLE OBLIGATIONS

Bond Number-22-12-56

KNOW ALL MEN BY THESE PRESENTS:

That Labor Ready, Inc., as principal ("Principal") and National Union Fire Insurance Company of Pittsburgh, Pa. as surety ("Surety"), are held and firmly bound unto Reliance National Indemnity Company and each of its affiliates and subsidiaries, as obligee (herein collectively and individually referred to as "Obligee") for the payment of the Obligations (hereafter defined), up to the maximum penal sum of TEN MILLION, AND NO/1100 (\$10,000,000.00) lawful money of the United States to payment of which sum, Principal and Surety herqby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

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

WHEREAS, the Obligee requires security for the Principal's Obligations to Obligee under each of the Agreements ("Obligations").

WHEREAS, the Obligee currently holds, or will hold, security for the Obligations ("Underlying Security") and now desires "excess" security.

WHEREAS, such excess security will not be liquidated until all other forms of Underlying Security for the Obligations have been liquidated.

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

- 1) Within ten (10) business days of Surety's receipt of a demand for payment under this Excess Bond ("Demand"), Surety shall pay to the Obligee the amount of such Demand. The Obligee's Demand to the Surety of the amount due, either as security or for payment or for reimbursement of Obligations pursuant to the Agreement(s), shall be absolute proof of the existence and extent of the liability of the Principal and the Surety to the Obliges hereunder, The Obligee may present one or more Demands at any time in its sole discretion, provided however, Surety shall not be obligated to pay an aggregate amount in excess of the penal sum of the Excess Bond.
- 2) In the event that Obligee shall demand either a portion of the penal sum of the Excess Bond or the entire penal sum of the Excess Bond (less any previous amounts paid to Obligee under the Excess Bond) under a Demand, Obligee shall hold all funds ("Excess Bond Collateral") received as security for the Obligations and shall apply such Excess Bond Collateral to the Obligations from time to time in its sole discretion; provided, however, that the Obligee shall not apply such Excess Bond Collateral to the Obligations until the full amount of all Underlying Security has been applied to the Obligations. At such time as Obligee determines in its sole discretion that all of the Obligations are fully and finally paid and such payment is not subject to avoidance or other turnover, Obligee shall return to the Surety the unapplied portion of the Excess Bond Collateral. The Surety, whether in its capacity as surety or subrogee of the Principal, waives, to the fullest extent permitted by applicable law each and every right which it may have to contest Obligee's computation of the Obligations or the application of the Excess Bond Collateral by the Obligee to the Obligations, and waives, to the fullest extent permitted by applicable law, each and every right which it may have to seek reimbursement, restitution or recovery of any Excess Bond Collateral. Obligee shall not be required to (i) segregate Excess Bond Collateral from its general funds, (ii) hold or invest Excess Bond Collateral in an interest-bearing or income-producing investment or (iii) account to Surety for interest or income in the event the same would be otherwise attributable to Excess Bond Collateral. The Principal shall not at any time have any rights or property interests in this Excess Bond, the Excess Bond Collateral or other proceeds of this Excess Bond.
- 3) Failure to pay or reimburse the Obligee as herein provided shall cause the Surety to be additionally liable for any and all reasonable costs and expenses, including attorney's fees and interest, incurred by the Obligee in enforcing this Excess Bond, such liability to be in addition to the bond penalty.
- 4) Surety's obligations hereunder shall not be affected by (i) any matter or proceeding arising in connection with any modification, limitation, discharge, assumption, or reinstatement with respect to any Agreements or Obligations, (ii) any modification of or amendment to any Agreements or Obligations without Surety's consent or prior notification provided that, the penal sum of the Excess Bond may not be increased without the consent of Surety; however, failure to give such consent will not prevent Obligee from drawing up to the full amount of the Excess Bond (less any previous amounts paid to Obligee under the Excess Bond) either as security or for payment or for reimbursement under the Agreements, or (iii) any other circumstances which might otherwise constitute a legal or equitable discharge or defense for Surety.
- 5) This Excess Bond shall become effective 01/01/2000 and shall remain in full force and effect thereafter for a period of one year and will automatically extend for additional one year periods from the expiry date hereof, or any future expiration date, unless the Surety provides to the Obligee not less than ninety (90) days advance written notice of its intent not to renew this Excess Bond or unless this Excess Bond is earlier canceled pursuant to the following. This Excess Bond may be canceled at any time upon ninety (90) days advance written notice from Surety to Obligee. It is understood and agreed that the Obligee may recover the full amount of the Excess Bond (less any previous amounts paid to Obligee under the Excess Bond) if the Surety cancels or nonrenews the Excess Bond and, within thirty (30) days prior to the effective date of cancellation or nonrenewal, the Obligee has not received collateral acceptable to it to replace the Excess Bond.
- 6) Any notice, Demand or request for payment, given or made under this Excess Bond shall be made in writing and shall be given by a

personal delivery or expedited delivery service, postage pre-paid, addressed to the parties at the addresses specified below or to such other address as shall have been specified by such parties to each of the parties to the transactions contemplated hereby. Such notice, Demand or request for payment shall be accompanied by the Obligees written certification that: "All other bonds, letters of credit and other similar instruments required as security for Obligations under Agreements described in Exhibit A of National Union Fire Insurance Company of Pittsburgh, Pa, bond number 22-12-56 have been drawn upon and all funds thereunder have been received by Reliance National Indemnity Company as Obligee.", together with satisfactory written proof of actual receipt of said funds by the Obligee.

If to the Surety:

National Union Fire Insurance Company of Pittsburgh, Pa
175 Water Street, 6th Floor
New York, NY 10038
Attention: Bond Claim

If to Obligee:

Reliance National Indemnity Company
One Market Place, #2300
San Francisco, CA 94105
Attention: John Lazar

If to the Principal

Labor Ready, Inc.
1016 So. 28th Street
Tacoma, WA 98409
Attention: Gary Gibson

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

In WITNESS THEREOF, the said Principal and Surety have signed and sealed this instrument on this 8th day of May, 2000.

LABOR READY, INC.

By /s/ Ronald L. Junck
Principal

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

By /s/ Debbie Poppe
Attorney-in-fact, Debbie Poppe

EXHIBIT A TO EXCESS BOND NUMBER 22-12-56

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

1. Agreement(s): NWA0151254-01 Date: 01/01/00 – 01/01/01
2. Agreement(s): NWA0151355-01 Date: 01/01/00 – 01/01/01

EXCESS BOND TO SECURE PREMIUM AND DEDUCTIBLE OBLIGATIONS

Bond Number 45032750

KNOW ALL MEN BY THESE PRESENTS:

That Labor Ready, Inc., as Principal ('Principal') and Greenwich Insurance Company, as Surety ('Surety'), are held and firmly bound unto Mutual Indemnity (U.S.) Ltd., Legion Insurance Company and each of its affiliates and subsidiaries, as Obligees (herein collectively and individually referred to as 'Obligee') for the payment of the Obligations (hereafter defined), up to the maximum penal sum of Seven Million Five Hundred Sixty Thousand and 00/100 Dollars (\$7,560,000.00***) lawful money of the United States for payment of which sum, Principal and Surety hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

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

WHEREAS, the Obligees requires security for the Principal's Obligations to Obligees under each of the Agreements ('Obligations'), and;

WHEREAS, the Obligees currently holds, or will hold, security for the Obligations ('Underlying Security') and now desires "excess" security, and;

WHEREAS, such excess security will not be liquidated until all other forms of Underlying Security for the Obligations have been liquidated.

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

1. Within ten (10) business days of Surety's receipt of a demand for payment under this Excess Bond ("Demand"), Surety shall pay to the Obligees the amount of such Demand. The Obligees's Demand to the Surety of the amount due, either as security or for payment or for reimbursement of Obligations pursuant to the Agreement(s), shall be absolute proof of the existence and extent of the liability of the Principal and the Surety to the Obligees hereunder. The Obligees may present one or more Demands at any time in its sole discretion, provided, however, Surety shall not be obligated to pay an aggregate amount in excess of the penal sum of the Excess Bond.
2. In the event that Obligees shall demand either a portion of the penal sum of the Excess Bond or the entire penal sum of the Excess Bond (less any previous amounts paid to Obligees under the Excess Bond) under a Demand, Obligees shall hold all funds ("Excess Bond Collateral") received as security for the Obligations and shall apply such Excess Bond Collateral to the Obligations from time to time in its sole discretion; provided, however, that the Obligees shall not apply such Excess Bond Collateral to the Obligations until the full amount of all Underlying Security has been applied to the Obligations. At such time as Obligees determines in its sole discretion that all of the Obligations are fully and finally paid and such payment is not subject to avoidance or other turnover, Obligees shall return to the Surety the unapplied portion of the Excess Bond Collateral. The Surety, whether in its capacity as Surety or subrogee of the Principal, waives, to the fullest extent permitted by applicable law, each and every right which it may have to contest Obligees's computation of the Obligations or the application of the Excess Bond Collateral by the Obligees to the Obligations, and waives, to the fullest extent permitted by applicable law, each and every right which it may have to seek reimbursement, restitution or recovery of any Excess Bond Collateral. Obligees shall not be required to (i) segregate Excess Bond Collateral from its general funds, (ii) hold or invest Excess Bond Collateral in an interest-bearing or income-producing investment, or (iii) account to Surety for interest or income in the event the same would be, otherwise attributable to Excess Bond Collateral. The Principal shall not at any time have any rights or property interests in this Excess Bond, the Excess Bond Collateral or other proceeds of this Excess Bond.
3. Failure to pay or reimburse the Obligees as herein provided shall cause the Surety to be additionally liable for any and all reasonable costs and expenses, including attorney's fees and interest, incurred by the Obligees in enforcing this Excess Bond, such liability to be in addition to the bond penalty.
4. Surety's obligations hereunder shall not be affected by (i) any matter or proceeding arising in connection with any modification, limitation, discharge, assumption, or reinstatement with respect to any Agreements or Obligations, (ii) any modification of or amendment to any Agreements or Obligations without Surety's consent or prior notification provided that, the penal sum of the Excess Bond may not be increased without the consent of Surety; however, failure to give such consent will not prevent Obligees from drawing up to the full amount of the Excess Bond (less any previous amounts paid to Obligees under the Excess Bond) either as security or for payment or for reimbursement under the Agreements, or (iii) any other circumstances which might otherwise constitute a legal or equitable discharge or defense for Surety.

5. This Excess Bond shall become effective February 17, 2001 and shall remain in full force and effect thereafter for a period of one year and will automatically extend for additional one year periods from the expiry date hereof, or any future expiration date, unless the Surety provides to the Obligees not less than ninety (90) days advance written notice of its intent not to renew this Excess Bond or unless this Excess Bond is earlier canceled pursuant to the following. This Excess Bond may be canceled at any time upon ninety (90) days advance written notice from Surety to Obligees, via overnight express mail. It is understood and agreed that the Obligees may recover the full amount of the Excess Bond (less any previous amounts thirty (30) days prior to the effective date of cancellation or non renewal, the Obligees has not received collateral acceptable to it to replace the Excess Bond.
6. Any notice, Demand or request for payment, given or made under this Excess Bond shall be made in writing and shall be given by a personal delivery or expedited delivery service, postage pre-paid, addressed to the parties at the addresses specified below or to such other address as shall have been specified by such parties to each of the parties to the transactions contemplated hereby. Such notice, Demand or request for payment shall be accompanied by the Obligees' written certification that: "All other bonds, letters of credit and other similar instruments required as security for Obligations under Agreements described in Exhibit A of Greenwich Insurance Company bond number 45032750 have been drawn upon and all funds thereunder have been received by Mutual Indemnity (U.S.) Ltd., Legion Insurance Company and each of its affiliates and subsidiaries as Obligees.", together with satisfactory proof of actual receipt of said funds by the Obligees.

If to the Surety:

Greenwich Insurance Company
c/o Avalon Risk Associates, Inc.
One Exchange Place
Suite 501
Jersey City, New Jersey 07302
Attention: Bond Claims

If to the Obligees:

Mutual Indemnity (U.S.) Ltd.
44 Church Street
Post Office Box HM 2064
Hamilton HM HX
Bermuda
Attention: David Alexander, President

If to the Principal:

Labor Ready, Inc.
1016 South 28th Street
Tacoma, Washington 98402
Attention: Richard King, President

7. In no event shall the Surety be liable in the aggregate to any, some, or all entities listed as Obligees for more than the penalty of this bond, nor shall it be liable except for a single payment for each single Demand. At the Surety's election, any payment due to any entity or entities listed as Obligees may be made by its draft issued jointly to all.

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

IN WITNESS THEREOF, the said Principal and Surety have signed and sealed this instrument on this 19th day of January, 2001.

Labor Ready, Inc.

By: /s/ Ronald L. Junck
Ronald L. Junck, Secretary

Greenwich Insurance Company

By: /s/ Patrick D. Dineen
Patrick D. Dineen, Attorney-in-

EXHIBIT A

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

1. Agreement(s): REINSURANCE AGREEMENT between

Date: January 1, 1997 &

MUTUAL INDEMNITY (U.S.) LIMITED and
LABOR READY ASSURANCE CO.

January 1, 1998

2. Agreement(s): MUTUAL INDEMNITY (U.S.) LTD. WORKERS'
COMPENSATION DEDUCTIBLE
REIMBURSEMENT COVERAGE issued to LABOR
READY, INC.,
Policy Nos.

UST2 190-97
UST2 190-98

Date: January 1, 1997
January 1, 1998

3. Agreement(s): LEGION INSURANCE COMPANY WORKERS'
COMPENSATION/EMPLOYERS' LIABILITY
POLICY issued to LABOR READY, INC.
Policy Nos.

WC1 0575684
WC1 0265679
XS1 01796661

Date: January 1, 1998
January 1, 1997
January 1, 1997

4. Agreement(s):

Date:

5. Agreement(s):

Date:

6. Agreement(s):

STATE OF OREGON
DEPARTMENT OF CONSUMER & BUSINESS SERVICES
Workers' Compensation Division
350 Winter Street NE, Room 21
Salem, OR 97310-0220

SURETY BOND

Bond #08167817

KNOW ALL MEN BY THESE PRESENTS, THAT WE, LABOR READY_NORTHWEST, INC., a Washington Corporation with headquarters in the **CITY OF Tacoma** Washington , as Principal and Fidelity and Deposit Company of Maryland an Maryland Corporation authorized to do business in Oregon, as Surety are held and firmly bound unto the State of Oregon for the use and benefit of all employes of the Principal and persons who may be entitled to compensation under the Workers' Compensation Law of the State of Oregon and to the Workers' Compensation Division of the State of Oregon for any assessments or contributions due from the Principal to the Workers' Compensation Division in the sum of SEVEN HUNDRED FIFTY SEVEN THOUSAND, AND NO/100) Dollars(\$ 757,000.00) lawful money of the United States, assigns jointly and severally, firmly by these presents.

THE CONDITION OF THE FOREGOING OBLIGATION IS SUCH that if the Principal which is about to make application to become a self-insured or is a self-insured employer and desires to continue with self-insured status to carry its own risk pays or causes to be paid (a) all compensation for compensable injuries that may become due to subject workers and their beneficiaries, and (b) all assessments, contributions, and other obligations imposed on the employer and his subject workers that may become due from such employer to the Workers' Compensation Division provided by the Oregon Workers' Compensation Law, then this obligation shall be void, otherwise to remain in full force and effect. In the event the said Principal fails to pay the compensation and assessments or contributions due the Workers' Compensation Division provided by law, then Surety will be obligated to pay the compensation and assessments and contributions provided by law. The liability of the Surety shall not be affected by Principal's failure to sign this bond.

also apply to this surety bond:

IT IS FURTHER UNDERSTOOD AND AGREED that the following conditions shall

1. The Surety undertakes and agrees that the obligation of this bond shall cover and extend to all past , present, existing, and potential liability of said Principal, as a self-insurer, to the extent of the penal sum herein named, without regard to specific injuries, date or dates of injuries, happenings, or events.
2. In the event said Principal shall fail to pay any award or awards which shall be rendered against it by the Workers' Compensation Law or Workers' Compensation Division within thirty (30) days after the same becomes or become final, the Surety shall forthwith pay to the extent of its liability under this bond, said award or awards, to the parties entitled thereto upon the order of the said Workers' Compensation Division.
3. If the said Principal shall suspend payment or shall become insolvent or a receiver shall be appointed for its business, the undersigned Surety will pay said award or awards, to the extend of its liability under this bond, before the expiration of thirty (30) days after the same becomes, or become final, without regard to any proceedings for liquidation of said Principal.
4. The undersigned are held and firmly bound for the payment of all legal costs, including reasonable attorney fees incurred in all or any actions in proceedings taken to enforce payment of this bond, or payments of any award or judgment rendered against the undersigned Surety, on account of the executon by it of this bond.

Executive Director
 Department of Labor and Employment
 Division of Workers' Compensation
 1515 Arapahoe Street
 Denver, CO 80202-2117

Surety Bond for Self-Insuring Employers

Bond #08167815

KNOW ALL MEN BY THESE PRESENTS: That LABOR READY, INC. of 1016 South 28th Street – Tacoma, WA 98409 as Principal, and FIDELITY AND DEPOSIT COMPANY OF MARYLAND of P.O. Box 1227 - Baltimore, MD 21203-1227 as Surety, are held and firmly bound unto the Executive Director, as Obligee, for the use and benefit of claimants entitled to benefits under the Workers' Compensation Act in respect to the employees of said Principal, in the penal sum of FIVE HUNDRED FORTY THOUSAND Dollars (\$ 540, 000. 00), for the payment of which, the Principal and the Surety bind themselves respectively, and their respective heirs, administrators, executors, successors and assigns, jointly and severally, by these presents.

WHEREAS, in accordance with the provisions of said Workers' Compensation Act of Colorado, the Principal has elected and applied to be permitted by the Executive Director of Colorado to operate as a self-insurance carrier; and to be issued a Self-Insurance Permit with the block number _____; and,

WHEREAS, In consideration thereof, and in consideration of the acceptance of this bond, the Principal hereby agrees as follows:

To pay compensation according to the terms and provisions of said Act to its employees, or to their dependents when death ensues, and to furnish medical aid pursuant to C.R.S. section 8-42-101, as amended, and to pay funeral expenses, as provided by said Act, and to pay, perform and discharge any lawful award entered in regard to such injured or killed employees, or dependents of deceased employees, and to cover all administrative and other costs incidental to the payment of said compensation benefits under the Colorado Workers' Compensation Act.

And it is further agreed by said Principal and Surety that any lawful award entered against said Principal, shall likewise be accepted as an award against said Surety, and notice to said Principal shall be deemed notice to the Surety.

And it is further agreed by said Principal that said Self-Insurance Permit is accepted subject to authority of the Executive Director to prescribe the rules and regulations, upon which said Permit shall be granted or continued, and subject to the full right and authority of The Executive Director at any and all times during the life of said Permit prescribe new and additional rules and regulations.

And it is further agreed, that the proceeds of this bond can be used for no other purpose than to pay workers' compensation on behalf of claimants subject to Title 8 Articles 40 to 47 of the Colorado Revised Statutes and cannot be used for compensating employees of the employer not subject to the Colorado Workers' Compensation Act.

And it is further agreed that the Surety will become liable for workers' compensation obligations of the Principal on the date that workers' compensation benefits are suspended and the Surety will begin payment within thirty (30) days after receipt of written notification by the Executive Director to begin payments under the terms of this bond.

And it is further agreed that the liability of the Surety hereunder is limited to the payment of such compensation benefits for and on account of any accident or injury occurring to the employees of said Principal within the term of this bond, beginning with the date of execution, and for which compensation shall at any time be granted by any award or awards under the Workers' Compensation Act of Colorado. And it is particularly understood and agreed that the liability of said Principal for any such award or compensation is not limited to or by the amount of this bond, nor diminished, curtailed, nor lessened by anything herein contained, and it is further understood and agreed that the said Surety shall be liable to the full penal sum herein mentioned for the default of the Principal in fully discharging any liability on the part of the Principal accruing hereunder. The liability herein imposed shall be joint and several as to and between said Principal and Surety, and each and all of them. The word "Surety" when herein used includes plural as well as singular.

NOW, THEREFORE, If said Principal and Surety shall perform or cause to be performed, each and every agreement, stipulation, term and covenant herein set forth and to pay or cause to be paid, all awards entered or made under the Workers' Compensation Act of Colorado, as provided by this bond, or under and in accordance with the terms, provisions and limitations of said Act, then this obligation to be null and void, otherwise to remain in full force and effect.

PROVIDED, HOWEVER; (a) This bond shall continue in force until canceled as herein provided; (b) This bond may be canceled by the Surety by sending of notice in writing to the Obligee, stating when, not less than ninety (90) days thereafter, liability hereunder shall terminate. Such cancellation, however, shall not affect any liability incurred or accrued under this bond, prior to the effective date of such cancellation specified in such notice.

IN TESTIMONY WHEREOF, Said Principal and Surety have caused this instrument to be duly executed and have hereunto affixed their seals this 28th day of June, A.D. 2000.

Attest: Labor Ready Inc.

(Principal)

By /s/ Ronald L. Junck
Ronald L. Junck, Secretary

By /s/ Richard L. King
Richard L. King, President and CEO

By Fidelity and Deposit Company of Maryland

By /s/ Deborah L. Poppe
Deborah L. Poppe, Attorney-in-Fact

(Seal)

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF LABOR AND INDUSTRY
BUREAU OF WORKERS' COMPENSATION
1171 SOUTH CAMERON STREET, ROOM 324
HARRISBURG, PA 17104-2501

SURETY BOND OF WORKERS' COMPENSATION
SELF-INSURER

Effective Date of Bond: July 1, 2000

Penal Sum: \$1,000,000.00

Bond Number: 08167816

PRINCIPAL

Names: LABOR READY NORTHEAST, INC.

SURETY

Name: FIDELITY AND DEPOSIT COMPANY OF MARYLAND

Address: P.O. Box 1227
Baltimore, MD 21203-1227

Telephone: 410-539-0800

KNOW ALL PERSONS BY THESE PRESENTS, that we, the undersigned Principals and the Surety, are held and firmly bound unto the Bureau of Workers' Compensation of the Department of Labor and Industry of the Commonwealth of Pennsylvania (the Bureau), for the use and benefit of each and all employes of the Principal or, if the Principal is a group self insurance fund, of the members of the Principal in the above stated Penal Sum for the payment of which we bind ourselves, our heirs, executors and administrators, successors and assigns, jointly and severally by these presents.

WHEREAS, in accordance with provisions of the Workers' Compensation Act and The Pennsylvania Occupational Disease Act (Acts), the Principal, having made application to the Bureau and having secured approval of the Bureau to be exempted from insuring its liability or to operate as a group self-insurance fund under the Acts (hereinafter referred to as self-insurance), desires to file this bond as one of the conditions imposed upon it by the Bureau for the privilege of self-insurance:

NOW, THEREFORE, the conditions of the obligations under this bond are such that if the Principal shall well and truly discharge promptly all of its obligations under the Acts pursuant to the terms and provisions thereof and of the rules and regulations issued thereunder and the agreement and undertaking executed by the Principal as a self-insurer, then the obligations under this bond shall be null and void; otherwise, the obligations under this bond will remain in full force and effect, subject to the following express conditions:

1. In the event of default or failure of the Principal to pay compensation under the Acts, including without limitation, payments for wage replacement, burial expenses, medical expenses, or any other payment provided for under the Acts, the surety shall, upon receipt of due demand notice of the Bureau, discharge promptly and pay all or any part of the compensation obligations of the Principal as are in default to the extent of the Penal Sum and shall thereafter assume and pay the compensation liability incurred by the Principal until such time as the Principal is able to resume, to the satisfaction of the Bureau, payments of such compensation as shall become due and payable. In the event of a demand pursuant to this paragraph, compensation payments shall commence within 30 days following the receipt of the demand and shall thereafter be made in the same manner as the Principal would be required under the Acts to make such payments. Such compensation payments made by the surety will be credited against the Penal Sum of this bond. The Surety shall administer or arrange for the administration of all claims and shall be responsible for all administrative and legal costs necessary to discharge its obligation under this bond. Administrative and legal costs incurred by the Surety in discharging its obligations under this bond shall not be charged against the Penal Sum of this bond until those costs exceed 10% of the Penal Sum in force at the time of default. After the administrative and legal costs incurred by the Surety exceed 10% of the Penal Sum in force at the time of default, those costs shall be credited against the Penal Sum of this bond.
2. Pursuant to section 904 of the Workers' Compensation Act, the Bureau may, at any time, make written demand upon the Surety to pay to the Bureau for deposit into the Self-Insurance Guaranty Fund the entire Penal Sum of the bond that remains unpaid upon the Bureau's determination that the liabilities of the Principal will exceed the security posted by the Principal. Payment of the full amount demanded pursuant to this paragraph shall be received by the Bureau within 30 days following the receipt of such demand by the Surety.
3. The obligations of this surety bond shall cover and extend to all past, present, existing, and potential liability of the Principal incurred as a self-insurer to the extent of the Penal Sum of the bond without regard to specific injuries or exposures, date or dates of injury or exposure, happenings or events.

4. This is a continuous bond and shall remain in full force and effect unless terminated in the manner hereinafter provided. If the bond is terminated, the Surety will remain liable under the provisions of this bond for all obligations of the Principal under the Acts which result from injuries or diseases that occur prior to the effective date of the termination. The Surety shall be released from its liability and the liability shall be extinguished if the Principal provides replacement security acceptable to the Bureau under its rules and regulations for payment of the obligations covered by this bond. Under such condition, the Bureau will notify the Surety in writing of its release from its liability under this bond.
5. The Surety may terminate this bond by giving the Bureau written notice of such intention and when the termination will be effective, which shall not be less than forty-five (45) days following the giving of such notice to the Bureau by registered or certified mail. This bond shall also automatically terminate upon the termination or revocation of the Principal's privilege of self-insurance.
6. In the event of change in the legal entity, ownership or name of the Principal or Surety, the Principal or Surety shall, within ten (10) days, notify the Bureau and the other party in writing of such change. This bond shall be amended to reflect such change by a rider which shall be attached to the original bond.
7. The Penal Sum of this bond may be increased or decreased, subject to the written approval of the Bureau, by a rider to be made a part hereof, executed by the Principal and the Surety. In the event that the Penal Sum of this bond is increased or decreased by rider, the Surety shall be liable hereunder to the extent of such increased or decreased amount, as the case may be, with respect to all of the obligations of this surety bond just as if the bond had been originally issued in the increased or decreased amount.
8. The total of all payments by the Surety for all obligations hereunder shall not exceed, in the aggregate, the Penal Sum set forth herein and in the event of any change of such sum, such aggregate liability shall not exceed the Penal Sum in force at the time of the termination of this bond.
9. An entity which is an affiliate of the Principal may be added as a Principal under this bond, subject to the written approval of the Bureau, by a rider to be made a part hereof, specifying the effective date of such inclusion, executed by the Surety and the Principal(s). An affiliate may be terminated as a Principal by a rider to be made a part hereof, specifying the effective date of such termination. In the event that an affiliate is terminated as a Principal by rider, the Surety shall be liable for any obligations incurred under the Acts by such affiliate as a self-insurer prior to the effective date of such termination unless the Surety is relieved of this liability by the Bureau in writing. The inclusion or termination of a Principal under this bond by rider shall not affect the Penal Sum of the bond unless an increase or decrease rider is specifically executed.
10. The insolvency, bankruptcy, including a total or partial discharge of the Principal's workers' compensation obligations, or receivership of the Principal, shall not relieve the Surety of its obligations under this bond.
11. Nothing herein shall be deemed to relieve the Principal of any liability arising under the Acts or under the rules and regulations issued pursuant to the said Acts or the agreement and undertaking.
12. This bond shall be governed by and interpreted under the laws of the Commonwealth of Pennsylvania. Any action with respect to this bond shall be brought in a Pennsylvania court and the parties consent to the Pennsylvania court's personal jurisdiction over them in that action. If any part or provision of this bond shall be declared unenforceable or invalid by a court of competent jurisdiction, such determination in no way shall affect the validity or enforceability of the other parts or provisions of this bond.

IN WITNESS WHEREOF, the Principal and the Surety have caused this bond to be executed and attested in their names by their duly constituted officers and their official seals affixed to this bond.

SIGNED and sealed this 17th day of July, 2000 .

ATTEST:

PRINCIPAL: LABOR READY NORTHEAST, INC.

By: /s/ Ronald L. Junck
Ronald L. Junck, Secretary

(Seal)

Type or Print Name and Title

SURETY: FIDELITY AND DEPOSIT COMPANY OF MARYLAND

/s/ Deborah L. Poppe
Deborah L. Poppe, Attorney-in-Fact

SURETY BOND

Bond No. 08167820

KNOW ALL PERSONS BY THESE PRESENTS, that LABOR READY SOUTHEAST, INC. a Corporation – of the State of Washington with headquarters in the City of Tacoma, WA, as Principal, and FIDELITY AND DEPOSIT COMPANY OF MARYLAND a corporation authorized to transactbusiness in Louisiana, as Surety, are held and firmly bound unto the State of Louisiana for the use and benefit of all employees of the Principal to whom or to the dependents of whom the Principal may, during the life of this bond, become liable for benefits as the Louisiana Workers, Compensation Act, in the full and just sum of Five Hundred Thousand and No/100Dollars (\$500,000.00—),for the payment of which we bind ourselves, our successors or assigns, jointly and severally, firmly by these presents.

WHEREAS, in accordance with the provisions of the Louisiana Workers' Compensation Act and the rules of the Louisiana Office of Workers, Compensation Administration, the Principal desires to self-insure its workers' compensation benefits, and has made application for, or received from the Director of the Office of Workers, Compensation Administration of the State of Louisiana, a Certificate of Authority to Self-Insure, upon furnishing satisfactory proof of the ability to self-insure and to compensate any or all employees of said principal for injury or disability, and their dependents for death incurred or sustained by said employees, pursuant to the terms provisions and limitations of said Louisiana Workers' Compensation Act.

NOW THEREFORE, the conditions of this bond or obligation are such that if Principal shall pay and furnish compensation, pursuant to the terms, provisions and limitations of said Louisiana Workers' Compensation Act to its employees for injury or disability, and to the dependents of its employees for death incurred or sustained by said employees, then this bond or obligation shall be null and void; otherwise to remain in full force and effect.

FURTHERMORE, it is understood and agreed that:

1. This bond may be amended, by agreement between the parties hereto and the Director of the Louisiana Office of Workers' Compensation Administration, as to the identity of the principal herein named and, by agreement of the parties hereto, as to the premium or rate of premium. Such amendment must be by endorsement upon, or rider to, this bond, executed by the surety and delivered to or filed with the Director.

2. The surety does, by these presents, undertake and agree that the benefits of this bond shall cover and extend to all past, present, existing and potential liability of said principal, as a self-insurer, to the extent of the amount herein named, without regard to specific injuries, date or dates of injuries, happenings or events.

3. Should the principal post with the Director of the Louisiana Office of Workers' Compensation Administration a replacement security deposit, in the form of a surety bond, irrevocable letter of credit, cash, securities or any combination thereof, in the full amount as may be required by the Director to secure all incurred liabilities for the payment of benefits of said principal under the Louisiana Workers' Compensation Act, the surety is released from the obligations under this surety bond upon the date of acceptance by the Director of said replacement security deposit.

4. If the said principal shall suspend payment of workers' compensation benefits or shall become insolvent or a receiver shall be appointed for its business, and upon written demand by the Director, the undersigned surety shall pay or cause to be paid to the Office of Workers' Compensation Administration the entire amount of the bond within thirty (30) days of receipt of such demand.

5. The surety shall have the right to cancel this bond at any time by giving the principal and the Office of Workers' Compensation Administration of Louisiana at least sixty (60) days prior written notice of its desire to cancel the bond. Such cancellation, however, is not to affect its liability as to any compensation for injuries to the principal's employees occurring prior to the date of cancellation specified in such notice.

6. If any part or provision of this bond shall be declared unenforceable or held to be invalid by a court or proper jurisdiction, such determination shall not affect the validity or enforceability of the other provisions or parts of this bond.

This bond is issued for an indefinite term to begin on the 1st day of July, 2000, and will continue in full force and effect unless terminated in accordance with the above provisions.

IN WITNESS WHEREOF,. the principal and surety have executed this surety bond on the 17th day of July, 2000 .

WITNESSES:

LABOR READY SOUTHEAST, INC.

/s/ Gary Gibson
PRINCIPAL

FIDELITY AND DEPOSIT COMPANY OF MARYLAND

By:

/s/ Deborah L. Poppe
SURETY

MICHIGAN CONTINUOUS SURETY BOND

Bond No.08167819

KNOW ALL MEN BY THESE PRESENTS:

THAT we, LABOR READY MIDWEST, INC. of 1016 South 28th Street – Tacoma, WA 98409 as principal, and FIDELITY AND DEPOSIT COMPANY OF MARYLAND of P.O. Box 1227 – Baltimore, MD 21203-1227 a corporation duly incorporated under the laws of the state of Maryland and authorized to do business in Michigan, as surety, in the sum of ONE MILLION AND NO/100 ———dollars(\$ 1,000,000.00—), for the payment of which to the Michigan Department of Consumer & Industry Services, Bureau of Workers' Disability Compensation, hereinafter called the Department, well and truly to be made, we bind ourselves, our heirs, executors, administrators (or our successors and assigns in case of a corporation), jointly and severally, firmly by these presents.

WHEREAS, the principal has been granted the privilege of self-insuring its workers' compensation liabilities under the Michigan Workers' Disability Compensation Act of 1969, as amended, effective 12:01 a.m., _____, 19 ____, by the Department; and

WHEREAS, the principal, by virtue of said self-insurers' status, has undertaken to pay its employees all compensation, benefits and payments that are due, or which may become due them, under the terms of the Michigan Workers' Disability Compensation Act of 1969, as amended, on account of occupational disease, injury or death, with a personal injury date that occurs while it is self-insured.

NOW, THEREFORE, the condition of this obligation is such that if the principal, its heirs, executors, administrators (or its successors and assigns in case of a corporation), shall well and truly discharge and pay all compensation and all other benefits or payments for which it is liable, or may become liable under the said Act on account of injury, disease or death with a personal injury date that occurs during the effective period of this bond, then, this obligation shall be void, otherwise it shall remain in full force and effect. Notwithstanding the number of claimants or the length of time this bond is in effect, there shall be only one bond amount and in no event shall the aggregate liability of the Surety exceed the bond amount shown above.

IT IS FURTHER AGREED AND STIPULATED that this bond may be canceled at any time by the surety upon giving 60 days notice to the principal herein and the Department, in which event the liabilities of the surety shall, at the expiration of said 60 days, cease and terminate, except as to such liabilities of the principal with a personal injury date that occurred during the effective period of the bond and prior to the expiration of said 60 days.

This bond shall be effective July 12, 2000, until canceled.

IN WITNESS WHEREOF, the said principal has caused these presents to be executed by the signature of its President and attested by its Secretary, and said surety has likewise caused these presents to be executed by the signature of its Attorney-in-Fact and has caused its corporate name and seal to be attested by the signature of Sue Wood its Attorney-in-Fact.

(Seal)
Attest: /s/ Sue Wood

Typed Name: Sue Wood
Title: Attorney-in-Fast

(Surety)
FIDELITY AND DEPOSIT COMPANY OF MARYLAND
By: /s/ Deborah L. Poppe
Typed Name: Deborah L. Poppe
Title: Attorney-in-Fact

(Principal)
LABOR READY MIDWEST, INC.

Witness: /s/ Ronald L. Junck
Typed Name: Ronald L. Junck
Title: Secretary

By: /s/ Joseph P. Sambataro
Title: President

Date: July 12, 2000

AFFIDAVIT AND ACKNOWLEDGMENT OF SURETY

STATE OF Colorado
COUNTY OF Arapahoe

I, being a Notary Public in and for the State and County aforesaid, do hereby certify that Deborah L. Poppe personally appeared before me and made oath that she is Attorney-in-Fact of the Fidelity and Deposit Company of Maryland, that she is duly authorized to execute the foregoing bond by virtue of a certain power of attorney of said company, dated June 3, 1999, a copy of which is attached hereto; that said power of attorney has not been revoked; that the said company has complied with all the requirements of law regulating the admission of such companies to transact business in the state of Michigan; that the said company is solvent and fully able to meet promptly all of its obligations, and the said Deborah L. Poppe thereupon, in the name of and on behalf of the said company, acknowledged the foregoing writing as its act and deed.

Dated this 12th day of July, 2000.

/s/ Celeste Moore-Helms
Celeste Moore-Helms, Notary Public
My Commission Expires: February 4, 2002

ACKNOWLEDGMENT OF PRINCIPAL

STATE OF WASHINGTON
COUNTY OF Pierce

I, being a Notary Public in and for the said County and State, do certify that Joseph P. Sambataro, as President of LABOR READY MIDWEST, INC. whose name is signed to the above bond, bearing date on the 12 day of July, 2000 personally appeared before me in my capacity aforesaid, and acknowledged the same.

I further certify that my term of office expires on the 7 day of September, 2002

Given under my hand this 2 day of August 2000.

/s/ Tracy D. Woods
Tracy D. Woods, Notary Public

Bond No. 08167821
 Effective Date July 17, 2000

GEORGIA SELF-INSURERS GUARANTY TRUST FUND

Bond Required of Employer to Operate as Self-insurer

KNOW ALL PERSONS BY THESE PRESENTS, that we, LABOR READY SOUTH EAST III L.P., an employer as defined by the laws of the State of Georgia, hereinafter "Principal" and FIDELITY AND DEPOSIT COMPANY OV MARYLAND, a corporation duly incorporated under the laws of the State of Maryland hereinafter "Surety", are held and firmly bound to the Georgia Self-insurers Guaranty Trust Fund, hereinafter referred to as "Fund", in the full sum off FIVE HUNDRED THOUSAND AND NO/100 _____ Dollars, currency of the United States, to be paid to the Fund, to payment we hereby bind ourselves and each of us, our successors and assigns, jointly and severally, by these presents.

WHEREAS, in accordance with the Georgia Workers' Compensation Act, O.C.G.A. §34-9-1, et. seq. hereinafter referred to as the "Act", and the rules and regulations pertaining thereto, the Principal filed its application for acceptance as a self-insurer as permitted by O.C.G.A. §34-9-121 and O.C.G.A. §34-9-382.

WHEREAS, on the 17th day of May, 2000, State Board of Workers' Compensation entered an order granting Principal Authority to conduct business as a self-insurer for a continuous period from year to year on the date of said order until revocation by the State Board of Workers' Compensation this authority is conditioned upon the Principal providing a surety bond in the penal amount of \$500,000.00_____ and the Principal abiding by and performing all obligations under the Act and the rules and regulations that are now or may hereafter be adopted by the State Board of Workers' Compensation or the Fund, including without limitation, paying for weekly indemnity benefits, disability, medical, hospital and surgical expenses, rehabilitation, death benefits, and funeral expenses.

WHEREAS, the intent of this bond is to ensure that the rights of the Principal's employees under the Georgia Workers' Compensation Act are protected, and that the Principal's obligations to its employees under that Act will continue to be met even if the Principal itself is unable to meet them for whatever reason

NOW, THEREFORE, the conditions of the obligations under this bond are such that:

- (a) if the Principal discharges all of its obligations under the Act and rules and regulations thereof, and subsequent amendment thereto;
- (b) if the Principal promptly satisfies all of its obligations to its injured or deceased employees or beneficiaries, including without limitation paying weekly indemnity, disability, medical, hospital and surgical expenses, rehabilitation, death benefits, and funeral expenses;
- (c) if the Principal promptly pays any and all assessments and fines imposed by the Fund or the State Board of Workers' Compensation, including without limitation, any interest, cost and reasonable attorney's fees;
- (d) if the Principal promptly pays any and all claims for reimbursement by the Fund, including without limitation reasonable administrative costs and reasonable attorney's fees;
- (e) if the Principal promptly satisfies all obligations under any other agreement or undertaking, either in the past, present or future, executed by Principal as a self-insurer; and
- (f) if the Principal promptly complies with all orders of the State Board of Workers' Compensation;

then the obligations under this bond shall be null and void; otherwise the bond shall remain in full force and effect, subject to the following additional conditions:

1. In the event of a default or failure of the Principal for any reason to satisfy any obligations or conditions which are listed above, including without limitation, all obligations for payment of weekly indemnity compensation, disability, expenses of medical, hospital, surgical, rehabilitation and other services, death benefits and funeral expenses provided for under the Act, which occur on or after the effective date of this bond or in the event of insolvency, bankruptcy or receivership of the Principal, then the Fund may from time to time make demand upon the Surety to pay such sum or sums as the Fund may, in its sole discretion, require to discharge promptly all or any part of the obligations of the Principal, past, present, future or potential, or pursuant to the Act, rules and regulations issued thereunder, or any agreement or undertaking by the Principal as a self-insurer. Such payment shall be made within fifteen (15) business days after receipt of such demand by the Surety.

2. This is a continuous bond effective as of July 17, 2000, and shall remain in full force and effect until terminated by the Surety as hereinafter provided, or until the Principal's status as a self-insurer has been revoked or terminated by the Fund or the State Board of Workers' Compensation, and in either of such events the Surety shall have no further liability except for obligations of the Principal which arose during the period that this bond is in effect. Notwithstanding anything to the contrary herein, the Principal and Surety shall remain fully obligated under this bond after its termination for all obligations of the Principal arising from any act, event, occurrence, injury or death or undertaking of the Principal which occurred before the termination hereof, even where the current obligation to pay (e.g., to pay for future medical expenses) may not arise until after the date of termination of this bond.

3. This bond may be terminated at any time by the Surety upon the giving of thirty (30) days' prior written notice to the Fund, the principal, and the State Board of Workers' Compensation, in which event the liability of the Surety shall, at the expiration of said thirty-day period, cease and terminate except as to such obligations of the Principal on account of injury or death to any of its employees or on account of liability to the Fund for assessments or reimbursements which arose due to illness, injury or exposure prior to the expiration of said thirty-day period. Unless the Principal replaces this bond with acceptable security as described below, the Principal and Surety shall remain fully obligated under this bond after its termination for all obligations of the Principal arising from any act, event, occurrence, injury or death or undertaking of the Principal which occurred before the termination hereof, even where the current obligation to pay (e.g., to pay for future medical expenses) may not arise until after the date of termination of this bond. In the event the Principal posts with the Fund, a replacement bond in the full amount as may be required by the State Board of Workers' Compensation and the Fund to secure all liabilities, past, present and future, as described in this bond form, the Surety under this bond is hereby released from any and all obligations of this from the effective date of the replacement surety bond.

4. The total of all payments by the Surety of all the obligations of the Principal hereunder shall not exceed in aggregate, the penal amount of this bond. However, administrative and legal costs incurred by the Surety in discharging its obligations shall not be charged against the penal sum of this bond, it being the intent of the State Board of Workers' Compensation and the Fund that this security is available only to satisfy the obligations of the Principal to its employees under the Workers' compensation Act.

5. In the event that it is necessary for the Fund to institute legal action to enforce this bond, the Principal and Surety shall pay to the Fund, the Fund's expenses of litigation, including without limitation, reasonable attorneys' fees, court costs and prejudgement interest at the rate of ten (10) percent per annum.

IN WITNESS WHEREOF, said Principal and Surety have caused these presents to be executed in their names and by their seal to be hereunder affixed on this the __ day of _____ 19__.

Principal: LABOR READY SOUTH EAST III L.P. (Seal)

Attest:

/s/ Ronald L. Junck
Secretary

Surety: FIDELITY AND DEPOSIT COMPANY OF MARYLAND (Seal)

By:

/s/ Deborah L. Poppe
Deborah L. Poppe, Attorney-in-Fact

WORKERS COMPENSATION BOARD OF INDIANA
402 WEST WASHINGTON STREET ROOM 1196
INDIANAPOLIS, IN 46204-2753

SURETY BOND

Bond Number 08167818

KNOW ALL MEN BE THESE PRESENTS THAT WE LABOR READY- -MID-ATLANTIC III, LP, an Washington Corporation with principal place of business in the City of Tacoma, State of Washington, as Principal, and FIDELITY AND DEPOSIT COMPANY OF MARYLAND an Maryland corporation, authorized to do business in Indiana, as Surety, and held firmly bound unto the State of Indiana for the use and benefit of all employees of the Principal and person who may be entitled to medical treatment or compensation under the Worker's Compensation and Occupational Diseases Acts ("the Acts") of the State of Indiana, in the sum of Five Hundred Thousand— dollars (\$ 500,000.00 —), lawful money of the United States, for the payment of which sum we bind ourselves, our successors and assigns, jointly and severally firmly by these presents.

WHEREAS, the principal has been granted the privilege of self-insuring its workers' compensation liabilities under the Acts, as amended,

WHEREAS, the principal, by virtue of said self-insurer status, has undertaken to pay employees all compensation, benefits and payments that are due, or which may become due, then under the terms of the Acts, as amended, on account of occupational disease, injury or death, with a personal injury date that occurs while it is self-insured.

NOW, THEREFORE, the condition of this obligation is such that if the principal, its heirs, executors, administrators (or its successors and assigns in case of a corporation), shall well and truly discharge and pay all compensation and all other benefits or payments for which it is liable, or may become liable under the said Act on account of injury, disease or death with a personal injury date that occurs during the effective period of this bond, then this obligation shall be void, otherwise it shall remain in full force and effect.

THE CONDITION OF THE FOREGOING OBLIGATION IS SUCH that the following conditions shall also apply to this surety bond:

- 1) The Surety does, by these presents, undertake and agree that the obligation of this bond shall cover and extend to all past, present, existing and potential liability of said Principal, as a self-insurer, to the extent of the penal sum herein named, without regard to specific injuries, date(s) of injuries, happenings or events.
- 2) This bond shall be continuous in form and shall remain in full force and effect unless terminated in the manner hereinafter provided.
- 3) In the event said Principal shall fail to pay any award or awards which shall be rendered against it by the Worker's Compensation Board of Indiana ("Board") with thirty (30) days after the same becomes, or became, final, the Surety shall forthwith pay, to the extent of its liability under this bond, said award or awards, to the extent thereof upon the order of the Board.
- 4) If the said Principal shall suspend payment or shall become insolvent or a receiver shall be appointed for its business, the undersigned Surety will pay said award(s), to the extent of its liability, under this bond, before the expiration of thirty (30) days after the same becomes, or became, final, without regard to any proceedings for liquidation of said Principal.
- 5) The undersigned are held and firmly bound for the payment of all legal costs, including reasonable attorney fees incurred in all or any actions in proceedings taken to enforce payment of this bond, or payments of any award or judgment rendered against the undersigned Surety, on account of the execution by it of this bond.

PROVIDED, the Surety herein, by and in the execution of this bond, does hereby recognize that said bond is a direct financial guarantee to and for the benefit of all unknown and unnamed employees of the Principal in connection with the Indiana Worker's Compensation and Occupational Disease Acts only.

IT IS FURTHER AGREED AND STIPULATED that this Bond may be cancelled at any time by the surety upon giving 60 days notice to the principal herein and to the Board, in which event the liabilities of the surety shall, at the expiration of said 60 days, cease and terminate, except as to such liabilities of the principal with a personal injury date of disablement that occurred during the effective period of the bond and prior to the expiration of said 60 days.

This Bond shall be effective until July 31, 2001, or until canceled.

IN WITNESS WHEREOF, the said Principal has caused these presents to be executed by the signature of its President and attested by its Secretary and said Surety has likewise caused these presents to be executed by the signature of its Attorney-in-Fact and has caused its corporate name and seal to be attested by the signature of Sue Wood its Attorney-in-Fact

PROVIDED FURTHER, this Bond shall be effective as of the 12th day of July 2000

Signed, sealed and delivered this 12th day of July 2000

LABOR READY MID-ATLANTIC III, LP
FOR PRINCIPAL:

/s/ Joseph P. Sambataro

Joseph P. Sambataro
(Printed Name)
President
Title

ATTEST:

/s/ Ronald L. Junck

Ronald L. Junck
(Printed Name)
Secretary
(Title)

ATTEST:

/s/ Sue Wood

Sue Wood
(Printed Name)
Attorney-in-Fact
(Title)

INDUSTRIAL COMMISSION OF ILLINOIS
100 WEST RANDOLPH STREET-T. SUITE &200
CHICAGO, ILLINOIS 606CI

SELF-INSUREWS SURETY BOND

Principal:		Date: October 10, 2000
Name:	Labor Ready Midwest, Inc.	Bond No. LPM 8166093
Address:	1016 South 28 th Street Tacoma, Washington 98409	Bond Amount \$1,350,000.00
Surety:		Self-Insurance Privilege Granted By Industrial Commission on September 19, 2000
Name:	Fidelity and Deposit Company of Maryland	
Address:	300 Saint Paul Place Baltimore, Maryland 21202	

KNOW ALL MEN BY THESE PRESENTS that we the undersigned Principal and the Surety, an authorized insurer in the State of Illinois. are held and firmly bound unto the people or the State, of Illinois for the use and benefit of all employees of the Principal who may be entitled to compensation under laws of the State of Illinois known as the Workers' Compensation Act, effective July 9, 1951 as amended and the Workers' Occupational Diseases Act effective July 9, 1951 as amended (hereinafter collectively called the "Acts") in the stated Bond Amount for the payment of which sum we bind ourselves, our successors and assigns jointly and severally firmly by these presents as hereinafter provided.

Principal is an employer which has been granted permission by the Industrial Commission of Illinois to provide and pay the compensation benefits provided for in the Acts without insurance for which Principal is required to provide security guaranteeing payment by Principal of the amounts due to employees of Principal under the Acts.

The condition of the foregoing obligation is such that if the said Principal shall pay or cause to be paid direct to principal's employees the amounts due or that may become due under the Acts as the result of injuries and exposures occurring at any time subsequent to the date of the granting of permission as a private self-insurer under the Acts and the costs of defense related thereto, then this obligation shall be void; otherwise it is to be and remain in full force and effect.

Limit of Liability. Notwithstanding the number of claimants or the number of times that the Bond is renewed or premium is paid there shall be only one Bond Amount and in no event shall the aggregate liability of the Surety including the costs of defense exceed the single Bond Amount shown above.

PAYMENT of Proceeds. The Surety hereon does hereby recognize this Bond as a direct financial guarantee to Principal's employees whether they be known, unknown, or unnamed, and that Principal's employees are hereby authorized to maintain direct action on this Bond including action for reasonable attorneys fees incurred in any action brought on this Bond. The Surety shall have the right to administer and defend all claims under the Bond. However, the Illinois Self-Insurers Advisory Board pursuant to statute in such case made and provided may make demand upon Surety for the payment of the Bond Amount or so much as required thereof to the Illinois Self-Insurers Security Fund for the sole purpose of discharging Surety's obligations hereunder. After such demand has been made no employee shall maintain a direct action on this bond and the Surety shall not make any payment under the Bond to any employee. Surety shall be released from liability under this Bond to the extent of any payment made to the Illinois Self-Insurers Security Fund.

One year after all obligations owed to the employees of the Principal under the provisions of the Acts have been satisfied and paid any funds from this Bond remaining on deposit in the Illinois Self

Subrogation. If the Surety becomes liable for any payment under this Bond for injuries or exposures of Principal's employees, Surety shall be subrogated to the extent of such payment to any of the rights and remedies of Principal against any party in respect of said injuries or exposures and shall be entitled at Surety's own expense to sue in the name of Principal. The Principal shall give Surety all such assistance in its power as Surety may require to secure Surety's rights and remedies and, at Surety's request, shall execute all documents necessary to enable Surety effectively to bring suit in the name of Principal. including the execution and delivery of the customary Form of loan receipt.

Cancellation. The Surety or Principal shall have the right to cancel this Bond at any time upon giving the other party and the Industrial Commission of Illinois at least sixty (60) days prior written notice or its desire so to do such cancellation, however, shall not affect Surety's liability as to any amounts then due or thereafter to become due hereunder as the result of injuries or exposures occurring prior to the date of cancellation specified in such notice provided that if immediately following such cancellation date and without interruption. Principal continues as a qualified private self-insurer under the Acts for which a subsequent surety bond or other financial security for the benefit of Principal's employees is issued the Surety hereon is released from all liability under this Bond for injuries or exposures whensoever they occurred and Surety's obligation hereunder shall be void.

Signed, sealed and delivered on the date above.

PRINCIPAL:

Labor Ready Midwest, Inc.
By /s/ Ronald L. Junck, Secretary

SURETY:

Fidelity and Deposit Company of Maryland
By: /s/ Patrick D. Dineen, Attorney-in-Fact

SURETY Rider No. 1

To be attached to and form a part of:

Type of Bond: Bond of Employer Carrying His Own Risk

Bond No.: 08167822
executed by: Labor Ready Central, Inc., as Principal
and by: Fidelity and Deposit Company of Maryland, as Surety,
in favor of: State of Missouri, as Obligee, and effective: September 7, 2000

In consideration of the premium charged for the attached bond, it is hereby agreed to change:

The Effective Date of the Bond

From: September 7, 2000
To: January 1, 2001

The attached bond shall be subject to all its agreements, limitations and conditions except as herein expressly modified.

This rider is effective: September 7, 2000

Signed and Sealed: December 12, 2000

Principal: Labor Ready Central, Inc.

By: /s/ Ronald L. Junck, President

Surety: Fidelity and Deposit Company of Maryland

By: /s/ Patrick D. Dineen, Attorney-in-Fact

NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA
SURETY BOND OF SELF-INSURER OF WORKERS' COMPENSATION

SURETY BOND NO. LPM 8166099

This bond is made and entered into between Labor Ready Mid-Atlantic, Inc. (hereinafter "Principal") and Fidelity and Deposit Company of Maryland (hereinafter "Surety") for the benefit of the North Carolina Commissioner of Insurance (hereinafter "the Commissioner") for the purposes set out in North Carolina General Statute §97-185. This surety bond is made in consideration of the Commissioner's issuance of a license to self insure for workers' compensation to the Principal. The Principal and Surety, for themselves, their heirs, assigns, and successors, agree to be jointly and severally liable to the Commissioner for the sum of One Million and 00/100 dollars for any and all of Principal's unpaid liabilities or obligations under Chapter 97 of the North Carolina General Statutes, regardless of when such liabilities arose or were incurred, including those arising prior to the effective date of this bond.

Additionally, Surety agrees that it will fulfill all financial obligations and liabilities of the Principal under Chapter 97 of the North Carolina General Statutes in the event that the Principal fails to meet such obligations and liabilities. Surety shall be liable for the total amount of this bond to the extent that the Principal is or would be liable under Chapter 97 of the North Carolina General Statutes. Surety shall not be liable for any amounts in excess of the dollar amount stated in this surety bond or in any endorsements hereto.

This surety bond shall remain in full force and effect until canceled in writing by the Commissioner pursuant to North Carolina law. Upon cancellation, Surety shall remain liable under the provisions of this surety bond for all obligations and liabilities of the Principal under the Workers' Compensation Act which arose or were created prior to the effective date of the cancellation. The Surety may be released from its liability and obligations under this surety bond if the Principal provides replacement security acceptable to the Commissioner in his discretion. If the Commissioner accepts replacement security, the Commissioner will notify the Surety in writing of its release from its liability and obligations under this surety bond.

Pursuant to N.C. Gen. Stat. § 97-185(a), the Commissioner may increase or decrease the amount of the Principal's required security on deposit with the Commissioner. Such changes to the principle amount of this bond may be made by written endorsement executed by Principal and Surety. Any ordered increase in the security required to be posted by the Principal will have no effect on the validity or terms of this surety bond unless the same is amended in writing by the Principal and Surety.

Within ten (10) days of a change in the legal entity ownership or name of the Principal or Surety, the Principal or Surety shall notify the Commissioner in writing of such change by registered or certified mail. In the event of such change, Principal and Surety agree to execute an endorsement to this surety bond to reflect said change.

Should the Principal's license to self insure be suspended or revoked, all past, present, and existing obligation and liabilities of the Principal incurred as a self-insurer shall remain in effect until satisfied and shall be covered by this surety bond.

In the event that the Commissioner makes claim upon the Surety under this surety bond as a result of the Principal's failure to meet the Principal's obligations and liabilities under Chapter 97 of the North Carolina General Statutes, the Surety shall remit payment under the terms of this surety bond to the Commissioner as required by North Carolina law, but in no event later than thirty (30) days after written demand by the Commissioner. The Surety may cancel this surety bond by giving the Commissioner sixty (60) days written notice by registered or certified mail. The Surety shall remain liable for all obligations and liabilities of the Principal which arose under Chapter 97 of the North Carolina General Statutes while this surety bond was in effect.

This surety bond shall be governed by North Carolina law and any suits, actions, causes of actions or other legal proceedings concerning the validity, terms or enforceability of this surety bond may be brought only in the Superior Court of Wake County, North Carolina. All parties hereto submit themselves to the jurisdiction of that court. If any part or condition of the surety bond is declared unenforceable or held to be invalid by a court of proper jurisdiction, such determination will not affect the validity or enforceability of other parts or conditions of this surety bond.

The Principal and Surety acknowledge and agree that no terms of this bond can be altered, changed, or amended without written approval by the Commissioner.

IN WITNESS WHEREOF, the Principal and Surety intending to be bound hereby have caused this surety bond to be executed, under seal, and attested by their duly authorized officers.

Signed and sealed this 18th day of December, 2000
This bond is effective January 1, 2001

ATTEST

/s/ Steven Cooper
Steven Cooper, Secretary

PRINCIPAL: Labor Ready Mid-Atlantic, Inc.

/s/ Ronald L. Junck
Ronald L. Junck, President

SURETY: Fidelity and Deposit Company of Maryland

By: /s/ Patrick D. Dineen
Patrick D. Dineen, Attorney-in-Fact

Sworn and Subscribed before me by above affiant this date shown above:

/s/ Tracy D. Woods
Tracy D. Woods, Notary Public

My Commission expires 9/7/02

SELF-INSURANCE AGGREGATE SURETY BOND

STATE OF KANSAS
DEPARTMENT OF HUMAN RESOURCES
DIVISION OF WORKERS COMPENSATION

Surety Bond Number *LPM 8166101*

Mailing Address

DEPARTMENT OF HUMAN RESOURCES
DIVISION OF WORKERS COMPENSATION
800 SW JACKSON STE 600
TOPEKA KS 66612-1227

Know All Persons by These Presents:

That Labor Ready Central, Inc., (hereinafter called the Principal) and Fidelity and Deposit Company of Maryland of Post Office Box 1227, Baltimore, Maryland 21203-1227, as Surety, are held and firmly bound into the PEOPLE OF THE STATE OF KANSAS, for the use and benefit of each and all of the employees of the Principal in the aggregate penal Sum of Six Hundred Twelve Thousand and 00/100 _____ Dollars (612,000.00), for the payment of which, the Principal binds itself, its heirs, executors, administrators, successors, and assigns, and the Surety binds itself, its successors, and assigns, jointly and severally by these presents:

WHEREAS, in accordance with the provisions of Kansas Statutes the Principal elected to self-insure, and made application for, or received from the Division of Workers Compensation, State of Kansas, a Certificate to Self-Insure.

NOW, THEREFORE, the condition of this obligation is such, that if the Principal shall pay or cause to be paid direct to its employees the compensation due in accordance with all the provisions of the Kansas Workers Compensation Act and a Certificate to Self-Insure received from the Division of Workers Compensation, State of Kansas, then this obligation shall be void; otherwise to remain in full force and effect, subject however, to the following provisions, terms and conditions:

1. This Bond can be amended by an amendatory rider if such a rider is approved by the Kansas Division of Workers Compensation. Such a rider shall be in written form attached to this Bond following written approval of the Kansas Division of Workers Compensation.
2. The Surety undertakes and agrees that the obligation of this Bond shall cover and extend in an aggregate manner to all past, present, future, and existing and potential obligations of the Principal under the Kansas Workers Compensation Act from the date the Principal becomes self-insured which date being January 1, 2001. Such aggregate obligations for past, present, future, and existing and potential obligations shall extend to the payment for temporary and permanent compensation, medical compensation, death benefits, court costs, assessments and any other liability or assessment required or imposed on the Principal by the Kansas Workers Compensation Act. The obligations of the Surety shall be in the manner set out in this bond subject to the penal amount of this bond.
3. This Bond shall be an aggregate bond continuous in form and shall remain in full force and effect until the Surety is released as set out in this agreement
4. When there is release of Surety approved by the Kansas Division of Workers Compensation, that Surety shall be released as follows: (a) Where the Principal enters into an agreement with a new Surety company, the new Surety shall assume all obligations of the previous Surety and the previous Surety shall be completely released from its obligations under this bond. The new Surety shall then be liable for all obligations of the Principal as set out in paragraph 2 of this Bond and all other sections of this bond; (b) Where the Principal does not obtain a new Surety and the Surety is released by the Division of Workers Compensation. The Surety shall be liable for all past, present and future obligations of the Principal that relate to accidents or occupational diseases which occurred prior to the date of release of such Surety. Such obligations will extend to past, present and future payments of temporary and permanent compensation, medical compensation, death benefits, court costs, assessments and any other liability or assessment imposed on a Principal by the Kansas Workers Compensation Act in regard to accidents or occupational diseases that occur prior to the date of the Surety's release.
5. The date of release of Surety shall be the date when the Surety is advised in writing by the Division of Workers Compensation that they are so released. When a Surety wishes to be released from this agreement, they shall make application for release to the Division of Workers Compensation with a copy of that application to the Principal. However, in no case shall the Division of Workers Compensation require that this agreement be in effect more than 60 days following receipt of the request for a release from the Surety. Such a release of the Surety shall, however, be conditional on the terms set out in paragraph 4 of this bond.

6. In the event the Principal shall suspend payment of workers compensation benefits, become insolvent, appoint a receiver, or otherwise in any way is financially unable to meet its obligations under the Kansas Workers Compensation Act, the Surety will become liable for all obligations of the Principal as set out in paragraph 2 of this agreement and other sections of this Bond. This obligation shall become effective on the date the Principal suspends payment of workers compensation benefits, becomes insolvent, appoints a receiver, or is otherwise financially unable to pay his obligations under the Kansas Workers Compensation Act. The obligations of Surety shall not be stayed pending any proceedings for liquidation of said Principal.
7. The Surety, subject to approval by the Division of Workers Compensation, shall discharge their obligations under this Surety bond by adjusting its own claims or contracting with an adjusting company, risk management company, insurance company or other company that has expertise and capabilities in adjusting and paying workers compensation claims. The company designated to handle claims shall be subject to approval by the Division of Workers Compensation. The Division of Workers Compensation shall be notified of the Surety's plan to handle claims no later than ten (10) days following the date the Principal suspends payment of workers compensation benefits, becomes insolvent, appoints a receiver, or is otherwise financially unable to meet their obligations under the Kansas Workers Compensation Act. If an adjusting company other than the Surety is designated to handle claims, the cost of such adjusting company shall be borne by the Surety and not deducted from the penal amount of this Bond.
8. The Surety can meet its obligations as set out in paragraph 2 and all other sections of this Bond without a formal award by the Division of Workers Compensation and such payment will be a credit against the penal sum of this Bond. Administrative and legal costs, including attorney's defense costs on an individual claim incurred by the Surety in discharging its obligations under this Bond, shall not be charged against the penal sum of this Bond. Payments to workers or other obligations of the Principal under the Kansas Workers Compensation Act will be paid in the same manner as the Principal would be required to make such payments. All obligations of the Principal under the Kansas Workers Compensation Act will be met in a timely manner by the Surety.
9. The undersigned are held and firmly bound for the payment of all legal costs, including reasonable attorney's fees incurred in all or any actions or proceedings taken to enforce payment of this bond or payments of any award of judgment rendered against the undersigned Surety.
10. The purpose and function of this Bond are to assure that at least the same rights, remedies, and protections to the Division of Workers Compensation and to any other interested beneficiary, recipient or party are guaranteed, as if securities had been deposited by the Principal, in accordance with the provisions of the Kansas Workers Compensation Act and were held in the name of the Division of Workers Compensation as a security deposit in connection with the self-insured privilege.
11. If any part or provision of this Bond shall be declared unenforceable or invalid by a court of competent jurisdiction, such determination in no way shall affect the validity or enforceability of the other parts or provisions of this Bond.
12. The Surety expressly recognizes that the intended purpose of this Bond is to insure that aggregate obligations of the Principal are met if the Principal suspends payment of workers compensation benefits, becomes insolvent, appoints a receiver or otherwise is financially unable to meet their obligations under the Kansas Workers Compensation Act for any past, present, future and existing or potential obligations for temporary and permanent compensation, medical compensation, death benefits, Court Costs, assessments and any other liability or assessments required of or imposed on the Principal by the Kansas Workers Compensation Act. This meaning and intent shall be given to the construction of the terms set out in this Bond agreement.

The effective date of this Bond shall be January 1, 2001.

IN WITNESS WHEREOF, The parties hereto have caused their names to be signed and this instrument to be sealed by the respective parties thereunto duly authorized.

Signed, sealed and delivered this 27th day of December, 2001.

NOTE: Must be countersigned:

By: Retaliatory - Not Required
Kansas Resident Agent

ATTEST:

FOR PRINCIPAL: Labor Ready Central, Inc.

SIGNATURE: /s/ Ronald L. Junck

PRINTED NAME: Ronald L. Junck

TITLE: President

FOR SURETY: Fidelity and Deposit Company of Maryland

SIGNATURE: /s/ Patrick D. Dineen

TITLE: Patrick D. Dineen, Attorney-in-Fact

ATTEST:

/s/ Krista M. Stromberg
Corporate Secretary of Surety
Krista M. Stromberg, Attorney-in-Fact

SURETY BOND

KNOW ALL BY THESE PRESENTS, That we Labor Ready Central, Inc. a Washington corporation with headquarters in the City of Tacoma, Washington as Principal, and Fidelity and Deposit Company of Maryland authorized to do business in Arkansas, as Surety, are held and firmly bound unto the State of Arkansas for the use of employees of the Labor Ready Central, Inc. or other persons who may be entitled to compensation under the Arkansas workers' compensation laws, in the full and just sum of Three Hundred Thousand and 00/100— Dollars (\$300,000.00**) lawful money of the United States, for the payment of which sum we bind ourselves, our successors or assigns, jointly and severally, firmly by these presents.

Signed, sealed and delivered this 28th day of December 2000.

The condition of the foregoing obligation is such, that if the Labor Ready Central Inc. which is about to make application to the Arkansas Workers' Compensation Commission for permission to carry its own risk under the workers' compensation laws of the State of Arkansas without insurance, and to provide a bond guaranteeing the payment by the employer of the compensation provided for under the laws, shall, in the event such permission be granted, pay or cause to be paid direct to the employees the compensation or benefits due or that may become due on all injuries occurring subsequent to the date of the execution of this bond as provided for by the workers compensation laws of the State of Arkansas, and the Arkansas Workers' Compensation Commission, with the express agreement and understanding, as a condition precedent to the execution and acceptance of this bond, that it is for the benefit of the unknown and unnamed employees of the said Labor Ready Central, Inc. or to the other persons entitled thereto, and that said employees or the persons entitled to said benefits under the laws are hereby empowered and authorized to maintain direct action on this bond, and that no defense against such direct action may or shall be interposed by the Surety.

Now, if the above bonded Principal, (its heirs, executors and administrators) (its successors or assigns) shall well and truly keep, do and perform each and every, all and singular, the matters and things in said bond as set forth and specified to be by the said Principal kept, done and performed at the time and in the manner in said bond specified, then this obligation shall be null and void; otherwise to be and remain in full force and effect.

Provided, the Surety herein, by and in the execution of this bond, does hereby recognize said bond as a direct financial guaranty to said employees.

Provided, further, that the total liability of the Surety shall not exceed jointly and severally the sum hereinbefore provided.

Provided, further, the Surety herein shall have the right to cancel this bond at any time by giving the Principal herein and the Arkansas Workers' Compensation Commission at least thirty (30) days prior written notice of its desire to do so. Such cancellation, however, is not to affect Surety's liability as to any compensation for injuries to the Principal's employees occurring prior to the date of cancellation specified in such notice.

ATTEST

/s/ Steven Cooper
Corporate Secretary

Labor Ready Central, Inc.
Employer

By /s/ Ronald L. Junck, President

Fidelity and Deposit Company of Maryland
By /s/ Patrick D. Dineen, Attorney-in-Fact

BEFORE THE INSURANCE DIVISION OF IOWA

Bond No.LPM 8166104

IN THE MATTER OF THE APPLICATION OF

SELF-INSURANCE
BOND FOR

Employer, for a Certificate of
Relief from Insurance

LIABILITY UNDER IOWA CODE
CHS. 85, 85A, 85B, and 86

KNOW ALL MEN BY THESE PRESENTS:

That Labor Ready Midwest, Inc. of Tacoma, Washington, as Principal, and Fidelity and Deposit Company of Maryland of Baltimore, Maryland as Surety, are held and firmly bound unto the Insurance Division of Iowa, for the use and benefit of each and all the employees of the Principal, including their dependents, and The Insurance Division of Iowa, in the sum of Four Hundred Fifty Thousand and 00/100~ Dollars, (\$450,000.00**) for the payment of which, well and truly to be made, the Principal binds itself, its heirs, executors, administrators, successors and assigns, and the Surety binds itself, its successors and assigns, jointly and severally by these presents:

WHEREAS, in accordance with the provisions of Iowa Code section 87.11 the Pricpal has elected to self-insure its liability for benefits under Iowa Code chs. 85, 58A, 85B and 86, and has applied to The Insurance Division of Iowa for a Certificate of Relief from Insurance:

NOW, THEREFORE, the conditions of this obligation are such that if the said Principal shall pay and furnish the benefits under Iowa Code chs. 86, 85A, 85B and 86, then this obligation shall be null and void, otherwise to remain in full force and effect, subject, however, to the following express conditions:

1. The liability of the Surety under this obligation shall be the same as the continuing liability of the Principal for the payment of said benefits, but in no event shall the total liability of the Surety exceed the penal amount heretofor stated herein,
2. The liability of the Surety under this bond shall cover and extend to all past, present, existing and potential liability of said Principal, as a self-insurer, to the extent of the penal sum herein named, without regard to specific injuries, date or dates of injuries, happenings or events.
3. This bond shall be continuous in form and shall remain in full force and effect unless terminated in the manner hereinafter provided.
4. This bond may be terminated at any time by the Surety upon giving thirty (30) days written notice by registered or certified mail to the Insurance Division of Iowa, and to the Principal herein named, in which event the liability of the Surety, shall, at the expiration of said thirty (30) days from receipt of said notice by said Division cease and determine, expiration of said thirty (30) days; it being expressly understood and agreed that the Surety shall be liable for default of the Principal in fully discharging all past, present, existing and potential liability of said Principal as a self-insurer.
5. it is expressly understood and agreed that in the event said Principal shall suspend payment or shall become insolvent as defined in Iowa Administrative Code 191-57.2(5) or a receiver shall be appointed for its business and the said Principal shall fail to pay any award or Awards or Orders that shall. be rendered against it by the Industrial Commissioner of Iowa, within thirty (30) days after the same becomes or become final, said Surety shall forthwith pay to the extent of its liability under this bond said determinations, Award, Awards or Orders upon the Order of The Insurance Commissioner of Iowa without regard to any proceedings for liquidaton of said Principal.
6. The insolvency, bankruptcy or receivership of the Principal shall not relieve the Surety from its obligations under this bond.
7. In the event of change in the legal entity of the Principal, the Principal shall immediately notify the Insurance Division of Iowa and the Surety agrees to notify forthwith the Division in writing of any such change as soon as it receives notice or any knowledge thereof; provided, however, the Surety shall not be liable for the obligations of the new entity unless it consents thereto in writing.
8. The undersigned are held and firmly bound for the payment of all legal costs, including reasonable attorney fees, incurred in all or any actions or proceedings taken to enforce payment of this bond, or payment or any Award or Judgment rendered against the undersigned Surety, on account of the execution by it of this bond, and for payment of all claimed administration costs including fees of administrators, adjusters, and attorneys retained or appointed by the Insurance Division of Iowa.

IN WITNESS WHEREOF, the parties hereto have caused their names to be signed and this instrument to be sealed by the respective parties thereunto duly authorized this 5th day of January,, 2001 .

This bond is effective January 1, 2001.

ATTEST:

Labor Ready Midwest, Inc.
Principal

/s/ Steven Cooper

BY: /s/ Ronald L. Junck, President
(Name) (Title)

ATTEST:

Fidelity and Deposit Company of Maryland Surety
Surety

/s/ Krista M. Stromberg, Attorney-in-Fact

BY: /s/ Patrick D. Dineen, Attorney-in-Fact
(Name) (Title)

Surety Rider No. 1

To be attached to and form a part of:

Type of Bond: Self-Insurer's Surety Bond

Bond No.: LPM 8166102

executed by: Labor Ready Southwest, Inc., as Principal
and by: Fidelity and Deposit Company of Maryland, as Surety,
in favor of: State of Nevada, as Obligee,
and effective: February 16, 2001

In consideration of the premium charged for the attached bond, it is hereby agreed to change:

1. The Principal's Name:

From: Labor Ready Southwest, Inc.
To: Labor Ready, Inc.

2. The Bond Amount:

From: One Hundred Fifty-One Thousand and 00/100 Dollars (\$151,000.00***)
To: One Hundred Forty-Nine Thousand and 00/100 Dollars (\$149,000.00***)

The attached bond shall be subject to all its agreements, limitations and conditions except as herein expressly modified.

This rider is effective: February 16, 2001
Signed and Sealed: February 6, 2001

Principal: Labor Ready, Inc.

By: /s/ Ronald L. Junck, Secretary

Surety: Fidelity and Deposit Company of Maryland

By: /s/ Patrick D. Dineen, Attorney-in-Fact

Accepted By: State of Nevada

Department of Business & Industry
Division of Insurance
Worker's Compensation, Self-insurance Section

BY:

Date:

General Indemnity Agreement

NOT TO BE USED FOR CONSTRUCTION BONDS

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, upon the request made by LABOR READY, INC., 1016 So. 28th Street – Tacoma, WA 98409 (hereinafter called Indemnitors, whether there be one or more), as is evidenced by the signing hereof, and upon the express condition that this instrument be executed, FIDELITY AND DEPOSIT COMPANY OF MARYLAND, a corporation of the State of Maryland, with its principal office in the City of Baltimore, any subsidiary thereof, their successors and assigns, (hereinafter called Company), has executed, or procured the execution of, and may, from time to time hereafter execute, or procure the execution of bonds, undertakings and/or obligations of suretyship or guarantee in the same or in different penalties and with the same or different conditions and/or provisions, and in favor of the same or different obligees (each of such bonds, undertakings and obligations being hereinafter called bond or bonds) on behalf of:

LABOR READY INC.

“... Labor Ready, Inc. (indemnitor) any corporation in which the indemnitor owns, directly or indirectly, in whole or in part, a controlling interest, whether now existing or hereafter acquired.”

WHEREAS, the Indemnitors have a substantial, material and beneficial interest in the obtaining of the bond or bonds or in the Company's refraining from cancelling said bond or bonds.

AND NOW, THEREFORE, in consideration of the premises and the sum of one dollar, the receipt of which is hereby acknowledged, the Indemnitors, and each of them, for themselves, each of their heirs, executors, administrators, successors and assigns, jointly and severally, do hereby covenant and agree with the Company as follows:

FIRST: To pay to the Company, in advance, the premium or premiums for any such bond or bonds, in accordance with the schedule of rates attached to or to be attached hereto, as long as liability thereunder shall continue, and until evidence, satisfactory to the Company, of the termination of such liability shall be furnished to it at its home office:

SECOND: To indemnify the Company from and against any and all liability, loss, costs, damages, attorneys' fees and expenses, of whatever kind or nature, heretofore or hereafter sustained or incurred by the Company by reason, or in consequence of its executing any such bond or bonds as surety or co-surety, or procuring the execution thereof, in making any investigation on account of any such bond or bonds, in defending or prosecuting any action, suit or other proceeding which may be brought in connection therewith, in enforcing any of the agreements herein contained, and in obtaining a release from liability under any such bond or bonds; and to indemnify the Company to the full amount of liability, loss, costs, damages, attorneys' fees and expenses as aforesaid, regardless of any reinsurance that may be carried on any such bond or bonds;

THIRD: That the Company shall have the right and is hereby authorized, but not required: (a) to adjust, settle or compromise any claims, demands, suits or judgments upon any such bond or bonds, unless the Indemnitors shall request it to litigate such claims or demands, or to defend such suits or to appeal from such judgments, and shall deposit with the Company satisfactory collateral, sufficient to pay any judgment or judgments, rendered or that may be rendered, with interest, costs, expenses and attorneys' fees; (b) to assent to any change whatsoever in any such bond or bonds and/or any contract or contracts referred to in any such bond or bonds and/or in the general conditions, plans and/or specifications accompanying said contract or contracts and to assent to or take any assignment or assignments, to execute or consent to the execution of any continuations, extensions or renewals of any such bond or bonds and to execute any substitute or substitutes therefor, with the same or different conditions, provisions and obligees and with the same or larger or smaller penalties, all of the aforesaid without notice to or knowledge of the Indemnitors, it being expressly understood and agreed that the Indemnitors shall remain bound under the terms of this instrument even though any such assent by the Company does or might substantially increase the liability of said Indemnitors; (c) to attach hereto a schedule of rates and copy or copies of any such bond or bonds, to fill up any blanks left herein, and to correct any errors in filling up any blanks herein, or in the schedule of rates attached, it being hereby agreed that such schedule and such copy or copies, when so attached, and that such insertions or corrections, when so made, shall be prima facie correct;

FOURTH: That liability hereunder shall extend to, and include, the full amount of any and all moneys paid by the Company in the settlement or compromise of any claims, suits and judgments thereupon, in good faith, under the belief that it was liable therefor, whether liable or not, as well as of any and all disbursements on account of costs, attorneys' fees and expenses as aforesaid, which may be made under the belief that such were necessary, whether necessary or not;

FIFTH: That, in the event of payment, settlement or compromise of liability, loss, costs, damages, attorneys' fees, expenses, claims, demands, suits and judgments as aforesaid, in connection with any such bond or bonds, an itemized statement thereof, sworn to by any officer or officers of the Company, or the voucher or vouchers, or other evidence of such payment, settlement or compromise, shall be prima facie evidence of the fact and extent of the liability of the Indemnitors in any and all claims or suits hereunder;

SIXTH: That nothing herein contained shall be considered or construed to waive, abridge or diminish any right or remedy which the Company might have if this instrument were not executed;

SEVENTH: To waive, and do hereby waive, all right to claim any of their property, including homesteads, as exempt from execution, sale or other legal process, under the laws of any state or states;

EIGHTH: That, in case any of the Indemnitors shall fail to execute this instrument, or in case any of the Indemnitors, who execute this instrument, shall not be bound for any reason, the other Indemnitors shall nevertheless be bound hereunder for the full amount of liability, loss, costs, damages, attorneys' fees and expenses as aforesaid;

NINTH: To waive, and do hereby waive, notice of any breach or breaches of any such bond or bonds, or of any act or default that may give rise to claim hereunder;

TENTH: That this instrument shall be liberally construed, so as to fully protect the Company;

ELEVENTH: That suits may be brought hereunder as causes of action may accrue, and the bringing of one or more suits or the recover of judgement or judgements therein shall not prejudice or bar the bringing of suits upon other causes of action, whether thereto or thereafter arising;

TWELFTH: That the Company does not guarantee the prompt issuance of any such bond or bonds, or the acceptance thereof by the obligee or obligees therein named, and that the Company shall have the absolute right to decline to execute any such bond or bonds;

THIRTEENTH: That in the event the Company procures the execution of any such bond or bonds by some other surety or sureties, or executes such bond or bonds with other surety or sureties as co-sureties, or reinsures any portion of such bond or bonds with other surety or sureties as reinsurers, then all the terms and conditions of this instrument shall inure to the benefit of any such surety or sureties, including the right to bring action hereunder;

FOUTEENTH: That the Indemnitors shall continue to remain bound under the terms of this instrument on account of any such bond or bonds even though the Company may from time to time hereafter, with or without notice to or knowledge of the Indemnitors, accept other or additional agreements of indemnity on similar or other forms to indemnify it in connection with the execution or procurement of any such bond or bonds, it being hereby expressly understood and agreed by the Indemnitors that any and all other rights which the Company may have or acquire against the Indemnitors and/or others under any such other or additional agreements of indemnity shall be in addition to, and not in lieu of, the rights afforded the Company under this instrument.

**The Indemnitors hereby waive notice of the acceptance hereof and
of the execution of any such bond or bonds or
continuations or renewals thereof**

OHIO FRAUD WARNING: Any person who, with intent to defraud or knowing that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

KENTUCKY INSURANCE FRAUD STATEMENT: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime.

NEW YORK FRAUD STATEMENT: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

Signed, sealed and dated this 19th day of June, 2000.

Labor Ready, Inc.

Witness /s/ Ronald L. Junck, Exec VP / Secretary

Witness /s/ Joseph Sambataro, Exec VP / CFO

GENERAL INDEMNITY AGREEMENT

THIS AGREEMENT is made by Labor Ready, Inc. of 1016 S. 28th Street, Tacoma, Washington 98409 (hereinafter jointly and severally called Undersigned) and GREAT AMERICAN INSURANCE COMPANY, its Affiliates (including but not limited to American National Fire Insurance Company, American Alliance Insurance Company and Agricultural Insurance Company) 580 Walnut St., Cincinnati, Ohio 45202 (hereinafter called Surety).

WHEREAS, the Undersigned may desire or be required to give or procure surety bonds, undertakings or instruments of guarantee, and to renew, continue or substitute the same, hereinafter called Bonds, for itself or any present or future wholly or partially owned subsidiary or any subsidiary of a subsidiary of the Undersigned; or joint ventures or partnerships in combination with each other, now in existence or which may hereafter be created or acquired; or for any other entity upon written request of the Undersigned, whether in its own name or as co-adventurer with others; and the Undersigned has a substantial, material and beneficial interest in the obtaining of the Bond(s) or in the Surety's refraining from canceling said Bond(s); and

WHEREAS, at the request of the Undersigned and upon the express understanding that this Agreement should be given, the Surety has executed or procured to be executed, and may from time to time hereafter execute or procure to be executed said Bonds on behalf of the Undersigned and/or any other related business entity.

NOW, THEREFORE, in consideration of the premises the Undersigned, for itself, its successors and assigns, jointly and severally, hereby covenant and agree with the Surety, its successors and assigns, as follows:

- 1 .
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- 13.
- 14.

By executing this agreement you are bound to Surety with respect to all Bonds executed, provided or procured or to be executed, provided or procured by Surety in behalf of any of the Undersigned.

Signed, sealed and dated this 3rd day of November, 2000.

Attest or Witness

Labor Ready, Inc.

By /s/ Ronald L. Junck, Secretary

By /s/ Richard L. King, President

GREENWICH INSURANCE COMPANY

COMMERCIAL SURETY GENERAL INDEMNITY AGREEMENT

This Agreement of Indemnity, made and entered into this 4th day of January is executed by the Undersigned for the purpose of indemnifying from all losses and costs of any kind GREENWICH INSURANCE COMPANY, herein referred to as "Surety", in connection with any Bonds on which GREENWICH INSURANCE COMPANY is now or hereafter may become Surety for or at the request of any of the following as Principal:

Labor Ready Inc.

In consideration of the execution of any such Bonds for Principal and as an inducement to such execution by Surety, the Undersigned, jointly and severally, agree as follows:

I. **DEFINITIONS** – The following definitions apply in this Agreement:

Bond: Any surety bond, undertaking, guaranty or other contractual obligation undertaken by Surety on behalf of or at the request of Principal, before or after the date of this Agreement, and any renewal or extension of said obligation.

Principal: The persons or entities set forth above, their subsidiaries, affiliates, successors, executors, administrators, personal representatives and assigns, now in existence or hereafter formed or acquired and/or any one of them or any combination thereof, or their successors in interest, whether alone or in joint venture with others named herein or not.

Undersigned: The Principal and all other persons or entities executing this Agreement, their successors, executors, administrators, personal representatives and assigns.

Surety: GREENWICH INSURANCE COMPANY, its affiliates, subsidiaries or reinsurers, and any other persons or entities which it may procure to act as a surety, co-surety or obligor on any Bond, or any other person or entity who executes 3 Bond at its request.

2. **INDEMNITY**

(a) Undersigned agrees to pay to Surety upon demand:

(i) all losses, costs, damages, attorneys' fees, including outside or in-house counsel staff, and expenses of whatever kind or nature which Surety may incur or pay by reason of, or in consequence of, the execution by Surety of any Bond and/or in enforcing the terms of this Agreement with interest thereon;

(ii) the amount of any claim made against Surety on any Bond, whether disputed or not. This sum may be used by Surety to pay such claim or be held by Surety as collateral security against loss on any Bond. Such collateral may be held by Surety until it has received evidence satisfactory to Surety of its complete discharge from all claims or potential claims under any Bond(s), and until it has been fully reimbursed for all loss, cost, expenses and attorneys' fees incurred by reason of its issuance of any Bond(s) and in enforcing this Agreement and unpaid premiums. Surety shall be under no obligation to invest or provide any return on any such collateral deposited with it.

(iii) any premium due for any Bond at a rate equal to that charged by Surety for such bonds and any renewal premiums until such time as adequate proof is presented to Surety discharging it from any further liability relating to or arising out of such Bond.

(b) Regarding claims against Surety:

(i) Undersigned shall exonerate, indemnify and keep Surety indemnified against any liability with respect to such claims.

(ii) Surety shall have the exclusive right for itself and Undersigned to determine in good faith, in its sole and absolute discretion, whether any claim or suit upon any Bond shall, on the basis of liability, necessity, expediency or otherwise, be paid, settled, compromised, defended or appealed to protect Surety's rights or interests or reduce Surety's liability or alleged liability, whether or not such liability, necessity or expediency exists.

(iii) Surety shall have the right to incur such expenses in handling a claim and in enforcing this Agreement as it in good faith shall deem necessary or expedient, including but not limited to the expenses for investigative accounting, technical and legal services.

(iv) "Good faith" as used in this Agreement shall mean honesty in fact and the absence of willful misfeasance, malfeasance, fraud or corruption.

(v) Surety shall have the foregoing rights regardless of the fact that Undersigned may have assumed or offered to assume the defense of Surety upon such claim. In any claim or suit hereunder, an itemized statement of the aforesaid losses and expenses, sworn to by an officer of Surety or the vouchers or other evidence of disbursement by Surety shall be prima facie evidence of the fact and amount of the liability hereunder of Undersigned.

(vi) Repeated actions may be maintained by Surety on this instrument as breaches of it occur without any prior action

operating as a bar to any subsequent action.

(vii) Undersigned shall authorize Surety to join any and all of the Undersigned as defendants in any action, regardless of venue, against Surety arising out of or relating to any Bond, and to enforce the obligations hereunder directly against any of the Undersigned and without the necessity of first proceeding against Principal.

(viii) If Undersigned, or any of them, demands that Surety not pay or perform in response to a claim under a Bond, and Surety complies with such demand, Undersigned agree to exonerate, indemnify and hold Surety harmless from any and all damages which may be imposed upon Surety, including, but not limited to, any claim for consequential or punitive damages based upon any assertion that Surety acted in bad faith in connection with any such claim.

3. GENERAL PROVISIONS

(a) Surety may, without giving notice thereof to Undersigned, consent or refuse to consent to changes to a Bond, including, but not limited to, increases or decreases in the penal sum of the Bond and changes to the underlying obligations secured by the Bond, and any such action shall not impair, waive or diminish the obligations of Undersigned under this Agreement.

(b) Surety shall have the right at its option and in its sole discretion, to issue, cancel or decline the execution of any Bond, or renewal thereof, notwithstanding its execution of any other Bond or undertaking for or on behalf of the Principal.

(c) Until Surety has been furnished with conclusive evidence of its discharge without loss from all Bonds, and until Surety has been otherwise fully indemnified as hereunder provided, Surety shall have the right of free access to the books, records and accounts of Undersigned for the purpose of examining and copying them. Undersigned hereby authorize third parties, including but not limited to depositories of funds of Undersigned, to furnish to Surety any information requested by Surety in connection with any transaction. Surety may furnish any information, which it now has or may hereafter acquire concerning Undersigned to other persons, firms or entities for the purpose of procuring co-suretyship or reinsurance or of advising such persons, firms, or entities as it may deem appropriate.

(d) Surety shall have every right, defense or remedy which a personal Surety without compensation would have, including the right of exoneration, and the right of subrogation.

(e) Undersigned shall, upon the request of Surety, procure the discharge of Surety from any Bond and all liability by reason thereof. If such discharge is unattainable, Undersigned shall, if requested by Surety, either deposit collateral with Surety, acceptable to Surety, sufficient to cover all exposure under such Bond or Bonds, or make provisions acceptable to Surety for the funding of the bonded obligation(s).

(f) Undersigned warrant that each of them is specifically and beneficially interested in obtaining each Bond and agree to pay the initial, renewal, and additional premiums thereon according to Surety's current rate manual or rate filings recognizing that the initial premium is fully earned upon execution of each Bond. Renewal premiums shall be paid until Undersigned shall serve evidence satisfactory to Surety of its discharge or release from each Bond and all liability arising out of or relating thereto.

(g) Surety is not a fiduciary and owes no fiduciary obligations to Undersigned.

(h) Undersigned agree to submit themselves to personal jurisdiction in whatever jurisdiction in which Surety sustains or pays any loss for which Undersigned are liable hereunder and in whatever jurisdiction Surety may be Sued as a consequence of its having issued any Bond. With respect to any action brought by Surety on this Agreement in a jurisdiction in which one or more of the Undersigned reside, are domiciled, are doing business or are found, each of the Undersigned who are not in the jurisdiction hereby designates each of the Undersigned in such jurisdiction as his agent to receive on his behalf service of process in such action.

(i) Interest shall be paid by Undersigned to Surety on the amount of all expenditures made by Surety for which it is entitled to reimbursement hereunder from the date of each such expenditure until repaid in full. The unpaid principal amount owing with respect to such expenditures shall bear interest at the rate of nine percent (9%) per annum. Interest shall be calculated on the basis of a 365-day year for the actual number of days elapsed. Anything herein to the contrary notwithstanding, the obligations, Undersigned hereunder shall be subject to the limitation that payments of interest shall not be required to the extent that receipt any such payment by Surety would be contrary to provisions of law applicable to Surety limiting the maximum rate of interest which may be charged or collected by Surety.

(j) Bonds may be issued for the purpose of providing assurances to obligees under the Bonds concerning performance or fulfillment of certain contractual, statutory or other undertakings by the Principal, all as described in more detail in each individual Bond. This agreement is intended to cover the full range of different types of Bonds which might be issued by Surety, and nothing in this Agreement shall be construed to limit the types of Bonds covered by this Agreement. To the extent that particular provisions of this Agreement are applicable only to certain types of Bonds, the inclusion of such provisions in this Agreement is for the purpose of specifying in more detail the parties' rights and obligations with respect to such types of Bonds and their inclusion shall not limit the applicability of other provisions of this Agreement to other types of Bonds.

(k) Undersigned agree that Surety need not give to Undersigned notice of execution of any Bond, of any Default, the making of any claim against Surety, or of any act, fact or information coming to the notice or knowledge of Surety concerning or affecting its rights or liabilities under any Bond or the rights or liabilities of Undersigned hereunder, notice of all such being hereby expressly waived.

(1) Each of the Undersigned further affirms that Bonds are a credit relationship and hereby authorizes Surety, or any authorized agent, to gather such credit information it considers necessary and appropriate for purposes of evaluating whether such credit should be effected or continued, for purposes of enforcing or evaluating the possible enforcement of this Agreement or for any other purpose.

(m) If the execution of this Agreement by any of the Undersigned shall, be found defective or invalid for any reason, such defect or invalidity shall not affect the validity of this Agreement with respect to any other of the Undersigned. In the event any of the Undersigned shall fail to execute this instrument or become insolvent, or in the event any of the Undersigned who execute this Agreement, shall not be bound for any reason, the other Undersigned shall, nevertheless, be bound hereunder for the full amount of the liability as aforesaid. The invalidity of any provision of this Agreement by reason of the law of any state or for any other reason shall not affect the validity of any other provision of this Agreement, and Undersigned shall remain fully bound and liable hereunder to Surety to the same extent as if the invalid provision had not existed.

(n) Liability of Undersigned hereunder shall not be affected by

- (i) the failure of Principal to sign any Bond;
- (ii) any claim that other indemnity or security was to have been obtained,
- (iii) the release of any indemnity, and
- (iv) the return or exchange of any collateral that may have been obtained.

(o) The obligations of Undersigned are joint and several. Surety need not proceed against Principal or any of the Undersigned, or any third party, or exhaust or avail itself of any other legal remedy or of any collateral.

(p) Undersigned agree to give Surety prompt notice of any facts which might give rise to a claim upon any Bond.

(q) This Agreement may not be changed or modified orally. No change or modification shall be effective unless specifically agreed to in writing. Surety shall have the right to fill in any blanks left herein and to correct any errors by filling in any blanks herein.

(r) If any Bonds are issued in connection with Principal's performance of a contract, Principal hereby assigns the proceeds of, and its rights in, such contract to Surety, but only in the event of a default of the Principal under such contract or default of Undersigned hereunder. In connection with said assignment this Agreement shall constitute and Surety may file or record this Agreement as a security agreement and/or financing statement under the Uniform Commercial Code or any other law. The filing or recording of such document shall be solely at the option of Surety and the failure to do so shall not release or impair any of the obligations of Undersigned under this Agreement. Any copy of this Agreement certified as such by Surety shall be considered an original for purposes of filing as a financing statement.

(s) Failure by Surety to take any action or assert any right hereunder shall not be a waiver of any Surety rights hereunder or as provided by law.

(t) The rights of Surety under this Agreement are in addition to and not in lieu of any other rights the Surety may have with respect to Undersigned by contract or operation of law.

(u) Undersigned waive any defense that this instrument was executed subsequent to the date of any such Bond, admitting and covenanting that such Bond was executed pursuant to Undersigned's request and in reliance on Undersigned's promise to execute this instrument.

(v) Wherever used in this instrument, the plural shall include the singular, the singular shall include the plural, and the neuter shall include both genders as the circumstances require.

4. POWER OF ATTORNEY—Undersigned hereby irrevocably appoint Surety as its/their attorney-in-fact with the power, but not the obligation, to exercise all rights and execute all documents on behalf of Undersigned in order to give full effect to the obligations of Undersigned under this Agreement.

5. WAIVER OF TRIAL BY JURY—Undersigned hereby waive trial by jury in any action or proceeding to which any or all of the Undersigned and Surety may be parties, arising out of or in any way pertaining to this Agreement. It is agreed and understood that this waiver constitutes a waiver of trial by jury of all claims against all parties to such actions or proceeding, including claims against parties who are not parties to this Agreement.

6. TERMINATION—This Agreement is a continuing obligation of Undersigned unless terminated by written notice to Surety as provided hereafter. In order to terminate liability as to future Bonds of Principal, Undersigned must:

(a) give written notice of such termination by means of certified mail to Surety at its office at 1Greenwich Plaza, Greenwich, CT 06836, with a copy to General Agent Avalon Risk Associates, Inc. 160 Water Street 16th F1 New York, NY 10038; and

(b) state in such notice the effective date (not less than thirty days after receipt thereof by Surety) of termination of such Undersigneds liability for future Bonds. After the effective date of such termination by giving notice, Undersigned shall nonetheless be liable hereunder for Bonds executed or authorized prior to such date, Bonds which Surety has otherwise become obligated to issue prior to such date, and renewals, substitutions and extensions thereof Such termination of liability as to an Undersigned shall in no way affect the obligation of any other Undersigned who has not given notice as herein provided

7. REPRESENTATIONS—EACH OF THE UNDERSIGNED REPRESENTS TO SURETY THAT HE HAS CAREFULLY READ THE ENTIRE AGREEMENT AND THAT THERE ARE NO OTHER AGREEMENTS OR UNDERSTANDINGS WHICH IN ANY WAY LESSEN OR MODIFY THE OBLIGATIONS SET FORTH HEREIN, OR, TO THE EXTENT SUCH OTHER AGREEMENTS OR

UNDERSTANDINGS EXIST, THEY ARE HEREBY SUPERSEDED BY THIS AGREEMENT.

8. IN TESTUAONY WHEREOF, Undersigned, intending to be legally bound hereby, have hereunder set their hands and affixed their seals as of the 4th day of January, 2001.

Principals:

Witness or Attest:

Name: Labor Ready, Inc.

/s/ Ronald L. Junck

/s/ Richard L. King, President / CEO

AIU Insurance Company
American Home Assurance Company
Granite State Insurance Company
Illinois National Insurance Company
The Insurance Company of the State of Pennsylvania
National Union Fire Insurance Company of Pittsburgh, PA
New Hampshire Insurance Company
Commerce and Industry Insurance Company
Commerce and Industry Insurance Company of Canada

American International Companies

Principal Bond Office
 175 Water Street, 6th Floor
 New York, N.Y. 10038

CONTINUING AGREEMENT OF INDEMNITY MISCELLANEOUS SURETY BONDS

THIS AGREEMENT is made by the undersigned for the continuing benefit of AIU Insurance Company, American Home Assurance Company, Granite State Insurance Company, Illinois National Insurance Company, The Insurance Company of the State of Pennsylvania, National Union Fire Insurance Company of Pittsburgh, Pa, New Hampshire Insurance Company, Commerce and Industry Insurance Company, Commerce and Industry Insurance Company of Canada (hereinafter referred to collectively as the "SURETY") for the purpose of saving each and all of them harmless and indemnifying each and all of them from all loss and expense in connection with any Bonds executed on behalf of any one or more of the following persons, firms or corporations:

Labor Ready, Inc.

(hereinafter referred to as Applicant).

WITNESSETH,

WHEREAS, the Applicant; individually; jointly with others or on behalf of any of its subsidiaries, affiliates or divisions or their subsidiaries, affiliates or divisions now in existence or hereafter formed or acquired; or on behalf of individuals, partnerships or corporations, may desire or be required from time to time to give certain bonds, undertakings, or instruments of guarantee (all of which will hereinafter be included within the term "BOND" OR "BONDS"), and

WHEREAS, upon the express condition that this instrument be executed, the Surety has executed or procured the execution of, or may from time to time hereafter execute or procure the execution of such Bonds, and the Surety may continue the Bond or Bonds heretofore executed and may forebear cancellation of such Bonds;

NOW, THEREFORE, in consideration of the execution of any such bond or bonds or the forbearance of cancellation of existing Bonds and as an inducement to such execution or forbearance, we, the Undersigned, agree and bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, as follows:

FIRST: To pay to the Surety in advance upon the execution of each Bond the initial premium computed in accordance with the rates currently charged by the Surety at the time such Bond is executed and the Undersigned will also pay all renewal or additional premiums computed and such rates until proof is furnished satisfactory to the Surety of its discharge from all liability under such Bond.

SECOND: To indemnify, and keep indemnified, and hold and save harmless the Surety against all demands, claims, loss, costs, damages, expenses and attorneys' fees whatever, and any and all liability therefore, sustained or incurred by the Surety by reason of executing or procuring the execution of any said Bond or Bonds, or any other Bonds, which may be already or hereafter executed for or at the request of the Undersigned, or renewal or continuation thereof, or sustained or incurred by reason of making any investigation on account thereof, prosecuting or defending any action brought in connection therewith, obtaining a release therefrom, recovering or attempting to recover any salvage in connection therewith or enforcing by litigation or otherwise any of the agreements herein contained. Payment of amounts due Surety hereunder together with legal interest shall be payable upon demand.

THIRD: That if Surety shall be required or shall deem it reasonably necessary to set up a reserve in any amount to cover any claim, demand, liability, expense, suit, order, judgment or adjudication under or on any Bond or Bonds, to immediately upon demand deposit with Surety an amount of money sufficient to cover such reserve and any increase thereof, at anytime, in payment or compromise of any liability, claims, demands, judgment, damages, fees and disbursements or other expenses; and the Undersigned, in the event of their failure to comply with such demand, hereby authorize and empower any attorney of any court of record of the United States or any of its territories or possessions, to appear for them or any of them in any suit by Surety and to confess judgment against them or any of them for any sum or sums of money up to the amount of any or all Bond or Bonds with costs, interest and reasonable attorney's fees; such judgment, however to be satisfied upon the payment of any and all such sums as may be found due by the Undersigned to Surety under the terms of this agreement. The authority to confess judgment as set forth herein shall not be exhausted by any one exercise thereof, but may be exercised from time to time and more than one time until all liability of the Undersigned to Surety shall have been paid in full. Demand shall be sufficient if sent by registered or certified mail to the Undersigned at the address or addresses given herein or last known to Surety, whether or not actually received. The Surety shall notify the Undersigned in writing of its intent to seek a confession of judgement against the Undersigned three days prior to going to court and said notice shall contain the time, date and place in which the confession of judgment will be sought. Furthermore, notice shall be sufficient if sent by registered or certified mail, facsimile transmission, or electronic mail to the Undersigned at the address or addresses given herein or last known to the Surety and in no way is proof of receipt necessary prior to the Surety commencing with said confession of judgement.

FOURTH: All collateral security held by or assigned to the Surety may be used by the Surety at anytime in payment of any claim, loss or expense which the Undersigned have agreed to pay hereby, whether or not such claim, loss or expense arises out of or in connection with such Bond under which such collateral is held. The Surety may sell or realize upon any or all such collateral security, at public or private sale, with or without notice to the Undersigned or any of them, and with the right to be purchaser itself at any public sale, and shall be accountable to the Undersigned only for such surplus or remainder of such collateral security or the proceeds thereof as may be in the Surety's possession after it has been fully indemnified as in this agreement provided. The Surety shall not be liable for decrease in value or loss or destruction of or damage to such security, however caused.

FIFTH: The Surety shall have the right, at its option and in its sole discretion;

- (a) To deem this Agreement breached should the Applicant become involved in any agreement or proceeding of liquidation, receivership, or bankruptcy, voluntarily or involuntarily, or should the Applicant, if an individual, die, be convicted of a felony, become a fugitive from justice, or for any reason disappear and cannot immediately be found by the Surety by use of usual methods.
- (b) To adjust, settle or compromise any claim, demand, suit or judgment upon said Bond or Bonds, or any of them, unless the Undersigned shall request in writing the Surety to litigate such claim or demand, or defend such suit, or appeal from such judgment, and shall deposit with the Surety, at the time of such request, cash or collateral satisfactory to the Surety in kind and amount to be used in paying any judgment or judgments rendered with interest, costs and attorneys' fees.

All damage, loss or expense of any nature which the Surety may incur under section FIFTH shall be borne by the Undersigned.

SIXTH: Each of the Undersigned expressly consent that in the event of any action against the Surety arising out of its execution of such Bond or Bonds which is not handled pursuant to the provisions of Section FIFTH subparagraph (b), the Surety shall have the right to apply to the Court in which such action is brought for an order making any one or more of them defendants and hereby further consent to the granting of such application for making such order and agree to become parties defendant.

SEVENTH: The Surety shall have the exclusive right for itself and for the Undersigned to decide and determine whether any claim, demand, suit or judgment upon said Bond or Bonds shall, on the basis of liability, expediency or otherwise, be paid, settled, defended or appealed, and its determination shall be final, conclusive and binding upon the Undersigned (except as provided in Section FIFTH (b) hereof); and any loss, costs, charges, expense or liability thereby sustained or incurred, as well as any and all disbursements on account of costs, expenses, and attorneys' fees, deemed necessary or advisable by the Surety, shall be borne and paid immediately by the Undersigned, together with legal interest. In the event of any payment, settlement, compromise or investigation, an itemized statement of the payment, loss, costs, damages, expenses or attorneys' fees, sworn to by any officer of the Surety or the voucher or vouchers or other evidence of such payment, settlement or compromise shall be prima facie evidence of the fact and extent of the liability of the Undersigned to the Surety in any claim or suit hereunder and in any and all matters arising between the Undersigned and the Surety.

EIGHTH: Until the Surety shall have been furnished with competent legal evidence of its discharge without loss from any and all Bonds, the Surety shall have the right at all times to free access to the books, records and accounts of each of the Undersigned for the purpose of examining the same. Each of Undersigned hereby authorizes and requests any and all depositories in which funds of any of the Undersigned may be deposited to furnish to the Surety the amount of such deposits as of any date requested and any person, firm or corporation doing business with the Undersigned is hereby authorized to furnish any information requested by the Surety concerning pity transaction. The Surety may furnish copies of any and all statements, agreements and financial statements and any information which it now has or may hereafter obtain concerning each of the Undersigned, to other persons or companies for the purpose of procuring co-suretyship or reinsurance or of advising interested persons or companies.

NINTH: Each of the Undersigned does hereby waive all right to claim any property, including homestead as exempt from levy, execution, sale or other legal process under the law of any state, province or other government as against the rights of the surety to proceed against the same for indemnity hereunder. The Undersigned hereby waive all notice of any default or any other act or acts giving rise to any claim under any said Bond or Bonds, and waive notice of any and all liability of the Surety under any said Bond or Bonds or any and all liability on the part of the Undersigned to the effect and end, that each of the Undersigned shall be and continue liable to the Surety hereunder notwithstanding any notice of any kind to which the Undersigned might have been or be entitled and notwithstanding any defenses which the Undersigned might have been or entitled to make.

TENTH: The Surety shall have every right and remedy which a personal surety without compensation would have, including the right to secure its discharge from the suretyship, and nothing herein contained shall be considered or construed to waive, abridge or diminish any right or remedy which the Surety might have if this instrument were not executed. The Undersigned will, on request of the Surety procure the discharge of the Surety from any bonds, and all liability by reason thereof. Separate suits may be brought hereunder as causes of action may accrue, and the pendency or termination of any such suit shall not bar any subsequent action. The Surety shall be notified immediately by the Undersigned of any claim or action which may result in a claim against the Surety, such notice to be given by registered mail to the Surety at its Home Office, In the event of legal proceedings against the Surety, upon or on account of any said Bond or Bonds, the Surety may apply for a court order making any or all of the Undersigned parties defendants, and such Undersigned hereby consents to the granting of such application and agrees to become such a party defendant and to allow judgment, in the event of judgment against the Surety, to be rendered also against such Undersigned in like amount and in favor of the Surety, if the Surety so desires.

ELEVENTH: The Surety may decline to execute any Bond herein applied for and it shall not be liable to the Undersigned and the Undersigned shall make no claim for any damages alleged to arise from such declination nor shall it be liable to the Undersigned should its Bond or Bonds not be accepted. Furthermore, the Surety shall have the absolute right to cancel any Bond in accord with any cancellation provision contained therein, to procure its release from any Bond under any law for the release of sureties: and the Surety is hereby released

from any liability for expense, cost of damage alleged to be sustained by the Undersigned by reason of such cancellation or release of bond obligation.

TWELFTH: The Agreement shall, in all its terms and agreements, be for the benefit of and protect any person or company joining with the Surety in executing said Bond or Bonds, or any of them or executing at the request of the Surety said Bond or Bonds, or any of them as well as any company or companies assuming co-suretyship or reinsurance thereon.

THIRTEENTH: The Undersigned warrant that each of them is specifically and beneficially interested in the obtaining of each Bond. Failure to execute, or defective execution, by any party, shall not affect the validity of this obligation as to any other party executing the same and each such other party shall remain fully bound and liable hereunder. Invalidity of any portion or provision of this Agreement by reason of the laws of any state or for any other reason shall not render the other provisions or portion hereof invalid. Execution of any application for any Bond by the Applicant, or of any other indemnity agreement by any Undersigned for the Applicant shall in no way abrogate, waive or diminish any rights of Surety under this Agreement. The undersigned acknowledge that the execution of this Agreement and the undertaking of indemnity was not made in reliance upon any representation concerning the financial responsibility of any Undersigned, or concerning the competence of the Applicant to perform.

FOURTEENTH: Each of the Undersigned expressly recognizes and covenants that this Agreement is a continuing obligation applying to and indemnifying the Surety as to any and all Bonds (whether or not covered by any application signed by Applicant-such application to be considered between the parties hereto as merely supplemental to this Continuing Agreement of Indemnity) heretofore or hereafter executed by Surety on behalf of Applicant (whether acting alone or as a Co-venturer) until this Agreement shall be canceled in the manner hereinafter provided. Any of the Undersigned may notify the Surety at its Home Office, of such Undersigned's withdrawal from this Agreement; such notice shall be sent by certified or registered mail and shall state when, not less than thirty days after receipt of such notice by the Surety, such withdrawal shall be effective. Such Undersigned will not be liable under this Agreement as to any Bonds executed by the Surety after the effective date of such notice; provided, that as to any and all such Bonds executed or authorized by the Surety prior to effective date of such notice and as to all, and all renewals, continuations and extensions thereof or substitutions, therefore, regardless of when the same are executed, such Undersigned shall be and remain fully liable hereunder, as if said notice had not been served. Such withdrawal by any Undersigned shall in no way affect the obligation of any other Undersigned who has given no such notice of termination.

FIFTEENTH: The Surety shall have the right, and is hereby authorized and empowered but not required: (a) To increase or decrease the penalty or penalties of any such Bond or Bonds, to change the obligee or obligees therein, to execute any continuations, enlargements, modifications and renewals thereof or substitute therefore with the same or different conditions, provisions and obligees, and with the same or larger or smaller penalties, it being agreed that this instrument shall apply to and cover such new or changed bonds or renewals even though the consent of the Surety may or does substantially increase the liability of the Applicant and the Undersigned; (b) to take such steps as it may deem necessary or proper to obtain release from liability under any such Bond or Bonds.

SIXTEENTH: The foregoing indemnity shall apply as to all Bonds as aforesaid unless the Undersigned herein shall specifically designate in this paragraph the Bond to which his indemnity shall be limited and affix his signature following that designation.

BOND DESCRIPTION: N/A
SIGNATURE: N/A

SEVENTEENTH: The Surety shall be entitled to enforce the obligations hereof directly against any and all Undersigned without the necessity of first proceeding against the Applicant.

EIGHTEENTH: This Agreement or a carbon, photographic, xerographic or other reproduction or copy of this Agreement shall constitute a Security Agreement to Surety and also a Financing Statement, both in accordance with the provisions of the Uniform Commercial Code of every jurisdiction wherein such Code is in effect, but the filing or recording of this Agreement shall be solely at the option of Surety and the failure to do so shall not release or impair any of the obligations of the Applicant or the Undersigned under this Agreement or otherwise arising, nor shall such failure be in any manner in derogation of the rights of Surety under this Agreement or otherwise.

NINETEENTH: The rights of indemnification of each Surety signatory to this Agreement shall be individual and not joint with those of the other signatory Sureties as respects any bond issued by it, to any Applicant and shall be enforceable against the Undersigned as to any and all bonds issued to any Applicant hereunder.

TWENTIETH: PLACE IN FUNDS – Where under the terms of any Bond or Bonds the surety is required to make payment upon receipt of a first written or simple demand without proof or condition, the Undersigned will immediately upon the Surety's first written request or simple demand (which shall be conclusive evidence that such sums is due and payable) pay to the Surety or place with the Surety (subject to the Bond amount and additional costs or liquidated damages, if any) the sum required to make such payment without any question or delay and whether or not such demand is in the Undersigned's opinion a proper demand.

Signed, sealed and dated this 6th day of April, 2000.

Labor Ready, Inc.

Attest:

By /s/ Joseph P. Sambataro
Joseph P. Sambataro, Executive Vice
President, CFO and Treasurer

/s/ Ronald L. Junckl
Ronald L. Junck, General Counsel and
Secretary

LABOR READY, INC..
2000 STOCK OPTION PLAN
(AS AMENDED FEBRUARY 20, 2001)

SECTION 1.
PURPOSE

The purpose of the 2000 Stock Option Plan (the "Plan") is to enhance the long-term shareholder value of Labor Ready, Inc., a Washington corporation (the "Company"), by aligning the interests of its employees with those of its shareholders by offering opportunities to all full-time employees of the Company and its Subsidiaries (as defined in Section 2) to own shares in the Company and thereby participate in the Company's growth and success, and to encourage them to remain in the service of the Company and its Subsidiaries. Officers and Directors of the Company are not eligible to participate in this Plan.

SECTION 2.
DEFINITIONS

For purposes of the Plan, the following terms shall be defined as set forth below:

- 2.1. "Board" means the Board of Directors of the Company.
- 2.2. "Code" means the Internal Revenue Code of 1986, as amended from time to time.
- 2.3. "Common Stock" means the common stock of the Company.
- 2.4. "Corporate Transaction" means any of the following events:

2.4.1. Consummation of any merger or consolidation of the Company in which the Company is not the continuing or surviving corporation, or pursuant to which shares of Common Stock are converted into cash, securities, or other property, if following such merger or consolidation the holders of the Company's outstanding voting securities immediately prior to such merger or consolidation own less than 50% of the outstanding voting securities of the surviving corporation;

2.4.2. Consummation of any sale, lease, exchange, or other transfer, in one transaction or a series of related transactions, of all or substantially all of the Company's assets, other than a transfer of the Company's assets to a majority-owned subsidiary corporation of the Company; or

2.4.3. Approval by the holders of the Common Stock of any plan or proposal for the liquidation or dissolution of the Company.

Ownership of voting securities shall take into account and shall include ownership as determined by applying Rule 13d-3(d)(1)(i) (as in effect on the date of adoption of the Plan) under the Exchange Act.

- 2.5 "Director" means an individual duly elected or appointed to the Company's board of directors.
- 2.6 "Disability" means "permanent and total disability" as that term is defined for purposes of Section 22(e)(3) of the Code.
- 2.7 "Early Retirement" means early retirement as that term is defined by the Plan Administrator from time to time for purposes of the Plan.
- 2.8 "Employee" means a person continuously employed for not less than one month by the Company or by any current or future Subsidiary of the Company on a regular basis.
- 2.9 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.10 "Fair Market Value" shall be as established in good faith by the Plan Administrator or (a) if the Common Stock is listed on the Nasdaq National Market, the closing sale price for the Common Stock as reported by the Nasdaq National Market for the date upon which the "Fair Market Value" is to be determined, or (b) if the Common Stock is listed on the New York Stock Exchange or the American Stock Exchange, the closing sale price for the Common Stock as such price is officially quoted in the composite tape of transactions on such exchange for the date upon which the "Fair Market Value" is to be determined. If there is no such reported price for the Common Stock for any date in question, then the reported price available on the last trading day immediately preceding such date shall be used to determine the Fair Market Value.

2.11 "Grant Date" means the date on which the Plan Administrator adopted the granting resolution or a later date designated in a resolution of the Plan Administrator as the date an Option is to be granted.

2.12 "Officer" means the Chief Executive Officer, President, Vice-President, Chief Financial Officer and such other executive management persons designated by the Board of Directors from time to time, all in conformity with NYSE rule 312.03.

- 2.13 "Option" means a nonqualified stock option granted under this Plan, which grants the recipient the right to purchase Common

Stock.

2.14 “Optionee” means (i) the person to whom an Option is granted; (ii) for an Optionee who has died, the personal representative of the Optionee’s estate, the person(s) to whom the Optionee’s rights under the Option have passed by will or by the applicable laws of descent and distribution, or the beneficiary designated in accordance with Section 9; or (iii) person(s) to whom an Option has been transferred in accordance with Section 9.

2.15 “Plan Administrator” means the Board or any committee of the Board designated to administer the Plan under Section 3.1.

2.16 “Retirement” means retirement as of the individual’s normal retirement date as that term is defined by the Plan Administrator from time to time for purposes of the Plan.

2.17 “Securities Act” means the Securities Act of 1933, as amended.

2.18 “Subsidiary”, except as provided in Section 8.3 in connection with Incentive Stock Options, means any entity that is directly or indirectly controlled by the Company or in which the Company has a significant ownership interest, as determined by the Plan Administrator, and any entity that may become a direct or indirect parent of the Company.

2.19 “Successor Corporation” has the meaning set forth under Section 10.2.

SECTION 3. ADMINISTRATION

3.1. Plan Administrator. The Plan shall be administered by the Board or a committee or committees (which term includes subcommittees) appointed by, and consisting of one or more members of, the Board. The Board may delegate the responsibility for administering the Plan with respect to designated classes of eligible persons to different committees consisting of two or more members of the Board, subject to such limitations as the Board deems appropriate. Committee members shall serve for such term as the Board may determine, subject to removal by the Board at any time.

3.2. Administration and Interpretation by the Plan Administrator. Except for the terms and conditions explicitly set forth in the Plan, the Plan Administrator shall have exclusive authority, in its discretion, to determine all matters relating to Options under the Plan, including the selection of Employees to be granted Options, the number of shares of Common Stock subject to an Option, all terms, conditions, restrictions and limitations, if any, of an Option and the terms of any instrument that evidences the Option. The Plan Administrator shall also have exclusive authority to interpret the Plan and may from time to time adopt, and change, rules and regulations of general application for the Plan’s administration. The Plan Administrator’s interpretation of the Plan and its rules and regulations, and all actions taken and determinations made by the Plan Administrator pursuant to the Plan, shall be conclusive and binding on all parties involved or affected. The Plan Administrator may delegate administrative duties to such of the Company’s officers as it so determines.

SECTION 4. STOCK SUBJECT TO THE PLAN

4.1. Authorized Number of Shares. Subject to adjustment from time to time as provided in Section 10.1, a maximum of 3,000,000 shares of Common Stock (subject to appropriate adjustment in the case of stock splits, stock dividends and the like) shall be available for issuance under the Plan. Shares issued under the Plan shall be drawn from authorized and unissued shares or shares now held or subsequently acquired by the Company.

4.2. Reuse of Shares. Any shares of Common Stock that have been made subject to an Option but that cease to be subject to the Option (other than by reason of exercise of the Option to the extent it is exercised for shares) shall again be available for issuance in connection with future grants of Options under the Plan.

SECTION 5. ELIGIBILITY

Options may be granted under the Plan to Employees as the Plan Administrator from time to time selects.

SECTION 6. ACQUISITIONS

6.1. Acquired Company Option Awards. Notwithstanding anything in the Plan to the contrary, the Plan Administrator may grant Options under the Plan in substitution for awards issued under other plans, or assume under the Plan awards issued under other plans, if the other plans are or were plans of other acquired entities (“Acquired Entities”) (or the parent of the Acquired Entity) and the new Option is substituted, or the old award is assumed, by reason of a merger, consolidation, acquisition of property or of stock, reorganization or liquidation (the “Acquisition Transaction”). In the event that a written agreement pursuant to which the Acquisition Transaction is completed is approved by the Board and said agreement sets forth the terms and conditions of the substitution for or assumption of outstanding awards of the Acquired Entity, said terms and conditions shall be deemed to be the action of the Plan Administrator without any further action by the Plan Administrator, and the persons holding such awards shall be deemed to be Optionees.

SECTION 7. TERMS AND CONDITIONS OF OPTIONS

7.1 Form and Grant of Options. The Plan Administrator shall have the authority, in its sole discretion, to determine the amount of Options to be made under the Plan. Options may be granted singly or in combination.

7.2 Option Exercise Price. The exercise price for shares purchased under an Option shall be as determined by the Plan Administrator, but shall not be less than 100% of the Fair Market Value of the Common Stock on the Grant Date.

7.3 Term of Options. The term of each Option shall be as established by the Plan Administrator or, if not so established, shall be 5 years from the Grant Date.

7.4 Exercise of Options. The Plan Administrator shall establish and set forth in each instrument that evidences an Option the time at which or the installments in which the Option shall become exercisable, which provisions may be waived or modified by the Plan Administrator at any time. If not so established in the instrument evidencing the Option, the Option will become exercisable according to the following schedule, which may be waived or modified by the Plan Administrator at any time:

Period of Holder's Continuous Employment or Service With the Company or Its Subsidiaries From the Option Grant Date	Percent of Total Option That Is Exercisable
After 1 year	25%
Each 1 year period of continuous service completed thereafter	An additional 25%
After 4 years	100%

To the extent that the right to purchase shares has accrued thereunder, an Option may be exercised from time to time by written notice to the Company, in accordance with procedures established by the Plan Administrator, setting forth the number of shares with respect to which the Option is being exercised and accompanied by payment in full as described in Section 7.5.

7.5 Payment of Exercise Price. The exercise price for shares purchased under an Option shall be paid in full to the Company by delivery of consideration equal to the product of the Option exercise price and the number of shares purchased. Such consideration must be paid in cash or by check or, unless the Plan Administrator in its sole discretion determines otherwise, either at the time the Option is granted or at any time before it is exercised, a combination of cash and/or check and if and so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, delivery of a properly executed exercise notice, together with irrevocable instructions, to (i) a brokerage firm designated by the Company to deliver promptly to the Company the aggregate amount of sale or loan proceeds to pay the Option exercise price and any withholding tax obligations that may arise in connection with the exercise and (ii) the Company to deliver the certificates for such purchased shares directly to such brokerage firm, all in accordance with the regulations of the Federal Reserve Board. In addition, the exercise price for shares purchased under an Option may be paid, either singly or in combination with one or more of the alternative forms of payment authorized by this Section 7.5 or by such other consideration as the Plan Administrator may permit.

7.6 Post-Termination Exercises. The Plan Administrator shall establish and set forth in each instrument that evidences an Option whether the Option will continue to be exercisable, and the terms and conditions of such exercise, if an Optionee ceases to be employed by, or to provide services to, the Company or its Subsidiaries, which provisions may be waived or modified by the Plan Administrator at any time. If not so established in the instrument evidencing the Option, the Option will be exercisable according to the following terms and conditions, which may be waived or modified by the Plan Administrator at any time.

Any portion of an Option that is not exercisable on the date of termination of the Optionee's employment or services shall terminate on such date. A transfer of employment or services between or among the Company and its Subsidiaries shall not be considered a termination of employment or services. The effect of a Company-approved leave of absence on the terms and conditions of an Option shall be determined by the Plan Administrator, in its sole discretion.

SECTION 8. ASSIGNABILITY

No Option granted under the Plan may be assigned, pledged, or transferred by the Optionee other than by will or by the applicable laws of descent and distribution, and, during the Optionee's lifetime, such Option may be exercised only by the Optionee or a permitted assignee or transferee of the Optionee (as provided below).

SECTION 9. ADJUSTMENTS

9.1 Adjustment of Shares. In the event that, at any time or from time to time, a stock dividend, stock split, spin-off, combination or exchange of shares, recapitalization, merger, consolidation, distribution to shareholders other than a normal cash dividend, or other change in the Company's corporate or capital structure results in (a) the outstanding shares, or any securities exchanged therefor or received in their place, being exchanged for a different number or class of securities of the Company or of any other corporation or (b) new, different or additional securities of the Company or of any other corporation being received by the holders of shares of Common Stock of the Company, then the Plan Administrator shall make proportional adjustments in (i) the maximum number and kind of securities subject to the Plan as set forth in Section 4.1 and (ii) the number and kind of securities that are subject to any outstanding Option and the per share price of such securities, without any change in the aggregate price to be paid therefor. The determination by the Plan Administrator as to the terms of any of the foregoing adjustments shall be conclusive and binding.

9.2 Adjustment of Options. The Plan Administrator shall have the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation, or change in control of the Company, as defined by the Plan Administrator, to take such further action as it determines to be necessary or advisable, and fair and equitable to Optionees, with respect to Options. Such authorized action may include (but shall not be limited to) establishing, amending or waiving the type, terms, conditions or duration of, or restrictions on, Options so as to provide for earlier, later, extended or additional time for exercise and other modifications, and the Plan Administrator may take such actions with respect to all Optionees, to certain categories of Optionees or only to individual Optionees. The Plan Administrator may take such action before or after granting Options to which the action relates and before or after any public announcement with respect to such sale, merger, consolidation, reorganization, liquidation, or change in control that is the reason for such action.

9.3 Limitations. The grant of Options will in no way affect the Company's right to adjust, reclassify, reorganize, or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

SECTION 10. WITHHOLDING

The Company may require the Optionee to pay to the Company the amount of any withholding taxes that the Company is required to withhold with respect to the grant or exercise of any Option. Subject to the Plan and applicable law, the Plan Administrator may, in its sole discretion, permit the Optionee to satisfy withholding obligations, in whole or in part, by paying cash, by electing to have the Company withhold shares of Common Stock or by transferring shares of Common Stock to the Company, in such amounts as are equivalent to the Fair Market Value of the withholding obligation. The Company shall have the right to withhold from any shares of Common Stock issuable pursuant to an Option or from any cash amounts otherwise due or to become due from the Company to the Optionee an amount equal to such taxes. The Company may also deduct from any Option any other amounts due from the Optionee to the Company or a Subsidiary.

SECTION 11. AMENDMENT AND TERMINATION OF PLAN

11.1 Amendment of Plan. The Plan may be amended only by the Board in such respects as it shall deem advisable.

11.2 Termination of Plan. The Board may suspend or terminate the Plan at any time. The Plan will have no fixed expiration date.

11.3 Consent of Optionee. The amendment or termination of the Plan shall not, without the consent of the Optionee, impair or diminish any rights or obligations under any Option theretofore granted under the Plan.

SECTION 12. GENERAL

12.1 Option Agreements. Options granted under the Plan shall be evidenced by a written grant in such form as approved by the Plan Administrator from time to time.

12.2 Continued Employment or Services; Rights in Options. None of the Plan, participation in the Plan, or any action of the Plan Administrator taken under the Plan shall be construed as giving any person any right to be retained in the employ of the Company or limit the Company's right to terminate the employment or services of any person.

12.3 No Rights as a Shareholder. No Option shall entitle the Optionee to any dividend, voting, or other right of a shareholder unless and until the date of issuance under the Plan of the shares that are the subject of such Option, free of all applicable restrictions.

12.4 No Trust or Fund. The Plan is intended to constitute an "unfunded" plan. Nothing contained herein shall require the Company to segregate any monies or other property, or shares of Common Stock, or to create any trusts, or to make any special deposits for any immediate or deferred amounts payable to any Optionee, and no Optionee shall have any rights that are greater than those of a general unsecured creditor of the Company.

12.5 Costs and Expenses. Except as provided herein with respect to the payment of taxes, all costs and expenses of administering the Plan shall be borne by the Company and shall not be charged to any grant nor any employee receiving a grant.

12.6 Golden Parachute Taxes. In the event that any amounts paid or deemed paid to an employee under this Plan are deemed to constitute "excess parachute payments" as defined in Section 280G of the Code (taking into account any other payments made under this Plan and any other compensation paid or deemed paid to an employee), or if any employee is deemed to receive an "excess parachute payment" by reason of his or her vesting of Options pursuant to Section 10 hereof, the amount of such payments or deemed payments shall be reduced (or, alternatively the provisions of Section 10 shall not act to vest options to such employee), so that no such payments or deemed payments shall constitute excess parachute payments. The determination of whether a payment or deemed payment constitutes an excess parachute payment shall be in the sole discretion of the Plan Administrator.

12.7 Foreign Employees. Without amending the Plan, the Board may authorize the Plan Administrator to grant options to eligible employees who are foreign nationals on such terms and conditions different from those specified in this Plan as may in the judgment of the Board be necessary or desirable to foster and promote achievement of the purposes of the Plan, and, in furtherance of such purposes the Board may make such modifications, amendments, procedures, subplans, and the like as may be necessary or advisable to comply with the provisions of the laws in other countries in which the Company operates or has employees.

12.8 Governing Law. This Plan shall be governed by and construed in accordance with the laws of the State of Washington.

12.9 Severability. If any provision of the Plan or any Option is determined to be invalid, illegal or unenforceable in any jurisdiction, or as to any person, or would disqualify the Plan or any Option under any law deemed applicable by the Plan Administrator, such provision shall be construed or deemed amended to conform to applicable laws, or, if it cannot be so construed or deemed amended without, in the Plan Administrator's determination, materially altering the intent of the Plan or the Option, such provision shall be stricken as to such jurisdiction, person or Option, and the remainder of the Plan and any such Option shall remain in full force and effect.

**SECTION 15.
EFFECTIVE DATE**

The effective date of the Plan is the date on which it is adopted by the Board.

Adopted by the Board on 14 March, 2000 and as amended on February 20, 2001

SUSIDIARIES OF LABOR READY, INC.

Corporate Name	Incorporated in State/Country of
Labor Ready Assurance Company	Cayman Island
Labor Ready Central, Inc.	Washington
Labor Ready Central II, LLC	Washington
Labor Ready Central III, LP	Washington
Labor Ready Funding Corporation	Delaware
Labor Ready GP Company, Inc.	Washington
Labor Ready Mid-Atlantic, Inc.	Washington
Labor Ready Holdings	Nevada
Labor Ready Mid-Atlantic II, Inc.	Washington
Labor Ready Mid-Atlantic III, LP	Washington
Labor Ready Midwest, Inc.	Washington
Labor Ready Northeast, Inc.	Washington
Labor Ready Northwest, Inc.	Washington
Labor Ready Properties, Inc.	Nevada
Labor Ready Puerto Rico, Inc.	Puerto Rico
Labor Ready Southeast, Inc.	Washington
Labor Ready Southeast II, Inc.	Washington
Labor Ready Southeast III, LP	Washington
Labor Ready Southwest, Inc.	Washington
Labour Ready Temporary Services Ireland Limited	Ireland
Labour Ready Temporary Services, Ltd.	Canada
Labour Ready Temporary Services UK, Ltd.	United Kingdom
Workers Assurance of Hawaii, Inc.	Hawaii

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

/s/ Arthur Andersen LLP

March 28, 2001