

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

FORM 10-Q

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

For the quarterly period ended March 30, 2001

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 Registrant as specified in its charter)

Washington

91-1287341

(State of Incorporation)

(Employer Identification No.)

1015 A Street, Tacoma, Washington

98402

(Address of Principal Executive Offices)

(Zip Code)

(253) 383-9101

(Registrant's Telephone Number)

1016 S. 28th Street, Tacoma, Washington

98409

(Registrant's Former Address)

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

As of May 7, 2001, the Registrant had 40,509,549 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None.

LABOR READY, INC.

INDEX

Part I.	Financial Information	
Item 1.	Consolidated Balance Sheets March 30, 2001 and December 31, 2000	2
	Consolidated Statements of Income Thirteen Weeks Ended March 30, 2001 and March 31, 2000	4
	Consolidated Statements of Cash Flows Thirteen Weeks Ended March 30, 2001 and March 31, 2000	5
	Notes to Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 3.	Qualitative and Quantitative Disclosures About Market Risk	12

Part II. **Other Information**

LABOR READY, INC.
CONSOLIDATED BALANCE SHEETS

In Thousands

ASSETS

	(Unaudited) March 30, 2001	December 31, 2000
CURRENT ASSETS:		
Cash and cash equivalents	\$ 31,048	\$ 36,048
Accounts receivable	2,736	100,678
Accounts receivable pledged under securitization agreement	81,395	—
Allowance for doubtful accounts	(6,264)	(7,661)
Workers' compensation deposits and credits	4,497	4,497
Prepaid expenses and other	8,057	6,878
Income tax receivable	3,848	195
Deferred income taxes	8,507	9,771
	<u>133,824</u>	<u>150,406</u>
PROPERTY AND EQUIPMENT:		
Buildings and land	17,919	7,057
Computers and software	30,920	29,912
Cash dispensing machines	14,036	13,790
Furniture and equipment	1,641	1,620
Construction in progress	—	8,850
	<u>64,516</u>	<u>61,229</u>
Less accumulated depreciation	19,881	17,827
	<u>44,635</u>	<u>43,402</u>
OTHER ASSETS:		
Restricted cash	2,897	1,696
Deferred income taxes	10,029	9,521
Other assets	1,022	398
	<u>13,948</u>	<u>11,615</u>
Total assets	\$ 192,407	\$ 205,423

See accompanying notes to consolidated financial statements.

LABOR READY, INC.
CONSOLIDATED BALANCE SHEETS

In Thousands (Except Per Share Amounts)

LIABILITIES AND SHAREHOLDERS' EQUITY

	(Unaudited) March 30, 2001	December 31, 2000
CURRENT LIABILITIES:		
Accounts payable	\$ 16,556	\$ 18,683
Accrued wages and benefits	11,685	10,201
Current portion of workers' compensation claims reserve	17,419	19,452
Current maturities of long-term debt	1,737	7,911

Total current liabilities	47,397	56,247
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities	6,398	6,843
Workers' compensation claims reserve	31,200	30,229
Total long-term liabilities	37,598	37,072
Total liabilities	84,995	93,319
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, no par value, 100,000 shares authorized; 40,557 and 40,941 shares issued and outstanding	50,650	52,074
Cumulative foreign currency translation adjustment	(516)	(250)
Retained earnings	57,278	60,280
Total shareholders' equity	107,412	112,104
Total liabilities and shareholders' equity	\$ 192,407	\$ 205,423

See accompanying notes to consolidated financial statements.

3

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

	Thirteen Weeks Ended	
	March 30, 2001	March 31, 2000
Revenues from services	\$ 202,736	\$ 193,450
Cost of services	142,362	134,736
Gross profit	60,374	58,714
Selling, general and administrative expenses	63,165	60,767
Depreciation and amortization	2,068	1,765
Loss from operations	(4,859)	(3,818)
Interest income, net	84	8
Loss before tax benefit	(4,775)	(3,810)
Taxes (benefit) on loss	(1,773)	(1,491)
Net loss	\$ (3,002)	\$ (2,319)
Basic net loss per common share	\$ (0.07)	\$ (0.05)
Diluted net loss per common share	\$ (0.07)	\$ (0.05)
Weighted average shares outstanding:		
Basic	40,718	42,818
Diluted	40,718	42,818

See accompanying notes to consolidated financial statements.

4

LABOR READY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

In Thousands

(Unaudited)

	Thirteen Weeks Ended	
	March 30, 2001	March 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (3,002)	\$ (2,319)
Adjustments to reconcile net loss to net cash provided by operating activities: Depreciation and amortization	2,068	1,765
Provision for doubtful accounts	4,048	2,935
Deferred income taxes	756	537
Loss on disposal of property and equipment	71	—
Changes in operating assets and liabilities		
Accounts receivable	11,102	9,149
Prepaid expenses and other	(1,179)	872
Accounts payable	(2,471)	339
Accrued wages and benefits	1,484	629
Income taxes	(3,653)	(2,194)
Workers' compensation claims reserve	(1,062)	713
	8,162	12,426
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(3,368)	(3,125)
Restricted cash	(1,201)	—
Intangible assets and other	(628)	(520)
	(5,197)	(3,645)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds on short term borrowing	344	2,702
Proceeds from options and warrants exercised	—	22
Proceeds from sale of stock through employee benefit plans	572	564
Purchase and retirement of common stock	(1,996)	(934)
Payments on long-term debt	(6,619)	(293)
Preferred stock dividends paid	—	(43)
	(7,699)	2,018
Effect of exchange rates on cash	(266)	(7)
	(5,000)	10,792
Net increase (decrease) in cash and cash equivalents	36,048	16,845
CASH AND CASH EQUIVALENTS, beginning of period	31,048	27,637
CASH AND CASH EQUIVALENTS, end of period	\$ 31,048	\$ 27,637

See accompanying notes to consolidated financial statements.

Item 1. Notes to Consolidated Financial Statements

SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures usually found in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in our 2000 annual report on Form 10-K. Certain amounts in the consolidated balance sheet at December 31, 2000 have been reclassified to conform to the 2001 presentation. The accompanying consolidated financial statements reflect all adjustments, including normal recurring adjustments, which in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. Operating results for the thirteen week period ended March 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001.

WORKERS' COMPENSATION

We provide workers' compensation insurance to our temporary workers and regular employees. For workers' compensation claims originating in the majority of states, we have purchased a deductible insurance policy. Under terms of the policy, our 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 us. 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 us.

We establish a 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 March 30, 2001 and December 31, 2000 are workers' compensation claims reserves of \$48.6 million and \$49.7 million. The claims reserves were computed using a discount rate of 6.0%.

Workers' compensation expense totaling \$12.7 million and \$10.0 million was recorded as a component of cost of services in each of the thirteen weeks ended March 30, 2001 and March 31, 2000.

For workers' compensation claims originating in Washington, Ohio, West Virginia, Canada and Puerto Rico, we pay 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 our previous claims experience.

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

ACCOUNTS RECEIVABLE SECURITIZATION

In March 2001, we entered into letter of credit facility and an accounts receivable securitization facility with certain unaffiliated financial institutions (the "New Creditors"). Subject to certain availability requirements, these facility'ies provide a maximum combined borrowing capacity of \$100 million, all of which may be utilized as a revolving line of credit and up to \$80 million of which may be used to obtain letters of credit (but any usage for letters of credit will reduce the amount

6

available for use as loans). Interest on advances under the line of credit facility is generally based upon the New Creditor's commercial paper rate, and fees for the letter of credit facility are based upon the New Creditor's cost of issuance. The line of credit facility is secured by eligible accounts receivable of Labor Ready, Inc. and certain of its subsidiaries, which are transferred by them to Labor Ready Funding Corporation. ("LRF"), a wholly owned, special purpose, bankruptcy remote subsidiary of Labor Ready, Inc., and pledged to the New Creditors on an ongoing basis. The letter of credit facility is secured by Labor Ready, Inc.'s pledge of all of the outstanding capital stock of LRF. Additionally, Labor Ready, Inc. acts as a servicer for LRF in the collection and administration of the pledged accounts receivable.

LONG-TERM DEBT

In February of 2001, we paid the \$6.2 million outstanding balance, as of December 31, 2000, on the secured credit facility from U.S. Bank for our new corporate headquarters and administrative offices.

SUPPLEMENTAL CASH FLOW INFORMATION

	(Amounts in Thousands) Thirteen Weeks Ended	
	March 30, 2001	March 31, 2000
Cash paid during the period for:		
Interest	\$ 326	\$ 203
Income taxes	\$ 1,380	\$ 169
Non-cash investing and financing activities:		
Tax benefits related to stock options	\$ —	\$ 34
Assets acquired with capital lease obligations	\$ —	\$ 1,674
Accrued preferred stock dividends	\$ —	\$ 11

EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income (loss), less preferred stock dividends, by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income (loss), less preferred stock dividends, by the weighted average number of common shares and common share equivalents outstanding during the period. Common share equivalents include the dilutive effect of outstanding options, except where their inclusion would be anti-dilutive.

Basic and diluted earnings per share were calculated as follows (amounts in thousands, except per share amounts):

	Thirteen Weeks Ended	
	March 30, 2001	March 31, 2000
Net loss	\$ (3,002)	\$ (2,319)
Less preferred stock dividends	—	(11)
Loss allocable to common shareholders	\$ (3,002)	\$ (2,330)
Weighted average shares outstanding	40,718	42,818
Net loss per share	\$ (0.07)	\$ (0.05)

7

Certain matters discussed in this Form 10-Q, including statements about our revenue growth, the demand for temporary labor and our plans for opening new offices, are forward-looking statements within the meaning of the Private Litigation Reform Act of 1995. As such, these forward-looking statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements by us to be different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, but are not limited to (1) our ability to manage and continue our growth, (2) economic conditions in our key market areas, and (3) other risks as set forth in the Form 10-K for the year ended December 31, 2000 that we filed with the Securities and Exchange Commission. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be attained.

Overview

Labor Ready is the nation's leading provider of temporary manual labor. Our customers are primarily in the freight handling, warehousing, landscaping, construction, light manufacturing, and other light industrial businesses. We have grown from eight dispatch offices in 1991 to 824 dispatch offices at March 30, 2001. Substantially all of the growth in dispatch offices was achieved by opening Company-owned locations rather than through acquisitions or franchising. Our annual revenues have grown from approximately \$6 million in 1991 to \$977 million in 2000, and were \$203 million for the thirteen weeks ended March 30, 2001. This revenue growth has been generated by opening new dispatch offices in markets throughout the U.S., Canada, United Kingdom and Puerto Rico.

We opened 22 dispatch offices during the first thirteen weeks of 2001 and closed 14 offices. The average cost of opening each new dispatch office in 2001 was approximately \$30,000 as compared to approximately \$45,000 in 2000. The average cost of opening a new dispatch office decreased by \$15,000 in 2001, as we redistributed previously purchased CDMs from our closed branches. Approximately \$13,000 of these costs includes salaries, recruiting, testing, training, lease and other related costs which are expensed, and the remaining \$17,000 is included in property and equipment and includes computer systems and other equipment related costs, leasehold improvements and related equipment. The cost of opening a new dispatch office includes management training and the installation of computer and other office systems.

Further, once open, we invest 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. We pay our temporary workers on a daily basis, and bill our customers weekly. Consequently, we may experience 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.

Approximately 20% of our customers are construction and landscaping businesses, which are significantly affected by the weather. Construction and landscaping businesses and, to a lesser degree, other customer businesses typically increase activity in spring, summer and early fall months and decrease activity in late fall and winter months. Further, inclement weather can slow construction and landscaping activities in such periods. As a result, we have generally experienced a significant increase in temporary labor demand in the spring, summer and early fall months, and lower demand in the late fall and winter months.

Depending upon location, new dispatch offices initially target the construction industry for potential customers. As dispatch offices mature, the customer base broadens and the customer mix diversifies. From time to time, during peak periods, we experience shortages of available temporary workers. We provide temporary workers with the option of receiving cash payment instead of a payroll

8

check. We believe this additional feature is unique among our direct competitors and should increase our ability to attract available temporary workers.

Revenue from services includes revenues earned on services provided by our temporary workers and fees generated by the CDMs.

Cost of services includes the wages and related payroll taxes of temporary workers, workers' compensation expense, unemployment compensation insurance and transportation. Cost of services as a percentage of revenues has historically been affected by numerous factors, including the use of lower introductory rates to attract new customers at new dispatch offices, the use of higher pay rates to attract more skilled workers, changes in the workers' compensation reserve rates and the changing geographic mix of new and established, more mature markets. Although we have implemented policies and procedures to prevent unplanned increases in pay rates, significant continuing fluctuations in cost of services may be experienced as we pursue further aggressive growth.

Selling, general and administrative expenses include the salaries and wages of our operations and administrative personnel, dispatch office operating expenses, corporate office operating expenses and the costs of the CDM program.

Labor Ready pays employee-related expenses of its temporary workers, including workers' compensation coverage, unemployment compensation insurance, and Social Security and Medicare taxes. We do not provide health, dental, disability or life insurance to the temporary workers. We bill our customers for the hours worked by our temporary workers assigned to the customer. Because we pay our temporary workers only for the hours actually worked, wages for the temporary workers are a variable cost that increases or decreases directly in proportion to revenue. We have one franchisee, which operates five dispatch offices. We do not intend to grant additional franchises. Royalty revenues from the franchised dispatch offices are not material during any period presented herein.

Results of Operations

The following table compares the operating results for the thirteen weeks ended March 30, 2001 and March 31, 2000 (in thousands):

	Thirteen Weeks Ended		
	March 30, 2001	Percent Change	March 31, 2000
Revenues from services	\$ 202,736	4.8	\$ 193,450
Cost of services	142,362	5.7	134,736
Selling, general and administrative expenses	63,165	3.9	60,767
Depreciation and amortization	2,068	17.2	1,765
Interest income, net	84	950.0	8
Loss before taxes	(4,775)	25.3	(3,810)
Net loss	\$ (3,002)	29.5	\$ (2,319)

Thirteen Weeks Ended March 30, 2001 Compared to Thirteen Weeks Ended March 31, 2000

Dispatch Offices

The number of offices grew to 824 at March 30, 2001 from 816 locations at December 31, 2000, a net increase of 8 dispatch offices, or 1.0%. Between December 31, 1999 and March 31, 2000, the number of offices grew from 687 to 830 locations, a net increase of 143 dispatch offices, or 20.8%.

9

Revenues from Services

The increase in revenues is due primarily to the increase in the average bill rate. Included in revenues from services for the thirteen weeks ended March 30, 2001 and March 31, 2000 are CDM fees of \$1.7 million and \$1.7 million.

Cost of Services

The increase in cost of services is primarily due to the increase in the average pay rate and workers' compensation costs. Cost of services were 70.2% of revenue for the thirteen weeks ended March 30, 2001 compared to 69.6% of revenue for the same period in 2000, an increase of 0.6% of revenue.

Selling, General and Administrative Expenses

The increase in selling, general and administrative expenses is largely due to the 4.8% increase in revenues from 2000 to 2001. Selling, general and administrative expenses were 31.2% of revenues for the first quarter of 2001 as compared to 31.4% of revenues in the first quarter of 2000. The decrease in selling, general and administrative expenses as a percentage of revenue in the first quarter of 2001 is due mainly to a decrease in advertising and staffing costs. Included in selling, general and administrative expense for the thirteen weeks ended March 30, 2001 and March 31, 2000 are CDM related expenses of \$0.9 million and \$0.4 million.

We expect that selling, general and administrative expenses as a percentage of revenues may fluctuate in future periods as we may adjust our staffing at the dispatch offices and upgrade our operating and administrative capabilities to accommodate anticipated revenue and dispatch office growth.

Depreciation and Amortization Expense

The increase in quarterly depreciation and amortization expense is primarily the result of the addition of \$18.1 million of property and equipment since the first quarter of 2000. These additions primarily include building, CDMs, computer equipment, software, and other equipment.

Interest Income, Net

The increase in net interest income was the result of the increase in the amount invested. Additionally, cash balances held in CDMs for payment of temporary worker payrolls will continue to reduce cash for investing.

We expect to incur interest expense during the balance of 2001 as our cash demands will increase during our busiest time of year, which will result in increased borrowing on our credit facility. Additionally, cash balances held in the CDMs for payment of temporary worker payrolls will continue to reduce cash available for investing.

Taxes (Benefit) on Income (Loss)

The increase in the tax benefit for the quarter is commensurate with the decrease in income from operations on a quarter over quarter basis. Our effective tax rate was 37.1% in the first quarter of 2001 as compared to 39.1% for the same period in 2000. The principal difference between the statutory federal income tax rate and our effective income tax rate results from state income taxes, certain non-deductible expenses and the valuation allowance as discussed below.

We had a net deferred tax asset of approximately \$18.5 million at March 31, 2001, resulting primarily from workers' compensation deposits, credits and reserves. Due to the uncertainty of the

realization of certain tax planning measures, we have established a valuation allowance against this net deferred tax asset in the amount of \$0.7 million.

Net Loss

As a percentage of revenues from services, the net loss was 1.5% for the first quarter of 2001, which compares to 1.2% for the first quarter of 2000, an increase of 0.3%. This increase in net loss as a percentage of revenue was related to the increase in cost of services and selling, general and administrative expenses as a percentage of sales.

Liquidity and Capital Resources

Net cash provided by operating activities was \$8.2 million for the period ended March 30, 2001 compared to \$12.4 million for the period ended March 31, 2000. The decrease in cash provided by operations for the thirteen weeks ended March 30, 2001, is largely due to the increase in net loss and prepaid expenses, and a decrease in accounts payable and workers compensation reserves, offset by the decrease in accounts receivable.

We used net cash in investing activities of \$5.2 million in the first quarter of 2001, compared to \$3.6 million in the first quarter of 2000. The increase in cash used in investing activities in 2001 as compared to 2000 is due primarily to an increase in restricted cash.

Net cash provided by (used in) financing activities was (\$7.7 million) for the period ended March 30, 2001 and \$2.0 million for the period ended March 31, 2000. The increase in cash used in financing activities in 2001 as compared to 2000 is due mainly to the increase in payments on short term borrowings and by the purchase and retirement of common stock of approximately 575,000 shares at an aggregate purchase price of \$2.0 million.

In February 1999, we entered into a line of credit agreement with U.S. Bank. The agreement allows us 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 or the London Inter-Bank Offering Rate (LIBOR) plus 1.25%. The line of credit is secured primarily by our accounts receivable and is due in full on June 30, 2001. The line of credit agreement requires that we maintain certain minimum net worth and working capital amounts and ratios. At March 30, 2001, we did not have an outstanding balance and we were in compliance with the requirements. On March 1, 2001, U.S. Bank released its security rights to the 80% of eligible accounts receivable. We expect this agreement to remain at a zero balance and terminate in the second quarter of 2001.

In March 2001, we entered into letter of credit facility and an accounts receivable securitization facility with certain unaffiliated financial institutions. Subject to certain availability requirements, these facilities allow us to borrow a maximum of \$100 million, up to \$80 million of which may be used to obtain letters of credit. At March 30, 2001, \$60.7 million was available, of which we have committed \$37.7 million for letters of credit to our insurance carriers, leaving \$23.0 available for future borrowing.

Included in cash and cash equivalents at March 30, 2001 is approximately \$13.8 million as compared to \$12.4 million at March 31, 2000 of cash which is located in the CDMs for payment of temporary worker payrolls.

Historically, we have financed our operations through cash generated by external financing including term loans, credit facilities and stock offerings. The principal use of cash is to finance the growth in receivables, and fund the cost of opening new dispatch offices. We may experience cash flow deficits from operations and investing activities while we expand our operations, including opening new dispatch offices. Management expects cash flow deficits to be financed by profitable operations and the use of the credit facility, and we may also consider other equity or debt financings as necessary or

appropriate. We analyze acquisition opportunities from time to time and may pursue acquisitions in certain circumstances. Any acquisitions we enter into may require additional equity or debt financing.

Item 3. 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 March 30, 2001, 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 March 30, 2001 would not have a material effect 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 our 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.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) **Exhibits:**
- The following exhibits are being filed as a part of this Report:**
- | Exhibit No. | Description |
|-------------|---|
| 10.1 | Executive Employment Agreement between Labor Ready, Inc. and Steven C. Cooper dated January 9, 2001. |
| 10.2 | Executive Employment Agreement between Labor Ready, Inc. and Mathew J. Rodgers dated February 21, 2001. |
| 10.3 | Executive Employment Agreement between Labor Ready, Inc. and Ronald H. Sage dated April 9, 2001. |
| 10.4 | Receivables Funding Agreement between Labor Ready Funding Corporation, Redwood Receivables Corporation, Labor Ready, Inc. and General Electric Capital Corporation dated March 1, 2001. |
| 10.5 | Receivables Sale and Contribution Agreement between Labor Ready, Inc. and Labor Ready Funding Corporation dated March 1, 2001. |
| 10.6 | Receivables Sale Agreement between Labor Ready, Inc. and Selling Subsidiaries dated March 1, 2001. |
| 10.7 | Letter of Credit Agreement between Labor Ready, Inc. and General Electric Capital Corporation dated March 1, 2001. |
| 10.8 | Annex X to Receivables Funding Agreement, Receivables Sales and Contribution Agreement and Receivable Sales Agreement between Labor Ready, Inc. and General Electric Capital Corporation dated March 1, 2001. |

(b) **Reports on Form 8-K**

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 14th day of May, 2001.

LABOR READY, INC.

/s/ RICHARD L. KING

Chief Executive Officer and President

/s/ STEVEN C. COOPER

Chief Financial Officer and Executive Vice President

QuickLinks

[LABOR READY, INC. INDEX](#)

[LABOR READY, INC. CONSOLIDATED BALANCE SHEETS In Thousands ASSETS](#)

[LABOR READY, INC. CONSOLIDATED BALANCE SHEETS In Thousands \(Except Per Share Amounts\) LIABILITIES AND SHAREHOLDERS' EQUITY](#)

[LABOR READY, INC. CONSOLIDATED STATEMENTS OF INCOME In Thousands \(Except Per Share Amounts\) \(Unaudited\)](#)

[LABOR READY, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS In Thousands \(Unaudited\)](#)

[Item 1. Notes to Consolidated Financial Statements](#)

[Item 2. Management's Discussion And Analysis Of Financial Condition And Results of Operations](#)

[Item 3. Qualitative and Quantitative Disclosures About Market Risk](#)

[Part II. Other Information](#)

[Item 6. Exhibits and Reports on Form 8-K](#)

[SIGNATURES](#)

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement is made and entered into by and between Labor Ready, Inc., a Washington corporation, including its subsidiaries ("Company") and Steven C. Cooper ("Executive") effective as of January 9, 2001.

RECITALS

WHEREAS, Executive has been serving as Vice President of Finance for the Company;

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

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

WHEREAS, the Company's Board of Directors has elected Executive to the offices of Executive Vice President and Chief Financial Officer;

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

1. **Employment.** The Company agrees to and hereby does employ Executive, and Executive hereby agrees to continue in the employment of the Company, subject to the supervision and direction of the Chief Executive Officer and the Board of Directors. Executive's employment shall be for a period commencing on January 9, 2001 and ending on January 8, 2006, unless such period is extended by written agreement of the parties or is sooner terminated pursuant to the provisions of Paragraphs 4, 11 or 12.

2. **Duties of Executive.** Executive agrees to devote the necessary time, attention, skill and efforts to the performance of his duties as Executive Vice President and Chief Financial Officer of the Company and such other duties as may be assigned by the Board of Directors in its discretion.

3. **Compensation.**

(a) Executive's initial salary shall be at the rate of Two Hundred Twenty Thousand and No/100 Dollars (\$220,000) per year, payable biweekly, from January 9, 2001, until changed by the Board of Directors as provided herein.

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

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

5. **Options to Purchase Common Stock.** Executive is granted unvested options to purchase 250,000 shares of the Company's common stock. The terms and conditions of the options are set forth in Exhibits A and B.

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

Company. At times it may be in the best interests of the Company for Executive's spouse to accompany him on such business travel. On such occasions Company shall reimburse Executive for reasonable out-of-pocket expenses incurred for his spouse. Such occasions shall be determined by guidelines established by the Chief Executive Officer or the Board of Directors, or in the absence of such guidelines, by Executive's sound discretion.

7. **Vacation.** Executive shall be entitled each year during the term of this Agreement to a vacation of twenty (20) business days, no two of which need be consecutive, during which time his compensation shall be paid in full. The length of annual vacation time shall increase by one day for every year of service to the Company after 2001 to a maximum of 25 business days per year.

8. **Change in Ownership or Control.** In the event of a change in the ownership of Company, effective control of Company, or the ownership of a substantial portion of Company's assets, all unvested stock options shall immediately vest.

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

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

11. **Termination by Company.** Company may terminate this Agreement under either of the following circumstances:

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

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

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

-2-

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

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

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

15. **Confidential Information.**

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

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

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

(3) All operations, sales and training manuals;

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

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

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

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

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

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

-3-

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

(c) Solicit, induce or otherwise influence or attempt to solicit, induce or otherwise influence any employee of the Company to leave his or her employment;

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

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

17. **Enforcement of Covenants.**

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

(b) Executive acknowledges that irreparable damage will result to Company in the event of the breach of any covenant contained herein and Executive agrees that in

the event of any such breach, Company shall be entitled, in addition to any and all other legal or equitable remedies and damages, to a temporary and/or permanent injunction to restrain the violation thereof by Executive and all of the persons acting for or with Executive.

18. **Law to Govern Contract.** It is agreed that this Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Washington.

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

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

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

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

-4-

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

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

25. **Survival of Certain Terms.** The terms and conditions set forth in Paragraphs 15 through 19 of this Agreement shall survive termination of the remainder of this Agreement.

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

EXECUTIVE:

Steven C. Cooper

By:

Steven C. Cooper

Date:

COMPANY:

Labor Ready, Inc.,
a Washington corporation

By:

Richard L. King, Chief Executive Officer

Date:

-5-

EXHIBIT A

Stock Option Grant

GRANT DATE: January 9, 2001

GRANT PRICE: Closing price on the Grant Date

TOTAL NUMBER OF SHARES: 150,000

VESTING SCHEDULE:

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

DATE	NUMBER OF SHARES
January 9, 2002	37,500
January 9, 2003	37,500
January 9, 2004	37,500
January 9, 2005	37,500

TERMS AND CONDITIONS OF THE STOCK OPTION GRANT:

1. Except as otherwise provided herein, all unexercised options shall expire five (5) years from the Grant Date or upon the termination date, whichever is earlier, if the Executive Employment Agreement is terminated for cause. If the Executive Employment Agreement is terminated by Executive without cause, then all options shall terminate ninety days after termination of employment. If the Executive Employment Agreement is terminated for any other reason, then all options shall immediately vest and the exercise date shall be extended to a date which is five years after the date of termination.

2. The options are categorized as non-qualified stock options. A non-qualified stock option requires payment of income taxes on the difference between the option price and the market value on the date of exercise. Executive shall be responsible for any income tax consequences and expense associated with the grant or exercise of the options, and is responsible for consulting his individual tax advisor.

3. Payment for shares purchased through the exercise of options may be made either in cash or its equivalent or by tendering previously acquired shares at market value, or both.

The closing price on January 9, 2001 was \$3.25.

-6-

EXHIBIT B

Stock Option Grant

GRANT DATE: January 9, 2001

GRANT PRICE: Closing price on the Grant Date

TOTAL NUMBER OF SHARES: 100,000

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

<u>DATE</u>	<u>NUMBER OF SHARES</u>
July 9, 2005	100,000

TERMS AND CONDITIONS OF THE STOCK OPTION GRANT:

1. Except as otherwise provided herein, all unexercised options shall expire five (5) years from the Grant Date or upon the termination date, whichever is earlier, if the Executive Employment Agreement is terminated for cause. If the Executive Employment Agreement is terminated by Executive without cause, then all options shall terminate ninety days after termination of employment. If the Executive Employment Agreement is terminated for any other reason, then all options shall immediately vest and the exercise date shall be extended to a date which is five years after the date of termination.

2. The options are categorized as non-qualified stock options. A non-qualified stock option requires payment of income taxes on the difference between the option price and the market value on the date of exercise. Executive shall be responsible for any income tax consequences and expense associated with the grant or exercise of the options, and is responsible for consulting his individual tax advisor.

3. Payment for shares purchased through the exercise of options may be made either in cash or its equivalent or by tendering previously acquired shares at market value, or both.

The closing price on January 9, 2001 was \$3.25.

-7-

QuickLinks

[Exhibit 10.1](#)

[EXECUTIVE EMPLOYMENT AGREEMENT](#)

[RECITALS](#)

[EXHIBIT A Stock Option Grant](#)

[EXHIBIT B Stock Option Grant](#)

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement is made and entered into by and between Labor Ready, Inc., a Washington corporation, including its subsidiaries ("Company") and Matthew J. Rodgers ("Executive") effective as of February 21, 2001.

RECITALS

WHEREAS, Executive has been serving as Regional Vice President for the Company;

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

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

WHEREAS, the Company's Board of Directors has elected Executive to the office of Executive Vice President of Operations;

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

1. **Employment.** The Company agrees to and hereby does employ Executive, and Executive hereby agrees to continue in the employment of the Company, subject to the supervision and direction of the Chief Executive Officer and the Board of Directors. Executive's employment shall be for a period commencing on February 21, 2001 and ending on February 21, 2006, unless such period is extended by written agreement of the parties or is sooner terminated pursuant to the provisions of Paragraphs 4, 11 or 12.
 2. **Duties of Executive.** Executive agrees to devote the necessary time, attention, skill and efforts to the performance of his duties as Executive Vice President of Operations of the Company and such other duties as may be assigned by the Board of Directors in its discretion.
 3. **Compensation.**
 - (a) Executive's initial salary shall be at the rate of Three Hundred Thousand and No/100 Dollars (\$300,000.00) per year, payable biweekly, from February 21, 2001, until changed by the Board of Directors as provided herein.
 - (b) Company, acting through its Board of Directors, may (but shall not be required to) increase, but may not decrease, Executive's compensation and award to Executive such bonuses as the board may see fit, in its sole and unrestricted discretion, commensurate with Executive's performance and the overall performance of the Company. Executives compensation shall be reviewed annually by the Compensation Committee of the Board of Directors.
 4. **Failure to Pay Executive.** The failure of Company to pay Executive his salary as provided in Paragraph 3 may, in Executive's sole discretion, be deemed a breach of this Agreement and, unless such breach is cured within fifteen days after written notice to Company, this Agreement shall terminate. Executive's claims against Company arising out of the nonpayment shall survive termination of this Agreement.
 5. **Options to Purchase Common Stock.** Executive is granted unvested options to purchase 300,000 shares of the Company's common stock. The terms and conditions of the options are set forth in Exhibits A and B.
 6. **Reimbursement for Expenses.** Company shall reimburse Executive for reasonable out-of-pocket expenses that Executive shall incur in connection with his services for Company contemplated by this Agreement, on presentation by Executive of appropriate vouchers and receipts for such expenses to
-

Company. At times it may be in the best interests of the Company for Executive's spouse to accompany him on such business travel. On such occasions Company shall reimburse Executive for reasonable out-of-pocket expenses incurred for his spouse. Such occasions shall be determined by guidelines established by the Chief Executive Officer or the Board of Directors, or in the absence of such guidelines, by Executive's sound discretion.

7. **Vacation.** Executive shall be entitled each year during the term of this Agreement to a vacation of twenty (20) business days, no two of which need be consecutive, during which time his compensation shall be paid in full. The length of annual vacation time shall increase by one day for every year of service to the Company after 2001 to a maximum of 25 business days per year.

8. **Change in Ownership or Control.** In the event of a change in the ownership of Company, effective control of Company, or the ownership of a substantial portion of Company's assets, all unvested stock options shall immediately vest.

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

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

11. **Termination by Company.** Company may terminate this Agreement under either of the following circumstances:

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

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

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

2

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

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

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

15. **Confidential Information.**

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

- (1) The ideas, methods, techniques, formats, specifications, procedures, designs, systems, processes, data and software products which are unique to Company;
- (2) All customer, marketing, pricing and financial information pertaining to the business of Company;
- (3) All operations, sales and training manuals;
- (4) All other information now in existence or later developed which is similar to the foregoing; and
- (5) All information which is marked as confidential or explained to be confidential or which, by its nature, is confidential.

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

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

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

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

3

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

- (c) Solicit, induce or otherwise influence or attempt to solicit, induce or otherwise influence any employee of the Company to leave his or her employment;

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

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

17. **Enforcement of Covenants.**

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

- (b) Executive acknowledges that irreparable damage will result to Company in the event of the breach of any covenant contained herein and Executive agrees that in

the event of any such breach, Company shall be entitled, in addition to any and all other legal or equitable remedies and damages, to a temporary and/or permanent injunction to restrain the violation thereof by Executive and all of the persons acting for or with Executive.

18. **Law to Govern Contract.** It is agreed that this Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Washington.

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

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

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

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

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

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

25. **Survival of Certain Terms.** The terms and conditions set forth in Paragraphs 15 through 19 of this Agreement shall survive termination of the remainder of this Agreement.

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

EXECUTIVE:

Matthew J. Rodgers

By:

Matthew J. Rodgers

Date:

COMPANY:

Labor Ready, Inc.,
a Washington corporation

By:

Richard L. King, Chief Executive Officer

Date:

EXHIBIT A

Stock Option Grant

GRANT DATE: February 21, 2001

GRANT PRICE: Closing price on the Grant Date

TOTAL NUMBER OF SHARES: 200,000

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

DATE	NUMBER OF SHARES
February 21, 2002	50,000
February 21, 2003	50,000
February 21, 2004	50,000
February 21, 2005	50,000

TERMS AND CONDITIONS OF THE STOCK OPTION GRANT:

1. Except as otherwise provided herein, all unexercised options shall expire five (5) years from the Grant Date or upon the termination date, whichever is earlier, if the Executive Employment Agreement is terminated for cause. If the Executive Employment Agreement is terminated by Executive without cause, then all options shall terminate ninety days after termination of employment. If the Executive Employment Agreement is terminated for any other reason, then all options shall immediately vest and the exercise date shall be extended to a date which is five years after the date of termination.

2. The options are categorized as non-qualified stock options. A non-qualified stock option requires payment of income taxes on the difference between the option price and the market value on the date of exercise. Executive shall be responsible for any income tax consequences and expense associated with the grant or exercise of the options, and is responsible for consulting his individual tax advisor.

3. Payment for shares purchased through the exercise of options may be made either in cash or its equivalent or by tendering previously acquired shares at market value, or

both.

The closing price on February 21, 2001 was \$3.80.

EXHIBIT B

Stock Option Grant

GRANT DATE: February 21, 2001

GRANT PRICE: Closing price on the Grant Date

TOTAL NUMBER OF SHARES: 100,000

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

DATE	NUMBER OF SHARES
August 21, 2005	100,000

TERMS AND CONDITIONS OF THE STOCK OPTION GRANT:

1. Except as otherwise provided herein, all unexercised options shall expire five (5) years from the Grant Date or upon the termination date, whichever is earlier, if the Executive Employment Agreement is terminated for cause. If the Executive Employment Agreement is terminated by Executive without cause, then all options shall terminate ninety days after termination of employment. If the Executive Employment Agreement is terminated for any other reason, then all options shall immediately vest and the exercise date shall be extended to a date which is five years after the date of termination.

2. The options are categorized as non-qualified stock options. A non-qualified stock option requires payment of income taxes on the difference between the option price and the market value on the date of exercise. Executive shall be responsible for any income tax consequences and expense associated with the grant or exercise of the options, and is responsible for consulting his individual tax advisor.

3. Payment for shares purchased through the exercise of options may be made either in cash or its equivalent or by tendering previously acquired shares at market value, or both.

The closing price on February 21, 2001 was \$3.80.

QuickLinks

[Exhibit 10.2](#)

[EXECUTIVE EMPLOYMENT AGREEMENT](#)

[RECITALS](#)

[EXHIBIT A Stock Option Grant](#)

[EXHIBIT B Stock Option Grant](#)

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement is made and entered into by and between Labor Ready, Inc., a Washington corporation, including its subsidiaries ("Company") and Ronald H. Sage ("Executive") effective as of April 9, 2001.

RECITALS

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

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

WHEREAS, the Company's Board of Directors has elected Executive to the office of Senior Vice President of National Sales;

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

1. **Employment.** The Company agrees to and hereby does employ Executive, and Executive hereby agrees to the employment of the Company, subject to the supervision and direction of the Executive Vice President of Operations and the Chief Executive Officer. Executive's employment shall be for a period commencing on April 9, 2001 and ending on April 8, 2006, unless such period is extended by written agreement of the parties or is sooner terminated pursuant to the provisions of Paragraphs 4, 11 or 12.

2. **Duties of Executive.** Executive agrees to devote the necessary time, attention, skill and efforts to the performance of his duties as Senior Vice President of National Sales of the Company and/or such other duties as may be assigned by the Executive Vice President of Operations or the Chief Executive Officer in their discretion.

3. **Compensation.**

(a) Executive's initial salary shall be at the rate of One Hundred Seventy Five Thousand and No/100 Dollars (\$175,000.00) per year, payable biweekly, from April 9, 2001, until changed by the Board of Directors as provided herein.

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

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

5. **Options to Purchase Common Stock.** Executive is granted unvested options to purchase 150,000 shares of the Company's common stock. The terms and conditions of the options are set forth in Exhibits A and B.

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

7. **Vacation.** Executive shall be entitled each year during the term of this Agreement to a vacation of twenty (20) business days, no two of which need be consecutive, during which time his compensation shall be paid in full. The length of annual vacation time shall increase by one day for every year of service to the Company after 2001 to a maximum of 25 business days per year.

8. **Change in Ownership or Control.** In the event of a change in the ownership of Company, effective control of Company, or the ownership of a substantial portion of Company's assets, all unvested stock options shall immediately vest.

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

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

11. **Termination by Company.** Company may terminate this Agreement under either of the following circumstances:

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

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

12. **Termination by Executive.** If Company shall cease conducting its business, take any action looking toward its dissolution or liquidation, make an assignment for the benefit of its creditors, admit in writing its inability to pay its debts as they become due, file a voluntary petition or be the subject of an involuntary petition in bankruptcy, or be

the subject of any state or federal insolvency proceeding of any kind, then Executive may, in his sole discretion, by written notice to Company, terminate his employment and Company hereby consents to the release of Executive under such circumstances and agrees that if Company ceases to operate or to exist as a result of such event, the non-competition and other provisions of Paragraph 16 of this Agreement shall terminate. In addition, Executive shall have the right to terminate this Agreement upon giving three (3) months written notice to Company.

13. **Communications to Company.** Executive shall communicate and channel to Company all knowledge, business, and customer contacts and any other matters of information that could concern or be in any way beneficial to the business of Company, whether acquired by Executive before or during the term of this Agreement; provided, however, that nothing under this Agreement shall be construed

-2-

as requiring such communications where the information is lawfully protected from disclosure as a trade secret of a third party.

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

15. **Confidential Information.**

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

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

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

(3) All operations, sales and training manuals;

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

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

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

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

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

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

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

(c) Solicit, induce or otherwise influence or attempt to solicit, induce or otherwise influence any employee of the Company to leave his or her employment;

(d) Own, manage, operate, control, be employed by, participate in or be connected in any manner with the ownership, management, operation or control of the same, similar, or related line

-3-

of business as that carried on by Company within a radius of twenty-five (25) miles from any then existing or proposed office of Company; and

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

17. **Enforcement of Covenants.**

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

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

18. **Law to Govern Contract.** It is agreed that this Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Washington.

19. **Arbitration.** Company and Executive agree with each other that any claim of Executive or Company arising out of or relating to this Agreement or the breach of this

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

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

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

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

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

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

-4-

25. **Survival of Certain Terms.** The terms and conditions set forth in Paragraphs 15 through 19 of this Agreement shall survive termination of the remainder of this Agreement.

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

EXECUTIVE:	COMPANY:
Ronald H. Sage	Labor Ready, Inc., a Washington corporation
By: _____	By: _____
Ronald H. Sage	Matthew J. Rodgers, Executive Vice President of Operations
Date: _____	Date: _____

-5-

EXHIBIT A

Stock Option Grant

GRANT DATE: April 9, 2001

GRANT PRICE: Closing price on the Grant Date

TOTAL NUMBER OF SHARES: 100,000

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

DATE	NUMBER OF SHARES
April 9, 2002	25,000
April 9, 2003	25,000
April 9, 2004	25,000
April 9, 2005	25,000

TERMS AND CONDITIONS OF THE STOCK OPTION GRANT:

1. Except as otherwise provided herein, all unexercised options shall expire five (5) years from the Grant Date or upon the termination date, whichever is earlier, if the Executive Employment Agreement is terminated for cause. If the Executive Employment Agreement is terminated by Executive without cause, then all options shall terminate ninety days after termination of employment. If the Executive Employment Agreement is terminated for any other reason, then all options shall immediately vest and the exercise date shall be extended to a date which is five years after the date of termination.

2. The options are categorized as non-qualified stock options. A non-qualified stock option requires payment of income taxes on the difference between the option price and the market value on the date of exercise. Executive shall be responsible for any income tax consequences and expense associated with the grant or exercise of the options, and is responsible for consulting his individual tax advisor.

3. Payment for shares purchased through the exercise of options may be made either in cash or its equivalent or by tendering previously acquired shares at market value, or both.

The closing price on April 9, 2001 was \$3.40.

-6-

EXHIBIT B

Stock Option Grant

GRANT DATE: April 9, 2001

GRANT PRICE: Closing price on the Grant Date

TOTAL NUMBER OF SHARES: 50,000

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

DATE	NUMBER OF SHARES
October 9, 2005	50,000

TERMS AND CONDITIONS OF THE STOCK OPTION GRANT:

1. Except as otherwise provided herein, all unexercised options shall expire five (5) years from the Grant Date or upon the termination date, whichever is earlier, if the Executive Employment Agreement is terminated for cause. If the Executive Employment Agreement is terminated by Executive without cause, then all options shall terminate ninety days after termination of employment. If the Executive Employment Agreement is terminated for any other reason, then all options shall immediately vest and the exercise date shall be extended to a date which is five years after the date of termination.

2. The options are categorized as non-qualified stock options. A non-qualified stock option requires payment of income taxes on the difference between the option price and the market value on the date of exercise. Executive shall be responsible for any income tax consequences and expense associated with the grant or exercise of the options, and is responsible for consulting his individual tax advisor.

3. Payment for shares purchased through the exercise of options may be made either in cash or its equivalent or by tendering previously acquired shares at market value, or both.

The closing price on April 9, 2001 was \$3.40.

QuickLinks

[Exhibit 10.3](#)

[EXECUTIVE EMPLOYMENT AGREEMENT](#)

[RECITALS](#)

[EXHIBIT A Stock Option Grant](#)

[EXHIBIT B Stock Option Grant](#)

RECEIVABLES FUNDING AGREEMENT

Dated as of March 1, 2001,

by and among

LABOR READY FUNDING CORPORATION
as Borrower,

REDWOOD RECEIVABLES CORPORATION,
as Conduit Lender,

LABOR READY, INC.,
as Servicer,

and

GENERAL ELECTRIC CAPITAL CORPORATION,
as Committed Lender and as Administrative Agent

EXHIBITS

Exhibit 2.01(b)	Form of Revolving Note
Exhibit 2.02(a)	Form of Commitment Reduction Notice
Exhibit 2.02(b)	Form of Commitment Termination Notice
Exhibit 2.03(a)	Form of Borrowing Base Certificate
Exhibit 2.03(b)	Form of Borrowing Request
Exhibit 2.03(c)	Form of Repayment Notice
Exhibit 3.01(a)(i)	Form of Officer's Certificate as to Solvency of Borrower
Exhibit 3.01(a)(i)(A)	Form of Officer's Closing Certificate of Borrower
Exhibit 3.01(a)(i)(B)	Form of Officer's Post-Closing Certificate of Borrower
Exhibit 3.01(a)(ii)	Form of Officer's Certificate as to Solvency of Servicer
Exhibit 3.01(a)(ii)(A)	Form of Officer's Closing Certificate of Servicer
Exhibit 3.01(a)(ii)(B)	Form of Officer's Post-Closing Certificate of Servicer
Exhibit 3.01(a)(iv)	Form of Monthly Report
Exhibit 10.03	Form of Power of Attorney
Exhibit A	Credit and Collection Policy
Schedule 4.01(b)	Executive Offices; Collateral Locations; Corporate or Other Names; FEIN/Borrower
Schedule 4.01(d)	Litigation
Schedule 4.01(h)	Ventures, Subsidiaries and Affiliates; Outstanding Stock and Indebtedness/Borrower
Schedule 4.01(i)	Tax Matters/Borrower
Schedule 4.01(q)	Deposit and Disbursement Accounts/Borrower
Schedule 5.01(b)	Trade Names/Borrower
Schedule 5.03(b)	Existing Liens/Borrower
Annex G	Financial Covenants
Annex 5.02(a)	Reporting Requirements of the Borrower (including Form of Monthly Report)
Annex 7.08	Reporting Requirements of the Servicer
Annex X	Definitions
Annex Y	Schedule of Documents

THIS RECEIVABLES FUNDING AGREEMENT (as amended, supplemented or otherwise modified and in effect from time to time, the "*Agreement*") is entered into as of March 1, 2001 by and among **LABOR READY FUNDING CORPORATION**, a Delaware corporation (the "*Borrower*"), **LABOR READY, INC.**, a Washington corporation (the "*Parent*"), in its capacity as servicer hereunder (in such capacity, the "*Servicer*"), **REDWOOD RECEIVABLES CORPORATION**, a Delaware corporation (the "*Conduit Lender*"), and **GENERAL ELECTRIC CAPITAL CORPORATION**, a New York corporation, as a Committed Lender (the "*Committed Lender*") and as administrative agent for the Conduit Lender and the Committed Lender hereunder (in such capacity, the "*Administrative Agent*").

RECITALS

- A. The Borrower is a special purpose corporation owned by the Parent.
- B. The Borrower has been formed for the purpose of purchasing, or otherwise acquiring by capital contribution, Receivables of the Parent and the other Originators party to the Receivables Sale Agreement.
- C. The Borrower intends to fund its purchases of the Receivables, in part, by borrowing Advances hereunder and pledging all of its right, title and interest in and to the Receivables and certain other assets as security therefor, and, subject to the terms and conditions hereof, the Conduit Lender and the Committed Lender intend to make such Advances, from time to time, as described herein.
- D. The Administrative Agent has been requested and is willing to act as administrative agent on behalf of each of the Conduit Lender and the Committed Lender in connection with the making and financing of such Advances.
- E. In order to effectuate the purposes of this Agreement, the Conduit Lender and the Committed Lender each desires to appoint the Parent to service, administer and collect the Receivables securing the Advances pursuant to this Agreement and the Parent is willing to act in such capacity as Servicer hereunder on the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I. DEFINITIONS AND INTERPRETATION

Section 1.01. *Definitions.* Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in *Annex X*.

Section 1.02. *Rules of Construction.* For purposes of this Agreement, the rules of construction set forth in *Annex X* shall govern. All Appendices hereto, or expressly identified to this Agreement, are incorporated herein by reference and, taken together with this Agreement, shall constitute but a single agreement.

ARTICLE II. AMOUNTS AND TERMS OF ADVANCES

Section 2.01. *Advances.* (a) From and after the Closing Date and until the Facility Termination Date and subject to the terms and conditions hereof, the Conduit Lender (prior to the occurrence of a Redwood Termination Date or the Redwood Transfer Date) and the Committed Lender (after the occurrence of the Committed Lender Funding Event) severally agree to make advances (each such

advance hereunder, an "Advance") to the Borrower from time to time. Under no circumstances shall a Lender make any Advances if, after giving effect thereto, a Funding Excess would exist. The aggregate amount of Advances outstanding shall not exceed at any time (i) the Availability as determined by the most recent Borrowing Base Certificate delivered by the Borrower under *Section 2.03(a)* less (ii) Standby L/C Exposure at such time. Borrower may from time to time borrow, repay and reborrow Advances hereunder on the terms and conditions set forth herein.

(b) Borrower shall execute and deliver to each Lender a note to evidence the Advances which may be made hereunder from time to time by such Lender. The note shall be in the principal amount of the Maximum Facility Amount, dated the Closing Date and substantially in the form of *Exhibit 2.01(b)* (each, a "Revolving Note"). Each Revolving Note shall represent the obligation of Borrower to the applicable Lender to pay the amount of the Maximum Facility Amount or, if less, the aggregate unpaid principal amount of all Advances made by such Lender to Borrower together with interest thereon as prescribed in *Section 2.06*. The entire unpaid balance of all of the Advances and all other unpaid Borrower Secured Obligations shall be immediately due and payable in full in immediately available funds on the Facility Termination Date.

Section 2.02. *Optional Changes in Maximum Facility Amount.*

(a) So long as no Incipient Termination Event or Termination Event shall have occurred and be continuing, the Borrower may, not more than twice during each calendar year, reduce the Maximum Facility Amount permanently; *provided*, that (i) the Borrower shall give ten Business Days' prior written notice of any such reduction to the Administrative Agent substantially in the form of *Exhibit 2.02(a)* (each such notice, a "Commitment Reduction Notice"), (ii) any partial reduction of the Maximum Facility Amount shall be in a minimum amount of \$5,000,000 or an integral multiple thereof, and (iii) no such reduction shall reduce the Maximum Facility Amount below the greater of (x) Outstanding Principal Amount and (y) \$50,000,000.

(b) The Borrower may at any time on at least 90 days' prior written notice by the Borrower to the Administrative Agent irrevocably terminate the Maximum Facility Amount; *provided*, that (i) such notice of termination shall be substantially in the form of *Exhibit 2.02(b)* (the "Commitment Termination Notice") and (ii) the Borrower shall reduce the Outstanding Principal Amount to zero and make all payments required by *Section 2.03(c)* at the time and in the manner specified therein. Upon such termination, the Borrower's right to request that any Lender make Advances hereunder shall simultaneously terminate and the Facility Termination Date shall automatically occur.

(c) Each written notice required to be delivered pursuant to *Sections 2.02(a)* and *(b)* shall be irrevocable and shall be effective (i) on the day of receipt if received by the Administrative Agent and the Lenders not later than 4:00 p.m. (New York time) on any Business Day and (ii) on the immediately succeeding Business Day if received by the Administrative Agent and the Lenders after such time on such Business Day or if any such notice is received on a day other than a Business Day (regardless of the time of day such notice is received). Each such notice of termination or reduction shall specify, respectively, the amount of, or the amount of the proposed reduction in, the Maximum Facility Amount.

Section 2.03. *Notices Relating to Increases and Reductions in the Outstanding Principal Amount.*

(a) Not later than 12:00 noon (New York time) on each Business Day, the Borrower shall deliver to the Lenders and the Administrative Agent an Officer's Certificate substantially in the form of *Exhibit 2.03(a)* (each, a "Borrowing Base Certificate"). Funding Availability shall be determined by the Administrative Agent based on information related to the Borrower Collateral available to it, including (A) any information obtained in connection with any audit or reflected in the most recent Borrowing Base Certificate or (B) any other information that may be available to the Lenders and the Administrative Agent.

(b) Each Advance shall be made upon the provision of notice by the Borrower to the Administrative Agent in the manner provided herein. Any such notice must be given in writing so that it is received no later than 4:00 p.m. (New York time) (i) in respect of any Advance to be made by the Conduit Lender, on the Business Day immediately preceding the proposed Advance Date set forth therein and (ii) after the occurrence of a Committed Lender Funding Event, in respect of any Advance to be made by the Committed Lender on the Business Day immediately preceding the proposed Advance Date set forth therein. Each such notice (a "Borrowing Request") shall (x) be substantially in the form of *Exhibit 2.03(b)*, (y) be irrevocable and (z) specify the amount of the requested increase in Outstanding Principal Amount (which shall be in a minimum amount of \$500,000) and the proposed Advance Date (which shall be a Business Day), and shall include such other information as may be required by the Lenders and the Administrative Agent.

(c) The Borrower may at any time reduce the Outstanding Principal Amount; *provided*, that (i) the Borrower shall give one Business Day's prior written notice of any such reduction to the Administrative Agent substantially in the form of *Exhibit 2.03(c)* (each such notice, a "Repayment Notice"), (ii) each such notice shall be irrevocable, (iii) each such notice shall specify the amount of the requested reduction in the Outstanding Principal Amount and the proposed date of such reduction (which shall be a Business Day) and (iv) any such reduction must be accompanied by payment of (A) all Daily Yield accrued and unpaid on the Outstanding Principal Amount being reduced through but excluding the date of such reduction and (B) the costs, if any, required by *Section 2.10*. Any such notice of reduction must be received by the Administrative Agent no later than 4:00 p.m. (New York time) on the Business Day immediately preceding the date of the proposed reduction in the Outstanding Principal Amount.

Section 2.04. *Making of Advances.*

(a) *Increases in Outstanding Principal Amount.*

(i) *Funding of Collection Account.* Following receipt of any Borrowing Request, and subject to satisfaction of the conditions set forth in Section 3.02, the Applicable Lender shall make available to or on behalf of the Borrower on the Advance Date specified therein the lesser of (x) the requested increase in the Outstanding Principal Amount specified in such Borrowing Request and (y) the Funding Availability by depositing such amount in same day funds into the Collection Account. The Applicable Lender shall, or shall cause the Administrative Agent to, deposit into the Borrower Account on each Business Day during the Revolving Period, in same day funds, all amounts on deposit in the Collection Account that are to be disbursed pursuant to Section 6.03(c).

(ii) *Recordation of Advances.* The Borrower shall indicate in its Records that interests in the Transferred Receivables have been pledged hereunder and that the Administrative Agent has a lien on and security interest in all such Transferred Receivables on behalf of the Lenders. The Borrower and the Servicer shall hold all Contracts and other documents and incidents relating to such Transferred Receivables in trust for the benefit of the Administrative Agent on behalf of the Conduit Lender and the Committed Lender in accordance with their interests hereunder. The Borrower and the Servicer hereby acknowledge that their retention and possession of such Contracts and documents shall at all times be at the sole discretion of the Administrative Agent and in a custodial capacity for the Administrative Agent's (on behalf of the Lenders) benefit only.

(b) *Repurchases of Transferred Receivables.* If the Parent is required to repurchase Transferred Receivables from the Borrower pursuant to Section 4.04 of the Sale and Contribution Agreement, upon payment from the Parent of the applicable repurchase price thereof (which repurchase price shall not be less than an amount equal to the Billed Amount of such Transferred Receivable minus the sum of (A) Collections received in respect thereof and (B) the amount of any Dilution Factors taken into account in the calculation of the Sale Price therefor), the Administrative Agent and the Applicable

3

Lenders shall release their liens on and security interests in the Transferred Receivables being so repurchased.

Section 2.05. *Facility Termination Date.* Notwithstanding anything to the contrary set forth herein, no Lender shall have any obligation to make any Advances from and after the Facility Termination Date.

Section 2.06. *Daily Yield.*

(a) The Borrower shall pay Daily Yield to the Administrative Agent, for the account of the Lenders, for each day on which any Outstanding Principal Amount is outstanding, in the manner and at the times specified in Sections 6.03, 6.04 and 6.05.

(b) Notwithstanding the foregoing, the Borrower shall pay interest at the applicable Daily Yield Rate on unpaid Daily Yield and on any other amount payable by the Borrower hereunder (to the extent permitted by law) that shall not be paid in full when due (whether at stated maturity, by acceleration or otherwise) for the period commencing on the due date thereof to (but excluding) the date the same is indefeasibly paid in full.

Section 2.07. *Fees.*

(a) On or prior to the Closing Date, the Borrower shall pay to the Administrative Agent, for the account of itself and the Lenders, the fees set forth in the Fee Letter that are payable on the Closing Date.

(b) On each Settlement Date, the Borrower shall pay to the Servicer or to the Successor Servicer, as applicable, the Servicing Fee or the Successor Servicing Fees and Expenses, respectively, in each case to the extent of available funds therefor as provided in Section 6.04.

(c) The Borrower agrees to pay to the Administrative Agent, for the account of the Applicable Lender, an unused facility fee (the "Unused Facility Fee") equal to one-quarter of one percent (0.25%) per annum, calculated daily from the Closing Date until the Termination Date and payable monthly in arrears on the fifth Business Day of each month, commencing with the month of March 2001, on the amount by which the Maximum Facility Amount as in effect on such date exceeds the sum (without duplication) of the aggregate Outstanding Principal Amount and Standby L/C Exposure on such date, which fee shall be fully earned when payable and shall be non-refundable.

Section 2.08. *Time and Method of Payments.*

(a) Subject to the provisions of Sections 6.02, 6.03, 6.04 and 6.05, all payments with respect to the Outstanding Principal Amount and all payments of interest, fees and other amounts payable by the Borrower hereunder shall be made in Dollars, in immediately available funds, to the Administrative Agent (for its account or the account of the applicable Lenders, Affected Parties or Indemnified Persons) not later than 12:00 noon (New York time) on the due date therefor. Any such payment made on such date but after such time shall be deemed to have been made on, and interest shall continue to accrue and be payable thereon at the applicable Daily Yield Rate until, the next succeeding Business Day. If any such payment becomes due on a day other than a Business Day, the maturity thereof will be extended to the next succeeding Business Day and interest thereon at the applicable Daily Yield Rate shall be payable during such extension.

(b) Any and all payments by the Borrower hereunder shall be made in accordance with this Section 2.08 without setoff or counterclaim and free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, excluding taxes imposed on or measured by the net income of any Affected Party by the jurisdictions under the laws of which such Affected Party is organized or by any political subdivisions thereof (such non-excluded taxes, levies, imposts, deductions, charges and withholdings being "Indemnified Taxes"). If the Borrower shall be

4

required by law to deduct any Indemnified Taxes from or in respect of any sum payable hereunder, (i) the sum payable shall be increased as much as shall be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.08) the Affected Party entitled to receive any such payment receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, and (iii) the Borrower shall pay the full amount deducted to the relevant taxing or other authority in accordance with applicable law. Within 30 days after the date of any payment of Indemnified Taxes, the Borrower shall furnish to the Administrative Agent the original or a certified copy of a receipt evidencing payment thereof. The Borrower shall indemnify any Affected Party from and against, and, within ten days of demand therefor, pay any Affected Party for, the full amount of Indemnified Taxes (together with any taxes imposed by any jurisdiction on amounts payable under this Section 2.08) paid by such Affected Party and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally asserted.

Section 2.09. *Capital Requirements; Additional Costs.*

(a) If the Administrative Agent on behalf of any Affected Party shall have determined that the adoption after the date hereof of any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by such Affected Party with any request or directive regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law) from any central bank or other

Governmental Authority increases or would have the effect of increasing the amount of capital, reserves or other funds required to be maintained by such Affected Party against commitments made by it under this Agreement, any other Related Document or any Program Document and thereby reducing the rate of return on such Affected Party's capital as a consequence of its commitments hereunder or thereunder, then the Borrower shall from time to time upon demand by the Administrative Agent pay to the Administrative Agent on behalf of such Affected Party additional amounts sufficient to compensate such Affected Party for the Borrower's Share of such reduction together with interest thereon from the date of any such demand until payment in full at the applicable Daily Yield Rate. A certificate as to the amount of that reduction and showing the basis of the computation thereof submitted by the Administrative Agent to the Borrower shall be final, binding and conclusive on the parties hereto (absent manifest error) for all purposes.

(b) If, due to any Regulatory Change, there shall be any increase in the cost to any Affected Party of agreeing to make or making, funding or maintaining any commitment hereunder, under any other Related Document or under any Program Document, including with respect to any Advances, Outstanding Principal Amount, Borrower LOC Draws or Liquidity Loans, or any reduction in any amount receivable by such Affected Party hereunder or thereunder, including with respect to any Advances, Outstanding Principal Amount, Borrower LOC Draws or Liquidity Loans (any such increase in cost or reduction in amounts receivable are hereinafter referred to as "*Additional Costs*"), then the Borrower shall, from time to time upon demand by the Administrative Agent, pay to the Administrative Agent on behalf of such Affected Party additional amounts sufficient to compensate such Affected Party for the Borrower's Share of such Additional Costs together with interest thereon from the date demanded until payment in full thereof at the applicable Daily Yield Rate. Each Affected Party agrees that, as promptly as practicable after it becomes aware of any circumstance referred to above that would result in any such Additional Costs, it shall, to the extent not inconsistent with its internal policies of general application, use reasonable commercial efforts to minimize costs and expenses incurred by it and payable to it by the Borrower pursuant to this *Section 2.09(b)*.

(c) Determinations by any Affected Party for purposes of this *Section 2.09* of the effect of any Regulatory Change on its costs of making, funding or maintaining any commitments hereunder, under any other Related Document or under any Program Document or on amounts receivable by it hereunder or thereunder or of the additional amounts required to compensate such Affected Party in

5

respect of any Additional Costs shall be set forth in a written notice to the Borrower in reasonable detail and which is calculated the same as for comparable claims with respect to similarly situated sellers or borrowers of the Affected Party and shall be final, binding and conclusive on the Borrower (absent manifest error) for all purposes.

Section 2.10. Breakage Costs. The Borrower shall pay to the Administrative Agent for the account of either Lender, upon request of such Lender, such amount or amounts as shall compensate such Lender for any loss, cost or expense incurred by such Lender (as determined by such Lender) as a result of any reduction by the Borrower in the Outstanding Principal Amount (and accompanying loss of Daily Yield thereon) other than on the maturity date of the Commercial Paper (or other financing source) funding such Outstanding Principal Amount, which compensation shall include an amount equal to any loss or expense incurred by such Lender during the period from the date of such reduction to (but excluding) the maturity date of such Commercial Paper (or other financing source) if the rate of interest obtainable by such Lender upon the redeployment of funds in an amount equal to such reduction is less than the interest rate applicable to such Commercial Paper (or other financing source) (any such loss, cost or expense, "*Breakage Costs*"). The determination by such Lender of the amount of any such loss or expense shall be set forth in a written notice to the Borrower in reasonable detail and shall be final, binding and conclusive on the Borrower (absent manifest error) for all purposes.

Section 2.11. Funding Excess. On each Business Day during the Revolving Period and after completion of the disbursements specified in *Section 6.03*, the Administrative Agent shall notify the Borrower and the Servicer of any Funding Excess on such day, and the Borrower shall deposit the amount of such Funding Excess in the Collection Account by 12:00 noon (New York time) on the immediately succeeding Business Day.

ARTICLE III. CONDITIONS PRECEDENT

Section 3.01. Conditions to Effectiveness of Agreement. Neither the Conduit Lender nor the Committed Lender shall be obligated to make any Advances hereunder on the occasion of the initial Advance or to take, fulfill or perform any other action hereunder, until the following conditions have been satisfied, in the sole discretion of, or waived in writing by, the Lenders and the Administrative Agent:

(a) *Funding Agreement; Other Related Documents.* This Agreement and the Revolving Notes shall have been duly executed by, and delivered to, the parties hereto and the Lenders and the Administrative Agent shall have received such other documents, instruments, agreements and legal opinions as each Lender and the Administrative Agent shall request in connection with the transactions contemplated by this Agreement, including all those listed in the Schedule of Documents (*Annex Y*), each in form and substance satisfactory to each Lender and the Administrative Agent.

(b) *Governmental Approvals.* The Lenders and the Administrative Agent shall have received (i) satisfactory evidence that the Borrower and the Servicer have obtained all required consents and approvals of all Persons, including all requisite Governmental Authorities, to the execution, delivery and performance of this Agreement and the other Related Documents and the consummation of the transactions contemplated hereby or thereby or (ii) an Officer's Certificate from each of the Borrower and the Servicer in form and substance satisfactory to the Lenders and the Administrative Agent affirming that no such consents or approvals are required.

(c) *Compliance with Laws.* The Borrower and the Servicer shall be in compliance in all material respects with all applicable foreign, federal, state and local laws and regulations, including those specifically referenced in *Section 5.01(a)*.

6

(d) *Payment of Fees.* The Borrower shall have paid all fees required to be paid by it on the Closing Date, including all fees required hereunder and under the Fee Letter, and shall have reimbursed each Lender for all fees, costs and expenses of closing the transactions contemplated hereunder and under the other Related Documents, including each Lender's legal, rating agency and audit expenses, and other document preparation costs.

(e) *Representations and Warranties.* Each representation and warranty by the Borrower contained herein and in each other Related Document shall be true and correct as of the Closing Date, except to the extent that such representation or warranty expressly relates solely to an earlier date.

(f) *No Termination Event.* No Incipient Termination Event or Termination Event hereunder or any "Event of Default" or "Default" (each as defined in the Standby Letter of Credit Agreement) shall have occurred and be continuing or would result after giving effect to any of the transactions contemplated on the Closing Date.

(g) *Confirmation of Commercial Paper Ratings.* The Administrative Agent shall have received written confirmation from each Rating Agency that the then current rating of the Commercial Paper shall not be withdrawn or downgraded after giving effect to this Agreement and the transactions contemplated thereby.

(h) *Audit.* The Administrative Agent shall have completed a satisfactory audit of the Receivables and of the Originators' locations.

(i) *Standby Letter of Credit Agreement.* The Standby Letter of Credit Agreement and the Collateral Documents (as defined therein) shall have been executed and delivered

by all parties thereto and all conditions precedent to the effectiveness therein (other than the effectiveness of this Agreement), shall have been fulfilled to the satisfaction of the Lenders and the Administrative Agent.

Section 3.02. *Conditions Precedent to All Advances.* No Lender shall be obligated to make any Advances hereunder on any date if, as of the date thereof:

- (a) any representation or warranty of the Borrower or the Servicer contained herein or in any of the other Related Documents shall be untrue or incorrect as of such date, either before or after giving effect to the Advances on such date and to the application of the proceeds therefrom, except to the extent that such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted by this Agreement;
- (b) any event shall have occurred, or would result from such Advances on such Advance Date or from the application of the proceeds therefrom that constitutes an Incipient Termination Event, a Termination Event, an Incipient Servicer Termination Event or an Event of Servicer Termination;
- (c) the Borrower shall not be in compliance with any of its covenants or other agreements set forth herein;
- (d) the Facility Termination Date shall have occurred;
- (e) either before or after giving effect to such Advance, to the application of the proceeds therefrom a Funding Excess would exist;
- (f) any Originator, the Borrower or the Servicer shall fail to have taken such other action, including delivery of approvals, consents, opinions, documents and instruments to the Lenders and the Administrative Agent, (i) as any Lender or the Administrative Agent may reasonably request, or (ii) as either Rating Agency may request;
- (g) the Administrative Agent shall have determined that any event or condition has occurred that has had, or could reasonably be expected to have or result in, a Material Adverse Effect; or

7

-
- (h) the Administrative Agent shall not have received a Borrowing Base Certificate on such date as required pursuant to *Section 2.03(a)*.

The delivery by the Borrower of a Borrowing Request, the acceptance by the Borrower of the funds from such Advance on any Advance Date shall be deemed to constitute, as of any such Advance Date, a representation and warranty by the Borrower that the conditions in this *Section 3.02* have been satisfied.

Section 3.03. *Conditions Precedent to Releases of Funds.* The Administrative Agent shall not be obligated to authorize any release of funds to the Borrower Account under *Section 6.03(c)* on any date if, as of the date thereof:

- (a) any representation or warranty of the Borrower or the Servicer contained herein or in any of the other Related Documents shall be untrue or incorrect as of such date, either before or after giving effect to the release of such funds on such date and to the application of the proceeds therefrom, except to the extent that such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted by this Agreement;
- (b) any event shall have occurred, or would result from such release of funds or from the application of the proceeds therefrom, that constitutes an Incipient Termination Event, a Termination Event, an Incipient Servicer Termination Event or an Event of Servicer Termination;
- (c) the Borrower shall not be in compliance with any of its covenants or other agreements set forth herein;
- (d) the Facility Termination Date shall have occurred;
- (e) either before or after giving effect to such release of funds and to the application of the proceeds therefrom, a Funding Excess would exist;
- (f) any Originator, the Borrower or the Servicer shall fail to have taken such other action, including delivery of approvals, consents, opinions, documents and instruments to the Lenders and the Administrative Agent, (i) as any Lender or the Administrative Agent may reasonably request, or (ii) as either Rating Agency may request;
- (g) the Administrative Agent shall have determined that any event or condition has occurred that has had, or could reasonably be expected to have or result in, a Material Adverse Effect;
- (h) the Administrative Agent has not received a Borrowing Base Certificate on such date as required pursuant to *Section 2.03(a)*; or
- (i) the Borrower Account is not subject to a valid Borrower Blocked Account Agreement as of such date.

The acceptance by the Borrower of the funds released to the Borrower Account from the Collection Account on any date shall be deemed to constitute, as of any such date, a representation and warranty by the Borrower that the conditions in this *Section 3.03* have been satisfied.

ARTICLE IV. REPRESENTATIONS AND WARRANTIES

Section 4.01. *Representations and Warranties of the Borrower.* To induce each Lender to make Advances from time to time and the Administrative Agent to take any action required to be performed by it hereunder, the Borrower makes the following representations and warranties to each Lender and the Administrative Agent, each and all of which shall survive the execution and delivery of this Agreement.

8

-
- (a) *Corporate Existence; Compliance with Law.* The Borrower (i) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation; (ii) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification; (iii) has the requisite corporate power and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease, and to conduct its business, in each case, as now, heretofore and proposed to be conducted; (iv) has all licenses, permits, consents or approvals from or by, and has made all filings with, and has given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct; (v) is in compliance with its charter and bylaws; and (vi) subject to specific representations set forth herein regarding labor, employment, ERISA, tax and other laws, is in compliance with all applicable provisions of law, except where the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) *Executive Offices; Collateral Locations; Corporate or Other Names; FEIN.* As of the Closing Date, the current location of the Borrower's chief executive office, principal place of business, other offices, the premises within which any Borrower Collateral is stored or located, and the locations of its records concerning the Borrower Collateral (including originals of the Borrower Assigned Agreements) are set forth in *Schedule 4.01(b)* and none of such locations has changed within the past 12 months (or such shorter time as the Borrower has been in existence). During the prior five years (or such shorter time as the Borrower has been in existence), except as set forth in *Schedule 4.01(b)*, the Borrower has not been known as or used any corporate, fictitious or trade name. In addition, *Schedule 4.01(b)* lists the federal employer identification number of the Borrower.

(c) *Corporate Power, Authorization, Enforceable Obligations.* The execution, delivery and performance by the Borrower of this Agreement and the other Related Documents to which it is a party, the creation and perfection of all Liens and ownership interests provided for therein: (i) are within the Borrower's corporate power; (ii) have been duly authorized by all necessary or proper corporate and shareholder action; (iii) do not contravene any provision of the Borrower's charter or bylaws; (iv) do not violate any law or regulation, or any order or decree of any court or Governmental Authority; (v) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which the Borrower or any Originator is a party or by which the Borrower or any Originator or any of the property of the Borrower or any Originator is bound; (vi) do not result in the creation or imposition of any Adverse Claim upon any of the property of the Borrower or any Originator; and (vii) do not require the consent or approval of any Governmental Authority or any other Person, except those which have been duly obtained, made or complied with prior to the Closing Date as provided in *Section 3.01(b)*. The exercise by each of the Borrower, the Lenders or the Administrative Agent of any of its rights and remedies under any Related Document to which it is a party, do not require the consent or approval of any Governmental Authority or any other Person (other than consents or approvals solely relating to or required to be obtained by a Lender or the Administrative Agent, and subject to the Bankruptcy Code), except those which will have been duly obtained, made or complied with prior to the Closing Date as provided in *Section 3.01(b)*. On or prior to the Closing Date, each of the Related Documents to which the Borrower is a party shall have been duly executed and delivered by the Borrower and each such Related Document shall then constitute a legal, valid and binding obligation of the Borrower enforceable against it in accordance with its terms.

9

(d) *No Litigation.* No Litigation is now pending or, to the knowledge of the Borrower, threatened against the Borrower that (i) challenges the Borrower's right or power to enter into or perform any of its obligations under the Related Documents to which it is a party, or the validity or enforceability of any Related Document or any action taken thereunder, (ii) seeks to prevent the transfer, sale, pledge or contribution of any Receivable or the consummation of any of the transactions contemplated under this Agreement or the other Related Documents, or (iii), has a reasonable risk of being determined adversely to the Borrower and that, if so determined, could have a Material Adverse Effect. Except as set forth on *Schedule 4.01(d)*, as of the Closing Date there is no Litigation pending or threatened that seeks damages or injunctive relief against, or alleges criminal misconduct by, the Borrower.

(e) *Solvency.* Both before and after giving effect to (i) the transactions contemplated by this Agreement and the other Related Documents and (ii) the payment and accrual of all transaction costs in connection with the foregoing, the Borrower is and will be Solvent.

(f) *Material Adverse Effect.* Since the date of the Borrower's organization, (i) the Borrower has not incurred any obligations, contingent or non-contingent liabilities, liabilities for charges, long-term leases or unusual forward or long-term commitments that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (ii) no contract, lease or other agreement or instrument has been entered into by the Borrower or has become binding upon the Borrower's assets and no law or regulation applicable to the Borrower has been adopted that has had or could reasonably be expected to have a Material Adverse Effect and (iii) the Borrower is not in default and no third party is in default under any material contract, lease or other agreement or instrument to which the Borrower is a party that alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Since the date of the Borrower's organization, no event has occurred with respect to the Borrower that alone or together with other events could reasonably be expected to have a Material Adverse Effect.

(g) *Ownership of Property; Liens.* None of the properties and assets (including the Transferred Receivables) of the Borrower are subject to any Adverse Claims, and there are no facts, circumstances or conditions known to the Borrower that may result in (i) with respect to the Transferred Receivables, any Adverse Claims (including Adverse Claims arising under environmental laws) and (ii) with respect to its other properties and assets, any Adverse Claims (including Adverse Claims arising under environmental laws). The Borrower has received all assignments, bills of sale and other documents, and has duly effected all recordings, filings and other actions necessary to establish, protect and perfect the Borrower's right, title and interest in and to the Transferred Receivables and its other properties and assets. The Liens granted to the Lender pursuant to *Section 8.01* will at all times be fully perfected first priority Liens in and to the Borrower Collateral.

(h) *Ventures, Subsidiaries and Affiliates; Outstanding Stock and Indebtedness.* Except as set forth in *Schedule 4.01(h)*, the Borrower has no Subsidiaries, is not engaged in any joint venture or partnership with any other Person, and is not an Affiliate of any other Person. All of the issued and outstanding Stock of the Borrower is owned by each of the Stockholders in the amounts set forth on *Schedule 4.01(h)*. There are no outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which the Borrower may be required to issue, sell, repurchase or redeem any of its Stock or other equity securities or any Stock or other equity securities of its Subsidiaries. All outstanding Debt of the Borrower as of the Closing Date is described in *Section 5.03(i)*.

(i) *Taxes.* All tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by the Borrower and each of its Affiliates included in the Parent Group have been filed with the appropriate Governmental Authority and all charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof (or any such fine, penalty, interest, late charge or loss has been paid), excluding

10

charges or other amounts being contested in accordance with *Section 5.01(e)*. Proper and accurate amounts have been withheld by the Borrower or such Affiliate from its respective employees for all periods in full and complete compliance with all applicable federal, state, local and foreign laws and such withholdings have been timely paid to the respective Governmental Authorities. *Schedule 4.01(i)* sets forth as of the Closing Date (i) those taxable years for which the Borrower's or such Affiliates' tax returns are currently being audited by the IRS or any other applicable Governmental Authority and (ii) any assessments or threatened assessments in connection with any such audit or otherwise currently outstanding. Except as described on *Schedule 4.01(i)*, neither the Borrower nor any such Affiliate has executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any charges. The Borrower is not liable for any charges: (A) under any agreement (including any tax sharing agreements) or (B) to the best of the Borrower's knowledge, as a transferee. As of the Closing Date, neither the Borrower nor any of its Affiliates included in the Parent Group has agreed or been requested to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, that would have a Material Adverse Effect.

(j) *Full Disclosure.* All information contained in this Agreement, any Borrowing Base Certificate or any of the other Related Documents, or any written statement furnished by or on behalf of the Borrower to either Lender or the Administrative Agent pursuant to the terms of this Agreement or any of the other Related Documents is true and accurate in every material respect, and none of this Agreement, any Borrowing Base Certificate or any of the other Related Documents, or any written statement furnished by or on behalf of the Borrower to either Lender or the Administrative Agent pursuant to the terms of this Agreement or any of the other Related Documents is misleading as a result of the failure to include therein a material fact.

(k) *ERISA.* The Borrower is in compliance with ERISA and has not incurred and does not expect to incur any liabilities (except for premium payments arising in the ordinary course of business) payable to the PBGC under ERISA.

(l) *Brokers.* No broker or finder acting on behalf of the Borrower was employed or utilized in connection with this Agreement or the other Related Documents or the

transactions contemplated hereby or thereby and the Borrower has no obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

(m) *Margin Regulations.* The Borrower is not engaged in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin security," as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "*Margin Stock*"). The Borrower owns no Margin Stock, and no portion of the proceeds of the Advances made hereunder will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Debt that was originally incurred to purchase or carry any Margin Stock or for any other purpose that might cause any portion of such proceeds to be considered a "purpose credit" within the meaning of Regulations T, U or X of the Federal Reserve Board. The Borrower will not take or permit to be taken any action that might cause any Related Document to violate any regulation of the Federal Reserve Board.

(n) *Nonapplicability of Bulk Sales Laws.* No transaction contemplated by this Agreement or any of the Related Documents requires compliance with any bulk sales act or similar law.

(o) *Government Regulation.* The Borrower is not an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act. The making of Advances by the Lenders hereunder, the application of the proceeds thereof and the consummation of the transactions contemplated by this

11

Agreement and the other Related Documents will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

(p) *Nonconsolidation.* The Borrower is operated in such a manner that the separate corporate existence of the Borrower, on the one hand, and any member of the Parent Group, on the other hand, would not be disregarded in the event of the bankruptcy or insolvency of any member of the Parent Group and, without limiting the generality of the foregoing:

(i) the Borrower is a limited purpose corporation whose activities are restricted in its certificate or articles of incorporation to those activities expressly permitted hereunder and under the other Related Documents and the Borrower has not engaged, and does not presently engage, in any activity other than those activities expressly permitted hereunder and under the other Related Documents, nor has the Borrower entered into any agreement other than this Agreement, the other Related Documents to which it is a party and, with the prior written consent of the Lenders and the Administrative Agent, any other agreement necessary to carry out more effectively the provisions and purposes hereof or thereof;

(ii) no individual at the time he or she is acting specifically in the capacity as an officer or employee of any member of the Parent Group is or will be acting in the capacity as an officer or employee of the Borrower;

(iii) other than the purchase and acceptance through capital contribution of Transferred Receivables, the making of Buyer Loans pursuant to the Parent Note, the payment of dividends and the return of capital to the Parent and the payment of Servicing Fees to the Servicer under this Agreement, the Borrower engages and has engaged in no intercorporate transactions with any member of the Parent Group;

(iv) the Borrower maintains corporate records and books of account separate from that of each member of the Parent Group, holds regular corporate meetings and otherwise observes corporate formalities and has a business office separate from that of each member of the Parent Group;

(v) the financial statements and books and records of the Borrower and the Originators reflect the separate corporate existence of the Borrower;

(vi) (A) the Borrower maintains its assets separately from the assets of each member of the Parent Group (including through the maintenance of separate bank accounts and except for any Records to the extent necessary to assist the Servicer in connection with the servicing of the Transferred Receivables), (B) except as contemplated by the Lock box Agreement, the Borrower's funds (including all money, checks and other cash proceeds) and assets, and records relating thereto, have not been and are not commingled with those of any member of the Parent Group and (C) the separate creditors of the Borrower will be entitled to be satisfied out of the Borrower's assets prior to any value in the Borrower becoming available to the Borrower's Stockholders;

(vii) except as otherwise expressly permitted hereunder, under the other Related Documents and under the Borrower's organizational documents, no member of the Parent Group (A) pays the Borrower's expenses, (B) guarantees the Borrower's obligations, or (C) advances funds to the Borrower for the payment of expenses or otherwise;

(viii) all business correspondence and other communications of the Borrower are conducted in the Borrower's own name, on its own stationery and through a separately-listed telephone number;

(ix) Borrower shall maintain separate office space from the offices of any member of the Parent Group and identify such office by a sign in its own name;

12

(x) Borrower shall respond to any inquiries with respect to ownership of a Transferred Receivable by stating that it is the owner of such Transferred Receivable, and that such Transferred Receivable is pledged to the Administrative Agent;

(xi) the Borrower does not act as agent for any member of the Parent Group, but instead presents itself to the public as a corporation separate from each such member and independently engaged in the business of purchasing and financing Receivables;

(xii) the Borrower maintains at least two independent directors each of whom (A) is employed by a firm or company other than Parent or an Affiliate of Parent which provides such independent directors in the ordinary course of its business, and is acceptable to the Administrative Agent, (B) by a firm or company which is not an Affiliate of Parent, provides such independent direction in the ordinary course of its business, and is acceptable to the Administrative Agent, (C) is not a Stockholder, director, officer, employee or associate, or any relative of the foregoing, of any member of the Parent Group (other than the Borrower), all as provided in its certificate or articles of incorporation, (D) has (1) prior experience as an independent director for a corporation whose charter documents required the unanimous consent of all independent directors thereof before such corporation could consent to the institution of bankruptcy or insolvency proceedings against it or could file a petition seeking relief under any applicable federal or state law relating to bankruptcy and (2) at least three years of employment experience with one or more entities that provide, in the ordinary course of their respective businesses, advisory, management or placement services to issuers of securitization or structured finance instruments, agreements or securities, and (E) is otherwise acceptable to the Lenders and the Administrative Agent; and

(xiii) the bylaws or the certificate or articles of incorporation of the Borrower require (A) the affirmative vote of each independent director before a voluntary petition

under Section 301 of the Bankruptcy Code may be filed by the Borrower, and (B) the Borrower to maintain (1) correct and complete books and records of account and (2) minutes of the meetings and other proceedings of its Stockholders and board of directors.

(q) *Deposit and Disbursement Accounts.* Schedule 4.01(q) lists all banks and other financial institutions at which the Borrower maintains deposit or other bank accounts as of the Closing Date, including the Concentration Account, the Borrower Account and any Lockbox Accounts, and such schedule correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

(r) *Transferred Receivables.*

(i) *Transfers.* Each Transferred Receivable was purchased by or contributed to the Borrower on the relevant Transfer Date pursuant to the Sale and Contribution Agreement.

(ii) *Eligibility.* Each Transferred Receivable designated as an Eligible Receivable in each Borrowing Base Certificate constitutes an Eligible Receivable as of the date specified in such Borrowing Base Certificate.

(iii) *No Material Adverse Effect.* The Borrower has no knowledge of any fact (including any defaults by the Obligor thereunder on any other Receivable) that would cause it or should have caused it to expect that any payments on each Transferred Receivable designated as an Eligible Receivable in any Borrowing Base Certificate will not be paid in full when due or has caused it to expect any Material Adverse Effect.

(iv) *Nonavoidability of Transfers.* The Borrower shall (A) have received each Contributed Receivable as a contribution to the capital of the Borrower by the Parent and (B) (1) have

13

purchased each Sold Receivable from the Parent for cash consideration and (2) have accepted assignment of any Eligible Receivables transferred pursuant to clause (b) of Section 4.04 of the Sale and Contribution Agreement, in each case in an amount that constitutes fair consideration and reasonably equivalent value therefor. Each Sale of a Sold Receivable effected pursuant to the terms of the Sale and Contribution Agreement shall not have been made for or on account of an antecedent debt owed by any Originator to the Borrower and no such Sale is or may be avoidable or subject to avoidance under any bankruptcy laws, rules or regulations.

(s) *Representations and Warranties in Other Related Documents.* Each of the representations and warranties of the Borrower contained in the Related Documents (other than this Agreement) is true and correct in all respects and the Borrower hereby makes each such representation and warranty to, and for the benefit of, the Lenders and the Administrative Agent as if the same were set forth in full herein.

Section 4.02. *Representations and Warranties of the Servicer.* To induce the Lenders to make Advances from time to time and the Administrative Agent to take any action required to be performed by it hereunder, the Servicer represents and warrants to the Lenders and the Administrative Agent, which representation and warranty shall survive the execution and delivery of this Agreement, that each of the representations and warranties of the Servicer (whether made by the Servicer in its capacity as an Originator or as Servicer) contained in any Related Document is true and correct and, if made by the Servicer in its capacity as an Originator, applies with equal force to the Servicer in its capacity as Servicer, and the Servicer hereby makes each such representation and warranty to, and for the benefit of, the Lenders and the Administrative Agent as if the same were set forth in full herein.

ARTICLE V.

GENERAL COVENANTS OF THE BORROWER

Section 5.01. *Affirmative Covenants of the Borrower.* The Borrower covenants and agrees that from and after the Closing Date and until the Termination Date:

(a) *Compliance with Agreements and Applicable Laws.* The Borrower shall perform each of its obligations under this Agreement and the other Related Documents and comply with all federal, state and local laws and regulations applicable to it and the Transferred Receivables, including those relating to truth in lending, retail installment sales, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices, privacy, licensing, taxation, ERISA and labor matters and environmental laws and environmental permits, except to the extent that the failure to so comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) *Maintenance of Existence and Conduct of Business.* The Borrower shall: (i) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its rights and franchises; (ii) continue to conduct its business substantially as now conducted or as otherwise permitted hereunder and in accordance with (1) the terms of its certificate of incorporation and bylaws, (2) Sections 4.01(p) and (q) and (3) the assumptions set forth in each legal opinion of McGavick Graves, P.S., or other counsel to the Borrower from time to time delivered pursuant to Section 3.02(d) of the Sale and Contribution Agreement with respect to issues of substantive consolidation and true sale and absolute transfer; (iii) at all times maintain, preserve and protect all of its assets and properties used or useful in the conduct of its business, including all licenses, permits, charters and registrations, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices; and (iv) transact business only in such corporate and trade names as are set forth in Schedule 5.01(b).

14

(c) *Deposit of Collections; Transfers from Borrower Account, etc.* The Borrower shall deposit or cause to be deposited promptly into the Lockbox Accounts and the Concentration Account, and in any event no later than the first Business Day after receipt thereof, all Collections it may receive with respect to any Transferred Receivable. All amounts that may from time to time be paid or payable by the Borrower to the Parent under the Sale and Contribution Agreement or any other Related Document (including, without limitation, any amounts in respect of the Sale Price for Sold Receivables, any amounts on deposit in the Borrower Account and any amounts owing to the Parent in its capacity as Servicer) shall be transferred by the Borrower directly to the Parent Blocked Account maintained by the Parent.

(d) *Use of Proceeds.* The Borrower shall utilize the proceeds of the Advances made hereunder solely for (i) the purchase of Receivables from the Parent pursuant to the Sale and Contribution Agreement, (ii) the payment of dividends to its Stockholders, (iii) the payment of administrative fees or Servicing Fees or expenses to the Servicer or routine administrative or operating expenses, (iv) the funding of Buyer Loans, in each case only as expressly permitted by and in accordance with the terms of this Agreement and the other Related Documents.

(e) *Payment, Performance and Discharge of Obligations.*

(i) Subject to Section 5.01(e)(ii), the Borrower shall pay, perform and discharge or cause to be paid, performed and discharged promptly all charges payable by it,

including (A) charges imposed upon it, its income and profits, or any of its property (real, personal or mixed) and all charges with respect to tax, social security and unemployment withholding with respect to its employees, and (B) lawful claims for labor, materials, supplies and services or otherwise before any thereof shall become past due.

(ii) The Borrower may in good faith contest, by appropriate proceedings, the validity or amount of any charges or claims described in *Section 5.01(e)(i)*; provided, that (A) adequate reserves with respect to such contest are maintained on the books of the Borrower, in accordance with GAAP, (B) such contest is maintained and prosecuted continuously and with diligence, (C) none of the Borrower Collateral becomes subject to forfeiture or loss as a result of such contest, (D) no Lien shall be imposed to secure payment of such charges or claims other than inchoate tax liens and (E) none of the Lenders or the Administrative Agent has advised the Borrower in writing that such Affected Party reasonably believes that failure to pay or to discharge such claims or charges could have or result in a Material Adverse Effect.

(f) *ERISA*. The Borrower shall give the Administrative Agent prompt written notice of any event that could result in the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA.

Section 5.02. Reporting Requirements of the Borrower.

(a) The Borrower hereby agrees that, from and after the Closing Date and until the Termination Date, it shall deliver or cause to be delivered to the Lenders, the Administrative Agent and, in the case of *paragraph (f)* therein only, to the Rating Agencies, the financial statements, notices and other information at the times, to the Persons and in the manner set forth in *Annex 5.02(a)*.

(b) The Borrower hereby agrees that, from and after the Closing Date and until the Termination Date, it shall deliver or cause to be delivered to the Lenders, the Administrative Agent and the Collateral Agent (i) as soon as available and in any event no later than 12:00 noon (New York time) on each Business Day, a Borrowing Base Certificate, and (ii) such other reports, statements and reconciliations with respect to the Borrowing Base or Borrower Collateral as any Lender, the Administrative Agent or the Collateral Agent shall from time to time request in its reasonable discretion.

15

Section 5.03. Negative Covenants of the Borrower. The Borrower covenants and agrees that, without the prior written consent of the Lenders and the Administrative Agent, from and after the Closing Date until the Termination Date:

(a) *Sale of Stock and Assets*. The Borrower shall not sell, transfer, convey, assign or otherwise dispose of, or assign any right to receive income in respect of, any of its properties or other assets, including its capital Stock (whether in a public or a private offering or otherwise), any Transferred Receivable or Contract therefor or any of its rights with respect to any Lockbox or any Lockbox Account, the Concentration Account, the Collection Account, the Retention Account or any other deposit account in which any Collections of any Transferred Receivable are deposited except as otherwise expressly permitted by this Agreement or any of the other Related Documents.

(b) *Liens*. The Borrower shall not create, incur, assume or permit to exist (i) any Adverse Claim on or with respect to its Transferred Receivables or (ii) any Adverse Claim on or with respect to its other properties or assets (whether now owned or hereafter acquired) except for the Liens set forth in *Schedule 5.03(b)* and other Permitted Encumbrances. In addition, the Borrower shall not become a party to any agreement, note, indenture or instrument or take any other action that would prohibit the creation of a Lien on any of its properties or other assets in favor of the Lenders as additional collateral for the Borrower Secured Obligations, except as otherwise expressly permitted by this Agreement or any of the other Related Documents.

(c) *Modifications of Receivables, Contracts or Credit and Collection Policies*. The Borrower shall not, without the prior written consent of the Administrative Agent, (i) extend, amend, forgive, discharge, compromise, waive, cancel or otherwise modify the terms of any Transferred Receivable or amend, modify or waive any term or condition of any Contract related thereto, provided, that the Borrower may authorize the Servicer to take such actions as are expressly permitted by the terms of any Related Document or the Credit and Collection Policies, or (ii) amend, modify or waive any term or provision of the Credit and Collection Policies.

(d) *Changes in Instructions to Obligor*s. The Borrower shall not make any change in its instructions to Obligor s regarding the deposit of Collections with respect to the Transferred Receivables.

(e) *Capital Structure and Business*. The Borrower shall not (i) make any changes in any of its business objectives, purposes or operations that could have or result in a Material Adverse Effect, (ii) make any change in its capital structure as described on *Schedule 4.01(h)*, including the issuance of any shares of Stock, warrants or other securities convertible into Stock or any revision of the terms of its outstanding Stock, or (iii) amend its certificate or articles of incorporation or bylaws. The Borrower shall not engage in any business other than as provided in its organizational documents and the Related Documents.

(f) *Mergers, Subsidiaries, Etc*. The Borrower shall not directly or indirectly, by operation of law or otherwise, (i) form or acquire any Subsidiary, or (ii) merge with, consolidate with, acquire all or substantially all of the assets or capital Stock of, or otherwise combine with or acquire, any Person.

(g) *Sale Characterization; Sale and Contribution Agreement*. The Borrower shall not make statements or disclosures, prepare any financial statements or in any other respect account for or treat the transactions contemplated by the Sale and Contribution Agreement (including for accounting, tax and reporting purposes) in any manner other than (i) with respect to each Sale of each Sold Receivable effected pursuant to the Sale and Contribution Agreement, as a true sale and absolute assignment of the title to and sole record and beneficial ownership interest of the Transferred Receivables by the Originators to the Borrower and (ii) with respect to each contribution of Contributed Receivables thereunder, as an increase in the stated capital of the Borrower.

16

(h) *Restricted Payments*. Except for the Buyer Loans made prior to the occurrence of an Incipient Termination Event or a Termination Event, the Borrower shall not enter into any lending transaction with any other Person. The Borrower shall not at any time (i) advance credit to any Person or (ii) declare any dividends, repurchase any Stock, return any capital, or make any other payment or distribution of cash or other property or assets in respect of the Borrower's Stock if, after giving effect to any such advance or distribution, a Funding Excess, Incipient Termination Event or Termination Event would exist or otherwise result therefrom.

(i) *Indebtedness*. The Borrower shall not create, incur, assume or permit to exist any Debt, except (i) Debt of the Borrower to any Affected Party, Indemnified Person, the Servicer or any other Person expressly permitted by this Agreement or any other Related Document, (ii) deferred taxes, (iii) unfunded pension fund and other employee benefit plan obligations and liabilities to the extent they are permitted to remain unfunded under applicable law, and (iv) indorser liability in connection with the indorsement of negotiable instruments for deposit or collection in the ordinary course of business.

(j) *Prohibited Transactions*. The Borrower shall not enter into, or be a party to, any transaction with any Person except as expressly permitted hereunder or under any other Related Document.

(k) *Investments.* Except as otherwise expressly permitted hereunder or under the other Related Documents, the Borrower shall not make any investment in, or make or accrue loans or advances of money to, any Person, including any Stockholder, director, officer or employee of the Borrower, the Parent or any of the Parent's other Subsidiaries, through the direct or indirect lending of money, holding of securities or otherwise, except with respect to Transferred Receivables and Permitted Investments.

(l) *Commingling.* The Borrower shall not deposit or permit the deposit of any funds that do not constitute Collections of Transferred Receivables into the Concentration Account or any Lockbox Account. If such funds are nevertheless deposited into a Lockbox Account and the Servicer has so notified the Administrative Agent, the Administrative Agent shall promptly remit (or direct the applicable Lockbox Account Bank to remit) any such amounts that are not Collections to the applicable Originator or other Person designated in such notice from the Servicer.

(m) *ERISA.* The Borrower shall not, and shall not cause or permit any of its ERISA Affiliates to, cause or permit to occur an event that could result in the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA.

(n) *Related Documents.* The Borrower shall not amend, modify or waive any term or provision of any Related Document without the prior written consent of the Administrative Agent.

(o) *Board Policies.* The Borrower shall not modify the terms of any policy or resolutions of its board of directors if such modification could have or result in a Material Adverse Effect.

(p) *Borrower Blocked Account Agreement.* The Borrower Account and all amounts on deposit therein shall at all times be subject to a valid Borrower Blocked Account Agreement. The Administrative Agent agrees that it shall not give a Notice of Direction (as such term is defined in the Borrower Blocked Account Agreement) to the Borrower Blocked Account Bank unless an Incipient Termination Event or a Termination Event has occurred.

ARTICLE VI.

COLLECTIONS AND DISBURSEMENTS

Section 6.01. *Establishment of Accounts.*

(a) *The Concentration Account and the Lockbox Accounts.*

(i) The Borrower has established the Concentration Account with the Concentration Account Bank. The Borrower has established with each Lockbox Bank one or more Lockbox Accounts. The Borrower agrees that the Administrative Agent shall have exclusive dominion and control of the Concentration Account and each Lockbox Account and all monies, instruments and other property from time to time on deposit therein. The Borrower shall not make or cause to be made, or have any ability to make or cause to be made, any withdrawals from the Concentration Account or any Lockbox Account except as provided in *Section 6.01(b)(ii)*.

(ii) The Borrower and the Servicer have instructed all existing Obligor of Transferred Receivables, and shall instruct all future Obligor of such Receivables, to make payments in respect thereof only (A) by check or money order mailed to one or more lockboxes or post office boxes under the control of the Administrative Agent (each a "Lockbox" and collectively the "Lockboxes") or (B) by wire transfer or moneygram directly to a Lockbox Account. *Schedule 4.01(q)* lists the Concentration Account, the Concentration Account Bank and all Lockboxes and all Lockbox Banks at which the Borrower maintains Lockbox Accounts as of the Closing Date, and such schedule correctly identifies (1) with respect to the Concentration Account Bank or each such Lockbox Bank, the name, address and telephone number thereof, (2) with respect to the Concentration Account and each Lockbox Account, the name in which such account is held and the complete account number thereof, and (3) with respect to each Lockbox, the lockbox number and address thereof. The Borrower and the Servicer shall endorse, to the extent necessary, all checks or other instruments received in any Lockbox so that the same can be deposited in the Lockbox Account, in the form so received (with all necessary endorsements), on the first Business Day after the date of receipt thereof. In addition, each of the Borrower and the Servicer shall deposit or cause to be deposited into a Lockbox Account all cash, checks, money orders or other proceeds of Transferred Receivables or Borrower Collateral received by it other than in a Lockbox or a Lockbox Account, in the form so received (with all necessary endorsements), not later than the close of business on the first Business Day following the date of receipt thereof, and until so deposited all such items or other proceeds shall be held in trust for the benefit of the Collateral Agent. Each of the Borrower and the Servicer also agrees to instruct each Lockbox Account Bank, and the Borrower and the Servicer each hereby grants to each of the Administrative Agent and the Collateral Agent the authority to instruct such Lockbox Account Bank, to transfer to the Concentration Account (or, in the case of the Lockbox Account existing on the Closing Date with U.S. Bank National Association as the Lockbox Account Bank, to transfer to the Collection Account), on each Business Day in same day funds, all available funds in any and all Lockbox Accounts maintained with such Lockbox Account Bank, and until so transferred all such funds shall be held in trust for the benefit of the Administrative Agent. Neither the Borrower nor the Servicer shall make any deposits into the Concentration Account, a Lockbox or any Lockbox Account except in accordance with the terms of this Agreement or any other Related Document.

(iii) If, for any reason, a Lockbox Agreement terminates or any Lockbox Bank fails to comply with its obligations under the Lockbox Agreement to which it is a party, then the Borrower shall promptly notify all Obligor of Transferred Receivables who had previously been instructed to make wire payments to a Lockbox Account maintained at any such Lockbox Bank to make all future payments to a new Lockbox Account in accordance with this *Section 6.01(a)(iii)*. The Borrower shall not close the Concentration Account or any such Lockbox Account unless it shall

have (A) received the prior written consent of the Administrative Agent, (B) established a new account with the same Concentration Account Bank or Lockbox Bank, as applicable, or with a new depository institution satisfactory to the Administrative Agent, (C) entered into an agreement covering such new account with such Concentration Account Bank or Lockbox Bank, as applicable, or with such new depository institution substantially in the form of the Concentration Account Agreement or such Lockbox Agreement, as applicable, or that is satisfactory in all respects to the Administrative Agent (whereupon, for all purposes of this Agreement and the other Related Documents, such new account shall become the Concentration Account or a Lockbox Account, as applicable, such new agreement shall become the Concentration Account Agreement or a Lockbox Agreement, as applicable, and any new depository institution shall become the Concentration Account Bank or a Lockbox Bank, as applicable), and (D) taken all such action as the Administrative Agent shall require to grant and perfect a first priority Lien in such new Concentration Account or Lockbox Account, as applicable, to the Lender under *Section 8.01* of this Agreement. Except as permitted by this *Section 6.01(a)*, neither the Borrower nor the Servicer shall open any new Concentration Account or Lockbox or Lockbox Account without the prior written consent of the Administrative Agent.

(b) *Collection Account.*

(i) The Lenders have established and shall maintain the Collection Account with the Depository. The Collection Account shall be registered in the name of the Administrative Agent and the Administrative Agent shall, subject to the terms of this Agreement, have exclusive dominion and control thereof and of all monies,

instruments and other property from time to time on deposit therein.

(ii) Pursuant to *Section 6.02*, the Borrower shall instruct the Concentration Account Bank to transfer, and the Borrower hereby grants the Administrative Agent the authority to instruct the Concentration Account Bank to transfer, on each Business Day in same day funds, all available funds in the Concentration Account to the Collection Account. The Lenders and the Administrative Agent may deposit into the Collection Account from time to time all monies, instruments and other property received by any of them as proceeds of the Transferred Receivables. On each Business Day prior to the Facility Termination Date the Administrative Agent shall instruct and cause the Depository (which instruction may be in writing or by telephone confirmed promptly thereafter in writing) to release funds on deposit in the Collection Account in the order of priority set forth in *Section 6.03*. On each Business Day from and after the Facility Termination Date the Administrative Agent shall apply all amounts when received in the Collection Account in the order of priority set forth in *Section 6.05*.

(iii) If, for any reason, the Depository wishes to resign as depository of the Collection Account or fails to carry out the instructions of the Administrative Agent, then the Administrative Agent shall promptly notify the Lenders. Neither the Lenders nor the Administrative Agent shall close the Collection Account unless (A) a new deposit account has been established with the Depository, (B) the Lenders and the Administrative Agent have entered into an agreement covering such new account with such new depository institution satisfactory in all respects to the Administrative Agent (whereupon such new account shall become the Collection Account for all purposes of this Agreement and the other Related Documents), and (C) the Lenders and the Administrative Agent have taken all such action as the Administrative Agent shall require to grant and perfect a first priority Lien in such new Collection Account to the Administrative Agent on behalf of the Lenders and to the Collateral Agent on behalf of the Conduit Lender under the Collateral Agent Agreement.

(c) *Retention Account*. The Administrative Agent has established and shall maintain the Retention Account with the Depository. The Retention Account shall be registered in the name of the

Administrative Agent and the Administrative Agent shall, subject to the terms of this Agreement, have exclusive dominion and control thereof and of all monies, instruments and other property from time to time on deposit therein.

Section 6.02. Funding of Collection Account.

(a) As soon as practicable, and in any event no later than 12:00 noon (New York time) on each Business Day:

(i) the Administrative Agent shall transfer or cause to be transferred (A) all Collections deposited in the Concentration Account prior to such Business Day to the Collection Account;

(ii) the Applicable Lender or the Administrative Agent shall deposit in the Collection Account the amount, if any, required pursuant to *Section 2.04(a)(i)*;

(iii) if, on the immediately preceding Business Day, the Administrative Agent shall have notified the Borrower of any Funding Excess, then the Borrower shall deposit cash in the amount of such Funding Excess in the Collection Account;

(iv) if on such Business Day the Borrower is required to make other payments under this Agreement not previously retained out of Collections (including Additional Amounts and Indemnified Amounts not previously paid), then the Borrower shall deposit an amount equal to such payments in the Collection Account;

(v) if, on the immediately preceding Business Day, the Parent made a capital contribution or repurchased a Transferred Receivable pursuant to *Section 4.04* of the Sale and Contribution Agreement or made a payment as a result of any Dilution Factors pursuant to *Section 4.02(o)* of the Sale and Contribution Agreement, then the Borrower shall deposit in the Collection Account cash in the amount so received from the Parent for such contribution or for such repurchase or payment;

(vi) the Servicer shall deposit in the Collection Account the Outstanding Balance of any Transferred Receivable the Servicer elects to pay pursuant to *Section 7.04*; and

(vii) the Borrower shall deposit in the Collection Account the Outstanding Balance of any Transferred Receivable the Borrower elects to pay pursuant to *Section 8.06(d)*.

(b) If, on or before the second Business Day immediately preceding any Settlement Date, the Administrative Agent shall have notified the Borrower of any Retention Account Deficiency pursuant to *Section 6.04(b)*, then the Borrower shall deposit cash in the amount of such deficiency in the Collection Account no later than 12:00 noon (New York time) on such Settlement Date.

(c) From and after the Facility Termination Date, the Administrative Agent shall transfer all amounts on deposit in the Retention Account as of that date to the Collection Account.

Section 6.03. Daily Disbursements From the Collection Account; Revolving Period. No later than 1:00 p.m. (New York time) on each Business Day during the Revolving Period, and following the transfers made pursuant to *Section 6.02*, the Administrative Agent shall disburse Collections then on deposit in the Collection Account and its related subaccounts in the following priority:

(a) to the Retention Account:

(i) the amount of any Retention Account Deficiency deposited pursuant to *Section 6.02(b)*; and

(ii) an amount equal to the sum of:

(A) Daily Yield;

(B) the Yield Shortfall as of the close of business on the immediately preceding Business Day;

(C) the Servicing Fee;

(D) the Servicing Fee Shortfall as of the close of business on the immediately preceding Business Day;

(E) the Unused Facility Fee;

(F) the Unused Facility Fee Shortfall as of the close of business on the immediately preceding Business Day;

(G) any Additional Amounts and Indemnified Amounts then due; and

(H) to the Lenders:

(I) an amount equal to the deposits made in the Collection Account pursuant to *Section 6.02(a)(iv)* and not otherwise disbursed pursuant to *Section 6.03(a)(i)*, to be disbursed ratably based on the amounts owed to the applicable Lenders;

(II) an amount equal to any Funding Excess to be applied in reduction of Outstanding Principal Amount, to the Lenders ratably based on the amount of their respective Outstanding Principal Amounts; and

(III) if, pursuant to a Repayment Notice, the Borrower has requested a reduction of the Outstanding Principal Amount of the Lenders, then to the Lenders, ratably based on the amount of their respective Outstanding Principal Amounts, the lesser of (A) the amount of such requested reduction of Outstanding Principal Amount and (B) such balance; and

(b) to the Borrower Account, the balance of any amounts remaining after making the foregoing disbursements.

Section 6.04. Disbursements From the Retention Account; Settlement Date Procedures; Revolving Period .

(a) On each Settlement Date during the Revolving Period, the amounts on deposit in the Retention Account shall be disbursed or retained by the Administrative Agent in the following priority:

(i) to the applicable Lenders (or, if applicable, any Indemnified Person or Affected Party), an amount equal to:

(A) the Accrued Monthly Yield for the immediately preceding Settlement Period;

(B) the Accrued Unused Facility Fee for the immediately preceding Settlement Period;

(C) all Additional Amounts incurred and payable to any Affected Party as of the end of the immediately preceding Settlement Period;

(D) all other amounts accrued and payable under this Agreement (including Indemnified Amounts incurred and payable to any Indemnified Person) as of the end of the immediately preceding Settlement Period to the extent not already transferred pursuant to *Section 6.03(b)(i)*; and

(E) if a Funding Excess exists on such date, an amount equal to such excess to the extent not already transferred pursuant to *Section 6.03(b)(ii)*, to be applied in reduction of Outstanding Principal Amount;

21

(ii) to the Servicer on behalf of the Borrower, an amount equal to its accrued and unpaid Servicing Fee as of the end of the immediately preceding Settlement Period;

(iii) to be retained in the Retention Account, an amount equal to the Accrued Monthly Yield, Accrued Unused Facility Fee and Accrued Servicing Fee as of such Settlement Date; and

(iv) to the Borrower Account, the balance of any funds remaining after retaining or disbursing the foregoing amounts.

(b) No later than the second Business Day immediately preceding each Settlement Date, the Administrative Agent shall determine and notify the Borrower of any Retention Account Deficiency for the preceding Settlement Period, and the Borrower shall deposit cash in the amount of such Retention Account Deficiency to the Collection Account pursuant to *Section 6.02(b)*.

Section 6.05. Liquidation Settlement Procedures. On each Business Day from and after the Facility Termination Date until the Termination Date, the Administrative Agent shall, as soon as practicable, transfer all amounts then on deposit in the Retention Account to the Collection Account and shall transfer all amounts in the Collection Account (including amounts transferred from the Retention Account pursuant to *Section 6.02(c)*) in the following priority:

(a) if an Event of Servicer Termination has occurred and a Successor Servicer has assumed the responsibilities and obligations of the Servicer in accordance with *Section 11.02*, then to the Successor Servicer an amount equal to its accrued and unpaid Successor Servicing Fees and Expenses;

(b) to the Lenders, ratably, an amount equal to accrued and unpaid Daily Yield through and including the date of maturity (if any) of the Commercial Paper (or other funding source) maintaining the Outstanding Principal Amount;

(c) to the Lenders, an amount equal to the unpaid Outstanding Principal Amount;

(d) to the Administrative Agent, an amount equal to accrued and unpaid Unused Facility Fees;

(e) all Additional Amounts and Indemnified Amounts incurred and payable to any Indemnified Person; and

(f) if an Event of Servicer Termination shall not have occurred, to the Servicer in an amount equal to the accrued and unpaid Servicing Fee; and

(g) to the Borrower Account, the balance of any funds remaining after payment in full of all amounts set forth in this *Section 6.05*.

Section 6.06. Investment of Funds in Accounts. To the extent uninvested amounts are on deposit in the Retention Account on any given day during the Revolving Period, the Administrative Agent shall invest all such amounts in Permitted Investments that mature no later than the immediately succeeding Settlement Date. From and after the Facility Termination Date, any investment of such amounts shall be solely at the discretion of the Administrative Agent, subject to the restrictions described above. All proceeds of any such investment shall be deposited upon receipt into the Retention Account.

Section 6.07. Termination Procedures.

(a) On the earlier of (i) the first Business Day after the Facility Termination Date on which the Outstanding Principal Amount has been reduced to zero or (ii) the Final Advance Date, if the obligations to be paid pursuant to *Section 6.05* have not been paid in full, the Borrower shall immediately deposit in the Collection Account an amount

sufficient to make such payments in full.

(b) On the Termination Date, all amounts on deposit in the Collection Account and the Retention Account shall be disbursed to the Borrower and all Liens of the Lenders in and to all Transferred Receivables and all Liens of the Lenders and the Administrative Agent in and to the Borrower

Collateral shall be released by each Lender and the Administrative Agent. Such disbursement shall constitute the final payment to which the Borrower is entitled pursuant to the terms of this Agreement.

ARTICLE VII. SERVICER PROVISIONS

Section 7.01. *Appointment of the Servicer.* Each of the Conduit Lender and the Committed Lender hereby appoints the Servicer as its agent, and the Borrower hereby acknowledges such appointment, to service the Transferred Receivables and enforce its rights and interests in and under each Transferred Receivable and Contract therefor and to serve in such capacity until the termination of its responsibilities pursuant to Sections 9.02 or 11.01. In connection therewith, the Servicer hereby accepts such appointment and agrees to perform the duties and obligations set forth herein. The Servicer may, with the prior written consent of each Lender and the Administrative Agent, subcontract with a Sub-Servicer for the collection, servicing or administration of the Transferred Receivables; *provided*, that (a) the Servicer shall remain liable for the performance of the duties and obligations of such Sub-Servicer pursuant to the terms hereof and (b) any Sub-Servicing Agreement that may be entered into and any other transactions or services relating to the Transferred Receivables involving a Sub-Servicer shall be deemed to be between the Sub-Servicer and the Servicer alone, and the Lenders and the Administrative Agent shall not be deemed parties thereto and shall have no obligations, duties or liabilities with respect to the Sub-Servicer.

Section 7.02. *Duties and Responsibilities of the Servicer.* Subject to the provisions of this Agreement, the Servicer shall conduct the servicing, administration and collection of the Transferred Receivables and shall take, or cause to be taken, all actions that (i) may be necessary or advisable to service, administer and collect each Transferred Receivable from time to time, (ii) the Servicer would take if the Transferred Receivables were owned by the Servicer, and (iii) are consistent with industry practice for the servicing of such Transferred Receivables.

Section 7.03. *Collections on Receivables.*

(a) In the event that the Servicer is unable to determine the specific Transferred Receivables on which Collections have been received from the Obligor thereunder, the parties agree for purposes of this Agreement only that such Collections shall be deemed to have been received on such Receivables in the order in which they were originated with respect to such Obligor. In the event that the Servicer is unable to determine the specific Transferred Receivables on which discounts, offsets or other non-cash reductions have been granted or made with respect to the Obligor thereunder, the parties agree for purposes of this Agreement only that such reductions shall be deemed to have been granted or made (i) prior to a Termination Event, on such Receivables as determined by the Servicer, and (ii) from and after the occurrence of a Termination Event, in the reverse order in which they were originated with respect to such Obligor.

(b) If the Servicer determines that amounts unrelated to the Transferred Receivables (the "Unrelated Amounts") have been deposited in the Collection Account, then the Servicer shall provide written evidence thereof to the Lenders and the Administrative Agent no later than the first Business Day following the day on which the Servicer had actual knowledge thereof, which evidence shall be provided in writing and shall be otherwise satisfactory to each such Affected Party. Upon receipt of any such notice, the Administrative Agent shall segregate the Unrelated Amounts and the same shall not be deemed to constitute Collections on Transferred Receivables and shall not be subject to the provisions of Article VI.

Section 7.04. *Authorization of the Servicer.* Each of the Conduit Lender and the Committed Lenders hereby authorizes the Servicer, and the Borrower acknowledges such authorization, to take any and all reasonable steps in its name and on its behalf necessary or desirable and not inconsistent with

the rights of the Administrative Agent and the Lenders hereunder and the pledge of the Conduit Lender's Revolving Note by the Conduit Lender to the Collateral Agent pursuant to the Collateral Agent Agreement, in the determination of the Servicer, to (a) collect all amounts due under any Transferred Receivable, including endorsing its name on checks and other instruments representing Collections on such Receivable, and execute and deliver any and all instruments of satisfaction or cancellation or of partial or full release or discharge and all other comparable instruments with respect to any such Receivable and (b) after any Transferred Receivable becomes a Delinquent Receivable or a Defaulted Receivable and to the extent permitted under and in compliance with applicable law and regulations, commence proceedings with respect to the enforcement of payment of any such Receivable and the Contract therefor and adjust, settle or compromise any payments due thereunder, in each case to the same extent as the applicable Originator could have done if it had continued to own such Receivable. Each Originator, the Borrower, the Administrative Agent and each Lender shall furnish the Servicer with any powers of attorney and other documents necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties hereunder. Notwithstanding anything to the contrary contained herein, the Lenders and the Administrative Agent shall have the absolute and unlimited right to direct the Servicer (whether the Servicer is the Parent or otherwise) (i) to commence or settle any legal action to enforce collection of any Transferred Receivable or (ii) to foreclose upon, repossess or take any other action that the Administrative Agent deems necessary or advisable with respect thereto; *provided*, that in lieu of commencing any such action or taking other enforcement action, the Servicer may, at its option, elect to pay to the Collection Account for the benefit of the Applicable Lenders, an amount equal to the Outstanding Balance of such Transferred Receivable. In no event shall the Servicer be entitled to make any Affected Party a party to any Litigation without such Affected Party's express prior written consent, or to make the Borrower a party to any Litigation without the Administrative Agent's consent.

Section 7.05. *Servicing Fees.* As compensation for its servicing activities and as reimbursement for its reasonable expenses in connection therewith, the Servicer shall be entitled to receive the Servicing Fees in accordance with Sections 6.04 and 6.05. The Servicer shall be required to pay for all expenses incurred by it in connection with its activities hereunder (including any payments to accountants, counsel or any other Person) and shall not be entitled to any payment therefor other than the Servicing Fees.

Section 7.06. *Representations and Warranties of the Servicer.* To induce the Lenders to make Advances from time to time and the Administrative Agent to take any action required to be performed by it hereunder, the Servicer represents and warrants to the Lenders and the Administrative Agent, which representation and warranty shall survive the execution and delivery of this Agreement:

(a) *Corporate Existence; Compliance with Law.* The Servicer (i) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation; (ii) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification; (iii) has the requisite corporate power and authority and the legal right to own and operate its properties, to lease the property it operates under lease, and to conduct its business as now, heretofore and proposed to be conducted; (iv) has all licenses, permits, consents or approvals from or by, and has made all filings with, and has given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct; (v) is in compliance with its charter and bylaws; and (vi) subject to specific representations set forth herein regarding ERISA, tax and other laws, is in compliance with all applicable provisions of law, except where the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) *Corporate Power, Authorization, Enforceable Obligations.* The execution, delivery and performance by the Servicer of this Agreement and the other Related Documents to which it is a party and, solely with respect to *clause (vii)* below, the exercise by each of the Borrower, the Lenders or the

Administrative Agent of any of its rights and remedies under any Related Document to which it is a party: (i) are within the Servicer's corporate power; (ii) have been duly authorized by all necessary or proper corporate and shareholder action; (iii) do not contravene any provision of the Servicer's charter or bylaws; (iv) do not violate any law or regulation, or any order or decree of any court or Governmental Authority; (v) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which the Servicer is a party or by which the Servicer or any of the property of the Servicer is bound; (vi) do not result in the creation or imposition of any Adverse Claim upon any of the property of the Servicer; and (vii) do not require the consent or approval of any Governmental Authority or any other Person, except those referred to in *Section 3.01(b)*, all of which will have been duly obtained, made or complied with prior to the Closing Date. On or prior to the Closing Date, each of the Related Documents to which the Servicer is a party shall have been duly executed and delivered by the Servicer and each such Related Document shall then constitute a legal, valid and binding obligation of the Servicer enforceable against it in accordance with its terms.

(c) *No Litigation.* No Litigation is now pending or, to the knowledge of the Servicer, threatened against the Servicer that (i) challenges the Servicer's right or power to enter into or perform any of its obligations under the Related Documents to which it is a party, or the validity or enforceability of any Related Document or any action taken thereunder, (ii) seeks to prevent the transfer, sale, pledge or contribution of any Receivable or the consummation of any of the transactions contemplated under this Agreement or the other Related Documents, or (iii) has a reasonable risk of being determined adversely to the Servicer and that, if so determined, could have a Material Adverse Effect.

(d) *Full Disclosure.* No information contained in this Agreement, any Borrowing Base Certificate or any of the other Related Documents, or any written statement furnished by or on behalf of the Servicer to either Lender or the Administrative Agent pursuant to the terms of this Agreement or any of the other Related Documents contains any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

(e) *Other Representations and Warranties.* Each of the representations and warranties of the Servicer (whether made by the Servicer in its capacity as an Originator or as the Servicer) contained in any Related Document is true and correct and, if made by the Servicer in its capacity as an Originator, applies with equal force to the Servicer in its capacity as Servicer.

Section 7.07. *Covenants of the Servicer.* The Servicer covenants and agrees that from and after the Closing Date and until the Termination Date:

(a) *Ownership of Transferred Receivables.* The Servicer shall identify the Transferred Receivables clearly and unambiguously in its Servicing Records to reflect that such Transferred Receivables have been sold or contributed to the Borrower and have been pledged to the Administrative Agent for the benefit of itself and the Lenders.

(b) *Compliance with Credit and Collection Policies.* The Servicer shall comply in all respects with the Credit and Collection Policies with respect to each Transferred Receivable and the Contract therefor. The Servicer shall not amend, waive or modify any term or provision of the Credit and Collection Policies without the prior written consent of the Administrative Agent.

(c) *Covenants in Other Related Documents.* The Servicer shall perform, keep and observe all covenants applicable to it in its capacity as an Originator under the Sale and Contribution Agreement and the other Related Documents (including those covenants set forth in *Sections 4.02* and *4.03* of the Sale and Contribution Agreement) and the Servicer hereby agrees to be bound by such covenants in its

capacity as Servicer hereunder for the benefit of the Lenders and the Administrative Agent as if the same were set forth in full herein.

Section 7.08. *Reporting Requirements of the Servicer.* The Servicer hereby agrees that, from and after the Closing Date and until the Termination Date, it shall deliver or cause to be delivered to the Lenders and the Administrative Agent the financial statements, notices, and other information at the times, to the Persons and in the manner set forth in *Annex 7.08*.

ARTICLE VIII. GRANT OF SECURITY INTERESTS

Section 8.01. *Borrower's Grant of Security Interest.* To secure the prompt and complete payment, performance and observance of all Borrower Secured Obligations, and to induce the Administrative Agent, the Conduit Lender and the Committed Lender to enter into this Agreement and perform the obligations required to be performed by them hereunder in accordance with the terms and conditions thereof, the Borrower hereby grants, assigns, conveys, pledges, hypothecates and transfers to the Administrative Agent, for the benefit of itself, the Conduit Lender and the Committed Lender, a Lien upon and security interest in all of its right, title and interest in, to and under, but none of its obligations arising from, the following property, whether now owned by or owing to, or hereafter acquired by or arising in favor of, the Borrower (including under any trade names, styles or derivations of the Borrower), and regardless of where located (all of which being hereinafter collectively referred to as the "*Borrower Collateral*"):

(a) all Receivables, Contracts therefor and Collections thereon;

(b) the Sale Agreements, the Concentration Account Agreement, all Lockbox Agreements, the Borrower Blocked Account Agreement, the Parent Note, and all other Related Documents now or hereafter in effect relating to the purchase, servicing or processing of Receivables (collectively, the "*Borrower Assigned Agreements*"), including (i) all rights of the Borrower to receive moneys due and to become due thereunder or pursuant thereto, (ii) all rights of the Borrower to receive proceeds of any insurance, indemnity, warranty or guaranty with respect thereto, (iii) all claims of the Borrower for damages or breach with respect thereto or for default thereunder and (iv) the right of the Borrower to amend, waive or terminate the same and to perform and to compel performance and otherwise exercise all remedies thereunder;

(c) all of the following (collectively, the "*Borrower Account Collateral*"):

(i) the Concentration Account, the Borrower Account, the Lockbox Accounts, the Lockboxes, and all funds on deposit therein and all certificates and instruments, if any, from time to time representing or evidencing the Concentration Account, the Borrower Account, Lockbox Accounts, the Lockboxes or such funds,

(ii) the Collection Account, the Retention Account and all funds on deposit therein and all certificates and instruments, if any, from time to time representing or evidencing the Collection Account, the Retention Account or such funds,

(iii) all Investments from time to time of amounts in the Collection Account and the Retention Account, and all certificates, instruments and investment property, if any, from time to time representing or evidencing such Investments,

(iv) all notes, certificates of deposit and other instruments from time to time delivered to or otherwise possessed by any Lender or any assignee or agent on behalf of any Lender in substitution for or in addition to any of the then existing Borrower Account Collateral, and

26

(v) all interest, dividends, cash, instruments, investment property and other property from time to time received, receivable or otherwise distributed with respect to or in exchange for any and all of the then existing Borrower Account Collateral;

(d) all other property that may from time to time hereafter be granted and pledged by the Borrower or by any Person on its behalf under this Agreement, including any deposit with any Lender or the Administrative Agent of additional funds by the Borrower; and

(e) to the extent not otherwise included, all proceeds and products of the foregoing and all accessions to, substitutions and replacements for, and profits of, each of the foregoing Borrower Collateral (including proceeds that constitute property of the types described in *Sections 8.01(a)* through *(d)*).

Section 8.02. Borrower's Certification. The Borrower hereby certifies that (a) the benefits of the representations, warranties and covenants of each Selling Subsidiary made to the Parent under the Receivables Sale Agreement and made by the Parent to the Borrower under the Sale and Contribution Agreement have been assigned by the Borrower to the Administrative Agent on behalf of the Lenders hereunder; (b) the rights of the Borrower to require a capital contribution from the Parent or to require payment of a Rejected Amount from an Originator under either Sale Agreement may be enforced by the Lenders and the Administrative Agent; and (c) each of the Sale Agreements provides that the representations, warranties and covenants described in *Sections 4.01, 4.02 and 4.03* thereof, the indemnification and payment provisions of *Article V* thereof and the provisions of *Sections 4.03(j), 8.03 and 8.14* thereof shall survive the sale of the Transferred Receivables (and undivided percentage ownership interests therein) and the termination of the Sale Agreements and this Agreement. The Borrower hereby acknowledges that the Conduit Lender has assigned to the Collateral Agent under the Collateral Agent Agreement the benefits of the representations, warranties and covenants certified in *Section 8.02(a)* to have been assigned to the Administrative Agent on behalf of the Lenders hereunder.

Section 8.03. Consent to Assignment. Each of the Borrower and the Servicer acknowledges and consents to the grant by the Conduit Lender to the Collateral Agent pursuant to the Collateral Agent Agreement of a Lien upon all of the Conduit Lender's rights, title and interest in, to and under the Borrower Collateral and acknowledges the rights of the Collateral Agent thereunder and the covenants made by the Conduit Lender in favor of the Collateral Agent set forth therein, and further acknowledges and consents that, upon the occurrence and during the continuance of an Incipient Termination Event or a Termination Event prior to a Committed Lender Funding Event, the Collateral Agent shall be entitled to enforce the provisions of the Borrower Assigned Agreements and shall be entitled to all the rights and remedies of the Conduit Lender thereunder. In addition, each of the Borrower and the Servicer hereby authorizes the Collateral Agent to rely on the representations and warranties made by it in the Borrower Assigned Agreements to which it is a party and in any other certificates or documents furnished by it to any party in connection therewith.

Section 8.04. Delivery of Collateral. All certificates or instruments representing or evidencing the Borrower Collateral shall be delivered to and held by or on behalf of the Administrative Agent and shall be in suitable form for transfer by delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Administrative Agent. The Administrative Agent shall have the right (a) at any time to exchange certificates or instruments representing or evidencing Borrower Collateral for certificates or instruments of smaller or larger denominations and (b) at any time in its discretion following the occurrence and during the continuation of a Termination Event and without notice to the Borrower, to transfer to or to register in the name of the Administrative Agent or its nominee any or all of the Borrower Collateral.

Section 8.05. Borrower Remains Liable. It is expressly agreed by the Borrower that, anything herein to the contrary notwithstanding, the Borrower shall remain liable under any and all of the Transferred Receivables, the Contracts therefor, the Borrower Assigned Agreements and any other

27

agreements constituting the Borrower Collateral to which it is a party to observe and perform all the conditions and obligations to be observed and performed by it thereunder. The Lenders, the Administrative Agent, the Collateral Agent and the other Conduit Lender Secured Parties shall not have any obligation or liability under any such Receivables, Contracts or agreements by reason of or arising out of this Agreement or the Collateral Agent Agreement or the granting herein or therein of a Lien thereon or the receipt by the Administrative Agent, Lenders, the Collateral Agent or any Lender Secured Party of any payment relating thereto pursuant hereto or thereto. The exercise by any Lender or the Administrative Agent of any of its respective rights under this Agreement shall not release any Originator, the Borrower or the Servicer from any of their respective duties or obligations under any such Receivables, Contracts or agreements. None of the Lenders, the Administrative Agent, the Collateral Agent or any of the Conduit Lender Secured Parties shall be required or obligated in any manner to perform or fulfill any of the obligations of any Originator, the Borrower or the Servicer under or pursuant to any such Receivable, Contract or agreement, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any such Receivable, Contract or agreement, or to present or file any claims, or to take any action to collect or enforce any performance or the payment of any amounts that may have been assigned to it or to which it may be entitled at any time or times.

Section 8.06. Covenants of the Borrower and the Servicer Regarding the Borrower Collateral.

(a) **Offices and Records.** The Borrower shall maintain its principal place of business and chief executive office and the office at which it stores its Records at the respective locations specified in *Schedule 4.01(b)* or, upon 30 days' prior written notice to the Administrative Agent, at such other location in a jurisdiction where all action requested by the Administrative Agent pursuant to *Section 14.15* shall have been taken with respect to the Borrower Collateral. Each of the Borrower and the Servicer shall, at its own cost and expense, maintain adequate and complete records of the Transferred Receivables and the Borrower Collateral, including records of any and all payments received, credits granted and merchandise returned with respect thereto and all other dealings therewith. Each of the Borrower and the Servicer shall mark conspicuously with a legend, in form and substance satisfactory to the Administrative Agent, its books and records, computer tapes, computer disks and credit files pertaining to the Borrower Collateral, and its file cabinets or other storage facilities where it maintains information pertaining thereto, to evidence this Agreement and the assignment and Liens granted pursuant to this *Article VIII*. Upon the occurrence and during the continuance of a Termination Event, the Borrower and the Servicer shall deliver and turn over such books and records to the Administrative Agent or its representatives at any time on demand of the Administrative Agent. Prior to the occurrence of a Termination Event and upon notice from the Administrative Agent, the Borrower and the Servicer shall permit any representative of the Administrative Agent to inspect such books and records and shall provide photocopies thereof to the Administrative Agent as more specifically set forth in *Section 8.06(b)*.

(b) **Access.** Each of the Borrower and the Servicer shall, at its own expense, during normal business hours, from time to time upon one Business Day's prior notice as frequently as the Administrative Agent determines to be appropriate: (i) provide the Lenders, the Administrative Agent and any of their respective officers, employees and agents access to its properties (including properties utilized in connection with the collection, processing or servicing of the Transferred Receivables), facilities, advisors and employees (including officers) and to the Borrower Collateral, (ii) permit the Lenders, the Administrative Agent and any of their respective officers, employees and agents to inspect, audit and make extracts from its books and records, including all Records, (iii) permit the Lenders or the Administrative Agent and their respective officers, employees and agents to inspect, review and evaluate the Transferred Receivables and the Borrower Collateral and (iv) permit the Lenders or the Administrative Agent and their respective officers, employees and agents to discuss matters relating to the Transferred Receivables or its performance under this Agreement or the other

Related Documents or its affairs, finances and accounts with any of its officers, directors, employees, representatives or agents (in each case, with those persons having knowledge of such matters) and with its independent certified public accountants. If (A) an Incipient Termination Event or a Termination Event shall have occurred and be continuing or (B) the Administrative Agent, in good faith, believes that an Incipient Termination Event or a Termination Event is imminent or deems any Lender's rights or interests in the Transferred Receivables, the Borrower Assigned Agreements or any other Borrower Collateral insecure, then each of the Borrower and the Servicer shall, at its own expense, provide such access at all times and without advance notice and provide the Lenders or the Administrative Agent with access to its suppliers and customers. Each of the Borrower and the Servicer shall make available to the Administrative Agent and its counsel, as quickly as is possible under the circumstances, originals or copies of all books and records, including Records, that the Administrative Agent may request. Each of the Borrower and the Servicer shall deliver any document or instrument necessary for the Administrative Agent, as the Administrative Agent may from time to time request, to obtain records from any service bureau or other Person that maintains records for the Borrower or the Servicer, and shall maintain duplicate records or supporting documentation on media, including computer tapes and discs owned by the Borrower or the Servicer.

(c) *Communication with Accountants.* Each of the Borrower and the Servicer authorizes the Lenders and the Administrative Agent to communicate directly with its independent certified public accountants and authorizes and shall instruct those accountants and advisors to disclose and make available to the Lenders and the Administrative Agent any and all financial statements and other supporting financial documents, schedules and information relating to the Borrower or the Servicer (including copies of any issued management letters) with respect to its business, financial condition and other affairs.

(d) *Collection of Transferred Receivables.* Except as otherwise provided in this Section 8.06(d), the Servicer shall continue to collect or cause to be collected, at its sole cost and expense, all amounts due or to become due to the Borrower under the Transferred Receivables, the Borrower Assigned Agreements and any other Borrower Collateral. In connection therewith, the Borrower and the Servicer shall take such action as it, and from and after the occurrence and during the continuance of a Termination Event, the Administrative Agent, may deem necessary or desirable to enforce collection of the Transferred Receivables, the Borrower Assigned Agreements and the other Borrower Collateral; *provided*, that the Borrower or the Servicer may, rather than commencing any such action or taking any other enforcement action, at its option, elect to pay to the Administrative Agent, for the account of the Applicable Lender (in accordance with its Advances), the Outstanding Balance of any such Transferred Receivable; *provided further*, that if (i) an Incipient Termination Event or a Termination Event shall have occurred and be continuing or (ii) the Administrative Agent, in good faith believes that an Incipient Termination Event or a Termination Event is imminent or deems any Lender's rights or interests in the Transferred Receivables, the Borrower Assigned Agreements or any other Borrower Collateral insecure, then the Administrative Agent may, without prior notice to the Borrower or the Servicer, notify any Obligor under any Transferred Receivable or obligors under the Borrower Assigned Agreements of the assignment of such Transferred Receivables or Borrower Assigned Agreements, as the case may be, to the Administrative Agent on behalf of the Lenders hereunder and direct that payments of all amounts due or to become due to the Borrower thereunder be made directly to the Administrative Agent or any servicer, collection agent or lockbox or other account designated by the Administrative Agent and, upon such notification and at the sole cost and expense of the Borrower and the Servicer, the Administrative Agent may enforce collection of any such Transferred Receivable or the Borrower Assigned Agreements and adjust, settle or compromise the amount or payment thereof. The Administrative Agent shall provide prompt notice to the Borrower and the Servicer of any such notification of assignment or direction of payment to the Obligors under any Transferred Receivables.

(e) *Performance of Borrower Assigned Agreements.* Each of the Borrower and the Servicer shall (i) perform and observe all the terms and provisions of the Borrower Assigned Agreements to be performed or observed by it, maintain the Borrower Assigned Agreements in full force and effect, enforce the Borrower Assigned Agreements in accordance with their terms and take all action as may from time to time be requested by the Administrative Agent in order to accomplish the foregoing, and (ii) upon the request of and as directed by the Administrative Agent, make such demands and requests to any other party to the Borrower Assigned Agreements as are permitted to be made by the Borrower or the Servicer thereunder.

(f) *License for Use of Software and Other Intellectual Property.* Unless expressly prohibited by the licensor thereof or any provision of applicable law, if any, each of the Borrower and the Parent hereby grants to the Administrative Agent on behalf of the Lenders a license to use, without charge, the Borrower's and the Parent's computer programs, software, printouts and other computer materials, technical knowledge or processes, data bases, materials, trademarks, registered trademarks, trademark applications, service marks, registered service marks, service mark applications, patents, patent applications, trade names, rights of use of any name, labels fictitious names, inventions, designs, trade secrets, goodwill, registrations, copyrights, copyright applications, permits, licenses, franchises, customer lists, credit files, correspondence, and advertising materials or any property of a similar nature, as it pertains to the Borrower Collateral, or any rights to any of the foregoing, in the advertising for sale, and selling any of the Borrower Collateral, or exercising of any other remedies hereto, and each of the Borrower and the Parent agrees that its rights under all licenses and franchise agreements shall inure to the Administrative Agent's benefit (on behalf of itself and the Lenders). Except upon the occurrence and continuation of a Termination Event, the Administrative Agent and the Lenders agree not to use any such license without giving the Borrower and the Parent notice.

ARTICLE IX. TERMINATION EVENTS

Section 9.01. *Termination Events.* If any of the following events (each, a "Termination Event") shall occur (regardless of the reason therefor):

(a) the Borrower shall (i) fail to make any payment of any Borrower Secured Obligation when due and payable and the same shall remain unremedied for one Business Day or more, or (ii) fail or neglect to perform, keep or observe any other provision of this Agreement or the other Related Documents (other than any provision embodied in or covered by any other clause of this Section 9.01) and the same shall remain unremedied for two Business Days or more after written notice thereof shall have been given by the Administrative Agent to the Borrower; or

(b) a default or breach shall occur under any other agreement, document or instrument to which the Borrower is a party or by which any such Person or its property is bound, and such default or breach (i) involves the failure to make any payment when due in respect of any Debt (other than the Borrower Secured Obligations) of the Borrower, (ii) permits any holder of such Debt or a trustee or agent to cause Debt or a portion thereof to become due prior to its stated maturity or prior to its regularly scheduled dates of payment or (iii) causes Debt or a portion thereof to become due prior to its stated maturity or prior to its regularly scheduled dates of payment; in each case, regardless of whether such default is waived, or such right is exercised, by such holder, trustee or agent; or

(c) a default or breach shall occur under any other agreement, document or instrument to which an Originator is a party or by which any such Person or its property is bound, and such default or breach (i) involves the failure to make any payment when due in respect of any Debt in excess of a principal amount of \$500,000 in the aggregate of such Originator, (ii) permits any holder of such Debt or a trustee or agent to cause Debt or a portion thereof which is in excess of a principal amount of \$500,000 in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled

dates of payment or (iii) causes Debt or a portion thereof which is in excess of a principal amount of \$500,000 in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled dates of payment; in each case, regardless of whether such default is waived, or such right is exercised, by such holder, trustee or agent; or

(d) a case or proceeding shall have been commenced in a court of competent jurisdiction against the Borrower seeking a decree or order in respect of the Borrower (i) under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for the Borrower or for any substantial part of the Borrower's assets, or (iii) ordering the winding-up or liquidation of the affairs of the Borrower; or

(e) a case or proceeding shall have been commenced in a court of competent jurisdiction against any Originator seeking a decree or order in respect of any such Person (i) under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for any such Person or for any substantial part of such Person's assets, or (iii) ordering the winding-up or liquidation of the affairs of any such Person; and such case or proceeding shall remain undismissed or unstayed for sixty (60) consecutive days or such court shall enter a decree or order granting the relief sought in such case or proceeding; or

(f) the Borrower or any Originator shall (i) file a petition seeking relief under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) consent or fail to object in a timely and appropriate manner to the institution of proceedings thereunder or to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for any such Person or for any substantial part of such Person's assets, (iii) make an assignment for the benefit of creditors, or (iv) take any corporate action in furtherance of any of the foregoing; or

(g) (i) any Originator, the Borrower or the Servicer generally does not pay its debts as such debts become due or admits in writing its inability to, or is generally unable to, pay its debts as such debts become due or (ii) the fair market value of any Originator's or the Borrower's liabilities exceeds the fair market value of its assets; or

(h) a final judgment or judgments for the payment of money in excess of \$500,000 in the aggregate at any time outstanding shall be rendered against any Originator or any Subsidiary of the Parent and the same shall not, within 30 days after the entry thereof, have been discharged or execution thereof stayed or bonded pending appeal, or shall not have been discharged prior to the expiration of any such stay; or

(i) a judgment or order for the payment of money shall be rendered against the Borrower; or

(j) (i) any information contained in any Borrowing Base Certificate is untrue or incorrect in any respect, or (ii) any representation or warranty of any Originator or the Borrower herein or in any other Related Document or in any written statement, report, financial statement or certificate (other than a Borrowing Base Certificate) made or delivered by or on behalf of such Originator or the Borrower to any Affected Party hereto or thereto is untrue or incorrect in any material respect as of the date when made or deemed made and such representation and warranty, if relating to any Transferred Receivable, has not been cured by the repurchase of any such Transferred Receivable pursuant to Section 4.04 of the Sale and Contribution Agreement; or

(k) any Governmental Authority (including the IRS or the PBGC) shall file notice of a Lien with regard to any assets of any Originator (other than a Lien (i) limited by its terms to assets other than Receivables and (ii) not materially adversely affecting the financial condition of such Originator or the ability of the Parent to perform as Servicer hereunder); or

31

(l) any Governmental Authority (including the IRS or the PBGC) shall file notice of a Lien with regard to any of the assets of the Borrower; or

(m) there shall have occurred any event which, in the reasonable judgment of the Administrative Agent, materially adversely impairs the ability of any Originator to originate Receivables of a credit quality which are at least of the credit quality of the Receivables as of the date of the initial Advance hereunder, or the Administrative Agent shall have determined (and so notified the Borrower) that any event or condition that has had or could reasonably be expected to have or result in a Material Adverse Effect has occurred; or

(n) (i) a default or breach shall occur under any provision of *Sections 4.02(o), 4.04, 5.01 or 8.14* of any Sale Agreement and the same shall remain unremedied for one Business Day or more after the occurrence thereof, (ii) a default or breach shall occur under any other provision of any Sale Agreement and the same shall remain unremedied for two Business Days or more after written notice thereof shall have been given by the Administrative Agent to the Borrower or (iii) the Sale Agreements shall for any reason cease to evidence the transfer to the Borrower of the legal and equitable title to, and ownership of, the Transferred Receivables; or

(o) except as otherwise expressly provided herein, the Concentration Account Agreement, the Borrower Blocked Account Agreement, any Lockbox Agreement or any Sale Agreement shall have been modified, amended or terminated without the prior written consent of the Lenders and the Administrative Agent; or

(p) an Event of Servicer Termination shall have occurred; or

(q) (i) with respect to the Transferred Receivables, (A) prior to the making of Advances hereunder, the Borrower shall cease to hold valid and properly perfected title to and sole record and beneficial ownership in such Transferred Receivables or (B) after the making of Advances hereunder, the Administrative Agent (on behalf of the Lenders) shall cease to hold a first priority, perfected Lien in the related Transferred Receivables or any of the Borrower Collateral; or

(r) a Change of Control shall occur; or

(s) the Borrower shall amend its bylaws or its certificate or articles of incorporation without the express prior written consent of the Lenders and the Administrative Agent; or

(t) the Borrower shall have received an Election Notice pursuant to *Section 2.01(d)* of the Sale and Contribution Agreement; or

(u) (i) the Default Ratio shall exceed 11%; (ii) the Three Month Aged Receivables Ratio shall exceed 7.5%; (iii) the Dilution Trigger Ratio shall exceed 6.5%; (iv) the Receivables Collection Turnover shall exceed 50 days; or (v) the Borrower's Net Worth Percentage shall be less than 5.0%; or

(v) any material provision of any Related Document shall for any reason cease to be valid, binding and enforceable in accordance with its terms (or any Originator or the Borrower shall challenge the enforceability of any Related Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Related Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms); or

(w) a default or breach of any of the covenants set forth in *Annex G* shall have occurred; or

(x) an event of default shall occur under the Standby Letter of Credit Agreement or the occurrence of the Standby Letter of Credit Commitment Termination Date; or

32

(y) the Workers Compensation Policy is terminated for any reason or is not renewed (or replaced by a policy having comparable or better terms and issued by an insurer acceptable to the Administrative Agent) not less than 60 days prior to its taken current expiration date.

then, and in any such event, the Administrative Agent shall, at the request of, or may, with the consent of, the Lenders or the Administrative Agent, by notice to the Borrower, declare the Facility Termination Date to have occurred without demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, that the Facility Termination Date shall automatically occur (i) upon the occurrence of any of the Termination Events described in Sections 9.01(d), (e), (f), (g) or (t) or (ii) three days after the occurrence of the Termination Event described in Section 9.01(a)(i) if the same shall not have been remedied by such time, in each case without demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

Section 9.02. *Events of Servicer Termination.* If any of the following events (each, an "Event of Servicer Termination") shall occur (regardless of the reason therefor):

(a) the Servicer shall (i) fail to deliver when due the Monthly Reports, the Borrowing Base Certificates or any other reports, statements or reconciliations required to be delivered pursuant to Section 5.02(b) or any other report related to the Receivables as required by the other Related Documents and the same shall remain unremedied for two (2) Business Days or more after written notice thereof shall have been given by the Lenders or the Administrative Agent to the Servicer or (ii) fail or neglect to perform, keep or observe any provision of this Agreement or the other Related Documents (whether in its capacity as an Originator or as Servicer) including, without limitation, the obligation to make any payment or deposit hereunder or thereunder; or

(b) any representation or warranty of the Servicer herein or in any other Related Document or in any written statement, report, financial statement or certificate made or delivered by the Servicer to the Lenders or the Administrative Agent hereto or thereto is untrue or incorrect in any material respect as of the date when made or deemed made; or

(c) a default or breach shall occur under any other agreement, document or instrument to which the Servicer is a party or by which the Servicer or the property of the Servicer is bound, and such default or breach (i) involves the failure to make any payment when due in respect of any Debt (other than the Borrower Secured Obligations) of the Servicer which, except as provided in clause (iii) below, is not cured within a period of fifteen days, or (ii) permits any holder of such Debt or a trustee or agent to cause Debt or a portion thereof which is in excess of a principal amount of \$500,000 in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, and which, except as provided in clause (iii) below, is not cured within a period of thirty days, or (iii) causes Debt or a portion thereof which is in excess of a principal amount of \$500,000 in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled dates of payment; in each case, regardless of whether such default is waived, or such right is exercised, by such holder, trustee or agent; or

(d) a case or proceeding in a court of competent jurisdiction shall have been commenced against the Servicer or any Affiliate which acts as a Sub-Servicer seeking a decree or order in respect of any such Person (i) under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for any such Person or for any substantial part of such Person's assets, or (iii) ordering the winding-up or liquidation of the affairs of any such Person, and such case or proceeding shall remain undismissed or unstayed for sixty (60) consecutive days or such court shall enter a decree or order granting the relief sought in such case or proceeding; or

(e) the Servicer or any Affiliate which acts as a Sub-Servicer shall (i) file a petition seeking relief under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other

similar law, (ii) consent or fail to object in a timely and appropriate manner to the institution of proceedings thereunder or to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for any such Person or for any substantial part of such Person's assets, (iii) make an assignment for the benefit of creditors, or (iv) take any corporate action in furtherance of any of the foregoing; or

(f) (i) the Servicer or any Affiliate which acts as a Sub-Servicer generally does not pay its debts as such debts become due or admits in writing its inability to, or is generally unable to, pay its debts as such debts become due or (ii) the fair market value of the Servicer's liabilities exceeds the fair market value of its assets; or

(g) a final judgment or judgments for the payment of money in excess of \$500,000 in the aggregate at any time outstanding shall be rendered against the Servicer or any other Subsidiary of the Parent which acts as a Sub-Servicer and the same shall not, within 30 days after the entry thereof, have been discharged or execution thereof stayed or bonded pending appeal, or shall not have been discharged prior to the expiration of any such stay; or

(h) (i) any information contained in any Borrowing Base Certificate is untrue or incorrect in any respect, or (ii) any representation or warranty of the Servicer herein or in any other Related Document or in any written statement, report, financial statement or certificate (other than a Borrowing Base Certificate) made or delivered by the Servicer to any Affected Party hereto or thereto is untrue or incorrect in any material respect as of the date when made or deemed made and such representation and warranty, if relating to any Transferred Receivable, has not been cured by the repurchase of any such Transferred Receivable pursuant to Section 4.04 of the Sale and Contribution Agreement; or

(i) the Administrative Agent shall have determined that any event or condition that materially adversely affects the ability of the Servicer to collect the Transferred Receivables or to otherwise perform hereunder has occurred; or

(j) a Termination Event shall have occurred or this Agreement shall have been terminated; or

(k) a deterioration has taken place in the quality of servicing of Transferred Receivables or other Receivables serviced by the Servicer that the Administrative Agent, in its sole discretion, determines to be material, and such material deterioration has not been eliminated within 30 days after written notice thereof shall have been given by the Administrative Agent to the Servicer; or

(l) the Servicer shall, assign or purport to assign any of its obligations hereunder or under any Sale Agreement without the prior written consent of the Administrative Agent; or

(m) a default or breach of any of the covenants set forth in Annex G shall have occurred; or

(n) a Change of Control shall occur with respect to the Servicer; or

(o) the Borrower's board of directors shall have determined that it is in the best interests of the Borrower to terminate the duties of the Servicer hereunder and shall have given the Servicer, the Lenders and the Administrative Agent at least 30 days' written notice thereof.

then, and in any such event, the Administrative Agent shall, at the request of, or may, with the consent of, the Lenders or the Administrative Agent, by delivery of a Servicer Termination Notice to the Borrower and the Servicer, terminate the servicing responsibilities of the Servicer hereunder, without demand, protest or further notice of any kind, all of which are hereby waived by the Servicer. Upon the delivery of any such notice, all authority and power of the Servicer under this Agreement and the Sale Agreements shall pass to and be vested in the Successor Servicer acting pursuant to Section 11.02; provided, that notwithstanding anything to the contrary herein, the Servicer agrees to continue to follow the procedures set forth in Section 7.02 with respect to Collections on the Transferred Receivables until

a Successor Servicer has assumed the responsibilities and obligations of the Servicer in accordance with *Section 11.02*.

ARTICLE X. REMEDIES

Section 10.01. Actions Upon Termination Event. If any Termination Event shall have occurred and be continuing and the Administrative Agent shall have declared the Facility Termination Date to have occurred or the Facility Termination Date shall be deemed to have occurred pursuant to *Section 9.01*, then the Administrative Agent may exercise in respect of the Borrower Collateral, in addition to any and all other rights and remedies granted to it hereunder, under any other Related Document or under any other instrument or agreement securing, evidencing or relating to the Borrower Secured Obligations or otherwise available to it, all of the rights and remedies of a secured party upon default under the UCC (such rights and remedies to be cumulative and nonexclusive), and, in addition, may take the following actions:

(a) The Administrative Agent may, without notice to the Borrower except as required by law and at any time or from time to time, charge, offset or otherwise apply amounts payable to the Borrower from the Collection Account, the Concentration Account, any Lockbox Account, the Retention Account or any part of such accounts in accordance with the priorities set forth in *Sections 6.05* and *6.07* against all or any part of the Borrower Secured Obligations.

(b) The Administrative Agent may, without notice except as specified below, solicit and accept bids for and sell the Borrower Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or any of the Lenders', or Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Administrative Agent may deem commercially reasonable. The Administrative Agent shall have the right to conduct such sales on the Borrower's premises or elsewhere and shall have the right to use any of the Borrower's premises without charge for such sales at such time or times as the Administrative Agent deems necessary or advisable. The Borrower agrees that, to the extent notice of sale shall be required by law, at least ten Business Days' notice to the Borrower of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Administrative Agent shall not be obligated to make any sale of Borrower Collateral regardless of notice of sale having been given. The Administrative Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed for such sale, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Every such sale shall operate to divest all right, title, interest, claim and demand whatsoever of the Borrower in and to the Borrower Collateral so sold, and shall be a perpetual bar, both at law and in equity, against each Originator, the Borrower, any Person claiming the Borrower Collateral sold through any Originator or the Borrower, and their respective successors or assigns. The Administrative Agent shall deposit the net proceeds of any such sale in the Collection Account and such proceeds shall be disbursed in accordance with *Section 6.05*.

(c) Upon the completion of any sale under *Section 10.01(b)*, the Borrower or the Servicer shall deliver or cause to be delivered to the purchaser or purchasers at such sale on the date thereof, or within a reasonable time thereafter if it shall be impracticable to make immediate delivery, all of the Borrower Collateral sold on such date, but in any event full title and right of possession to such property shall vest in such purchaser or purchasers upon the completion of such sale. Nevertheless, if so requested by the Administrative Agent or by any such purchaser, the Borrower shall confirm any such sale or transfer by executing and delivering to such purchaser all proper instruments of conveyance and transfer and releases as may be designated in any such request.

(d) At any sale under *Section 10.01(b)*, the Lenders, the Administrative Agent or any other Conduit Lender Secured Party may bid for and purchase the property offered for sale and, upon

compliance with the terms of sale, may hold, retain and dispose of such property without further accountability therefor.

(e) The Administrative Agent may exercise, at the sole cost and expense of the Borrower, any and all rights and remedies of the Borrower under or in connection with the Borrower Assigned Agreements or the other Borrower Collateral, including any and all rights of the Borrower to demand or otherwise require payment of any amount under, or performance of any provisions of, the Borrower Assigned Agreements.

Section 10.02. Exercise of Remedies. No failure or delay on the part of the Administrative Agent in exercising any right, power or privilege under this Agreement and no course of dealing between any Originator, the Borrower or the Servicer, on the one hand, and the Administrative Agent, on the other hand, shall operate as a waiver of such right, power or privilege, nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. The rights and remedies under this Agreement are cumulative, may be exercised singly or concurrently, and are not exclusive of any rights or remedies that the Administrative Agent would otherwise have at law or in equity. No notice to or demand on any party hereto shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the party providing such notice or making such demand to any other or further action in any circumstances without notice or demand.

Section 10.03. Power of Attorney. On the Closing Date, each of the Borrower and the Servicer shall execute and deliver a power of attorney substantially in the form attached hereto as *Exhibit 10.03* (each, a "Power of Attorney"). The power of attorney granted pursuant to each Power of Attorney is a power coupled with an interest and shall be irrevocable until all of the Borrower Secured Obligations are indefeasibly paid or otherwise satisfied in full. The powers conferred on the Administrative Agent under each Power of Attorney are solely to protect the Administrative Agent's and the Lenders' Liens upon and interests in the Borrower Collateral and shall not impose any duty upon the Administrative Agent to exercise any such powers. The Administrative Agent and the Lenders shall not be accountable for any amount other than amounts that the Administrative Agent actually receives as a result of the exercise of such powers and none of the Administrative Agent's or any Lender's officers, directors, employees, agents or representatives shall be responsible to the Borrower or the Servicer for any act or failure to act, except in respect of damages attributable solely to their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

Section 10.04. Continuing Security Interest. This Agreement shall create a continuing Lien in the Borrower Collateral until the conditions to the release of the Liens of the Lender and the Administrative Agent thereon set forth in *Section 6.07(b)* have been satisfied.

ARTICLE XI. SUCCESSOR SERVICER PROVISIONS

Section 11.01. Servicer Not to Resign. The Servicer shall not resign from the obligations and duties hereby imposed on it except upon a determination that (a) the performance of its duties hereunder has become impermissible under applicable law or regulation and (b) there is no reasonable action that the Servicer could take to make the performance of its duties hereunder become permissible under applicable law. Any such determination shall (i) with respect to *clause (a)* above, be evidenced by an opinion of counsel to such effect and (ii) with respect to *clause (b)* above, be evidenced by an Officer's Certificate to such effect, in each case delivered to the Lender and the Administrative Agent. No such resignation shall become effective until a Successor Servicer shall have assumed the responsibilities and obligations of the Servicer in accordance with *Section 11.02*.

Section 11.02. *Appointment of the Successor Servicer.* In connection with the termination of the Servicer's responsibilities or the resignation by the Servicer under this Agreement pursuant to Sections 9.02 or 11.01, the Administrative Agent shall (a) succeed to and assume all of the Servicer's responsibilities, rights, duties and obligations as Servicer (but not in any other capacity, including specifically not the obligations of the Servicer set forth in Section 12.02) under this Agreement (and except that the Administrative Agent makes no representations and warranties pursuant to Section 4.02) and (b) may at any time appoint a successor servicer to the Servicer that shall be acceptable to the Administrative Agent and shall succeed to all rights and assume all of the responsibilities, duties and liabilities of the Servicer under this Agreement (the Administrative Agent, in such capacity, or such successor servicer being referred to as the "Successor Servicer"); *provided*, that the Successor Servicer shall have no responsibility for any actions of the Servicer prior to the date of its appointment or assumption of duties as Successor Servicer. In selecting a Successor Servicer, the Administrative Agent may obtain bids from any potential Successor Servicer and may agree to any bid it deems appropriate. The Successor Servicer shall accept its appointment by executing, acknowledging and delivering to the Administrative Agent an instrument in form and substance acceptable to the Administrative Agent.

Section 11.03. *Duties of the Servicer.* The Servicer covenants and agrees that, following the appointment of, or assumption of duties by, a Successor Servicer:

(a) The Servicer shall terminate its activities as Servicer hereunder in a manner that facilitates the transfer of servicing duties to the Successor Servicer and is otherwise acceptable to each Lender and the Administrative Agent and, without limiting the generality of the foregoing, shall timely deliver (i) any funds to the Administrative Agent that were required to be remitted to the Administrative Agent for deposit in the Collection Account and (ii) all Servicing Records and other information with respect to the Transferred Receivables to the Successor Servicer at a place selected by the Successor Servicer. The Servicer shall account for all funds and shall execute and deliver such instruments and do such other things as may be required to vest and confirm in the Successor Servicer all rights, powers, duties, responsibilities, obligations and liabilities of the Servicer.

(b) The Servicer shall terminate each existing Sub-Servicing Agreement and the Successor Servicer shall not be deemed to have assumed any of the Servicer's interests therein or to have replaced the Servicer as a party thereto.

Section 11.04. *Effect of Termination or Resignation.* Any termination of or resignation by the Servicer hereunder shall not affect any claims that the Borrower, the Lenders, or the Administrative Agent may have against the Servicer for events or actions taken or not taken by the Servicer arising prior to any such termination or resignation.

ARTICLE XII. INDEMNIFICATION

Section 12.01. *Indemnities by the Borrower.*

(a) Without limiting any other rights that the Conduit Lender, the Committed Lender, the Administrative Agent, the Collateral Agent, the Liquidity Agent, any Liquidity Lender, the Letter of Credit Agent or any Letter of Credit Provider or any of their respective officers, directors, employees, attorneys, agents or representatives (each, an "Indemnified Person") may have hereunder or under applicable law, the Borrower hereby agrees to indemnify and hold harmless each Indemnified Person from and against any and all Indemnified Amounts that may be claimed or asserted against or incurred by any such Indemnified Person in connection with or arising out of the transactions contemplated under this Agreement or under any other Related Document or any actions or failures to act in connection therewith, including any and all legal costs and expenses arising out of or incurred in connection with disputes between or among any parties to any of the Related Documents; *provided*,

that the Borrower shall not be liable for any indemnification to an Indemnified Person to the extent that any such Indemnified Amount (x) results from (i) with respect to any Indemnified Person other than the Conduit Lender, such Indemnified Person's gross negligence or (ii) with respect to any Indemnified Person, such Indemnified Person's willful misconduct, in each case as finally determined by a court of competent jurisdiction or (y) constitutes recourse for uncollectible or uncollected Transferred Receivables. Without limiting the generality of the foregoing, the Borrower shall pay on demand to each Indemnified Person any and all Indemnified Amounts relating to or resulting from:

(i) reliance on any representation or warranty made or deemed made by the Borrower (or any of its officers) under or in connection with this Agreement or any other Related Document or on any other information delivered by the Borrower pursuant hereto or thereto that shall have been incorrect in any material respect when made or deemed made or delivered;

(ii) the failure by the Borrower to comply with any term, provision or covenant contained in this Agreement, any other Related Document or any agreement executed in connection herewith or therewith, any applicable law, rule or regulation with respect to any Transferred Receivable or the Contract therefor, or the nonconformity of any Transferred Receivable or the Contract therefor with any such applicable law, rule or regulation; or

(iii) (1) the failure to vest and maintain vested in the Borrower or the Lender valid and properly perfected title to and sole record and beneficial ownership of the Receivables that constitute Transferred Receivables, together with all Collections in respect thereof, free and clear of any Adverse Claim, (2) the failure to maintain or transfer to the Lender a first, priority, perfected Lien in the Borrower Collateral and (3) the failure to maintain or transfer to the Administrative Agent a first priority, perfected Lien therein;

(iv) any dispute, claim, offset or defense of any Obligor (other than its discharge in bankruptcy to the payment of any Transferred Receivable (including a defense based on such Receivable or the Contract therefor not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or services giving rise to such Receivable or the furnishing of or failure to furnish such merchandise or services or relating to collection activities with respect to such Receivable (if such collection activities were performed by any of its Affiliates acting as Servicer), except to the extent that such dispute, claim, offset or defense results solely from any action or inaction on the part of any Indemnified Person;

(v) any products liability claim or other claim arising out of or in connection with merchandise, insurance or services that is the subject of any Contract with respect to any Transferred Receivable;

(vi) the commingling of Collections with respect to Transferred Receivables by the Borrower at any time with its other funds or the funds of any other Person;

(vii) any failure by the Borrower to cause the filing of, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or any other applicable laws with respect to any Transferred Receivable hereunder, whether at the time of the Borrower's purchase of such Receivable or any Advance made hereunder or at any subsequent time; or

(viii) any failure of a Lockbox Bank to comply with the terms of the applicable Lockbox Agreement.

(b) Any Indemnified Amounts subject to the indemnification provisions of this *Section 12.01* not paid in accordance with *Article VI* shall be paid by the Borrower to the Indemnified Person entitled thereto within five Business Days following demand therefor.

Section 12.02. Indemnities by the Servicer.

(a) Without limiting any other rights that an Indemnified Person may have hereunder or under applicable law, the Servicer hereby agrees to indemnify and hold harmless each Indemnified Person from and against any and all Indemnified Amounts that may be claimed or asserted against or incurred by any such Indemnified Person in connection with or arising out of any breach by the Servicer of its obligations hereunder or under any other Related Document; *provided*, that the Servicer shall not be liable for any indemnification to an Indemnified Person to the extent that any such Indemnified Amount (x) results solely from (i) with respect to any Indemnified Person other than the Conduit Lender, such Indemnified Person's gross negligence or (ii) with respect to any Indemnified Person, such Indemnified Person's willful misconduct, in each case as finally determined by a court of competent jurisdiction, or (y) constitutes recourse for uncollectible or uncollected Transferred Receivables. Without limiting the generality of the foregoing, the Servicer shall pay on demand to each Indemnified Person any and all Indemnified Amounts relating to or resulting from:

- (i) reliance on any representation or warranty made or deemed made by the Servicer (or any of its officers) under or in connection with this Agreement or any other Related Document or on any other information delivered by the Servicer pursuant hereto or thereto that shall have been incorrect in any material respect when made or deemed made or delivered;
- (ii) the failure by the Servicer to comply with any term, provision or covenant contained in this Agreement, any other Related Document or any agreement executed in connection herewith or therewith, any applicable law, rule or regulation with respect to any Transferred Receivable or the Contract therefor, or the nonconformity of any Transferred Receivable or the Contract therefor with any such applicable law, rule or regulation;
- (iii) the imposition of any Adverse Claim with respect to any Transferred Receivable or the Borrower Collateral as a result of any action taken by the Servicer; or
- (iv) the commingling of Collections with respect to Transferred Receivables by the Servicer at any time with its other funds or the funds of any other Person.

(b) Any Indemnified Amounts subject to the indemnification provisions of this *Section 12.02* not paid in accordance with *Article VI* shall be paid by the Servicer to the Indemnified Person entitled thereto within five Business Days following demand therefor.

Section 12.03. Limitation of Damages; Indemnified Persons. **NO INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO ANY OTHER PARTY TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES THAT MAY BE ALLEGED AS A RESULT OF ANY TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.**

**ARTICLE XIII.
AGENT**

Section 13.01. Authorization and Action.

(a) The Administrative Agent may take such action and carry out such functions under this Agreement as are authorized to be performed by it pursuant to the terms of this Agreement, any other Related Document or otherwise contemplated hereby or thereby or are reasonably incidental thereto; *provided*, that the duties of the Administrative Agent hereunder shall be determined solely by the express provisions of this Agreement, and, other than the duties set forth in *Section 13.02*, any permissive right of the Administrative Agent hereunder shall not be construed as a duty.

Section 13.02. Reliance. None of the Administrative Agent, any of its Affiliates or any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or the other Related Documents, except for damages solely caused by its or their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. Without limiting the generality of the foregoing, and notwithstanding any term or provision hereof to the contrary, the Borrower, the Servicer, the Conduit Lender and the Committed Lender hereby acknowledge and agree that the Administrative Agent (a) acts as agent hereunder for the Conduit Lender and the Committed Lender and has no duties or obligations to, shall incur no liabilities or obligations to, and does not act as an agent in any capacity for, the Borrower (other than, with respect to the Administrative Agent, under the Power of Attorney with respect to remedial actions) or the Originators, (b) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts, (c) makes no representation or warranty hereunder to any Affected Party and shall not be responsible to any such Person for any statements, representations or warranties made in or in connection with this Agreement or the other Related Documents, (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement, or the other Related Documents on the part of the Borrower, the Servicer, the Conduit Lender or the Committed Lender or to inspect the property (including the books and records) of the Borrower, the Servicer, the Conduit Lender or the Committed Lender, (e) shall not be responsible to the Borrower, the Servicer or any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Related Documents or any other instrument or document furnished pursuant hereto or thereto, (f) shall incur no liability under or in respect of this Agreement or the other Related Documents by acting upon any notice, consent, certificate or other instrument or writing believed by it to be genuine and signed, sent or communicated by the proper party or parties and (g) shall not be bound to make any investigation into the facts or matters stated in any notice or other communication hereunder and may rely on the accuracy of such facts or matters. Notwithstanding the foregoing, the Administrative Agent acknowledges that it has a duty to transfer funds between and among the Accounts and the Collection Account, and make investments of funds on deposit in the Retention Account, in accordance with *Article VI* and the instructions of the Servicer.

Section 13.03. GE Capital and Affiliates. GE Capital and its Affiliates may generally engage in any kind of business with any Obligor, the Originators, the Borrower, the Servicer, the Conduit Lender or the Committed Lender, any of their respective Affiliates and any Person who may do business with or own securities of such Persons or any of their respective Affiliates, all as if GE Capital were not the Administrative Agent and without the duty to account therefor to any Obligor, any Originator, the Borrower, the Servicer, any Lender or any other Person.

**ARTICLE XIV.
MISCELLANEOUS**

Section 14.01. Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other parties, or whenever any of the parties desires to give or serve upon any other parties any

communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and three Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by facsimile (with such facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as

otherwise provided in this *Section 14.01*), (c) one Business Day after deposit with a reputable overnight courier with all charges prepaid or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number set forth under its name on the signature page hereof or to such other address (or facsimile number) as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than the Conduit Lender, the Committed Lender and the Administrative Agent) designated in any written notice provided hereunder to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication. Notwithstanding the foregoing, whenever it is provided herein that a notice is to be given to any other party hereto by a specific time, such notice shall only be effective if actually received by such party prior to such time, and if such notice is received after such time or on a day other than a Business Day, such notice shall only be effective on the immediately succeeding Business Day.

Section 14.02. Binding Effect; Assignability.

(a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Servicer, the Conduit Lender, the Committed Lender and the Administrative Agent and their respective successors and permitted assigns. Neither the Borrower nor the Servicer may assign, transfer, hypothecate or otherwise convey any of their respective rights or obligations hereunder or interests herein without the express prior written consent of the Conduit Lender, the Committed Lender and the Administrative Agent and unless the Rating Agency Condition shall have been satisfied with respect to any such assignment. Any such purported assignment, transfer, hypothecation or other conveyance by the Borrower or the Servicer without the prior express written consent of the Conduit Lender, the Committed Lender and the Administrative Agent shall be void.

(b) The Conduit Lender, the Committed Lender or the Administrative Agent may, at any time, assign any of its rights and obligations hereunder or interests herein to any Person which has a short-term debt rating of at least A-1 by S&P and P-1 by Moody's, and any such assignee may further assign at any time its rights and obligations hereunder or interests herein (including any rights it may have in and to the Advances and the Borrower Collateral and any rights it may have to exercise remedies hereunder), in each case without the consent of any Originator, the Borrower or the Servicer. The Borrower acknowledges and agrees that, upon any such assignment, the assignee thereof may enforce directly, without joinder of any Lender, all of the obligations of the Borrower hereunder.

(c) The Borrower hereby acknowledges that in accordance with the provisions of the LAPA, (i) on the day of the Committed Lender Funding Event, (A) the Committed Lender may purchase from the Conduit Lender all or any part of the outstanding Advances made by the Conduit Lender prior to the Committed Lender Funding Event, and (B) the Conduit Lender may assign all or any part of its rights and interest in the Borrower Collateral to the Committed Lender, and (ii) on the Redwood Transfer Date, the Liquidity Lenders may purchase from Redwood all of the Redwood Interest (as defined in the LAPA).

Section 14.03. Termination; Survival of Borrower Secured Obligations Upon Facility Termination Date.

(a) This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until the Termination Date.

(b) Except as otherwise expressly provided herein or in any other Related Document, no termination or cancellation (regardless of cause or procedure) of any commitment made by any Affected Party under this Agreement shall in any way affect or impair the obligations, duties and liabilities of the Borrower or the rights of any Affected Party relating to any unpaid portion of the

Borrower Secured Obligations, due or not due, liquidated, contingent or unliquidated or any transaction or event occurring prior to such termination, or any transaction or event, the performance of which is required after the Facility Termination Date. Except as otherwise expressly provided herein or in any other Related Document, all undertakings, agreements, covenants, warranties and representations of or binding upon the Borrower or the Servicer, and all rights of any Affected Party hereunder, all as contained in the Related Documents, shall not terminate or expire, but rather shall survive any such termination or cancellation and shall continue in full force and effect until the Termination Date; *provided*, that the rights and remedies provided for herein with respect to any breach of any representation or warranty made by the Borrower or the Servicer pursuant to *Article IV*, the indemnification and payment provisions of *Article XII* and *Sections 14.04, 14.05 and 14.06* shall be continuing and shall survive the Termination Date.

Section 14.04. Costs, Expenses and Taxes. (a) The Borrower shall reimburse each Lender and the Administrative Agent for all out-of-pocket expenses incurred in connection with the negotiation and preparation of this Agreement and the other Related Documents (including the reasonable fees and expenses of all of its special counsel, advisors, consultants and auditors retained in connection with the transactions contemplated thereby and advice in connection therewith). The Borrower shall reimburse the Conduit Lender, the Committed Lender and the Administrative Agent for all fees, costs and expenses, including the fees, costs and expenses of counsel or other advisors (including environmental and management consultants and appraisers) for advice, assistance, or other representation in connection with:

(i) the forwarding to the Borrower or any other Person on behalf of the Borrower by any Lender of any proceeds of Advances made by such Lender hereunder;

(ii) any amendment, modification or waiver of, consent with respect to, or termination of this Agreement or any of the other Related Documents or advice in connection with the administration thereof or their respective rights hereunder or thereunder;

(iii) any Litigation, contest or dispute (whether instituted by the Borrower, the Conduit Lender, the Committed Lender, the Administrative Agent or any other Person as a party, witness, or otherwise) in any way relating to the Borrower Collateral, any of the Related Documents or any other agreement to be executed or delivered in connection herewith or therewith, including any Litigation, contest, dispute, suit, case, proceeding or action, and any appeal or review thereof, in connection with a case commenced by or against the Borrower or any other Person that may be obligated to the Lender or the Administrative Agent by virtue of the Related Documents, including any such Litigation, contest, dispute, suit, proceeding or action arising in connection with any work-out or restructuring of the transactions contemplated hereby during the pendency of one or more Termination Events;

(iv) any attempt to enforce any remedies of the Conduit Lender, the Committed Lender or the Administrative Agent against the Borrower or any other Person that may be obligated to them by virtue of any of the Related Documents, including any such attempt to enforce any such remedies in the course of any work-out or restructuring of the transactions contemplated hereby during the pendency of one or more Termination Events;

(v) any work-out or restructuring of the transactions contemplated hereby during the pendency of one or more Termination Events; and

(vi) efforts to (A) monitor the Advances or any of the Borrower Secured Obligations, (B) evaluate, observe or assess the Originators, the Borrower or the Servicer or their respective affairs, and (C) verify, protect, evaluate, assess, appraise, collect, sell, liquidate or otherwise dispose of any of the Borrower Collateral;

42

including all attorneys' and other professional and service providers' fees arising from such services, including those in connection with any appellate proceedings, and all expenses, costs, charges and other fees incurred by such counsel and others in connection with or relating to any of the events or actions described in this *Section 14.04*, all of which shall be payable, on demand, by the Borrower to the Conduit Lender, the Committed Lender or the Administrative Agent, as applicable. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: fees, costs and expenses of accountants, environmental advisors, appraisers, investment bankers, management and other consultants and paralegals; court costs and expenses; photocopying and duplication expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram or facsimile charges; secretarial overtime charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal or other advisory services.

(b) In addition, the Borrower shall pay on demand any and all stamp, sales, excise and other taxes (excluding income taxes) and fees payable or determined to be payable in connection with the execution, delivery, filing or recording of this Agreement or any other Related Document, and the Borrower agrees to indemnify and save each Indemnified Person harmless from and against any and all liabilities with respect to or resulting from any delay or failure to pay such taxes and fees.

Section 14.05. Confidentiality.

(a) Except to the extent otherwise required by applicable law, as required to be filed publicly with the Securities and Exchange Commission, or unless the Administrative Agent shall otherwise consent in writing, the Borrower and the Servicer each agrees to maintain the confidentiality of this Agreement (and all drafts hereof and documents ancillary hereto) in its communications with third parties other than any Affected Party or any Indemnified Person and otherwise and not to disclose, deliver or otherwise make available to any third party (other than its directors, officers, employees, accountants or counsel) the original or any copy of all or any part of this Agreement (or any draft hereof and documents ancillary hereto) except to an Affected Party or an Indemnified Person.

(b) The Borrower and the Servicer each agrees that it shall not (and shall not permit any of its Subsidiaries to) issue any news release or make any public announcement pertaining to the transactions contemplated by this Agreement and the other Related Documents without the prior written consent of the Conduit Lender, the Committed Lender and the Administrative Agent (which consent shall not be unreasonably withheld) unless such news release or public announcement is required by law, in which case the Borrower or the Servicer, as applicable, shall consult with the Conduit Lender, the Committed Lender and the Administrative Agent prior to the issuance of such news release or public announcement. The Borrower may, however, disclose the general terms of the transactions contemplated by this Agreement and the other Related Documents to trade creditors, suppliers and other similarly-situated Persons so long as such disclosure is not in the form of a news release or public announcement.

Section 14.06. No Proceedings. Each of the Borrower and the Servicer hereby agrees that, from and after the Closing Date and until the date one year plus one day following the date on which the Commercial Paper with the latest maturity has been indefeasibly paid in full in cash, it will not, directly or indirectly, institute or cause to be instituted against the Conduit Lender or the Committed Lender any proceeding of the type referred to in *Sections 9.01(d), 9.01(e) and 9.01(f)*.

43

Section 14.07. Complete Agreement; Modification of Agreement. This Agreement and the other Related Documents constitute the complete agreement among the parties hereto with respect to the subject matter here of and thereof, supersede all prior agreements and understandings relating to the subject matter hereof and thereof, and may not be modified, altered or amended except as set forth in *Section 14.08*.

Section 14.08. Amendments and Waivers. No amendment, modification, termination or waiver of any provision of this Agreement or any of the other Related Documents, or any consent to any departure by the Borrower or the Servicer therefrom, shall in any event be effective unless the same shall be in writing and signed by each of the parties hereto or thereto and by the Collateral Agent; *provided*, that (i) the Administrative Agent shall notify each of the Rating Agencies concurrently with the execution of any amendment to any provision of this Agreement or any of the other Related Documents, and (ii) it shall be a condition precedent to the effectiveness of any material amendment to any provision of this Agreement or any of the other Related Documents that the Rating Agency Condition shall have been satisfied in respect thereof.

Section 14.09. No Waiver; Remedies. The failure by the Conduit Lender, the Committed Lender or the Administrative Agent, at any time or times, to require strict performance by the Borrower or the Servicer of any provision of this Agreement or any Receivables Assignment shall not waive, affect or diminish any right of any Lender or the Administrative Agent thereafter to demand strict compliance and performance herewith or therewith. Any suspension or waiver of any breach or default hereunder shall not suspend, waive or affect any other breach or default whether the same is prior or subsequent thereto and whether the same or of a different type. None of the undertakings, agreements, warranties, covenants and representations of the Borrower or the Servicer contained in this Agreement or any Receivables Assignment, and no breach or default by the Borrower or the Servicer hereunder or thereunder, shall be deemed to have been suspended or waived by any Lender or the Administrative Agent unless such waiver or suspension is by an instrument in writing signed by an officer of or other duly authorized signatory of the Conduit Lender, the Committed Lender, the Collateral Agent and the Administrative Agent and directed to the Borrower or the Servicer, as applicable, specifying such suspension or waiver. The rights and remedies of the Conduit Lender, the Committed Lender, the Collateral Agent and the Administrative Agent under this Agreement shall be cumulative and nonexclusive of any other rights and remedies that the Conduit Lender, the Committed Lender, the Collateral Agent and the Administrative Agent may have under any other agreement, including the other Related Documents, by operation of law or otherwise. Recourse to the Borrower Collateral shall not be required.

Section 14.10. GOVERNING LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL.

(a) **THIS AGREEMENT AND EACH OTHER RELATED DOCUMENT (EXCEPT TO THE EXTENT THAT ANY RELATED DOCUMENT EXPRESSLY PROVIDES TO THE CONTRARY) AND THE OBLIGATIONS ARISING HEREUNDER AND THEREUNDER SHALL IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAWS BUT OTHERWISE WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES) EXCEPT TO THE EXTENT THAT THE PERFECTION, EFFECT OF PERFECTION OR PRIORITY OF THE INTERESTS OF THE ADMINISTRATIVE AGENT IN THE RECEIVABLES OR REMEDIES HEREUNDER OR THEREUNDER, IN RESPECT THEREOF, ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.**

(b) **EACH PARTY HERETO HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN THE BOROUGH OF MANHATTAN IN NEW YORK CITY**

44

SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THEM PERTAINING TO THIS AGREEMENT OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT; *PROVIDED*, THAT EACH PARTY HERETO ACKNOWLEDGES THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF THE BOROUGH OF MANHATTAN IN NEW YORK CITY; *PROVIDED FURTHER*, THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE ANY LENDER OR THE ADMINISTRATIVE AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE BORROWER COLLATERAL OR ANY OTHER SECURITY FOR THE BORROWER SECURED OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE CONDUIT LENDER, THE COMMITTED LENDER OR THE ADMINISTRATIVE AGENT. EACH PARTY HERETO SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH PARTY HERETO HEREBY WAIVES ANY OBJECTION THAT SUCH PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR *FORUM NON CONVENIENS* AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH PARTY HERETO HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH PARTY AT THE ADDRESS SET FORTH BENEATH ITS NAME ON THE SIGNATURE PAGES HEREOF AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH PARTY'S ACTUAL RECEIPT THEREOF OR THREE DAYS AFTER DEPOSIT IN THE UNITED STATES MAIL, PROPER POSTAGE PREPAID. NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(c) BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 14.11. *Counterparts*. This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

Section 14.12. *Severability*. Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 14.13. *Section Titles*. The section titles and table of contents contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

45

Section 14.14. *Limited Recourse*. The obligations of the Conduit Lender and the Committed Lender under this Agreement and all Related Documents are solely the corporate obligations of each such Lender. No recourse shall be had for the payment of any amount owing in respect of Advances or for the payment of any fee hereunder or any other obligation or claim arising out of or based upon this Agreement or any other Related Document against any Stockholder, employee, officer, director, agent or incorporator of such Lender. Any accrued obligations owing by the Conduit Lender or the Committed Lender under this Agreement shall be payable by such Lender solely to the extent that funds are available therefor from time to time in accordance with the provisions of *Article VI* of this Agreement, and, with respect to the Conduit Lender, in accordance with *Article VI* of the Collateral Agent Agreement (and such accrued obligations shall not be extinguished until paid in full).

Section 14.15. *Further Assurances*.

(a) Each of the Borrower and the Servicer shall, at its sole cost and expense, upon request of the Conduit Lender, the Committed Lender or the Administrative Agent, promptly and duly execute and deliver any and all further instruments and documents and take such further action that may be necessary or desirable or that the Conduit Lender, the Committed Lender or the Administrative Agent may request to (i) perfect, protect, preserve, continue and maintain fully the Liens granted to the Administrative Agent and the Lenders under this Agreement, (ii) enable the Conduit Lender, the Committed Lender or the Administrative Agent to exercise and enforce its rights under this Agreement or any of the other Related Documents or (iii) otherwise carry out more effectively the provisions and purposes of this Agreement or any other Related Document. Without limiting the generality of the foregoing, the Borrower shall, upon request of the Conduit Lender and the Committed Lender or the Administrative Agent, (A) execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices that may be necessary or desirable or that the Lenders or the Administrative Agent may request to perfect, protect and preserve the Liens granted pursuant to this Agreement, free and clear of all Adverse Claims, (B) mark, or cause the Servicer to mark, each Contract evidencing each Transferred Receivable with a legend, acceptable to each Lender and the Administrative Agent evidencing that the Borrower has purchased such Transferred Receivables and that the Administrative Agent, for the benefit of itself and the Lenders, has a security interest in and lien thereon, (C) mark, or cause the Servicer to mark, its master data processing records evidencing such Transferred Receivables with such a legend and (D) notify or cause the Servicer to notify Obligors of the Liens on the Transferred Receivables granted hereunder.

(b) Without limiting the generality of the foregoing, the Borrower hereby authorizes the Conduit Lender, the Committed Lender and the Administrative Agent, and each of the Conduit Lender and the Committed Lender hereby authorizes the Administrative Agent, to file one or more financing or continuation statements, or amendments thereto or assignments thereof, relating to all or any part of the Transferred Receivables, including Collections with respect thereto, or the Borrower Collateral without the signature of the Borrower or, as applicable, the Conduit Lender or the Committed Lender, as applicable, to the extent permitted by applicable law. A carbon, photographic or other reproduction of this Agreement or of any notice or financing statement covering the Transferred Receivables, the Borrower Collateral or any part thereof shall be sufficient as a notice or financing statement where permitted by law.

[Remainder of page intentionally left blank; next page is signature page]

IN WITNESS WHEREOF, the parties have caused this Receivables Funding Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

LABOR READY FUNDING CORPORATION,
as the Borrower By

By

Name: Bruce H. Marley
Title: President

Address:

1016 S. 28th Street
Tacoma, Washington 98409
Suite 205
Attention: Vice President and General Counsel
Facsimile: 877-334-0797

with copy to:
Malcolm C. Lindquist
McGavick Graves, P.S.
1102 Broadway, Suit 500
Tacoma, Washington 98401
Facsimile: 253-627-2247

LABOR READY, INC., as the Servicer

By

Name: Steven C. Cooper
Title: Executive Vice President & Chief Executive Officer

Address:

1016 S. 28th Street
Tacoma, Washington 98409
Attention: Chief Financial Officer and General Counsel
Facsimile: 877-334-0797

with copy to:
Malcolm C. Lindquist
McGavick Graves, P.S.
1102 Broadway, Suit 500
Tacoma, Washington 98401
Facsimile: 253-627-2247

47

REDWOOD RECEIVABLES CORPORATION,
as the Conduit Lender

By

Name

Title: Assistant Secretary

Address:

c/o General Electric Capital Corporation
3001 Summer Street, 2nd Floor
Stamford, Connecticut 06927
Telephone: (203) 602-9330
Facsimile: (203) 961-2953

GENERAL ELECTRIC CAPITAL CORPORATION,
as Committed Lender

By

Name

Title: Its Duly Authorized Signatory

Address:

201 High Ridge Road
Stamford, Connecticut 06927
Attention: Senior Vice President—
Portfolio/Underwriting
Telephone: (203) 357-4065
Facsimile: (203) 316-7821

GENERAL ELECTRIC CAPITAL CORPORATION,
as Administrative Agent

By

Name

Title: Its Duly Authorized Signatory

Address:

201 High Ridge Road
Stamford, Connecticut 06927
Attention: Senior Vice President—
Portfolio/Underwriting
Telephone: (203) 357-4065
Facsimile: (203) 316-7821

48

ACKNOWLEDGED AND AGREED:

GENERAL ELECTRIC CAPITAL CORPORATION,
as Collateral Agent

By

Name

Title: Its Duly Authorized Signatory

Address:

201 High Ridge Road
Stamford, Connecticut 06927
Attention: Senior Vice President—
Portfolio/Underwriting
Telephone: (203) 357-4065 Facsimile: (203) 316-7821

49

Exhibit 2.01(b) to Funding Agreement

FORM OF REVOLVING NOTE

\$100,000,000

New York, New York

FOR VALUE RECEIVED, the undersigned, LABOR READY FUNDING CORPORATION, a Delaware corporation ("*Borrower*"), HEREBY PROMISES TO PAY to the order of [REDWOOD RECEIVABLES CORPORATION] [GENERAL ELECTRIC CAPITAL CORPORATION] (the "*Lender*"), at the offices of GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation, as Administrative Agent for Lenders ("*Administrative Agent*"), at its address at 201 High Ridge Road, Stamford, Connecticut 06927, or at such other place as Administrative Agent may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the amount of ONE HUNDRED MILLION DOLLARS AND NO CENTS (\$100,000,000) or, if less, the aggregate unpaid amount of all Advances made by the Lender to the undersigned under the "Funding Agreement" (as hereinafter defined). All capitalized terms used but not otherwise defined herein have the meanings given to them in the Funding Agreement or in *Annex X* thereto.

This Revolving Note is one of the Revolving Notes issued pursuant to that certain Receivables Funding Agreement dated as of March 1, 2001 by and among Borrower, Labor Ready, Inc., Administrative Agent, Conduit Lender, Committed Lender (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, the "*Funding Agreement*"), and is entitled to the benefit and security of the Funding Agreement and all of the other Loan Documents referred to therein. Reference is hereby made to the Funding Agreement for a statement of all of the terms and conditions under which the Advances evidenced hereby are made and are to be repaid. The date and amount of each Advance made by the Lender to Borrower, Daily Yield and the rates of interest applicable thereto and each payment made on account of the principal thereof, shall be recorded by Administrative Agent on its books; provided that the failure of Administrative Agent to make any such recordation shall not affect the obligations of Borrower to make a payment when due of any amount owing under the Funding Agreement or this Note in respect of the Advances made by Lender to Borrower.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Funding Agreement, the terms of which are hereby incorporated herein by reference. Daily Yield thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Funding Agreement.

If any payment on this Revolving Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

Upon and after the occurrence of any Termination Event, this Revolving Note may, as provided in the Funding Agreement, and without demand, notice or legal process of any kind, be declared, and immediately shall become, due and payable.

Time is of the essence of this Revolving Note. Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

Except as provided in the Funding Agreement, this Revolving Note may not be assigned by Lender to any Person.

THIS REVOLVING NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE.

LABOR READY FUNDING CORPORATION

By: _____
Name: _____
Title: _____

Exhibit 2.02(a) to Funding Agreement

FORM OF COMMITMENT REDUCTION NOTICE

[Insert Date]

Redwood Receivables Corporation
c/o General Electric Capital Corporation
3001 Summer Street
Stamford, Connecticut 06927
Attention: Redwood Administrator

General Electric Capital Corporation,
as Administrative Agent
c/o General Electric Capital Corporation
201 High Ridge Road
Stamford, Connecticut 06927
Attention: Vice President—Portfolio/Labor Ready

Re: Receivables Funding Agreement dated as of March 1, 2001

Ladies and Gentlemen:

This notice is given pursuant to Section 2.02(a) of that certain Receivables Funding Agreement dated as of March 1, 2001 (the "Funding Agreement"), by and among Labor Ready Funding Corporation (the "Borrower"), Redwood Receivables Corporation (the "Conduit Lender"), Labor Ready, Inc. (the "Servicer") and General Electric Capital Corporation, as committed Lender (in such capacity, the "Committed Lender") and as administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Funding Agreement.

Pursuant to Section 2.02(a) of the Funding Agreement, the Borrower hereby irrevocably notifies the Lenders and the Administrative Agent of its election to permanently reduce the Maximum Facility Amount to [\$], effective as of [], [] (which is a Business Day). This reduction is the [first/second] reduction [for the current calendar year] permitted by Section 2.02(a) of the Funding Agreement. After such reduction, the Maximum Facility Amount will not be less than the Outstanding Principal Amount.

Very truly yours,

LABOR READY FUNDING CORPORATION

By: _____
Name: _____
Title: _____

Exhibit 2.02(b) to Funding Agreement

FORM OF COMMITMENT TERMINATION NOTICE

[Insert Date]

Redwood Receivables Corporation
c/o General Electric Capital Corporation
3001 Summer Street
Stamford, Connecticut 06927
Attention: Redwood Administrator

General Electric Capital Corporation,
as Administrative Agent
c/o General Electric Capital Corporation
201 High Ridge Road
Stamford, Connecticut 06927
Attention: Vice President—Portfolio/Labor Ready

Re: Receivables Funding Agreement
dated as of March 1, 2001

Ladies and Gentlemen:

This notice is given pursuant to Section 2.02(b) of that certain Receivables Funding Agreement dated as of March 1, 2001 (the "Funding Agreement"), by and among Labor Ready Funding Corporation (the "Borrower"), Redwood Receivables Corporation (the "Conduit Lender"), Labor Ready, Inc. (the "Servicer") and General Electric Capital Corporation, as committed Lender (in such capacity, the "Committed Lender") and as administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Funding Agreement.

Pursuant to Section 2.02(b) of the Funding Agreement, the Borrower hereby irrevocably notifies the Lenders and the Administrative Agent of its election to terminate the Maximum Facility Amount effective as of [], [] (which is a Business Day at least 90 days after the date this notice is given). In connection therewith, the Borrower shall reduce the Outstanding Principal Amount to zero on or prior to such date and make all other payments required by Section 2.03(c) and pay any other fees that are due and

payable pursuant to the Fee Letter at the time and in the manner specified therein.

Very truly yours,

LABOR READY FUNDING CORPORATION

By: _____
Name:
Title:

Exhibit 2.03(a) to Funding Agreement
FORM OF BORROWING BASE CERTIFICATE

[See attached]

Exhibit 2.03(a)

[Borrower]
BORROWING BASE CERTIFICATE

[To be supplied]

Exhibit 2.03(b) to Funding Agreement
FORM OF BORROWING REQUEST

[Insert Date]

Redwood Receivables Corporation
c/o General Electric Capital Corporation
3001 Summer Street
Stamford, Connecticut 06927
Attention: Redwood Administrator

General Electric Capital Corporation,
as Administrative Agent
c/o General Electric Capital Corporation
201 High Ridge Road
Stamford, Connecticut 06927
Attention: Vice President—Portfolio/Labor Ready

Re: Receivables Funding Agreement
dated as of March 1, 2001

Ladies and Gentlemen:

This notice is given pursuant to Section 2.03(b) of that certain Receivables Funding Agreement dated as of March 1, 2001 (the "Funding Agreement"), by and among Labor Ready Funding Corporation (the "Borrower"), Redwood Receivables Corporation (the "Conduit Lender"), Labor Ready, Inc. (the "Servicer") and General Electric Capital Corporation, as committed Lender (in such capacity, the "Committed Lender") and as administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Funding Agreement.

Pursuant to Section 2.01 of the Funding Agreement, the Borrower hereby requests that the Applicable Lender make an Advance to Borrower on [], [], in the amount of [\$], to be disbursed to the Borrower in accordance with Section 2.04(b) of the Funding Agreement. The Borrower hereby confirms that the conditions set forth in Section 3.02 of the Funding Agreement have been satisfied.

Very truly yours,

LABOR READY FUNDING CORPORATION

By: _____
Name:
Title:

Exhibit 2.03(c) to Funding Agreement
FORM OF REPAYMENT NOTICE

[Insert Date]

Redwood Receivables Corporation
c/o General Electric Capital Corporation
3001 Summer Street, 2nd Floor
Stamford, Connecticut 06927

Attention: Redwood Administrator

General Electric Capital Corporation,
as Administrative Agent
c/o General Electric Capital Corporation
201 High Ridge Road
Stamford, Connecticut 06927
Attention: Vice President—Portfolio/Labor Ready

Re: Receivables Funding Agreement
dated as of March 1, 2001

Ladies and Gentlemen:

This notice is given pursuant to Section 2.03(c) of that certain Receivables Funding Agreement dated as of March 1, 2001 (the "Funding Agreement"), by and among Labor Ready Funding Corporation (the "Borrower"), Redwood Receivables Corporation (the "Conduit Lender"), Labor Ready, Inc. (the "Servicer") and General Electric Capital Corporation, as committed Lender (in such capacity, the "Committed Lender") and as administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Funding Agreement.

Pursuant to Section 2.03(c) of the Funding Agreement, the Borrower hereby notifies the Lenders and the Administrative Agent of its request to reduce the Outstanding Principal Amount by [\$] effective as of [], [] (which is a Business Day), from [Collections/borrowings under the Credit Facility/other sources]. In connection therewith, the Borrower will pay to the Administrative Agent (1) all Redwood Yield accrued on the Outstanding Principal Amount being reduced through but excluding the date of such reduction and (2) any and all Breakage Costs payable under Section 2.11 of the Funding Agreement by virtue thereof.

Very truly yours,

LABOR READY FUNDING CORPORATION

By:

Name:

Title:

Exhibit 3.01(a)(i) to Funding Agreement

FORM OF OFFICER'S CERTIFICATE AS TO SOLVENCY

LABOR READY FUNDING CORPORATION

Officer's Certificate

I, [Name of Officer], the duly elected [Insert Title] of Labor Ready Funding Corporation (the "Borrower"), hereby certify in connection with that certain Receivables Funding Agreement (the "Funding Agreement") dated as of March 1, 2001 by and among the Borrower, Redwood Receivables Corporation ("Conduit Lender"), Labor Ready, Inc. (the "Servicer") and General Electric Capital Corporation, as committed Lender (in such capacity, the "Committed Lender") and as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and for the benefit of the Lenders and the Administrative Agent, as follows:

1. Capitalized terms herein and not otherwise defined shall have the respective meanings ascribed to them in the Funding Agreement.
2. Both before and after giving effect to (a) the transactions contemplated by the Funding Agreement and the other Related Documents and (b) the payment and accrual of all transaction costs in connection with the foregoing, the Borrower is and will be Solvent. The Borrower has no Debt to any Person other than pursuant to the transactions expressly permitted by the Funding Agreement and the other Related Documents.

IN WITNESS WHEREOF, I have signed and delivered this Officer's Certificate this day of March, 2001.

LABOR READY FUNDING CORPORATION

By:

Name:

Title:

Exhibit 3.01(a)(i)(A) to Funding Agreement

FORM OF OFFICER'S CLOSING CERTIFICATE OF BORROWER

LABOR READY FUNDING CORPORATION

Officer's Certificate

I, [Name of Officer], the duly elected [Insert Title] of Labor Ready Funding Corporation (the "Borrower"), hereby certify in connection with that certain Receivables Purchase and Servicing Agreement (the "Funding Agreement") dated as of March 1, 2001 by and among the Borrower, Redwood Receivables Corporation ("Conduit Lender"), Labor Ready, Inc. (the "Servicer") and General Electric Capital Corporation, as committed Lender (in such capacity, the "Committed Lender") and as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and for the benefit of the Lenders and the Administrative Agent, as follows:

1. Capitalized terms herein and not otherwise defined shall have the respective meanings ascribed to them in the Funding Agreement.
2. Since the date of the Borrower's formation, (a) the Borrower has not incurred any obligations, contingent or non-contingent liabilities, liabilities for charges, long-term leases or unusual forward or long-term commitments that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (b) no contract, lease or other agreement or instrument has been entered into by the Borrower or has become binding upon the Borrower's assets and no law or regulation applicable to the Borrower has been adopted that has had or could reasonably be expected to have a Material Adverse Effect, and (c) the Borrower is not in default and no third party is in default under any

material contract, lease or other agreement or instrument to which the Borrower is a party that alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Since the date of the Borrower's formation, no event has occurred that alone or together with other events could reasonably be expected to have a Material Adverse Effect.

3. Each of the representations and warranties of the Borrower contained in any of the Related Documents are correct on and as of the Closing Date as though made on and as of such date (except to the extent any such representation and warranty relates solely to an earlier date), and no event has occurred and is continuing, or would result from the transactions effected pursuant thereto as of the Closing Date, that constitutes or would constitute an Incipient Termination Event or a Termination Event.

4. The Borrower is in material compliance with all federal, state, and local laws and regulations, including those relating to labor and environmental matters and ERISA.

5. Except as otherwise indicated on a schedule to a Related Document or another schedule delivered pursuant to the Schedule of Documents, or as otherwise consented to by the Lenders and the Administrative Agent, the Borrower has delivered to the Lenders and the Administrative Agent true and correct copies of all documents required to be delivered to such Persons pursuant to the Schedule of Documents, all such documents are complete and correct in all material respects on and as of the Closing Date, and each and every other contingency to the closing of the transactions contemplated by the Related Documents has been performed.

6. No Adverse Claims have arisen or been granted with respect to the Borrower Collateral other than Permitted Encumbrances.

IN WITNESS WHEREOF, I have signed and delivered this Officer's Certificate this day of March 1, 2001.

LABOR READY FUNDING CORPORATION

By: _____

Name:

Title:

2

Exhibit 3.01(a)(i)(B) to Funding Agreement

FORM OF OFFICER'S POST-CLOSING CERTIFICATE OF BORROWER

LABOR READY FUNDING CORPORATION

Officer's Certificate

I, [Name of Officer], the duly elected [Insert Title] of Labor Ready Funding Corporation (the "Borrower"), hereby certify in connection with that certain Receivables Purchase and Servicing Agreement (the "Funding Agreement") dated as of March 1, 2001 by and among the Borrower, Redwood Receivables Corporation ("Conduit Lender"), Labor Ready, Inc. (the "Servicer") and General Electric Capital Corporation, as committed Lender (in such capacity, the "Committed Lender") and as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and for the benefit of the Lenders and the Administrative Agent, as follows:

1. Capitalized terms herein and not otherwise defined shall have the respective meanings ascribed to them in the Funding Agreement.

2. Each of the representations and warranties of the Borrower contained in any of the Related Documents are correct on and as of the date hereof as though made on and as of such date (except to the extent any such representation and warranty relates solely to an earlier date), and no event has occurred and is continuing, or would result from the transactions effected pursuant thereto as of the date hereof, that constitutes or would constitute an Incipient Termination Event or a Termination Event.

3. The Borrower is in material compliance with all federal, state, and local laws and regulations, including those relating to labor and environmental matters and ERISA.

4. No Adverse Claims have arisen or been granted with respect to the Borrower Collateral other than Permitted Encumbrances.

IN WITNESS WHEREOF, I have signed and delivered this Officer's Certificate this day of , .

LABOR READY FUNDING CORPORATION

By: _____

Name:

Title:

Exhibit 3.01(a)(ii) to Funding Agreement

FORM OF OFFICER'S CERTIFICATE AS TO SOLVENCY

LABOR READY, INC.

Officer's Certificate

I, [Name of Officer], the duly elected [Insert Title] of Labor Ready, Inc. (the "Servicer"), hereby certify in connection with that certain Receivables Funding Agreement (the "Funding Agreement") dated as of March 1, 2001 by and among the Labor Ready Funding Corporation, Redwood Receivables Corporation ("Conduit Lender"), the Servicer and General Electric Capital Corporation, as committed Lender (in such capacity, the "Committed Lender") and as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and for the benefit of the Lenders and the Administrative Agent, as follows:

1. Capitalized terms herein and not otherwise defined shall have the respective meanings ascribed to them in the Funding Agreement.

2. Both before and after giving effect to (a) the transactions contemplated by the Funding Agreement and the other Related Documents and (b) the payment and accrual of all

transaction costs in connection with the foregoing, the Servicer is and will be Solvent. The Servicer has no Debt to any Person other than pursuant to the transactions expressly permitted by the Funding Agreement and the other Related Documents.

IN WITNESS WHEREOF, I have signed and delivered this Officer's Certificate this _____ day of March, 2001.

LABOR READY, INC.

By: _____

Name:

Title:

Exhibit 3.01(a)(ii)(A) to Funding Agreement

FORM OF OFFICER'S CLOSING CERTIFICATE OF SERVICER

LABOR READY, INC.

Officer's Certificate

I, [Name of Officer], the duly elected [Insert Title] of Labor Ready, Inc. (the "Servicer"), hereby certify in connection with that certain Receivables Purchase and Servicing Agreement (the "Funding Agreement") dated as of March 1, 2001 by and among the Servicer, Redwood Receivables Corporation ("Conduit Lender"), Labor Ready Funding Corporation (the "Borrower") and General Electric Capital Corporation, as committed Lender (in such capacity, the "Committed Lender") and as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and for the benefit of the Lenders and the Administrative Agent, as follows:

1. Capitalized terms herein and not otherwise defined shall have the respective meanings ascribed to them in the Funding Agreement.

2. Since December 31, 1999 and the Closing Date (a) the Servicer has not incurred any obligations, contingent or non-contingent liabilities, liabilities for charges, long-term leases or unusual forward or long-term commitments that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (b) no contract, lease or other agreement or instrument has been entered into by the Servicer or has become binding upon the Servicer's assets and no law or regulation applicable to the Servicer has been adopted that has had or could reasonably be expected to have a Material Adverse Effect, and (c) the Servicer is not in default and no third party is in default under any material contract, lease or other agreement or instrument to which the Servicer is a party that alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Between December 31, 1999 and the Closing Date no event has occurred that alone or together with other events could reasonably be expected to have a Material Adverse Effect.

3. Both before and after giving effect to (i) the transactions contemplated by the Funding Agreement and the other Related Documents and (ii) the payment and accrual of all transaction costs in connection with the foregoing, the Servicer is and will be Solvent.

4. Each of the representations and warranties of the Servicer contained in any of the Related Documents are correct on and as of the Closing Date as though made on and as of such date (except to the extent any such representation and warranty relates solely to an earlier date), and no event has occurred and is continuing, or would result from the transactions effected pursuant thereto as of the Closing Date, that constitutes or would constitute an Incipient Servicer Termination Event or an Event of Servicer Termination.

5. The Servicer is in material compliance with all federal, state, and local laws and regulations, including those relating to labor and environmental matters and ERISA.

6. Except as otherwise indicated on a schedule to a Related Document or another schedule delivered pursuant to the Schedule of Documents, or as otherwise consented to by the Lenders and the Administrative Agent, the Servicer has delivered to the Lenders and the Administrative Agent true and correct copies of all documents required to be delivered to such Persons pursuant to the Schedule of Documents, all such documents are complete and correct in all material respects on and as of the Closing Date, and each and every other contingency to the closing of the transactions contemplated by the Related Documents has been performed.

7. No Adverse Claims have arisen or been granted with respect to the property of the Servicer.

IN WITNESS WHEREOF, I have signed and delivered this Officer's Certificate this _____ day of March, 2001.

LABOR READY, INC.

By: _____

Name:

Title:

2

Exhibit 3.01(a)(ii)(B) to Funding Agreement

FORM OF OFFICER'S POST-CLOSING CERTIFICATE OF SERVICER

LABOR READY, INC.

Officer's Certificate

I, [Name of Officer], the duly elected [Insert Title] of Labor Ready, Inc. (the "Servicer"), hereby certify in connection with that certain Receivables Purchase and Servicing Agreement (the "Funding Agreement") dated as of March 1, 2001 by and among the Servicer, Redwood Receivables Corporation ("Conduit Lender"), Labor Ready Funding Corporation (the "Borrower") and General Electric Capital Corporation, as committed Lender (in such capacity, the "Committed Lender") and as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and for the benefit of the Lenders and the Administrative Agent, as follows:

1. Capitalized terms herein and not otherwise defined shall have the respective meanings ascribed to them in the Funding Agreement.

2. Each of the representations and warranties of the Servicer contained in any of the Related Documents are correct on and as of the date hereof as though made on and as of such date (except to the extent any such representation and warranty relates solely to an earlier date), and no event has occurred and is continuing, or would result from the transactions effected pursuant thereto as of the date hereof, that constitutes or would constitute an Incipient Servicer Termination Event or an Event of Servicer Termination.

3. The Servicer is in material compliance with all federal, state, and local laws and regulations, including those relating to labor and environmental matters and ERISA.

4. No Adverse Claims have arisen or been granted with respect to the property of the Servicer.

IN WITNESS WHEREOF, I have signed and delivered this Officer's Certificate this day of , .

LABOR READY, INC.

By: _____

Name:

Title:

Exhibit 3.01(a)(iv) to Funding Agreement

FORM OF MONTHLY REPORT

Labor Ready Funding Corporation

[See attached]

Exhibit 3.01(a)(iv)

to

Funding Agreement

FORM OF MONTHLY REPORTING

Exhibit 3.01(a)(iv)-I	—	Consolidated Sales and Receivables Analysis
Exhibit 3.01(a)(iv)-II	—	Consolidated Aging
Exhibit 3.01(a)(iv)-III	—	Accounts Receivable Reconciliation
Exhibit 3.01(a)(iv)-IV	—	Overcollateralization Summary
Exhibit 3.01(a)(iv)-V	—	Trigger Calculations

Exhibit 10.03

**Form of
POWER OF ATTORNEY**

This Power of Attorney is executed and delivered by [Borrower or Servicer] ("XYZ"), as the [Borrower/Servicer] under the Funding Agreement (each as defined below), to General Electric Capital Corporation, as Administrative Agent under the Funding Agreement (hereinafter referred to as "Attorney"), pursuant to that certain Receivables Purchase and Servicing Agreement dated as of March 1, 2001 (the "Funding Agreement"), by and among XYZ, the other parties thereto and Attorney and the other Related Documents. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Funding Agreement. No person to whom this Power of Attorney is presented, as authority for Attorney to take any action or actions contemplated hereby, shall inquire into or seek confirmation from XYZ as to the authority of Attorney to take any action described below, or as to the existence of or fulfillment of any condition to this Power of Attorney, which is intended to grant to Attorney unconditionally the authority to take and perform the actions contemplated herein, and XYZ irrevocably waives any right to commence any suit or action, in law or equity, against any person or entity that acts in reliance upon or acknowledges the authority granted under this Power of Attorney. The power of attorney granted hereby is coupled with an interest and may not be revoked or cancelled by XYZ until all Borrower Secured Obligations under the Related Documents have been indefeasibly paid in full and Attorney has provided its written consent thereto.

XYZ hereby irrevocably constitutes and appoints Attorney (and all officers, employees or agents designated by Attorney), with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in its place and stead and in its name or in Attorney's own name, from time to time in Attorney's discretion, to take any and all appropriate action and to execute and deliver any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, hereby grants to Attorney the power and right, on its behalf, without notice to or assent by it, upon the occurrence and during the continuance of any Termination Event, to do the following: (a) open mail for it, and ask, demand, collect, give acquittances and receipts for, take possession of, or endorse and receive payment of, any checks, drafts, notes, acceptances, or other instruments for the payment of moneys due, and sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, and notices in connection with any of its property; (b) effect any repairs to any of its assets, or continue or obtain any insurance and pay all or any part of the premiums therefor and costs thereof, and make, settle and adjust all claims under such policies of insurance, and make all determinations and decisions with respect to such policies; (c) pay or discharge any taxes, Liens, or other encumbrances levied or placed on or threatened against it or its property; (d) defend any suit, action or proceeding brought against it if it does not defend such suit, action or proceeding or if Attorney believes that it is not pursuing such defense in a manner that will maximize the recovery to Attorney, and settle, compromise or adjust any suit, action, or proceeding described above and, in connection therewith, give such discharges or releases as Attorney may deem appropriate; (e) file or prosecute any claim, Litigation, suit or proceeding in any court of competent jurisdiction or before any arbitrator, or take any other action otherwise deemed appropriate by Attorney for the purpose of collecting any and all such moneys due to it whenever payable and to enforce any other right in respect of its property; (f) sell, transfer, pledge, make any agreement with respect to, or otherwise deal with, any of its property, and execute, in connection with such sale or action, any endorsements, assignments or other instruments of conveyance or transfer in connection therewith; and (g) cause the certified public accountants then engaged by it to prepare and deliver to Attorney at any time and from time to time, promptly upon Attorney's request, any and all financial statements or other reports required to be delivered by or on behalf of XYZ under the Related Documents, all as though Attorney were the absolute owner of its property for all purposes, and to do, at Attorney's option and its expense, at any time or from time to time, all acts and other things that Attorney reasonably deems necessary to perfect, preserve, or realize upon its property or assets and the Lender's

Liens thereon, all as fully and effectively as it might do. XYZ hereby ratifies, to the extent permitted by law, all that said attorneys shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, this Power of Attorney is executed by XYZ, and XYZ has caused its seal to be affixed pursuant to the authority of its board of directors this day of March, 2001.

XYZ
ATTEST: _____

By: _____

(SEAL)

Title: _____

[Notarization in appropriate form for the state of execution is required.]

2

Annex G to Funding Agreement

FINANCIAL COVENANTS

(a) *Minimum Fixed Charge Coverage Ratio*. The Parent and its Subsidiaries shall have on a consolidated basis for each fiscal quarter set forth below and for the Rolling Period then ended a Fixed Charge Coverage Ratio of not less than the ratio set forth below:

Fiscal Quarter	Fixed Charge Coverage Ratio
The first fiscal quarter for fiscal year 2001	1.35 to 1.00
The second fiscal quarter for fiscal year 2001	1.35 to 1.00
The third fiscal quarter for fiscal year 2001	1.25 to 1.00
For each fiscal quarter thereafter	1.75 to 1.00

(b) *Minimum EBITDA*. Parent and its Subsidiaries shall have on a consolidated basis for each fiscal quarter set forth below an EBITDA for the Rolling Period then ended of not less than the following:

Fiscal Quarter	Minimum EBITDA
The first fiscal quarter for fiscal year 2001	\$20,000,000
The second fiscal quarter for fiscal year 2001	\$20,000,000
The third fiscal quarter for fiscal year 2001	\$22,000,000
The fourth fiscal quarter for fiscal year 2001	\$24,000,000
The first fiscal quarter for fiscal year 2002	\$25,000,000
The second fiscal quarter for fiscal year 2002	\$27,500,000
The third fiscal quarter for fiscal year 2002	\$30,000,000
The fourth fiscal quarter for fiscal year 2002	\$30,000,000
For each fiscal quarter thereafter	Prior fiscal quarter's minimum required EBITDA plus \$1,500,000

(c) *Minimum Tangible Net Worth*. Parent and its Subsidiaries on a consolidated basis shall have a Tangible Net Worth, as of the Closing Date and as of the end of the fiscal quarters ending March 31, 2001, June 30, 2001, September 30, 2001 and December 31, 2001 of not less than \$85,000,000. Thereafter, Parent and its Subsidiaries on a consolidated basis shall have, as of the end of each fiscal quarter ending on and after March 31, 2002, a Tangible Net Worth of not less than the sum of (i) the minimum Tangible Net Worth required hereunder for the immediately preceding Fiscal Year plus (ii) an amount equal to fifty percent (50%) of the positive net income of the Parent and its Subsidiaries on a consolidated basis for such immediately preceding Fiscal Year, commencing with the Fiscal Year ending December 31, 2001 (such increase to be effective June 30 annually commencing June 30, 2001), plus (iii) an amount equal to 100% of the net proceeds from any public or private offering of common stock of Parent and its Subsidiaries after the Closing Date, calculated quarterly on the last day of each Fiscal Quarter.

3

Capitalized terms used in this *Annex G* and not otherwise defined below shall have the respective meanings ascribed to them in *Annex X*. The following terms shall have the respective meanings set forth below:

"Capital Expenditures" shall mean, with respect to any Person, all expenditures (by the expenditure of cash or the incurrence of Debt) by such Person during any measuring period for any fixed assets or improvements or for replacements, substitutions or additions thereto, that have a useful life of more than one year and that are required to be capitalized under GAAP.

"EBITDA" shall mean, with respect to any Person for any fiscal period, the amount equal to (a) consolidated net income of such Person for such period, minus (b) the sum of (i) income tax credits, (ii) interest income, (iii) gain from extraordinary items for such period, (iv) any aggregate net gain (but not any aggregate net loss) during such period arising from the sale, exchange or other disposition of capital assets by such Person (including any fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets and all securities), and (v) any other non-cash gains that have been added in determining consolidated net income (including LIFO adjustments), in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, but without duplication, plus (c) the sum of (i) any provision for income taxes, (ii) Interest Expense, (iii) loss from extraordinary items for such period, (iv) depreciation and amortization for such period, (v) amortized debt discount for such period, and (vi) the amount of any deduction to consolidated net income as the result of any grant to any members of the management of such Person of any Stock, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with

GAAP, but without duplication. For purposes of this definition, the following items shall be excluded in determining consolidated net income of a Person: (A) the income (or deficit) of any other Person accrued prior to the date it became a Subsidiary of, or was merged or consolidated into, such Person or any of such Person's Subsidiaries; (B) the income (or deficit) of any other Person (other than a Subsidiary) in which such Person has an ownership interest, except to the extent any such income has actually been received by such Person in the form of cash dividends or distributions; (C) the undistributed earnings of any Subsidiary of such Person to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation or requirement of law applicable to such Subsidiary; (D) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such period; (E) any write-up of any asset; (F) any net gain from the collection of the proceeds of life insurance policies; (G) any net gain arising from the acquisition of any securities, or the extinguishment, under GAAP, of any Debt, of such Person, (H) in the case of a successor to such Person by consolidation or merger or as a transferee of its assets, any earnings of such successor prior to such consolidation, merger or transfer of assets, and (I) any deferred credit representing the excess of equity in any Subsidiary of such Person at the date of acquisition of such Subsidiary over the cost to such Person of the investment in such Subsidiary.

"Fixed Charges" shall mean, with respect to any Person for any fiscal period, the aggregate of (a) all Interest Expense paid or accrued during such period, plus (b) all cash dividends and cash income taxes paid during such period, plus (c) all regularly scheduled payments of principal with respect to Debt due or made during such period.

"Fixed Charge Coverage Ratio" shall mean, with respect to any Person for any fiscal period, the ratio of (i) the sum of (x) EBITDA for such period less (y) Capital Expenditures (excluding (1) Capital Expenditures under Capital Leases or (2) financed by the incurrence of Debt, other than pursuant to the Funding Agreement) made during such period less (z) payments made in respect of Permitted Acquisitions and Permitted Stock Repurchases to (ii) Fixed Charges for such period.

4

"Interest Expense" shall mean, with respect to any Person for any fiscal period, without duplication, the sum of (a) interest expense (whether cash or non-cash) of such Person determined in accordance with GAAP for the relevant period ended on such date, including (i) amortization of original issue discount on any Debt and of all fees payable in connection with the incurrence of such Debt (to the extent included in interest expense), (ii) the interest portion of any deferred payment obligation, and (iii) the interest component of any Capital Lease Obligation, plus (b) the amount of any Letter of Credit Fee (as such term is defined in the Standby Letter of Credit Agreement) paid during the relevant period ended on such date, plus (c) the amount of any payments by such Person, as lessee, under any sale-leaseback or synthetic lease transaction.

"Net Worth" shall mean, with respect to any Person as of any date of determination, (a) the book value of the assets of such Person, minus (b) reserves applicable thereto, minus (c) all of such Person's liabilities on a consolidated basis (including accrued and deferred income taxes), all as determined in accordance with GAAP.

"Rolling Period" shall mean, as of the end of any fiscal quarter, the immediately preceding four (4) fiscal quarters, including the fiscal quarter then ending.

"Tangible Net Worth" shall mean, with respect to any Person at any date, the Net Worth of such Person at such date, excluding, however, from the determination of the total assets at such date, (a) all goodwill, capitalized organizational expenses, capitalized research and development expenses, trademarks, trade names, copyrights, patents, patent applications, licenses and rights in any thereof, and other intangible items, (b) all unamortized debt discount and expense, (c) treasury Stock, and (d) any write-up in the book value of any asset resulting from a revaluation thereof.

Rules of Construction Concerning Financial Covenants. Unless otherwise specifically provided therein, any accounting term used in any Related Document shall have the meaning customarily given such term in accordance with GAAP, and all financial computations thereunder shall be computed in accordance with GAAP consistently applied. That certain items or computations are explicitly modified by the phrase "in accordance with GAAP" shall in no way be construed to limit the foregoing. If any Accounting Changes occur and such changes result in a change in the calculation of the financial covenants, standards or terms used in any Related Document, then the parties thereto agree to enter into negotiations in order to amend such provisions so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the financial condition of such Persons and their Subsidiaries shall be the same after such Accounting Changes as if such Accounting Changes had not been made. If the parties thereto agree upon the required amendments thereto, then after appropriate amendments have been executed and the underlying Accounting Change with respect thereto has been implemented, any reference to GAAP contained therein shall, only to the extent of such Accounting Change, refer to GAAP consistently applied after giving effect to the implementation of such Accounting Change. If such parties cannot agree upon the required amendments within 30 days following the date of implementation of any Accounting Change, then all financial statements delivered and all calculations of financial covenants and other standards and terms in accordance with the Related Documents shall be prepared, delivered and made without regard to the underlying Accounting Change.

5

ANNEX 5.02(a)
to
FUNDING AGREEMENT

REPORTING REQUIREMENTS OF THE BORROWER

The Borrower shall furnish, or cause to be furnished, to the Lender, the Administrative Agent, the Collateral Agent and (in the case of paragraph (f) below only) the Rating Agencies:

(a) *Monthly Report.* As soon as available, and in any event no later than 11:00 a.m. (New York time) on the tenth Business Day of each fiscal month, a Monthly Report in the form of *Exhibit 3.01(a)(iv)* prepared by the Borrower as of the last day of the previous fiscal month.

(b) *Annual Audited Financials.* As soon as available, and in any event within 90 days after the end of each fiscal year, (i) a copy of the audited consolidated financial statements for such year for the Parent and its Subsidiaries, certified in each case in a manner satisfactory to the Administrative Agent and the Collateral Agent by Arthur Andersen LLP (or its successor) or other nationally recognized independent public accountants acceptable to the Administrative Agent and the Collateral Agent, with such financial statements being prepared in accordance with GAAP applied consistently throughout the period involved (except as approved by such accountants and disclosed therein), and (ii) a report from Arthur Andersen LLP (or its successor) or other nationally recognized independent public accountants acceptable to the Administrative Agent and the Collateral Agent (upon which report the Administrative Agent and the Collateral Agent shall be entitled to rely) to the effect that such firm has caused this Agreement to be reviewed and that in the course of their audit of the Parent and its Subsidiaries no facts have come to their attention to cause them to believe that any Termination Event or Incipient Termination Event exists and in particular that they have no knowledge of any failure on the part of the Parent or the Borrower to comply with the financial covenants in this Agreement or any failure on the part of the Borrower to comply with this Agreement in the preparation of the Monthly Reports (including the Borrowing Base Certificates attached thereto) delivered during the previous fiscal year, or if such is not the case, specifying any exception and the nature thereof.

(c) *Quarterly Financials.* As soon as available, and in any event within 45 days after the end of each fiscal quarter, financial information regarding the Parent and its Subsidiaries, certified by the Chief Financial Officer of the Parent, consisting of consolidated (i) unaudited balance sheets as of the close of such fiscal quarter and the related statements of income and cash flows for that portion of the fiscal year ending as of the close of such fiscal quarter and (ii) unaudited statements of income and cash flows for such fiscal quarter, setting forth in comparative form the figures for the corresponding period in the prior year and the figures contained in the Projections for such fiscal year, all prepared in accordance with GAAP. Such financial information shall be accompanied by a listing of the letter of credit and surety bond requirements of the Parent and its Subsidiaries as of the end of such quarter and the certification of the Chief Financial Officer of the Parent that (A) such financial information presents fairly in accordance with

GAAP the financial position and results of operations of the Parent and its Subsidiaries, on a consolidated basis, in each case as at the end of such quarter and for the period then ended and (B) any other information presented is true, correct and complete in all material respects and that there was no Incipient Termination Event or Termination Event in existence as of such time or, if an Incipient Termination Event or Termination Event shall have occurred and be continuing, describing the nature thereof and all efforts undertaken to cure such Incipient Termination Event or Termination Event. In addition, the Borrower shall furnish, or cause to be furnished, to the Administrative Agent and the Collateral Agent, within 45 days after the end of each fiscal quarter, (y) a statement in reasonable detail (each, a "Compliance Certificate") showing the calculations used in determining compliance with each financial covenant set forth on Annex G and (z) a management discussion and analysis that includes a comparison to projections for the fiscal year to date as of the end of such fiscal quarter and a comparison of performance for the fiscal year to date as of the end of that fiscal quarter to the corresponding period in the prior year.

(d) *Projections.* As soon as available, but not later than 30 days prior to the end of each fiscal year, projections for each Originator for the following year, which will (i) include a statement of all of

the material assumptions on which such projections are based, (ii) include monthly balance sheets and a monthly budget for the following year and (iii) integrate sales, gross profits, operating expenses, operating profit, cash flow projections, letter of credit and surety bond requirement projections, and Funding Availability projections, all prepared on the same basis and in similar detail as that on which operating results are reported (and in the case of cash flow projections, representing management's good faith estimates of future financial performance based on historical performance).

(e) *Management Letters.* Within five Business Days after receipt thereof by the Borrower, copies of all management letters, exception reports or similar letters or reports received by the Borrower from its independent certified public accountants.

(f) *Default Notices.* As soon as practicable, and in any event within five Business Days after an Authorized Officer of the Borrower has actual knowledge of the existence thereof, telephonic or telecopied notice of each of the following events, in each case specifying the nature and anticipated effect thereof and what action, if any, the Borrower proposes to take with respect thereto, which notice, if given telephonically, shall be promptly confirmed in writing on the next Business Day:

(i) any Incipient Termination Event or Termination Event;

(ii) any Adverse Claim made or asserted against any of the Borrower Collateral of which it becomes aware;

(iii) the occurrence of any event that would have a material adverse effect on the aggregate value of the Borrower Collateral or on the assignments and Liens granted by the Borrower pursuant to this Agreement;

(iv) the occurrence of any event of the type described in Sections 4.02(h)(i), (ii) or (iii) of the Transfer Agreement involving any Obligor obligated under Transferred Receivables with an aggregate Outstanding Balance at such time of \$50,000 or more;

(v) the commencement of a case or proceeding by or against the Borrower seeking a decree or order in respect of the Borrower (A) under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (B) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for the Borrower or for any substantial part of its assets, or (C) ordering the winding-up or liquidation of the affairs of the Borrower;

(vi) the receipt of notice that (A) the Borrower is being placed under regulatory supervision, (B) any license, permit, charter, registration or approval necessary for the conduct of the Borrower's business is to be, or may be, suspended or revoked, or (C) the Borrower is to cease and desist any practice, procedure or policy employed by it in the conduct of its business if such cessation may have a Material Adverse Effect; or

(vii) any other event, circumstance or condition that has had or could reasonably be expected to have a Material Adverse Effect.

(g) *SEC Filings and Press Releases.* Promptly upon their becoming available, copies of: (i) all financial statements, reports, notices and proxy statements made publicly available by the Borrower or any Originator to its security holders; (ii) all regular and periodic reports and all registration statements and prospectuses, if any, filed by the Borrower or any Originator with any securities exchange or with the Securities and Exchange Commission or any governmental or private regulatory authority; and (iii) all press releases and other statements made available by the Borrower or any Originator to the public concerning material adverse changes or developments in the business of any such Person.

(h) *Litigation.* Promptly upon learning thereof, written notice of any Litigation affecting the Borrower, the Transferred Receivables or the Borrower Collateral, whether or not fully covered by

2

insurance, and regardless of the subject matter thereof that (i) seeks damages in excess of \$500,000, (ii) seeks injunctive relief, (iii) is asserted or instituted against any Plan, its fiduciaries or its assets or against the Borrower or any ERISA Affiliate of the Borrower in connection with any Plan, (iv) alleges criminal misconduct the Borrower or (v) would, if determined adversely, have a Material Adverse Effect.

(i) *Other Documents.* Such other financial and other information respecting the Transferred Receivables, the Contracts therefor or the condition or operations, financial or otherwise, of the Borrower or any Originator or any of its Subsidiaries as the Lender, the Administrative Agent or the Collateral Agent shall, from time to time, request.

(j) *Miscellaneous Certifications.* As soon as available, and in any event within 90 days after the end of each fiscal year, (i) a Bringdown Certificate, (ii) a Servicer's Certificate, and (iii) if requested, an opinion of counsel, in form and substance satisfactory to the Lender, the Administrative Agent, and the Collateral Agent, reaffirming as of the date of such opinion the opinion of counsel with respect to the Borrower and the Originators delivered to the Lender, the Administrative Agent and the Collateral Agent on the Closing Date.

3

ANNEX 7.08
to
FUNDING AGREEMENT

REPORTING REQUIREMENTS OF THE SERVICER

The Servicer shall furnish, or cause to be furnished, to the Lender, the Administrative Agent and the Collateral Agent all of the following (except if the Servicer is the Parent, in which case the Servicer shall not be required to furnish the information required in paragraphs (a) and (b) below):

(a) Annual Audited Financials. As soon as available and in any event within 90 days after the end of each fiscal year of the Servicer, a copy of the audited consolidated financial statements of the Servicer and its Subsidiaries for such year, certified in each case in a manner satisfactory to the Administrative Agent and the Collateral Agent by Arthur Andersen LLP (or any successor thereto) or another firm of nationally recognized independent certified public accountants acceptable to the Administrative Agent and the Collateral Agent (and accompanied by consolidating financial information) with such financial statements being prepared in accordance with GAAP applied consistently throughout the period involved (except as approved by such accountants and disclosed therein).

(b) Quarterly Officer's Certificate. As soon as available, and in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year and 90 days after the end of each fiscal year, an Officer's Certificate stating, as to each signer thereof, that (i) a review of the activities of the Servicer during the preceding fiscal quarter and of its performance under this Agreement has been made under such officer's supervision, (ii) to the best of such officer's knowledge, based on such review, the Servicer has fulfilled all of its obligations under this Agreement throughout such period or, if there has been a default in the fulfillment of any such obligation, describing the nature and status thereof and all efforts undertaken to cure such default, (iii) there was no Event of Servicer Termination in existence as of such time or, if an Event of Servicer Termination shall have occurred and be continuing, describing the nature and status thereof and all efforts undertaken to cure such Event of Servicer Termination, (iv) the Servicer has complied with each of its covenants under the Funding Agreement and the other Related Documents, including those covenants set forth in Section 7.06 of the Funding Agreement and Annex G, and (v) each of the representations and warranties of the Servicer contained in the Funding Agreement or in any other Related Document is true and correct in all respects and with the same force and effect as though made on and as of the date of such certification, except to the extent that any such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted therein.

(c) Management Letters. Within five Business Days after receipt thereof by the Servicer, copies of all management letters, exception reports or similar letters or reports received by the Servicer from its independent certified public accountants.

(d) Default Notices. As soon as practicable, and in any event within five Business Days after an Authorized Officer of the Servicer has actual knowledge of the existence thereof, telephonic or telecopied notice of each of the following events, in each case specifying the nature and anticipated effect thereof, which notice, if given telephonically, shall be promptly confirmed in writing on the next Business Day:

- (i) any Incipient Termination Event, Termination Event[, Incipient Servicer Termination Event or Event of Servicer Termination];
- (ii) any Adverse Claim made or asserted against any of the Borrower Collateral of which it becomes aware;
- (iii) the occurrence of any event that would have a material adverse effect on the aggregate value of the Borrower Collateral or on the assignments and Liens granted by the Borrower pursuant to this Agreement;

(iv) the occurrence of any event of the type described in Sections 4.02(h)(i), (ii) or (iii) of the Transfer Agreement involving any Obligor obligated under Transferred Receivables with an aggregate Outstanding Balance at such time of \$50,000 or more; or

(v) any other event, circumstance or condition that has had or could reasonably be expected to have a Material Adverse Effect.

(e) SEC Filings and Press Releases. Promptly upon their becoming available, copies of: (i) all financial statements, reports, notices and proxy statements made publicly available by the Servicer to its security holders; (ii) all regular and periodic reports and all registration statements and prospectuses, if any, filed by the Servicer with any securities exchange or with the Securities and Exchange Commission or any governmental or private regulatory authority; and (iii) all press releases and other statements made available by the Servicer to the public concerning material adverse changes or developments in the business of any such Person.

(f) Litigation. Promptly upon learning thereof, written notice of any Litigation affecting any Originator, the Borrower, the Servicer, the Transferred Receivables or the Borrower Collateral, whether or not fully covered by insurance, and regardless of the subject matter thereof that (i) is or is reasonably likely to be asserted by an Obligor with respect to any Transferred Receivable and with respect to which the amount in dispute is or may be reasonably expected to be in excess of \$250,000, (ii) seeks damages in excess of \$250,000, (iii) seeks injunctive relief, (iv) is asserted or instituted against any Plan, its fiduciaries or its assets or against any Originator, the Servicer or the Borrower or ERISA Affiliate thereof in connection with any Plan, (v) alleges criminal misconduct by any Originator, the Borrower or the Servicer or (vi) would, if determined adversely, have a Material Adverse Effect.

(g) Other Documents. Such other financial and other information respecting the Transferred Receivables, the Contracts therefor or the condition or operations, financial or otherwise, of the Servicer or any of its Subsidiaries as the Lender, the Administrative Agent or the Collateral Agent shall, from time to time, request.

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I. DEFINITIONS AND INTERPRETATION	1
Section 1.01. Definitions	1
Section 1.02. Rules of Construction	1
ARTICLE II. AMOUNTS AND TERMS OF ADVANCES	1
Section 2.01. Advances	1
Section 2.02. Optional Changes in Maximum Facility Amount	2
Section 2.03. Notices Relating to Increases and Reductions in the Outstanding Principal Amount	2
Section 2.04. Making of Advances	3
Section 2.05. Facility Termination Date	4
Section 2.06. Daily Yield	4
Section 2.07. Fees	4
Section 2.08. Time and Method of Payments	4
Section 2.09. Capital Requirements; Additional Costs	5
Section 2.10. Breakage Costs	6
Section 2.11. Funding Excess	6

ARTICLE III. CONDITIONS PRECEDENT	6
Section 3.01. Conditions to Effectiveness of Agreement	6
Section 3.02. Conditions Precedent to All Advances	7
Section 3.03. Conditions Precedent to Releases of Funds	8
ARTICLE IV. REPRESENTATIONS AND WARRANTIES	8
Section 4.01. Representations and Warranties of the Borrower	8
Section 4.02. Representations and Warranties of the Servicer	14
ARTICLE V. GENERAL COVENANTS OF THE BORROWER	14
Section 5.01. Affirmative Covenants of the Borrower	14
Section 5.02. Reporting Requirements of the Borrower	15
Section 5.03. Negative Covenants of the Borrower	16
ARTICLE VI. COLLECTIONS AND DISBURSEMENTS	18
Section 6.01. Establishment of Accounts	18
Section 6.02. Funding of Collection Account	20
Section 6.03. Daily Disbursements From the Collection Account; Revolving Period	20
Section 6.04. Disbursements From the Retention Account; Settlement Date Procedures; Revolving Period	21
Section 6.05. Liquidation Settlement Procedures	22
Section 6.06. Investment of Funds in Accounts	22
Section 6.07. Termination Procedures	22
ARTICLE VII. SERVICER PROVISIONS	23
Section 7.01. Appointment of the Servicer	23
Section 7.02. Duties and Responsibilities of the Servicer	23
Section 7.03. Collections on Receivables	23
Section 7.04. Authorization of the Servicer	23
Section 7.05. Servicing Fees	24
Section 7.06. Representations and Warranties of the Servicer	24
Section 7.07. Covenants of the Servicer	25
Section 7.08. Reporting Requirements of the Servicer	26

ARTICLE VIII. GRANT OF SECURITY INTERESTS	26
Section 8.01. Borrower's Grant of Security Interest	26
Section 8.02. Borrower's Certification	27
Section 8.03. Consent to Assignment	27
Section 8.04. Delivery of Collateral	27
Section 8.05. Borrower Remains Liable	27
Section 8.06. Covenants of the Borrower and the Servicer Regarding the Borrower Collateral	28
ARTICLE IX. TERMINATION EVENTS	30
Section 9.01. Termination Events	30
Section 9.02. Events of Servicer Termination	33
ARTICLE X. REMEDIES	35
Section 10.01. Actions Upon Termination Event	35
Section 10.02. Exercise of Remedies	36
Section 10.03. Power of Attorney	36
Section 10.04. Continuing Security Interest	36
ARTICLE XI. SUCCESSOR SERVICER PROVISIONS	36
Section 11.01. Servicer Not to Resign	36
Section 11.02. Appointment of the Successor Servicer	37
Section 11.03. Duties of the Servicer	37
Section 11.04. Effect of Termination or Resignation	37
ARTICLE XII. INDEMNIFICATION	37
Section 12.01. Indemnities by the Borrower	37
Section 12.02. Indemnities by the Servicer	39
Section 12.03. Limitation of Damages; Indemnified Persons	39
ARTICLE XIII. AGENT	39
Section 13.01. Authorization and Action	39
Section 13.02. Reliance	40
Section 13.03. GE Capital and Affiliates	40

ARTICLE XIV. MISCELLANEOUS	40
Section 14.01. Notices	40
Section 14.02. Binding Effect; Assignability	41
Section 14.03. Termination; Survival of Borrower Secured Obligations Upon Facility Termination Date	41
Section 14.04. Costs, Expenses and Taxes	42
Section 14.05. Confidentiality	43
Section 14.06. No Proceedings	43
Section 14.07. Complete Agreement; Modification of Agreement	44
Section 14.08. Amendments and Waivers	44
Section 14.09. No Waiver; Remedies	44
Section 14.10. GOVERNING LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL	44
Section 14.11. Counterparts	45
Section 14.12. Severability	45
Section 14.13. Section Titles	45
Section 14.14. Limited Recourse	46
Section 14.15. Further Assurances	46

QuickLinks

[Exhibit 10.4](#)

[ARTICLE V. GENERAL COVENANTS OF THE BORROWER](#)

[ARTICLE VI. COLLECTIONS AND DISBURSEMENTS](#)

[ARTICLE VII. SERVICER PROVISIONS](#)

[ARTICLE VIII. GRANT OF SECURITY INTERESTS](#)

[ARTICLE IX. TERMINATION EVENTS](#)

[ARTICLE X. REMEDIES](#)

[ARTICLE XI. SUCCESSOR SERVICER PROVISIONS](#)

[ARTICLE XII. INDEMNIFICATION](#)

[ARTICLE XIII. AGENT](#)

[ARTICLE XIV. MISCELLANEOUS](#)

[Exhibit 2.01\(b\) to Funding Agreement FORM OF REVOLVING NOTE](#)

[Exhibit 2.02\(a\) to Funding Agreement FORM OF COMMITMENT REDUCTION NOTICE \[Insert Date\]](#)

[Exhibit 2.02\(b\) to Funding Agreement FORM OF COMMITMENT TERMINATION NOTICE \[Insert Date\]](#)

[Exhibit 2.03\(a\) to Funding Agreement FORM OF BORROWING BASE CERTIFICATE \[See attached\]](#)

[Exhibit 2.03\(a\) \[Borrower\] BORROWING BASE CERTIFICATE \[To be supplied\]](#)

[Exhibit 2.03\(b\) to Funding Agreement FORM OF BORROWING REQUEST \[Insert Date\]](#)

[Exhibit 2.03\(c\) to Funding Agreement FORM OF REPAYMENT NOTICE \[Insert Date\]](#)

[Exhibit 3.01\(a\)\(i\) to Funding Agreement FORM OF OFFICER'S CERTIFICATE AS TO SOLVENCY LABOR READY FUNDING CORPORATION Officer's Certificate](#)

[Exhibit 3.01\(a\)\(i\)\(A\) to Funding Agreement FORM OF OFFICER'S CLOSING CERTIFICATE OF BORROWER LABOR READY FUNDING CORPORATION Officer's Certificate](#)

[Exhibit 3.01\(a\)\(i\)\(B\) to Funding Agreement FORM OF OFFICER'S POST-CLOSING CERTIFICATE OF BORROWER LABOR READY FUNDING CORPORATION Officer's Certificate](#)

[Exhibit 3.01\(a\)\(ii\) to Funding Agreement FORM OF OFFICER'S CERTIFICATE AS TO SOLVENCY LABOR READY, INC. Officer's Certificate](#)

[Exhibit 3.01\(a\)\(ii\)\(A\) to Funding Agreement FORM OF OFFICER'S CLOSING CERTIFICATE OF SERVICER LABOR READY, INC. Officer's Certificate](#)

[Exhibit 3.01\(a\)\(ii\)\(B\) to Funding Agreement FORM OF OFFICER'S POST-CLOSING CERTIFICATE OF SERVICER LABOR READY, INC. Officer's Certificate](#)

[Exhibit 3.01\(a\)\(iv\) to Funding Agreement FORM OF MONTHLY REPORT Labor Ready Funding Corporation \[See attached\]](#)

[Exhibit 3.01\(a\)\(iv\) to Funding Agreement FORM OF MONTHLY REPORTING](#)

[Exhibit 10.03 Form of POWER OF ATTORNEY](#)

[Annex G to Funding Agreement FINANCIAL COVENANTS](#)

[ANNEX 5.02\(a\) to FUNDING AGREEMENT REPORTING REQUIREMENTS OF THE BORROWER](#)

[ANNEX 7.08 to FUNDING AGREEMENT REPORTING REQUIREMENTS OF THE SERVICER](#)

[TABLE OF CONTENTS](#)

RECEIVABLES SALE AND CONTRIBUTION AGREEMENT

Dated as of March 1, 2001

by and between

LABOR READY, INC.

AS AN ORIGINATOR

and

LABOR READY FUNDING CORPORATION

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS AND INTERPRETATION	1
Section 1.01. Definitions	1
Section 1.02. Rules of Construction	1
ARTICLE II TRANSFERS OF RECEIVABLES	1
Section 2.01. Agreement to Transfer.	1
Section 2.02. Grant of Security Interest	2
Section 2.03. Receivables Sale Agreement	3
ARTICLE III CONDITIONS PRECEDENT	3
Section 3.01. Conditions to Initial Transfer	4
Section 3.02. Conditions to all Transfers	4
ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS	4
Section 4.01. Representations and Warranties of the Parent	4
Section 4.02. Affirmative Covenants of the Parent	9
Section 4.03. Negative Covenants of the Parent	13
Section 4.04. Breach of Representations, Warranties or Covenants	15
ARTICLE V INDEMNIFICATION	15
Section 5.01. Indemnification	15
ARTICLE VI BUYER LOANS	17
Section 6.01. Buyer Loans	17
Section 6.02. Notices Relating to Buyer Loans	17
Section 6.03. Disbursement of Loan Proceeds	17
Section 6.04. The Parent Note.	17
Section 6.05. Principal Repayments	18
Section 6.06. Interest.	18
Section 6.07. Receipt of Payments	18
Section 6.08. Separateness of Buyer Loans From Transfer of Receivables	19
Section 6.09. Dividends	19
ARTICLE VII COLLATERAL SECURITY	19
Section 7.01. Security Interest	19
Section 7.02. Other Collateral; Rights in Receivables	19
Section 7.03. Parent Remains Liable	19
Section 7.04. Intercreditor Agreement	20
ARTICLE VIII MISCELLANEOUS	20
Section 8.01. Notices	20
Section 8.02. No Waiver; Remedies	21
Section 8.03. Successors and Assigns	22
Section 8.04. Termination; Survival of Obligations.	22
Section 8.05. Complete Agreement; Modification of Agreement	22
Section 8.06. Amendments and Waivers	23

Section 8.07. GOVERNING LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL.	23
Section 8.08. Counterparts	24
Section 8.09. Severability	24
Section 8.10. Section Titles	24

Section 8.11. No Setoff	24
Section 8.12. Confidentiality.	24
Section 8.13. Further Assurances.	25
Section 8.14. Fees and Expenses	25

INDEX OF APPENDICES

Exhibit 2.01(a)	Form of Receivables Assignment
Exhibit 6.04(a)	Form of Parent Note
Schedule 4.01(b)	Executive Offices; Collateral Locations; Corporate Names
Schedule 4.01(d)	Litigation
Schedule 4.01(h)	Ventures, Subsidiaries and Affiliates; Outstanding Stock
Schedule 4.01(i)	Tax Matters
Schedule 4.01(j)	Intellectual Property
Schedule 4.01(m)	ERISA Schedule
Schedule 4.01(t)	Deposit and Disbursement Accounts
Schedule 4.02(g)	Trade Names
Schedule 4.03(b)	Existing Liens
Annex X	Definitions
Annex Y	Schedule of Documents

THIS RECEIVABLES SALE AND CONTRIBUTION AGREEMENT (as amended, supplemented or otherwise modified and in effect from time to time, this "*Agreement*") is entered into as of March 1, 2001, by and among **LABOR READY, INC.**, a Washington corporation (the "*Parent*" or an "*Originator*"), and **LABOR READY FUNDING CORPORATION**, a Delaware corporation (the "*Buyer*").

RECITALS

- A. The Parent owns all of the outstanding Stock of Buyer.
- B. The Parent intends to purchase all Receivables originated by the Originators other than the Parent pursuant to that certain Receivables Sale Agreement.
- C. Buyer has been formed for the sole purpose of purchasing, or otherwise acquiring by capital contribution, all Receivables originated by the Parent and each other Originator.
- D. The Parent intends to sell, and Buyer intends to purchase, such Receivables, from time to time, as described herein.
- E. In addition, the Parent may, from time to time, contribute capital to Buyer in the form of Contributed Receivables or cash.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I DEFINITIONS AND INTERPRETATION

Section 1.01. *Definitions.* Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in *Annex X*.

Section 1.02. *Rules of Construction.* For purposes of this Agreement, the rules of construction set forth in *Annex X* shall govern. All Appendices hereto, or expressly identified to this Agreement, are incorporated herein by reference and, taken together with this Agreement, shall constitute but a single agreement.

ARTICLE II TRANSFERS OF RECEIVABLES

Section 2.01. *Agreement to Transfer.*

(a) *Receivables Transfers.* Subject to the terms and conditions hereof, the Parent agrees to sell (without recourse except to the extent specifically provided herein) or contribute to Buyer on the Closing Date and on each Business Day thereafter (each such date, a "*Transfer Date*") all Receivables owned by it on each such Transfer Date, and Buyer agrees to purchase or acquire as a capital contribution all such Receivables on each such Transfer Date. Each such Transfer shall be evidenced by a certificate of assignment substantially in the form of Exhibit 2.01(a) (each, a "*Receivables Assignment*," and collectively, the "*Receivables Assignments*"), and the Parent and Buyer shall execute and deliver a Receivables Assignment on or before the Closing Date.

(b) *Determination of Sold Receivables.* On and as of each Transfer Date, all Receivables owned by the Parent and not previously acquired by Buyer shall be identified for sale to Buyer such that the Sale Price to be paid by Buyer therefor does not exceed the amount of cash available to Buyer for the

payment thereof (each such Receivable identified for sale, individually, a "*Sold Receivable*" and, collectively, the "*Sold Receivables*"). The Sold Receivables will be identified by reference to the General Trial Balance of the Parent.

(c) *Payment of Purchase Price.* In consideration for each Sale of Sold Receivables hereunder, Buyer shall pay to the Parent on the Transfer Date therefor the Sale Price therefor in Dollars in immediately available funds. All such payments by Buyer under this *Section 2.01(c)* shall be effected by means of a wire transfer on the day when due to such account or accounts as the Parent may designate.

(d) *Determination of Contributed Receivables.* To the extent that, on and as of any Transfer Date, Receivables owned by the Parent which do not constitute Transferred Receivables have not been identified as Sold Receivables pursuant to *Section 2.01(b)* then the Parent shall, unless it has delivered an Election Notice (as defined below) to Buyer, contribute such Receivables to Buyer as a capital contribution (each such contributed Receivable, individually, a "*Contributed Receivable*," and collectively, the "*Contributed Receivables*"). If the Parent elects not to contribute Receivables to Buyer on any Transfer Date, or if any Receivables eligible for sale and owned by the Parent are not sold on any Transfer Date, the Parent shall deliver to Buyer not later than 5:00 p.m. (New York time) on the Business Day immediately preceding such Transfer Date a notice of election thereof (each such notice, an "*Election Notice*").

(e) *Ownership of Transferred Receivables.* On and after each Transfer Date and after giving effect to the Transfers to be made on each such date, Buyer shall own the Transferred Receivables and no Originator shall take any action inconsistent with such ownership nor shall the Parent claim any ownership interest in such Transferred Receivables.

(f) *Reconstruction of General Trial Balance.* If at any time the Parent fails to generate its General Trial Balance, Buyer shall have the right to reconstruct such General Trial Balance so that a determination of the Sold Receivables can be made pursuant to *Section 2.01(b)*. The Parent agrees to cooperate with such reconstruction, including by delivery to Buyer, upon Buyer's request, of copies of all Contracts and Records.

(g) *Servicing of Receivables.* So long as no Event of Servicer Termination shall have occurred and be continuing and no Successor Servicer has assumed the responsibilities and obligations of the Servicer pursuant to *Section 9.02* of the Funding Agreement, the Servicer shall (i) conduct the servicing, administration and collection of the Transferred Receivables and shall take, or cause to be taken, all such actions as may be necessary or advisable to service, administer and collect the Transferred Receivables, all in accordance with (A) the terms of the Funding Agreement, (B) customary and prudent servicing procedures for trade receivables of a similar type and (C) all applicable laws, rules and regulations, and (ii) hold all Contracts and other documents and incidents relating to the Transferred Receivables in trust for the benefit of Buyer, as the owner thereof, and for the sole purpose of facilitating the servicing of the Transferred Receivables in accordance with the terms of the Funding Agreement.

Section 2.02. Grant of Security Interest. The parties hereto intend that each Transfer shall constitute a purchase and sale or capital contribution, as applicable, and not a loan. Notwithstanding the foregoing, in addition to and not in derogation of any rights now or hereafter acquired by Buyer under *Section 2.01* hereof, the parties hereto intend that this Agreement shall constitute a security agreement under applicable law and that the Parent shall be deemed to have granted, and the Parent does hereby grant, to the Buyer a continuing security interest in all of the Parent's right, title and interest in, to and under the Receivables whether now owned or hereafter acquired by the Parent (whether constituting Transferred Receivables or otherwise) to secure the obligations of the Parent to the Buyer hereunder (including, if and to the extent that any Transfer is recharacterized as a transfer for security, the repayment of a loan deemed to have been made by the Buyer in the amount of the

Sale Price with respect thereto and which secures the Buyer's right to receive all Collections of the Transferred Receivables as otherwise contemplated under this Agreement).

Section 2.03. Receivables Sale Agreement. The Parent hereby assigns to the Buyer, in connection with the sale of Receivables acquired by the Parent under the Receivables Sale Agreement, all of its right, title and interest in and to the Receivables Sale Agreement and hereby agrees and certifies that: (a) the benefits of the representations, warranties and covenants of each Selling Subsidiary made to the Parent under the Receivables Sale Agreement are hereby assigned to the Buyer hereunder; (b) the rights of the Parent to require payment of a Rejected Amount from a Selling Subsidiary under the Receivables Sale Agreement may be enforced by the Buyer and the Administrative Agent on Buyer's behalf; and (c) the Receivables Sale Agreement provides that the representations, warranties and covenants described in *Sections 4.01, 4.02 and 4.03* thereof, the indemnification and payment provisions of Article V thereof and the provisions of *Sections 4.03(j), 8.03 and 8.14* thereof shall survive the sale of the Subsidiary Sold Receivables and the termination of the Sale Agreements and the Funding Agreement. The Parent hereby undertakes and agrees, to and for the benefit of Buyer, to cause the due and punctual performance and observance by each Selling Subsidiary of all of the terms, conditions, agreements and undertakings on the part of such Selling Subsidiary to be performed or observed by it under the Receivables Sale Agreement or under any other Related Document.

ARTICLE III CONDITIONS PRECEDENT

Section 3.01. Conditions to Initial Transfer. The initial Transfer hereunder shall be subject to satisfaction of each of the following conditions precedent (any one or more of which may be waived in writing by each of Buyer and the Administrative Agent):

(a) *Sale and Contribution Agreement; Other Documents.* This Agreement or counterparts hereof shall have been duly executed by, and delivered to, the Parent and Buyer, and Buyer shall have received such documents, instruments, agreements and legal opinions as Buyer shall request in connection with the transactions contemplated by this Agreement, including the Receivables Sale Agreement and all those identified in the Schedule of Documents, each in form and substance satisfactory to Buyer.

(b) *Governmental Approvals.* Buyer shall have received (i) satisfactory evidence that the Parent and each Selling Subsidiary have obtained all required consents and approvals of all Persons, including all requisite Governmental Authorities, to the execution, delivery and performance of this Agreement and the other Related Documents and the consummation of the transactions contemplated hereby and thereby or (ii) an Officer's Certificate from the Parent in form and substance satisfactory to Buyer affirming that no such consents or approvals are required.

(c) *Compliance with Laws.* The Parent and each Selling Subsidiary shall be in compliance with all applicable foreign, federal, state and local laws and regulations, including those specifically referenced in *Section 4.02(f)*.

(d) *Funding Agreement Conditions.* Each of those conditions precedent set forth in *Sections 3.01 and 3.02* of the Funding Agreement shall have been satisfied or waived in writing as provided therein.

Section 3.02. Conditions to all Transfers. Each Transfer hereunder (including the initial Transfer) shall be subject to satisfaction of the following further conditions precedent as of the Transfer Date therefor:

(a) the representations and warranties of the Parent contained herein or in any other Related Document shall be true and correct as of such Transfer Date, and the representations and warranties of each other Originator contained in the Receivables Sale Agreement or in any other Related Document,

both before and after giving effect to such Transfer and to the application of the Sale Price therefor, except to the extent that any such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted by this Agreement;

(b) no Incipient Termination Event or Termination Event shall have occurred and be continuing or would result after giving effect to such Transfer or the application of the Sale Price therefor;

(c) the Parent shall be in compliance with each of its covenants and other agreements set forth herein and each other Originator shall be in compliance with each of its covenants and other agreements set forth in the Receivables Sale Agreement; and

(d) the Parent shall have taken such other action, including delivery of approvals, consents, opinions, documents and instruments to Buyer as Buyer may request.

The acceptance by the Parent of the Sale Price for any Sold Receivables on any Transfer Date shall be deemed to constitute, as of any such Transfer Date, a representation and warranty by the Parent that the conditions in this *Section 3.02* have been satisfied. Upon any such acceptance, title to the Transferred Receivables sold or contributed on such Transfer Date shall be vested absolutely in Buyer, whether or not such conditions were in fact so satisfied.

ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 4.01. Representations and Warranties of the Parent. To induce Buyer to purchase the Sold Receivables and to acquire the Contributed Receivables, the Parent makes the following representations and warranties to Buyer, each and all of which shall survive the execution and delivery of this Agreement.

(a) *Existence; Compliance with Law.* Each Originator (i) is a corporation, limited liability company or limited partnership duly formed, validly existing and in good standing under the laws of its jurisdiction of formation; (ii) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified is not reasonably likely to result in a Material Adverse Effect; (iii) has the requisite corporate, company or partnership power, as applicable, and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease, and to conduct its business, in each case, as now, heretofore and proposed to be conducted; (iv) has all licenses, permits, consents or approvals from or by, and has made all filings with, and has given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct, except where the failure to obtain such licenses, permits, consents or approvals is not reasonably likely to result in a Material Adverse Effect; (v) is in compliance with its charter and bylaws; and (vi) subject to specific representations set forth herein regarding ERISA, Environmental Laws, tax laws and other laws, is in compliance with all applicable provisions of law, except where the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) *Executive Offices; Collateral Locations; Corporate or Other Names; FEIN.* As of the Closing Date, the current location of the Originators' chief executive offices, principal places of business, other offices, the warehouses and premises within which any Parent Collateral or Subsidiary Collateral is stored or located, and the locations of all records of the Originators concerning the Parent Collateral and the Subsidiary Collateral are set forth in *Schedule 4.01(b)* and none of such locations have changed within the past 12 months. During the prior five years, except as set forth in *Schedule 4.01(b)*, no Originator has not been known as or used any corporate, company, partnership, fictitious or trade name. In addition, *Schedule 4.01(b)* lists the federal employer identification number of the Parent.

(c) *Power, Authorization, Enforceable Obligations.* The execution, delivery and performance by the Parent of this Agreement and the execution, delivery and performance by each Originator of any other Related Documents to which it is a party and the creation and perfection of all Transfers and Liens provided for herein and therein: (i) are within such Person's corporate, company or partnership power, as applicable; (ii) have been duly authorized by all necessary or proper corporate, company, partnership, member and shareholder action; (iii) do not contravene any provision of such Person's charter, bylaws, operating agreement or other constitutive documents; (iv) do not violate any law or regulation, or any order or decree of any court or Governmental Authority; (v) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Person is a party or by which such Person or any of its property is bound; (vi) do not result in the creation or imposition of any Adverse Claim upon any of the property of such Person; and (vii) do not require the consent or approval of any Governmental Authority or any other Person, except those which will have been duly obtained, made or complied with prior to the Closing Date as provided *Section 3.01(b)*. The exercise by Buyer of any of its rights and remedies under any Related Document to which it is a party, do not require the consent or approval of any Governmental Authority or any other Person (other than consents or approvals solely relating to or required to be obtained by the Buyer, and subject to the Bankruptcy Code), except those which will have been duly obtained, made or complied with prior to the Closing Date as provided in *Section 3.01(b)*. On or prior to the Closing Date, each of the Related Documents shall have been duly executed and delivered by each Originator that is a party thereto and each such Related Document shall then constitute a legal, valid and binding obligation of such Originator enforceable against it in accordance with its terms.

(d) *No Litigation.* No Litigation is now pending or, to the knowledge of the Parent, threatened against the Parent or any other Originator that (i) challenges such Originator's right or power to enter into or perform any of its obligations under the Related Documents to which it is a party, or the validity or enforceability of any Related Document or any action taken thereunder, (ii) seeks to prevent the Transfer, Purchase, contribution or pledge of any Receivable or the consummation of any of the transactions contemplated under this Agreement or the other Related Documents or (iii) has a reasonable risk of being determined adversely to such Originator and that, if so determined, could reasonably be expected to have a Material Adverse Effect. Except as set forth on *Schedule 4.01(d)*, as of the Closing Date there is no Litigation pending or threatened that seeks damages in excess of \$500,000 or injunctive relief against, or alleges criminal misconduct by, the Parent.

(e) *Solvency.* Both before and after giving effect to (i) the transactions contemplated by this Agreement and the other Related Documents and (ii) the payment and accrual of all transaction costs in connection with the foregoing, each Originator is and will be Solvent.

(f) *Material Adverse Effect.* Between December 31, 1999 and the Closing Date, (i) neither the Parent nor any other Originator has incurred any obligations, contingent or non-contingent liabilities, liabilities for charges, long-term leases or unusual forward or long-term commitments that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (ii) no contract, lease or other agreement or instrument has been entered into by any Originator or has become binding upon such Originator's assets and no law or regulation applicable to any Originator has been adopted that has had or could reasonably be expected to have a Material Adverse Effect; and (iii) no Originator is in default and no third party is in default under any material contract, lease or other agreement or instrument to which any of the Originators is a party that alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Between December 31, 1999, and the Closing Date no event has occurred that alone or together with other events could reasonably be expected to have a Material Adverse Effect.

(g) *Ownership of Receivables; Liens.* The Parent owns each Receivable originated by it free and clear of any Adverse Claim (other than Permitted Encumbrances) and, from and after each Transfer Date, Buyer will acquire valid and properly perfected title to and the sole record and beneficial ownership interest in each Transferred Receivable purchased or otherwise acquired on such date, free and clear of any Adverse Claim or restrictions on transferability. As of the Closing Date, none of the properties and assets of the Parent or any other Originator are subject to any Adverse Claims other than Permitted Encumbrances, and there are no facts, circumstances or conditions known to the Parent that may result in any Adverse Claims (including Adverse Claims arising under Environmental Laws) other than Permitted Encumbrances. The Parent has received all assignments, bills of sale and other documents, and has duly effected all recordings, filings and other actions necessary to establish, protect and perfect the Parent's right, title and interest in and to the Receivables originated by it or acquired under the Receivables Sale Agreement and its other properties and assets. The Liens granted to Buyer pursuant to Section 7.01 will at all times be fully perfected first priority Liens in and to the Parent Collateral, subject only to Permitted Encumbrances.

(h) *Ventures, Subsidiaries and Affiliates; Outstanding Stock.* Except as set forth in Schedule 4.01(h), the Parent does not have any Subsidiaries, is engaged in any joint venture or partnership with any other Person, or is an Affiliate of any other Person. All of the issued and outstanding Stock of each Selling Subsidiary is owned by the Parent. There are no outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which the Parent may be required to issue, sell, repurchase or redeem any of its Stock or other equity securities or any Stock or other equity securities of its Subsidiaries.

(i) *Taxes.* All tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by the Parent and each of its Affiliates included in the Parent Group have been filed with the appropriate Governmental Authority and all charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof (or any such fine, penalty, interest, late charge or loss has been paid), excluding charges or other amounts being contested in accordance with Section 4.02(l). Proper and accurate amounts have been withheld by the Parent or such Affiliate from its respective employees for all periods in full and complete compliance with all applicable federal, state, local and foreign laws and such withholdings have been timely paid to the respective Governmental Authorities. Schedule 4.01(i) sets forth as of the Closing Date (i) those taxable years for which the Parent's or such Affiliates' tax returns are currently being audited by the IRS or any other applicable Governmental Authority and (ii) any assessments or threatened assessments in connection with such audit or otherwise currently outstanding. Except as described on Schedule 4.01(i), neither the Parent nor any such Affiliate has executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any charges. The Parent and such Affiliates are not liable for any charges: (A) under any agreement (including any tax sharing agreements) or (B) to the best of the Parent's knowledge, as a transferee. As of the Closing Date, neither the Parent nor any such Affiliate has not agreed or been requested to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, that would have a Material Adverse Effect.

(j) *Intellectual Property.* As of the Closing Date, each Originator owns or has rights to use all intellectual property necessary to continue to conduct its business as now or heretofore conducted by it or proposed to be conducted by it. Each Originator conducts its business and affairs without infringement of or interference with any intellectual property of any other Person. Except as set forth in Schedule 4.01(j), the Parent is not aware of any infringement or claim of infringement by others of any intellectual property of the Originators.

(k) *Full Disclosure.* All information contained in this Agreement, any of the other Related Documents, or any written statement furnished by or on behalf of the Selling Subsidiaries to the

Parent, or the Originators (including the Parent) to Buyer, any Lender or the Administrative Agent pursuant to the terms of this Agreement or any of the other Related Documents is true and accurate in every material respect, and none of this Agreement, any of the other Related Documents, or any written statement furnished by or on behalf of any Originator to Buyer any Lender or the Administrative Agent pursuant to the terms of this Agreement or any of the other Related Documents (including any such statement furnished by an Originator in its capacity as a Servicer or Sub-Servicer), is misleading as a result of the failure to include therein a material fact.

(l) *Notices to Obligors.* The Parent has directed, or caused each Selling Subsidiary to direct, all Obligors of Transferred Receivables originated by it to remit all payments with respect to such Receivables for deposit in a Lockbox or Lockbox Account.

(m) *ERISA.*

(i) Schedule 4.01(m) lists all Plans and separately identifies all Pension Plans, including all Title IV Plans, Multiemployer Plans, ESOPs and Welfare Plans, including all Retiree Welfare Plans. Each Qualified Plan has been determined by the IRS to qualify under Section 401 of the IRC, the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the IRC, and nothing has occurred that would cause the loss of such qualification or tax-exempt status. Except as otherwise provided in Schedule 4.01(m), (x) each Plan is in compliance with the applicable provisions of ERISA and the IRC, including the timely filing of all reports required under the IRC or ERISA, (y) neither the Parent nor any ERISA Affiliate has failed to make any contribution or pay any amount due as required by either Section 412 of the IRC or Section 302 of ERISA or the terms of any such Plan and (z) neither the Parent nor any ERISA Affiliate has engaged in a "prohibited transaction," as defined in Section 4975 of the IRC, in connection with any Plan that would subject the Parent to a material tax on prohibited transactions imposed by Section 4975 of the IRC.

(ii) Except as set forth in Schedule 4.01(m): (A) no Title IV Plan has any Unfunded Pension Liability; (B) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (C) there are no pending or, to the knowledge of the Parent, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (D) neither the Parent nor any ERISA Affiliate has incurred or reasonably expects to incur any liability as a result of a complete or partial withdrawal from a Multiemployer Plan; (E) within the last five years no Title IV Plan with Unfunded Pension Liabilities has been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of the Parent or ERISA Affiliate; (F) Stock of the Parent and its ERISA Affiliates makes up, in the aggregate, no more than 10% of the assets of any Plan, measured on the basis of fair market value as of the last valuation date of any Plan; and (G) no liability under any Title IV Plan has been satisfied with the purchase of a contract from an insurance company that is not rated AAA by S&P or an equivalent rating by another nationally recognized rating agency.

(n) *Brokers.* No broker or finder acting on behalf of the Parent or any other Originator was employed or utilized in connection with this Agreement or the other Related Documents or the transactions contemplated hereby or thereby and no Originator has any obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

(o) *Margin Regulations.* None of the Originators is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin security" as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "Margin Stock"). Neither the Parent nor any Selling Subsidiary owns any Margin Stock, and no portion

of the proceeds of any Buyer Loan or the Sale Price for any Sale hereunder or under the Receivables Sale Agreement will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Debt that was originally incurred to purchase or carry any Margin Stock or for any other purpose that might cause any portion of such proceeds to be considered a "purpose credit" within the meaning of Regulations T, U or X of the Federal Reserve Board. The Parent will not take or permit to be taken any action that might cause any Related Document to violate any regulation of the Federal Reserve Board.

(p) *Nonapplicability of Bulk Sales Laws.* No transaction contemplated by this Agreement or any of the other Related Documents requires compliance with any bulk sales act or similar law.

(q) *Securities Act and Investment Company Act Exemptions.* Each purchase of Transferred Receivables under this Agreement constitutes (i) a "current transaction" within the meaning of *Section 3(a)(3)* of the Securities Act and (ii) a purchase or other acquisition of notes, drafts, acceptances, open accounts receivable or other obligations representing part or all of the sales price of merchandise, insurance or services within the meaning of *Section 3(c)(5)* of the Investment Company Act.

(r) *Government Regulation.* None of the Originators is an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act. None of the Originators is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, or any other federal or state statute that restricts or limits its ability to incur Debt or to perform its obligations hereunder or under the other Related Documents. The purchase or acquisition of the Transferred Receivables by Buyer hereunder, the purchase by the Parent of the Subsidiary Sold Receivables sold under the Receivables Sale Agreement, the application of the Sale Price for either of the foregoing and the consummation of the transactions contemplated by this Agreement and the other Related Documents will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

(s) *Books and Records; Minutes.* The bylaws or the certificate or articles of incorporation of the Parent and of each Selling Subsidiary require it to maintain (i) books and records of account and (ii) minutes of the meetings and other proceedings of its Stockholders and board of directors.

(t) *Deposit and Disbursement Accounts.* *Schedule 4.01(t)* lists all banks and other financial institutions at which the Originators maintain any deposit accounts established for the receipt of collections on accounts receivable as of the Closing Date, including any Lockbox Accounts, and such schedule correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor, in each case as of the Closing Date.

(u) *Representations and Warranties in Other Related Documents.* Each of the representations and warranties of the Parent and the Selling Subsidiaries contained in the Related Documents (other than this Agreement) is true and correct in all material respects and the Parent hereby makes each such representation and warranty to, and for the benefit of, the Lenders and the Administrative Agent as if the same were set forth in full herein.

8

(v) *Receivables.* With respect to each Transferred Receivable designated as an Eligible Receivable in any Borrowing Base Certificate delivered on or after the Transfer Date of such Transferred Receivable:

(i) such Receivable satisfies the criteria for an Eligible Receivable;

(ii) prior to its Transfer to Buyer such Receivable was owned by the Parent thereof free and clear of any Adverse Claim (other than Permitted Encumbrances), and the Parent had the full right, power and authority to sell, contribute, assign, transfer and pledge its interest therein as contemplated under this Agreement and the other Related Documents and, upon such Transfer, Buyer will acquire valid and properly perfected title to and the sole record and beneficial ownership interest in such Receivable, free and clear of any Adverse Claim and, following such Transfer, such Receivable will not be subject to any Adverse Claim as a result of any action or inaction on the part of the Parent;

(iii) the Transfer of each such Receivable pursuant to this Agreement and the Receivables Assignment executed by the Parent constitutes, as applicable, a valid sale, contribution, transfer, assignment, setover and conveyance to Buyer of all right, title and interest of the Parent in and to such Receivable; and

(iv) neither the Parent nor the Originator of such Receivable (if not the Parent) has any knowledge of any fact (including any defaults by the Obligor thereunder on any other Receivable) that would cause it or should have caused it to expect that any payments on such Receivable will not be paid in full when due or to expect any other Material Adverse Effect.

The representations and warranties described in this *Section 4.01* shall survive the Transfer of the Transferred Receivables to Buyer, any subsequent assignment of the Transferred Receivables by Buyer, and the termination of this Agreement and the other Related Documents and shall continue until the indefeasible payment in full of all Transferred Receivables.

Section 4.02. Affirmative Covenants of the Parent. The Parent covenants and agrees that, unless otherwise consented to by Buyer and the Administrative Agent, from and after the Closing Date and until the Termination Date:

(a) *Offices and Records.* The Parent shall, and shall cause each Selling Subsidiary to, maintain its principal place of business and chief executive office and the office at which it keeps its Records at the respective locations specified in *Schedule 4.01(b)* or, upon 30 days' prior written notice to Buyer and the Administrative Agent, at such other location in a jurisdiction where all action requested by Buyer, any Lender or the Administrative Agent pursuant to *Section 8.13* shall have been taken with respect to the Transferred Receivables. The Parent shall, and shall cause each Selling Subsidiary to, at its own cost and expense, for not less than three years from the date on which each Transferred Receivable was originated, or for such longer period as may be required by law, maintain adequate Records with respect to such Transferred Receivable, including records of all payments received, credits granted and merchandise returned with respect thereto.

(b) *Access.* The Parent shall and shall cause each Selling Subsidiary to, during normal business hours, from time to time upon five (5) Business Days' prior notice and as frequently as Buyer, the Servicer or the Administrative Agent determines to be appropriate: (i) provide Buyer, the Servicer or the Administrative Agent and any of their respective officers, employees and agents access to its properties (including properties utilized in connection with the collection, processing or servicing of the Transferred Receivables), facilities, advisors and employees (including officers) and to the Parent Collateral or Subsidiary Collateral, as applicable, (ii) permit Buyer, the Servicer or the Administrative Agent and any of their respective officers, employees and agents, to inspect, audit and make extracts from its books and records, including all Records, (iii) permit Buyer, the Servicer or the Administrative Agent and their respective officers, employees and agents, to inspect, review and evaluate the

9

Transferred Receivables and other Parent Collateral or Subsidiary Collateral, as applicable, and (iv) permit Buyer, the Servicer or the Administrative Agent and their respective officers, employees and agents to discuss matters relating to the Transferred Receivables or the Parent's performance under this Agreement or the affairs, finances and accounts of the Originators with any of their respective officers, directors, employees, representatives or agents (in each case, with those Persons having knowledge of such matters) and

with its independent certified public accountants. If an Incipient Termination Event or a Termination Event shall have occurred and be continuing, or the Administrative Agent, in good faith, believes that an Incipient Termination Event or a Termination Event is imminent or deems the Administrative Agent's or any Lender's rights in the Borrower Collateral insecure, the Parent shall provide, or cause each Selling Subsidiary to provide, such access at all times and without advance notice and shall provide Buyer, the Servicer or the Administrative Agent with access to its suppliers and customers. The Parent shall, and shall cause each Selling Subsidiary to, make available to Buyer, the Servicer or the Administrative Agent and their respective counsel, as quickly as is possible under the circumstances, originals or copies of all books and records, including Records, that Buyer, the Servicer or the Administrative Agent may request. The Parent shall deliver any document or instrument necessary for Buyer, the Servicer or the Administrative Agent, as they may from time to time request, to obtain records from any service bureau or other Person that maintains records for the Originators, and shall maintain duplicate records or supporting documentation on media, including computer tapes and discs owned by the Originators.

(c) *Communication with Accountants.* The Parent authorizes Buyer, the Servicer and the Administrative Agent to communicate directly with its independent certified public accountants, and authorizes and shall instruct those accountants and advisors to disclose and make available to Buyer, the Servicer and the Administrative Agent any and all financial statements and other supporting financial documents, schedules and information relating to the Parent (including copies of any issued management letters) with respect to the business, financial condition and other affairs of the Parent. The Parent agrees to render to Buyer, the Servicer and the Administrative Agent at the Parent's own cost and expense, such clerical and other assistance as may be reasonably requested with regard to the foregoing. If any Termination Event shall have occurred and be continuing, the Parent shall, promptly upon request therefor, assist Buyer in delivering to the Administrative Agent Records reflecting activity through the close of business on the Business Day immediately preceding the date of such request.

(d) *Compliance With Credit and Collection Policies.* The Parent shall, and shall cause each Selling Subsidiary to, comply in all material respects with the Credit and Collection Policies applicable to each Transferred Receivable and the Contracts therefor, and with the terms of such Receivables and Contracts.

(e) *Assignment.* The Parent agrees that, to the extent permitted under the Funding Agreement, Buyer may assign all of its right, title and interest in, to and under the Transferred Receivables, the Buyer Loans and this Agreement, including its right to exercise the remedies set forth in *Section 4.04*. The Parent agrees that, upon any such assignment, the assignee thereof may enforce directly, without joinder of Buyer, all of the obligations of the Parent hereunder, including any obligations of the Parent set forth in *Sections 4.02(o), 4.04, 5.01 and 8.14*.

(f) *Compliance with Agreements and Applicable Laws.* The Parent shall perform, and cause each Selling Subsidiary to perform, each of its obligations under this Agreement and the other Related Documents and comply with all federal, state and local laws and regulations applicable to it and the Receivables, including those relating to truth in lending, retail installment sales, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices, privacy, licensing, taxation, ERISA and labor matters and Environmental Laws and Environmental Permits, except to the extent that the failure to so comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

10

(g) *Maintenance of Existence and Conduct of Business.* The Parent shall and shall cause each Selling Subsidiary to: (i) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate, company or limited partnership existence, as applicable, and its rights and franchises; (ii) continue to conduct its business substantially as now conducted or as otherwise permitted hereunder and in accordance with the terms of its certificate or articles of incorporation, bylaws, operating agreement or other constitutive document; (iii) at all times maintain, preserve and protect all of its assets and properties used or useful in the conduct of its business, including all licenses, permits, charters and registrations, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices; and (iv) transact business only in such corporate, company, partnership and trade names as are set forth in *Schedule 4.02(g)* or, upon 30 days' prior written notice to Buyer, the Administrative Agent and each Rating Agency, in such other corporate or trade names with respect to which all action requested by Buyer, any Lender or the Administrative Agent pursuant to *Section 8.13* shall have been taken with respect to the Transferred Receivables. The Parent shall not, and shall not allow any Selling Subsidiary to, change its jurisdiction of formation except upon 30 days' prior written notice to Buyer and the Administrative Agent, and with respect to which jurisdiction all action requested by Buyer, any Lender or the Administrative Agent pursuant to *Section 8.13* shall have been taken with respect to the Transferred Receivables.

(h) *Notice of Material Event.* The Parent shall promptly inform Buyer in writing of the occurrence of any of the following, in each case setting forth the details thereof and what action, if any, the Parent proposes to take with respect thereto:

(i) any Litigation commenced or threatened against any Originator or with respect to or in connection with all or any portion of the Transferred Receivables that (A) seeks damages or penalties in an uninsured amount in excess of \$500,000 in any one instance or \$500,000 in the aggregate, (B) seeks injunctive relief, (C) is asserted or instituted against any Plan, its fiduciaries or its assets or against the Parent or ERISA Affiliate in connection with any Plan, (D) alleges criminal misconduct by the Parent or any other Originator, or (E) would, if determined adversely, have a Material Adverse Effect;

(ii) the commencement of a case or proceeding in a court of competent jurisdiction by or against any Originator seeking a decree or order in respect of such Originator (A) under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (B) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for any Originator or for any substantial part of such Person's assets, or (C) ordering the winding-up or liquidation of the affairs of any Originator;

(iii) the receipt of notice that (A) an Originator is being placed under regulatory supervision, (B) any license, permit, charter, registration or approval necessary for the conduct of an Originator's business is to be, or may be, suspended or revoked, or (C) any Originator is to cease and desist any practice, procedure or policy employed by such Person in the conduct of its business if such cessation may have a Material Adverse Effect;

(iv) (A) any Adverse Claim made or asserted against any of the Transferred Receivables of which it becomes aware or (B) any determination that a Transferred Receivable designated as an Eligible Receivable in an Borrowing Base Certificate or otherwise was not an Eligible Receivable at the time of such designation; or

(v) any other event, circumstance or condition that has had or could reasonably be expected to have a Material Adverse Effect.

11

(i) *Use of Proceeds.* The Parent shall utilize the proceeds of (i) the Sale Price obtained by it for each Sale made by it hereunder and (ii) any Buyer Loan solely for general corporate purposes (including the payment for the Sale Price owed to the Selling Subsidiaries under the Receivables Sale Agreement and the retirement or repayment of third party debt and loans made to Affiliates) and to pay any related expenses payable by the Parent under this Agreement and the other Related Documents in connection with the transactions contemplated hereby and thereby and for no other purpose.

(j) *Separate Identity.*

(i) The Parent shall, and shall cause each of its Affiliates included in the Parent Group to, maintain corporate, company or limited partnership, as applicable, records and books of account separate from those of Buyer.

(ii) The financial statements of the Parent and its consolidated Subsidiaries shall disclose the effects of the Parent's transactions in accordance with GAAP and, in addition, disclose that (A) Buyer's sole business consists of the purchase or acceptance through capital contribution of the Receivables from the Parent and the subsequent resale of such Receivables to the Lender, (B) Buyer is a separate corporate entity with its own separate creditors who will be entitled, upon its liquidation, to be satisfied out of Buyer's assets prior to any value in Buyer becoming available to Buyer's equity holders and (C) the assets of Buyer are not available to pay creditors of the Parent or any other Affiliate of the Parent.

(iii) The resolutions, agreements and other instruments underlying the transactions described in this Agreement shall be continuously maintained by the Parent as official records.

(iv) The Parent shall, and shall cause each Affiliate included in the Parent Group to, maintain an arm's-length relationship with Buyer and shall not hold itself out as being liable for the Debts of Buyer.

(v) The Parent shall, and shall cause each the Parent Group to, keep its assets and its liabilities wholly separate from those of Buyer.

(vi) The Parent shall, and shall cause each Affiliate included in the Parent Group to, conduct its business solely in its own name through its duly Authorized Officers or agents and in a manner designed not to mislead third parties as to the separate identity of the Buyer.

(vii) The Parent shall not, and shall cause each Affiliate included in the Parent Group not to, mislead third parties by conducting or appearing to conduct business on behalf of Buyer or expressly or impliedly representing or suggesting that the Parent or such Affiliate is liable or responsible for the Debts of Buyer or that the assets of the Parent or such Affiliate are available to pay the creditors of Buyer.

(viii) The Parent shall cause operating expenses and liabilities of Buyer to be paid from Buyer's own funds.

(ix) The Parent shall at all times have, and cause each Affiliate included in the Parent Group at all times to have, stationery and other business forms and a mailing address and telephone number separate from those of Buyer.

(x) The Parent shall, and shall cause each Affiliate included in the Parent Group to, at all times limit its transactions with Buyer only to those expressly permitted hereunder or under any other Related Document.

(xi) The Parent shall, and cause each Affiliate included in the Parent Group to, comply with (and cause to be true and correct) each of the facts and assumptions contained in the opinion of McGavick Graves, P.S. delivered pursuant to the Schedule of Documents.

12

(k) *ERISA*. The Parent shall give Buyer and the Administrative Agent prompt written notice of any event that could result in the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA.

(l) *Payment, Performance and Discharge of Obligations*.

(i) Subject to *Section 4.02(l)(ii)*, the Parent shall, and shall cause each Selling Subsidiary to, pay, perform and discharge or cause to be paid, performed and discharged all of its obligations and liabilities, including all taxes, assessments and governmental charges upon its income and properties and all lawful claims for labor, materials, supplies and services, promptly when due.

(ii) The Parent or any Selling Subsidiary may in good faith contest, by appropriate proceedings, the validity or amount of any charges or claims described in *Section 4.02(l)(i)*; provided, that (A) adequate reserves with respect to such contest are maintained on the books of the Parent and such Subsidiary, in accordance with GAAP, (B) such contest is maintained and prosecuted continuously and with diligence, (C) none of the Parent Collateral or any Subsidiary Collateral may become subject to forfeiture or loss as a result of such contest, (D) no Lien may be imposed to secure payment of such charges or claims other than inchoate tax liens and (E) Buyer has affirmatively advised the Parent in writing that Buyer reasonably believes that nonpayment or nondischarge thereof could not reasonably be expected to have or result in a Material Adverse Effect.

(m) *Deposit of Collections*. The Parent shall deposit and cause its Subsidiaries to deposit or cause to be deposited promptly into a Lockbox Account, and in any event no later than the first Business Day after receipt thereof, all Collections it may receive in respect of Transferred Receivables.

(n) *Accounting Changes*. If any Accounting Changes occur and such changes result in a change in the standards or terms used herein, then the parties hereto agree to enter into negotiations in order to amend such provisions so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the financial condition of such Persons and their Subsidiaries shall be the same after such Accounting Changes as if such Accounting Changes had not been made. If the parties hereto agree upon the required amendments to this Agreement, then after appropriate amendments have been executed and the underlying Accounting Change with respect thereto has been implemented, any reference to GAAP contained herein shall, only to the extent of such Accounting Change, refer to GAAP consistently applied after giving effect to the implementation of such Accounting Change. If such parties cannot agree upon the required amendments within 30 days following the date of implementation of any Accounting Change, then all financial statements delivered and all standards and terms used herein shall be prepared, delivered and used without regard to the underlying Accounting Change.

(o) *Adjustments to Sale Price*. If on any day the Billed Amount of any Transferred Receivable is reduced as a result of any Dilution Factors, and the amount of such reduction exceeds the amount, if any, of Dilution Factors taken into account in the calculation of the Sale Price for such Transferred Receivable, the Parent shall make a cash payment to Buyer in the amount of such excess by remitting such amount to the Collection Account in accordance with the terms of the Funding Agreement.

Section 4.03. Negative Covenants of the Parent. The Parent covenants and agrees that, without the prior written consent of Buyer and the Administrative Agent, from and after the Closing Date and until the Termination Date:

(a) *Sale of Stock and Assets*. The Parent shall not, and shall not permit any Selling Subsidiary to, sell, transfer, convey, assign (by operation of law or otherwise) or otherwise dispose of, or assign any right to receive income in respect of, any of its properties or other assets, including capital Stock, any Transferred Receivable or Contract therefor, any of its rights with respect to any Lockbox or Lockbox Account or any other Parent Collateral.

13

(b) *Liens*. The Parent shall not, and shall not permit any Selling Subsidiary to, create, incur, assume or permit to exist any Adverse Claim on or with respect to its Receivables or any other Parent Collateral or Subsidiary Collateral (whether now owned or hereafter acquired) except for the Liens set forth in *Schedule 4.03(b)* and other

Permitted Encumbrances. In addition, the Parent shall not, and shall not permit any Selling Subsidiary to, become a party to any agreement, note, indenture or instrument or take any other action that would prohibit the creation of a Lien on any of its properties or other assets in favor of Buyer as additional collateral for the recourse and indemnity obligations of the Parent to Buyer hereunder or for the recourse and indemnity obligations of the Selling Subsidiaries under the Receivables Sale Agreement, including those obligations set forth in *Sections 4.02(o), 4.04 and 5.01*, except as otherwise expressly permitted by this Agreement or any of the other Related Documents).

(c) *Modifications of Receivables or Contracts.* The Parent shall not, and shall not permit any Selling Subsidiary to, extend, amend, forgive, discharge, compromise, cancel or otherwise modify the terms of any Transferred Receivable, or amend, modify or waive any term or condition of any Contract therefor; *provided*, that any Originator acting as Servicer or Sub-Servicer may, in its capacity as a Servicer or Sub-Servicer, take such of the foregoing actions to the extent that they are expressly permitted by the terms of the Funding Agreement.

(d) *Sale Characterization.* The Parent shall not, and shall not permit any Selling Subsidiary to, make statements or disclosures or prepare any financial statements for any purpose, including for federal income tax, reporting or accounting purposes, that shall account for the transactions contemplated by the Receivables Sale Agreement and this Agreement in any manner other than (i) with respect to the Sale of each Receivable originated by it, as a true sale or absolute assignment of its full right, title and ownership interest in such Receivable and (ii) with respect to the Transfer of each Contributed Receivable under this Agreement, as a contribution to the capital of Buyer.

(e) *Capital Structure and Business.* The Parent shall not, and shall not permit its Subsidiaries to (i) make any changes in any of its business objectives, purposes or operations that could have or result in a Material Adverse Effect or (ii) make any change in its capital structure as described on *Schedule 4.01(h)*, including the issuance of any shares of Stock, warrants or other securities convertible into Stock or any revision of the terms of its outstanding Stock or (iii) amend, supplement or otherwise modify its certificate or articles of incorporation or bylaws in a manner that could have or result in a Material Adverse Effect. The Parent shall not change, and shall not permit any Selling Subsidiary to change, its jurisdiction of incorporation except as permitted by *Section 4.02(g)*. The Parent shall not, and shall not permit any Selling Subsidiary to, engage in any business other than the businesses currently engaged in by it.

(f) *Actions Affecting Rights.* The Parent shall not, and shall not permit any Selling Subsidiary to, (i) take any action, or fail to take any action, if such action or failure to take action may interfere with the enforcement of any rights hereunder or under the other Related Documents, including rights with respect to the Transferred Receivables; (ii) waive or alter any rights with respect to the Transferred Receivables (or any agreement or instrument relating thereto); or (iii) fail to pay any tax, assessment, charge, fee or other obligation of the Parent with respect to the Transferred Receivables, or fail to defend any action, if such failure to pay or defend may adversely affect the priority or enforceability of the perfected title of Buyer to and the sole record and beneficial ownership interest of Buyer in the Transferred Receivables or, prior to their Transfer hereunder, the Parent's right, title or interest therein.

(g) *ERISA.* The Parent shall not, nor shall cause or permit any ERISA Affiliate to, cause or permit to occur an event that could result in the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA.

14

(h) *Change to Credit and Collection Policies.* The Parent shall, and shall cause each Selling Subsidiary to, comply with the Credit and Collection Policies, and no change shall be made to, the Credit and Collection Policies without the prior written consent of Buyer and the Administrative Agent.

(i) *Adverse Tax Consequences.* The Parent shall not, and shall not permit any Selling Subsidiary to, take or permit to be taken any action (other than with respect to actions taken or to be taken solely by a Governmental Authority), or fail or neglect to perform, keep or observe any of its obligations hereunder or under the other Related Documents, that would have the effect directly or indirectly of subjecting any payment to Buyer, any Lender or holders of the Commercial Paper who are residents of the United States of America to withholding taxation.

(j) *No Proceedings.* From and after the Closing Date and until the date one year plus one day following the date on which the Commercial Paper with the latest maturity has been indefeasibly paid in full in cash, the Parent shall not, and shall not permit any Selling Subsidiary to, directly or indirectly, institute or cause to be instituted against Buyer or Conduit Lender any proceeding of the type referred to in *Sections 9.01(c) and 9.01(d)* of the Funding Agreement.

(k) *Commingling.* The Parent shall not, and shall not permit any Selling Subsidiary to, deposit or permit the deposit of any funds that do not constitute Collections of Transferred Receivables into any Lockbox Account. If such funds are nonetheless deposited into a Lockbox Account and the Parent so notifies the Administrative Agent, the Administrative Agent shall promptly remit any such amounts as directed by the Parent.

Section 4.04. Breach of Representations, Warranties or Covenants. Upon discovery by the Parent or Buyer of any breach of any representation, warranty or covenant described in *Sections 4.01, 4.02 or 4.03* (other than a representation, warranty or covenant relating to the absence of Dilution Factors), which breach is reasonably likely to have a material adverse effect on the value of a Transferred Receivable or the interests of Buyer therein, the party discovering the same shall give prompt written notice thereof to the other parties hereto. The Parent may, at any time on any Business Day, or shall, if requested by notice from Buyer, on the first Business Day following receipt of such notice, either (a) repurchase such Transferred Receivable from Buyer for cash, (b) transfer ownership of a new Eligible Receivable or new Eligible Receivables to Buyer on such Business Day, or (c) make a capital contribution in cash to Buyer by remitting the amount (the "*Rejected Amount*") of such capital contribution to the Collection Account in accordance with the terms of the Funding Agreement, in each case in an amount equal to the Billed Amount of such Transferred Receivable *minus* the sum of (A) Collections received in respect thereof and (B) the amount of any Dilution Factors taken into account in the calculation of the Sale Price therefor. Notwithstanding the foregoing, if any Receivable is not paid in full on account of any Dilution Factors, the Parent's repurchase obligation under this *Section 4.04* with respect to such Receivable shall be reduced by the amount of any such Dilution Factors taken into account in the calculation of the Sale Price therefor. The Parent shall ensure that no Collections or other proceeds with respect to a Transferred Receivable so reconveyed to it are paid or deposited into any Lockbox Account.

ARTICLE V INDEMNIFICATION

Section 5.01. Indemnification. Without limiting any other rights that Buyer or any of its Stockholders, officers, directors, employees, attorneys, agents or representatives (each, an "*Buyer Indemnified Person*") may have hereunder or under applicable law, the Parent hereby agrees to indemnify and hold harmless each Buyer Indemnified Person from and against any and all Indemnified Amounts that may be claimed or asserted against or incurred by any such Buyer Indemnified Person in connection with or arising out of the transactions contemplated under this Agreement or under any other Related Document, any actions or failures to act in connection therewith, including any and all

15

legal costs and expenses arising out of or incurred in connection with disputes between or among any parties to any of the Related Documents, or in respect of any Transferred Receivable or any Contract therefor or the use by the Parent of the Sale Price therefor or the proceeds of any Buyer Loan; *provided*, that the Parent shall not be liable for any indemnification to a Buyer Indemnified Person to the extent that any such Indemnified Amounts result solely from (a) such Buyer Indemnified Person's gross negligence or willful misconduct, as finally determined by a court of competent jurisdiction, (b) recourse for uncollectible or uncollected Transferred Receivables due to the lack of creditworthiness of the Obligor or the occurrence of any event of bankruptcy with respect to such Obligor, or (c) any income tax or franchise tax incurred by any Buyer

Indemnified Person, except to the extent that the incurrence of any such tax results from a breach of or default under this Agreement or any other Related Document. Subject to the exceptions set forth in clauses (a), (b) and (c) of the immediately preceding sentence but otherwise without limiting the generality of the foregoing, the Parent shall pay on demand to each Buyer Indemnified Person any and all Indemnified Amounts relating to or resulting from:

- (i) reliance on any representation or warranty made or deemed made by any Originator (or any of its officers) under or in connection with this Agreement or any other Related Document or on any other information delivered by an Originator pursuant hereto or thereto that shall have been incorrect in any material respect when made or deemed made or delivered;
- (ii) the failure by any Originator to comply with any term, provision or covenant contained in this Agreement, any other Related Document or any agreement executed in connection herewith or therewith, any applicable law, rule or regulation with respect to any Transferred Receivable or Contract therefor, or the nonconformity of any Transferred Receivable or the Contract therefor with any such applicable law, rule or regulation;
- (iii) the failure to vest and maintain vested in Buyer, or to Transfer to Buyer, valid and properly perfected title to and sole record and beneficial ownership of the Receivables that constitute Transferred Receivables, together with all Collections in respect thereof, free and clear of any Adverse Claim;
- (iv) any dispute, claim, offset or defense of any Obligor (other than its discharge in bankruptcy) to the payment of any Receivable that is the subject of a Transfer hereunder (including a defense based on such Receivable or the Contract therefor not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or services giving rise to such Receivable or the furnishing or failure to furnish such merchandise or services or relating to collection activities with respect to such Receivable (if such collection activities were performed by the Parent or any Affiliate acting as the Servicer or a Sub-Servicer), except to the extent that such dispute, claim, offset or defense results solely from any action or inaction on the part of Buyer;
- (v) any products liability claim or other claim arising out of or in connection with merchandise, insurance or services that is the subject of any Contract;
- (vi) the commingling of Collections with respect to Transferred Receivables by any Originator at any time with its other funds or the funds of any other Person;
- (vii) any failure by the Parent or any Selling Subsidiary to cause the filing of, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or any other applicable laws with respect to any Receivable that is the subject of a Sale under the Receivables Sale Agreement or hereunder, whether at the time of any such Transfer or at any subsequent time;

16

-
- (viii) any failure by any Originator or the Servicer to perform, keep or observe any of their respective duties or obligations hereunder, under any other Related Document or under any Contract related to a Transferred Receivable;
 - (ix) any investigation, litigation or proceeding related to this Agreement or the Receivables Sale Agreement or the use of the Sale Price obtained in connection with any Sale or the ownership of Receivables or Collections with respect thereto or in respect of any Receivable or Contract, except to the extent any such investigation, litigation or proceeding relates to a matter involving a Buyer Indemnified Person for which neither the Parent nor any of its Affiliates is at fault, as finally determined by a court of competent jurisdiction; or
 - (x) any claim brought by any Person other than a Buyer Indemnified Person arising from any activity by the Parent or any of its Affiliates in servicing, administering or collecting any Transferred Receivables.

NO BUYER INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO ANY OTHER PARTY TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES THAT MAY BE ALLEGED AS A RESULT OF ANY TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.

ARTICLE VI BUYER LOANS

Section 6.01. *Buyer Loans.* Subject to the terms and conditions hereof and upon request of the Parent, Buyer agrees to make advances available to the Parent, from time to time until the Facility Termination Date, to the extent of its available funds (each, a "Buyer Loan"). The aggregate principal amount of Buyer Loans outstanding shall not exceed at any time the Maximum Facility Amount. Until the Facility Termination Date, the Parent may from time to time borrow, repay and reborrow; *provided*, that no such Buyer Loans may be made if, after giving effect thereto, (a) an Incipient Termination Event, a Termination Event, an Incipient Servicer Termination Event or an Event of Servicer Termination shall have occurred and be continuing or (b) a Purchase Excess would exist.

Section 6.02. *Notices Relating to Buyer Loans.* Each Buyer Loan and each repayment thereof shall be made upon the provision of notice by the Parent to Buyer. Any such notice must be given in writing on or before the Business Day immediately preceding the day the proposed Buyer Loan is to be made or repaid (which shall be a Business Day). Each such notice of borrowing or repayment shall specify the amount of Buyer Loans to be borrowed or repaid and the borrowing or repayment date thereof.

Section 6.03. *Disbursement of Loan Proceeds.* Buyer shall, no later than 2:00 p.m. (New York City time) on the date specified for each Buyer Loan hereunder, transfer the amount of the Buyer Loan to be made on such date to an account previously designated by the Parent by wire transfer or otherwise in immediately available funds.

Section 6.04. *The Parent Note.*

(a) The Parent shall execute and deliver to Buyer a single promissory note to evidence the Buyer Loans made to it by Buyer hereunder, which note shall be dated the Closing Date and be substantially in the form of *Exhibit 6.04(a)* (the "Parent Note"). The Parent Note shall represent the obligation of the Parent to pay the amount of the Maximum Facility Amount or, if less, the aggregate unpaid principal amount of all Buyer Loans made to the Parent together with interest thereon as prescribed in *Section 6.06*.

17

(b) Buyer shall record on a schedule attached to the Parent Note (which schedule may be computer generated) with respect to each Buyer Loan thereunder: (i) the date and principal amount thereof and (ii) each payment and repayment of principal thereof. The balance as reflected on such schedule shall be presumptive evidence of the amounts due and owing to Buyer by the Parent; *provided*, that any failure of Buyer to record a notation on the schedule to the Parent Note as aforesaid or any error in so recording shall not limit or otherwise affect the obligation of the Parent to repay Buyer Loans in accordance with their respective terms as set forth herein.

Section 6.05. *Principal Repayments.* With respect to Buyer Loans made to the Parent, it is the intention of the parties hereto that the Buyer Loans shall represent advances against future dividends to be declared from time to time by the Buyer and that, whenever the Buyer declares such a dividend (to the extent that any Buyer Loans are outstanding), the amount of such dividend shall be credited against all principal and interest owing by the Parent to the Buyer under the Buyer Loans made to it before such dividends may be paid in cash, and; *provided*, that all such dividends shall first be credited against accrued and unpaid interest before being credited to principal. Any amount so repaid may, subject to the terms and conditions hereof, be reborrowed hereunder.

Section 6.06. *Interest.*

(a) the Parent shall pay interest to Buyer, in arrears on each applicable Interest Payment Date, at the rate shown in *The Wall Street Journal* as the "Prime Rate" on such date (the "Parent Interest Rate") on the unpaid principal amount of each Buyer Loan for the period commencing on and including the date of such Buyer Loan until but excluding the date such Buyer Loan is paid in full.

(b) If any payment on any Buyer Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(c) All computations of interest shall be made by Buyer on the basis of a 360 day year, in each case for the actual number of days occurring in the period for which such interest is payable. The Parent Interest Rate shall be determined (i) on the first Business Day immediately prior to the Closing Date for calculation of the Parent Interest Rate for the period from the Closing Date through the end of the first calendar month following the Closing Date, and (ii) as of the last Business Day of each month for use in calculating the interest that is payable for the following calendar month, and the Parent Interest Rate so determined shall be utilized for such calendar month. Each determination by Buyer of an interest rate hereunder shall be final, binding and conclusive on the Parent (absent manifest error).

(d) the Parent shall pay interest at the applicable Parent Interest Rate on unpaid interest, on any Buyer Loan or any installment thereof, and on any other amount payable by the Parent hereunder (to the extent permitted by law) that shall not be paid in full when due (whether at stated maturity, by acceleration or otherwise) for the period commencing on the due date thereof to (but excluding) the date the same is indefeasibly paid in full.

Section 6.07. *Receipt of Payments.* All payments of principal, interest and other amounts (including indemnities) payable by the Parent to Buyer under this Agreement shall be made in Dollars, in immediately available funds, to Buyer not later than 12:00 noon (New York City time), on the due date therefor. Any such payment made on such date but after such time shall, if the amount paid bears interest, be deemed to have been made on, and interest shall continue to accrue and be payable thereon until, the next succeeding Business Day. All payments under this *Article VI* and under the Parent Note shall be made without setoff or counterclaim and in such amounts as may be necessary in order that all such payments shall not be less than the amounts otherwise specified to be paid under this Agreement and the Parent Note.

18

Section 6.08. *Separateness of Buyer Loans From Transfer of Receivables.* The parties hereto acknowledge and agree that the Buyer Loans made by Buyer to the Parent hereunder are separate and distinct transactions from the Transfer of Receivables by the Parent to Buyer hereunder and are not intended to derogate from the expressed intention of the parties regarding the characterization of the Transfers of the Transferred Receivables made hereunder as purchases and sales or capital contributions, as applicable, and not as secured transactions.

Section 6.09. *Dividends.* The Buyer may declare or pay dividends at any time that, after giving effect to such dividends, the book value of the assets of the Buyer, *minus* reserves applicable thereto and *minus* all of the Buyer's liabilities on a consolidated basis (including accrued and deferred income taxes), all as determined in accordance with GAAP, shall be equal to or greater than five percent (5.0%) of the Outstanding Balance of Transferred Receivables.

ARTICLE VII COLLATERAL SECURITY

Section 7.01. *Security Interest.* To secure the prompt and complete payment, performance and observance of any and all recourse and indemnity obligations of the Parent to Buyer, including those set forth in *Sections 4.02(o), 4.04, 5.01 and 8.14*, and to induce Buyer to enter into this Agreement in accordance with the terms and conditions hereof, the Parent hereby grants, assigns, conveys, pledges, hypothecates and transfers to Buyer a Lien upon all of the Parent's right, title and interest in, to and under the following property, whether now owned by or owing to, or hereafter acquired by or arising in favor of, the Parent (including under any trade names, styles or derivations of the Parent), and whether owned by or consigned by or to, or leased from or to, the Parent, and regardless of where located (all of which being hereinafter collectively referred to as the "Parent Collateral"):

(a) all accounts, inventory, general intangibles, equipment, fixtures, investment property, chattel paper, documents and instruments, whether or not constituting Receivables;

(b) all books and records (including customer lists, credit files, computer programs, tapes, disks, data processing software and other related property and rights) pertaining to the foregoing;

(c) all monies, securities and other property now or hereafter in the possession or custody of, or in transit to, Buyer, for any purpose (including safekeeping, collection or pledge), from or for the Parent, or as to which the Parent may have any right or power, and all of Buyer's credits and balances with the Parent existing at any time;

(d) the Cash Collateral Account and the Parent Blocked Account and all funds on deposit therein and all certificates, instruments, if any, from time to time representing or evidencing the Cash Collateral Account and the Blocked Account; and

(e) to the extent not otherwise included, all proceeds and products of the foregoing and all accessions to, and substitutions and replacements for, each of the foregoing.

Section 7.02. *Other Collateral; Rights in Receivables.* Nothing contained in this *Article VII* shall limit the rights of Buyer in and to any other collateral that may have been or may hereafter be granted to Buyer by the Parent or any third party pursuant to any other agreement or the rights of Buyer under any of the Transferred Receivables.

Section 7.03. *Parent Remains Liable.* It is expressly agreed by the Parent that, anything herein to the contrary notwithstanding, the Parent or the applicable Originator shall remain liable under any and all of the Receivables originated by it, the Contracts therefor and all other Parent Collateral to observe and perform all the conditions and obligations to be observed and performed by it thereunder. The Buyer shall not have any obligation or liability under any such Receivables, Contracts or Parent Collateral by reason of or arising out of this Agreement or the granting herein of a Lien thereon or the

19

receipt by the Buyer of any payment relating thereto pursuant hereto. The exercise by the Buyer of any of its respective rights under this Agreement shall not release the Parent or any other Originator from any of its respective duties or obligations under any such Receivables, Contracts or Parent Collateral. The Buyer shall not be required or obligated in any manner to perform or fulfill any of the obligations of the Parent or any other Originator under or pursuant to any such Receivable, Contract or Parent Collateral, or to

make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any such Receivable, Contract or Parent Collateral, or to present or file any claims, or to take any action to collect or enforce any performance or the payment of any amounts that may have been assigned to it or to which it may be entitled at any time or times.

Section 7.04. *Intercreditor Agreement.* The Lien granted under *Section 7.01* above is subordinated in priority to the extent provided in the Intercreditor Agreement.

ARTICLE VIII MISCELLANEOUS

Section 8.01. *Notices.* Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other parties, or whenever any of the parties desires to give or serve upon any other parties any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and three Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by telecopy or other similar facsimile transmission (with such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this *Section 8.01*), (c) one Business Day after deposit with a reputable overnight courier with all charges prepaid or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the

20

address or facsimile number set forth below in this *Section 8.01* or to such other address (or facsimile number) as may be substituted by notice given as herein provided:

the Parent:

Labor Ready, Inc.
1016 S. 28th Street
Tacoma, Washington 98409
Attention: Chief Financial Officer and General Counsel
Facsimile: 877-334-0797

with copy to:
Malcolm C. Lindquist
McGavick Graves, P.S.
1102 Broadway, Suite 500
Tacoma, Washington 98401
Facsimile: 253-627-2247

Buyer: Labor Ready Funding Corporation
1016 S. 28th Street
Suite 205
Tacoma, Washington 98409
Attention: Vice President and General Counsel
Facsimile: 877-334-0797

provided, that each such declaration or other communication shall be deemed to have been validly delivered to the Administrative Agent under this Agreement upon delivery to the Administrative Agent in accordance with the terms of the Funding Agreement. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than Buyer) designated in any written communication provided hereunder to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication. Notwithstanding the foregoing, whenever it is provided herein that a notice is to be given to any other party hereto by a specific time, such notice shall only be effective if actually received by such party prior to such time, and if such notice is received after such time or on a day other than a Business Day, such notice shall only be effective on the immediately succeeding Business Day.

Section 8.02. *No Waiver; Remedies.* Buyer's failure, at any time or times, to require strict performance by the Parent of any provision of this Agreement or any Receivables Assignment shall not waive, affect or diminish any right of Buyer thereafter to demand strict compliance and performance herewith or therewith. Any suspension or waiver of any breach or default hereunder shall not suspend, waive or affect any other breach or default whether the same is prior or subsequent thereto and whether the same or of a different type. None of the undertakings, agreements, warranties, covenants and representations of the Parent contained in this Agreement or any Receivables Assignment, and no breach or default by the Parent hereunder or thereunder, shall be deemed to have been suspended or waived by Buyer unless such waiver or suspension is by an instrument in writing signed by an officer of or other duly authorized signatory of Buyer and directed to the Parent specifying such suspension or waiver. Buyer's rights and remedies under this Agreement shall be cumulative and nonexclusive of any

21

other rights and remedies that Buyer may have under any other agreement, including the other Related Documents, by operation of law or otherwise. Recourse to the Parent Collateral shall not be required.

Section 8.03. *Successors and Assigns.* This Agreement shall be binding upon and shall inure to the benefit of the Parent and Buyer and their respective successors and permitted assigns, except as otherwise provided herein. The Parent may not assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder without the prior express written consent of Buyer, the Lenders and the Administrative Agent and unless the Rating Agency Condition shall have been satisfied with respect to any such assignment. Any such purported assignment, transfer, hypothecation or other conveyance by the Parent without the prior express written consent of Buyer, the Lenders and the Administrative Agent shall be void. The Parent acknowledges that, to the extent permitted under the Funding Agreement, Buyer may assign its rights granted hereunder, including the benefit of any indemnities under *Article V* and any of its rights in the Parent Collateral granted under *Article VII*, and upon such assignment, such assignee shall have, to the extent of such assignment, all rights of Buyer hereunder and, to the extent permitted under the Funding Agreement, may in turn assign such rights. The Parent agrees that, upon any such assignment, such assignee may enforce directly, without joinder of Buyer, the rights set forth in this Agreement. All such assignees, including parties to the Funding Agreement in the case of any assignment to such parties, shall be third party beneficiaries of, and shall be entitled to enforce Buyer's rights and remedies under, this Agreement to the same extent as if they were parties hereto. Without limiting the generality of the foregoing, all notices to be provided to the Buyer hereunder shall be delivered to both the Buyer and the Administrative Agent under the Funding Agreement, and shall be effective only upon such delivery to the Administrative Agent. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of the Parent and Buyer with respect to the transactions contemplated hereby and,

except for the Lenders and the Administrative Agent, no Person shall be a third party beneficiary of any of the terms and provisions of this Agreement.

Section 8.04. *Termination; Survival of Obligations.*

(a) This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until the Termination Date.

(b) Except as otherwise expressly provided herein or in any other Related Document, no termination or cancellation (regardless of cause or procedure) of any commitment made by Buyer under this Agreement shall in any way affect or impair the obligations, duties and liabilities of the Parent or the rights of Buyer relating to any unpaid portion of any and all recourse and indemnity obligations of the Parent to Buyer, including those set forth in *Sections 4.02(o), 4.04, 5.01 and 8.14*, due or not due, liquidated, contingent or unliquidated or any transaction or event occurring prior to such termination, or any transaction or event, the performance of which is required after the Facility Termination Date. Except as otherwise expressly provided herein or in any other Related Document, all undertakings, agreements, covenants, warranties and representations of or binding upon the Parent, and all rights of Buyer hereunder, all as contained in the Related Documents, shall not terminate or expire, but rather shall survive any such termination or cancellation and shall continue in full force and effect until the Termination Date; provided, that the rights and remedies pursuant to *Sections 4.02(o), 4.04*, the indemnification and payment provisions of *Article V*, and the provisions of *Sections 4.03(j), 8.03, 8.12 and 8.14* shall be continuing and shall survive any termination of this Agreement.

Section 8.05. *Complete Agreement; Modification of Agreement.* This Agreement and the other Related Documents constitute the complete agreement between the parties with respect to the subject matter hereof and thereof, supersede all prior agreements and understandings relating to the subject matter hereof and thereof, and may not be modified, altered or amended except as set forth in *Section 8.06*.

22

Section 8.06. *Amendments and Waivers.* No amendment, modification, termination or waiver of any provision of this Agreement or any of the other Related Documents, or any consent to any departure by the Parent therefrom, shall in any event be effective unless the same shall be in writing and signed by each of the parties hereto and the Lenders and the Administrative Agent. No consent or demand in any case shall, in itself, entitle any party to any other consent or further notice or demand in similar or other circumstances.

Section 8.07. *GOVERNING LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL.*

(a) **THIS AGREEMENT AND EACH RELATED DOCUMENT (EXCEPT TO THE EXTENT THAT ANY RELATED DOCUMENT EXPRESSLY PROVIDES TO THE CONTRARY) AND THE OBLIGATIONS ARISING HEREUNDER AND THEREUNDER SHALL IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAWS BUT OTHERWISE WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES), EXCEPT TO THE EXTENT THAT THE PERFECTION, EFFECT OF PERFECTION OR PRIORITY OF THE INTERESTS OF THE BUYER IN THE RECEIVABLES OR REMEDIES HEREUNDER OR THEREUNDER, IN RESPECT THEREOF, ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.**

(b) **EACH PARTY HERETO HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN THE BOROUGH OF MANHATTAN IN NEW YORK CITY SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THEM PERTAINING TO THIS AGREEMENT OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY RELATED DOCUMENT; PROVIDED, THAT EACH PARTY HERETO ACKNOWLEDGES THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF THE BOROUGH OF MANHATTAN IN NEW YORK CITY; PROVIDED FURTHER, THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE BUYER FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE PARENT COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS OF THE PARENT ARISING HEREUNDER, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF BUYER. EACH PARTY HERETO SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH PARTY HERETO HEREBY WAIVES ANY OBJECTION THAT SUCH PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH PARTY HERETO HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH PARTY AT THE ADDRESS SET FORTH BENEATH ITS NAME ON THE SIGNATURE PAGES HEREOF AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH PARTY'S ACTUAL RECEIPT THEREOF OR THREE DAYS AFTER DEPOSIT IN THE UNITED STATES MAIL, PROPER POSTAGE PREPAID. NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.**

(c) **BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND**

23

FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 8.08. *Counterparts.* This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

Section 8.09. *Severability.* Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 8.10. *Section Titles.* The section titles and table of contents contained in this Agreement are provided for ease of reference only and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

Section 8.11. *No Setoff.* The Parent's obligations under this Agreement shall not be affected by any right of setoff, counterclaim, recoupment, defense or other right the

Parent might have against Buyer, any Lender or the Administrative Agent, all of which rights are hereby expressly waived by the Parent.

Section 8.12. *Confidentiality.*

(a) Except to the extent otherwise required by applicable law, as required to be filed publicly with the Securities and Exchange Commission, or unless each Affected Party shall otherwise consent in writing, the Parent and Buyer agree to maintain the confidentiality of this Agreement (and all drafts hereof and documents ancillary hereto) in its communications with third parties other than any Affected Party or any Buyer Indemnified Person and otherwise and not to disclose, deliver or otherwise make available to any third party (other than its directors, officers, employees, accountants or counsel) the original or any copy of all or any part of this Agreement (or any draft hereof and documents ancillary hereto) except to an Affected Party or an Buyer Indemnified Person.

(b) The Parent agrees that it shall not (and shall not permit any of its Subsidiaries to) issue any news release or make any public announcement pertaining to the transactions contemplated by this Agreement and the Related Documents without the prior written consent of Buyer and each of the Committed Lender and the Conduit Lender (which consent shall not be unreasonably withheld) unless such news release or public announcement is required by law, in which case the Parent shall consult with Buyer and each of the Committed Lender and the Conduit Lender prior to the issuance of such news release or public announcement. The Parent may, however, disclose the general terms of the transactions contemplated by this Agreement and the Related Documents to trade creditors, suppliers and other similarly-situated Persons so long as such disclosure is not in the form of a news release or public announcement.

(c) Except to the extent otherwise required by applicable law, or in connection with any judicial or administrative proceedings, as required to be filed publicly with the Securities Exchange Commission, or unless the Parent otherwise consents in writing, the Buyer agrees (i) to maintain the confidentiality of (A) this Agreement (and all drafts hereof and documents ancillary hereto) and (B) all other confidential proprietary information with respect to the Parent and its Affiliates and each of their

24

respective businesses obtained by the Buyer in connection with the structuring, negotiation and execution of the transactions contemplated herein and in the other documents ancillary hereto, in each case, in its communications with third parties other than any Affected Party or the Parent and (ii) not to disclose, deliver, or otherwise make available to any third party (other than its directors, officers, employees, accountants or counsel) the original or any copy of all or any part of this Agreement (or any draft hereof and documents ancillary hereto) except to an Affected Party or the Parent.

Section 8.13. *Further Assurances.*

(a) The Parent shall, and shall cause each Selling Subsidiary to, at its sole cost and expense, upon request of Buyer, any Lender or the Administrative Agent, promptly and duly execute and deliver any and all further instruments and documents and take such further actions that may be necessary or desirable or that Buyer, any Lender or the Administrative Agent may request to carry out more effectively the provisions and purposes of this Agreement or any other Related Document or to obtain the full benefits of this Agreement and of the rights and powers herein granted, including (i) using its best efforts to secure all consents and approvals necessary or appropriate for the assignment to or for the benefit of Buyer of any Transferred Receivable or Parent Collateral or Subsidiary Collateral held by an Originator or in which any Originator has any rights not heretofore assigned, (ii) filing any financing or continuation statements under the UCC with respect to the ownership interests or Liens granted hereunder or under any other Related Document, (iii) transferring Parent Collateral or Subsidiary Collateral to Buyer's possession if such collateral consists of chattel paper or instruments or if a Lien upon such collateral can be perfected only by possession, or if otherwise requested by Buyer; and (iv) entering into "control agreements" (as defined in the UCC with respect to any Parent Collateral or Subsidiary Collateral to the extent that a first priority Lien upon such Parent Collateral or Subsidiary Collateral can be perfected only by control. The Parent hereby authorizes Buyer, each Lender and the Administrative Agent to file any such financing or continuation statements without the signature of the Parent to the extent permitted by applicable law. A carbon, photographic or other reproduction of this Agreement or of any notice or financing statement covering the Transferred Receivables, the Parent Collateral or any part thereof shall be sufficient as a notice or financing statement where permitted by law. If any amount payable under or in connection with any of the Parent Collateral is or shall become evidenced by any instrument, such instrument, other than checks and notes received in the ordinary course of business, shall be duly endorsed in a manner satisfactory to Buyer immediately upon the Parent's receipt thereof and promptly delivered to Buyer.

(b) If the Parent fails to perform any agreement or obligation under this *Section 8.13*, Buyer, any Lender or the Administrative Agent may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the reasonable expenses of Buyer, such Lender or the Administrative Agent incurred in connection therewith shall be payable by the Parent upon demand of Buyer, such Lender or the Administrative Agent.

Section 8.14. *Fees and Expenses.* In addition to its indemnification obligations pursuant to *Article V*, the Parent agrees to pay on demand all costs and expenses incurred by Buyer in connection with the negotiation, preparation, execution and delivery of this Agreement and the other Related Documents, including the fees and out-of-pocket expenses of Buyer's counsel, advisors, consultants and auditors retained in connection with the transactions contemplated thereby and advice in connection therewith, and the Parent agrees to pay all costs and expenses, if any (including attorneys' fees and expenses but excluding any costs of enforcement or collection of the Transferred Receivables), in connection with the enforcement of this Agreement and the other Related Documents.

25

IN WITNESS WHEREOF, the parties have caused this Receivables Sale and Contribution Agreement to be executed by their respective duly authorized representatives, as of the date first above written.

LABOR READY, INC.

By: _____

Name: Steven C. Cooper
Title: Executive Vice President & Chief Executive Officer

LABOR READY FUNDING CORPORATION

By: _____

Name: Bruce H. Marley
Title: President

26

EXHIBIT 2.01(a)

Form of

RECEIVABLES ASSIGNMENT

THIS RECEIVABLES ASSIGNMENT (the "*Receivables Assignment*") is entered into as of March 1, 2001, by and between **LABOR READY, INC.**, a Washington corporation (the "*Originator*") and **LABOR READY FUNDING CORPORATION**, a Delaware corporation ("*Buyer*").

1. We refer to that certain Receivables Sale and Contribution Agreement (as amended, restated, supplemented or otherwise modified from time to time, the *Sale and Contribution Agreement*) of even date herewith among the Parent and Buyer. All of the terms, covenants and conditions of the Sale and Contribution Agreement are hereby made a part of this Receivables Assignment and are deemed incorporated herein in full. Unless otherwise defined herein, capitalized terms or matters of construction defined or established in the Sale and Contribution Agreement shall be applied herein as defined or established therein.

2. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Originator hereby sells, or sells or contributes, to Buyer, without recourse, except as provided in Sections 4.02(o) and 4.04 of the Sale and Contribution Agreement, all of the Originator's right, title and interest in, to and under all of its Receivables (including all Collections, Records and proceeds with respect thereto) existing as of the Closing Date and thereafter created or arising at any time until the Facility Termination Date.

3. Subject to the terms and conditions of the Sale and Contribution Agreement, the Originator hereby covenants and agrees to sign, sell or contribute, as applicable, execute and deliver, or cause to be signed, sold or contributed, executed and delivered, and to do or make, or cause to be done or made, upon request of Buyer and at the Originator's expense, any and all agreements, instruments, papers, deeds, acts or things, supplemental, confirmatory or otherwise, as may be reasonably required by Buyer for the purpose of or in connection with acquiring or more effectively vesting in Buyer or evidencing the vesting in Buyer of the property, rights, title and interests of the Originator sold or contributed hereunder or intended to be sold or contributed hereunder.

4. Wherever possible, each provision of this Receivables Assignment shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Receivables Assignment shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Receivables Assignment.

5. THIS RECEIVABLES ASSIGNMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW BUT OTHERWISE WITHOUT REGARD TO THE PRINCIPLES THEREOF REGARDING CONFLICT OF LAWS, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

IN WITNESS WHEREOF, the parties have caused this Receivables Assignment to be executed by their respective officers thereunto duly authorized, as of the day and year first above written.

LABOR READY, INC.

LABOR READY FUNDING CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT 2.01(a)–Page 1

EXHIBIT 6.04(a)

Form of

PARENT NOTE

[\$]

March 1, 2001

FOR VALUE RECEIVED, on demand, the undersigned, **LABOR READY, INC.**, a Washington corporation (the "*Borrower*"), hereby promises to pay to the order of **LABOR READY FUNDING CORPORATION**, a Delaware corporation (the "*Lender*"), or its assigns, at [], or at such other place as the holder of this Parent Note ("*Note*") may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the principal amount of [] DOLLARS [\$], or, if less, the aggregate unpaid principal amount of all Buyer Loans (as defined in the Sale and Contribution Agreement referred to below) made to the Borrower, together with interest thereon from time to time from the Closing Date (as defined in the Sale and Contribution Agreement) at the rate provided therein.

The date, amount and interest rate of each Buyer Loan made by the Lender to the Borrower, and each payment made by or on behalf of the Borrower on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the schedule attached hereto or any continuation thereof.

All capitalized terms, unless otherwise defined herein, shall have the meanings assigned to them in the Receivables Sale and Contribution Agreement of even date herewith (as the same may be subsequently amended, restated or otherwise modified, the "*Sale Agreement*") by and among the Borrower and Buyer. This Note is issued pursuant to the Sale Agreement, is the Parent Note referred to therein, and is entitled to the benefit of the provisions set forth therein, to which reference is hereby made for a statement of all of the terms and conditions under which the Buyer Loans are made. All of the terms, covenants and conditions of the Sale Agreement and all other instruments evidencing the indebtedness hereunder, including the other Related Documents, are hereby made a part of this Note and are deemed incorporated herein in full.

The Sale Agreement provides for prepayments of Buyer Loans upon the terms and conditions specified therein. Interest on the outstanding principal amount of this Note shall be paid until such principal amount is paid in full at the Parent Interest Rate and at such times as are specified in the Sale Agreement.

If any payment or prepayment on this Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the Parent Interest Rate during such extension.

In no contingency or event whatsoever, whether by reason of advancement of the proceeds hereof or otherwise, shall the amount paid or agreed to be paid to Lender for the use, forbearance or detention of money advanced hereunder exceed the highest rate of interest permissible under law (the "*Maximum Lawful Rate*"). In the event that a court of competent jurisdiction determines that Lender has charged or received interest hereunder in excess of the Maximum Lawful Rate, the amount of interest payable hereunder shall be equal to the amount payable under the Maximum Lawful Rate; *provided*, that if at any time thereafter the amount of interest payable to Lender hereunder is less than the amount payable under the Maximum Lawful Rate, the Borrower shall continue to pay interest hereunder at the Maximum Lawful Rate until such time as the total interest

received by Lender from the making of Buyer Loans hereunder is equal to the total interest that Lender would have received had the amount of interest payable to Lender hereunder been (but for the operation of this paragraph) the amount of interest payable from the Closing Date. Thereafter, the amount of interest payable

hereunder shall be the amount determined in accordance with the terms hereof unless and until the amount so calculated again exceeds the amount payable under the Maximum Lawful Rate, in which event this paragraph shall again apply. In no event shall the total interest received by Lender pursuant to the terms hereof exceed the amount that Lender could lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate. In the event the amount payable under the Maximum Lawful Rate is calculated pursuant to this paragraph, such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate divided by the number of days in the year in which such calculation is made. In the event that a court of competent jurisdiction, notwithstanding the provisions of this Note, shall make a final determination that Lender has received interest hereunder in excess of the Maximum Lawful Rate, Lender shall, to the extent permitted by applicable law, promptly apply such excess first to any interest due and not yet paid hereunder, then to the outstanding principal amount of the Buyer Loans, then to fees and any other unpaid charges, and thereafter shall refund any excess to the Borrower or as a court of competent jurisdiction may otherwise order.

Wherever possible each provision of this Note shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or remaining provisions of this Note.

Time is of the essence of this Note. To the fullest extent permitted by applicable law, the Borrower expressly waives presentment, demand, diligence, protest and all notices of any kind whatsoever with respect to this Note.

BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE BORROWER HERETO WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO ENFORCE OR DEFEND ANY RIGHTS OR REMEDIES UNDER THIS NOTE, THE SALE AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, WHETHER ARISING IN CONTRACT, TORT OR OTHERWISE.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES THEREOF REGARDING CONFLICT OF LAWS, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

IN WITNESS WHEREOF, the Borrower has caused this Note to be signed and delivered by its duly authorized officer as of the date set forth above.

LABOR READY, INC.

By: _____
Name:
Title:

SCHEDULE OF LOANS TO PARENT NOTE

QuickLinks

[Exhibit 10.5](#)

[RECEIVABLES SALE AND CONTRIBUTION AGREEMENT Dated as of March 1, 2001 by and between LABOR READY, INC. AS AN ORIGINATOR and LABOR READY FUNDING CORPORATION](#)

[TABLE OF CONTENTS](#)

[RECITALS](#)

[AGREEMENT](#)

[ARTICLE I DEFINITIONS AND INTERPRETATION](#)

[ARTICLE II TRANSFERS OF RECEIVABLES](#)

[ARTICLE III CONDITIONS PRECEDENT](#)

[ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS](#)

[ARTICLE V INDEMNIFICATION](#)

[ARTICLE VI BUYER LOANS](#)

[ARTICLE VII COLLATERAL SECURITY](#)

[ARTICLE VIII MISCELLANEOUS](#)

[EXHIBIT 2.01\(a\) Form of RECEIVABLES ASSIGNMENT](#)

[EXHIBIT 6.04\(a\) Form of PARENT NOTE](#)

[SCHEDULE OF LOANS TO PARENT NOTE](#)

RECEIVABLES SALE AGREEMENT

Dated as of March 1, 2001

by and among

**THE ENTITIES PARTY HERETO
FROM TIME TO TIME AS SELLING SUBSIDIARIES**

and

LABOR READY, INC.

INDEX OF APPENDICES

Exhibit 2.01(a)	Form of Receivables Assignment
Exhibit 2.01(d)	Form of Subordinated Note
Schedule 4.01(b)	Executive Offices; Collateral Locations; Corporate Names
Schedule 4.01(d)	Litigation
Schedule 4.01(h)	Ventures, Subsidiaries and Affiliates; Outstanding Stock
Schedule 4.01(i)	Tax Matters
Schedule 4.01(j)	Intellectual Property
Schedule 4.01(m)	ERISA
Schedule 4.01(t)	Deposit and Disbursement Accounts
Schedule 4.02(g)	Trade Names
Schedule 4.03(b)	Existing Liens
Annex X	Definitions
Annex Y	Schedule of Documents

THIS RECEIVABLES SALE AGREEMENT (as amended, supplemented or otherwise modified and in effect from time to time, this "*Agreement*") is entered into as of March 1, 2001, by and among **LABOR READY, INC.**, a Washington corporation (the "*Parent*") and each of the Parent's subsidiaries listed on the signature pages hereto as a "*Selling Subsidiary*" (each, a "*Selling Subsidiary*").

Each Selling Subsidiary intends to sell, and the Parent intends to purchase, all Receivables originated by such Selling Subsidiary, from time to time, as described herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**ARTICLE I
DEFINITIONS AND INTERPRETATION**

Section 1.01. *Definitions.* Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in *Annex X*.

Section 1.02. *Rules of Construction.* For purposes of this Agreement, the rules of construction set forth in *Annex X* shall govern. All Appendices hereto, or expressly identified to this Agreement, are incorporated herein by reference and, taken together with this Agreement, shall constitute but a single agreement.

**ARTICLE II
TRANSFERS OF RECEIVABLES**

Section 2.01. *Agreement to Transfer.*

(a) *Initial Transfer.* Each Selling Subsidiaries shall give Parent at least one Business Day's notice of its request for the initial Transfer hereunder, and such request for the initial Transfer shall specify the date thereof (which shall be a Business Day) and the proposed purchase price therefor as determined pursuant to *Section 2.01(c)*. On the date of such Transfer (such date, and each other date on which a Transfer occurs hereunder, a "*Transfer Date*"), upon satisfaction of the applicable conditions set forth in *Article III*, (i) each Selling Subsidiary shall sell (without recourse except to the extent specifically provided herein) to Parent and Parent shall purchase from such Selling Subsidiary all Receivables of such Selling Subsidiary then outstanding and (ii) Parent shall pay the purchase price for such Transfer in the manner provided in *Section 2.01(c)*. Each such Transfer by a Selling Subsidiary shall be evidenced by a certificate of assignment executed by such Selling Subsidiary in favor of Parent substantially in the form of *Exhibit 2.01(a)* (each, a "*Receivables Assignment*," and collectively, the "*Receivables Assignments*"), and each Selling Subsidiary and Parent shall execute and deliver a Receivables Assignment on or before the Closing Date.

(b) *Subsequent Transfers.* On each Business Day following the initial Transfer and prior to the Termination Date, each Selling Subsidiary shall sell to Parent and Parent shall purchase from such Selling Subsidiary all Receivables owned by such Selling Subsidiary which have not previously been sold to Parent. On the date of each such Transfer, Parent shall, upon satisfaction of the applicable conditions set forth in *Article III*, pay the purchase price for such Transfer in the manner provided in *Section 2.01(c)*. Each such Transfer by a Selling Subsidiary shall be evidenced by the Receivables Assignment executed by such Selling Subsidiary.

(c) *Determination and Payment of Purchase Price.* The purchase price for the Subsidiary Sold Receivables that are the subject of any Transfer by any Selling Subsidiary hereunder shall be the

aggregate Sale Price for the Subsidiary Sold Receivables which constitute Eligible Receivables. Such Sale Price shall be paid:

(i) by means of an immediate cash payment to such Selling Subsidiary, to the extent of funds available to Parent; and/or

(ii) the balance by delivery of the proceeds of a subordinated revolving loan from such Selling Subsidiary to Parent (a "Subordinated Loan") in an amount not to exceed the remaining unpaid portion of such Sale Price.

(d) *Subordinated Loans.* Subject to the limitation set forth in *Section 2.01(c)(ii)*, each Selling Subsidiary irrevocably agrees to advance each Subordinated Loan requested by Parent on or prior to the Termination Date. The Subordinated Loans by each Selling Subsidiary shall be evidenced by a master promissory note executed by Parent in favor of such Selling Subsidiaries, and substantially the form of *Exhibit 2.01(d)* hereto (collectively, as amended, restated, supplemented or otherwise modified from time to time, the "Subordinated Notes") and shall be payable solely from funds which Parent is not required under the Funding Agreement to pay over to the Collection Account.

(e) *Identification of Subsidiary Sold Receivables.* On each Transfer Date, each Receivable owned by each Selling Subsidiary which does not already constitute a Subsidiary Sold Receivable hereunder shall be identified for sale to Parent (each such Receivable being individually a "Subsidiary Sold Receivable" and collectively, the "Subsidiary Sold Receivables"). The Subsidiary Sold Receivables will be identified by Parent by reference to the General Trial Balance of each Selling Subsidiary.

(f) *Election Notice.* If any Receivables eligible for sale and owned by any Selling Subsidiary are not sold on any Transfer Date, such Selling Subsidiary shall deliver to Parent not later than 5:00 p.m. (New York time) on the Business Day immediately preceding such Transfer Date a notice of election thereof.

(g) *Ownership of Transferred Receivables.* On and after each Transfer Date and after giving effect to the Transfers to be made on each such date, Parent shall own the Transferred Receivables and no Selling Subsidiary shall take any action inconsistent with such ownership nor shall any Selling Subsidiary claim any ownership interest in such Transferred Receivables.

(h) *Reconstruction of General Trial Balance.* If at any time any Selling Subsidiary fails to generate its General Trial Balance, Parent shall have the right to reconstruct such General Trial Balance so that a determination of the Subsidiary Sold Receivables can be made pursuant to *Section 2.01(b)*. Each Selling Subsidiary agrees to cooperate with such reconstruction, including by delivery to Parent, upon Parent's request, of copies of all Contracts and Records.

(i) *Servicing of Receivables.* So long as no Event of Servicer Termination shall have occurred and be continuing and no Successor Servicer has assumed the responsibilities and obligations of the Servicer pursuant to Section 9.02 of the Funding Agreement, the Servicer shall (i) conduct the servicing, administration and collection of the Transferred Receivables and shall take, or cause to be taken, all such actions as may be necessary or advisable to service, administer and collect the Transferred Receivables, all in accordance with (A) the terms of the Funding Agreement, (B) customary and prudent servicing procedures for trade receivables of a similar type and (C) all applicable laws, rules and regulations, and (ii) hold all Contracts and other documents and incidents relating to the Transferred Receivables in trust for the benefit of Parent, as the owner thereof, and for the sole purpose of facilitating the servicing of the Transferred Receivables in accordance with the terms of the Funding Agreement.

Section 2.02. Grant of Security Interest. The parties hereto intend that each Transfer shall constitute a purchase and sale and not a loan. Notwithstanding the foregoing, in addition to and not in derogation of any rights now or hereafter acquired by Parent under *Section 2.01* hereof, the parties

hereto intend that this Agreement shall constitute a security agreement under applicable law and that each Selling Subsidiary shall be deemed to have granted, and each Selling Subsidiary does hereby grant, to the Parent a continuing security interest in all of such Selling Subsidiary's right, title and interest in, to and under the Receivables whether now owned or hereafter acquired by such Selling Subsidiary (whether constituting Transferred Receivables or otherwise) to secure the obligations of such Selling Subsidiary to the Parent hereunder (including, if and to the extent that any Transfer is recharacterized as a transfer for security, the repayment of a loan deemed to have been made by the Parent in the amount of the Sale Price with respect thereto and which secures the Parent's right to receive all Collections of the Transferred Receivables as otherwise contemplated under this Agreement).

Section 2.03. Addition of Selling Subsidiaries. Any Subsidiary or Affiliate of the Parent or any Selling Subsidiary may become a Selling Subsidiary hereunder upon satisfaction of the Rating Agency Condition with respect thereto. The Parent and any such Subsidiary or Affiliate shall give prior written notice of any such proposed addition to the Buyer, the Purchasers and the Administrative Agent. Upon provision of such notice, any addition of a Subsidiary or Affiliate of the Parent or Selling Subsidiary as a Selling Subsidiary pursuant to this section shall become effective on the first Business Day following the date on which (a) the Rating Agency Condition has been satisfied with respect thereto, (b) such new Selling Subsidiary and the parties hereto shall have executed and delivered, at such new Selling Subsidiary's sole cost and expense, such further agreements, instruments and other documents, each in form and substance satisfactory to the Buyer, the Purchasers and the Administrative Agent, that the Administrative Agent reasonably determines are necessary or appropriate to effect such addition, and (c) the Administrative Agent shall have given their prior written consent to any such proposed addition. From and after the effective date of any such addition, any reference to a "Selling Subsidiary" in this Agreement shall include any Subsidiary or Affiliate of the Parent or Selling Subsidiary added as a Selling Subsidiary pursuant to this *Section 2.03*.

Section 2.04. Removal of Selling Subsidiaries. Any Selling Subsidiary may terminate sales of Receivables so as to cease to be a Selling Subsidiary hereunder upon satisfaction of the Rating Agency Condition with respect thereto. Such Selling Subsidiary shall give prior written notice of any such proposed removal to the Buyer, the Purchasers and the Administrative Agent. Upon provision of such notice, any removal of such Selling Subsidiary pursuant to this section shall become effective on the first Business Day following the date on which (a) the Rating Agency Condition has been satisfied with respect thereto, (b) such Selling Subsidiary and the parties hereto shall have executed and delivered, at such new Selling Subsidiary's sole cost and expense, such further agreements, instruments and other documents, each in form and substance satisfactory to the Buyer, the Purchasers and the Administrative Agent, that the Administrative Agent reasonably determines are necessary or appropriate to effect such removal and (c) the Administrative Agent shall have given their prior written consent to any such proposed removal. From and after the effective date of any such addition, any reference to a "Selling Subsidiary" in this Agreement shall no longer include the Selling Subsidiary removed as a Selling Subsidiary pursuant to this *Section 2.04*; *provided, however*, that (i) no such removal shall affect the Transfer of any Receivables sold to the Buyer prior to the date of such removal and (ii) the rights and remedies pursuant to *Sections 4.02(o)*, *4.04*, the indemnification and payment provisions of *Article V*, and the provisions of *Sections 4.03(j)*, *8.03*, *8.12* and *8.14* with respect to such Selling Subsidiary shall be continuing and shall survive any removal of such Selling Subsidiary as a Selling Subsidiary under this Agreement.

Section 3.01. *Conditions to Initial Transfer.* The initial Transfer hereunder shall be subject to satisfaction of each of the following conditions precedent (any one or more of which may be waived in writing by each of Parent and the Administrative Agent):

(a) *Sale Agreement; Other Documents.* This Agreement or counterparts hereof shall have been duly executed by, and delivered to, each Selling Subsidiary and Parent, and Parent shall have received such documents, instruments, agreements and legal opinions as Parent shall request in connection with the transactions contemplated by this Agreement, including all those identified in the Schedule of Documents, each in form and substance satisfactory to Parent.

(b) *Governmental Approvals.* Parent shall have received (i) satisfactory evidence that the Selling Subsidiaries have obtained all required consents and approvals of all Persons, including all requisite Governmental Authorities, to the execution, delivery and performance of this Agreement and the other Related Documents and the consummation of the transactions contemplated hereby and thereby or (ii) an Officer's Certificate from each Selling Subsidiary in form and substance satisfactory to Parent affirming that no such consents or approvals are required.

(c) *Compliance with Laws.* Each Selling Subsidiary shall be in compliance with all applicable foreign, federal, state and local laws and regulations, including those specifically referenced in *Section 4.02(f)*.

(d) *Funding Agreement Conditions.* Each of those conditions precedent set forth in Sections 3.01 and 3.02 of the Sale and Contribution Agreement and the Funding Agreement shall have been satisfied or waived in writing as provided therein.

Section 3.02. *Conditions to all Transfers.* Each Transfer hereunder (including the initial Transfer) shall be subject to satisfaction of the following further conditions precedent as of the Transfer Date therefor:

(a) the representations and warranties of each Selling Subsidiary contained herein or in any other Related Document shall be true and correct as of such Transfer Date, both before and after giving effect to such Transfer and to the application of the Sale Price therefor, except to the extent that any such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted by this Agreement;

(b) no Incipient Termination Event or Termination Event shall have occurred and be continuing or would result after giving effect to such Transfer or the application of the Sale Price therefor;

(c) each Selling Subsidiary shall be in compliance with each of its covenants and other agreements set forth herein; and

(d) each Selling Subsidiary shall have taken such other action, including delivery of approvals, consents, opinions, documents and instruments to Parent as Parent may request.

The acceptance by any Selling Subsidiary of the Sale Price for any Subsidiary Sold Receivables on any Transfer Date shall be deemed to constitute, as of any such Transfer Date, a representation and warranty by such Selling Subsidiary that the conditions in this *Section 3.02* have been satisfied. Upon any such acceptance, title to the Transferred Receivables sold on such Transfer Date shall be vested absolutely in Parent, whether or not such conditions were in fact so satisfied.

4

ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 4.01. *Representations and Warranties of the Selling Subsidiaries.* To induce Parent to purchase the Subsidiary Sold Receivables, each Selling Subsidiary makes the following representations and warranties to Parent, each and all of which shall survive the execution and delivery of this Agreement.

(a) *Existence; Compliance with Law.* Each Selling Subsidiary (i) is a corporation, limited liability company or limited partnership duly formed, validly existing and in good standing under the laws of its jurisdiction of formation; (ii) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified is not reasonably likely to result in a Material Adverse Effect; (iii) has the requisite corporate, company or partnership power, as applicable, and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease, and to conduct its business, in each case, as now, heretofore and proposed to be conducted; (iv) has all licenses, permits, consents or approvals from or by, and has made all filings with, and has given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct, except where the failure to obtain such licenses, permits, consents or approvals is not reasonably likely to result in a Material Adverse Effect; (v) is in compliance with its charter and bylaws; and (vi) subject to specific representations set forth herein regarding ERISA, Environmental Laws, tax laws and other laws, is in compliance with all applicable provisions of law, except where the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) *Executive Offices; Collateral Locations; Corporate or Other Names; FEIN.* As of the Closing Date, the current location of each Selling Subsidiary's chief executive office, principal place of business, other offices, the warehouses and premises within which any Subsidiary Collateral is stored or located, and the locations of its records concerning the Subsidiary Collateral are set forth in *Schedule 4.01(b)* and none of such locations have changed within the past 12 months. During the prior five years, except as set forth in *Schedule 4.01(b)*, no Selling Subsidiary has not been known as or used any corporate, fictitious or trade name. In addition, *Schedule 4.01(b)* lists the federal employer identification number of each Selling Subsidiary.

(c) *Power, Authorization, Enforceable Obligations.* The execution, delivery and performance by each Selling Subsidiary of this Agreement and the other Related Documents to which it is a party and the creation and perfection of all Transfers and Liens provided for herein and therein: (i) are within such Person's corporate, company or partnership power, as applicable; (ii) have been duly authorized by all necessary or proper corporate, company, partnership, membership and shareholder action, as applicable; (iii) do not contravene any provision of such Person's charter, bylaws, operating agreement or other constitutive document; (iv) do not violate any law or regulation, or any order or decree of any court or Governmental Authority; (v) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Person is a party or by which such Person or any of its property is bound; (vi) do not result in the creation or imposition of any Adverse Claim upon any of the property of such Person; and (vii) do not require the consent or approval of any Governmental Authority or any other Person, except those which will have been duly obtained, made or complied with prior to the Closing Date as provided *Section 3.01(b)*. The exercise by Parent of any of its rights and remedies under any Related Document to which it is a party, do not require the consent or approval of any Governmental Authority or any other Person (other than consents or approvals solely relating to or required to be obtained by the Parent, and subject to the Bankruptcy Code), except those which will have been duly obtained, made or complied with prior to the Closing Date as provided in *Section 3.01(b)*. On or prior to the Closing Date, each of the Related

5

Documents shall have been duly executed and delivered by each Selling Subsidiary that is a party thereto and each such Related Document shall then constitute a legal, valid and binding obligation of such Selling Subsidiary enforceable against it in accordance with its terms.

(d) *No Litigation.* No Litigation is now pending or, to the knowledge of any Selling Subsidiary, threatened against any Selling Subsidiary that (i) challenges any Selling Subsidiary's right or power to enter into or perform any of its obligations under the Related Documents to which it is a party, or the validity or enforceability of any Related Document or any action taken thereunder, (ii) seeks to prevent the Transfer, Purchase, contribution or pledge of any Receivable or the consummation of any of the transactions contemplated under this Agreement or the other Related Documents or (iii) has a reasonable risk of being determined adversely to any Selling Subsidiary and that, if so determined, could reasonably be expected to have a Material Adverse Effect. Except as set forth on *Schedule 4.01(d)*, as of the Closing Date there is no Litigation pending or threatened that seeks damages in excess of \$500,000 or injunctive relief against, or alleges criminal misconduct by, any Selling Subsidiary.

(e) *Solvency.* Both before and after giving effect to (i) the transactions contemplated by this Agreement and the other Related Documents and (ii) the payment and accrual of all transaction costs in connection with the foregoing, each Selling Subsidiary is and will be Solvent.

(f) *Material Adverse Effect.* Between December 31, 1999, and the Closing Date, (i) no Selling Subsidiary has incurred any obligations, contingent or non-contingent liabilities, liabilities for charges, long-term leases or unusual forward or long-term commitments that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (ii) no contract, lease or other agreement or instrument has been entered into by any Selling Subsidiary or has become binding upon any Selling Subsidiary's assets and no law or regulation applicable to any Selling Subsidiary has been adopted that has had or could reasonably be expected to have a Material Adverse Effect on such Selling Subsidiary, and (iii) no Selling Subsidiary is in default and no third party is in default under any material contract, lease or other agreement or instrument to which any Selling Subsidiary is a party that alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Between December 31, 1999, and the Closing Date no event has occurred that alone or together with other events could reasonably be expected to have a Material Adverse Effect.

(g) *Ownership of Receivables; Liens.* Each Selling Subsidiary owns each Receivable originated by it free and clear of any Adverse Claim (other than Permitted Encumbrances) and, from and after each Transfer Date, Parent will acquire valid and properly perfected title to and the sole record and beneficial ownership interest in each Transferred Receivable purchased or otherwise acquired on such date, free and clear of any Adverse Claim or restrictions on transferability. As of the Closing Date, none of the properties and assets of any Selling Subsidiary are subject to any Adverse Claims other than Permitted Encumbrances, and there are no facts, circumstances or conditions known to any Selling Subsidiary that may result in any Adverse Claims (including Adverse Claims arising under Environmental Laws) other than Permitted Encumbrances. Each Selling Subsidiary has received all assignments, bills of sale and other documents, and has duly effected all recordings, filings and other actions necessary to establish, protect and perfect such Selling Subsidiary's right, title and interest in and to the Receivables originated by it and its other properties and assets. The Liens granted to Parent pursuant to *Section 7.01* will at all times be fully perfected first priority Liens in and to the Subsidiary Collateral, subject only to Permitted Encumbrances.

(h) *Ventures, Subsidiaries and Affiliates; Outstanding Stock.* Except as set forth in *Schedule 4.01(h)*, no Selling Subsidiary has any Subsidiaries, is engaged in any joint venture or partnership with any other Person, or is an Affiliate of any other Person. All of the issued and outstanding Stock of each Selling Subsidiary is owned by the Parent. There are no outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which any Selling Subsidiary

6

may be required to issue, sell, repurchase or redeem any of its Stock or other equity securities or any Stock or other equity securities of its Subsidiaries.

(i) *Taxes.* All tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by any Selling Subsidiary have been filed with the appropriate Governmental Authority and all charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof (or any such fine, penalty, interest, late charge or loss has been paid), excluding charges or other amounts being contested in accordance with *Section 4.02(l)*. Proper and accurate amounts have been withheld by each Selling Subsidiary from its respective employees for all periods in full and complete compliance with all applicable federal, state, local and foreign laws and such withholdings have been timely paid to the respective Governmental Authorities. *Schedule 4.01(i)* sets forth as of the Closing Date (i) those taxable years for which any Selling Subsidiary's tax returns are currently being audited by the IRS or any other applicable Governmental Authority and (ii) any assessments or threatened assessments in connection with such audit or otherwise currently outstanding. Except as described on *Schedule 4.01(i)*, no Selling Subsidiary has executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any charges. None of the Selling Subsidiaries and their respective predecessors are liable for any charges: (A) under any agreement (including any tax sharing agreements) or (B) to the best of each Selling Subsidiary's knowledge, as a transferee. As of the Closing Date, no Selling Subsidiary has agreed or been requested to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, that would have a Material Adverse Effect.

(j) *Intellectual Property.* As of the Closing Date, each Selling Subsidiary owns or has rights to use all intellectual property necessary to continue to conduct its business as now or heretofore conducted by it or proposed to be conducted by it. Each Selling Subsidiary conducts its business and affairs without infringement of or interference with any intellectual property of any other Person. Except as set forth in *Schedule 4.01(j)*, no Selling Subsidiary is aware of any infringement or claim of infringement by others of any intellectual property of any Selling Subsidiary.

(k) *Full Disclosure.* All information contained in this Agreement, any of the other Related Documents, or any written statement furnished by or on behalf of any Selling Subsidiary to Parent, any Purchaser or the Administrative Agent pursuant to the terms of this Agreement or any of the other Related Documents is true and accurate in every material respect, and none of this Agreement, any of the other Related Documents, or any written statement furnished by or on behalf of any Selling Subsidiary to Parent any Purchaser or the Administrative Agent pursuant to the terms of this Agreement or any of the other Related Documents (including any such statement furnished by a Selling Subsidiary in its capacity as a Servicer or Sub-Servicer), is misleading as a result of the failure to include therein a material fact.

(l) *Notices to Obligors.* Each Selling Subsidiary has directed all Obligors of Transferred Receivables originated by it to remit all payments with respect to such Receivables for deposit in a Lockbox or Lockbox Account.

7

(m) *ERISA.*

(i) *Schedule 4.01(m)* lists all Plans and separately identifies all Pension Plans, including all Title IV Plans, Multiemployer Plans, ESOPs and Welfare Plans, including all Retiree Welfare Plans. Each Qualified Plan has been determined by the IRS to qualify under Section 401 of the IRC, the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the IRC, and nothing has occurred that would cause the loss of such qualification or tax-exempt status. Except as otherwise provided in *Schedule 4.01(m)*, (x) each Plan is in compliance with the applicable provisions of ERISA and the IRC, including the timely filing of all reports required under the IRC or ERISA, (y) no Selling Subsidiary or ERISA Affiliate has failed to make any contribution or pay any amount due as required by either Section 412 of the IRC or Section 302 of ERISA or the terms of any such Plan and (z) no Selling Subsidiary or ERISA Affiliate has engaged in a "prohibited transaction," as defined in Section 4975 of the IRC, in connection with any Plan that would subject any Selling Subsidiary to a material tax on prohibited transactions imposed by Section 4975 of the IRC.

(ii) Except as set forth in *Schedule 4.01(m)*: (A) no Title IV Plan has any Unfunded Pension Liability; (B) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (C) there are no pending or, to the knowledge of any Selling Subsidiary,

threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (D) no Selling Subsidiary or ERISA Affiliate has incurred or reasonably expects to incur any liability as a result of a complete or partial withdrawal from a Multiemployer Plan; (E) within the last five years no Title IV Plan with Unfunded Pension Liabilities has been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of any Selling Subsidiary or ERISA Affiliate; (F) Stock of all Selling Subsidiaries and their ERISA Affiliates makes up, in the aggregate, no more than 10% of the assets of any Plan, measured on the basis of fair market value as of the last valuation date of any Plan; and (G) no liability under any Title IV Plan has been satisfied with the purchase of a contract from an insurance company that is not rated AAA by S&P or an equivalent rating by another nationally recognized rating agency.

(n) *Brokers.* No broker or finder acting on behalf of any Selling Subsidiary was employed or utilized in connection with this Agreement or the other Related Documents or the transactions contemplated hereby or thereby and no Selling Subsidiary has any obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

(o) *Margin Regulations.* No Selling Subsidiary is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin security" as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "*Margin Stock*"). No Selling Subsidiary owns any Margin Stock, and no portion of the proceeds the Sale Price for any Sale will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Debt that was originally incurred to purchase or carry any Margin Stock or for any other purpose that might cause any portion of such proceeds to be considered a "purpose credit" within the meaning of Regulations T, U or X of the Federal Reserve Board. No Selling Subsidiary will take or permit to be taken any action that might cause any Related Document to violate any regulation of the Federal Reserve Board.

(p) *Nonapplicability of Bulk Sales Laws.* No transaction contemplated by this Agreement or any of the other Related Documents requires compliance with any bulk sales act or similar law.

(q) *Securities Act and Investment Company Act Exemptions.* Each purchase of Transferred Receivables under this Agreement constitutes (i) a "current transaction" within the meaning of

8

Section 3(a)(3) of the Securities Act and (ii) a purchase or other acquisition of notes, drafts, acceptances, open accounts receivable or other obligations representing part or all of the sales price of merchandise, insurance or services within the meaning of Section 3(c)(5) of the Investment Company Act.

(r) *Government Regulation.* No Selling Subsidiary is an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act. No Selling Subsidiary is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, or any other federal or state statute that restricts or limits its ability to incur Debt or to perform its obligations hereunder. The purchase or acquisition of the Transferred Receivables by Parent hereunder, the application of the Sale Price therefor and the consummation of the transactions contemplated by this Agreement and the other Related Documents will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

(s) *Books and Records; Minutes.* The bylaws, the certificate or articles of incorporation, operating agreement or other constitutive document, as applicable, of each Selling Subsidiary require it to maintain (i) books and records of account and (ii) minutes of the meetings and other proceedings of its Stockholders, board of directors, members or managers, as applicable.

(t) *Deposit and Disbursement Accounts.* Schedule 4.01(t) lists all banks and other financial institutions at which each Selling Subsidiary maintains deposit accounts established for the receipt of collections on accounts receivable as of the Closing Date, including any Lockbox Accounts, and such schedule correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor, in each case as of the Closing Date.

(u) *Representations and Warranties in Other Related Documents.* Each of the representations and warranties of each Selling Subsidiary contained in the Related Documents (other than this Agreement) is true and correct in all material respects and such Selling Subsidiary hereby makes each such representation and warranty to, and for the benefit of, the Buyer, the Purchasers and the Administrative Agent as if the same were set forth in full herein.

(v) *Receivables.* With respect to each Transferred Receivable designated as an Eligible Receivable in any Borrowing Base Certificate delivered on or after the Transfer Date of such Transferred Receivable:

(i) such Receivable satisfies the criteria for an Eligible Receivable;

(ii) prior to its Transfer to Parent such Receivable was owned by the Selling Subsidiary thereof free and clear of any Adverse Claim (other than Permitted Encumbrances), and such Selling Subsidiary had the full right, power and authority to sell, assign, transfer and pledge its interest therein as contemplated under this Agreement and the other Related Documents and, upon such Transfer, Parent will acquire valid and properly perfected title to and the sole record and beneficial ownership interest in such Receivable, free and clear of any Adverse Claim and, following such Transfer, such Receivable will not be subject to any Adverse Claim as a result of any action or inaction on the part of such Selling Subsidiary;

(iii) the Transfer of each such Receivable pursuant to this Agreement and the Receivables Assignment executed by the Selling Subsidiary thereof constitutes, as applicable, a valid sale, transfer, assignment, setover and conveyance to Parent of all right, title and interest of such Selling Subsidiary in and to such Receivable; and

(iv) the Selling Subsidiary of such Receivable has no knowledge of any fact (including any defaults by the Obligor thereunder on any other Receivable) that would cause it or should have

9

caused it to expect that any payments on such Receivable will not be paid in full when due or to expect any other Material Adverse Effect.

The representations and warranties described in this Section 4.01 shall survive the Transfer of the Transferred Receivables to Parent, any subsequent assignment of the Transferred Receivables by Parent, and the termination of this Agreement and the other Related Documents and shall continue until the indefeasible payment in full of all Transferred Receivables.

Section 4.02. *Affirmative Covenants of the Selling Subsidiaries.* Each Selling Subsidiary covenants and agrees that, unless otherwise consented to by Parent and the Administrative Agent, from and after the Closing Date and until the Termination Date:

(a) *Offices and Records.* Each Selling Subsidiary shall maintain its principal place of business and chief executive office and the office at which it keeps its Records at the respective locations specified in *Schedule 4.01(b)* or, upon 30 days' prior written notice to Parent, the Buyer and the Administrative Agent, at such other location in a jurisdiction where all action requested by Parent, the Buyer, any Purchaser or the Administrative Agent pursuant to *Section 8.13* shall have been taken with respect to the Transferred Receivables. Each Selling Subsidiary shall at its own cost and expense, for not less than three years from the date on which each Transferred Receivable was originated, or for such longer period as may be required by law, maintain adequate Records with respect to such Transferred Receivable, including records of all payments received, credits granted and merchandise returned with respect thereto.

(b) *Access.* Each Selling Subsidiary shall, during normal business hours, from time to time upon five (5) Business Days' prior notice and as frequently as Parent, the Buyer, the Servicer or the Administrative Agent determines to be appropriate: (i) provide Parent, the Buyer, the Servicer or the Administrative Agent and any of their respective officers, employees and agents access to its properties (including properties of such Selling Subsidiary utilized in connection with the collection, processing or servicing of the Transferred Receivables), facilities, advisors and employees (including officers) of each Selling Subsidiary and to the Subsidiary Collateral, (ii) permit Parent, the Buyer, the Servicer or the Administrative Agent and any of their respective officers, employees and agents, to inspect, audit and make extracts from such Selling Subsidiary's books and records, including all Records maintained by such Selling Subsidiary, (iii) permit Parent, the Buyer, the Servicer or the Administrative Agent and their respective officers, employees and agents, to inspect, review and evaluate the Transferred Receivables and other Subsidiary Collateral of any Selling Subsidiary, and (iv) permit Parent, the Buyer, the Servicer or the Administrative Agent and their respective officers, employees and agents to discuss matters relating to the Transferred Receivables or such Selling Subsidiary's performance under this Agreement or the affairs, finances and accounts of such Selling Subsidiary with any of its officers, directors, employees, representatives or agents (in each case, with those Persons having knowledge of such matters) and with its independent certified public accountants. If an Incipient Termination Event or a Termination Event shall have occurred and be continuing, or the Administrative Agent, in good faith, believes that an Incipient Termination Event or a Termination Event is imminent or deems any Purchaser's rights or interests in the Transferred Receivables or the Borrower Collateral insecure, each such Selling Subsidiary shall provide such access at all times and without advance notice and shall provide Parent, the Buyer, the Servicer or the Administrative Agent with access to its suppliers and customers. Each Selling Subsidiary shall make available to Parent, the Buyer, the Servicer or the Administrative Agent and their respective counsel, as quickly as is possible under the circumstances, originals or copies of all books and records, including Records maintained by such Selling Subsidiary, the Parent, the Buyer, the Servicer or the Administrative Agent may request. Each Selling Subsidiary shall deliver any document or instrument necessary for Parent, the Buyer, the Servicer or the Administrative Agent, as they may from time to time request, to obtain records from any service bureau or other Person that maintains records for such Selling Subsidiary, and shall maintain duplicate

10

records or supporting documentation on media, including computer tapes and discs owned by such Selling Subsidiary.

(c) *Communication with Accountants.* Each Selling Subsidiary authorizes Parent, the Buyer, the Servicer and the Administrative Agent to communicate directly with its independent certified public accountants, and authorizes and shall instruct those accountants and advisors to disclose and make available to Parent, the Buyer, the Servicer and the Administrative Agent any and all financial statements and other supporting financial documents, schedules and information relating to any Selling Subsidiary (including copies of any issued management letters) with respect to the business, financial condition and other affairs of any Selling Subsidiary. Each Selling Subsidiary agrees to render to Parent, the Buyer, the Servicer and the Administrative Agent at such Selling Subsidiary's own cost and expense, such clerical and other assistance as may be reasonably requested with regard to the foregoing. If any Termination Event shall have occurred and be continuing, each Selling Subsidiary shall, promptly upon request therefor, assist Parent in delivering to the Administrative Agent Records reflecting activity through the close of business on the Business Day immediately preceding the date of such request.

(d) *Compliance With Credit and Collection Policies.* Each Selling Subsidiary shall comply in all material respects with the Credit and Collection Policies applicable to each Transferred Receivable and the Contracts therefor, and with the terms of such Receivables and Contracts.

(e) *Assignment.* Each Selling Subsidiary agrees that, to the extent permitted under the Funding Agreement, Parent may assign all of its right, title and interest in, to and under the Transferred Receivables and this Agreement, including its right to exercise the remedies set forth in *Section 4.04*. Each Selling Subsidiary agrees that, upon any such assignment, the assignee thereof may enforce directly, without joinder of Parent, all of the obligations of such Selling Subsidiary hereunder, including any obligations of such Selling Subsidiary set forth in *Sections 4.02(o)*, *4.04*, *5.01* and *8.14*.

(f) *Compliance with Agreements and Applicable Laws.* Each Selling Subsidiary shall perform each of its obligations under this Agreement and the other Related Documents and comply with all federal, state and local laws and regulations applicable to it and the Receivables, including those relating to truth in lending, retail installment sales, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices, privacy, licensing, taxation, ERISA and labor matters and Environmental Laws and Environmental Permits, except to the extent that the failure to so comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(g) *Maintenance of Existence and Conduct of Business.* Each Selling Subsidiary shall: (i) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate, company or partnership existence, as applicable, and its rights and franchises; (ii) continue to conduct its business substantially as now conducted or as otherwise permitted hereunder and in accordance with the terms of its certificate or articles of incorporation, bylaws, operating agreement or other constitutive document, as applicable; (iii) at all times maintain, preserve and protect all of its assets and properties used or useful in the conduct of its business, including all licenses, permits, charters and registrations, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices; and (iv) transact business only in such corporate and trade names as are set forth in *Schedule 4.02(g)* or, upon 30 days' prior written notice to Parent, the Buyer, the Administrative Agent and each Rating Agency, in such other corporate or trade names with respect to which all action requested by Parent, the Buyer, any Purchaser or the Administrative Agent pursuant to *Section 8.13* shall have been taken with respect to the Transferred Receivables. No Selling Subsidiary shall change its jurisdiction of incorporation except upon 30 days' prior written notice to Parent, the Buyer and the Administrative Agent, and with respect to which jurisdiction all action requested by Parent, the Buyer,

11

any Purchaser or the Administrative Agent pursuant to *Section 8.13* shall have been taken with respect to the Transferred Receivables.

(h) *Notice of Material Event.* Each Selling Subsidiary shall promptly inform Parent in writing of the occurrence of any of the following, in each case setting forth the details thereof and what action, if any, such Selling Subsidiary proposes to take with respect thereto:

(i) any Litigation commenced or threatened against any Selling Subsidiary or with respect to or in connection with all or any portion of the Transferred Receivables that (A) seeks damages or penalties in an uninsured amount in excess of \$500,000 in any one instance or \$500,000 in the aggregate, (B) seeks injunctive relief, (C) is asserted or instituted against any Plan, its fiduciaries or its assets or against any Selling Subsidiary or ERISA Affiliate in connection with any Plan, (D) alleges criminal misconduct by any Selling Subsidiary, or (E) would, if determined adversely, have a Material Adverse Effect;

(ii) the commencement of a case or proceeding in a court of competent jurisdiction by or against any Selling Subsidiary seeking a decree or order in respect of any Selling Subsidiary (A) under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (B) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for any Selling Subsidiary or for any substantial part of such Person's assets, or (C) ordering the winding-up or liquidation of the affairs of any Selling Subsidiary;

(iii) the receipt of notice that (A) such Selling Subsidiary is being placed under regulatory supervision, (B) any license, permit, charter, registration or approval necessary for the conduct of such Selling Subsidiary's business is to be, or may be, suspended or revoked, or (C) such Selling Subsidiary is to cease and desist any practice, procedure or policy employed by such Selling Subsidiary in the conduct of its business if such cessation may have a Material Adverse Effect;

(iv) (A) any Adverse Claim made or asserted against any of the Transferred Receivables of which it becomes aware or (B) any determination that a Transferred Receivable designated as an Eligible Receivable in an Borrowing Base Certificate or otherwise was not an Eligible Receivable at the time of such designation; or

(v) any other event, circumstance or condition that has had or could reasonably be expected to have a Material Adverse Effect.

(i) *Use of Proceeds.* Each Selling Subsidiary shall utilize the proceeds of the Sale Price obtained by it for each Sale made by it hereunder solely for general corporate purposes (including the retirement or repayment of third party debt and loans made to Affiliates) and to pay any related expenses payable by such Selling Subsidiary under this Agreement and the other Related Documents in connection with the transactions contemplated hereby and thereby and for no other purpose.

(j) *Separate Identity.* Each Selling Subsidiary acknowledges that the Parent is selling to Buyer all of its right, title and interest in and to the Receivables acquired by it hereunder and each Selling Subsidiary agrees to respect the separate corporate existence of the Buyer and to comply with all actions required on its part under Section 4.02(j) of the Sale and Contribution Agreement.

(k) *ERISA.* Each Selling Subsidiary shall give Parent and the Administrative Agent prompt written notice of any event that could result in the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA.

(l) *Payment, Performance and Discharge of Obligations.*

(i) Subject to *Section 4.02(l)(ii)*, each Selling Subsidiary shall pay, perform and discharge or cause to be paid, performed and discharged all of its obligations and liabilities, including all taxes,

12

assessments and governmental charges upon its income and properties and all lawful claims for labor, materials, supplies and services, promptly when due.

(ii) Each Selling Subsidiary may in good faith contest, by appropriate proceedings, the validity or amount of any charges or claims described in *Section 4.02(l)(i)*; provided, that (A) adequate reserves with respect to such contest are maintained on the books of such Selling Subsidiary, in accordance with GAAP, (B) such contest is maintained and prosecuted continuously and with diligence, (C) none of the Subsidiary Collateral may become subject to forfeiture or loss as a result of such contest, (D) no Lien may be imposed to secure payment of such charges or claims other than inchoate tax liens and (E) Parent has affirmatively advised Selling Subsidiaries in writing that Parent reasonably believes that nonpayment or nondischarge thereof could not reasonably be expected to have or result in a Material Adverse Effect.

(m) *Deposit of Collections.* Each Selling Subsidiary shall deposit and cause its Subsidiaries to deposit or cause to be deposited promptly into a Lockbox Account, and in any event no later than the first Business Day after receipt thereof, all Collections it may receive in respect of Transferred Receivables.

(n) *Accounting Changes.* If any Accounting Changes occur and such changes result in a change in the standards or terms used herein, then the parties hereto agree to enter into negotiations in order to amend such provisions so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the financial condition of such Persons and their Subsidiaries shall be the same after such Accounting Changes as if such Accounting Changes had not been made. If the parties hereto agree upon the required amendments to this Agreement, then after appropriate amendments have been executed and the underlying Accounting Change with respect thereto has been implemented, any reference to GAAP contained herein shall, only to the extent of such Accounting Change, refer to GAAP consistently applied after giving effect to the implementation of such Accounting Change. If such parties cannot agree upon the required amendments within 30 days following the date of implementation of any Accounting Change, then all financial statements delivered and all standards and terms used herein shall be prepared, delivered and used without regard to the underlying Accounting Change.

(o) *Adjustments to Sale Price.* If on any day the Billed Amount of any Transferred Receivable is reduced as a result of any Dilution Factors, and the amount of such reduction exceeds the amount, if any, of Dilution Factors taken into account in the calculation of the Sale Price for such Transferred Receivable, the Selling Subsidiary thereof shall make a cash payment to Parent in the amount of such excess by remitting such amount to the Collection Account in accordance with the terms of the Funding Agreement.

Section 4.03. Negative Covenants of the Selling Subsidiaries. Each Selling Subsidiary covenants and agrees that, without the prior written consent of Parent and the Administrative Agent, from and after the Closing Date and until the Termination Date:

(a) *Sale of Stock and Assets.* No Selling Subsidiary shall sell, transfer, convey, assign (by operation of law or otherwise) or otherwise dispose of, or assign any right to receive income in respect of, any of its properties or other assets, including capital Stock, any Transferred Receivable or Contract therefor, any of its rights with respect to any Lockbox or Lockbox Account or any other Subsidiary Collateral.

(b) *Liens.* No Selling Subsidiary shall create, incur, assume or permit to exist any Adverse Claim on or with respect to its Receivables or any other Subsidiary Collateral (whether now owned or hereafter acquired) except for the Liens set forth in *Schedule 4.03(b)* and other Permitted Encumbrances. In addition, no Selling Subsidiary shall become a party to any agreement, note, indenture or instrument or take any other action that would prohibit the creation of a Lien on any of

13

its properties or other assets in favor of Parent as additional collateral for the recourse and indemnity obligations of each Selling Subsidiary to Parent hereunder, including those obligations set forth in *Sections 4.02(o), 4.04 and 5.01*, except as otherwise expressly permitted by this Agreement or any of the other Related Documents).

(c) *Modifications of Receivables or Contracts.* No Selling Subsidiary shall extend, amend, forgive, discharge, compromise, cancel or otherwise modify the terms of any Transferred Receivable, or amend, modify or waive any term or condition of any Contract therefor; provided, that any Selling Subsidiary acting as Servicer or Sub-Servicer may, in its capacity as a Servicer or Sub-Servicer, take such of the foregoing actions to the extent that they are expressly permitted by the terms of the Funding Agreement.

(d) *Sale Characterization.* No Selling Subsidiary shall make statements or disclosures or prepare any financial statements for any purpose, including for federal income tax, reporting or accounting purposes, that shall account for the transactions contemplated by this Agreement in any manner other than (i) with respect to the Sale of each Subsidiary Sold Receivable originated by it, as a true sale or absolute assignment of its full right, title and ownership interest in such Transferred Receivable to Parent and (ii) with respect to the Transfer of each Contributed Receivable originated by it, as a contribution to the capital of Parent.

(e) *Capital Structure and Business.* No Selling Subsidiary shall (i) make any changes in any of its business objectives, purposes or operations that could have or result in a

Material Adverse Effect or (ii) make any change in its capital structure as described on *Schedule 4.01(h)*, including the issuance of any shares of Stock, warrants or other securities convertible into Stock or any revision of the terms of its outstanding Stock or (iii) amend, supplement or otherwise modify its certificate or articles of incorporation, bylaws, operating agreement or other constitutive document, as applicable, in a manner that could have or result in a Material Adverse Effect. No Selling Subsidiary shall change its jurisdiction of incorporation except as permitted by *Section 4.02(g)*. No Selling Subsidiary shall engage in any business other than the businesses currently engaged in by it.

(f) *Actions Affecting Rights*. No Selling Subsidiary shall (i) take any action, or fail to take any action, if such action or failure to take action may interfere with the enforcement of any rights hereunder or under the other Related Documents, including rights with respect to the Transferred Receivables; (ii) waive or alter any rights with respect to the Transferred Receivables (or any agreement or instrument relating thereto); or (iii) fail to pay any tax, assessment, charge, fee or other obligation of such Selling Subsidiary with respect to the Transferred Receivables, or fail to defend any action, if such failure to pay or defend may adversely affect the priority or enforceability of the perfected title of Parent to and the sole record and beneficial ownership interest of Parent in the Transferred Receivables or, prior to their Transfer hereunder, such Selling Subsidiary's right, title or interest therein.

(g) *ERISA*. No Selling Subsidiary shall, or shall cause or permit any ERISA Affiliate to, cause or permit to occur an event that could result in the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA.

(h) *Change to Credit and Collection Policies*. No Selling Subsidiary shall fail to comply with, and no change shall be made to, the Credit and Collection Policies without the prior written consent of Parent, the Buyer and the Administrative Agent.

(i) *Adverse Tax Consequences*. No Selling Subsidiary shall take or permit to be taken any action (other than with respect to actions taken or to be taken solely by a Governmental Authority), or fail or neglect to perform, keep or observe any of its obligations hereunder or under the other Related Documents, that would have the effect directly or indirectly of subjecting any payment to Parent, any

14

Purchaser or holders of the Commercial Paper who are residents of the United States of America to withholding taxation.

(j) *No Proceedings*. From and after the Closing Date and until the date one year plus one day following the date on which the Commercial Paper with the latest maturity has been indefeasibly paid in full in cash, no Selling Subsidiary shall, directly or indirectly, institute or cause to be instituted against Parent, Buyer or Conduit Lender any proceeding of the type referred to in Sections 9.01(c) and 9.01(d) of the Funding Agreement

(k) *Commingling*. No Selling Subsidiary shall deposit or permit the deposit of any funds that do not constitute Collections of Transferred Receivables into any Lockbox Account. If such funds are nonetheless deposited into a Lockbox Account and the Selling Subsidiary so notifies the Purchaser, the Purchaser shall notify the Administrative Agent to promptly remit any such amounts to the applicable Selling Subsidiary.

Section 4.04. Breach of Representations, Warranties or Covenants. Upon discovery by any Selling Subsidiary or Parent of any breach of any representation, warranty or covenant described in *Sections 4.01, 4.02 or 4.03* (other than a representation, warranty or covenant relating to the absence of Dilution Factors), which breach is reasonably likely to have a material adverse effect on the value of a Transferred Receivable or the interests of Parent therein, the party discovering the same shall give prompt written notice thereof to the other parties hereto. The Selling Subsidiary that breached such representation, warranty or covenant may, at any time on any Business Day, or shall, if requested by notice from Parent, on the first Business Day following receipt of such notice, either (a) repurchase such Transferred Receivable from Parent for cash or (b) transfer ownership of a new Eligible Receivable or new Eligible Receivables to Parent on such Business Day, in each case in an amount equal to the Billed Amount of such Transferred Receivable minus the sum of (A) Collections received in respect thereof and (B) the amount of any Dilution Factors taken into account in the calculation of the Sale Price therefor. Notwithstanding the foregoing, if any Receivable is not paid in full on account of any Dilution Factors, the Selling Subsidiary's repurchase obligation under this *Section 4.04* with respect to such Receivable shall be reduced by the amount of any such Dilution Factors taken into account in the calculation of the Sale Price therefor. Each Selling Subsidiary shall ensure that no Collections or other proceeds with respect to a Transferred Receivable so reconveyed to it are paid or deposited into any Lockbox Account.

ARTICLE V INDEMNIFICATION

Section 5.01. Indemnification. Without limiting any other rights that Parent or any of its Stockholders, officers, directors, employees, attorneys, agents or representatives (each, a "Parent Indemnified Person") may have hereunder or under applicable law, each Selling Subsidiary hereby agrees to indemnify and hold harmless each Parent Indemnified Person from and against any and all Indemnified Amounts that may be claimed or asserted against or incurred by any such Parent Indemnified Person in connection with or arising out of the transactions contemplated under this Agreement or under any other Related Document, any actions or failures to act in connection therewith, including any and all legal costs and expenses arising out of or incurred in connection with disputes between or among any parties to any of the Related Documents, or in respect of any Transferred Receivable or any Contract therefor or the use by such Selling Subsidiary of the Sale Price therefor; *provided*, that no Selling Subsidiary shall be liable for any indemnification to a Parent Indemnified Person to the extent that any such Indemnified Amounts result solely from (a) such Parent Indemnified Person's gross negligence or willful misconduct, as finally determined by a court of competent jurisdiction, (b) recourse for uncollectible or uncollected Transferred Receivables due to the lack of creditworthiness of the Obligor or the occurrence of any event of bankruptcy with respect to such Obligor, or (c) any income tax or franchise tax incurred by any Parent Indemnified Person, except

15

to the extent that the incurrence of any such tax results from a breach of or default under this Agreement or any other Related Document. Subject to the exceptions set forth in clauses (a), (b) and (c) of the immediately preceding sentence but otherwise without limiting the generality of the foregoing, each Selling Subsidiary shall pay on demand to each Parent Indemnified Person any and all Indemnified Amounts relating to or resulting from:

(i) reliance on any representation or warranty made or deemed made by such Selling Subsidiary (or any of its officers) under or in connection with this Agreement or any other Related Document or on any other information delivered by such Selling Subsidiary pursuant hereto or thereto that shall have been incorrect in any material respect when made or deemed made or delivered;

(ii) the failure by such Selling Subsidiary to comply with any term, provision or covenant contained in this Agreement, any other Related Document or any agreement executed in connection herewith or therewith, any applicable law, rule or regulation with respect to any Transferred Receivable or Contract therefor, or the nonconformity of any Transferred Receivable or the Contract therefor with any such applicable law, rule or regulation;

(iii) the failure to vest and maintain vested in Parent, or to Transfer to Parent, valid and properly perfected title to and sole record and beneficial ownership of the Receivables that constitute Transferred Receivables, together with all Collections in respect thereof, free and clear of any Adverse Claim;

(iv) any dispute, claim, offset or defense of any Obligor (other than its discharge in bankruptcy) to the payment of any Receivable that is the subject of a Transfer hereunder (including a defense based on such Receivable or the Contract therefor not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or services giving rise to such Receivable or the furnishing or failure to furnish such merchandise or services or relating to collection activities with respect to such Receivable (if such collection activities were performed by the Selling Subsidiary or any Affiliate acting as the Servicer or a Sub-Servicer), except to the extent that such dispute, claim, offset or defense results solely from any action or inaction on the part of Parent;

(v) any products liability claim or other claim arising out of or in connection with merchandise, insurance or services that is the subject of any Contract;

(vi) the commingling of Collections with respect to Transferred Receivables by such Selling Subsidiary at any time with its other funds or the funds of any other Person;

(vii) any failure by such Selling Subsidiary to cause the filing of, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or any other applicable laws with respect to any Receivable that is the subject of a Transfer hereunder, whether at the time of any such Transfer or at any subsequent time;

(viii) any failure by any Selling Subsidiary or the Servicer to perform, keep or observe any of their respective duties or obligations hereunder, under any other Related Document or under any Contract related to a Transferred Receivable;

(ix) any investigation, Litigation or proceeding related to this Agreement or the use of the Sale Price obtained in connection with any Sale or the ownership of Receivables or Collections with respect thereto or in respect of any Receivable or Contract, except to the extent any such investigation, Litigation or proceeding relates to a matter involving a Parent Indemnified Person for which neither such Selling Subsidiary nor any of its Affiliates is at fault, as finally determined by a court of competent jurisdiction; or

16

(x) any claim brought by any Person other than a Parent Indemnified Person arising from any activity by such Selling Subsidiary or any of its Affiliates in servicing, administering or collecting any Transferred Receivables.

NO PARENT INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO ANY OTHER PARTY TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES THAT MAY BE ALLEGED AS A RESULT OF ANY TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.

**ARTICLE VI
INTENTIONALLY OMITTED**

**ARTICLE VII
COLLATERAL SECURITY**

Section 7.01. *Security Interest.* To secure the prompt and complete payment, performance and observance of any and all recourse and indemnity obligations of each Selling Subsidiary to Parent, including those set forth in Sections 4.02(o), 4.04, 5.01 and 8.14, and to induce Parent to enter into this Agreement in accordance with the terms and conditions hereof, each Selling Subsidiary hereby grants, assigns, conveys, pledges, hypothecates and transfers to Parent a Lien upon all of such Selling Subsidiary's right, title and interest in, to and under the following property, whether now owned by or owing to, or hereafter acquired by or arising in favor of, such Selling Subsidiary (including under any trade names, styles or derivations of such Selling Subsidiary), and whether owned by or consigned by or to, or leased from or to, such Selling Subsidiary, and regardless of where located (all of which being hereinafter collectively referred to as the "*Subsidiary Collateral*"):

(a) all accounts, inventory, general intangibles, equipment, fixtures, investment property, chattel paper, documents and instruments, whether or not constituting Receivables;

(b) all books and records (including customer lists, credit files, computer programs, tapes, disks, data processing software and other related property and rights) pertaining to the foregoing;

(c) all monies, securities and other property now or hereafter in the possession or custody of, or in transit to, Parent, for any purpose (including safekeeping, collection or pledge), from or for such Selling Subsidiary, or as to which such Selling Subsidiary may have any right or power, and all of Parent's credits and balances with such Selling Subsidiary existing at any time; and

(d) to the extent not otherwise included, all proceeds and products of the foregoing and all accessions to, and substitutions and replacements for, each of the foregoing.

Section 7.02. *Other Collateral; Rights in Receivables.* Nothing contained in this Article VII shall limit the rights of Parent in and to any other collateral that may have been or may hereafter be granted to Parent by any Selling Subsidiary or any third party pursuant to any other agreement or the rights of Parent under any of the Transferred Receivables.

17

Section 7.03. *Selling Subsidiaries Remain Liable.* It is expressly agreed by the Selling Subsidiaries that, anything herein to the contrary notwithstanding, each Selling Subsidiary shall remain liable under any and all of the Receivables originated by it, the Contracts therefor and all other Subsidiary Collateral to observe and perform all the conditions and obligations to be observed and performed by it thereunder. The Parent shall not have any obligation or liability under any such Receivables, Contracts or Subsidiary Collateral by reason of or arising out of this Agreement or the granting herein of a Lien thereon or the receipt by the Parent of any payment relating thereto pursuant hereto. The exercise by the Parent of any of its respective rights under this Agreement shall not release either Selling Subsidiary from any of its respective duties or obligations under any such Receivables, Contracts or Subsidiary Collateral. The Parent shall not be required or obligated in any manner to perform or fulfill any of the obligations of either Selling Subsidiary under or pursuant to any such Receivable, Contract or Subsidiary Collateral, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any such Receivable, Contract or Subsidiary Collateral, or to present or file any claims, or to take any action to collect or enforce any performance or the payment of any amounts that may have been assigned to it or to which it may be entitled at any time or times.

Section 7.04. *Intercreditor Agreement.* The Lien granted under Section 7.01 above is subordinated in priority to the extent provided in the Intercreditor Agreement.

ARTICLE VIII
MISCELLANEOUS

Section 8.01. *Notices.* Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other parties, or whenever any of the parties desires to give or serve upon any other parties any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and three Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by telecopy or other similar facsimile transmission (with such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this *Section 8.01*), (c) one Business Day after deposit with a reputable overnight courier with all charges prepaid or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the

18

address or facsimile number set forth below in this *Section 8.01* or to such other address (or facsimile number) as may be substituted by notice given as herein provided:

any Selling Subsidiary:

c/o Labor Ready, Inc.
1016 S. 28th Street
Tacoma, Washington 98409
Attention: Chief Financial Officer and General Counsel
Facsimile: 877-334-0797

with copy to:

Malcolm C. Lindquist
McGavick Graves, P.S.
1102 Broadway, Suit 500
Tacoma, Washington 98401
Facsimile: 253-627-2247

Parent:

Labor Ready, Inc.
1016 S. 28th Street
Tacoma, Washington 98409
Attention: Chief Financial Officer and General Counsel
Facsimile: 877-334-0797

with copy to:

Malcolm C. Lindquist
McGavick Graves, P.S.
1102 Broadway, Suit 500
Tacoma, Washington 98401
Facsimile: 253-627-2247

provided, that each such declaration or other communication shall be deemed to have been validly delivered to (a) the Buyer under this Agreement upon delivery to the Buyer in accordance with the terms of the Sale and Contribution Agreement and (b) the Administrative Agent under this Agreement upon delivery to the Administrative Agent in accordance with the terms of the Funding Agreement. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than Parent) designated in any written communication provided hereunder to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication. Notwithstanding the foregoing, whenever it is provided herein that a notice is to be given to any other party hereto by a specific time, such notice shall only be effective if actually received by such party prior to such time, and if such notice is received after such time or on a day other than a Business Day, such notice shall only be effective on the immediately succeeding Business Day.

Section 8.02. *No Waiver; Remedies.* Parent's failure, at any time or times, to require strict performance by the Selling Subsidiaries of any provision of this Agreement or any Receivables Assignment shall not waive, affect or diminish any right of Parent thereafter to demand strict compliance and performance herewith or therewith. Any suspension or waiver of any breach or default hereunder shall not suspend, waive or affect any other breach or default whether the same is prior or subsequent thereto and whether the same or of a different type. None of the undertakings, agreements,

19

warranties, covenants and representations of any Selling Subsidiary contained in this Agreement or any Receivables Assignment, and no breach or default by any Selling Subsidiary hereunder or thereunder, shall be deemed to have been suspended or waived by Parent unless such waiver or suspension is by an instrument in writing signed by an officer of or other duly authorized signatory of Parent and directed to such Selling Subsidiary specifying such suspension or waiver. Parent's rights and remedies under this Agreement shall be cumulative and nonexclusive of any other rights and remedies that Parent may have under any other agreement, including the other Related Documents, by operation of law or otherwise. Recourse to the Subsidiary Collateral shall not be required.

Section 8.03. *Successors and Assigns.* This Agreement shall be binding upon and shall inure to the benefit of each Selling Subsidiary and Parent and their respective successors and permitted assigns, except as otherwise provided herein. No Selling Subsidiary may assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder without the prior express written consent of Parent, the Buyer, the Purchasers and the Administrative Agent and unless the Rating Agency Condition shall have been satisfied with respect to any such assignment. Any such purported assignment, transfer, hypothecation or other conveyance by any Selling Subsidiary without the prior express written consent of Parent, the Buyer, the Purchasers and the Administrative Agent shall be void. Each Selling Subsidiary acknowledges that Parent will assign to Buyer its rights granted hereunder, including the benefit of any indemnities under *Article V* and any of its rights in the Subsidiary Collateral granted under *Article VII*, and that Buyer may, to the extent permitted in the Sale and Contribution Agreement, assign to the Purchaser all of such rights granted hereunder and that the Purchaser may further assign such rights to the extent permitted in the Funding Agreement. Upon each such assignment, such assignee shall have, to the extent of such assignment, all rights of Parent hereunder and, to the extent permitted under the Funding Agreement, the Purchaser or any assignee thereof may in turn assign such rights. Each

Selling Subsidiary agrees that, upon any such assignment, such assignee may enforce directly, without joinder of Parent, the rights set forth in this Agreement. All such assignees, including parties to the Funding Agreement in the case of any assignment to such parties, shall be third party beneficiaries of, and shall be entitled to enforce Parent's rights and remedies under, this Agreement to the same extent as if they were parties hereto. Without limiting the generality of the foregoing, all notices to be provided to the Parent hereunder shall be delivered to the Parent, the Buyer and the Administrative Agent under the Funding Agreement, and shall be effective only upon such delivery to the Administrative Agent. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of each Selling Subsidiary and Parent with respect to the transactions contemplated hereby and, except for the Buyer, the Purchasers and the Administrative Agent, no Person shall be a third party beneficiary of any of the terms and provisions of this Agreement.

Section 8.04. *Termination; Survival of Obligations.*

(a) This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until the Termination Date.

(b) Except as otherwise expressly provided herein or in any other Related Document, no termination or cancellation (regardless of cause or procedure) of any commitment made by Parent under this Agreement shall in any way affect or impair the obligations, duties and liabilities of any Selling Subsidiary or the rights of Parent relating to any unpaid portion of any and all recourse and indemnity obligations of such Selling Subsidiary to Parent, including those set forth in Sections 4.02(o), 4.04, 5.01 and 8.14, due or not due, liquidated, contingent or unliquidated or any transaction or event occurring prior to such termination, or any transaction or event, the performance of which is required after the Facility Termination Date. Except as otherwise expressly provided herein or in any other Related Document, all undertakings, agreements, covenants, warranties and representations of or binding upon each Selling Subsidiary, and all rights of Parent hereunder, all as contained in the Related Documents, shall not terminate or expire, but rather shall survive any such termination or

20

cancellation and shall continue in full force and effect until the Termination Date; *provided*, that the rights and remedies pursuant to Sections 4.02(o), 4.04, the indemnification and payment provisions of Article V, and the provisions of Sections 4.03(j), 8.03, 8.12 and 8.14 shall be continuing and shall survive any termination of this Agreement.

Section 8.05. *Complete Agreement; Modification of Agreement.* This Agreement and the other Related Documents constitute the complete agreement between the parties with respect to the subject matter hereof and thereof, supersede all prior agreements and understandings relating to the subject matter hereof and thereof, and may not be modified, altered or amended except as set forth in Section 8.06.

Section 8.06. *Amendments and Waivers.* No amendment, modification, termination or waiver of any provision of this Agreement or any of the other Related Documents, or any consent to any departure by any Selling Subsidiary therefrom, shall in any event be effective unless the same shall be in writing and signed by each of the parties hereto, the Buyer, the Purchasers and the Administrative Agent. No consent or demand in any case shall, in itself, entitle any party to any other consent or further notice or demand in similar or other circumstances.

Section 8.07. *GOVERNING LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL.*

(a) **THIS AGREEMENT AND EACH RELATED DOCUMENT (EXCEPT TO THE EXTENT THAT ANY RELATED DOCUMENT EXPRESSLY PROVIDES TO THE CONTRARY) AND THE OBLIGATIONS ARISING HEREUNDER AND THEREUNDER SHALL IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAWS BUT OTHERWISE WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES), EXCEPT TO THE EXTENT THAT THE PERFECTION, EFFECT OF PERFECTION OR PRIORITY OF THE INTERESTS OF THE PARENT IN THE RECEIVABLES OR REMEDIES HEREUNDER OR THEREUNDER, IN RESPECT THEREOF, ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.**

(b) **EACH PARTY HERETO HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN THE BOROUGH OF MANHATTAN IN NEW YORK CITY SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THEM PERTAINING TO THIS AGREEMENT OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY RELATED DOCUMENT; PROVIDED, THAT EACH PARTY HERETO ACKNOWLEDGES THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF THE BOROUGH OF MANHATTAN IN NEW YORK CITY; PROVIDED FURTHER, THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE PARENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE SUBSIDIARY COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS OF THE SELLING SUBSIDIARIES ARISING HEREUNDER, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF PARENT. EACH PARTY HERETO SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH PARTY HERETO HEREBY WAIVES ANY OBJECTION THAT SUCH PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH PARTY HERETO HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT**

21

AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH PARTY AT THE ADDRESS SET FORTH BENEATH ITS NAME ON THE SIGNATURE PAGES HEREOF AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH PARTY'S ACTUAL RECEIPT THEREOF OR THREE DAYS AFTER DEPOSIT IN THE UNITED STATES MAIL, PROPER POSTAGE PREPAID. NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(c) **BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.**

Section 8.08. *Counterparts.* This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

Section 8.09. *Severability.* Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 8.10. *Section Titles.* The section titles and table of contents contained in this Agreement are provided for ease of reference only and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

Section 8.11. *No Setoff.* Each Selling Subsidiary's obligations under this Agreement shall not be affected by any right of setoff, counterclaim, recoupment, defense or other right such Selling Subsidiary might have against Parent, the Buyer, any Purchaser or the Administrative Agent, all of which rights are hereby expressly waived by such Selling Subsidiary.

Section 8.12. *Confidentiality.*

(a) Except to the extent otherwise required by applicable law, as required to be filed publicly with the Securities and Exchange Commission, or unless each Affected Party shall otherwise consent in writing, each Selling Subsidiary and Parent agree to maintain the confidentiality of this Agreement (and all drafts hereof and documents ancillary hereto) in its communications with third parties other than any Affected Party or any Parent Indemnified Person and otherwise and not to disclose, deliver or otherwise make available to any third party (other than its directors, officers, employees, accountants or counsel) the original or any copy of all or any part of this Agreement (or any draft hereof and documents ancillary hereto) except to an Affected Party or an Parent Indemnified Person.

(b) Each Selling Subsidiary agrees that it shall not (and shall not permit any of its Subsidiaries to) issue any news release or make any public announcement pertaining to the transactions contemplated by this Agreement and the Related Documents without the prior written consent of Parent, the Buyer and each of the Committed Lender and the Conduit Lender (which consent shall not be unreasonably

22

withheld) unless such news release or public announcement is required by law, in which case such Selling Subsidiary shall consult with Parent, the Buyer and each of the Committed Lender and the Conduit Lender prior to the issuance of such news release or public announcement. Any Selling Subsidiary may, however, disclose the general terms of the transactions contemplated by this Agreement and the Related Documents to trade creditors, suppliers and other similarly-situated Persons so long as such disclosure is not in the form of a news release or public announcement.

(c) Except to the extent otherwise required by applicable law, or in connection with any judicial or administrative proceedings, as required to be filed publicly with the Securities Exchange Commission, or unless the Selling Subsidiaries otherwise consent in writing, the Parent agrees (i) to maintain the confidentiality of (A) this Agreement (and all drafts hereof and documents ancillary hereto) and (B) all other confidential proprietary information with respect to the Selling Subsidiaries and their respective Affiliates and each of their respective businesses obtained by the Parent in connection with the structuring, negotiation and execution of the transactions contemplated herein and in the other documents ancillary hereto, in each case, in its communications with third parties other than any Affected Party or either Selling Subsidiary and (ii) not to disclose, deliver, or otherwise make available to any third party (other than its directors, officers, employees, accountants or counsel) the original or any copy of all or any part of this Agreement (or any draft hereof and documents ancillary hereto) except to an Affected Party or either Selling Subsidiary.

Section 8.13. *Further Assurances.*

(a) Each Selling Subsidiary shall, at its sole cost and expense, upon request of Parent, the Buyer, any Purchaser or the Administrative Agent, promptly and duly execute and deliver any and all further instruments and documents and take such further actions that may be necessary or desirable or that Parent, the Buyer, any Purchaser or the Administrative Agent may request to carry out more effectively the provisions and purposes of this Agreement or any other Related Document or to obtain the full benefits of this Agreement and of the rights and powers herein granted, including (i) using its best efforts to secure all consents and approvals necessary or appropriate for the assignment to or for the benefit of Parent of any Transferred Receivable or Subsidiary Collateral held by such Selling Subsidiary or in which such Selling Subsidiary has any rights not heretofore assigned, (ii) filing any financing or continuation statements under the UCC with respect to the ownership interests or Liens granted hereunder or under any other Related Document, (iii) transferring Subsidiary Collateral to Parent's possession if such Subsidiary Collateral consists of chattel paper or instruments or if a Lien upon such Subsidiary Collateral can be perfected only by possession, or if otherwise requested by Parent; and (iv) entering into "control agreements" (as defined in the UCC with respect to any Subsidiary Collateral to the extent that a first priority Lien upon such Subsidiary Collateral can be perfected only by control. Each Selling Subsidiary hereby authorizes Parent, the Buyer, each Purchaser and the Administrative Agent to file any such financing or continuation statements without the signature of such Selling Subsidiary to the extent permitted by applicable law. A carbon, photographic or other reproduction of this Agreement or of any notice or financing statement covering the Transferred Receivables, the Subsidiary Collateral or any part thereof shall be sufficient as a notice or financing statement where permitted by law. If any amount payable under or in connection with any of the Subsidiary Collateral is or shall become evidenced by any instrument, such instrument, other than checks and notes received in the ordinary course of business, shall be duly endorsed in a manner satisfactory to Parent immediately upon such Selling Subsidiary's receipt thereof and promptly delivered to Parent.

(b) If any Selling Subsidiary fails to perform any agreement or obligation under this *Section 8.13*, Parent, the Buyer, any Purchaser or the Administrative Agent may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the reasonable expenses of Parent, the Buyer, such Purchaser or the Administrative Agent incurred in connection therewith shall

23

be payable by such Selling Subsidiary upon demand of Parent, the Buyer, such Purchaser or the Administrative Agent.

Section 8.14. *Fees and Expenses.* In addition to its indemnification obligations pursuant to *Article V*, each Selling Subsidiary agrees, jointly and severally, to pay on demand all costs and expenses incurred by Parent in connection with the negotiation, preparation, execution and delivery of this Agreement and the other Related Documents, including the fees and out-of-pocket expenses of Parent's counsel, advisors, consultants and auditors retained in connection with the transactions contemplated thereby and advice in connection therewith, and each Selling Subsidiary agrees, jointly and severally, to pay all costs and expenses, if any (including attorneys' fees and expenses but excluding any costs of enforcement or collection of the Transferred Receivables), in connection with the enforcement of this Agreement and the other Related Documents.

24

IN WITNESS WHEREOF, the parties have caused this Receivables Sale Agreement to be executed by their respective duly authorized representatives, as of the date first above written.

LABOR READY, INC.

By: _____
Name: Steven C. Cooper
Title: Executive Vice President & Chief Financial Officer

SELLING SUBSIDIARIES:

LABOR READY CENTRAL, INC.

By: _____
Name: Ronald L. Junck
Title: President

LABOR READY CENTRAL II, LLC

By: Labor Ready Central, Inc., as its sole Member

By: _____
Name: Ronald L. Junck
Title: President

LABOR READY CENTRAL III, LP

By: Labor Ready Central, Inc., as its sole General Partner

By: _____
Name: Ronald L. Junck
Title: President

LABOR READY GP CO., INC.

By: _____
Name: Ronald L. Junck
Title: President

LABOR READY MID-ATLANTIC, INC.

By: _____
Name: Ronald L. Junck
Title: President

LABOR READY MID-ATLANTIC II, INC.

By: _____
Name: Ronald L. Junck
Title: President

LABOR READY MID-ATLANTIC III, LP

By: Labor Ready GP Co., Inc., as its sole General Partner

By: _____
Name: Ronald L. Junck
Title: President

LABOR READY MIDWEST, INC.

By: _____
Name: Ronald L. Junck
Title: President

LABOR READY NORTHEAST, INC.

By: _____
Name: Ronald L. Junck
Title: President

LABOR READY NORTHWEST, INC.

By: _____
Name: Ronald L. Junck
Title: President

LABOR READY SOUTHEAST, INC.

By: _____
Name: Ronald L. Junck
Title: President

LABOR READY SOUTHEAST II, INC.

By: _____
Name: Ronald L. Junck
Title: President

LABOR READY SOUTHEAST III, LP

By: Labor Ready GP Co., Inc., as its sole General Partner
By: _____
Name: Ronald L. Junck
Title: President

LABOR READY SOUTHWEST, INC.

By: _____
Name: Ronald L. Junck
Title: President

LABOR READY PUERTO RICO, INC.

By: _____
Name: Ronald L. Junck
Title: President

EXHIBIT 2.01(a)

Form of

RECEIVABLES ASSIGNMENT

THIS RECEIVABLES ASSIGNMENT (the "*Receivables Assignment*") is entered into as of March 1, 2001, by and between [Name of Selling Subsidiary] (the "*Selling Subsidiary*") and **LABOR READY, INC.**, a Washington corporation ("*Buyer*").

1. We refer to that certain Receivables Sale Agreement (as amended, restated, supplemented or otherwise modified from time to time, the "*Sale Agreement*") of even date herewith among the Parent and the Selling Subsidiaries party thereto. All of the terms, covenants and conditions of the Sale Agreement are hereby made a part of this Receivables Assignment and are deemed incorporated herein in full. Unless otherwise defined herein, capitalized terms or matters of construction defined or established in the Sale Agreement shall be applied herein as defined or established therein.

2. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Selling Subsidiary hereby sells without recourse, except as provided in *Sections 4.02(o)* and *4.04* of the Sale Agreement, all of the Selling Subsidiary's right, title and interest in, to and under all of its Receivables (including all Collections, Records and proceeds with respect thereto) existing as of the Closing Date and thereafter created or arising at any time until the Facility Termination Date.

3. Subject to the terms and conditions of the Sale Agreement, the Selling Subsidiary hereby covenants and agrees to sign, sell or contribute, as applicable, execute and deliver, or cause to be signed, sold, executed and delivered, and to do or make, or cause to be done or made, upon request of Parent and at the Selling Subsidiary's expense, any and all agreements, instruments, papers, deeds, acts or things, supplemental, confirmatory or otherwise, as may be reasonably required by Parent for the purpose of or in connection with acquiring or more effectively vesting in Parent or evidencing the vesting in Parent of the property, rights, title and interests of the Selling Subsidiary sold hereunder or intended to be sold hereunder.

4. Wherever possible, each provision of this Receivables Assignment shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Receivables Assignment shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Receivables Assignment.

5. THIS RECEIVABLES ASSIGNMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW BUT OTHERWISE WITHOUT REGARD TO THE PRINCIPLES THEREOF REGARDING CONFLICT OF LAWS, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

IN WITNESS WHEREOF, the parties have caused this Receivables Assignment to be executed by their respective officers thereunto duly authorized, as of the day and year first above written.

[NAME OF SELLING SUBSIDIARY]

LABOR READY, INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT 2.01(d)

Form of

SUBORDINATED NOTE

[To Follow]

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS AND INTERPRETATION	1
Section 1.01. Definitions	1
Section 1.02. Rules of Construction	1
ARTICLE II TRANSFERS OF RECEIVABLES	1
Section 2.01. Agreement to Transfer	1
Section 2.02. Grant of Security Interest	3
Section 2.03. Addition of Selling Subsidiaries	2
Section 2.04. Removal of Selling Subsidiaries	3
ARTICLE III CONDITIONS PRECEDENT	4
Section 3.01. Conditions to Initial Transfer	4
Section 3.02. Conditions to all Transfers	4
ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS	5
Section 4.01. Representations and Warranties of the Selling Subsidiaries	5
Section 4.02. Affirmative Covenants of the Selling Subsidiaries	10
Section 4.03. Negative Covenants of the Selling Subsidiaries	13
Section 4.04. Breach of Representations, Warranties or Covenants	15
ARTICLE V INDEMNIFICATION	15
Section 5.01. Indemnification	15
ARTICLE VI INTENTIONALLY OMITTED	17
ARTICLE VII COLLATERAL SECURITY	17
Section 7.01. Security Interest	17
Section 7.02. Other Collateral; Rights in Receivables	17
Section 7.03. Selling Subsidiaries Remain Liable	18
Section 7.04. Intercreditor Agreement	18
ARTICLE VIII MISCELLANEOUS	18
Section 8.01. Notices	18
Section 8.02. No Waiver; Remedies	19
Section 8.03. Successors and Assigns	20
Section 8.04. Termination; Survival of Obligations	20
Section 8.05. Complete Agreement; Modification of Agreement	21
Section 8.06. Amendments and Waivers	21
Section 8.07. GOVERNING LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL	21
Section 8.08. Counterparts	22
Section 8.09. Severability	22
Section 8.10. Section Titles	22
Section 8.11. No Setoff	22
Section 8.12. Confidentiality	22
Section 8.13. Further Assurances	23
Section 8.14. Fees and Expenses	24

QuickLinks

[Exhibit 10.6](#)

[RECEIVABLES SALE AGREEMENT Dated as of March 1, 2001 by and among THE ENTITIES PARTY HERETO FROM TIME TO TIME AS SELLING SUBSIDIARIES and LABOR READY, INC.](#)

[INDEX OF APPENDICES](#)

[ARTICLE I DEFINITIONS AND INTERPRETATION](#)

[ARTICLE II TRANSFERS OF RECEIVABLES](#)

[ARTICLE III CONDITIONS PRECEDENT](#)

[ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS](#)

[ARTICLE V INDEMNIFICATION](#)

[ARTICLE VI INTENTIONALLY OMITTED](#)

[ARTICLE VII COLLATERAL SECURITY](#)

[ARTICLE VIII MISCELLANEOUS](#)

[EXHIBIT 2.01\(a\) Form of RECEIVABLES ASSIGNMENT](#)

[EXHIBIT 2.01\(d\) Form of SUBORDINATED NOTE](#)

[TABLE OF CONTENTS](#)

LETTER OF CREDIT AGREEMENT

Dated as of March 1, 2001

between

LABOR READY, INC.

as Debtor,

and

GENERAL ELECTRIC CAPITAL CORPORATION,

as Creditor

THIS LETTER OF CREDIT AGREEMENT, dated as of March 1, 2001 between **LABOR READY, INC.**, a Washington corporation ("*Debtor*"), and **GENERAL ELECTRIC CAPITAL CORPORATION**, a New York corporation ("*Creditor*").

RECITALS

WHEREAS, Debtor desires that Creditor incur certain obligations in order to make available up to Eighty Million Dollars (\$80,000,000) in the aggregate at any one time of letters of credit for the benefit of Debtor and its Subsidiaries (other than the Receivables Subsidiary), and Creditor is willing to incur such obligations in order to make such letters of credit available upon the terms and conditions set forth herein; and

WHEREAS, capitalized terms used in this Agreement and not defined herein shall have the meanings ascribed to them in *Annex A*. All Annexes, disclosure schedules, Exhibits and other attachments (collectively, "*Appendices*") hereto, or expressly identified to this Agreement, are incorporated herein by reference, and taken together, shall constitute but a single agreement. These Recitals shall be construed as part of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the parties hereto agree as follows:

1. AMOUNT AND TERMS OF CREDIT

1.1 Letters of Credit.

(a) *Issuance.* Subject to the terms and conditions of this Agreement, Creditor agrees to incur from time to time prior to the Commitment Termination Date, upon the request of Debtor, Letter of Credit Obligations by causing Letters of Credit to be issued (by a bank or other legally authorized Person selected by or acceptable to Creditor in its sole discretion (each, an "*L/C Issuer*")) for the account of Debtor or any of its Subsidiaries (other than the Receivables Subsidiary) and guaranteed by Creditor; provided, however, that the aggregate amount of all such Letter of Credit Obligations shall not at any time exceed the lesser of (i) the Commitment less the aggregate outstanding principal balance of the Reimbursement Obligations, and (ii) the sum of (A) the Availability less (B) the sum of the outstanding Letter of Credit Exposure and the aggregate outstanding principal balance of the Receivables Advances. No such Letter of Credit shall have an expiry date which is more than one year following the date of issuance thereof, and Creditor shall be under no obligation to incur Letter of Credit Obligations in respect of any Letter of Credit having an expiry date which is later than the Commitment Termination Date.

(b) *Reimbursement Obligations Automatic.* Debtor hereby absolutely and unconditionally agrees to reimburse Creditor upon demand for any and all payments made by Creditor on or pursuant to any Letter of Credit Obligation.

(c) *Cash Collateral.*

(i) If Debtor is required to provide cash collateral for any Letter of Credit Obligations pursuant to *Section 1.1(c)(ii), 1.3, 5.4(c) or 8.2(b)* or any other provisions of this Agreement on or prior to the Commitment Termination Date, Debtor will pay to Creditor cash or cash equivalents acceptable to Creditor ("*Cash Equivalents*") in an amount equal to 105% of the maximum amount then available to be drawn under each applicable outstanding Letter of Credit. Such cash or Cash Equivalents shall be held by Creditor in a cash collateral account (the "*Cash Collateral Account*") maintained at a bank or financial institution acceptable to Creditor (the "*Cash Collateral Account Bank*"). The Cash Collateral Account shall be in the name of Debtor, and shall be pledged to, and subject to the control of, Creditor pursuant to a Cash Collateral Account Agreement in the form of *Exhibit 1.1(c)(i)* which shall be duly executed and delivered by Debtor, the Cash Collateral Account Bank and Creditor at the earlier of (i) time such Cash Collateral Account is established and initially funded, and (ii) March 14, 2001. Debtor hereby pledges and grants to Creditor a security interest in the Cash Collateral Account, all such funds and Cash Equivalents held in the

Cash Collateral Account from time to time, and all proceeds thereof, as security for the payment of all amounts due in respect of the Letter of Credit Obligations and the other Obligations, whether or not then due. This Agreement shall constitute a security agreement under applicable law for such purposes.

(ii) If any Letter of Credit Obligations, whether or not then due and payable, shall for any reason be outstanding on the Commitment Termination Date, Debtor shall, at Creditor's option, either (i) provide cash collateral therefor in the manner described in *Section 1.1(c)(i)* above, or (ii) cause all such Letters of Credit and guaranties thereof to be canceled and returned, or (iii) deliver a stand-by letter (or letters) of credit in guarantee of such Letter of Credit Obligations, which stand-by letter (or letters) of credit shall be of like tenor and duration (plus thirty (30) additional days) as, and in an amount equal to 105% of the aggregate maximum amount then available to be drawn under, the Letters of Credit to which such outstanding Letter of Credit Obligations relate and shall be issued by a Person, and shall be subject to such terms and conditions, as are to be satisfactory to Creditor in its sole discretion.

(iii) From time to time after funds are deposited in the Cash Collateral Account by Debtor, whether before or after the Commitment Termination Date, Creditor may apply such funds or Cash Equivalents then held in the Cash Collateral Account to the payment of any amounts, in such order as Creditor may elect, as shall be or shall become due and payable by Debtor to Creditor with respect to such Letter of Credit Obligations of Debtor and, upon the satisfaction in full of all Letter of Credit Obligations of Debtor, to any other Obligations of Debtor then due and payable.

(iv) No Debtor nor any Person claiming on behalf of or through Debtor shall have any right to withdraw any of the funds or Cash Equivalents held in the Cash Collateral Account, except that upon the termination of all Letter of Credit Obligations and the payment of all amounts payable by Debtor to Creditor in respect thereof, any funds remaining in the Cash Collateral Account shall be applied to other Obligations then due and owing and upon payment in full of all such Obligations, any remaining amount shall be paid to the Receivables Collateral Agent for application in accordance with Section 2.3(a) of the Intercreditor Agreement.

(d) *Fees and Expenses.* Debtor agrees to pay to Creditor, as compensation to Creditor for Letter of Credit Obligations incurred hereunder, (i) all out-of-pocket costs and expenses directly or indirectly incurred by Creditor on account of such Letter of Credit Obligations, and (ii) for each month during which any Letter of Credit Obligations shall remain outstanding, a fee (the "*Letter of Credit Fee*") in an amount equal to the Applicable L/C Margin multiplied by the maximum amount available from time to time to be drawn under the applicable Letters of Credit. Such fee shall be paid to Creditor in arrears on the first day of each month. In addition, but without duplication, Debtor shall pay to any L/C Issuer, on demand, the fees, charges and expenses of such L/C Issuer in respect of the issuance, negotiation, amendment and renewal and documentation examination as set forth on Annex I to *Exhibit 2.2*, transfer and payment of such Letter of Credit or otherwise payable pursuant to the application and related documentation under which such Letter of Credit is issued, extended or renewed.

(e) *Request for Incurrence of Letter of Credit Obligations.* Debtor shall give Creditor at least five (5) Business Days prior written notice requesting the incurrence of any Letter of Credit Obligation, specifying the date such Letter of Credit Obligation is to be incurred, identifying the account party, which shall be Debtor or any Subsidiary thereof (other than the Receivables Subsidiary), identifying the beneficiary and describing the nature of the transactions proposed to be supported thereby. The notice shall be accompanied by the form of the Letter of Credit (which shall be acceptable to the L/C Issuer) to be guaranteed and, to the extent not previously delivered to Creditor, copies of all agreements between Debtor and the L/C Issuer pertaining to the issuance of Letters of Credit. Notwithstanding

2

anything contained herein to the contrary, Letter of Credit applications by Debtor and approvals by Creditor and the L/C Issuer may be made and transmitted pursuant to electronic codes and security measures mutually agreed upon and established by and among Debtor, Creditor and the L/C Issuer.

(f) *Obligation Absolute.* The obligation of Debtor hereunder to reimburse Creditor for payments made with respect to any Letter of Credit Obligation shall be absolute, unconditional and irrevocable, without necessity of presentment, demand, protest or other formalities. Such obligations of Debtor shall be paid strictly in accordance with the terms hereof under all circumstances including the following circumstances:

(i) any lack of validity or enforceability of any Letter of Credit or this Agreement or the other Letter of Credit Documents or any other agreement;

(ii) the existence of any claim, set-off, defense or other right which Debtor or any of its Affiliates may at any time have against a beneficiary or any transferee of any Letter of Credit (or any Persons or entities for whom any such transferee may be acting), Creditor, or any other Person, whether in connection with this Agreement, the Letter of Credit, the transactions contemplated herein or therein or any unrelated transaction (including any underlying transaction between Debtor or any of its Affiliates and the beneficiary for which the Letter of Credit was procured);

(iii) any draft, demand, certificate or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) payment by Creditor (except as otherwise expressly provided in *Section 1.1(g)(ii)(C)* below) or any L/C Issuer under any Letter of Credit or guaranty thereof against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit or such guaranty;

(v) any other circumstance or happening whatsoever, which is similar to any of the foregoing; or

(vi) the fact that a Default or an Event of Default shall have occurred and be continuing.

(g) *Indemnification; Nature of Creditor's Duties.* (i) In addition to amounts payable as elsewhere provided in this Agreement, Debtor hereby agrees to pay and to protect, indemnify, and save Creditor harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including attorneys' fees and allocated costs of internal counsel) which Creditor may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit or guaranty thereof, or (B) the failure of Creditor or of any L/C Issuer to honor a demand for payment under any Letter of Credit or guaranty thereof as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority, in each case other than to the extent solely as a result of the gross negligence or willful misconduct of Creditor (as finally determined by a court of competent jurisdiction).

(ii) As between Creditor and Debtor, Debtor assumes all risks of the acts and omissions of, or misuse of any Letter of Credit by beneficiaries of any Letter of Credit. In furtherance and not in limitation of the foregoing, to the fullest extent permitted by law, Creditor shall not be responsible: (A) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document issued by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason;

3

(C) for failure of the beneficiary of any Letter of Credit to comply fully with conditions required in order to demand payment under such Letter of Credit; provided that, in the case of any payment by Creditor under any Letter of Credit or guaranty thereof, Creditor shall be liable to the extent such payment was made solely as a result of its gross negligence or willful misconduct (as finally determined by a court of competent jurisdiction) in determining that the demand for payment under such Letter of Credit or guaranty thereof complies on its face with any applicable requirements for a demand for payment under such Letter of Credit or guaranty thereof; (D) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (E) for errors in interpretation of technical terms; (F) for any loss or delay in the transmission or otherwise of any document required in order to make a payment under any Letter of Credit or guaranty thereof or of the proceeds thereof; (G) for the credit of the proceeds of any drawing under any Letter of Credit or guaranty thereof; and (H) for any consequences arising from causes beyond the control of Creditor. None of the above shall affect, impair, or prevent the vesting of any of Creditor's rights or powers hereunder or under this Agreement.

(iii) Nothing contained herein shall be deemed to limit or to expand any waivers, covenants or indemnities made by Debtor in favor of any L/C Issuer in any letter of credit application, reimbursement agreement or similar document, instrument or agreement between Debtor and such L/C Issuer.

(h) *Dividends, Loans and Other Payments from Receivables Subsidiary.* Creditor is hereby authorized and empowered by Debtor to request on Debtor's behalf from time to time that the Receivables Subsidiary make cash dividends or loans to Debtor in amounts sufficient to (i) repay any and all outstanding Reimbursement Obligations and (ii) provide any and all cash collateral for the Letter of Credit Obligations required hereunder, and any and all such cash dividends and loans shall be paid by or on behalf of the Receivables Subsidiary directly to Creditor for application to the Obligations or to satisfy such cash collateral requirements pursuant to this Agreement. In addition, any and all

payments of the Sale Price due to Debtor as a result of its Sale of Sold Receivables under the Receivables Sale and Contribution Agreement shall be paid solely by way of wire transfers directly to a bank account (the "*Blocked Account*") which shall be established in Debtor's name and at a bank or other depository institution acceptable to Creditor (the "*Blocked Account Bank*"). The Blocked Account shall be pledged to Creditor pursuant to, and shall be subject to the terms and conditions of, a tri-party blocked account agreement in substantially the form attached hereto as *Exhibit 1.1(h)* (the "*Blocked Account Agreement*"), entered into on or prior to the Closing Date by Debtor, Creditor and the Blocked Account Bank. Debtor shall cause all payments of such Sale Price and all other amounts received from Receivables Subsidiary to be paid directly to the Blocked Account and Debtor shall not allow such payments to be sent to any other account or to be paid in any other manner. Creditor agrees that it shall not give a Notice of Direction (as such term is defined in the Blocked Account Agreement) to the Blocked Account Bank unless either (i) a Default or an Event of Default has occurred or (ii) Debtor has failed to reimburse Creditor after demand for all amounts required to be reimbursed by it pursuant to *Section 1.1(b)*.

1.2 *Voluntary Reduction.* Debtor may at any time on at least five (5) days' prior written notice to Creditor, voluntarily and/or permanently reduce (but not terminate) the Commitment; *provided* that (a) any such reductions shall be in a minimum amount of \$5,000,000 and integral multiples of \$1,000,000 in excess of such amount, (b) the Commitment shall not be reduced to an amount below the lesser of (i) \$30,000,000 and (ii) the outstanding balance of the Letter of Credit Exposure. Debtor may at any time on at least ninety (90) days' prior written notice to Creditor terminate the Commitment, *provided* that upon such termination all Obligations shall be immediately due and payable in full. Upon the giving of any required notice of such reduction or termination of the Commitment, Debtor's right to request that Letter of Credit Obligations be incurred by Creditor hereunder shall simultaneously be

4

suspended to the extent of such proposed reduction or termination, as the case may be. Upon any such reduction or termination of the Commitment, Debtor's right to request that Letter of Credit Obligations be incurred by Creditor hereunder shall simultaneously be permanently reduced or terminated, as the case may be.

1.3 *Mandatory Payments or Cash Collateral.* If at any time the sum of the outstanding balance of the Letter of Credit Exposure plus the outstanding balance of the Receivables Advances exceeds the lesser of (a) the Commitment and (b) the Availability, Debtor shall immediately repay the aggregate outstanding Reimbursement Obligations to the extent required to eliminate such excess and if any such excess remains after repayment in full of the aggregate outstanding Reimbursement Obligations, Debtor shall provide cash collateral for the Letter of Credit Obligations in the manner set forth in *Section 1.1(c)* to the extent required to eliminate such excess.

1.4 *Use of Proceeds.* Debtor shall utilize the proceeds of the Letter of Credit solely for the financing of the Credit Parties' ordinary working capital and general corporate needs.

1.5 *Interest and Applicable Margins.* (a) If Debtor fails to pay any Reimbursement Obligation upon demand, Debtor shall be obligated hereunder to pay interest to Creditor on such Reimbursement Obligation from the date it became due until the date of payment thereof at a rate per annum equal to the Index Rate plus 2.50%.

(b) If any payment on any of the Obligations becomes due and payable on a day other than a Business Day, the due date thereof will be extended to the next succeeding Business Day and, with respect to payments of any Reimbursement Obligation interest thereon shall be payable at the then applicable rate during such extension.

(c) All computations of Fees calculated on a per annum basis and interest shall be made by Creditor on the basis of a three hundred and sixty (360) day year, in each case for the actual number of days occurring in the period for which such interest and Fees are payable. The Index Rate shall be determined each day based upon the Index Rate as in effect each day. Each determination by Creditor of an interest rate hereunder shall be conclusive, absent manifest error.

(d) So long as an Event of Default under *Sections 8.1(a), (h) or (i)* shall have occurred and be continuing or so long as any other Default or Event of Default shall have occurred and be continuing, and at the election of Creditor after written notice from Creditor to Debtor, the interest rates applicable to the Reimbursement Obligations and the Letter of Credit Fees may be increased by Creditor by up to two percent (2%) per annum above the rate of interest or the rate of such Fees otherwise applicable hereunder ("*Default Rate*"), and all outstanding Obligations shall bear interest at the Default Rate applicable to such Obligations. Interest and Letter of Credit Fees at the Default Rate shall accrue from the initial date of such Default or Event of Default until that Default or Event of Default is cured or waived and shall be payable upon demand.

(e) Notwithstanding anything to the contrary set forth in this *Section 1.5*, if a court of competent jurisdiction determines in a final order that the rate of interest payable hereunder exceeds the highest rate of interest permissible under law (the "*Maximum Lawful Rate*"), then so long as the Maximum Lawful Rate would be so exceeded, the rate of interest payable hereunder shall be equal to the Maximum Lawful Rate; *provided, however*, that if at any time thereafter the rate of interest payable hereunder is less than the Maximum Lawful Rate, Debtor shall continue to pay interest hereunder at the Maximum Lawful Rate until such time as the total interest received by Creditor is equal to the total interest which would have been received had the interest rate payable hereunder been (but for the operation of this paragraph) the interest rate payable since the Closing Date as otherwise provided in this Agreement. Thereafter, interest hereunder shall be paid at the rate(s) of interest and in the manner provided in *Sections 1.5(a) through (d)* above, unless and until the rate of interest again exceeds the Maximum Lawful Rate, and at that time this paragraph shall again apply. In no event shall

5

the total interest received by Creditor pursuant to the terms hereof exceed the amount which Creditor could lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate. If the Maximum Lawful Rate is calculated pursuant to this paragraph, such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate divided by the number of days in the year in which such calculation is made. If, notwithstanding the provisions of this *Section 1.5(e)*, a court of competent jurisdiction shall finally determine that Creditor has received interest hereunder in excess of the Maximum Lawful Rate, Creditor shall, to the extent permitted by applicable law, promptly apply such excess in the order specified in *Section 1.7* and thereafter shall refund any excess to Debtor or as a court of competent jurisdiction may otherwise order.

1.6 *Receipt of Payments.* Debtor shall make each payment under this Agreement not later than 2:00 p.m. (New York time) on the day when due in immediately available funds in Dollars to the Collection Account. For purposes of computing interest and Fees and determining Availability as of any date, all payments shall be deemed received on the day of receipt of immediately available funds therefor in the Collection Account prior to 2:00 p.m. (New York time). Payments received after 2:00 p.m. (New York time) on any Business Day shall be deemed to have been received on the following Business Day.

1.7 *Application and Allocation of Payments.* (a) As to all payments made on any of the Obligations when a Default or Event of Default shall have occurred and be continuing or following the Commitment Termination Date, Debtor hereby irrevocably waives the right to direct the application of any and all payments received from or on behalf of Debtor, and Debtor hereby irrevocably agrees that Creditor shall have the continuing exclusive right to apply any and all such payments against the Obligations as Creditor may deem advisable notwithstanding any previous entry by Creditor in the Letter of Credit Account or any other books and records. In the absence of a specific determination by Creditor with respect thereto, payments shall be applied to amounts then due and payable in the following order: (1) to Fees and Creditor's expenses reimbursable hereunder; (2) to accrued but unpaid interest on the Reimbursement Obligations; (3) to the outstanding principal balance of the Reimbursement Obligations and to provide cash collateral for Letter of Credit Obligations in the manner described in *Section 1.1(c)*, ratably to the aggregate, combined outstanding principal balance of the Reimbursement Obligations and outstanding Letter of Credit Obligations; and (4) to all other Obligations.

(b) Creditor is authorized to, and at its sole election may, add to the Reimbursement Obligations on behalf of Debtor and cause to be paid all Fees, expenses, Charges, costs (including insurance premiums in accordance with *Section 5.4(a)*) and interest and principal owing by Debtor under this Agreement or any of the other Letter of Credit

Documents if and to the extent Debtor fails to promptly pay any such amounts as and when due. At Creditor's option and to the extent permitted by law, any charges so made shall constitute part of the Reimbursement Obligations hereunder.

1.8 *Letter of Credit Account and Accounting.* Creditor shall maintain a letter of credit account (the "*Letter of Credit Account*") on its books to record: all Letter of Credit Obligations, all Reimbursement Obligations, all payments made by Debtor, and all other debits and credits as provided in this Agreement with respect to the Reimbursement Obligations or any other Obligations. All entries in the Letter of Credit Account shall be made in accordance with Creditor's customary accounting practices as in effect from time to time. The balance in the Letter of Credit Account, as recorded on Creditor's most recent printout or other written statement, shall, absent manifest error, be presumptive evidence of the amounts due and owing to Creditor by Debtor; *provided* that any failure to so record or any error in so recording shall not limit or otherwise affect Debtor's duty to pay the Obligations. Creditor shall render to Debtor a monthly accounting of transactions with respect to the Reimbursement Obligations setting forth the balance of the Letter of Credit Account. Unless Debtor notifies Creditor in writing of any objection to any such accounting (specifically describing the basis for such objection), within thirty (30) days after the date thereof, each and every such accounting shall

6

(absent manifest error) be deemed final, binding and conclusive upon Debtor in all respects as to all matters reflected therein. Only those items expressly objected to in such notice shall be deemed to be disputed by Debtor.

1.9 *Indemnity.* Debtor shall indemnify and hold harmless each of Creditor and its Affiliates, and each such Person's respective officers, directors, employees, attorneys, agents and representatives (each, an "*Indemnified Person*"), from and against any and all suits, actions, proceedings, claims, damages, losses, liabilities and expenses (including reasonable attorneys' fees and disbursements and other costs of investigation or defense, including those incurred upon any appeal) which may be instituted or asserted against or incurred by any such Indemnified Person as the result of credit having been extended, suspended or terminated under this Agreement and the other Letter of Credit Documents and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder and thereunder and any actions or failures to act in connection therewith, including any and all Environmental Liabilities and legal costs and expenses arising out of or incurred in connection with disputes between or among *any parties* to any of the Letter of Credit Documents (collectively, "*Indemnified Liabilities*"); *provided*, that Debtor shall not be liable for any indemnification to an Indemnified Person to the extent that any such suit, action, proceeding, claim, damage, loss, liability or expense results from that Indemnified Person's gross negligence or willful misconduct. NO INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO ANY OTHER PARTY TO ANY LETTER OF CREDIT DOCUMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF CREDIT HAVING BEEN EXTENDED, SUSPENDED OR TERMINATED UNDER ANY LETTER OF CREDIT DOCUMENT OR AS A RESULT OF ANY OTHER TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.

1.10 *Access.* Debtor shall, during normal business hours, from time to time upon five (5) Business Days' prior notice and no more frequently than four times a year unless a Default or Event of Default shall have occurred and be continuing: (a) provide Creditor and any of its officers, employees and agents access to the properties, facilities, advisors and employees (including officers) of each Credit Party and to the Collateral, (b) permit Creditor, and any of its officers, employees and agents, to inspect, audit and make extracts from any Credit Party's books and records, and (c) permit Creditor, and its officers, employees and agents, to inspect, review, evaluate and make test verifications and counts of the Accounts, Inventory and other Collateral of any Credit Party and to perform collateral appraisals and environmental reviews at Creditor's discretion. If a Default or Event of Default shall have occurred and be continuing or if access is necessary to preserve or protect the Collateral as determined by Creditor, Debtor shall cause each such Credit Party to provide such access at all times and without advance notice. Furthermore, so long as any Event of Default shall have occurred and be continuing, Debtor shall provide Creditor with access to the suppliers and customers of each Credit Party. Debtor shall cause each Credit Party to make available to Creditor and its counsel, as quickly as is possible under the circumstances, originals or copies of all books and records which Creditor may request. Debtor shall cause each Credit Party to deliver any document or instrument necessary for Creditor, as it may from time to time request, to obtain records from any service bureau or other Person which maintains records for such Credit Party, and shall maintain duplicate records or supporting documentation on media, including computer tapes and discs owned by such Credit Party.

1.11 *Taxes.* (a) Any and all payments by Debtor hereunder shall be made, in accordance with this *Section 1.11*, free and clear of and without deduction for any and all present or future Taxes. If Debtor shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any other Letter of Credit Document, (i) the sum payable shall be increased as much as shall

7

be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this *Section 1.11*) Creditor receives an amount equal to the sum it would have received had no such deductions been made, (ii) Debtor shall make such deductions, and (iii) Debtor shall pay the full amount deducted to the relevant taxing or other authority in accordance with applicable law. Within thirty (30) days after the date of any payment of Taxes, Debtor shall furnish to Creditor the original or a certified copy of a receipt evidencing payment thereof.

(b) Debtor shall indemnify and, within ten (10) days of demand therefor, pay Creditor for the full amount of Taxes (including any Taxes imposed by any jurisdiction on amounts payable under this *Section 1.11*) paid by Creditor, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted.

1.12 *Capital Adequacy; Increased Costs.* (a) If Creditor shall have determined that the adoption after the date hereof of any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by Creditor with any request or directive regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law), in each case adopted after the Closing Date, from any central bank or other Governmental Authority increases or would have the effect of increasing the amount of capital, reserves or other funds required to be maintained by Creditor and thereby reducing the rate of return on Creditor's capital as a consequence of its obligations hereunder, then Debtor shall from time to time upon demand by Creditor pay to Creditor additional amounts sufficient to compensate Creditor for such reduction. A certificate as to the amount of that reduction and showing the basis of the computation thereof submitted by Creditor to Debtor shall, absent manifest error, be final, conclusive and binding for all purposes.

(b) If, due to either (i) the introduction of or any change in any law or regulation (or any change in the interpretation thereof) or (ii) the compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), in each case adopted after the Closing Date, there shall be any increase in the cost to Creditor of agreeing to incur or incurring any Letter of Credit Obligations, then Debtor shall from time to time, upon demand by Creditor, pay to Creditor additional amounts sufficient to compensate Creditor for such increased cost. A certificate as to the amount of such increased cost, submitted to Debtor by Creditor, shall be conclusive and binding on Debtor for all purposes, absent manifest error. Creditor agrees that, as promptly as practicable after it becomes aware of any circumstances referred to above which would result in any such increased cost, Creditor shall, to the extent not inconsistent with Creditor's internal policies of general application, use reasonable commercial efforts to minimize costs and expenses incurred by it and payable to it by Debtor pursuant to this *Section 1.12(b)*.

1.13 *Single Obligation.* All Reimbursement Obligations and other Obligations of Debtor arising under this Agreement and the other Letter of Credit Documents shall constitute one general obligation of Debtor secured, until the Termination Date, by all of the Collateral.

8

2. CONDITIONS PRECEDENT

2.1 *Conditions to the Initial Letter of Credit Obligations.* Creditor shall not be obligated to incur any Letter of Credit Obligations on the Closing Date, or to take, fulfill, or perform any other action hereunder, until the following conditions have been satisfied or provided for in a manner satisfactory to Creditor, in Creditor's sole discretion, or waived in writing by Creditor:

(a) *Credit Agreement; Letter of Credit Documents.* This Agreement or counterparts hereof shall have been duly executed by, and delivered to, Debtor and Creditor; and Creditor shall have received such documents, instruments, agreements and legal opinions as Creditor shall reasonably request in connection with the transactions contemplated by this Agreement and the other Letter of Credit Documents, including all those listed in *Annex B* to this Agreement, each in form and substance satisfactory to Creditor.

(b) *Repayment of Prior Creditor Obligations; Satisfaction of Outstanding L/C's.* (i) Creditor shall have received a fully executed original of a pay-off letter satisfactory to Creditor confirming that all of the Prior Creditor Obligations will be repaid in full on the Closing Date and all Liens upon any of the property of Debtor or any of its Subsidiaries in favor of Prior Creditor shall be terminated by Prior Creditor immediately upon such payment; and (ii) all letters of credit issued or guaranteed by Prior Creditor shall have been cash collateralized, supported by a guaranty of Creditor or supported by a Letter of Credit issued pursuant to this Agreement, as mutually agreed upon by Creditor, Debtor and Prior Creditor.

(c) *Approvals.* Creditor shall have received (i) satisfactory evidence that the Credit Parties have obtained all required consents and approvals of all Persons including all requisite Governmental Authorities, to the execution, delivery and performance of this Agreement and the other Letter of Credit Documents and the consummation of the Related Transactions or (ii) an officer's certificate in form and substance satisfactory to Creditor affirming that no such consents or approvals are required.

(d) *Excess Liquidity.* After giving effect to the initial Receivables Advance, the incurrence of any initial Letter of Credit Obligations and the consummation of the Related Transactions (on a pro forma basis, with the Credit Parties' trade payables being paid currently, and expenses and liabilities being paid in the ordinary course of business and without acceleration of sales) Debtor shall have Excess Liquidity of at least \$25,000,000.

(e) *Capital Structure; Other Indebtedness.* The capital structure of each Credit Party and the terms and conditions of all Indebtedness of each Credit Party shall be acceptable to Creditor in its sole discretion.

(f) *Consummation of Receivables Funding Agreement.* Creditor shall have received fully executed counterparts of the Receivables Funding Documents, each of which shall be in form and substance satisfactory to Creditor, and all conditions precedent to the making of the initial Receivables Advances thereunder shall have been fulfilled (other than the effectiveness of this Agreement).

2.2 *Further Conditions to Each Letter of Credit Obligation.* Creditor shall not be obligated to incur any Letter of Credit Obligation, if, as of the date thereof:

(a) Any representation or warranty by any Credit Party contained herein or in any of the other Letter of Credit Documents shall be untrue or incorrect as of such date, except to the extent that such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted or expressly contemplated by this Agreement; or

(b) Any event or circumstance having a Material Adverse Effect shall have occurred since the date hereof; or

9

(c) Any Default or Event of Default shall have occurred and be continuing or would result after giving effect to the incurrence of such Letter of Credit Obligations; or

(d) After giving effect to the incurrence of such Letter of Credit Obligation, the sum of the Letter of Credit Exposure plus the outstanding principal balance of the Receivables Advances would exceed the lesser of the Availability and the Commitment; or

(e) Debtor has not executed and delivered to Creditor an application for Letter of Credit with respect to such requested Letter of Credit in substantially the form attached hereto as *Exhibit 2.2*; or

(f) After giving effect to the incurrence of such Letter of Credit Obligation, Debtor must (i) have at least \$25,000,000 of Excess Liquidity for the sixty (60) consecutive days immediately prior to the date of the incurrence of such Letter of Credit Obligation, and (ii) provide Creditor with a sixty (60) day projection of Excess Liquidity showing at least \$25,000,000 of Excess Liquidity for the sixty (60) days immediately following the date of the incurrence of such Letter of Credit Obligation.

The request or the incurrence of any Letter of Credit Obligations shall be deemed to constitute, as of the date of such request or incurrence, (i) a representation and warranty by Debtor that the conditions in this *Section 2.2* have been satisfied and (ii) a reaffirmation by Debtor of the granting and continuance of Creditor's Liens pursuant to the Collateral Documents.

3. REPRESENTATIONS AND WARRANTIES

To induce Creditor to incur Letter of Credit Obligations, Debtor makes the following representations and warranties to Creditor with respect to all Credit Parties, each and all of which shall survive the execution and delivery of this Agreement:

3.1 *Corporate Existence; Compliance with Law.* Each Credit Party (a) is a corporation, limited liability company or a limited partnership duly formed, validly existing and in good standing under the laws of its jurisdiction of formation; (b) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not result in exposure to losses, damages or liabilities in excess of \$50,000; (c) has the requisite corporate, company or partnership power and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease and to conduct its business as now, heretofore and proposed to be conducted; (d) subject to specific representations regarding Environmental Laws, has all licenses, permits, consents or approvals from or by, and has made all filings with, and has given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct; (e) is in compliance with its charter and by-laws; and (f) subject to specific representations set forth herein regarding ERISA, Environmental Laws, tax and other laws, is in compliance with all applicable provisions of law, except where the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

3.2 *Executive Offices; FEIN.* As of the Closing Date, the current location of each Credit Party's chief executive office and principal place of business is set forth in the disclosure schedules attached to the Security Agreement, and none of such locations have changed within the twelve (12) months preceding the Closing Date. In addition, the disclosure schedules attached to the Security Agreement list the federal employer identification number of each Credit Party.

3.3 *Power, Authorization, Enforceable Obligations.* The execution, delivery and performance by each Credit Party of the Letter of Credit Documents to which it is a party and the creation of all Liens provided for therein: (a) are within such Person's corporate, company or partnership power; (b) have been duly authorized by all necessary or proper corporate, company, partnership, shareholder or membership action, as applicable; (c) do not contravene any provision of such Person's charter, bylaws

or other constitutive documents; (d) do not violate any law or regulation, or any order or decree of any court or Governmental Authority; (e) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Person is a party or by which such Person or any of its property is bound; (f) do not result in the creation or imposition of any Lien upon any of the property of such Person other than those in favor of Creditor pursuant to the Letter of Credit Documents; and (g) do not require the consent or approval of any Governmental Authority or any other Person, except those referred to in *Section 2.1(c)*, all of which will have been duly obtained, made or complied with prior to the Closing Date. On or prior to the Closing Date, each of the Letter of Credit Documents shall have been duly executed and delivered by each Credit Party thereto and each such Letter of Credit Document shall then constitute a legal, valid and binding obligation of such Credit Party enforceable against it in accordance with its terms.

3.4 Financial Statements. All Financial Statements concerning Debtor and its Subsidiaries which have been delivered to Creditor have been prepared in accordance with GAAP consistently applied throughout the periods covered (except as disclosed therein and except, with respect to unaudited Financial Statements, for the absence of footnotes and normal year-end audit adjustments) and present fairly in all material respects the financial position of the Persons covered thereby as at the dates thereof and the results of their operations and cash flows for the periods then ended.

3.5 Material Adverse Effect. Between December 31, 1999 and the Closing Date, (a) no Credit Party has incurred any obligations, contingent or non-contingent liabilities, liabilities for Charges, long-term leases or unusual forward or long-term commitments which, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (b) no contract, lease or other agreement or instrument has been entered into by any Credit Party or has become binding upon any Credit Party's assets and no law or regulation applicable to any Credit Party has been adopted which has had or could reasonably be expected to have a Material Adverse Effect, and (c) no Credit Party is in default and to the best of Debtor's knowledge no third party is in default under any material contract, lease or other agreement or instrument, which alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Between December 31, 1999 and the Closing Date no event has occurred, which alone or together with other events, could reasonably be expected to have a Material Adverse Effect.

3.6 Ownership of Property; Liens. Each Credit Party also has good and marketable title to, or valid leasehold interests in, all of its properties and assets. As of the Closing Date, none of the properties and assets of any Credit Party are subject to any Liens other than Permitted Encumbrances, and there are no facts, circumstances or conditions known to any Credit Party that may result in any Liens (including Liens arising under Environmental Laws) other than Permitted Encumbrances.

3.7 Labor Matters. As of the Closing Date (a) no strikes or other material labor disputes against any Credit Party are pending or, to any Credit Party's knowledge, threatened; (b) hours worked by and payment made to employees of each Credit Party comply with the Fair Labor Standards Act and each other federal, state, local or foreign law applicable to such matter; (c) all payments due from any Credit Party for employee health and welfare insurance have been paid or accrued as a liability on the books of such Credit Party; (d) except as set forth in *Disclosure Schedule (3.7)*, no Credit Party is a party to or bound by any collective bargaining agreement, management agreement, consulting agreement or any employment agreement which requires any Credit Party to make payments thereunder in excess of \$100,000 during any period of twelve consecutive months; (e) there is no organizing activity involving any Credit Party pending or, to any Credit Party's knowledge, threatened by any labor union or group of employees; (f) there are no representation proceedings pending or, to any Credit Party's knowledge, threatened with the National Labor Relations Board, and no labor organization or group of employees of any Credit Party has made a pending demand for recognition; and (g) except as set forth in *Disclosure Schedule (3.7)*, there are no complaints or charges against any

Credit Party pending or, to the knowledge of any Credit Party, threatened to be filed with any Governmental Authority or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment or termination of employment by any Credit Party of any individual which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

3.8 Ventures, Subsidiaries and Affiliates; Outstanding Stock and Indebtedness. Except as set forth in *Disclosure Schedule (3.8)*, no Credit Party has any Subsidiaries, is engaged in any joint venture or partnership with any other Person, or is an Affiliate of any other Person. All of the issued and outstanding Stock of each Credit Party is owned by each of the stockholders and in the amounts set forth on *Disclosure Schedule (3.8)*. There are no outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which any Credit Party may be required to issue, sell, repurchase or redeem any of its Stock or other equity securities or any Stock or other equity securities of its Subsidiaries. All outstanding Indebtedness of each Credit Party (other than the Obligations, the Receivables Advances and the Prior Creditor Obligations) as of the Closing Date is described in *Section 6.3* (including *Disclosure Schedule (6.3)*).

3.9 Government Regulation. No Credit Party is an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940 as amended. No Credit Party is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, or any other federal or state statute that restricts or limits its ability to incur Indebtedness or to perform its obligations hereunder. The making of the Reimbursement Obligations by Creditor to Debtor, the incurrence of the Letter of Credit Obligations on behalf of Debtor, the application of the proceeds thereof and repayment thereof and the consummation of the Related Transactions will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

3.10 Margin Regulations. No Credit Party is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin security" as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "*Margin Stock*"). No Credit Party owns any Margin Stock, and none of the proceeds of the Reimbursement Obligations or other extensions of credit under this Agreement will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase or carry any Margin Stock or for any other purpose which might cause any of the Reimbursement Obligations or other extensions of credit under this Agreement to be considered a "purpose credit" within the meaning of Regulation T, U or X of the Federal Reserve Board. No Credit Party will take or permit to be taken any action which might cause any Letter of Credit Document to violate any regulation of the Federal Reserve Board.

3.11 Taxes. All tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by any Credit Party have been filed with the appropriate Governmental Authority and all Charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof (or any such fine, penalty, interest, late charge or loss has been paid), excluding Charges or other amounts being contested in accordance with *Section 5.2(b)*. Proper and accurate amounts have been withheld by each Credit Party from its respective employees for all periods in full and complete compliance with all applicable federal, state, local and foreign law and such with Debtor have been timely paid to the respective Governmental Authorities. *Disclosure Schedule (3.11)* sets forth as of the Closing Date those taxable years for which any Credit Party's tax returns are currently being audited by the IRS or any other applicable Governmental Authority and any assessments or threatened assessments in connection with such audit, or otherwise currently outstanding. Except as described on *Disclosure Schedule (3.11)*, no Credit Party has executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of

any Charges. None of the Credit Parties and their respective predecessors are liable for any Charges: (a) under any agreement (including any tax sharing agreements) or (b) to each Credit Party's knowledge, as a transferee. As of the Closing Date, no Credit Party has agreed or been requested to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, which would have a Material Adverse Effect.

3.12 *ERISA*. (a) *Disclosure Schedule (3.12)* lists and separately identifies all Title IV Plans, Multiemployer Plans, ESOPs and Retiree Welfare Plans. Copies of all such listed Plans, together with a copy of the latest form 5500 for each such Plan, have been delivered to Creditor. Except with respect to Multiemployer Plans, each Qualified Plan has been determined by the IRS to qualify under Section 401 of the IRC, and the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the IRC, and nothing has occurred which would cause the loss of such qualification or tax-exempt status. Each Plan is in compliance with the applicable provisions of ERISA and the IRC, including the filing of reports required under the IRC or ERISA. No Credit Party or ERISA Affiliate has failed to make any contribution or pay any amount due as required by either Section 412 of the IRC or Section 302 of ERISA or the terms of any such Plan. No Credit Party or ERISA Affiliate has engaged in a prohibited transaction, as defined in Section 4975 of the IRC, in connection with any Plan, which would subject any Credit Party to a material tax on prohibited transactions imposed by Section 4975 of the IRC.

(b) Except as set forth in *Disclosure Schedule (3.12)*: (i) no Title IV Plan has any Unfunded Pension Liability; (ii) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (iii) there are no pending, or to the knowledge of any Credit Party, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (iv) no Credit Party or ERISA Affiliate has incurred or reasonably expects to incur any liability as a result of a complete or partial withdrawal from a Multiemployer Plan; (v) within the last five years no Title IV Plan with Unfunded Pension Liabilities has been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of any Credit Party or ERISA Affiliate; and (vi) no liability under any Title IV Plan has been satisfied with the purchase of a contract from an insurance company that is not rated AAA by the Standard & Poor's Corporation or the equivalent by another nationally recognized rating agency.

3.13 *No Litigation*. No action, claim, lawsuit, demand, investigation or proceeding is now pending or, to the knowledge of any Credit Party, threatened against any Credit Party, before any Governmental Authority or before any arbitrator or panel of arbitrators (collectively, "*Litigation*"), (a) which challenges any Credit Party's right or power to enter into or perform any of its obligations under the Letter of Credit Documents to which it is a party, or the validity or enforceability of any Letter of Credit Document or any action taken thereunder, or (b) which has a reasonable risk of being determined adversely to any Credit Party and which, if so determined, could have a Material Adverse Effect. Except as set forth on *Disclosure Schedule (3.13)*, as of the Closing Date there is no *Litigation* pending or threatened which seeks damages in excess of \$500,000 or injunctive relief or alleges criminal misconduct of any Credit Party.

3.14 *Brokers*. No broker or finder acting on behalf of any Credit Party brought about the obtaining, making or closing of the Reimbursement Obligations or the Related Transactions, and no Credit Party has any obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

3.15 *Intellectual Property*. As of the Closing Date, each Credit Party owns or has rights to use all Intellectual Property necessary to continue to conduct its business as now or heretofore conducted by it or proposed to be conducted by it, and each Patent, Trademark, Copyright and License is listed, together with application or registration numbers, as applicable, in the disclosure schedules attached to

13

the Security Agreement. Each Credit Party conducts its business and affairs without infringement of or interference with any Intellectual Property of any other Person.

3.16 *Full Disclosure*. No information contained in this Agreement, any of the other Letter of Credit Documents, any Financial Statements or Collateral Reports or other reports from time to time delivered hereunder or any written statement furnished by or on behalf of any Credit Party to Creditor pursuant to the terms of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made. The Liens in the Collateral (other than Receivables Assets) granted to Creditor pursuant to the Collateral Documents will at all times be fully perfected first priority Liens in and to such Collateral described therein, subject, as to priority, only to Permitted Encumbrances. The Liens in the Receivables Assets granted to Creditor pursuant to the Collateral Documents will at all times be fully perfected Liens in such Collateral subject only to the prior Liens of the Receivables Subsidiary, the Receivables Administrative Agent, the Receivables Lenders and/or the Receivables Collateral Agent in accordance with the terms of the Intercreditor Agreement

3.17 *Environmental Matters*. Except as set forth in *Disclosure Schedule (3.17)*, as of the Closing Date: (i) the Credit Parties are and have been in compliance with all Environmental Laws, except for such noncompliance which would not result in Environmental Liabilities which could reasonably be expected to exceed \$500,000; (ii) the Credit Parties have obtained, and are in compliance with, all Environmental Permits required by Environmental Laws for the operations of their respective businesses as presently conducted or as proposed to be conducted, except where the failure to so obtain or comply with such Environmental Permits would not result in Environmental Liabilities which could reasonably be expected to exceed \$500,000, and all such Environmental Permits are valid, uncontested and in good standing; (iii) no Credit Party is involved in operations or knows of any facts, circumstances or conditions, including any Releases of Hazardous Materials, that are likely to result in any Environmental Liabilities of such Credit Party which could reasonably be expected to exceed \$500,000, and no Credit Party has permitted any current or former tenant or occupant of the Real Estate to engage in any such operations; (iv) there is no *Litigation* arising under or related to any Environmental Laws, Environmental Permits or Hazardous Material which seeks damages, penalties, fines, costs or expenses in excess of \$500,000 or injunctive relief, or which alleges criminal misconduct by any Credit Party; and (v) no notice has been received by any Credit Party identifying it as a "potentially responsible party" or requesting information under CERCLA or analogous state statutes, and to the knowledge of the Credit Parties, there are no facts, circumstances or conditions that may result in any Credit Party being identified as a "potentially responsible party" under CERCLA or analogous state statutes.

3.18 *Insurance*. *Disclosure Schedule (3.18)* lists all insurance policies of any nature maintained, as of the Closing Date, for current occurrences by each Credit Party, as well as a summary of the terms of each such policy.

3.19 *Deposit Accounts*. *Disclosure Schedule (3.19)* lists all banks and other financial institutions at which any Credit Party maintains deposits and/or other accounts as of the Closing Date and such Schedule correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number.

3.20 *Solvency*. Both before and after giving effect to (a) the Letter of Credit Obligations to be incurred on the Closing Date or such other date as any of the Letter of Credit Obligations requested hereunder are incurred, (b) the consummation of the Receivables Funding Documents, and (c) payment and accrual of all transaction costs in connection with the foregoing, each Credit Party is Solvent.

14

4.1 *Reports and Notices.* (a) Debtor hereby agrees that, from and after the Closing Date and until the Termination Date, it shall deliver (or cause to be delivered) to Creditor copies of all of the financial statements, notices and other documents and information (including without limitation Borrowing Base Certificates) that it, the Servicer or the Receivables Subsidiary is required to deliver to the Receivables Lenders or the Receivables Administrative Agent pursuant to *Section 5.02(b), Annex 5.02(a), and Annex 7.08* to the Receivables Funding Agreement as in effect on the date hereof, in each case, at the same times and in the same manner set forth in *Section 5.02(b), Annex 5.02(a)*, and *Annex 7.08* to the Receivables Funding Agreement as in effect on the date hereof. Creditor hereby acknowledges and agrees that, if and for so long as Creditor is also the Receivables Administrative Agent, the delivery of any of the above financial statements, notices, documents or information to it in its capacity as the Receivables Administrative Agent shall be deemed to satisfy the requirements of this *Section 4.1*.

4.2 *Communication with Accountants.* Debtor authorizes Creditor to communicate directly with its independent certified public accountants including Arthur Andersen LLP, and authorizes and shall instruct those accountants and advisors to disclose and make available to Creditor any and all Financial Statements and other supporting financial documents, schedules and information relating to any Credit Party (including copies of any issued management letters) with respect to the business, financial condition and other affairs of any Credit Party.

5. AFFIRMATIVE COVENANTS

Debtor agrees as to all Credit Parties that from and after the date hereof and until the Termination Date:

5.1 *Maintenance of Existence and Conduct of Business.* Each Credit Party shall: do or cause to be done all things necessary to preserve and keep in full force and effect its corporate, company or limited partnership existence as applicable, and its rights and franchises; continue to conduct its business substantially as now conducted or as otherwise permitted hereunder; at all times maintain, preserve and protect all of its assets and properties used or useful in the conduct of its business, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices; and transact business only in such corporate and trade names as are set forth in the disclosure schedules to the Security Agreement.

5.2 *Payment of Obligations.* (a) Subject to *Section 5.2(b)*, each Credit Party shall pay and discharge or cause to be paid and discharged promptly all Charges payable by it, including (A) Charges imposed upon it, its income and profits, or any of its property (real, personal or mixed) and all Charges with respect to tax, social security and unemployment withholding with respect to its employees, and (B) lawful claims for labor, materials, supplies and services or otherwise, before any thereof shall become past due.

(b) Each Credit Party may in good faith contest, by appropriate proceedings, the validity or amount of any Charges described in *Section 5.2(a)*; *provided*, (i) adequate reserves with respect to such contest are maintained on the books of such Credit Party, in accordance with GAAP, (ii) no Lien shall be imposed to secure payment of such Charges that is superior to any of the Liens securing the Obligations and such contest is maintained and prosecuted continuously and with diligence and operates to suspend collection or enforcement of such Charges; (iii) none of the Collateral becomes subject to forfeiture or loss as a result of such contest, (iv) such Credit Party shall promptly pay or discharge such contested Charges or claims and all additional charges, interest, penalties and expenses, if any, and shall deliver to Creditor evidence acceptable to Creditor of such compliance, payment or discharge, if such contest is terminated or discontinued adversely to such Credit Party or the conditions

15

set forth in this *Section 5.2(b)* are no longer met, and (v) Creditor has not advised Debtor in writing that Creditor reasonably believes that nonpayment or nondischarge thereof could have or result in a Material Adverse Effect.

5.3 *Books and Records.* Each Credit Party shall keep adequate books and records with respect to its business activities in which proper entries, reflecting all financial transactions, are made in accordance with GAAP and on a basis consistent with the Financial Statements.

5.4 *Insurance; Damage to or Destruction of Collateral.* (a) The Credit Parties shall, at their sole cost and expense, maintain the policies of insurance described on *Disclosure Schedule (3.18)* as in effect on the date hereof or otherwise in form and amounts and with insurers acceptable to Creditor. If any Credit Party at any time or times hereafter shall fail to obtain or maintain any of the policies of insurance required above or to pay all premiums relating thereto, Creditor may at any time or times thereafter obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto which Creditor deems advisable. Creditor shall have no obligation to obtain insurance for any Credit Party or pay any premiums therefor. By doing so, Creditor shall not be deemed to have waived any Default or Event of Default arising from any Credit Party's failure to maintain such insurance or pay any premiums therefor. All sums so disbursed, including attorneys' fees, court costs and other charges related thereto, shall be payable on demand by Debtor to Creditor and shall be additional Obligations hereunder secured by the Collateral.

(b) Creditor reserves the right at any time upon any change in any Credit Party's risk profile (including any change in the product mix maintained by any Credit Party or any laws affecting the potential liability of such Credit Party) to require additional forms and limits of insurance to, in Creditor's opinion, adequately protect both Creditor's interests in all or any portion of the Collateral and to ensure that each Credit Party is protected by insurance in amounts and with coverage customary for its industry. If requested by Creditor, each Credit Party shall deliver to Creditor from time to time a report of a reputable insurance broker, satisfactory to Creditor, with respect to its insurance policies.

(c) Each Credit Party shall deliver to Creditor, in form and substance satisfactory to Creditor, endorsements to (i) all "All Risk" and business interruption insurance naming Creditor as loss payee, and (ii) all general liability and other liability policies naming Creditor as additional insured. Each Credit Party irrevocably makes, constitutes and appoints Creditor (and all officers, employees or agents designated by Creditor), so long as any Default or Event of Default shall have occurred and be continuing or the anticipated insurance proceeds exceed \$250,000, as such Credit Party's true and lawful agent and attorney-in-fact for the purpose of making, settling and adjusting claims under such "All Risk" policies of insurance, endorsing the name of such Credit Party on any check or other item of payment for the proceeds of such "All Risk" policies of insurance and for making all determinations and decisions with respect to such "All Risk" policies of insurance. Creditor shall have no duty to exercise any rights or powers granted to it pursuant to the foregoing power-of-attorney. Debtor shall promptly notify Creditor of any loss, damage, or destruction to the Collateral in the amount of \$250,000 or more, whether or not covered by insurance. After deducting from such proceeds the expenses, if any, incurred by Creditor in the collection or handling thereof, Creditor may, if any Event of Default is then in existence, apply such proceeds to the reduction of the outstanding principal balance of the Reimbursement Obligations and, if no Reimbursement Obligations are then outstanding, to be held as cash collateral pursuant to *Section 1.1(c)* hereof. If no Event of Default is then in existence, Creditor shall permit such Credit Party to use such money, or any part thereof, to replace, repair, restore or rebuild the Collateral in a diligent and expeditious manner with materials and workmanship of substantially the same quality as existed before the loss, damage or destruction.

5.5 *Compliance with Laws.* Each Credit Party shall comply with all federal, state, local, and foreign laws and regulations applicable to it, including those relating to licensing, ERISA and labor matters and Environmental Laws and Environmental Permits, except to the extent that the failure to

16

comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.6 *Supplemental Disclosure.* From time to time as may be requested by Creditor (which request will not be made more frequently than once each year absent the

occurrence and continuance of a Default or an Event of Default), the Credit Parties shall supplement each disclosure schedule attached hereto or attached to the Security Agreement, or any representation herein or in any other Letter of Credit Document, with respect to any matter hereafter arising which, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in such disclosure schedule or as an exception to such representation or which is necessary to correct any information in such disclosure schedule or representation which has been rendered inaccurate thereby (and, in the case of any supplements to any disclosure schedule, such disclosure schedule shall be appropriately marked to show the changes made therein); *provided* that (a) no such supplement to any such disclosure schedule or representation shall be or be deemed a waiver of any Default or Event of Default resulting from the matters disclosed therein, except as consented to by Creditor in writing; and (b) no supplement shall be required as to representations and warranties that relate solely to the Closing Date.

5.7 *Intellectual Property.* Each Credit Party will conduct its business and affairs without infringement of or interference with any Intellectual Property of any other Person in any material respect.

5.8 *Environmental Matters.* Each Credit Party shall and shall cause each Person within its control to: (a) conduct its operations and keep and maintain its Real Estate in compliance with all Environmental Laws and Environmental Permits other than noncompliance which could not reasonably be expected to have a Material Adverse Effect; (b) notify Creditor promptly after such Credit Party becomes aware of any violation of Environmental Laws or Environmental Permits or any Release on, at, in, under, above, to, from or about any Real Estate which is reasonably likely to result in Environmental Liabilities in excess of \$100,000; and (c) promptly forward to Creditor a copy of any order, notice, request for information or any communication or report received by such Credit Party in connection with any such violation or Release or any other matter relating to any Environmental Laws or Environmental Permits that could reasonably be expected to result in Environmental Liabilities in excess of \$100,000, in each case whether or not the Environmental Protection Agency or any Governmental Authority has taken or threatened any action in connection with any such violation, Release or other matter.

5.9 *Further Assurances.* Each Credit Party executing this Agreement agrees that it shall and shall cause each other Credit Party to, at such Credit Party's expense and upon request of Creditor, duly execute and deliver, or cause to be duly executed and delivered, to Creditor such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of Creditor to carry out more effectively the provisions and purposes of this Agreement or any other Letter of Credit Document.

5.10 *Additional Subsidiary Guarantors.* Promptly (and in any event within five (5) Business Days) after the creation or acquisition of any Subsidiary of Debtor (other than the Receivables Subsidiary), Debtor shall cause to be executed and delivered, (i) by such new Subsidiary, a supplement to the Subsidiary Guaranty in substantially the form of *Schedule 1* to the Subsidiary Guaranty, (ii) by such new Subsidiary, an Acknowledgement to the Security Agreement in substantially the form of *Exhibit B* to the Security Agreement, (iii) by Debtor, a Pledge Amendment in substantially the form attached to the Pledge Agreement, together with any certificates evidencing such pledged stock or interests, and (iv) such other related documents (including closing certificates and legal opinions) as Creditor may reasonably request, all in form and substance reasonably satisfactory to Creditor.

17

6. NEGATIVE COVENANTS

Debtor agrees as to all Credit Parties that, without the prior written consent of Creditor, from and after the date hereof until the Termination Date:

6.1 *Mergers, Subsidiaries, Etc.* No Credit Party shall directly or indirectly, by operation of law or otherwise, (a) form or acquire any Subsidiary, or (b) merge with, consolidate with, acquire all or substantially all of the assets or capital stock of, or otherwise combine with or acquire, any Person; provided that the provisions of this *Section 6.1* shall not prohibit (i) the formation of the Receivables Subsidiary, (ii) the merger, consolidation or other combination of any Subsidiary of Debtor (other than the Receivables Subsidiary, the Existing Foreign Subsidiaries, LR Assurance and Workers' Assurance) with Debtor or any other Subsidiary of Debtor (other than the Receivables Subsidiary, the Existing Foreign Subsidiaries, LR Assurance and Workers' Assurance) or the sale of all or substantially all of the assets or capital stock of any Subsidiary of Debtor (other than the Receivables Subsidiary) to Debtor or any other Subsidiary of Debtor (other than the Receivables Subsidiary, the Existing Foreign Subsidiaries, LR Assurance and Workers' Assurance), or (iii) the sale or contribution of the Credit Parties' Receivables Assets pursuant to the Receivables Sale Agreements.

Notwithstanding the foregoing, Debtor, may acquire all or substantially all of the assets or capital Stock of any Person (the "Target") (in each case, a "Permitted Acquisition") subject to the satisfaction of each of the following conditions:

- (i) the Creditor shall have received at least 30 days' prior written notice of the proposed Permitted Acquisition;
- (ii) the Permitted Acquisition shall only involve those assets of a business of the type engaged by the Debtor,
- (iii) the Permitted Acquisition shall be consensual and approved by the Target's Board of Directors;
- (iv) the acquisition price payable in connection with such Permitted Acquisitions, together with the aggregate acquisition price paid in connection with all other Permitted Acquisitions consummated during the Fiscal Year, shall not exceed \$15,000,000;
- (v) the business and assets acquired in such Permitted Acquisitions shall be free and clear of all Liens;
- (vi) the Debtor shall be the surviving entity;
- (vii) the Creditor shall have received a proforma balance sheet and income statement and cash flow statement of the Debtor and its Subsidiaries ("Acquisition ProForma") based on the most recent financial statements which shall be complete and shall fairly present the financial condition of the Debtor and its Subsidiaries taking into account such Permitted Acquisition, and such Acquisition ProForma shall reflect that (A) the average aggregate daily Excess Liquidity for the 60 day period preceding the consummation of such Permitted Acquisition would have exceeded \$25,000,000 on a proforma basis and (B) after giving effect to such acquisition, Debtor would have been in compliance with the required financial covenants for the four quarter period reflected in the compliance certificate most recently delivered to Creditor prior to the consummation of the proposed acquisition,
- (viii) the Creditor shall have received a balance sheet and income statement and cash flow statement projections of the Debtor and its Subsidiaries ("Acquisition Projections"), which shall reflect that such average aggregate daily Excess Liquidity, after giving effect to payment of accounts payable (including those assumed in connection with such Permitted Acquisition)

18

consistent with past practices, of at least \$25,000,000 shall continue for at least 60 days after the consummation of such Permitted Acquisition;

- (ix) no additional indebtedness, guaranteed indebtedness, contingent obligations or other liabilities shall be incurred, assumed or otherwise be reflected on a

consolidated balance sheet of such Debtor and Target after giving effect to such Permitted Acquisition, except (A) ordinary course trade payables and accrued expenses (to the extent of current assets being acquired of the Target) and (B) unsecured indebtedness of the Target (to the extent no Default or Event of Default shall have occurred and be continuing or would result after giving effect to such Permitted Acquisition); provided, however, that; unsecured indebtedness, contingent obligations (excluding "earn-outs" from future earnings of the acquired entity) and other liabilities may be assumed in the acquisition or retained by the Target after giving effect to the acquisition if the aggregate amount of such unsecured indebtedness, contingent obligations or other liabilities does not exceed 30% of the total acquisition price of the Permitted Acquisition;

(x) the Target shall not have incurred a loss for the trailing twelve-month period preceding the date of the Permitted Acquisition, as determined based upon the Target's Financial Statements (computed on a pro forma basis excluding Target's private ownership expenses to the extent such expenses will not be continuing after giving effect to the Acquisition), and shall not be projected to have a loss during the twelve-month period following the date of the Permitted Acquisition, based on reasonable projections with respect to the Target contained in the Acquisition Projections;

(xi) the Creditor shall have received a copy of the acquisition agreement; and

(xii) at the time of such Permitted Acquisition, no Default or Event of Default shall have occurred and be continuing.

6.2 Investments; Reimbursement Obligations and Advances. Except as otherwise expressly permitted by this Section 6.2, no Credit Party shall make or permit to exist any investment in, or make, accrue or permit to exist loans or advances of money to, any Person, through the direct or indirect lending of money, holding of securities or otherwise, except that (a) each Credit Party may hold investments comprised of notes payable, or stock or other securities issued by Account Debtors to Credit Party pursuant to negotiated agreements with respect to settlement of such Account Debtor's Accounts in the ordinary course of business, so long as the aggregate amount of such Accounts so settled by Credit Party does not exceed \$100,000; (b) each Credit Party may maintain its existing investments in its Subsidiaries as of the Closing Date, and so long as no Default or Event of Default shall have occurred and be continuing, Debtor may make additional investments in its Subsidiaries after the Closing Date in an amount not to exceed \$500,000 during any Fiscal Year; and (c) so long as no Default or Event of Default shall have occurred and be continuing Debtor may make other investments, in (i) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency thereof maturing within one year from the date of acquisition thereof, (ii) commercial paper maturing no more than one year from the date of creation thereof and currently having the highest rating obtainable from either Standard & Poor's Rating Group or Moody's Investors Service, Inc., (iii) certificates of deposit, maturing no more than one year from the date of creation thereof, issued by commercial banks incorporated under the laws of the United States of America, each having combined capital, surplus and undivided profits of not less than \$300,000,000 and having a senior unsecured rating of "A" or better by a nationally recognized rating agency (an "A Rated Bank"), (iv) time deposits, maturing no more than 30 days from the date of creation thereof with A Rated Banks and (v) mutual funds that invest solely in one or more of the investments described in clauses (i) through (iv) above; and (d) Debtor may make capital contributions to Receivables Subsidiary and Receivables Subsidiary may make advances and loans to Debtor, in each case in accordance with the Receivables Funding Documents.

19

6.3 Indebtedness. No Credit Party shall create, incur, assume or permit to exist any Indebtedness, except (without duplication) (i) Indebtedness secured by purchase money security interests and Capital Leases permitted in clause (c) of Section 6.7, (ii) the Reimbursement Obligations and the other Obligations, (iii) unfunded pension fund and other employee benefit plan obligations and liabilities to the extent they are permitted to remain unfunded under applicable law, (iv) existing Indebtedness described in Disclosure Schedule (6.3) and refinancings thereof or amendments or modifications thereof which do not have the effect of increasing the principal amount thereof or changing the amortization thereof (other than to extend the same) and which are otherwise on terms and conditions no less favorable to any Credit Party or Creditor, as determined by Creditor, than the terms of the Indebtedness being refinanced, amended or modified, and (v) Indebtedness owing under the Receivables Funding Documents.

6.4 Employee Reimbursement Obligations and Affiliate Transactions. Except as otherwise expressly permitted in this Section 6.4 with respect to Affiliates, no Credit Party shall enter into or be a party to any transaction with any other Credit Party or any Affiliate thereof except for transactions (i) in the ordinary course of and pursuant to the reasonable requirements of such Credit Party's business and upon fair and reasonable terms that are no less favorable to such Credit Party than would be obtained in a comparable arm's length transaction with a Person not an Affiliate of such Credit Party, or (ii) pursuant to and in accordance with the terms of the Receivables Funding Documents.

6.5 Capital Structure and Business. No Credit Party shall (a) make any changes in any of its business objectives, purposes or operations which could in any way adversely affect the repayment of the Reimbursement Obligations or any of the other Obligations or could reasonably be expected to have or result in a Material Adverse Effect, (b) make any change in its capital structure as described on Disclosure Schedule (3.8), including the issuance of any shares of Stock, warrants or other securities convertible into Stock or any revision of the terms of its outstanding Stock, or (c) amend its charter or bylaws in a manner which would adversely affect Creditor or such Credit Party's duty or ability to repay the Obligations. No Credit Party shall engage in any business other than the businesses currently engaged in by it or businesses reasonably related thereto.

6.6 Guaranteed Indebtedness. No Credit Party shall create, incur, assume or permit to exist any Guaranteed Indebtedness except (a) for the Obligations, (b) by endorsement of instruments or items of payment for deposit to the general account of any Credit Party, (c) any Guaranteed Indebtedness under the Receivables Funding Documents, and (d) for Guaranteed Indebtedness incurred for the benefit of any other Credit Party if the primary obligation is expressly permitted by this Agreement.

6.7 Liens. No Credit Party shall create, incur, assume or permit to exist Lien on or with respect to its Accounts or any of its other properties or assets (whether now owned or hereafter acquired) except for (a) Permitted Encumbrances; (b) Liens in existence on the date hereof and summarized on Disclosure Schedule (6.7); and (c) Liens created after the date hereof by conditional sale or other title retention agreements (including Capital Leases) or in connection with purchase money Indebtedness with respect to equipment and fixtures acquired by any Credit Party in the ordinary course of business, involving the incurrence of an aggregate amount of purchase money Indebtedness and Capital Lease Obligations of not more than \$5,000,000 during any Fiscal Year for all such Liens (provided that such Liens attach only to the assets subject to such purchase money debt and such Indebtedness is incurred within twenty (20) days following such purchase and does not exceed 100% of the purchase price of the subject assets). In addition, no Credit Party shall become a party to any agreement, note, indenture or instrument, or take any other action, which would prohibit the creation of a Lien on any of its properties or other assets in favor of Creditor as additional collateral for the Obligations, except (i) operating leases, (ii) Capital Leases or Licenses which prohibit Liens upon the assets that are subject thereto and (iii) the Receivables Funding Documents and the Intercreditor Agreement.

20

6.8 Sale of Stock and Assets. No Credit Party shall sell, transfer, convey, assign or otherwise dispose of any of its properties or other assets, including the capital Stock of any of its Subsidiaries (whether in a public or a private offering or otherwise) or any of their Accounts, other than (a) the sale of Inventory in the ordinary course of business, and (b) the sale, transfer, conveyance or other disposition by a Credit Party of Equipment, Fixtures or Real Estate that are obsolete or no longer used or useful in such Credit Party's business and having a value not exceeding \$100,000 in any single transaction or \$500,000 in the aggregate in any Fiscal Year, (c) other Equipment and Fixtures having a value not exceeding \$100,000 in any single transaction or \$500,000 in the aggregate in any Fiscal Year and (d) the sale, transfer or contribution of Receivables Assets by any Credit Party to Debtor or the Receivables Subsidiary, pursuant to and in accordance with the Receivables Funding Documents. With respect to any disposition of assets or other properties permitted pursuant to clause (b) and clause (c) above, Creditor agrees on reasonable prior written notice to release its Lien on such assets or other properties in order to permit the applicable Credit Party to effect such disposition and shall execute and deliver to Debtor, at Debtor's expense, appropriate UCC-3 termination statements and other releases as reasonably requested by Debtor.

6.9 ERISA. No Credit Party shall, or shall cause or permit any ERISA Affiliate to, cause or permit to occur an event which could result in the imposition of a Lien under

Section 412 of the IRC or Section 302 or 4068 of ERISA or cause or permit to occur an ERISA Event to the extent such ERISA Event could reasonably be expected to have a Material Adverse Effect.

6.10 *Financial Covenants.* Debtor shall not breach or fail to comply with any of the Financial Covenants (the "*Financial Covenants*") set forth in *Annex G* to the Receivables Funding Agreement as in effect on the date hereof.

6.11 *Hazardous Materials.* No Credit Party shall cause or permit a Release of any Hazardous Material on, at, in, under, above, to, from or about any of the Real Estate where such Release would (a) violate in any respect, or form the basis for any Environmental Liabilities under, any Environmental Laws or Environmental Permits or (b) otherwise adversely impact the value or marketability of any of the Real Estate or any of the Collateral, other than such violations or Environmental Liabilities which could not reasonably be expected to have a Material Adverse Effect.

6.12 *Sale-Leasebacks.* No Credit Party shall engage in any sale-leaseback, synthetic lease or similar transaction involving any of its assets except for sale-leaseback transaction as described on *Disclosure Schedule (6.12)*.

6.13 *Cancellation of Indebtedness.* No Credit Party shall cancel any claim or debt owing to it, except for reasonable consideration negotiated on an arm's-length basis and in the ordinary course of its business consistent with past practices.

6.14 *Restricted Payments.* No Credit Party shall make any Restricted Payment, except (a) (i) intercompany loans and advances between Debtor and its Subsidiaries (other than the Existing Foreign Subsidiaries, LR Assurance and Workers' Assurance) and (ii) intercompany loans and advances between Debtor and the Existing Foreign Subsidiaries, LR Assurance and Workers' Assurance so long as the aggregate of all such loans and advances permitted under this clause (ii) does not exceed \$500,000 during any Fiscal Year, and (b) dividends and distributions by Subsidiaries of Debtor paid to Debtor. Notwithstanding the foregoing, this *Section 6.14* shall not prohibit payments by Debtor to holders of Debtor's common stock in connection with repurchases of such stock by Debtor ("Permitted Stock Repurchases") so long as (i) Creditor shall have received, at least 30 Business Days prior to any such proposed payment (A) a written notice thereof, which shall include a reasonably detailed description of such proposed payment, (B) a pro forma consolidated balance sheet, income statement and cash flow statement of Debtor and its Subsidiaries, based on recent financial statements, which shall be complete and shall fairly represent in all material respects the assets, liabilities, financial condition and results of operations of Debtor and its Subsidiaries in accordance with GAAP

21

consistently applied, but taking into account such proposed payment and such pro forma statement shall reflect that the requirement set forth below have been satisfied, and (C) a certificate of the chief financial officer of Debtor to the effect that Debtor will be Solvent after the proposed payment and that the pro forma statements fairly present the financial condition of Debtor (on a consolidated basis) as of the date thereof after giving effect to the proposed payment, (ii) average daily Excess Liquidity for the 60-day period preceding the date of such proposed payment would have exceeded \$25,000,000 on a pro forma basis (giving effect to such proposed payment), (iii) Excess Liquidity of \$25,000,000 shall continue for at least 60 days after the consummation of such proposed payment, (iv) no Event of Default shall have occurred and be continuing or on a pro forma basis, would result after giving effect to such proposed payment and Debtor would have been in compliance with the required financial covenants for the four quarter period reflected in the compliance certificate most recently delivered to Creditor prior to the consummation of such proposed payment (after giving effect to such proposed payment), (v) all Stock repurchased pursuant to this section shall be immediately canceled and retired, and (vi) the proposed payment, together with all other payments in connection with other Permitted Stock Repurchases during any Fiscal Year does not exceed \$5,000,000, provided, that Debtor need not comply with the requirements set forth in clauses (i) and (iii) above of this *Section 6.14* so long as (A) Creditor shall have received written notice of such repurchase transaction on or prior to the date of such repurchase transaction, (B) there are no more than four (4) repurchase transactions in any Fiscal Quarter, and (C) the aggregate amount paid to holders of Debtor's common stock per each such stock repurchase transaction does not exceed \$250,000, and the total amount paid to holders of Debtor's common stock in connection with all stock repurchase transactions during any Fiscal Quarter does not exceed \$1,000,000. All stock repurchases consummated on the same day shall constitute a single a repurchase transaction for purposes of determining compliance with the limitations set forth in clauses (B) and (C) above in this *Section 6.14*.

6.15 *Change of Corporate Name or Location; Change of Fiscal Year.* No Credit Party shall (a) change its corporate name or the jurisdiction of its incorporation or formation, or (b) change its chief executive office, principal place of business, in any case without at least thirty (30) days prior written notice to Creditor and after Creditor's written acknowledgment that any reasonable action requested by Creditor in connection therewith, including to continue the perfection of any Liens in favor of Creditor in any Collateral, has been completed or taken, and *provided* that any such new location shall be in the continental United States. Without limiting the foregoing, no Credit Party shall change its name, identity or corporate structure in any manner which might make any financing or continuation statement filed in connection herewith seriously misleading within the meaning of Section 9-402(7) of the Code or any other then applicable provision of the Code except upon prior written notice to Creditor and after Creditor's written acknowledgment that any reasonable action requested by Creditor in connection therewith, including to continue the perfection of any Liens in favor of Creditor in any Collateral, has been completed or taken. No Credit Party shall change its Fiscal Year.

6.16 *No Impairment of Intercompany Transfers.* No Credit Party shall directly or indirectly enter into or become bound by any agreement, instrument, indenture or other obligation (other than this Agreement, the other Letter of Credit Documents, the Receivables Funding Documents and the Intercreditor Agreement) which could directly or indirectly restrict, prohibit or require the consent of any Person with respect to the payment of dividends or distributions or the making or repayment of intercompany loan by a Subsidiary of Debtor to Debtor.

6.17 *No Speculative Transactions.* No Credit Party shall engage in any transaction involving commodity options, futures contracts or similar transactions, except solely to hedge against fluctuations in the prices of commodities owned or purchased by it and the values of foreign currencies receivable or payable by it and interest swaps, caps or collars.

22

7. TERM

7.1 *Termination.* The financing arrangements contemplated hereby shall be in effect until the Commitment Termination Date, and the Reimbursement Obligations and all other Obligations shall be automatically due and payable in full on such date.

7.2 *Survival of Obligations Upon Termination of Financing Arrangements.* Except as otherwise expressly provided for in the Letter of Credit Documents, no termination or cancellation (regardless of cause or procedure) of any financing arrangement under this Agreement shall in any way affect or impair the obligations, duties and liabilities of the Credit Parties or the rights of Creditor relating to any unpaid portion of the Reimbursement Obligations or any other Obligations, due or not due, liquidated, contingent or unliquidated or any transaction or event occurring prior to such termination, or any transaction or event, the performance of which is required after the Commitment Termination Date. Except as otherwise expressly provided herein or in any other Letter of Credit Document, all undertakings, agreements, covenants, warranties and representations of or binding upon the Credit Parties, and all rights of Creditor, all as contained in the Letter of Credit Documents, shall not terminate or expire, but rather shall survive any such termination or cancellation and shall continue in full force and effect until the Termination Date; *provided*, however that in all events the provisions of *Section 11*, the payment obligations under *Sections 1.11* and *1.12*, and the indemnities contained in the Letter of Credit Documents shall survive the Termination Date.

8. EVENTS OF DEFAULT: RIGHTS AND REMEDIES

8.1 *Events of Default.* The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an "Event of Default" hereunder:

(a) Debtor (i) fails to make any payment of principal of, or interest on, or Fees owing in respect of, the Reimbursement Obligations or any of the other Obligations when due and the same shall remain unremedied for one Business Day or more, or (ii) fails to pay or reimburse Creditor for any expense reimbursable hereunder or under any other Letter of Credit Document within five (5) days following Creditor's demand for such reimbursement or payment of expenses.

(b) Any Credit Party shall fail or neglect to perform, keep or observe any of the provisions of Sections 1.1(c), 1.4, 5.4, 5.10, or 6.

(c) Debtor shall fail or neglect to perform, keep or observe any of the provisions of Section 4 and the same shall remain unremedied for three (3) days or more.

(d) Any Credit Party shall fail or neglect to perform, keep or observe any other provision of this Agreement or of any of the other Letter of Credit Documents (other than any provision embodied in or covered by any other clause of this Section 8.1) and the same shall remain unremedied for fifteen (15) days or more.

(e) A default or breach shall occur under any other agreement, document or instrument to which any Credit Party is a party which is not cured within any applicable grace period, and such default or breach (i) involves the failure to make any payment when due in respect of any Indebtedness (other than the Obligations) of any Credit Party in excess of \$500,000 in the aggregate, or (ii) causes, or permits any holder of such Indebtedness or a trustee to cause, Indebtedness or a portion thereof in excess of \$500,000 in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, regardless of whether such default is waived, or such right is exercised, by such holder or trustee.

(f) Any information contained in any representation or warranty herein or in any Letter of Credit Document or in any written statement, report, financial statement or certificate (other than a

23

Borrowing Base Certificate) made or delivered to Creditor by any Credit Party is untrue or incorrect in any material respect as of the date when made or deemed made.

(g) Assets of any Credit Party with a fair market value of \$500,000 or more shall be attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors of any Credit Party and such condition continues for thirty (30) days or more.

(h) A case or proceeding in a court of competent jurisdiction shall have been commenced against any Credit Party seeking a decree or order in respect of any Credit Party (i) under Title 11 of the United States Code, as now constituted or hereafter amended or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for any Credit Party or of any substantial part of any such Person's assets, or (iii) ordering the winding-up or liquidation of the affairs of any Credit Party, and such case or proceeding shall remain undismissed or unstayed for sixty (60) consecutive days or such court shall enter a decree or order granting the relief sought in such case or proceeding.

(i) Any Credit Party (i) shall file a petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) shall fail to contest in a timely and appropriate manner or shall consent to the institution of proceedings thereunder or to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of any Credit Party or of any substantial part of any such Person's assets, (iii) shall make an assignment for the benefit of creditors, or (iv) shall take any corporate action in furtherance of any of the foregoing, or (v) shall admit in writing its inability to, or shall be generally unable to, pay its debts as such debts become due.

(j) A final judgment or judgments for the payment of money in excess of \$500,000 in the aggregate at any time outstanding shall be rendered against any Credit Party and the same shall not, within thirty (30) days after the entry thereof, have been discharged or execution thereof stayed or bonded pending appeal, or shall not have been discharged prior to the expiration of any such stay.

(k) Any material provision of any Letter of Credit Document shall for any reason cease to be valid, binding and enforceable in accordance with its terms (or any Credit Party shall challenge the enforceability of any Letter of Credit Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Letter of Credit Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms), or any security interest created under any Letter of Credit Document shall cease to be a valid and perfected first priority security interest or Lien (except as otherwise permitted herein or therein) in any of the Collateral purported to be covered thereby.

(l) Any Change of Control shall occur.

(m) The Termination Date (as defined in the Receivables Funding Agreement) or any Termination Event (as defined in the Receivable Funding Agreement) shall occur.

8.2 *Remedies.* (a) If any Default or Event of Default shall have occurred and be continuing, Creditor may (i) without notice, suspend the Commitment with respect to the incurrence of further Letter of Credit Obligations whereupon any further Letter of Credit Obligations shall be incurred in Creditor's sole discretion so long as such Default or Event of Default is continuing, and (ii) without notice except as otherwise expressly provided herein, increase the rate of interest applicable to the Reimbursement Obligations and the Letter of Credit Fees to the Default Rate.

(b) If any Event of Default shall have occurred and be continuing, Creditor may, without notice, (i) terminate the Commitment with respect to the incurrence of further Letter of Credit Obligations;

24

(ii) declare all or any portion of the outstanding Reimbursement Obligations, and any other outstanding Obligations to be forthwith due and payable, and require that the Letter of Credit Obligations be cash collateralized as provided in Section 1.1(c), all without presentment, demand, protest or further notice of any kind, all of which are expressly waived by Debtor and each other Credit Party; and (iii) exercise any rights and remedies provided to Creditor under the Letter of Credit Documents and/or at law or equity, including all remedies provided under the Code; *provided, however*, that upon the occurrence of an Event of Default specified in Sections 8.1(g), (h) or (i), the Commitment shall be immediately terminated and all Reimbursement Obligations and other outstanding Obligations shall become immediately due and payable without declaration, notice or demand by any Person.

8.3 *Waivers by Credit Parties.* Except as otherwise provided for in this Agreement or by applicable law, each Credit Party waives: (a) presentment, demand and protest and notice of presentment, dishonor, notice of intent to accelerate, notice of acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Creditor on which any Credit Party

may in any way be liable, and hereby ratifies and confirms whatever Creditor may do in this regard, (b) all rights to notice and a hearing prior to Creditor's taking possession or control of, or to Creditor's replevy, attachment or levy upon, the Collateral or any bond or security which might be required by any court prior to allowing Creditor to exercise any of its remedies, and (c) the benefit of all valuation, appraisal and exemption laws.

9. PARTICIPATIONS

9.1 *Participations.* (a) Debtor consents to Creditor's sale of participations in, at any time or times, the Commitment or any portion thereof or interest therein. Any participation by Creditor of all or any part of its Commitment shall be sold with the understanding that all amounts payable by Debtor hereunder shall be determined as if Creditor had not sold such participation, and that the holder of any such participation shall not be entitled to require Creditor to take or omit to take any action hereunder except actions directly affecting (i) any reduction in the principal amount of, or interest rate or Fees payable with respect to, any Commitment in which such holder participates, (ii) any extension of the scheduled due date of any Obligations in which such holder participates or the final due date thereof, and (iii) any release of all or substantially all of the Collateral (other than in accordance with the terms of this Agreement, the Collateral Documents, the other Letter of Credit Documents, the Receivables Funding Agreement or the Intercreditor Agreement). Solely for purposes of Sections 1.9, 1.11 and 11.12, Debtor acknowledges and agrees that a participation shall give rise to a direct obligation of Debtor to the participant and the participant shall be considered to be a "Creditor". Except as set forth in the preceding sentence neither Debtor nor any other Credit Party shall have any obligation or duty to any participant.

(b) Debtor shall assist Creditor as reasonably required to enable Creditor to effect any such participation, including, if requested by Creditor, the participation of management in meetings with potential participants. Debtor shall certify the correctness, completeness and accuracy of all descriptions of the Credit Parties and their affairs contained in any selling materials provided by it and all other information provided by it and included in such materials.

(c) Creditor may furnish any information concerning Credit Parties in the possession of Creditor from time to time to participants (including prospective participants). Creditor shall obtain from participants confidentiality covenants substantially equivalent to those contained in Section 11.8 hereof.

25

10. SUCCESSORS AND ASSIGNS

10.1 *Successors and Assigns.* This Agreement and the other Letter of Credit Documents shall be binding on and shall inure to the benefit of Debtor, Creditor and their respective successors and assigns (including, in the case of Debtor, a debtor-in-possession on behalf of Debtor), except as otherwise provided herein or therein. Debtor may not assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder or under any of the other Letter of Credit Documents without the prior express written consent of Creditor. Any such purported assignment, transfer, hypothecation or other conveyance by Debtor without the prior express written consent of Creditor shall be void. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of Debtor and Creditor with respect to the transactions contemplated hereby and no Person shall be a third party beneficiary of any of the terms and provisions of this Agreement or any of the other Letter of Credit Documents.

11. MISCELLANEOUS

11.1 *Complete Agreement; Modification of Agreement.* The Letter of Credit Documents constitute the complete agreement between the parties with respect to the subject matter thereof and may not be modified, altered or amended except as set forth in Section 11.2 below. Any letter of interest or any commitment letter between any Credit Party and Creditor or any of their respective affiliates, predating this Agreement and relating to a financing of substantially similar form, purpose or effect as the letter of credit facility provided hereunder shall be superseded by this Agreement.

11.2 *Amendments and Waivers.* No amendment, modification, termination or waiver of any provision of this Agreement or any other Letter of Credit Document, or any consent to any departure by any Debtor therefrom, shall in any event be effective unless the same shall be in writing and signed by Creditor and Debtor. Upon indefeasible payment in full in cash and performance of all of the Obligations (other than indemnification Obligations under Section 1.9), termination of the Commitment and a release of all claims against Creditor, and so long as no suits, actions proceedings, or claims are pending or threatened against any Indemnified Person asserting any damages, losses or liabilities that are Indemnified Liabilities, Creditor shall deliver to Debtor termination statements, mortgage releases and other documents necessary or appropriate to evidence the termination of the Liens securing payment of the Obligations.

11.3 *Fees and Expenses.* Debtor shall reimburse Creditor for all out-of-pocket expenses incurred in connection with the preparation of the Letter of Credit Documents (including the reasonable fees and expenses of all of its special loan counsel, advisors, consultants and auditors retained in connection with the Letter of Credit Documents and the Related Transactions and advice in connection therewith). Debtor shall reimburse Creditor for all fees, costs and expenses, including the reasonable fees, costs and expenses of counsel or other advisors (including environmental and management consultants and appraisers) for advice, assistance, or other representation in connection with:

(a) the forwarding to Debtor or any other Person on behalf of Debtor by Creditor of the proceeds of the Reimbursement Obligations;

(b) any amendment, modification or waiver of, or consent with respect to, any of the Letter of Credit Documents or Related Transactions Documents or advice in connection with the administration of the Reimbursement Obligations made pursuant hereto or its rights hereunder or thereunder;

(c) any litigation, contest, dispute, suit, proceeding or action (whether instituted by Creditor, Debtor or any other Person) in any way relating to the Collateral, any of the Letter of Credit Documents or any other agreement to be executed or delivered in connection therewith or herewith, whether as party, witness, or otherwise, including any litigation, contest, dispute, suit, case, proceeding or action, and any appeal or review thereof, in connection with a case commenced by or against Debtor

26

or any other Person that may be obligated to Creditor by virtue of the Letter of Credit Documents; including any such litigation, contest, dispute, suit, proceeding or action arising in connection with any work-out or restructuring of the Reimbursement Obligations during the pendency of one or more Events of Default;

(d) any attempt to enforce any remedies of Creditor against any or all of the Credit Parties or any other Person that may be obligated to Creditor by virtue of any of the Letter of Credit Documents; including any such attempt to enforce any such remedies in the course of any work-out or restructuring of the Reimbursement Obligations during the pendency of one or more Events of Default;

(e) any work-out or restructuring of the Reimbursement Obligations during the pendency of one or more Events of Default;

(f) efforts to (i) monitor the Reimbursement Obligations or any of the other Obligations, (ii) evaluate, observe or assess any of the Credit Parties or their respective affairs, and (iii) verify, protect, evaluate, assess, appraise, collect, sell, liquidate or otherwise dispose of any of the Collateral;

including, as to each of clauses (a) through (f) above, all attorneys' and other professional and service providers' fees arising from such services, including those in connection with any appellate proceedings; and all expenses, costs, charges and other fees incurred by such counsel and others in any way or respect arising in connection with or relating to any of the events or actions described in this *Section 11.3* shall be payable, on demand, by Debtor to Creditor. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: fees, costs and expenses of accountants, environmental advisors, appraisers, investment bankers, management and other consultants and paralegals; court costs and expenses; photocopying and duplication expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram or telecopy charges; secretarial overtime charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal or other advisory services.

11.4 *No Waiver.* Creditor's failure, at any time or times, to require strict performance by the Credit Parties of any provision of this Agreement and any of the other Letter of Credit Documents shall not waive, affect or diminish any right of Creditor thereafter to demand strict compliance and performance therewith. Any suspension or waiver of an Event of Default shall not suspend, waive or affect any other Event of Default whether the same is prior or subsequent thereto and whether the same or of a different type. None of the undertakings, agreements, warranties, covenants and representations of any Credit Party contained in this Agreement or any of the other Letter of Credit Documents and no Default or Event of Default by any Credit Party shall be deemed to have been suspended or waived by Creditor, unless such waiver or suspension is by an instrument in writing signed by an officer of or other authorized employee of Creditor and directed to Debtor specifying such suspension or waiver.

11.5 *Remedies.* Creditor's rights and remedies under this Agreement shall be cumulative and nonexclusive of any other rights and remedies which Creditor may have under any other agreement, including the other Letter of Credit Documents, by operation of law or otherwise. Recourse to the Collateral shall not be required.

11.6 *Severability.* Wherever possible, each provision of this Agreement and the other Letter of Credit Documents shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

11.7 *Conflict of Terms.* Except as otherwise provided in this Agreement or any of the other Letter of Credit Documents by specific reference to the applicable provisions of this Agreement, if any provision contained in this Agreement is in conflict with, or inconsistent with, any provision in any of

27

the other Letter of Credit Documents, the provision contained in this Agreement shall govern and control.

11.8 *Confidentiality.* Creditor agrees to use commercially reasonable efforts (equivalent to the efforts Creditor applies to maintain as confidential its own confidential information) to maintain as confidential all confidential information provided to it by the Credit Parties and designated as confidential for a period of three (3) years following the Termination Date, except that Creditor may disclose such information (a) to Persons employed or engaged by Creditor in evaluating, approving, structuring or administering the Reimbursement Obligations and the Commitment; (b) to any bona fide participant or potential participant that has agreed to comply with the covenant contained in this *Section 11.8* (and any such bona fide participant or potential participant may disclose such information to Persons employed or engaged by them as described in *clause (a)* above); (c) as required or requested by any Governmental Authority or reasonably believed by Creditor to be compelled by any court decree, subpoena or legal or administrative order or process; (d) as, on the advice of Creditor's counsel, required by law; (e) in connection with the exercise of any right or remedy under the Letter of Credit Documents or in connection with any Litigation to which Creditor is a party, or (f) which ceases to be confidential through no fault of Creditor.

11.9 GOVERNING LAW. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LETTER OF CREDIT DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THE LETTER OF CREDIT DOCUMENTS AND THE OBLIGATIONS SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. DEBTOR HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE CREDIT PARTIES AND CREDITOR PERTAINING TO THIS AGREEMENT OR ANY OF THE OTHER LETTER OF CREDIT DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LETTER OF CREDIT DOCUMENTS, PROVIDED, THAT CREDITOR AND DEBTOR ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK AND, PROVIDED, FURTHER NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE CREDITOR FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF CREDITOR. DEBTOR EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND DEBTOR HEREBY WAIVES ANY OBJECTION WHICH SUCH CREDIT PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. DEBTOR HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH CREDIT PARTY AT THE ADDRESS SET FORTH IN ANNEX H OF THIS AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH DEBTOR'S ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE U.S. MAILED, PROPER POSTAGE PREPAID.

28

11.10 *Notices.* Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other parties, or whenever any of the parties desires to give or serve upon any other parties any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by telecopy or other similar facsimile transmission (with such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this *Section 11.10*), (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number indicated on *Annex C* or to such other address (or facsimile number) as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than Debtor or Creditor) designated on *Annex C* to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

11.11 *Section Titles.* The Section titles and Table of Contents contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of this Agreement between the parties hereto.

11.12 *Counterparts.* This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

11.13 **WAIVER OF JURY TRIAL.** BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, BETWEEN CREDITOR AND ANY CREDIT PARTY ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER LETTER OF CREDIT DOCUMENTS OR THE TRANSACTIONS RELATED THERETO.

11.14 *Press Releases.* Debtor agrees that neither it nor its Affiliates will in the future issue any press releases or other public disclosure using the name of GE Capital or its affiliates or referring to this Agreement, the other Letter of Credit Documents or the Related Transactions Documents without at least two (2) Business Days' prior notice to GE Capital and without the prior written consent of GE Capital unless (and only to the extent that) Debtor or Affiliate is required to do so under law and then, in any event, Debtor or Affiliate will consult with GE Capital before issuing such press release or other public disclosure. Debtor consents to the publication by Creditor of a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement. Creditor reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements with Debtor's consent which shall not be unreasonably withheld or delayed.

29

11.15 *Reinstatement.* This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Debtor for liquidation or reorganization, should Debtor become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of Debtor's assets, and shall continue to be effective or to be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

11.16 *Advice of Counsel.* Debtor represents to each other party hereto that it has discussed this Agreement and, specifically, the provisions of Sections 11.9 and 11.13, with its counsel.

11.17 *No Strict Construction.* The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

11.18 *Appointment of Agent for Service of Process.* DEBTOR HEREBY IRREVOCABLE APPOINTS CT CORPORATION (THE "PROCESS AGENT"), WITH AN OFFICE ON THE DATE HEREOF AT 111 EIGHTH AVENUE, NEW YORK, NEW YORK 10011, AS ITS AGENT TO RECEIVE ON ITS BAHALF SERVICE OF COPIES OF THE SUMMONS AND COMPLAINT AND ANY OTHER PROCESS THAT MAY BE SERVED IN ANY ACTION OR PROCEEDING COMMENCED BY CREDITOR. SUCH SERVICE MAY BE MADE BY MAILING OR DELIVERING A COPY OF SUCH PROCESS TO DEBTOR IN CARE OF THE PROCESS AGENT AT THE ABOVE ADDRESS OF THE PROCESS AGENT, AND DEBTOR HEREBY IRREVOCABLY AUTHORIZES AND DIRECTS THE PROCESS AGENT TO RECEIVE SUCH SERVICE ON ITS BEHALF.

30

IN WITNESS WHEREOF, this Letter of Credit Agreement has been duly executed as of the date first written above.

LABOR READY, INC.

By: _____
Name: Steven C. Cooper
Title: Executive Vice President and Chief Financial Officer

GENERAL ELECTRIC CAPITAL CORPORATION

By: _____
Name: _____
Title: Its Duly Authorized Signatory

[Signature Page to Letter of Credit Agreement]

31

ANNEX A (Recitals)

to

LETTER OF CREDIT AGREEMENT

DEFINITIONS

Capitalized terms used in the Letter of Credit Documents shall have (unless otherwise provided elsewhere in the Letter of Credit Documents) the following respective meanings and all section references in the following definitions shall refer to Sections of this Agreement:

"Account Debtor" shall mean any Person who may become obligated to any Credit Party under, with respect to, or on account of, an Account.

"Accounts" shall mean all "accounts," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party and, in any event, including (a) all accounts receivable, other receivables, book debts and other forms of obligations (other than forms of obligations evidenced by Chattel Paper, Documents or Instruments) now owned or

hereafter received or acquired by or belonging or owing to any Credit Party, whether arising out of goods sold or services rendered by it or from any other transaction (including any such obligations which may be characterized as an account or contract right under the Code), (b) all of each Credit Party's rights in, to and under all purchase orders or receipts now owned or hereafter acquired by it for goods or services, (c) all of each Credit Party's rights to any goods represented by any of the foregoing (including unpaid sellers' rights of rescission, replevin, reclamation and stoppage in transit and rights to returned, reclaimed or repossessed goods), (d) all monies due or to become due to any Credit Party, under all purchase orders and contracts for the sale of goods or the performance of services or both by such Credit Party or in connection with any other transaction (whether or not yet earned by performance on the part of such Credit Party) now or hereafter in existence, including the right to receive the proceeds of said purchase orders and contracts, and (e) all collateral security and guarantees of any kind, now or hereafter in existence, given by any Person with respect to any of the foregoing.

"Affiliate" shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, five percent (5%) or more of the Stock having ordinary voting power in the election of directors of such Persons, (b) each Person that controls, is controlled by or is under common control with such Person, (c) each of such Person's officers, directors, joint venturers and partners and (d) in the case of Debtor, the immediate family members, spouses and lineal descendants of individuals who are Affiliates of Debtor. For the purposes of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise; *provided, however*, that the term "Affiliate" shall specifically exclude Creditor.

"Agreement" shall mean the Letter of Credit Agreement by and among Debtor and Creditor.

"Appendices" shall have the meaning assigned to it in the recitals to this Agreement.

A-1

"Applicable L/C Margin" shall mean, for any particular calendar month, the percentage rate per annum set forth in the table below based upon the highest aggregate Letter of Credit Obligations that were outstanding during such month:

Amount	Applicable L/C Margin
Less than \$40,000,000	0.75%
Equal to or greater than \$40,000,000 but less than \$55,000,000	0.80%
Equal to or greater than \$55,000,000 but less than \$65,000,000	0.85%
Equal to or greater than \$65,000,000	0.90%

The Applicable L/C Margin shall be applied on a progressive basis to the outstanding Letter of Credit Obligations as set forth above.

"Availability" shall have the meaning given such term in the Receivables Funding Agreement.

"Blocked Account" shall have the meaning given to such term in *Section 1.1(h)*.

"Block Account Agreement" shall have the meaning given to such term in *Section 1.1(h)*.

"Blocked Account Bank" shall have the meaning given to such term in *Section 1.1(h)*.

"Business Day" shall mean any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the State of New York.

"Capital Lease" shall mean, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

"Capital Lease Obligation" shall mean, with respect to any Capital Lease of any Person, the amount of the obligation of the lessee thereunder that, in accordance with GAAP, would appear on a balance sheet of such lessee in respect of such Capital Lease.

"Cash Collateral Account" shall have the meaning given such term in *Section 1.1(c)(i)* of this Agreement.

"Cash Collateral Account Agreement" shall mean the Cash Collateral Account Agreement (in the form of *Exhibit 1.1(c)(i)*) executed by Debtor pursuant to *Section 1.1(c)(i)*.

"Cash Collateral Account Bank" shall have the meaning given such term in *Section 1.1(c)(i)*.

"Cash Equivalents" shall have the meaning given such term in *Section 1.1(c)(i)* of the Agreement.

"Change of Control" means any of the following: (a) any person or group of persons (within the meaning of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) of 30% or more of the issued and outstanding shares of capital Stock of Debtor having the right to vote for the election of directors of Debtor under ordinary circumstances; (b) during any period of twelve consecutive calendar months, individuals who at the beginning of such period constituted the board of directors of Debtor (together with any new directors whose election by the board of directors of Debtor or whose nomination for election by the stockholders of Debtor was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose elections or nomination for election was previously so approved) cease for any reason other than death or disability to constitute a majority of the directors then in office, or (c) Debtor shall cease to own and control all of the economic and voting rights associated with all of the outstanding capital Stock of any of its Subsidiaries.

A-2

"Charges" shall mean all federal, state, county, city, municipal, local, foreign or other governmental taxes (including taxes owed to the PBGC at the time due and payable), levies, assessments, charges, liens, claims or encumbrances upon or relating to (a) the Collateral, (b) the Obligations, (c) the employees, payroll, income or gross receipts of any Credit Party, (b) any Credit Party's ownership or use of any properties or other assets, or (e) any other aspect of any Credit Party's business.

"Chattel Paper" shall mean any "chattel paper," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located.

"Closing Date" shall mean March 1, 2001.

"Code" shall mean the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of New York *provided, however*, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of Creditor's security interest in any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

"Collateral" shall mean the property covered by the Security Agreement and the other Collateral Documents and any other property, real or personal, tangible or intangible, now existing or hereafter acquired, that may at any time be or become subject to a security interest or Lien in favor of Creditor to secure the Obligations.

"Collateral Documents" shall mean the Security Agreement, the Pledge Agreement, the Guaranties, the Cash Collateral Account Agreement, the Blocked Account Agreement, and all similar agreements entered into guaranteeing payment of, or granting a Lien upon property as security for payment of, the Obligations.

"Collection Account" shall mean that certain account of Creditor, account number 502-328-54 in the name of Creditor at Bankers Trust Company in New York, New York or such other account as Creditor shall specify.

"Collections" shall have the meaning given such term in the Receivables Funding Agreement.

"Commitment" shall mean commitment of Creditor to incur Letter of Credit Obligations, which commitment shall be Eighty Million Dollars (\$80,000,000) on the Closing Date, as such amount may be adjusted, if at all, from time to time in accordance with this Agreement.

"Commitment Termination Date" shall mean the earliest of (a) March 1, 2006, (b) the date of termination of Creditor's obligation to incur Letter of Credit Obligations or permit existing Reimbursement Obligations to remain outstanding pursuant to *Section 8.2(b)*, and (c) the Receivables Facility Termination Date, and (d) date of indefeasible payment in full by Debtor of the Reimbursement Obligations and the cancellation and return (or stand-by guarantee) of all Letters of Credit or the cash collateralization of all Letter of Credit Obligations pursuant to *Section 1.1(c)*, and the permanent reduction of the Commitment to zero dollars (\$0).

"Contracts" shall mean all "contracts," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, in any event, including all contracts, undertakings, or agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which any Credit Party may now or hereafter have any right, title or interest, including any agreement relating to the terms of payment or the terms of performance of any Account.

"Copyright License" shall mean any and all rights now owned or hereafter acquired by any Credit Party under any written agreement granting any right to use any Copyright or Copyright registration.

A-3

"Copyrights" shall mean all of the following now owned or hereafter acquired by any Credit Party: (a) all copyrights and general intangibles of like nature (whether registered or unregistered), now owned or existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof, and (b) all reissues, extensions or renewals thereof.

"Creditor" shall have the meaning assigned thereto in the preamble to their Agreement.

"Credit Parties" shall mean Debtor and each of its Subsidiaries (other than the Receivables Subsidiary, the Existing Foreign Subsidiaries, LR Assurance and Workers' Assurance).

"Debtor" shall have the meaning assigned thereto in the preamble to this Agreement.

"Default" shall mean any event which, with the passage of time or notice or both, would, unless cured or waived, become an Event of Default.

"Default Rate" shall have the meaning assigned to it in *Section 1.5(d)*.

"Documents" shall mean any "documents," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located.

"Dollars" or "\$" shall mean lawful currency of the United States of America.

"Eligible Receivables" shall have the meaning such term in the Receivables Funding Agreement.

"Environmental Laws" shall mean all applicable federal, state, local and foreign laws, statutes, ordinances, codes, rules, standards and regulations, now or hereafter in effect, and in each case as amended or supplemented from time to time, and any applicable judicial or administrative interpretation thereof, including any applicable judicial or administrative order, consent decree, order or judgment, imposing liability or standards of conduct for or relating to the regulation and protection of human health, safety, the environment and natural resources (including ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation). Environmental Laws include the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§ 9601 *et seq.*) ("*CERCLA*"); the Hazardous Materials Transportation Authorization Act of 1994 (49 U.S.C. §§ 5101 *et seq.*); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§ 136 *et seq.*); the Solid Waste Disposal Act (42 U.S.C. §§ 6901 *et seq.*); the Toxic Substance Control Act (15 U.S.C. §§ 2601 *et seq.*); the Clean Air Act (42 U.S.C. §§ 7401 *et seq.*); the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 *et seq.*); the Occupational Safety and Health Act (29 U.S.C. §§ 651 *et seq.*); and the Safe Drinking Water Act (42 U.S.C. §§ 300(f) *et seq.*), each as from time to time amended, and any and all regulations promulgated thereunder, and all analogous state, local and foreign counterparts or equivalents and any transfer of ownership notification or approval statutes.

"Environmental Liabilities" shall mean, with respect to any Person, all liabilities, obligations, responsibilities, response, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs, losses, damages, punitive damages, property damages, natural resource damages, consequential damages, treble damages, costs and expenses (including all fees, disbursements and expenses of counsel, experts and consultants), fines, penalties, sanctions and interest incurred as a result of or related to any claim, suit, action, investigation, proceeding or demand by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law, including any arising under or related to any Environmental Laws, Environmental Permits, or in connection with any Release or threatened Release or presence of a Hazardous Material whether on, at, in, under, from or about or in the vicinity of any real or personal property.

A-4

"*Environmental Permits*" shall mean all permits, licenses, authorizations, certificates, approvals or registrations required by any Governmental Authority under any Environmental Laws.

"*Equipment*" shall mean all "equipment," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located and, in any event, including all such Credit Party's machinery and equipment, including processing equipment, conveyors, machine tools, data processing and computer equipment with software and peripheral equipment (other than software constituting part of the Accounts), and all engineering, processing and manufacturing equipment, office machinery, furniture, materials, handling equipment, tools, attachments, accessories, automotive equipment, trailers, trucks, forklifts, molds, dies, stamps, motor vehicles, rolling stock and other equipment of every kind and nature, trade fixtures and fixtures not forming a part of real property, all whether now owned or hereafter acquired, and wherever situated, together with all additions and accessions thereto, replacements therefor, all parts therefor, all substitutes for any of the foregoing, fuel therefor, and all manuals, drawings, instructions, warranties and rights with respect thereto, and all products and proceeds thereof and condemnation awards and insurance proceeds with respect thereto.

"*ERISA*" shall mean the Employee Retirement Income Security Act of 1974 (or any successor legislation thereto), as amended from time to time, and any regulations promulgated thereunder.

"*ERISA Affiliate*" shall mean, with respect to any Credit Party, any trade or business (whether or not incorporated) which, together with such Credit Party, are treated as a single employer within the meaning of Sections 414(b), (c), (m) or (o) of the IRC.

"*ERISA Event*" shall mean, with respect to any Credit Party or any ERISA Affiliate, (a) any event described in Section 4043(c) of ERISA with respect to a Title IV Plan; (b) the withdrawal of any Credit Party or ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (c) the complete or partial withdrawal of any Credit Party or any ERISA Affiliate from any Multiemployer Plan; (d) the filing of a notice of intent to terminate a Title IV Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA; (e) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC; (f) the failure by any Credit Party or ERISA Affiliate to make when due required contributions to a Multiemployer Plan or Title IV Plan unless such failure is cured within 30 days; (g) any other event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan or for the imposition of liability under Section 4069 or 4212(c) of ERISA; (h) the termination of a Multiemployer Plan under Section 4041A of ERISA or the reorganization or insolvency of a Multiemployer Plan under Section 4241 of ERISA; (i) the loss of a Qualified Plan's qualification or tax exempt status; or (j) the termination of a Plan described in Section 4064 of ERISA.

"*ESOP*" shall mean a Plan which is intended to satisfy the requirements of Section 4975(e)(7) of the IRC.

"*Event of Default*" shall have the meaning assigned to it in *Section 8.1*.

"*Excess Liquidity*" means, on any date of determination thereof, the sum of (x) the amount of Net Availability at such time plus (y) the Credit Parties' consolidated unrestricted cash on hand at such time (including unrestricted cash in cash machines operated by the Credit Parties, but excluding cash in the Cash Collateral Account or any of the Accounts (as defined in the Funding Agreement)) less (z) any checks or other drafts drawn by any Credit Party but not yet paid at such time.

"*Existing Foreign Subsidiaries*" means Labour Ready Temporary Services UK Limited, a United Kingdom corporation, Labour Ready Temporary Services Ireland Limited, a United Kingdom corporation, and Labour Ready Temporary Services LTD, a Canadian corporation.

A-5

"*Federal Funds Rate*" shall mean, for any day, a floating rate equal to the weighted average of the rates on overnight Federal funds transactions among members of the Federal Reserve System, as determined by Creditor.

"*Federal Reserve Board*" shall mean the Board of Governors of the Federal Reserve System, or any successor thereto.

"*Fees*" shall mean any and all fees payable to Creditor pursuant to this Agreement or any of the other Letter of Credit Documents.

"*Financial Statements*" shall mean the consolidated and consolidating income statements, statements of cash flows and balance sheets of Debtor delivered in accordance with Sections 3.4 and 4.1 of this Agreement.

"*Fiscal Month*" shall mean any of the monthly accounting periods of Debtor.

"*Fiscal Quarter*" shall mean any of the quarterly accounting periods of Debtor.

"*Fiscal Year*" shall mean any of the annual accounting periods of Debtor ending on December 31 of each year.

"*Fixtures*" shall mean any "fixtures" as such term is defined in the Code, now owned or hereafter acquired by any Credit Party.

"*GAAP*" shall mean generally accepted accounting principles in the United States of America as in effect on the Closing Date, consistently applied as such term is further defined in *Annex G* to this Agreement.

"*General Intangibles*" shall mean any "general intangibles," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, and, in any event, including all right, title and interest which such Credit Party may now or hereafter have in or under any Contract, all customer lists, Licenses, Copyrights, Trademarks, Patents, and all applications therefor and reissues, extensions or renewals thereof, rights in Intellectual Property, interests in partnerships, joint ventures and other business associations, licenses, permits, copyrights, trade secrets, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know-how, software, data bases, data, skill, expertise, experience, processes, models, drawings, materials and records, goodwill (including the goodwill associated with any Trademark or Trademark License), all rights and claims in or under insurance policies (including insurance for fire, damage, loss and casualty, whether covering personal property, real property, tangible rights or intangible rights, all liability, life, key man and business interruption insurance, and all unearned premiums), uncertificated securities, choses in action, deposit, checking and other bank accounts, rights to receive tax refunds and other payments, rights of indemnification, all books and records, correspondence, credit files, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of such Credit Party or any computer bureau or service company from time to time acting for such Credit Party.

"*Governmental Authority*" shall mean any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"*Guaranteed Indebtedness*" shall mean, as to any Person, any obligation of such Person guaranteeing any indebtedness, lease, dividend, or other obligation ("*primary obligations*") of any other Person (the "*primary obligor*") in any manner, including any obligation or arrangement of such Person (a) to purchase or repurchase any such primary obligation, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet

condition of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (d) to indemnify the owner of such primary obligation against loss in respect thereof. The amount of any Guaranteed Indebtedness at any time shall be deemed to be an amount equal to the lesser of (x) the stated or determinable amount of the primary obligation in respect of which such Guaranteed Indebtedness is made and (y) the Letter of Credit Commitment for which such Person may be liable pursuant to the terms of the instrument embodying such Guaranteed Indebtedness; or, if not stated or determinable, the maximum reasonably anticipated liability (assuming full performance) in respect thereof.

"*Guaranties*" shall mean, collectively, the Subsidiary Guaranty and any other guaranty executed by any Guarantor in favor of Creditor in respect of the Obligations.

"*Guarantors*" shall mean each Subsidiary of Debtor (other than the Receivables Subsidiary, the Exiting Foreign Subsidiaries, LR Assurance and Workers' Assurance) and each other Person, if any, which executes a guarantee or other similar agreement in favor of Creditor in connection with the transactions contemplated by this Agreement and the other Letter of Credit Documents.

"*Hazardous Material*" shall mean any substance, material or waste which is regulated by or forms the basis of liability now or hereafter under, any Environmental Laws, including any material or substance which is (a) defined as a "solid waste," "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant," "contaminant," "hazardous constituent," "special waste," "toxic substance" or other similar term or phrase under any Environmental Laws, (b) petroleum or any fraction or by-product thereof, asbestos, polychlorinated biphenyls (PCB's), or any radioactive substance.

"*Indebtedness*" of any Person shall mean without duplication (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property payment for which is deferred six (6) months or more, but excluding obligations to trade creditors incurred in the ordinary course of business that are not overdue by more than six (6) months unless being contested in good faith, (b) all reimbursement and other obligations with respect to letters of credit, bankers' acceptances and surety bonds, whether or not matured, (c) all obligations evidenced by notes, bonds, debentures or similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or Creditor under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations and the present value (discounted at the Index Rate as in effect on the Closing Date) of future rental payments under synthetic leases, (f) all obligations of such Person under commodity purchase or option agreements or other commodity price hedging arrangements, in each case whether contingent or matured, (g) all obligations of such Person under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, in each case whether contingent or matured, (h) all Indebtedness referred to above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property or other assets (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness, and (i) the Obligations.

"*Indemnified Liabilities*" shall have the meaning assigned to it in *Section 1.9*.

"*Index Rate*" shall mean, for any day, a floating rate equal to the higher of (i) the rate publicly quoted from time to time by *The Wall Street Journal* as the "base rate on corporate Reimbursement Obligations at large U.S. money center commercial banks" (or, if *The Wall Street Journal* ceases quoting a base rate of the type described, the highest per annum rate of interest published by the Federal Reserve Board in Federal Reserve statistical release H.15 (519) entitled "Selected Interest Rates" as

the Bank prime loan rate or its equivalent), and (ii) the Federal Funds Rate plus fifty (50) basis points per annum. Each change in any interest rate provided for in this Agreement based upon the Index Rate shall take effect at the time of such change in the Index Rate.

"*Instruments*" shall mean any "instrument," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, and, in any event, including all certificated securities, all certificates of deposit, and all notes and other, without limitation, evidences of indebtedness, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

"*Intellectual Property*" shall mean any and all Licenses, Patents, Copyrights, Trademarks, trade secrets and customer lists.

"*Intercreditor Agreement*" shall mean the Intercreditor Agreement dated as of March 1, 2001, among Debtor, the Receivables Borrower, Debtor's other Subsidiaries, Creditor, and GE Capital as Receivables Administrative Agent and as Receivables Collateral Agent, as such agreement may be amended, supplemented, restated or replaced from time to time.

"*Inventory*" shall mean any "inventory," as such term is defined in the Code, now or hereafter owned or acquired by any Credit Party, wherever located, and in any event including inventory, merchandise, goods and other personal property which are held by or on behalf of any Credit Party for sale or lease or are furnished or are to be furnished under a contract of service, or which constitute raw materials, work in process or materials used or consumed or to be used or consumed in such Credit Party's business or in the processing, production, packaging, promotion, delivery or shipping of the same, including other supplies.

"*Investment Property*" shall have the meaning ascribed thereto in Section 9-115 of the Code in those jurisdictions in which such definition has been adopted and shall include (i) all securities, whether certificated or uncertificated, including stocks, bonds, interests in limited liability companies, partnership interests, treasuries, certificates of deposit, and mutual fund shares; (ii) all securities entitlements of any Credit Party, including the rights of any Credit Party to any securities account and the financial assets held by a securities intermediary in such securities account and any free credit balance or other money owing by any securities intermediary with respect to that account; (iii) all securities accounts held by any Credit Party; (iv) all commodity contracts held by any Credit Party; and (v) all commodity accounts held by any Credit Party.

"*IRC*" shall mean the Internal Revenue Code of 1986, as amended, and any successor thereto.

"*IRS*" shall mean the Internal Revenue Service, or any successor thereto.

"*L/C Issuer*" shall have the meaning given to such term in *Section 1.1(a)*.

"*Letter of Credit Account*" shall have the meaning assigned to it in *Section 1.8*.

"*Letter of Credit Documents*" shall mean this Agreement, the Collateral Documents and all other agreements, instruments, documents and certificates identified in *Annex B* executed and delivered to, or in favor of, Creditor and including all other pledges, powers of attorney, consents, assignments, contracts, notices, and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Credit Party, or any employee of any Credit Party, and delivered to Creditor in connection with this Agreement or the transactions contemplated hereby. Any reference in this Agreement or any other Letter of Credit Document to a Letter of Credit Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to such Agreement as the same may be

in effect at any and all times such reference becomes operative.

A-8

"*Letter of Credit Exposure*" shall mean, at any date of determination thereof, the sum (without duplication) of the aggregate outstanding Reimbursement Obligations plus the aggregate outstanding Letter of Credit Obligations.

"*Letter of Credit Fee*" has the meaning ascribed thereto in Section 1.1(d).

"*Letter of Credit Obligations*" shall mean all outstanding obligations incurred by Creditor at the request of Debtor, whether direct or indirect, contingent or otherwise, due or not due, in connection with the issuance of a reimbursement agreement or guaranty by Creditor with respect to any Letter of Credit. The amount of such Letter of Credit Obligations shall equal the maximum amount which may be payable by Creditor thereupon or pursuant thereto.

"*Letters of Credit*" shall mean standby letters of credit issued for the account of Debtor or any other Credit Party by any L/C Issuer, and bankers' acceptances issued by Debtor or any other Credit Party, for which Creditor has incurred Letter of Credit Obligations.

"*License*" shall mean any Copyright License, Patent License, Trademark License or other license of rights or interests now held or hereafter acquired by any Credit Party.

"*Lien*" shall mean any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Code or comparable law of any jurisdiction).

"*Litigation*" shall have the meaning assigned to it in Section 3.13.

"*LR Assurance*" means Labor Ready Assurance Corp. of Cayman Islands, a Cayman Island corporation.

"*Material Adverse Effect*" shall mean a material adverse effect on (a) the business, assets, operations, prospects or financial or other condition of the Credit Parties considered as a whole, (b) Debtor's or any Guarantor's ability to pay any of the Reimbursement Obligations or any of the other Obligations in accordance with the terms of this Agreement, (c) the Collateral or Creditor's Liens on the Collateral or the priority of such Liens, or (d) Creditor's rights and remedies under this Agreement and the other Letter of Credit Documents.

"*Multiemployer Plan*" shall mean a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA, and to which any Credit Party or ERISA Affiliate is making, is obligated to make, has made or been obligated to make, contributions on behalf of participants who are or were employed by any of them.

"*Net Availability*" shall mean, as of any date of determination thereof, the amount (if any) by which the Availability at such time exceeds the sum of the Letter of Credit Exposure plus the aggregate outstanding principal balance of the Receivables Advances at such time.

"*Obligations*" shall mean (i) all Reimbursement Obligations, (ii) all advances, debts, liabilities and obligations, for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by any Credit Party to Creditor, and (iii) all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement or other instrument, arising under this Agreement or any of the other Letter of Credit Documents. This term includes all principal, interest (including all interest which accrues after the commencement of any case or proceeding in bankruptcy after the insolvency of, or for the reorganization of any Credit Party,

A-9

whether or not allowed in such proceeding), Fees, Charges, expenses, attorneys' fees and any other sum chargeable to any Credit Party under this Agreement or any of the other Letter of Credit Documents.

"*Patent License*" shall mean rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right with respect to any invention on which a Patent is in existence.

"*Patents*" shall mean all of the following in which any Credit Party now holds or hereafter acquires any interest: (a) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or any other country, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State or Territory thereof, or any other country, and (b) all reissues, continuations, continuations-in-part or extensions thereof.

"*PBGC*" shall mean the Pension Benefit Guaranty Corporation or any successor thereto.

"*Permitted Acquisitions*" shall have the meaning assigned to it in Section 6.1.

"*Permitted Encumbrances*" shall mean the following encumbrances: (a) Liens for taxes or assessments or other governmental Charges not yet due and payable; (b) pledges or deposits of money securing statutory obligations under workmen's compensation, unemployment insurance, social security or public liability laws or similar legislation (excluding Liens under ERISA); (c) pledges or deposits of money securing bids, tenders, contracts (other than contracts for the payment of money) or leases to which any Credit Party is a party as lessee made in the ordinary course of business; (d) inchoate and unperfected workers', mechanics' or similar liens arising in the ordinary course of business, so long as such Liens attach only to Equipment, Fixtures and/or Real Estate; (e) carriers', warehousemen's, suppliers' or other similar possessory liens arising in the ordinary course of business; (f) deposits securing, or in lieu of, surety, appeal or customs bonds in proceedings to which any Credit Party is a party; (g) any attachment or judgment lien not constituting an Event of Default under Section 8.1(j); (h) presently existing or hereinafter created Liens in favor of Creditor; and (i) Liens on Receivables Assets in favor of Debtor, the Receivables Subsidiary, the Receivables Administrative Agent, the Receivables Collateral Agent or the Receivables Lenders granted pursuant to the Receivables Funding Documents and subject to the Intercreditor Agreement.

"*Permitted Stock Repurchases*" shall have the meaning assigned to it in Section 6.14.

"*Person*" shall mean any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof).

"Plan" shall mean, at any time, an employee benefit plan, as defined in Section 3(3) of ERISA, which any Credit Party maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any Credit Party.

"Pledge Agreement" shall mean the Pledge Agreement of even date herewith executed by Debtor in favor of Creditor, pledging all Stock of Receivables Subsidiary, if any, and all Intercompany Notes owing to or held by it.

"Prior Creditor" shall mean U.S. Bank.

"Prior Creditor Obligations" shall mean all indebtedness and obligations of the Credit Parties under the Business Loan Agreement, dated as of February 3, 1999, as amended, between Debtor and the Prior Creditor.

"Proceeds" shall mean "proceeds," as such term is defined in the Code and, in any event, shall include (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Credit Party from time to time with respect to any of the Collateral, (b) any and all payments (in any

A-10

form whatsoever) made or due and payable to any Credit Party from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any Person acting under color of governmental authority), (c) any claim of any Credit Party against third parties (i) for past, present or future infringement of any Patent or Patent License, or (ii) for past, present or future infringement or dilution of any Copyright, Copyright License, Trademark or Trademark License, or for injury to the goodwill associated with any Trademark or Trademark License, (d) any recoveries by any Credit Party against third parties with respect to any litigation or dispute concerning any of the Collateral, and (e) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral, upon disposition or otherwise.

"Qualified Plan" shall mean a Plan which is intended to be tax-qualified under Section 401(a) of the IRC.

"Rating Agencies" shall have the meaning assigned to such term in the Receivables Funding Agreement.

"Receivables" shall have the meaning assigned to such term in the Receivables Funding Agreement.

"Receivables Administrative Agent" shall mean the Administrative Agent under (and as such term is defined in) the Receivables Funding Agreement.

"Receivables Advances" shall mean any and all Advances made under (as such term is defined in) the Receivables Funding Agreement.

"Receivables Assets" shall have the meaning assigned to such term in the Intercreditor Agreement.

"Receivables Collateral Agent" shall mean the Collateral Agent under (and is defined in) the Receivables Funding Agreement.

"Receivables Facility Termination Date" shall mean the Facility Termination Date (as defined in the Receivables Funding Agreement).

"Receivables Funding Agreement" shall mean the Receivables Funding Agreement, dated as of March 1, 2001, among the Receivables Subsidiary, Debtor as servicer, Redwood as the conduit purchaser, and GE Capital as the committed purchaser and as the administrative agent, as such agreement may be amended, supplemented, restated or replaced from time to time.

"Receivables Funding Documents" shall mean the Receivables Funding Agreement and the Receivables Sale Agreements.

"Receivables Lenders" shall mean the Lenders under (and as such term is defined in) the Receivables Funding Agreement.

"Receivables Sale and Contribution Agreement" shall mean the Receivables Sale and Contribution Agreement, dated as of March 1, 2001 between Debtor as seller and the Receivables Subsidiary as purchaser, as such agreement may be amended, supplemented, restated or replaced from time to time.

"Receivables Sale Agreement" shall mean the Receivables Sale Agreement, dated as of March 1, 2001, among Debtor as purchaser and Debtor's Subsidiaries (other than the Receivables Subsidiary) as sellers, as such agreement may be amended, supplemented, restated or replaced from time to time.

"Receivables Sale Agreements" shall mean the Receivables Sale and Contribution Agreement and the Receivables Sale Agreement.

"Receivables Subsidiary" shall mean Labor Ready Funding Corporation, a Delaware corporation.

"Redwood" shall mean Redwood Receivables Corporation, a Delaware corporation.

A-11

"Refinancing" shall mean the repayment in full by Debtor of the Prior Creditor Obligations on the Closing Date.

"Reimbursement Obligations" shall mean the obligations of Debtor under Section 1.1(b) of the Agreement to reimburse Creditor for any and all payments made by Creditor under or with respect to any or all of the Letter of Credit Obligations.

"Related Transactions" means the incurrence of the initial Letter of Credit Obligations, the making of the initial Receivables Advances on the Closing Date and the Refinancing.

"Related Transactions Documents" shall mean the Letter of Credit Documents and Receivables Funding Documents.

"Release" shall mean any release, threatened release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Material in the indoor or outdoor environment, including the movement of Hazardous Material through or in the air, soil, surface water, ground water or property.

"Reserves" shall have the meaning given such term in the Receivables Funding Agreement.

"*Restricted Payment*" shall mean (a) the declaration or payment of any dividend or the incurrence of any liability to make any other payment or distribution of cash or other property or assets in respect of a Person's Stock, (b) any payment on account of the purchase, redemption, defeasance, sinking fund or other retirement of a Person's Stock or any other payment or distribution made in respect thereof, either directly or indirectly, (c) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to, any Subordinated Debt; (d) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire Stock of such Person now or hereafter outstanding; (e) any payment of a claim for the rescission of the purchase or sale of, or for material damages arising from the purchase or sale of, any shares of such Person's Stock or of a claim for reimbursement, indemnification or contribution arising out of or related to any such claim for damages or rescission; (f) any payment, loan, contribution, or other transfer of funds or other property to any Stockholder of such Person other than payments of compensation in the ordinary course of business to stockholders who are employees of such Person; and (g) any payment of management fees (or other fees of a similar nature) by such Person to any Stockholder of such Person or their Affiliates.

"*Retiree Welfare Plan*" shall mean, at any time, a Plan that is a "welfare plan" as defined in Section 3(2) of ERISA, that provides for continuing coverage or benefits for any participant or any beneficiary of a participant after such participant's termination of employment, other than continuation coverage provided pursuant to Section 4980B of the IRC and at the sole expense of the participant or the beneficiary of the participant.

"*Sale*" shall have the meaning given to such term in the Receivables Sale and Contribution Agreement.

"*Sale Price*" shall have the meaning given to such term in the Receivables Sale and Contribution Agreement.

"*Security Agreement*" shall mean the Security Agreement, dated as of March 1, 2001, entered into among Creditor and each Credit Party that is a signatory thereto.

"*Servicer*" shall have the meaning given to such term in the Receivables Funding Agreement.

"*Sold*" shall have the meaning given to such term in the Receivables Sale and Contribution Agreement.

A-12

"*Solvent*" shall mean, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person; (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probably liability of such Person on its debts as they become absolute and matured; (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (d) such Person is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities (such as litigation, guarantees and pension plan liabilities) at any time shall be computed as the amount which, in light of all the facts and circumstances existing at the time, represents the amount which can be reasonably be expected to become an actual or matured liability.

"*Stock*" shall mean all shares, options, warrants, general or limited partnership interests or other equivalents (regardless of how designated) of or in a corporation, partnership or equivalent entity whether voting or nonvoting, including common stock, preferred stock or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended).

"*Stockholder*" shall mean, with respect to any Person, each holder of any Stock of such Person.

"*Subsidiary*" shall mean, with respect to any Person, (a) any corporation of which an aggregate of more than fifty percent (50%) of the outstanding Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned legally or beneficially by such Person and/or one or more Subsidiaries of such Person, or with respect to which any such Person has the right to vote or designate the vote of fifty percent (50%) or more of such Stock whether by proxy, agreement, operation of law or otherwise, and (b) any partnership or limited liability company in which such Person and/or one or more Subsidiaries of such Person shall have an interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%) or of which any such Person is a general partner or may exercise the powers of a general partner.

"*Subsidiary Guaranty*" shall mean the Subsidiary Guaranty, dated as of March 1, 2001, executed by all Subsidiaries of Debtor (other than the Receivables Subsidiary, the Existing Foreign Subsidiaries, LR Assurance and Workers' Assurance) in favor of Creditor.

"*Taxes*" shall mean taxes, levies, imposts, deductions, Charges or with Debtor, and all liabilities with respect thereto, excluding taxes imposed on or measured by the net income of Creditor by the jurisdictions under the laws of which Creditor is organized or any political subdivision thereof.

"*Termination Date*" shall mean the date on which the Reimbursement Obligations have been indefeasibly repaid in full and all other Obligations under this Agreement and the other Letter of Credit Documents have been completely discharged and Letter of Credit Obligations have been cash collateralized, canceled or backed by stand-by letters of credit in accordance with Section 1.1(c)(ii), and Debtor shall not have any further right to borrow any monies under this Agreement.

"*Title IV Plan*" shall mean an employee pension benefit plan, as defined in Section 3 (2) of ERISA (other than a Multiemployer Plan), which is covered by Title IV of ERISA, and which any Credit Party or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

"*Trademark License*" shall mean rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right to use any Trademark.

A-13

"*Trademarks*" shall mean all of the following now owned or hereafter acquired by any Credit Party: (a) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature (whether registered or unregistered), now owned or existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; (b) all reissues, extensions or renewals thereof; and (c) all goodwill associated with or symbolized by any of the foregoing.

"*Unfunded Pension Liability*" shall mean, at any time, the aggregate amount, if any, of the sum of (a) the amount by which the present value of all accrued benefits under each Title IV Plan exceeds the fair market value of all assets of such Title IV Plan allocable to such benefits in accordance with Title IV of ERISA, all determined as of the most recent valuation date for each such Title IV Plan using the actuarial assumptions for funding purposes in effect under such Title IV Plan, and (b) for a period of five (5) years

following a transaction which might reasonably be expected to be covered by Section 4069 of ERISA, the liabilities (whether or not accrued) that could be avoided by any Credit Party or any ERISA Affiliate as a result of such transaction.

"*Workers' Assurance*" means Workers' Assurance of Hawaii, Inc., a Hawaiian corporation.

All other undefined terms contained in any of the Letter of Credit Documents shall, unless the context indicates otherwise, have the meanings provided for by the Code as in effect in the State of New York to the extent the same are used or defined therein. Unless otherwise specified, reference in this Agreement or any of the Appendices to a Section, subsection or clause refer to such Section, subsection or clause as contained in this Agreement. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole, including all Annexes, Exhibits and Schedules, as the same may from time to time be amended, restated, modified or supplemented, and not to any particular section, subsection or clause contained in this Agreement or any such Annex, Exhibit or Schedule.

Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter genders. The words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to Persons include their respective successors and assigns (to the extent and only to the extent permitted by the Letter of Credit Documents) or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of the same and any successor statutes and regulations. Whenever any provision in any Letter of Credit Document refers to the knowledge (or an analogous phrase) of any Credit Party, such words are intended to signify that such Credit Party has actual knowledge or awareness of a particular fact or circumstance or that such Credit Party, if it had exercised reasonable diligence, would have known or been aware of such fact or circumstance.

A-14

ANNEX B (Section 2.1(a))
to
LETTER OF CREDIT AGREEMENT
SCHEDULE OF ADDITIONAL CLOSING DOCUMENTS

In addition to, and not in limitation of, the conditions described in *Section 2.1* of this Agreement, pursuant to *Section 2.1(a)*, the following items must be received by Creditor in form and substance satisfactory to Creditor on or prior to the Closing Date (each capitalized term used but not otherwise defined herein shall have the meaning ascribed thereto in *Annex A* to this Agreement):

- A. *Appendices.* All Appendices to this Agreement, in form and substance satisfactory to Creditor.
- B. *Letter of Credit Agreement.* Duly executed originals of this Agreement dated the Closing Date, together with the Master Agreement for Standby Letters of Credit in substantially the form attached hereto as *Exhibit 2.2*.
- C. *Security Agreement.* Duly executed originals of the Security Agreement, dated the Closing Date, and all instruments, documents and agreements executed pursuant thereto, including, without limitation, the Power of Attorney.
- D. *Insurance.* Satisfactory evidence that the insurance policies required by *Section 5.4* are in full force and effect, together with appropriate evidence showing loss payable and/or additional insured clauses or endorsements, as requested by Creditor, in favor of Creditor.
- E. *Security Interests and Code Filings.* Evidence satisfactory to Creditor that Creditor has a valid and perfected first priority (except for Permitted Encumbrances) security interest in the Collateral, including (i) such documents duly executed by each Credit Party (including financing statements under the Code and other applicable documents under the laws of any jurisdiction with respect to the perfection of Liens) as Creditor may request in order to perfect its security interests in the Collateral and (ii) copies of Code search reports listing all effective financing statements that name any Credit Party as debtor, together with copies of such financing statements, none of which shall cover the Collateral, except for those relating to the Prior Creditor Obligations (all of which shall be terminated on the Closing Date) and those relating to the Receivables Funding Documents.
- F. *Payoff Letter; Termination Statements.* Copies of a duly executed payoff letter, in form and substance satisfactory to Creditor, by and between all parties to the Prior Creditor Letter of Credit Documents evidencing repayment in full of all Prior Creditor Obligations, together with (a) UCC-3 or other appropriate termination statements, in form and substance satisfactory to Creditor, manually signed by the Prior Creditor releasing all liens of Prior Creditor upon any of the personal property of each Credit Party, and (b) termination of all blocked account agreements, bank agency agreements or other similar agreements or arrangements or arrangements in favor of Prior Creditor or relating to the Prior Creditor Obligations.
- G. *Subsidiary Guaranty.* Subsidiary Guaranty executed by and each direct and indirect Subsidiary of Debtor (other than the Receivables Subsidiary, the Existing Foreign Subsidiaries, LR Assurance and Workers' Assurance) in favor of Creditor.
- H. *Charter and Good Standing.* For each Credit Party, such Person's (a) charter or constitutive documents and all amendments thereto, (b) good standing certificates (including verification of tax status) in its state of formation and (c) good standing certificates (including verification of tax status) and certificates of qualification to conduct business in each jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, each dated a recent date prior to the Closing Date and certified by the applicable Secretary of State or other authorized Governmental Authority.

B-1

I. *Bylaws and Resolutions.* For each Credit Party, (a) such Person's bylaws, operating agreement or limited partnership agreement, as applicable, together with all amendments thereto and (b) resolutions of such Person's Board of Directors, members, stockholders, managers and/or partners, as applicable, approving and authorizing the execution, delivery and performance of the Letter of Credit Documents to which such Person is a party and the transactions to be consummated in connection therewith, each certified as of the Closing Date by such Person's secretary or an assistant secretary as being in full force and effect without any modification or amendment.

J. *Incumbency Certificates.* For each Credit Party, signature and incumbency certificates of the officers of each such Person executing any of the Letter of Credit Documents, certified as of the Closing Date by such Person's corporate secretary or an assistant secretary as being true, accurate, correct and complete.

K. *Opinions of Counsel.* Duly executed originals of opinions of McGavick Graves, P.S., counsel for the Credit Parties, together with any local counsel opinions requested by Creditor, each in form and substance satisfactory to Creditor and its counsel, dated the Closing Date, and each accompanied by a letter addressed to such counsel from the Credit Parties, authorizing and directing such counsel to address its opinion to Creditor, and to include in such opinion an express statement to the effect that Creditor is authorized to rely on such opinion.

L. *Pledge Agreement.* Duly executed originals of the Pledge Agreement accompanied by (as applicable) share certificates representing all of the outstanding Stock of the

Receivables Subsidiary being pledged pursuant to the Pledge Agreement and stock powers for such share certificates executed in blank.

M. *Accountants' Letters.* A letter from the Credit Parties to their independent auditors authorizing the independent certified public accountants of the Credit Parties to communicate with Creditor in accordance with *Section 4.2*, and a letter from such auditors acknowledging Creditor's reliance on the auditor's certification of past and future Financial Statements.

N. *Appointment of Agent for Service.* An appointment of CT Corporation as each Credit Party's agent for service of process.

O. *Officer's Certificate.* Creditor shall have received duly executed originals of a certificate of the Chief Financial Officer of Debtor, dated the Closing Date, stating that, since December 31, 1999 (a) no event or condition has occurred or is existing which could reasonably be expected to have a Material Adverse Effect; (b) there has been no material adverse change in the industry in which Debtor operates; (c) no Litigation has been commenced which, if successful, would have a Material Adverse Effect or could challenge any of the transactions contemplated by this Agreement and the other Letter of Credit Documents; (d) there have been no Restricted Payments made by any Credit Party; and (e) there has been no material increase in liabilities, liquidated or contingent, and no material decrease in assets of Debtor or any of its Subsidiaries.

P. *Intercreditor Agreement.* Creditor shall have received any and all subordination and/or intercreditor agreements, all in form and substance reasonably satisfactory to Creditor, in its sole discretion, as Creditor shall have deemed necessary or appropriate with respect to any Indebtedness of any Credit Party, including, without limitation, the Intercreditor Agreement.

Q. *Audited Financials; Financial Condition.* Creditor shall have received Debtor's final Financial Statements for its Fiscal Year ended December 31, 1999, audited by Arthur Andersen LLP. Debtor shall have provided Creditor with its current operating statements, a consolidated and consolidating balance sheet and statement of cash flows, and a Borrowing Base Certificate with respect to Debtor certified by its Chief Financial Officer, in each case in form and substance satisfactory to Creditor, and Creditor shall be satisfied, in its sole discretion, with all of the foregoing. Creditor shall have further received a certificate of the Chief Financial Officer of Debtor to the effect that (a) Debtor will be

B-2

Solvent upon the consummation of the transactions contemplated herein; and (b) containing such other statements with respect to the solvency of Debtor and matters related thereto as Creditor shall request.

R. *Blocked Account Agreement.* Duly executed originals of the Blocked Account Agreement covering the Blocked Account which shall have been established at a bank or depository institution acceptable to Creditor.

S. *Other Documents.* Such other certificates, documents and agreements respecting any Credit Party as Creditor may, in its sole discretion, request.

T. *Intellectual Property Security Agreement.* In form and substance satisfactory to creditor.

B-3

ANNEX C (Section 11.10)
to
LETTER OF CREDIT AGREEMENT

NOTICE ADDRESSES

(A)

If to Creditor, at

General Electric Capital Corporation
201 High Ridge Road
Stamford, Connecticut 06927-5100
Attention: Labor Ready Account Manager
Telecopier No.: (203) 357-4065
Telephone No.: (203) 316-7821

with copies to:

Kilpatrick Stockton LLP
1100 Peachtree Street, N.W., Suite 2800
Atlanta, Georgia 30309
Attention: Hilary P. Jordan, Esq.
Telecopier No. (404) 815-6555
Telephone No.: (404) 815-6500

and

General Electric Capital Corporation
201 High Ridge Road
Stamford, Connecticut 06927-5100
Attention: Corporate Counsel/Commercial Finance
Telecopier No.: (203) 316-7889
Telephone No.: (203) 316-7554

(B)

If to Debtor, at

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

with copy to:

Malcolm C. Lindquist
McGavick Graves, P.S.
1102 Broadway, Suit 500
Tacoma, Washington 98401
Telecopier No.: 253-627-2247

EXHIBIT 1.1(c)(i)

CASH COLLATERAL ACCOUNT AGREEMENT

THIS CASH COLLATERAL ACCOUNT AGREEMENT ("*Agreement*") is made and entered into as of the _____ day of March, 2001, by and among _____, a ("Bank"), LABOR READY, INC., a Washington corporation ("*Debtor*"), and GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation ("*Creditor*").

A. Pursuant to that certain Letter of Credit Agreement dated as of March 1, 2001, between Debtor and Creditor (as amended, supplemented or otherwise modified from time to time, the "*L/C Agreement*"), Creditor has, subject to certain terms and conditions provided for therein, agreed to incur certain obligations in order to make available letters of credit for the benefit of Debtor and certain of its Subsidiaries.

B. Debtor has established deposit account number _____ with Bank (the "*Account*").

C. The parties hereto desire to enter into this Agreement in order to set forth their relative rights and duties with respect to the Account and all funds on deposit therein from time to time.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. Security Interest; Agency. As collateral security for Debtor's obligations to Creditor under (and as defined) the L/C Agreement, Debtor hereby grants to Creditor a present and continuing security interest in all of Debtor's rights, titles and interests in, to or under (a) the Account, (b) all contract rights, claims and privileges in respect of the Account, (c) all funds now or hereafter on deposit in the Account, and (d) all proceeds of the foregoing (including any interest or other income earned on the Account), and Bank acknowledges that this Agreement constitutes notice to Bank of Creditor's security interest in such collateral and Bank does hereby consent thereto; provided, that Bank makes no representation or warranty as to the value, perfection, priority or enforceability of such security interest. Creditor hereby appoints Bank as Creditor's bailee and pledgee-in-possession for the Account, and Bank hereby accepts such appointment and agrees to be bound by the terms of this Agreement. Debtor hereby agrees to such appointment and further agrees that Bank, on behalf of Creditor, shall be entitled to exercise, upon the written instructions of Creditor, any and all rights which Creditor may have under the L/C Agreement, the other letter of credit documents described therein or under applicable law with respect to the Account and all other collateral described in this paragraph 1. Bank and Debtor confirm to and agree with Creditor that the Account is not and will not be evidenced by any certificate of deposit, savings certificate or other instrument or certificated security.

2. Control of Account. The Account shall be under the sole dominion and control of Creditor and shall be maintained by Bank in the name of "Labor Ready, Inc." Debtor shall not have any control over the use of, or any right to withdraw any amount from, the Account. Upon receipt of written instructions to do so from Creditor, the Bank shall immediately transmit by federal funds wire transfer all funds then on deposit in the Account to such other deposit account as Creditor may specify in such instructions.

3. Statements and Other Information. Bank shall provide Creditor with copies of the regular monthly bank statements for the Account provided to Debtor and such other information relating to the Account as shall reasonably be requested by Creditor. Bank shall also deliver a copy of all notices and statements required to be sent to Debtor pursuant to any agreement governing or related to the Account to Creditor at such times as provided therein.

4. Fees. Debtor agrees to pay on demand all usual and customary service charges, transfer fees and account maintenance fees (collectively, "*Fees*") of Bank in connection with the Account. Creditor shall not have any responsibility or liability for the payment of any Fees.

5. Set-off. Bank hereby agrees that Bank will not exercise or claim any right of set-off or banker's lien against the Account or any funds on deposit therein.

6. Exculpation of Bank; Indemnification by Debtor. Debtor and Creditor agree that Bank shall have no liability to either of them for any loss or damage that either or both may claim to have suffered or incurred, either directly or indirectly, by reason of this Agreement or any transaction or service contemplated by the provisions hereof, unless occasioned by the gross negligence or willful misconduct of Bank. In no event shall Bank be liable for losses or delays resulting from computer malfunction, interruption of communication facilities, labor difficulties or other causes beyond Bank's reasonable control or for indirect, special or consequential damages. Debtor agrees to indemnify Bank and hold it harmless from and against any and all claims, and from and against any damages, penalties, judgments, liabilities, losses or expenses (including reasonable attorney's fees and disbursements) incurred as a result of the assertion of any claim, other than those ultimately determined to be founded on gross negligence or willful misconduct of Bank, by any person or entity, arising out of, or otherwise related to, any transaction conducted or service provided by Bank through the use of any account at Bank pursuant to the procedures provided for or contemplated by this Agreement.

7. Termination. This Agreement may be terminated by Debtor only upon delivery to Bank of a written notification thereof jointly executed by Debtor and Creditor. This Agreement may be terminated by Creditor at any time, with or without cause, upon its delivery of written notice thereof to each of Debtor and Bank. This Agreement may be terminated by Bank at any time on not less than 30 days prior written notice delivered to each of Debtor and Creditor. Upon delivery or receipt of such notice of termination to or by Bank, Bank will immediately transmit to such other deposit account as Creditor may direct all funds, if any, then on deposit in the Account. The provisions of paragraphs 1, 2 and 5 shall survive termination of this Agreement unless and until specifically released by Creditor in writing. All rights of Bank under paragraphs 4 and 6 shall survive any termination of this Agreement.

8. Irrevocable Agreements. Debtor acknowledges that the agreements made by it and the authorizations granted by it in paragraphs 1 and 2 hereof are irrevocable and that the authorizations granted in paragraphs 1 and 2 hereof are powers coupled with an interest.

9. Notices. All notices, requests or other communications given to Debtor, Creditor or Bank shall be given in writing (including by facsimile) at the address specified below:

Creditor:

General Electric Capital Corporation
201 High Ridge Road
Stamford, Connecticut 06927-5100

Attention: Labor Ready Account Manager
Telecopier No.: (203) 357-4065
Telephone No.: (203) 316-7821

with copies to:

Kilpatrick Stockton LLP
1100 Peachtree Street, N.W., Suite 2800
Atlanta, Georgia 30309
Attention: Hilary P. Jordan, Esq.
Telecopier No. (404) 815-6555
Telephone No.: (404) 815-6500

and

General Electric Capital Corporation
201 High Ridge Road
Stanford, Connecticut 06927-5100
Attention: Corporate Counsel/Commercial Finance
Telecopier No.: (203) 316-7889
Telephone No.: (203) 316-7554

Bank: **[Bank Name]**

Attention: _____
Telephone: _____
Facsimile: _____

Debtor:

Labor Ready, Inc.
1016 S. 28th Street
Tacoma, Washington 98409
Attention: Chief Financial Officer and General Counsel
Telecopier No.: (877) 334-0797
Telephone No.: (253) 383-9101

With copies to:

Malcolm C. Lindquist
McGavick Graves, P.S.
1102 Broadway, Suite 500
P.O. Box 1317
Tacoma, Washington 98401
Telecopier No.: (253) 627-2247
Telephone No.: (253) 627-1181

Any party may change its address for notices hereunder by notice to each other party hereunder given in accordance with this paragraph 9. Each notice, request or other communication shall be effective (a) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this paragraph 9 and confirmation of receipt is made by the appropriate party, (b) if given by overnight courier, 24 hours after such communication is deposited with the overnight courier for delivery, addressed as aforesaid, or (c) if given by any other means, when delivered at the address specified in this paragraph 9.

10. Miscellaneous.

- (a) This Agreement may be amended only by a written instrument executed by Creditor, Bank and Debtor acting by their respective duly authorized representatives.
- (b) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, but neither Debtor nor Bank shall be entitled to assign or delegate any of its rights or duties hereunder without first obtaining the express prior written consent of Creditor.
- (c) This Agreement may be executed in any number of several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.
- (d) THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF _____ (WITHOUT GIVING EFFECT TO ITS CONFLICTS OF LAW RULES).

IN WITNESS WHEREOF, each of the parties has executed and delivered this Account Agreement as of the day and year first above set forth.

[NAME OF BANK]

By: _____
Name: _____
Title: _____

LABOR READY, INC.

By: _____
Name: _____
Title: _____

GENERAL ELECTRIC CAPITAL CORPORATION

By: _____

Name: _____

Its Duly Authorized Signatory

EXHIBIT 1.1(h)
FORM OF BLOCKED ACCOUNT AGREEMENT

THIS BLOCKED ACCOUNT AGREEMENT ("Agreement") is made and entered into as of this _____ day of _____, 2001, by and among _____, a ("Bank"), LABOR READY, INC., a Washington corporation ("Company"), and GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation (together with any successors and assigns, "Creditor").

A. Pursuant to that certain Letter of Credit Agreement dated as of March 1, 2001 between Company, and Creditor (as amended, supplemented or otherwise modified from time to time, the "Letter of Credit Agreement"), Creditor has agreed, subject to certain terms and conditions to incur certain obligations in respect of letters of credit.

B. Company has established deposit account number _____ with Bank (the "Blocked Account").

C. The parties hereto desire to enter into this Agreement in order to set forth their relative rights and duties with respect to the Blocked Account and all funds on deposit therein from time to time.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. Effectiveness. This Agreement shall take effect immediately upon its execution by all parties hereto and shall supersede any blocked account or similar agreement in effect with respect to the Blocked Account.

2. Security Interest; Agency. As collateral security for Company's obligations to Creditor under the Letter of Credit Agreement and the other Letter of Credit Documents described therein, Company hereby grants to Creditor a present and continuing security interest in (a) the Blocked Account, (b) all contract rights, claims and privileges in respect of the Blocked Account, and (c) all cash, checks, money orders and other items of value of Company now or hereafter paid, deposited, credited, held (whether for collection, provisionally or otherwise) or otherwise in the possession or under the control of, or in transit to, Bank or any agent, bailee or custodian thereof (collectively, "Receipts"), and all proceeds of the foregoing, and Bank acknowledges that this Agreement constitutes notice of Creditor's security interest in such collateral and does hereby consent thereto; provided, that Bank makes no representation or warranty as to the value, perfection, priority or enforceability of such security interest. Creditor hereby appoints Bank as Creditor's bailee and pledgee-in-possession for the Blocked Account and all Receipts, and Bank hereby accepts such appointment and agrees to be bound by the terms of this Agreement. Company hereby agrees to such appointment and further agrees that Bank, on behalf of Creditor, shall be entitled to exercise, upon the written instructions of Creditor, any and all rights which Creditor may have under the Letter of Credit Agreement, the other Letter of Credit Documents described therein or under applicable law with respect to the Blocked Account, all Receipts and all other collateral described in this paragraph 2.

3. Control of Blocked Account. The Blocked Account shall be under the sole dominion and control of Creditor and shall be maintained by Bank in the name of Company. Notwithstanding anything set forth herein to the contrary, neither Company nor any other person or entity, through or under Company, shall have any control over the use of, or any right to withdraw any amount from, the Blocked Account, except for the Company's right to give instructions for the withdrawal, transfer or payment of funds at any time prior to the giving of a Notice of Direction by Creditor to Bank as provided for in Section 4(b) below.

4. Procedures for Blocked Account. Bank shall follow the following procedures with respect to the Blocked Account:

(a) Apply and credit for deposit to the Blocked Account all Receipts from time to time tendered by or on behalf of Company for deposit therein, including without limitation all wire transfers and other payments directed to the Blocked Account.

(b) Creditor hereby authorizes the Bank to continue to accept instructions from the Company for the withdrawal, transfer or payment of funds from the Account until the Creditor has given Bank a written notice in the form attached hereto as Exhibit A (any such notice a "Notice of Direction"). After receipt of a Notice of Direction, Bank shall determine, on each business day, the balance of all available funds on deposit in the Blocked Account and automatically initiate a federal funds wire transfer of all such funds not later than 12:00 noon (New York Time) on such business day to the account designated below, or to such other account as may be designated in writing from time to time by Creditor (the "Collection Account"):

Bankers Trust Company
New York, New York
ABA No. 021001033
Account No. 50232854
Account Name: GECC CAF Depository
Ref: Labor Ready

5. Statements and Other Information. Upon the request of Administrative Agent, Bank shall send to Creditor copies of all returned and dishonored Receipts promptly upon Bank's receipt thereof, and upon Creditor's request Bank shall provide Creditor with copies of the regular monthly bank statements provided to Company and such other information relating to the Blocked Account as shall reasonably be requested by Creditor. Bank shall also deliver a copy of all notices and statements required to be sent to Company pursuant to any agreement governing or related to the Blocked Account to Creditor at such times as provided therein.

6. Fees. Company agrees to pay on demand all usual and customary service charges, transfer fees and account maintenance fees (collectively, "Fees") of Bank in connection with the Blocked Account. In the event Company fails to timely make a payment to Bank of any Fees, Bank may thereafter exercise its right of set-off against the Blocked Account or any other depository account maintained by Company at Bank for such amounts and nothing in this Agreement shall limit or otherwise impair Bank's rights of setoff against any depository account maintained by Company at Bank in manner and to the extent set forth in any blocked account or similar agreement in effect with respect thereto. Creditor shall not have any responsibility or liability for the payment of any Fees.

7. Uncollected Funds. If any Receipts deposited in the Blocked Account are returned unpaid or otherwise dishonored Bank shall have the right to charge any and all such returned or dishonored items against the Blocked Account or to demand reimbursement therefor directly from Company. If the balances in the Blocked Account or in any other account Company maintains at Bank are not sufficient to pay Bank for any returned check, draft or other order for the payment of money or returned ACH entry previously deposited in the Account, Creditor agrees to pay Bank on demand the amount due Bank on such check, draft, order or entry but only if and to the extent that (1) the proceeds of such check, draft, order or entry have been previously transferred to Creditor pursuant to this Agreement and (2) Bank is not reimbursed therefor by the Company after demand by Bank on the Company.

8. Set-off. Except as provided for in Sections 6 and 7 above, Bank hereby agrees that Bank will not exercise or claim any right of set off or banker's lien against the Blocked

Account or any Receipts on deposit therein, and Bank hereby further waives any such right or lien which it may have against any Receipts deposited in the Blocked Account.

9. Exculpation of Bank; Indemnification by Company. The Bank shall be entitled to rely conclusively upon any Notice of Direction or any other notice or instruction it receives from the Creditor and the Bank shall have no obligation to investigate or verify the genuineness or correctness of any such notice or instruction. Company and Creditor agree that Bank shall have no liability to either of them for any loss or damage that either or both may claim to have suffered or incurred, either directly or indirectly, by reason of this Agreement or any transaction or service contemplated by the provisions hereof, unless occasioned by the gross negligence or willful misconduct of Bank. In no event shall Bank be liable for losses or delays resulting from computer malfunction, interruption of

communication facilities, force majeure, labor difficulties or other causes beyond Bank's reasonable control or for indirect, special or consequential damages. Company agrees to indemnify Bank and hold it harmless from and against any and all claims, other than those ultimately determined to be founded on gross negligence or willful misconduct of Bank, and from and against any damages, penalties, judgments, liabilities, losses or expenses (including reasonable attorney's fees and disbursements) incurred as a result of the assertion of any claim, by any person or entity, arising out of, or otherwise related to, any transaction conducted or service provided by Bank through the use of any depository account at Bank pursuant to the procedures provided for or contemplated by this Agreement or arising out of, or in connection with, this Agreement. Company and Creditor acknowledge that Bank (a) undertakes to perform only such duties as are expressly set forth in this Agreement, (b) will not have any fiduciary relationship with Company or Creditor, (c) shall be protected in relying on any form of instruction or other notice from Creditor that Bank in good faith believes to be genuine and what it purports to be, and (d) shall have no duty to inquire as to the genuineness, validity or enforceability of any such notice or instruction. Notwithstanding anything to the contrary herein, Bank shall not (i) be deemed to have notice of, or be obligated to perform or comply with, any of the duties and obligations of Company the Letter of Credit Agreement or under any other Letter of Credit Document (as such term is defined in the Letter of Credit Agreement) or (ii) be obligated to take any action that is a violation of applicable law.

10. Termination. This Agreement may be terminated by Company only upon delivery to Bank of a written notification thereof jointly executed by Company and Creditor. This Agreement may be terminated by Creditor at any time, with or without cause, upon its delivery of written notice thereof to each of Company and Bank. This Agreement may be terminated by Bank at any time on not less than 30 days prior written notice delivered to each of Company and Creditor. Upon delivery or receipt of such notice of termination to or by Bank, Bank will: (a) immediately transmit to the Collection Account (i) all available funds, if any, then on deposit in, or otherwise to the credit of, the Blocked Account, and (ii) upon receipt, all available funds received after such notice for deposit in, or otherwise to the credit of, the Blocked Account; and (b) deliver directly to Creditor all Receipts consisting of checks, money orders, drafts and other instruments or items of value, whether then in the possession of Bank or received by Bank after such notice, without depositing such Receipts in the Blocked Account or any other account. The provisions of paragraphs 2, 3 and 8 shall survive termination of this Agreement unless and until specifically released by Creditor in writing. All rights of Bank under paragraphs 6, 7 and 9 shall survive any termination of this Agreement.

11. Irrevocable Agreements. Company acknowledges that the agreements made by it and the authorizations granted by it in paragraphs 2, 3, and 4 hereof are irrevocable and that the authorizations granted in paragraphs 2, 3 and 4 hereof are powers coupled with an interest.

12. Notices. All notices, requests or other communications given to Company, Creditor or Bank shall be given in writing (including by facsimile) at the address specified below:

Creditor:

General Electric Capital Corporation
201 High Ridge Road
Stamford, Connecticut 06927
Attention: Account Manager/Labor Ready, Inc.
Facsimile: (203) 316-7821

with copies to:

General Electric Capital Corporation
201 High Ridge Road
Stamford, Connecticut 06927
Attention: Corporate Counsel/Labor Ready, Inc.
Facsimile: (203) 316-7889

Bank:

[Bank Name]
Attention:

Facsimile: () -

Company:

Labor Ready, Inc.
1015 A Street
Tacoma, Washington 98402
Attention: Chief Financial Officer
Facsimile: () -

Any party may change its address for notices hereunder by notice to each other party hereunder given in accordance with this paragraph 12. Each notice, request or other communication shall be effective (a) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this paragraph 12 and confirmation of receipt is made by the appropriate party, (b) if given by overnight courier, 24 hours after such communication is deposited with the overnight courier for delivery, addressed as aforesaid, or (c) if given by any other means, when delivered at the address specified in this paragraph 12.

13. Miscellaneous.

(a) This Agreement may be amended only by a written instrument executed by Creditor, Bank, and Company acting by their respective duly authorized representatives.

(b) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, but neither Company nor Bank shall be entitled to assign or delegate any of its rights or duties hereunder without first obtaining the express prior written consent of Creditor.

(c) This Agreement may be executed in any number of several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(d) THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF WASHINGTON (WITHOUT GIVING EFFECT TO ITS CONFLICTS OF LAW RULES).

(e) For purposes of this Agreement, a "business day" shall mean any day on which commercial banks in Tacoma, Washington are required by law to be open for

business or a day on which the branch of Bank in Tacoma, Washington is open for business. Bank's customary hours of operation will apply in respect of Bank's duties under this Agreement.

[Remainder of page intentionally blank; next page is signature page]

IN WITNESS WHEREOF, each of the parties has executed and delivered this Blocked Account Agreement as of the day and year first above set forth.

[NAME OF BANK]

By: _____
Name: _____
Title: _____

LABOR READY, INC.

By: _____
Name: _____
Title: _____

GENERAL ELECTRIC CAPITAL CORPORATION

By: _____
Name: _____
Title: Duly Authorized Signatory

**EXHIBIT A
to Exhibit 1.1.(h)**

[FORM OF NOTICE OF DIRECTION]

[Date]

[Bank Name]

Attention: _____

Facsimile: () - _____

Dear Sir or Madam:

Reference is made to that certain Blocked Account Agreement dated _____, among your financial institution, Labor Ready, Inc. and General Electric Capital Corporation (as amended or supplemented from time to time, the "*Blocked Account Agreement*"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Blocked Account Agreement.

This letter constitutes the giving of a "Notice of Direction" by Creditor to you under the Blocked Account Agreement and you are hereby instructed to transfer all funds now or hereafter on deposit in the Account to the Collection Account in accordance with Section 4(b) of the Blocked Account Agreement.

Very truly yours,

GENERAL ELECTRIC CAPITAL CORPORATION

By: _____
Name: _____
Title: Duly Authorized Signatory

EXHIBIT 2.2

FORM OF APPLICATION FOR IRREVOCABLE STANDBY LETTER OF CREDIT AND MASTER AGREEMENT

**Application For Irrevocable Standby Letter of Credit
TO: General Electric Capital Corporation**

Date

L/C No.

(Bank Use Only)

The undersigned Applicant hereby requests General Electric Capital Corporation ("GE Capital") to issue and transmit by:

Teletransmission Mail Overnight Courier Other, Explain _____

the Standby Letter of Credit (the "Credit") substantially as set forth below. In issuing the Credit, GE Capital is expressly authorized to make such changes from the terms herein below set forth as GE Capital, in its sole discretion, may deem advisable.

Applicant (Full Name and Address) Advising Bank: First Union National Bank
1 South Broad Street
9th Floor
Philadelphia, PA 19107
Attention: Standby Letters of Credit

Beneficiary (Full Name and Address) Currency and Amount in Figures:
Currency and Amount in Words:
Expiration Date
* Special Instructions
Is EVERGREEN language required? Yes No
If yes, what is the number of days notification required for
customary non-renewal notice?
Thirty days Sixty days Ninety days Other

Charges: GE Capital's charges are for our account, all other charges are to be paid by beneficiary.

Credit to be available to payment against Beneficiary's draft(s) at sight drawn on GE Capital or its correspondent at GE Capital's option accompanied by the following documents:

Statement, purportedly signed by the Beneficiary, reading as follows (please state below exact wording to appear on the statement):

Other Documents

Special Conditions

Issue substantially in form of attached specimen. (Specimen must also be signed by applicant)

Complete only when the Beneficiary (Foreign Bank, or other Financial Institution) is to issue its undertaking based on this Credit.

Request Beneficiary to issue and deliver their (specify the type of undertaking) in favor of for an amount not exceeding the amount specified above, effective immediately relative to (specify contract number or other pertinent reference) to expire on . (This date must be at least 15 days prior to the expiry date indicated above). It is understood that if the Credit is issued in favor of any bank or other financial or commercial entity which has issued or is to issue an undertaking on behalf of the Applicant of the Credit in connection with the Credit, the Applicant hereby agrees to remain liable under the Master Agreement and this Application in respect of the Credit (even after its expiry date) until GE Capital is released by such bank or entity.

Each Applicant signing below affirms that it has fully read and agrees to this Application. In consideration of GE Capital's issuance of the Credit, the Applicant agrees to be bound by the Master Agreement for Standby Letters of Credit between Applicant and GE Capital (the "Master Agreement"), the terms of which are incorporated by reference. All actions to be taken by GE Capital hereunder or in connection with any Credit may be taken by First Union National Bank or another bank designated by GE Capital as GE Capital's agent.

(Note: If a bank, trust company, or other financial institution signs as Applicant for its customer, or if two Applicants jointly apply, both parties should sign below). Documents may be forwarded to you by the Beneficiary, or the negotiating bank, in one mail. You may forward documents to us or our customhouse broker, if specified below, in one mail. We understand and agree that this Credit will be subject to the International Standby Practices, International Chamber of Commerce Publication No. 590 ("ISP98").

(Print or type name of Applicant)

(Print or type name of Applicant)

(Address)

(Address)

Authorized Signature (Title)

Authorized Signature (Title)

Authorized Signature (Title)

Authorized Signature (Title)

Customer Contact

GE CAPITAL USE ONLY
(NOTE: Application will NOT be processed if this section is not complete.)

Approved: _____

City: _____

Date: _____

Telephone: _____

(Print name and title)

MASTER AGREEMENT
FOR
STANDBY LETTERS OF CREDIT
TERMS AND CONDITIONS

General Electric Capital Corporation
201 High Ridge Road
Stamford, CT 06927

The undersigned ("**Applicant**") will require, from time to time, Standby Letters of Credit. General Electric Capital Corporation ("**GE Capital**") will, upon Applicant's application therefor, and to the extent such application is approved by GE Capital in its sole discretion, issue Standby Letters of Credit or arrange for the issuance thereof through an indirect wholly-owned subsidiary of GE Capital. Each Credit will be governed by and interpreted in accordance with the following terms and conditions. Capitalized terms shall have the meanings accorded them in Section 9, Definitions, below.

1. Payment Terms.

In addition to all commissions, charges, fees and expenses payable in connection with Credits pursuant to the Credit Agreement (including, without limitation the Letter of Credit Fee, as defined in the Credit Agreement), Applicant agrees to pay to GE Capital on demand, at GE Capital's office located at 201 High Ridge Road, Stamford, Connecticut 06927 or at such other address or account as may be designated in writing by GE Capital, in Dollars, in immediately available funds: (i) each amount paid by GE Capital under any Credit (which payment is permitted or required under this Agreement, ISP 98 or applicable law) in Dollars or in the event that the Credit permits Drafts under such Credit to be payable in a currency other than Dollars, the Dollar Equivalent of each amount so drawn; (ii) interest on each amount (or the Dollar Equivalent thereof) so drawn for each day from the date of payment of the relevant Draft to and including the date of payment in full of such amount by Applicant to GE Capital, at the rate specified in the Credit Agreement; and (iii) any and all commissions and charges of, and any and all costs and expenses incurred by, GE Capital and its subcontractors or agents in relation to the Credits and all Drafts thereunder. A schedule of commissions and charges is attached hereto as Annex I. If a Credit provides for sight payment, reimbursement by Applicant is due on the day on which GE Capital pays on the applicable Draft. All payments by Applicant hereunder shall be made without withholding, deduction or set-off and shall be made free and clear of taxes.

2. Security Interest.

To secure the payment and performance of all Obligations (including, without limitation, Letter of Credit Obligations), the Applicant hereby grants to GE Capital a security interest in the following, including, without limitation, the unqualified right to the possession and disposal of all property shipped under or in connection with each Credit, whether released to the Applicant under security agreements or otherwise, and also in and to all shipping documents, documents of title, or Drafts drawn under each Credit and in and to all other property owned by the Applicant, in or coming into GE Capital's possession or custody, and in any deposit balances now or hereafter held by a bank as custodian for GE Capital for the Applicant's account, together with the proceeds of each and all of the foregoing, until the Termination Date (subject to reinstatement as provided in the Letter of Credit Documents). The grant of a security interest in the preceding sentence supplements, rather than limits or supersedes, any grant of a security interest by Applicant in the Letter of Credit Documents. If GE Capital honors any presentation, demand or Draft and Applicant fails to reimburse GE Capital therefor in accordance with the terms of the Credit Agreement, GE Capital may assert its rights of subrogation under applicable law, whether GE Capital's honor satisfies all or only part of the underlying obligation. The Applicant must, on reasonable notice, cooperate with GE Capital in its assertion of the Applicant's rights against the Beneficiary, the Beneficiary's rights against the Applicant,

and any other rights that GE Capital may have by subrogation or assignment. Such cooperation shall include without limitation the prompt return of all Drafts, documents, instruments and statements in Applicant's possession that were presented by or on behalf of Beneficiary in connection with any draw under a Credit. Subject to the terms of the Credit Agreement and the terms of Section 8(b) below, the Applicant agrees to make upon demand such cash deposits with GE Capital as GE Capital may require to further secure Applicant's Letter of Credit Obligations.

3. Administration of Credit.

(a) Applicant will promptly examine a copy of each Credit (and any proposed amendments thereto) sent to Applicant, as well as all other instruments and documents delivered to Applicant from time to time in connection with such Credit, and, in the event Applicant has any claim of non-compliance with the instructions or of any discrepancy or other irregularity or any objection to any action taken or proposed to be taken by GE Capital with respect to any Credit, Applicant will notify GE Capital thereof in writing within three business days after its receipt of a copy of such Credit, any amendments thereto, or such instruments or documents or notice of any such proposed action, and Applicant will conclusively be deemed to have waived any such claim against GE Capital and its subcontractors, servicers and agents or any defense to payment of GE Capital, its subcontractors or agents, unless such notice is given as aforesaid. This Section 3(a) is intended to substitute three business days for the "not unreasonable time period" set forth in Rule 5.09 of ISP 98.

(b) Neither GE Capital nor any of its agents, subcontractors or servicers shall be responsible for, and neither GE Capital's powers and rights hereunder nor Applicant's obligations shall be affected by: (i) any act or omission pursuant to Applicant's instructions; (ii) any other act or omission of GE Capital or its subcontractors, servicers, agents or employees other than any such arising from its or their gross negligence or willful misconduct; (iii) the validity, accuracy or genuineness of Drafts, documents or required statements, even if such Drafts, documents or statements should in fact prove to be in any or all respects invalid, inaccurate, fraudulent or forged (and notwithstanding that Applicant shall have notified GE Capital thereof); (iv) failure of any Draft to bear any reference or adequate reference to the applicable Credit; (v) errors, omissions,

interruptions or delays in transmission of delivery of any messages however sent and whether or not in code or otherwise; (vi) any act, default, omission, insolvency or failure in business of any other person (including any agent, subcontractor or employee) or any consequences arising from causes beyond GE Capital's control; (vii) any acts or omissions of any Beneficiary of any Credit or transferee of any Credit, if transferable; (viii) any act or omission of GE Capital required or permitted under any (1) law or practice to which a Credit is subject (including ISP 98), (2) applicable order, ruling or decree of any court, arbitrator or governmental agency, (3) a published statement or interpretation on a matter of law or practice (including ISP 98); (ix) honor or other recognition of a presentation or demand that includes forged or fraudulent documents or that is otherwise affected by the fraudulent, bad faith, or illegal conduct of the Beneficiary or other person (excluding GE Capital's employees), including payment to a person who forges the signature of a Beneficiary or the signature of an assignee of a Credit's proceeds, (x) honor of a presentation without regard to any nondocumentary condition(s) in the Credit, regardless of whether Rule 4.11 of ISP 98 applies, or (xi) dishonor of any presentation that does not strictly comply with the terms of the applicable Credit or that is fraudulent, forged or otherwise not entitled to be honored. Without limiting the generality of the foregoing, GE Capital may (1) act in reliance on any oral, telephone, telegraphic, electronic, facsimile or written request, notice, or instruction believed in good faith to be from or have been authorized by the Applicant, (2) receive, accept or pay as complying with the terms of a Credit any Drafts or other documents, otherwise in order, which are signed by or issued to any person or entity acting as the representative of, or in the place of, the party in whose name such Credit provides that any Drafts or other documents should be drawn or issued and (3) waive its stipulation that the bank nominated in the applicable Credit shall accept or pay the Drafts, and GE Capital may then accept presentations of Drafts and documents for payment directly.

2

(c) Subject to GE Capital's obtaining any necessary consent from the Beneficiary or other third party, GE Capital may for Applicant's account at any time (i) treat a Credit as governed by the law of the place where GE Capital or the Beneficiary is located, notwithstanding a choice of law provision in the Credit, and, in case of conflict, treat the law as prevailing over practice in such place or *vice versa*; (ii) shorten or lengthen the examination period; (iii) specify or amend a specified place or manner of receiving a presentation, effecting honor, or giving notice of dishonor; or (iv) discount an accepted Draft or deferred obligation incurred under the Credit.

(d) Unless GE Capital is enjoined by a court of competent jurisdiction, GE Capital may assume that any Beneficiary or other presenter acts in good faith and that any presentation or other demand is nonfraudulent.

(e) Unless the Credit specifically permits and GE Capital specifically agrees, GE Capital need not check the authenticity or authority of any purported Beneficiary signature, even if in other transactions the Beneficiary is a customer or its signature is otherwise known to GE Capital.

(f) Unless GE Capital has specifically committed to do so in a writing signed by GE Capital, GE Capital need not consent to any amendment of a Credit. GE Capital may, without authorization from or notice to Applicant, send a notice of non-extension to the Beneficiary under a Credit if it provides for automatic extension. Any notice of dishonor given by GE Capital within six business days after presentation of documents to GE Capital shall not be deemed to be unreasonable. This Section 3(d) is intended to substitute six business days for the three business days set forth in Rule 5.01a of ISP 98.

(g) Notwithstanding any waiver by Applicant of discrepancies in Drafts, documents or required statements, GE Capital acting alone has the right in its sole judgment, to decline to approve any discrepancies and to refuse payment on that basis under any Credit issued hereunder.

(h) GE Capital may assign its rights and delegate its duties hereunder to any subsidiary of GE Capital, in each case without prior notice to Applicant; provided that such assignment and delegation does not diminish Applicant's rights or increase Applicant's duties hereunder.

(i) No Credit shall be issued hereunder providing for the acceptance of time Drafts or the incurrence of deferred payment undertakings.

(j) Notwithstanding any provision herein contained to the contrary, if Applicant approves the issuance of a Credit requiring payment of a Draft on the same day on which such Draft is presented, GE Capital shall be entitled to honor such Draft without review or examination by Applicant and Applicant waives all defenses to reimbursement thereof based on irregularities that may have been revealed by Applicant's review or examination.

4. Letter of Credit Text; Extensions, Increases and Modifications of Credit.

(a) Applicant is responsible for preparing or approving the text of each Credit as issued by GE Capital and as received by the Beneficiary. GE Capital's recommendation or drafting of text or GE Capital's use or non-use or refusal to use text submitted by Applicant shall not affect Applicant's ultimate responsibility for the final text and its receipt by the Beneficiary. Applicant is responsible for the effect, or lack of effect under ISP 98, Rule 4.11 or applicable law, of a provision in any Credit that requires GE Capital to verify facts rather than examine documents or that fails to identify the documents to which the provision applies.

Applicant is responsible for including suitable provisions in the underlying agreement that permit Applicant to review the text of the Credit as received by the Beneficiary and that describe the circumstances under which: a drawing under the Credit may be made, Credit proceeds may be applied to the underlying agreement, and part or all of those proceeds may be returned. Applicant accepts the risk that the text of the Credit is consistent with the underlying obligation, suitable for Applicant's

3

purposes, and received by the Beneficiary in time to permit the Beneficiary and Applicant to review the Credit and to request any desired amendments.

(b) Each Applicant agrees that GE Capital may at any time and from time to time, in its discretion, by agreement with one or more other Applicants (whether or not such Applicant shall have been appointed as the "Agent Applicant" in the Joint Signature Agreement contained in the Application): a) further finance or refinance any transaction under any Credit; b) renew, extend or change the time of payment or the manner, place or terms of payment of any of the Obligations; c) settle or compromise any of the Obligations or subordinate the payment thereof to the payment of any other debts of or claims against any Applicant which may at the time be due or owing to GE Capital; or d) release any Applicant or any Guarantor or any Collateral, or modify the terms under which such Collateral is held, or forego any right of setoff, or modify or amend in any way this Agreement or any Credit, or give any waiver or consent under this Agreement; all in such manner and on such terms as GE Capital may deem proper and without notice or further assent from such Applicant. In any such event, such Applicant shall remain bound by such event and this Agreement after giving effect to such event, and the Obligations under this Agreement shall be continuing obligations in respect of any transaction so financed or refinanced and, in either case, if the Obligations are contingent, may be treated by GE Capital as due and payable for their maximum face amount.

5. Reserve Requirements and Similar Costs.

If GE Capital is now or hereafter becomes subject to any reserve, special deposit or similar requirement against assets of, deposits with, or for the account of, or credit extended by, GE Capital, or any other condition is imposed upon GE Capital which imposes a cost upon GE Capital, and the result, in the determination of GE Capital is to increase the cost to GE Capital of maintaining a Credit or paying or funding the payment of any Draft thereunder, or to reduce the amount of any sum received or receivable, directly or indirectly, by GE Capital hereunder, Applicant will pay to GE Capital upon demand such amounts required to compensate GE Capital for such increased cost or reduction. In making the determinations contemplated hereunder, GE Capital may make such estimates, assumptions, allocations and the like which GE Capital in good faith determines to be appropriate, but GE Capital's selection thereof, and GE Capital determinations based thereon, shall be final and binding and conclusive upon Applicant.

6. Possession of Property by Applicant.

If the Applicant accepts or retains possession of documents, goods or other property, if any, covered by a Credit, prior to GE Capital's review of such documents, then all discrepancies and other irregularities of said documents shall be deemed waived by the Applicant, and GE Capital is authorized and directed to pay any Drafts drawn or purporting to be drawn upon such Credit.

7. Partial Shipments.

(a) Except as otherwise expressly stated in any Credit (i) partial shipments may be made under such Credit, and GE Capital may honor the relative Drafts without inquiry regardless of any apparent disproportion between the quantity shipped and the amount of the relative Draft and the total amount of such Credit and the total quantity to be shipped under such Credit, and (ii) if such Credit specifies shipments in installments within stated periods and the shipper fails to ship in any designated period, shipments of subsequent installments may nevertheless be made in their respective designated periods and GE Capital may honor the relative Drafts.

4

8. Events of Default, Remedies; Pre-funding.

(a) If any Event of Default has occurred and is continuing, other than an Event of Default specified in Sections 8.1(g), (h) or (i) of the Credit Agreement, GE Capital as issuer hereunder and in its capacity as Creditor under the Credit Agreement may pursue any of the remedies provided for in the Letter of Credit Documents, including without limitation declaring that all of the Obligations (including any such Obligations hereunder that may be contingent and not matured) are immediately due and payable. If an Event of Default under Section 8.1(g), (h) or (i) of the Credit Agreement has occurred, the Obligations shall automatically be due and payable.

(b) Without limiting the generality of the foregoing, Applicant agrees that if: i) any Default or Event of Default shall have occurred and be continuing; ii) GE Capital at any time and for any reason deems itself to be insecure or the risk of non-payment or non-performance of any of the Obligations to have increased; or iii) in the event that a Credit is denominated in a currency other than Dollars, GE Capital determines that such currency is unavailable or that the transactions contemplated by this Agreement are unlawful or contrary to any regulations to which GE Capital or any agent, servicer or subcontractor of GE Capital may be subject or that due to currency fluctuations the Dollar Equivalent of the amount of a Credit exceeds the amount of Dollars that GE Capital in its sole judgment expected to be its maximum exposure under such Credit, then Applicant will upon demand pay to GE Capital an amount equal to the undisbursed portion, if any, of such Credit, and such amount shall be held as additional Collateral for the payment of all Letter of Credit Obligations, and after the expiration hereof, to the extent not applied to the Letter of Credit Obligations, shall be returned to Applicant (unless otherwise provided in the Credit Agreement or any other Letter of Credit Document).

9. Definitions.

As used herein, the following terms shall have the following meanings:

"Agreement" shall mean, collectively, this Agreement each Application for Standby Letter of Credit entered into between GE Capital and Applicant, the Joint Signature Agreement and the Authorization and Agreement of Account Party appended hereto, as the same may be amended, modified, supplemented or restated from time to time.

"Applicant" shall mean the person or entity executing this Agreement as Applicant; provided that if two or more persons or entities shall have executed this Agreement as Applicant or as Joint Applicant, the terms "Applicant" and "Applicants" shall mean each and all of such persons and entities, individually and collectively, except that, if the term "Applicant" is preceded by the word "any" or "each" or a word or words of similar import, such terms shall be deemed to refer to each of such persons or entities, individually.

"Beneficiary" shall mean, as to any Credit, the beneficiary of that Credit.

"Collateral" shall have the meaning given such term in the Credit Agreement.

"Credit" shall mean a Standby Letter of Credit issued by GE Capital upon Applicant's request of GE Capital, as the same may be amended and supplemented from time to time, and any and all renewals, increases, extensions and replacements thereof and therefor.

"Credit Agreement" shall mean the Letter of Credit Agreement, dated as of March 1, 2001 among the Applicant and GE Capital, as such Letter of Credit Agreement may be amended, modified, supplemented or restated from time to time.

"Default" shall have the meaning given such term in the Credit Agreement.

"Dollar Equivalent" shall mean: a) the number of Dollars that is equivalent to an amount of a currency other than Dollars, determined by applying the selling rate of First Union National Bank,

5

First Union Bank International or another bank of comparable size selected by GE Capital; or b) in the event that GE Capital shall not at the time be offering such a rate, the amount of Dollars that GE Capital, in its sole judgment, specifies as sufficient to reimburse or provide funds to GE Capital in respect of amounts drawn or drawable under a Credit; in either case as and when determined by GE Capital.

"Dollars" shall mean lawful currency of the United States of America.

"Draft" shall mean any Draft (sight or time), receipt, acceptance, cable or other written demand for payment.

"Event of Default" shall have the meaning given such term in the Credit Agreement.

"Guarantor" shall have the meaning given such term in the Credit Agreement.

"Letter of Credit Documents" shall have the meaning given such term in the Credit Agreement.

"Letter of Credit Obligations" shall have the meaning given such term in the Credit Agreement.

"Obligations" shall have the meaning given such term in the Credit Agreement.

"Termination Date" shall have the meaning given such term in the Credit Agreement.

10. Expenses; Indemnification.

Applicant agrees to reimburse GE Capital and its subcontractors, servicers and agents upon demand for and to indemnify and hold GE Capital harmless from and against all claims, liabilities, losses, costs and expenses ("Indemnified Liabilities") including attorneys' fees and disbursements, incurred or suffered by GE Capital and its subcontractors, servicers and agents in connection with this Agreement or any Credit. Such Indemnified Liabilities shall include, but not be limited to, all such Indemnified Liabilities incurred or suffered by GE Capital and its subcontractors, servicers and agents in connection with (a) GE Capital's exercise of any right or remedy granted to it hereunder or under the Letter of Credit Documents, (b) any claim and the prosecution or defense thereof arising out of or in any way connected with this Agreement including, without limitation, as a result of any act or omission by a Beneficiary, (c) the collection or enforcement of the Obligations, and (d) any of the events or circumstances referred to in paragraph 3(b) hereof, including any defense by GE Capital in an action in which Applicant obtains an injunction against presentation or honor of any Draft. None of GE Capital or any subcontractor, servicer or agent of GE Capital shall be liable to Applicant for any special, indirect, consequential or punitive damages arising with respect to any Credit. Applicant must in all instances mitigate damages claimed against GE Capital or any subcontractor, servicer or agent arising with respect to any Credit. If GE Capital honors a Draft or presentation under a Credit for which Applicant claims it is not obligated to reimburse GE Capital, Applicant shall nonetheless pay to GE Capital the amount paid by GE Capital, without prejudice to Applicant's claims against GE Capital to recover fees and costs paid by Applicant with respect to the honored presentation plus any direct damages resulting therefrom which Applicant is unable to avoid or reduce. Applicant's prevailing in an action based on forgery or fraud of the Beneficiary or other presenter does not relieve Applicant from its obligation to pay GE Capital's costs and expenses in contesting the entry or maintenance of injunctive relief.

11. Licenses; Insurance.

If any Credit assures payment for goods to be imported, the Applicant shall procure or cause the Beneficiaries of each Credit to procure promptly any necessary import and export or other licenses for import or export or shipping of any goods referred to in or pursuant to such Credit and to comply and to cause the Beneficiaries to comply with all foreign and domestic governmental regulations in regard to the shipment and warehousing of such goods or otherwise relating to or affecting such Credit,

6

including governmental regulations pertaining to transactions involving designated foreign countries or their nationals, and to furnish such certificates in that respect as GE Capital may at any time require, and to keep such goods adequately covered by insurance in amounts, with carriers and for such risks as shall be satisfactory to GE Capital, and to cause GE Capital's interest to be endorsed thereon, and to furnish GE Capital on demand with evidence thereof. Should the insurance upon said goods for any reason be unsatisfactory to GE Capital, GE Capital may, at its expense, obtain insurance satisfactory to it.

12. No Waivers of Rights Hereunder; Rights Cumulative.

No delay by GE Capital in exercising any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right preclude other or further exercises thereof or the exercise of any other right. No waiver or amendment of any provision of this Agreement shall be enforceable against GE Capital unless in writing and signed by an officer of GE Capital, and unless it expressly refers to the provision affected, any such waiver shall be limited solely to the specific event waived. All rights granted GE Capital hereunder shall be cumulative and shall be supplementary of and in addition to those granted or available to GE Capital under the Letter of Credit Documents or applicable law and nothing herein shall be construed as limiting any such other right.

13. Continuing Agreement; Termination.

This Agreement shall continue in full force and effect until the Termination Date (subject to reinstatement, as provided in the Letter of Credit Documents).

14. Performance Standards.

Notwithstanding any provision to the contrary herein, GE Capital reserves the right to decline (i) any request made by the Applicant for the issuance of a Credit or (ii) any instruction provided by the Applicant if, in its discretion, GE Capital determines that the issuance of such Credit or the carrying out of such instruction contravenes GE Capital's customary procedures or policy, ISP 98 or any applicable law, rule or regulation.

15. Governing Law; Jurisdiction; Certain Waivers.

(a) This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the State of New York, and with respect to all security interests granted in connection herewith, GE Capital shall have the rights and remedies of a secured party under applicable law, including but not limited to the Uniform Commercial Code of New York. This Agreement supplements the Letter of Credit Documents, including those provisions relating to Letter of Credit Obligations and, except as expressly provided herein to the contrary, this Agreement does not supersede the Letter of Credit Documents.

(b) APPLICANT AGREES THAT ALL ACTIONS AND PROCEEDINGS RELATING DIRECTLY OR INDIRECTLY TO THIS AGREEMENT SHALL BE LITIGATED ONLY IN COURTS LOCATED WITHIN THE STATE OF NEW YORK AND THAT SUCH COURTS ARE CONVENIENT FORUMS THEREFOR, AND APPLICANT SUBMITS TO THE PERSONAL JURISDICTION OF SUCH COURTS.

(c) Applicant waives personal service of process upon it and consents that any such service of process may be made by certified or registered mail, return receipt requested, directed to Applicant at its address last specified for notices hereunder, and service so made shall be deemed completed two (2) days after the same shall have been so mailed.

7

(d) APPLICANT WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BETWEEN IT AND GE CAPITAL WAIVES THE RIGHT TO ASSERT IN ANY ACTION OR PROCEEDING WITH REGARD TO THIS AGREEMENT OR ANY OF THE OBLIGATIONS ANY OFFSETS OR COUNTERCLAIMS WHICH IT MAY HAVE.

(e) Each Credit and this Agreement shall be subject to the International Standby Practices, International Chamber of Commerce Publication No. 590 ("ISP 98") and the same are incorporated herein by reference. Applicant is responsible for knowing applicable letter of credit law and practice, including ISP 98. Solely for purposes of interpreting the ISP 98's application to this Agreement and Credits issued hereunder, GE Capital shall be deemed to be a "bank" as such term is used in ISP 98. To the extent permitted by applicable law, this Agreement shall prevail in case of a conflict with applicable law or ISP 98, and ISP 98 shall prevail in case of a conflict with applicable law.

16. Notices.

Any notice to GE Capital shall be effective only if in writing or by authenticated teletransmission acceptable to GE Capital, as applicable, directed to the attention of and

received by GE Capital. Any notice to or demand on Applicant, or, if more than one Applicant executes this Agreement, the Agent Applicant, shall be binding on all Applicants and shall be effective when made to Applicant, or if more than one Applicant executes this Agreement, the Agent Applicant, by mail, telegraph, facsimile, telephone or otherwise, in the case of mailed, telegraphed or cabled notices, to the address appearing below such Applicant's signature or at such other address as may hereafter be specified in a notice designated as a notice of change of address under this paragraph, and in the case of telephonic or facsimile notices, to the telephone number of such Applicant appearing below Applicant's signature. Any requirements under applicable law of reasonable notice by GE Capital to Applicant of any event shall be met if notice is given to Applicant or Agent Applicant, as the case may be, in the manner prescribed above at least two days before (a) the date of such event or (b) the date after which such event will occur.

17. Applicant Status.

The person identified in this Agreement as Applicant represents and warrants, except as otherwise provided in this Agreement, that:

- (a) it acts for itself and for no other person in requesting issuance of each Credit for its account;
- (b) it may be identified in each Credit as the "applicant," "account party" or "customer" at whose request and on whose instruction and for those account the Credit is issued;
- (c) it alone (acting through its officers) may authorize GE Capital to issue, amend, pay, or otherwise act under any Credit; and
- (d) it alone has standing to enforce this Agreement or otherwise to assert the rights and remedies of an applicant, including without limitation, to sue for any injunction against honor of any Credit.

18. General.

(a) If this Agreement is executed by two or more Applicants, they shall be jointly and severally liable hereunder, and all provisions hereof regarding the Collateral shall apply to the Obligations and Collateral of any or all of them.

(b) This Agreement shall be binding upon the heirs, executors, administrators, assigns and successors of each of the Applicant(s) and shall inure to the benefit of and be enforceable by GE Capital and its respective successors, transferees and assigns.

(c) Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof in that jurisdiction or affecting the validity or enforceability of such provision in any other jurisdiction.

(d) This Agreement shall be deemed to be a "Letter of Credit Document" for all purposes under the Credit Agreement. To the extent the terms and provisions of this Agreement conflict with the terms and provisions of the Credit Agreement, the terms and provisions of the Credit Agreement shall control.

(e) This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

Date:

Name of Applicant:

GENERAL ELECTRIC
CAPITAL CORPORATION

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Address of Applicant:

Fax No.: _____

Joint Signature Agreement

In consideration of your establishment from time to time of a Credit substantially as applied for herein, it is further agreed that this Agreement shall be the joint and several agreement of the undersigned and all property referred to in this Agreement as belonging to Applicant shall be understood to refer to the joint property of any or all of the several Applicants as well as to the individual property of each of them. The happening of any Event of Default as specified in paragraph 6 of this Agreement with respect to any Applicant shall mature the obligations of all Applicants. A demand made on any Applicant pursuant to paragraph 1 of this Agreement shall fix the exchange rate as to all Applicants.

It is agreed that [] shall appear in [each] Credit as Account Party and that [] ("Agent Applicant") has the exclusive right to issue all instructions on any and all matters relating to such Credit, including, without limitation, instructions as to disposition of documents and any unutilized funds, and waivers of discrepancies, and to agree with you upon any amendments, modifications, extensions, renewals, or increases in such Credit or any other matter.

Joint Applicant

By:

Authorized Signature

Address of Joint Applicant

Joint Applicant

By:

Authorized Signature

Address of Joint Applicant

Authorization and Agreement of Account Party

Gentlemen:

We hereby join the request of Applicant to issue from time to time the Credits, described on page 1 with our name appearing as Account Party.

In consideration of your issuing each Credit in this form it is agreed that Applicant has the exclusive right to issue all instructions on any and all matters relating to such Credits including, without limitation, instructions as to disposition of documents and any unutilized funds, and waivers of discrepancies, and to agree with you upon any amendments, modifications, extensions, renewals, or increases in each Credit or any other matters irrespective of whether the same may now or hereafter affect our rights or those of our successors or assigns.

Account Party

By:

Authorized Signature

Address of Account Party:

ANNEX I

The Applicant agrees to pay the following fees with respect to the Credits:

I. Issuance:

Upon issuance thereof, the greater of (a) 2.5 basis points (0.025%) of the amount of the Credit or (b) \$150.00

Plus:

—(c) Issuance Fee \$150.

II Amendment:

—Upon any amendment which increases the amount thereof, the greater of (a) 2.5 basis points (0.025%) of such increased amount or (b) \$150.00

—Amendments changing a condition of the SBLC (f)\$125.00

III. Evergreen Renewal:

—(a) Issuance fee (b) plus \$150.

IV. Document Examination:

—\$250

INDEX OF APPENDICES

Schedule 3.7	—	Labor Matters
Schedule 3.8	—	Ventures, Subsidiaries and Affiliates; Outstanding Stock
Schedule 3.11	—	Tax Matters
Schedule 3.12	—	ERISA Plans
Schedule 3.13	—	Litigation
Schedule 3.17	—	Hazardous Materials

Schedule 3.18	—	Insurance
Schedule 3.19	—	Deposit and Disbursement Accounts
Schedule 6.3	—	Indebtedness
Schedule 6.7	—	Existing Liens
Schedule 6.12	—	Existing Sale-Leaseback and Synthetic Lease Transactions
Annex A (Recitals)	—	Definitions
Annex B (Section 2.1(a))	—	Schedule of Additional Closing Documents
Annex C (Section 11.10)	—	Notice Addresses
Exhibit 1.1 (c)(i)	—	Form of Cash Collateral Account Agreement
Exhibit 1.1 (h)	—	Form of Blocked Account Agreement
Exhibit 2.2	—	Form of Application for Irrevocable Standby Letter of Credit and Master Agreement for Standby Letters of Credit

Table of Contents

		Page
1. AMOUNT AND TERMS OF CREDIT		1
1.1	<i>Letters of Credit</i>	1
1.2	<i>Voluntary Reduction</i>	4
1.3	<i>Mandatory Payments or Cash Collateral</i>	5
1.4	<i>Use of Proceeds</i>	5
1.5	<i>Interest and Applicable Margins</i>	5
1.6	<i>Receipt of Payments</i>	6
1.7	<i>Application and Allocation of Payments</i>	6
1.8	<i>Letter of Credit Account and Accounting</i>	6
1.9	<i>Indemnity</i>	7
1.10	<i>Access</i>	7
1.11	<i>Taxes</i>	7
1.12	<i>Capital Adequacy; Increased Costs</i>	8
1.13	<i>Single Obligation</i>	8
2. CONDITIONS PRECEDENT		9
2.1	<i>Conditions to the Initial Letter of Credit Obligations</i>	9
2.2	<i>Further Conditions to Each Letter of Credit Obligation</i>	9
3. REPRESENTATIONS AND WARRANTIES		10
3.1	<i>Corporate Existence; Compliance with Law</i>	10
3.2	<i>Executive Offices; FEIN</i>	10
3.3	<i>Power, Authorization, Enforceable Obligations</i>	10
3.4	<i>Financial Statements</i>	11
3.5	<i>Material Adverse Effect</i>	11
3.6	<i>Ownership of Property; Liens</i>	11
3.7	<i>Labor Matters</i>	11
3.8	<i>Ventures, Subsidiaries and Affiliates; Outstanding Stock and Indebtedness</i>	12
3.9	<i>Government Regulation</i>	12
3.10	<i>Margin Regulations</i>	12
3.11	<i>Taxes</i>	12
3.12	<i>ERISA</i>	13
3.13	<i>No Litigation</i>	13
3.14	<i>Brokers</i>	13
3.15	<i>Intellectual Property</i>	13
3.16	<i>Full Disclosure</i>	14
3.17	<i>Environmental Matters</i>	14
3.18	<i>Insurance</i>	14
3.19	<i>Deposit Accounts</i>	14
3.20	<i>Solvency</i>	14
4. FINANCIAL STATEMENTS AND INFORMATION		15
4.1	<i>Reports and Notices</i>	15
4.2	<i>Communication with Accountants</i>	15
5. AFFIRMATIVE COVENANTS		15
5.1	<i>Maintenance of Existence and Conduct of Business</i>	15
5.2	<i>Payment of Obligations</i>	15
5.3	<i>Books and Records</i>	16
5.4	<i>Insurance; Damage to or Destruction of Collateral</i>	16
5.5	<i>Compliance with Laws</i>	16
5.6	<i>Supplemental Disclosure</i>	17
5.7	<i>Intellectual Property</i>	17
5.8	<i>Environmental Matters</i>	17
5.9	<i>Further Assurances</i>	17
5.10	<i>Additional Subsidiary Guarantors</i>	17
6. NEGATIVE COVENANTS		18
6.1	<i>Mergers, Subsidiaries, Etc</i>	18
6.2	<i>Investments; Reimbursement Obligations and Advances</i>	19
6.3	<i>Indebtedness</i>	20

6.4	<i>Employee Reimbursement Obligations and Affiliate Transactions</i>	20
6.5	<i>Capital Structure and Business</i>	20
6.6	<i>Guaranteed Indebtedness</i>	20
6.7	<i>Liens</i>	20
6.8	<i>Sale of Stock and Assets</i>	21
6.9	<i>ERISA</i>	21
6.10	<i>Financial Covenants</i>	21
6.11	<i>Hazardous Materials</i>	21
6.12	<i>Sale-Leasebacks</i>	21
6.13	<i>Cancellation of Indebtedness</i>	21
6.14	<i>Restricted Payments</i>	21
6.15	<i>Change of Corporate Name or Location; Change of Fiscal Year</i>	21
6.16	<i>No Impairment of Intercompany Transfers</i>	22
6.17	<i>No Speculative Transactions</i>	22
7. TERM		23
7.1	<i>Termination</i>	23
7.2	<i>Survival of Obligations Upon Termination of Financing Arrangements</i>	23
8. EVENTS OF DEFAULT: RIGHTS AND REMEDIES		23
8.1	<i>Events of Default</i>	23
8.2	<i>Remedies</i>	24
8.3	<i>Waivers by Credit Parties</i>	25
9. PARTICIPATIONS		25
9.1	<i>Participations</i>	25
10. SUCCESSORS AND ASSIGNS		26
10.1	<i>Successors and Assigns</i>	26
11. MISCELLANEOUS		26
11.1	<i>Complete Agreement; Modification of Agreement</i>	26
11.2	<i>Amendments and Waivers</i>	26
11.3	<i>Fees and Expenses</i>	26
11.4	<i>No Waiver</i>	27
11.5	<i>Remedies</i>	27
11.6	<i>Severability</i>	27
11.7	<i>Conflict of Terms</i>	27
11.8	<i>Confidentiality</i>	28
11.9	GOVERNING LAW	28
11.10	<i>Notices</i>	29
11.11	<i>Section Titles</i>	29

11.12	<i>Counterparts</i>	29
11.13	WAIVER OF JURY TRIAL	29
11.14	<i>Press Releases</i>	29
11.15	<i>Reinstatement</i>	30
11.16	<i>Advice of Counsel</i>	30
11.17	<i>No Strict Construction</i>	30
11.18	<i>Appointment of Agent for Service of Process</i>	30

QuickLinks

[Exhibit 10.7](#)

[LETTER OF CREDIT AGREEMENT Dated as of March 1, 2001 between LABOR READY, INC. as Debtor, and GENERAL ELECTRIC CAPITAL CORPORATION, as Creditor](#)
[ANNEX A \(Recitals \) to LETTER OF CREDIT AGREEMENT DEFINITIONS](#)
[ANNEX B \(Section 2.1\(a\)\) to LETTER OF CREDIT AGREEMENT SCHEDULE OF ADDITIONAL CLOSING DOCUMENTS](#)
[ANNEX C \(Section 11.10\) to LETTER OF CREDIT AGREEMENT NOTICE ADDRESSES](#)
[EXHIBIT 1.1\(c\)\(i\) CASH COLLATERAL ACCOUNT AGREEMENT](#)
[EXHIBIT 1.1\(h\) FORM OF BLOCKED ACCOUNT AGREEMENT](#)
[EXHIBIT A to Exhibit 1.1\(h\)](#)
[\[FORM OF NOTICE OF DIRECTION\]](#)
[EXHIBIT 2.2 FORM OF APPLICATION FOR IRREVOCABLE STANDBY LETTER OF CREDIT AND MASTER AGREEMENT Application For Irrevocable Standby Letter of Credit TO: General Electric Capital Corporation](#)
[MASTER AGREEMENT FOR STANDBY LETTERS OF CREDIT TERMS AND CONDITIONS](#)
[Joint Signature Agreement](#)
[Authorization and Agreement of Account Party](#)
[ANNEX I](#)
[INDEX OF APPENDICES](#)
[Table of Contents](#)

ANNEX X
to
RECEIVABLES SALE AGREEMENT,
RECEIVABLES SALE AND CONTRIBUTION AGREEMENT,
and
RECEIVABLES FUNDING AGREEMENT
each dated as of
March 1, 2001

Definitions and Interpretation

SECTION 1. *Definitions and Conventions.* Capitalized terms used in the Sale and Contribution Agreement, the Receivables Sale Agreement and the Funding Agreement shall have (unless otherwise provided elsewhere therein) the following respective meanings:

"*Accession Agreement*" shall mean an Accession Agreement substantially in the form of *Exhibit A* to the Collateral Agent Agreement.

"*Accounting Changes*" shall mean, with respect to any Person, (a) changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion of the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or any successor thereto or any agency with similar functions); (b) changes in accounting principles concurred in by such Person's certified public accountants; (c) purchase accounting adjustments under A.P.B. 16 or 17 and EITF 88-16, and the application of the accounting principles set forth in FASB 109, including the establishment of reserves pursuant thereto and any subsequent reversal (in whole or in part) of such reserves; and (d) the reversal of any reserves established as a result of purchase accounting adjustments.

"*Accounts*" shall mean the Collection Account, the Concentration Account, the Lockbox Accounts and the Retention Account, collectively.

"*Accrued Monthly Yield*" shall mean, as of any date of determination within a Settlement Period, the sum of the Daily Yields for each day from and including the first day of the Settlement Period through and including such date.

"*Accrued Servicing Fee*" shall mean, as of any date of determination within a Settlement Period, the sum of the Servicing Fees calculated for each day from and including the first day of the Settlement Period through and including such date.

"*Accrued Unused Facility Fee*" shall mean, as of any date of determination within a Settlement Period, the sum of the Unused Facility Fees calculated for each day from and including the first day of the Settlement Period through and including such date.

"*Accumulated Funding Deficiency*" shall mean an "accumulated funding deficiency" as defined in Section 412 of the IRC and Section 302 of ERISA, whether or not waived.

"*Additional Amounts*" shall mean any amounts payable to any Affected Party under *Sections 2.09* or *2.10* of the Funding Agreement.

"*Additional Costs*" shall have the meaning assigned to it in *Section 2.09(b)* of the Funding Agreement.

"*Administrative Agent*" shall have the meaning set forth in the Preamble of the Funding Agreement.

"*Administrative Services Agreement*" shall mean that certain Administrative Services Agreement dated as of March 7, 2000, between Redwood and the Operating Agent.

"*Advance*" shall have the meaning assigned to it in *Section 2.01* of the Funding Agreement.

"*Advance Date*" shall mean each day on which any Advance is made.

"*Advance Discount Rate*" shall mean, as of any date of determination, a rate equal to the lesser of (a) the Dynamic Advance Discount Rate and (b) the Advance Discount Rate Cap.

"*Advance Discount Rate Cap*" shall mean a rate equal to eighty-five percent (85%); provided, that the Advance Discount Rate Cap shall be permanently reduced by the percent (the "Percentage Reduction") by which the Dilution Trigger Ratio for any given month exceeds the sum of (i) 5% plus (ii) the Percentage Reduction, if any, in effect during the prior month. Once the Advance Discount Rate Cap has been reduced during any period, the reduced Advance Discount Rate Cap shall be the new Advance Discount Rate Cap for purposes of this definition from the date thereof until the earlier of (a) the Facility Termination Date or (b) the next day in which the Advance Discount Rate Cap is

further reduced. Notwithstanding the foregoing, the Advance Discount Rate Cap may be changed at any time at the sole discretion of the Administrative Agent, exercised in good faith, and, in the case of an increase only, upon satisfaction of the Rating Agency Condition with respect thereto.

"*Adverse Claim*" shall mean any claim of ownership or any Lien, other than any ownership interest or Lien created under the Sale Agreements or the Funding Agreement or any Lien created under the Collateral Agent Agreement.

"*Affected Party*" shall mean each of the following Persons: the Conduit Lender, the Committed Lender, the Liquidity Agent, each Liquidity Lender, the Administrative Agent, the Operating Agent, the Letter of Credit Agent, each Letter of Credit Provider, the Collateral Agent, the Depositary and each Affiliate of the foregoing Persons.

"Affiliate" shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, five percent (5%) or more of the Stock having ordinary voting power in the election of directors of such Person, (b) each Person that controls, is controlled by or is under common control with such Person, or (c) each of such Person's officers, directors, joint venturers and partners. For the purposes of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

"Appendices" shall mean, with respect to any Related Document, all exhibits, schedules, annexes and other attachments thereto, or expressly identified thereto.

"Applicable Lender" shall mean (i) prior to the occurrence of a Committed Lender Funding Event, the Conduit Lender, and (ii) on and after the occurrence of a Committed Lender Funding Event, the Committed Lender.

"Approved Receivable" shall mean, with respect to any Originator, (a) all Receivables originated by such Originator and (b) those Receivables originated by another Person and subsequently acquired by such Originator that have been approved in writing by the Administrative Agent.

"Authorized Officer" shall mean, with respect to any corporation, the Chairman or Vice-Chairman of the Board, the President, any Vice President, the Secretary, the Treasurer, any Assistant Secretary, any Assistant Treasurer and each other officer of such corporation specifically authorized in resolutions of the Board of Directors of such corporation to sign agreements, instruments or other documents on behalf of such corporation in connection with the transactions contemplated by the Sale Agreements, the Funding Agreement and the other Related Documents.

"Availability" shall mean, as of any date of determination, the amount equal to the lesser of: (a) (i) the Borrowing Base multiplied by the Advance Discount Rate minus (ii) the Discount Reserve and the Dilution Reserve, and (b) the Maximum Facility Amount.

"Available LOC Percentage" shall mean twenty percent (20%); provided, that the Available LOC Percentage may be changed at any time by the Administrative Agent in its sole discretion, exercised in good faith, and, in the case of a decrease only, upon satisfaction of the Rating Agency Condition with respect thereto.

"Bankruptcy Code" shall mean the provisions of title 11 of the United States Code, 11 U.S.C. § § 101 et seq.

"Billed Amount" shall mean, with respect to any Receivable, the amount billed on the Billing Date to the Obligor thereunder.

"Billing Date" shall mean, with respect to any Receivable, the date on which the invoice with respect thereto was generated.

2

"Borrower" shall mean Labor Ready Funding Corporation, a Delaware corporation, in its capacity as borrower under the Funding Agreement.

"Borrower Account" shall mean a deposit account maintained in the name of the Borrower at a Borrower Blocked Account Bank.

"Borrower Account Collateral" shall have the meaning assigned to it in Section 8.01(c) of the Funding Agreement.

"Borrower Assigned Agreements" shall have the meaning assigned to it in Section 8.01(b) of the Funding Agreement.

"Borrower Blocked Account Agreement" shall mean an agreement among the Borrower, the Administrative Agent and a bank or financial institution that provides, among other things, that (a) all items of payment deposited in the Borrower Account are held by the Borrower Blocked Account Bank as custodian for GE Capital, as Administrative Agent, (b) the Borrower Blocked Account Bank has no rights of setoff or recoupment or any other claim against the Borrower Account, as the case may be, other than for payment of its service fees and other charges directly related to the administration of the Borrower Account and for returned checks or other items of payment and (c) upon the giving of a Notice of Direction (as defined in the Borrower Blocked Account Agreement) by the Administrative Agent to such Borrower Blocked Account Bank, such Borrower Blocked Account Bank agrees to forward all amounts received in the Borrower Account to an account of the Administrative Agent within one Business Day of receipt, and is otherwise in form and substance acceptable to the Administrative Agent, as amended, restated, supplemented or otherwise modified from time to time.

"Borrower Blocked Account Bank" shall mean a bank or depository institution acceptable to the Administrative Agent.

"Borrower Collateral" shall have the meaning assigned to it in Section 8.01 of the Funding Agreement.

"Borrower LOC Draws" shall mean any payments made to the Conduit Lender in connection with the Letter of Credit and allocated to the Borrower.

"Borrower Secured Obligations" shall mean all loans, advances, debts, liabilities, indemnities and obligations for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by the Borrower to any Affected Party under the Funding Agreement and any document or instrument delivered pursuant thereto, and all amendments, extensions or renewals thereof, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement or other instrument, arising thereunder, including Outstanding Principal Amount, Daily Yield, Yield Shortfall, Unused Facility Fees, Unused Facility Fee Shortfall, Margin, amounts in reduction of Funding Excess, Successor Servicing Fees and Expenses, Additional Amounts and Indemnified Amounts. This term includes all principal, interest (including all interest that accrues after the commencement of any case or proceeding by or against the Borrower in bankruptcy, whether or not allowed in such case or proceeding), fees, charges, expenses, attorneys' fees and any other sum chargeable to the Borrower thereunder, whether now existing or hereafter arising, voluntary or involuntary, whether or not jointly owed with others, direct or indirect, absolute or contingent, liquidated or unliquidated, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations that are paid to the extent all or any portion of such payment is avoided or recovered directly or indirectly from any Lender or the Administrative Agent or any transferee of the Lender or the Administrative Agent as a preference, fraudulent transfer or otherwise.

3

"Borrower's Share" shall mean the ratio of (a) the Maximum Facility Amount under the Funding Agreement to (b) the aggregate maximum purchase limits or commitments under the Funding Agreement and all Other Funding Agreements.

"Borrowing Base" shall mean, as of any date of determination, the amount equal to the Outstanding Balance of Eligible Receivables minus the Reserves with respect thereto, in each case as disclosed in the most recently submitted Borrowing Base Certificate or as otherwise determined by the Administrative Agent based on Borrower Collateral information available to the Administrative Agent, including any information obtained from any audit or from any other reports with respect to the Borrower Collateral or by any other means, which determination shall be final, binding and conclusive on all parties to the Funding Agreement (absent manifest error).

"Borrowing Base Certificate" shall have the meaning assigned to it in Section 2.03(a) of the Funding Agreement.

"Breakage Costs" shall have the meaning assigned to it in Section 2.10 of the Funding Agreement.

"Bringdown Certificate" shall mean an Officer's Certificate substantially in the form of Exhibit 3.01(a)(ii) to the Funding Agreement.

"Business Day" shall mean any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the State of New York or the State of Washington.

"Buyer" shall mean Labor Ready Funding Corporation, a Delaware corporation, in its capacity as purchaser under the Sale and Contribution Agreement.

"Buyer Indemnified Person" shall have the meaning assigned to it in Section 5.01 of the Sale and Contribution Agreement.

"Buyer Loan" shall have the meaning assigned to it in Section 6.01 of the Sale and Contribution Agreement.

"Cash Collateral Account" shall have the meaning assigned to it in the Standby Letter of Credit Agreement.

"Capital Lease" shall mean, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

"Change of Control" shall mean any event, transaction or occurrence as a result of which (a) any person or group of persons (within the meaning of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities Exchange Commission under the Securities Exchange Act of 1934, as amended) of 30% or more of the issued and outstanding shares of capital Stock of the Parent having the right to vote for the election of directors of the respective entity under ordinary circumstances; (b) during any twelve (12) consecutive calendar months ending after the Closing Date, individuals who at the beginning of such twelve-month period constituted the board of directors of the Parent (together with any new directors whose election by such board or whose nomination for election by the shareholders of the Parent was approved by a vote of a majority of the directors still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) shall cease for any reason to constitute a majority of the board of directors of the Parent then in office; (c) the Parent shall cease to own and control all of the economic and voting rights associated with all of the outstanding capital Stock of the other Originators or of the Borrower, or (d) the Parent has sold, transferred, conveyed, assigned or otherwise disposed of all or substantially all of the assets of the Parent.

"Closing Date" shall mean March 1, 2001.

4

"Collateral Agent" shall mean GE Capital, in its capacity as collateral agent for the Conduit Lender and the Conduit Lender Secured Parties pursuant to the Collateral Agent Agreement.

"Collateral Agent Agreement" shall mean that certain Third Amended and Restated Collateral Agent and Security Agreement dated as of March 7, 2000, among Redwood, the Depository and GE Capital, in its capacities as (a) the Collateral Agent, (b) the Operating Agent, (c) the Liquidity Agent and (d) the Letter of Credit Agent.

"Collection Account" shall mean (a) prior to a Committed Lender Funding Event, that certain segregated deposit account established by the Conduit Lender and maintained with the Depository designated as the "Redwood Receivables Corporation—Collection Account (Labor Ready Funding Corporation)," account number 00386310, ABA No. 021001033, Ref: Labor Ready Inc., Ref:#31221, or such other account established in accordance with the requirements set forth in Section 6.01(b) of the Funding Agreement, and (b) following the occurrence of a Committed Lender Funding Event, an account established in accordance with Section 3.03(a) of the LAPA.

"Collections" shall mean, with respect to any Receivable, all cash collections and other proceeds of such Receivable (including late charges, fees and interest arising thereon, and all recoveries with respect thereto that have been written off as uncollectible).

"Commercial Paper" shall mean those certain short-term promissory notes issued by the Conduit Lender (or, with respect to the Committed Lender, by GE Capital), from time to time in the United States of America commercial paper market.

"Committed Lender" shall mean GE Capital, its successors and assigns.

"Committed Lender Expiry Date" March 1, 2002 (as such date may be extended for additional periods not to exceed 364 days from time to time upon the written agreement of the Conduit Lender, the Administrative Agent and the Committed Lender).

"Committed Lender Funding Event" shall mean the occurrence of a Redwood Termination Date, but only if both (i) no Termination Event has occurred and is continuing, and (ii) the Committed Lender Expiry Date has not occurred.

"Committed Lender Daily Yield" means, for any day, the product of (i) the Committed Lender Daily Yield Rate for such day plus the Daily Margin on such day, plus, if a Termination Event has occurred and is continuing, the Daily Default Margin, multiplied by (ii) the Committed Lender's Outstanding Principal Amount on such day.

"Committed Lender Daily Yield Rate" means, for any day during a Settlement Period, (a) the weighted average Committed Lender Yield Rates applicable to the Committed Lender's Outstanding Principal Amount on such day, weighted by outstanding the portion of the Outstanding Principal Amount bearing interest at each such Committed Lender Yield Rate, divided by (b) 360.

"Committed Lender Yield Rate" means, with respect to any day, the Index Rate for such day.

"Commitment Reduction Notice" shall have the meaning assigned to it in Section 2.02(a) of the Funding Agreement.

"Commitment Termination Notice" shall have the meaning assigned to it in Section 2.02(b) of the Funding Agreement.

"Concentration Account" shall mean the segregated deposit account established by Borrower pursuant to and in accordance with Section 6.01(a) of the Funding Agreement.

"Concentration Account Bank" shall mean any bank or other financial institution at which the Concentration Account is maintained.

5

"Concentration Account Agreement" shall mean the agreement dated on or about March 1, 2001, by and among PNC Bank, National Association, Labor Ready, Inc., as

Servicer, Labor Ready Funding Corporation, and General Electric Capital Corporation, as Administrative Agent, as amended, restated, supplemented or otherwise modified from time to time.

"*Concentration Percentage*" shall mean, with respect to an Obligor as of any date of determination, the amount by which the Outstanding Balance of Eligible Receivables owing by such Obligor exceeds the product of (i) three percent (3.0%) multiplied by (ii) the Outstanding Balance of all Eligible Receivables at such date of determination.

"*Conduit Lender*" shall mean Redwood and its assigns.

"*Conduit Lender Secured Parties*" shall mean the Collateral Agent, the CP Holders, the Depository, the Liquidity Agent, the Liquidity Lenders, the Letter of Credit Agent and the Letter of Credit Providers.

"*Contract*" shall mean any agreement (including any invoice) pursuant to, or under which, an Obligor shall be obligated to make payments with respect to any Receivable.

"*Contributed Receivables*" shall have the meaning assigned to it in *Section 2.01(d)* of the Sale and Contribution Agreement.

"*CP Holder*" shall mean any Person that holds record or beneficial ownership of Commercial Paper.

"*CP Interest Amount*" shall have the meaning assigned to it in *Annex 3* to the Funding Agreement.

"*Credit and Collection Policies*" shall mean the credit, collection, customer relations and service policies of the Originators in effect on the Closing Date, as the same may from time to time be amended, restated, supplemented or otherwise modified with the written consent of the Administrative Agent.

"*Daily Default Margin*" shall mean, for any day on which a Termination Event has occurred and is continuing, two percent (2.0%) divided by 360.

"*Daily Margin*" shall mean, for any day, the Per Annum Daily Margin on such day divided by 360.

"*Daily Yield*" means, for any day, the sum of (a) the Redwood Daily Yield for such day, and (b) the Committed Lender Daily Yield for such day.

"*Daily Yield Rate*" shall mean the Redwood Daily Yield Rate or the Committed Lender Daily Yield Rate, as the case may be.

"*Dealer*" shall mean any dealer party to a Dealer Agreement.

"*Dealer Agreement*" shall mean any dealer agreement entered into by Redwood for the distribution of Commercial Paper.

"*Debt*" of any Person shall mean, without duplication, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services payment for which is deferred 90 days or more, but excluding obligations to trade creditors incurred in the ordinary course of business that are not overdue by more than 90 days unless being contested in good faith, (b) all reimbursement and other obligations with respect to letters of credit, bankers' acceptances and surety bonds, whether or not matured, (c) all obligations evidenced by notes, bonds, debentures or similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations, (f) all obligations of such Person under commodity

purchase or option agreements or other commodity price hedging arrangements, in each case whether contingent or matured, (g) all obligations of such Person under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, in each case whether contingent or matured, (h) all liabilities of such Person under Title IV of ERISA, (i) all Guaranteed Indebtedness of such Person, (j) all indebtedness referred to in *clauses (a) through (i)* above secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property or other assets (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness, (k) the Reimbursement Obligations as such term is defined in the Standby Letter of Credit Agreement, and (l) the Borrower Secured Obligations.

"*Defaulted Receivable*" shall mean any Receivable (a) with respect to which any payment, or part thereof, remains unpaid for more than ninety (90) days from its Billing Date, (b) with respect to which the Obligor thereunder has taken any action, or suffered any event to occur, of the type described in *Sections 9.01(c) or 9.01(d)* of the Funding Agreement or (c) that otherwise is determined to be uncollectible and is written off in accordance with the Credit and Collection Policies.

"*Default Ratio*" shall mean, as of any date of determination, the ratio (expressed as a percentage) of:

(a) the average of the respective Outstanding Balances of all Transferred Receivables with respect to which any payment, or part thereof, remains unpaid for more than ninety (90) days from its Billing Date, as of the last day of the six Settlement Periods immediately preceding such date

to

(b) the average of the respective Outstanding Balances of all Transferred Receivables as of the last day of the six Settlement Periods immediately preceding such date.

"*Depository*" shall mean Bankers Trust Company, or any other Person designated as the successor Depository pursuant to and in accordance with the terms of the Depository Agreement, in its capacity as issuing and paying agent or trustee in connection with the issuance of Commercial Paper.

"*Depository Agreement*" shall mean that certain Depository Agreement dated March 15, 1994, by and between Redwood and the Depository and consented to by the Liquidity Agent.

"*Dilution Factors*" shall mean, with respect to any Receivable, any net credits, rebates, freight charges, cash discounts, volume discounts, cooperative advertising expenses, royalty payments, warranties, cost of parts required to be maintained by agreement (whether express or implied), warehouse and other allowances, disputes, setoffs, chargebacks, defective returns, other returned or repossessed goods, inventory transfers, allowances for early payments and other similar allowances that are reflected on the books of each Originator and made or coordinated with the usual practices of the Originator thereof; *provided*, that any allowances or adjustments in accordance with the Credit and Collection Policies made on account of the insolvency of the Obligor thereunder or such Obligor's inability to pay shall not constitute a Dilution Factor.

"*Dilution Ratio*" shall mean, as of any date of determination, the ratio (expressed as a percentage) of:

(a) the aggregate Dilution Factors during the Settlement Period immediately preceding such date

(b) the aggregate Billed Amount of all Transferred Receivables originated during the Settlement Period immediately preceding such date.

"Dilution Reserve" means, on any date of determination, an amount calculated in accordance with the following formula:

$$\text{Borrowing Base} \times [(\text{OMDR} \times 2.00) + .05 - (1.00 - \text{ADR})]$$

Where:

OMDR = The One Month Dilution Ratio as of such date of determination

ADR = The Advance Discount Rate (expressed as a decimal) as of such date of determination.

Notwithstanding the foregoing, the Dilution Reserve shall be deemed to be zero if at any time the above calculation results in a negative number.

"Dilution Reserve Ratio" shall mean, as of any date of determination, the ratio (expressed as a percentage) calculated in accordance with the following formula:

$$[(\text{ADR} \times 2.00) + [(\text{HDR} - \text{ADR}) \times \frac{\text{HDR}}{\text{ADR}}] \times \frac{\text{DILHOR}}{\text{NRPB}}]$$

where:

ADR = the average of the respective Dilution Ratios as of the last day of the 12 Settlement Periods immediately preceding such date.

HDR = the highest Dilution Ratio during the 12 Settlement Periods immediately preceding such date.

DILHOR = the aggregate Billed Amount of Transferred Receivables originated during the two Settlement Periods immediately preceding such date.

NRPB = the Outstanding Balance of Transferred Receivables as of the last day of the first Settlement Period immediately preceding such date.

Notwithstanding the foregoing, (i) the Dilution Reserve Ratio may be changed at any time at the sole discretion of the Administrative Agent, exercised in good faith, and, in the case of a decrease only, upon satisfaction of the Rating Agency Condition with respect thereto, and (ii) the Dilution Reserve Ratio shall be deemed to be 5% if at any time the above calculation results in a percentage of less than 5%.

"Dilution Trigger Ratio" shall mean, as of any date of determination, the ratio (expressed as a percentage) of:

(a) the sum of (i) the aggregate Dilution Factors during the last three Settlement Periods immediately preceding such date plus (ii) the aggregate amount of Transferred Receivables that were written off as uncollectible during the last three Settlement Periods immediately preceding such date

to

(b) the aggregate Billed Amount of all Transferred Receivables originated during the last three Settlement Periods immediately preceding such date.

"Discount Reserve" means, at any time, an amount equal to the sum of (A) the product of (i) 1.5, (ii) the Index Rate plus 2.0%, (iii) the outstanding Advances and (iv) a fraction, the numerator of which is the higher of (a) 30 and (b) the most recent reported Receivables Collection Turnover multiplied by 2, and the denominator of which is 360, and (B) the product of (i) 1.5, (ii) the applicable Standby L/C Fee plus 2.0%, (iii) the aggregate Standby L/C Exposure and (iv) a fraction, the numerator of which is 90, and the denominator of which is 360.

"Dollars" or "\$" shall mean lawful currency of the United States of America.

"Dynamic Advance Discount Rate" shall mean, as of any date of determination, the rate equal to (a) 100% minus (b) the sum of (i) the Loss Reserve Ratio plus (ii) the Dilution Reserve Ratio, minus (iii) the Available LOC Percentage.

"Election Notice" shall have the meaning assigned to it in Section 2.01(d) of the Sale and Contribution Agreement.

"Eligible Receivable" shall mean, as of any date of determination, a Transferred Receivable:

(a) that is not a liability of an Excluded Obligor;

(b) that is not a liability of an Obligor (i) organized under the laws of any jurisdiction outside of the United States of America (including the District of Columbia and the Commonwealth of Puerto Rico but otherwise excluding its territories and possessions) or (ii) having its principal place of business outside of the United States of America (including the District of Columbia but otherwise excluding its territories and possessions);

(c) that is only denominated and payable in Dollars in the United States of America;

(d) that is not and will not be subject to any right of rescission, set-off, recoupment, counterclaim or defense, whether arising out of transactions concerning the Contract therefor or otherwise;

- (e) that is not a Defaulted Receivable or an Unapproved Receivable;
- (f) that does not represent "billed but not yet shipped" goods or merchandise, unperformed services, consigned goods or "sale or return" goods and does not arise from a transaction for which any additional performance by the Originator thereof, or acceptance by or other act of the Obligor thereunder, remains to be performed as a condition to any payments on such Receivable;
- (g) as to which the representations and warranties of Sections 4.01(v)(ii)-(iv) of each Sale Agreement are true and correct in all respects as of the Transfer Date thereof;
- (h) that is not the liability of an Obligor that has any claim of a material nature against or affecting the Originator thereof or the property of such Originator;
- (i) that is a true and correct statement of a *bona fide* indebtedness incurred in the amount of the Billed Amount of such Receivable for merchandise sold to or services rendered and accepted by the Obligor thereunder;
- (j) that was originated in accordance with and satisfies in all material respects all applicable requirements of the Credit and Collection Policies;
- (k) that represents the genuine, legal, valid and binding obligation of the Obligor thereunder enforceable by the holder thereof in accordance with its terms;
- (l) that is entitled to be paid pursuant to the terms of the Contract therefor, has not been paid in full or been compromised, adjusted, extended, satisfied, subordinated, rescinded or modified, and is not subject to compromise, adjustment, extension, satisfaction, subordination, rescission, or modification by the Originator thereof (except for adjustments to the Outstanding Balance thereof to reflect Dilution Factors made in accordance with the Credit and Collection Policy);
- (m) with respect to which the Originator thereof has submitted an invoice to the Obligor together with all other necessary documentation for payment to the Obligor thereunder and such Originator has fulfilled all of its other obligations in respect thereof;
- (n) the stated term of which, if any, is not greater than 30 days after its Billing Date nor cash-on-delivery or "C.O.D.";

- (o) that does not contravene in any material respect any laws, rules or regulations applicable thereto (including laws, rules and regulations relating to usury, consumer protection, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no party to the Contract therefor is in violation of any such law, rule or regulation that could have a material adverse effect on the collectibility, value or payment terms of such Receivable;
- (p) with respect to which no proceedings or investigations are pending or threatened before any Governmental Authority (i) asserting the invalidity of such Receivable or the Contract therefor, (ii) asserting the bankruptcy or insolvency of the Obligor thereunder, (iii) seeking payment of such Receivable or payment and performance of such Contract or (iv) seeking any determination or ruling that might materially and adversely affect the validity or enforceability of such Receivable or such Contract;
- (q) with respect to which the Obligor thereunder is not: (i) bankrupt or insolvent, (ii) unable to make payment of its obligations when due, (iii) a debtor in a voluntary or involuntary bankruptcy proceeding, or (iv) the subject of a comparable receivership or insolvency proceeding;
- (r) that is an "account" within the meaning of the UCC of the jurisdictions in which the chief executive offices of each of the Originators, the Parent and the Borrower are located and the jurisdictions under which they are organized;
- (s) that is payable solely and directly to an Originator and not to any other Person (including any shipper of the merchandise or goods that gave rise to such Receivable), except to the extent that payment thereof may be made to the Collection Account or otherwise as directed pursuant to Article VI of the Funding Agreement;
- (t) with respect to which all material consents, licenses, approvals or authorizations of, or registrations with, any Governmental Authority required to be obtained, effected or given in connection with the creation of such Receivable or the Contract therefor have been duly obtained, effected or given and are in full force and effect;
- (u) that is created through the provision of merchandise, goods or services by the Originator thereof in the ordinary course of its business in a current transaction;
- (v) that complies with such other criteria and requirements as the Administrative Agent may from time to time specify to the Borrower or the Originator thereof by written notice;
- (w) that is not the liability of an Obligor that, under the terms of the Credit and Collection Policies, is receiving or should receive merchandise, goods or services on a "cash on delivery" basis;
- (x) that does not constitute a rebilled amount arising from a deduction taken by an Obligor with respect to a previously arising Receivable;
- (y) that is not subject to any Lien, right, claim, security interest or other interest of any other Person, other than Liens in favor of the Lenders;
- (z) that does not represent the collection of sales, use or other taxes, to that extent;
- (aa) that does not arise from the provision by the applicable Originator of services for a personal, family or household purpose of the Obligor involved;
- (bb) that does not represent the balance owed or a Receivable with respect to which the Obligor has previously made a partial payment;
- (cc) that does not represent a Receivable on which a check, draft or other item of payment was previously received that was returned unpaid or otherwise dishonored;

- (dd) that does not represent a Receivable arising from services performed by the employees of any franchisee of any Originator; and
- (ee) that does not represent franchisee fees or other Receivables owing to any Originator by any franchisee of any Originator.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974 and any regulations promulgated thereunder.

"ERISA Affiliate" shall mean, with respect to any Originator, any trade or business (whether or not incorporated) that, together with such Originator, are treated as a single

employer within the meaning of Sections 414(b), (c), (m) or (o) of the IRC.

"ERISA Event" shall mean, with respect to any Originator or any ERISA Affiliate, (a) any event described in Section 4043(c) of ERISA with respect to a Title IV Plan; (b) the withdrawal of any Originator or ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a "substantial employer," as defined in Section 4001(a)(2) of ERISA; (c) the complete or partial withdrawal of any Originator or any ERISA Affiliate from any Multiemployer Plan; (d) the filing of a notice of intent to terminate a Title IV Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA; (e) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC; (f) the failure by any Originator or ERISA Affiliate to make when due required contributions to a Multiemployer Plan or Title IV Plan unless such failure is cured within 30 days; (g) any other event or condition that might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan or for the imposition of liability under Section 4069 or 4212(c) of ERISA; (h) the termination of a Multiemployer Plan under Section 4041A of ERISA or the reorganization or insolvency of a Multiemployer Plan under Section 4241 of ERISA; or (i) the loss of a Qualified Plan's qualification or tax exempt status.

"ESOP" shall mean a Plan that is intended to satisfy the requirements of Section 4975(e)(7) of the IRC.

"Event of Servicer Termination" shall have the meaning assigned to it in Section 9.02 of the Funding Agreement.

"Excluded Obligor" shall mean any Obligor (a) that is an Affiliate of any Originator or the Borrower, (b) that is a Governmental Authority, (c) with respect to which 25% or more of the aggregate Outstanding Balance of all Receivables owing by such Obligor are Defaulted Receivables, or (d) with respect to which the aggregate Outstanding Balance of all Receivables owing by such Obligor exceeds any credit limit for such Obligor then imposed by the applicable Originator in accordance with the Credit and Collection Policies.

"Facility Termination Date" shall mean the earliest of (a) the date so designated pursuant to Section 9.01 of the Funding Agreement, (b) 90 days prior to the Final Advance Date, (c) 90 days prior to the date of termination of the Maximum Facility Amount specified in a notice from the Borrower to the Lenders delivered pursuant to and in accordance with Section 2.02(b) of the Funding Agreement, (d) the Committed Lender Expiry Date, and (e) the Standby Letter of Credit Commitment Termination Date.

"Fair Labor Standards Act" shall mean the provisions of the Fair Labor Standards Act, 29 U.S.C. § 201 *et seq.*

"Federal Funds Rate" means, for any day, a floating rate equal to the weighted average of the rates on overnight federal funds transactions among members of the Federal Reserve System, as determined by the Administrative Agent.

11

"Federal Reserve Board" shall mean the Board of Governors of the Federal Reserve System.

"Fee Letter" shall mean that certain letter agreement dated March 1, 2001, between the Borrower, the Parent and the Conduit Lender.

"Final Advance Date" shall mean March 1, 2006.

"Funding Agreement" shall mean that certain Receivables Funding Agreement dated as of March 1, 2001, among the Borrower, the Conduit Lender, the Committed Lender, the Servicer and the Administrative Agent.

"Funding Availability" shall mean, as of any date of determination, the amount, if any, by which Availability exceeds the sum of (i) the Outstanding Principal Amount *plus* (ii) the outstanding Letter of Credit Exposure (as such term is defined in the Standby Letter of Credit Agreement), in each case as of the end of the immediately preceding day.

"Funding Excess" shall mean, as of any date of determination, the extent to which the sum of (i) the Outstanding Principal Amount *plus* (ii) the outstanding Letter of Credit Exposure (as such term is defined in the Standby Letter of Credit Agreement) exceeds the Availability, in each case as disclosed in the most recently submitted Borrowing Base Certificate or as otherwise determined by the Administrative Agent based on Borrower Collateral information available to any of them, including any information obtained from any audit or from any other reports with respect to the Borrower Collateral, which determination shall be final, binding and conclusive on all parties to the Funding Agreement (absent manifest error), *provided, however*, that solely for purposes of the Funding Agreement, no Funding Excess shall be deemed to exist under the Funding Agreement as of any date of determination if the Outstanding Principal Amount is Zero Dollars (\$0) as of such date.

"GAAP" shall mean generally accepted accounting principles in the United States of America as in effect on the Closing Date, consistently applied as such term is further defined in Section 2(a) of this Annex X.

"GE Capital" shall mean General Electric Capital Corporation, a New York corporation, and its successors and assigns.

"General Trial Balance" shall mean, with respect to any Originator and as of any date of determination, such Originator's accounts receivable trial balance (whether in the form of a computer printout, magnetic tape or diskette) as of such date, listing Obligors and the Receivables owing by such Obligors as of such date together with the aged Outstanding Balances of such Receivables, in form and substance satisfactory to the Borrower and the Lenders.

"Governmental Authority" shall mean any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guaranteed Indebtedness" shall mean, as to any Person, any obligation of such Person guaranteeing any indebtedness, lease, dividend, or other obligation ("primary obligation") of any other Person (the "primary obligor") in any manner, including any obligation or arrangement of such Person to (a) purchase or repurchase any such primary obligation, (b) advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet condition of the primary obligor, (c) purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (d) indemnify the owner of such primary obligation against loss in respect thereof. The amount of any Guaranteed Indebtedness at any time shall be deemed to be the amount equal to the lesser at such time of (x) the stated or determinable amount of the primary obligation in respect of which such Guaranteed Indebtedness is incurred and (y) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guaranteed Indebtedness; or, if not stated or determinable, the maximum reasonably anticipated liability (assuming full performance) in respect thereof.

12

"Incipient Servicer Termination Event" shall mean any event that, with the passage of time or notice or both, would, unless cured or waived, become an Event of Servicer Termination.

"Incipient Termination Event" shall mean any event that, with the passage of time or notice or both, would, unless cured or waived, become a Termination Event.

"*Indemnified Amounts*" shall mean, with respect to any Person, any and all suits, actions, proceedings, claims, damages, losses, liabilities and expenses (including attorneys' fees and disbursements and other costs of investigation or defense, including those incurred upon any appeal).

"*Indemnified Person*" shall have the meaning assigned to it in *Section 12.01(a)* of the Funding Agreement.

"*Indemnified Taxes*" shall have the meaning assigned to it in *Section 2.08(b)* of the Funding Agreement.

"*Index Rate*" shall mean the latest rate for 30-day dealer placed commercial paper (which for purposes hereof shall mean high grade unsecured notes sold through dealers by major corporations in multiples of \$100,000), which normally is published in the "Money Rates" section of *The Wall Street Journal* (or if such rate ceases to be so published, as quoted from such other generally available and recognizable source as Lender may select). Each change in any interest rate provided for in the Funding Agreement based upon the Index Rate shall take effect at the time of such change in the Index Rate.

"*Intercreditor Agreement*" shall mean that certain Intercreditor Agreement dated as of March 1, 2001, among the Borrower, the Servicer, the Originators, the Lenders, the Standby L/C Creditor and GE Capital in various agent capacities.

"*Interest Expense*" shall mean, with respect to any Person and any period, the interest expense of such Person, determined on a consolidated basis for such period, including in any event the interest portion or payments under Capital Lease Obligations and interest expense for the relevant period that has been capitalized on the balance sheet of such Person and yield or other amounts due and payable (other than upfront fees) under any accounts receivable securitization facility to which any such Person is a party as seller or issuer.

"*Interest Payment Date*" shall mean, with respect to any Buyer Loan, the first Business Day of each calendar month while such loan is outstanding *provided*, that in addition to the foregoing, each of (a) the date upon which all Buyer Loans have been paid in full and (b) the Facility Termination Date shall be deemed to be an "Interest Payment Date" with respect to any accrued interest thereunder.

"*Investment Company Act*" shall mean the provisions of the Investment Company Act of 1940, 15 U.S.C. § 80a *et seq.*, and any regulations promulgated thereunder.

"*Investments*" shall mean, with respect to any Borrower Deposit Account Collateral, the certificates, instruments, investment property or other investments in which amounts constituting such collateral are invested from time to time.

"*IRC*" shall mean the Internal Revenue Code of 1986 and any regulations promulgated thereunder.

"*IRS*" shall mean the Internal Revenue Service.

"*LAPA*" shall mean that certain Liquidity Loan and Asset Funding Agreement dated as of March 1, 2001, among Redwood and GE Capital, in its capacities as (a) the administrative agent for the Conduit Lender and the Committed Lender, (b) the Collateral Agent and Operating Agent for Redwood, (c) the initial Liquidity Lender, (d) the Liquidity Agent, and (e) the Committed Lender, as amended, restated, supplemented or otherwise modified from time to time.

"*Lenders*" shall mean the Conduit Lender and the Committed Lender

"*Letter of Credit*" shall mean that certain letter of credit issued by the Letter of Credit Providers at the request of Redwood in favor of the Collateral Agent pursuant to the Letter of Credit Agreement.

"*Letter of Credit Agent*" shall mean GE Capital, in its capacity as agent for the Letter of Credit Providers under the Letter of Credit Agreement.

"*Letter of Credit Agreement*" shall mean that certain Third Amended and Restated Letter of Credit Reimbursement Agreement dated as of March 7, 2000, among Redwood, the Letter of Credit Agent, the Letter of Credit Providers and the Collateral Agent

"*Letter of Credit Providers*" shall mean, initially, GE Capital, in its capacity as issuer of the Letter of Credit under the Letter of Credit Agreement, and thereafter its successors and permitted assigns in such capacity.

"*Lien*" shall mean any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the UCC or comparable law of any jurisdiction).

"*Liquidity Agent*" shall mean GE Capital, in its capacity as agent for the Liquidity Lenders pursuant to the LAPA.

"*Liquidity Lenders*" shall mean, collectively, GE Capital and any other provider of Liquidity Loans under the LAPA.

"*Liquidity Loans*" shall mean any and all borrowings by Redwood under the LAPA.

"*Litigation*" shall mean, with respect to any Person, any action, claim, lawsuit, demand, investigation or proceeding pending or threatened against such Person before any court, board, commission, agency or instrumentality of any federal, state, local or foreign government or of any agency or subdivision thereof or before any arbitrator or panel of arbitrators.

"*Lockbox*" shall have the meaning assigned to it in *Section 6.01(a)(ii)* of the Funding Agreement.

"*Lockbox Account*" shall mean any segregated deposit account established by the Borrower for the deposit of Collections pursuant to and in accordance with *Section 6.01(a)* of the Funding Agreement.

"*Lockbox Account Agreement*" shall mean any agreement among an Originator, the Borrower, GE Capital, as Administrative Agent, and a Lockbox Account Bank with respect to a Lockbox and Lockbox Account that provides, among other things, that (a) all items of payment deposited in such Lockbox and Lockbox Account are held by such Lockbox Account Bank as custodian for GE Capital, as Administrative Agent, (b) such Lockbox Account Bank has no rights of setoff or recoupment or any other claim against such Lockbox Account, as the case may be, other than for payment of its service fees and other charges directly related to the administration of such Lockbox Account and for returned checks or other items of payment and (c) such Lockbox Account Bank agrees to forward all Collections received in such Lockbox Account to the Collection Account within one Business Day of receipt, and is otherwise in form and substance acceptable to the Administrative Agent.

"*Lockbox Account Bank*" shall mean any bank or other financial institution at which one or more Lockbox Accounts are maintained.

"Loss Reserve Ratio" shall mean, as of any date of determination, the ratio (expressed as a percentage) calculated in accordance with the following formula:

$$2 \times \text{ARR} \times \frac{\text{DEFHOR}}{\text{NRPB}}$$

where:

ARR = the highest Three Month Aged Receivables Ratio during the 12 Settlement Periods immediately preceding such date.

DEFHOR = the aggregate Billed Amount of Transferred Receivables originated during the three Settlement Periods immediately preceding such date.

NRPB = the Outstanding Balance of Transferred Receivables as of the last day of the first Settlement Period immediately preceding such date.

Notwithstanding the foregoing, the Loss Reserve Ratio may be changed at any time at the sole discretion of the Administrative Agent, exercised in good faith, and, in the case of a decrease only, upon satisfaction of the Rating Agency Condition with respect thereto.

"Margin" shall mean, for any day, the product of (i) the Outstanding Principal Amount and (ii) the sum of the Daily Margin plus Daily Default Margin, if any, for such day.

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, assets, liabilities, operations, prospects or financial or other condition of (i) any Originator or the Originators considered as a whole, (ii) the Borrower or (iii) the Servicer and its Subsidiaries considered as a whole, (b) the ability of any Originator, the Borrower or the Servicer to perform any of its obligations under the Related Documents in accordance with the terms thereof, (c) the validity or enforceability of any Related Document or the rights and remedies of the Borrower, the Lenders, the Administrative Agent or the Collateral Agent under any Related Document, (d) the federal income tax attributes of the sale, contribution or pledge of the Transferred Receivables pursuant to any Related Document or (e) the Transferred Receivables, the Contracts therefor, the Parent Collateral, the Subsidiary Collateral, the Borrower Collateral or the ownership interests or Liens of the Borrower or the Lenders or the Administrative Agent thereon or the priority of such interests or Liens.

"Maturity Date" shall mean, with respect to any Receivable, the due date for payment therefor specified in the Contract therefor, or, if no date is so specified, 30 days from the Billing Date.

"Maximum Facility Amount" shall mean \$100,000,000, as such amount may be reduced in accordance with Section 2.02(a) of the Funding Agreement.

"Monthly Report" shall have the meaning assigned to it in paragraph (a) of Annex 5.02(a) to the Funding Agreement.

"Moody's" shall mean Moody's Investors Service, Inc. or any successor thereto.

"Multiemployer Plan" shall mean a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA with respect to which any Originator or ERISA Affiliate is making, is obligated to make, or has made or been obligated to make, contributions on behalf of participants who are or were employed by any of them.

"Net Worth Percentage" shall mean a fraction (expressed as a percentage) (a) the numerator of which equals the excess of assets over liabilities, in each case determined in accordance with GAAP consistently applied and (b) the denominator of which equals the Outstanding Balance of Transferred Receivables.

"Obligor" shall mean, with respect to any Receivable, the Person primarily obligated to make payments in respect thereof.

"Officer's Certificate" shall mean, with respect to any Person, a certificate signed by an Authorized Officer of such Person.

"One Month Dilution Ratio" shall mean, as of any date determination, the ratio (expressed as a percentage) of:

(a) The sum of (i) the aggregate Dilution Factors during the Settlement Period immediately preceding such date, plus (ii) the aggregate amount of Transferred Receivables that were written off as uncollectible during the Settlement Period immediately preceding such date.

to

(b) the aggregate Billed Amount of all Transferred Receivables originated during the Settlement Period two months preceding such date.

"Operating Agent" shall mean GE Capital, in its capacity as operating agent for the Conduit Lender under the Administrative Services Agreement.

"Originator" shall mean (i) the Parent as the seller of Receivables under the Sale and Contribution Agreement and (ii) each of its Subsidiaries approved by the Administrative Agent in writing which is a party to the Receivables Sale Agreement as a seller of Receivables thereunder and any other Person that becomes a seller of Receivables thereunder pursuant to and in accordance with the requirements of Section 2.03 of the Receivables Sale Agreement.

"Other Funding Agreements" shall mean any agreements entered into from time to time by the Conduit Lender for the purchase or financing of receivables.

"Outstanding Balance" shall mean, with respect to any Receivable and as of any date of determination, the amount (which amount shall not be less than zero) equal to (a) the Billed Amount thereof, minus (b) all Collections received from the Obligor thereunder, minus (c) all discounts to or any other modifications that reduce such Billed Amount; provided, that if the Administrative Agent or the Servicer makes a determination that all payments by such Obligor with respect to such Billed Amount have been made, the Outstanding Balance shall be zero.

"Outstanding Principal Amount" shall mean, as of any date of determination, the amount equal to (a) the aggregate Advances made by the Lenders under the Funding Agreement on or before such date, minus (b) the aggregate amounts disbursed to any Lender in reduction of such Advances pursuant to Sections 6.02, 6.03, 6.04 or 6.05 of the Funding Agreement on or before such date; provided, that references to the Outstanding Principal Amount of any Lender shall mean an amount equal to (x) the aggregate

Advances made by such Lender to the Collection Account pursuant to *Section 2.04(a)(i)* of the Funding Agreement on or before such date, *plus* (b) in the case of the Committed Lender only, any amounts advanced by the Committed Lender to the Conduit Lender under the LAPA in respect of Outstanding Principal Amount when purchasing the Redwood Interest (as defined in the LAPA) *minus* (c) the aggregate amounts disbursed to such Lender in reduction of Outstanding Principal Amount pursuant to *Sections 6.02, 6.03, 6.04 or 6.05* of the Funding Agreement on or before such date.

"*Parent*" shall mean Labor Ready, Inc., a Washington corporation.

"*Parent Blocked Account*" means the Blocked Account as such term is defined in the Standby Letter of Credit Agreement.

"*Parent Collateral*" shall have the meaning assigned to it in Section 7.01 of the Sale and Contribution Agreement.

"*Parent Group*" shall mean the Parent and each of its Affiliates other than the Borrower.

16

"*Parent Indemnified Person*" shall have the meaning assigned to it in *Section 5.01* of the Receivables Sale Agreement.

"*Parent Interest Rate*" shall have the meaning assigned to it in *Section 6.06(a)* of the Sale and Contribution Agreement.

"*Parent Note*" shall have the meaning assigned to it in *Section 6.04(a)* of the Sale and Contribution Agreement.

"*PBGC*" shall mean the Pension Benefit Guaranty Corporation.

"*Pension Plan*" shall mean a Plan described in Section 3(2) of ERISA.

"*Per Annum Daily Margin*" shall mean a rate per annum equal to (i) 1.10% with respect to the Conduit Lender's Outstanding Principal Amount and (ii) 2.50% with respect to the Committed Lender's Outstanding Principal Amount.

"*Permitted Acquisitions*" shall have the meaning assigned to it in the Standby Letter of Credit Agreement.

"*Permitted Encumbrances*" shall mean the following encumbrances: (a) Liens for taxes or assessments or other governmental charges not yet due and payable; (b) pledges or deposits securing obligations under workmen's compensation, unemployment insurance, social security or public liability laws or similar legislation; (c) pledges or deposits securing bids, tenders, contracts (other than contracts for the payment of money) or leases to which any Originator, the Borrower or the Servicer is a party as lessee made in the ordinary course of business; (d) deposits securing statutory obligations of any Originator, the Borrower or the Servicer; (e) inchoate and unperfected workers', mechanics', suppliers' or similar Liens arising in the ordinary course of business; (f) carriers', warehousemen's or other similar possessory Liens arising in the ordinary course of business; (g) deposits securing, or in lieu of, surety, appeal or customs bonds in proceedings to which any Originator, the Borrower or the Servicer is a party; (h) any attachment or judgment Lien not constituting a Termination Event under *Section 9.01(f)* of the Funding Agreement; (i) Liens existing on the Closing Date and listed on *Schedule 4.03(b)* of the Sale and Contribution Agreement or *Schedule 5.03(b)* of the Funding Agreement; (j) presently existing or hereinafter created Liens in favor of the Buyer, the Borrower, the Lenders, the Administrative Agent or the Collateral Agent; and (k) Liens in favor of the Standby L/C Creditor on any assets of any Originator so long as such Liens are subject to the Intercreditor Agreement.

"*Permitted Investments*" shall mean any of the following:

(a) obligations of, or guaranteed as to the full and timely payment of principal and interest by, the United States of America or obligations of any agency or instrumentality thereof if such obligations are backed by the full faith and credit of the United States of America, in each case with maturities of not more than 90 days from the date acquired;

(b) repurchase agreements on obligations of the type specified in *clause (a)* of this definition; *provided*, that the short-term debt obligations of the party agreeing to repurchase are rated at least A-1+ or the equivalent by S&P and P-1 or the equivalent by Moody's;

(c) federal funds, certificates of deposit, time deposits and bankers' acceptances of any depository institution or trust company incorporated under the laws of the United States of America or any state, in each case with original maturities of not more than 90 days or, in the case of bankers' acceptances, original maturities of not more than 365 days; *provided*, that the short-term obligations of such depository institution or trust company are rated at least A-1+ or the equivalent by S&P and P-1 or the equivalent by Moody's;

17

(d) commercial paper of any corporation incorporated under the laws of the United States of America or any state thereof with original maturities of not more than 30 days that on the date of acquisition are rated at least A-1+ or the equivalent by S&P and P-1 or the equivalent by Moody's;

(e) securities of money market funds rated at least Aam or the equivalent by S&P and P-1 or the equivalent by Moody's; and

(f) such other investments with respect to which each Rating Agency shall have confirmed in writing to the Lenders and Collateral Agent that such investments shall not result in a withdrawal or reduction of the then current rating by such Rating Agency of the Commercial Paper.

"*Permitted Stock Repurchases*" shall have the meaning assigned to it in the Standby Letter of Credit Agreement.

"*Person*" shall mean any individual, sole proprietorship, partnership, joint venture, unincorporated organization, trust, association, corporation (including a business trust), limited liability company, institution, public benefit corporation, joint stock company, Governmental Authority or any other entity of whatever nature.

"*Plan*" shall mean, at any time, an "employee benefit plan," as defined in Section 3(3) of ERISA, that any Originator or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any Originator or ERISA Affiliate.

"*Proceeds*" shall mean, with respect to any property, whatever is receivable or received when such property is sold, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes all rights to payment, including returned premiums, with respect to any insurance relating to such property, and also includes any returned, reclaimed or repossessed goods.

"*Program Documents*" shall mean the Letter of Credit Agreement, the LAPA, the Collateral Agent Agreement, the Depository Agreement, the Commercial Paper, the

Administrative Services Agreement, each Accession Agreement and the Dealer Agreements.

"*Projections*" shall mean the Parent's forecasted consolidated and consolidating: (a) balance sheets; (b) profit and loss statements; (c) cash flow statements; and (d) capitalization statements, all prepared on a Subsidiary-by-Subsidiary or division-by-division basis, if applicable, and otherwise consistent with the historical financial statements of the Parent, together with appropriate supporting details and a statement of underlying assumptions, which shall also include projected Funding Availability and letter of credit and surety bond requirements.

"*Qualified Plan*" shall mean a Pension Plan that is intended to be tax-qualified under Section 401(a) of the IRC.

"*Rating Agency*" shall mean Moody's or S&P.

"*Rating Agency Condition*" shall mean, with respect to any action, that each Rating Agency has notified the Conduit Lender and the Administrative Agent in writing that such action will not result in a reduction or withdrawal of the rating of any outstanding Commercial Paper.

"*Ratios*" shall mean, collectively, the Default Ratio, the Dilution Ratio, the Dilution Reserve Ratio, the Loss Reserve Ratio, the Receivables Collection Turnover and the Three Month Aged Receivables Ratio.

"*Receivable*" shall mean, with respect to any Obligor:

(a) indebtedness of such Obligor (whether constituting an account, chattel paper, document, instrument or general intangible) arising from the provision of merchandise, goods or services to such Obligor, including the right to payment of any interest or finance charges and other obligations of such Obligor with respect thereto;

18

(b) all Liens and property subject thereto from time to time securing or purporting to secure any such indebtedness of such Obligor;

(c) all guaranties, indemnities and warranties, insurance policies, financing statements and other agreements or arrangements of whatever character from time to time supporting or securing payment of any such indebtedness;

(d) all Collections with respect to any of the foregoing;

(e) all Records with respect to any of the foregoing; and

(f) all Proceeds with respect to any of the foregoing.

"*Receivables Assignment*" shall have the meaning assigned to such term in *Section 2.01(a)* of each Sale Agreement.

"*Receivables Collection Turnover*" shall mean, as of any date of determination, the amount (expressed in days) equal to:

(a) a fraction, (i) the numerator of which is equal to the average of the Outstanding Balances of Transferred Receivables on the first day of the 3 Settlement Periods immediately preceding such date and (ii) the denominator of which is equal to aggregate Collections received during such 3 Settlement Periods with respect to all Transferred Receivables,

multiplied by

(b) the number of days contained in such 3 Settlement Periods.

"*Receivables Sale Agreement*" shall mean that certain Receivables Sale Agreement dated as of March 1, 2001, among the Parent (as the buyer thereunder) and each Subsidiary of the Parent party thereto.

"*Records*" shall mean all Contracts and other documents, books, records and other information (including computer programs, tapes, disks, data processing software and related property and rights) prepared and maintained by any Originator, the Servicer, any Sub-Servicer or the Borrower with respect to the Receivables and the Obligors thereunder, the Parent Collateral, the Subsidiary Collateral and the Borrower Collateral.

"*Redwood*" shall mean Redwood Receivables Corporation, a Delaware corporation.

"*Redwood Daily Yield*" shall mean, for any day, the product of (a) the Redwood Daily Yield Rate for such day, *multiplied by* (b) Redwood's Outstanding Principal Amount outstanding on such day.

"*Redwood Daily Yield Rate*" means, on any day, a floating per annum rate equal to the sum of (a) the Daily Margin on such day *plus* (b) if a Termination Event has occurred and is continuing, the Daily Default Margin, *plus* (c)(i) to the extent the Conduit Lender's Advances hereunder are being funded by the sale of Commercial Paper, (A) the per annum rate equivalent to the weighted average of the rates paid or payable by the Conduit Lender from time to time as interest on or otherwise (by means of interest rate hedges or otherwise) in respect of Commercial Paper that is allocated, in whole or in part, to fund or maintain the Conduit Lender's Outstanding Principal Amount during the relevant Settlement Period, which rates shall reflect and give effect to Dealer fees, commissions of placement agents and other issuance costs in respect of such Commercial Paper, *divided by* (B) 360 days; *provided, however*, that if any component of such rate is a discount rate the rate used shall be the rate resulting from converting such discount rate to an interest bearing equivalent rate per annum and (ii) to the extent the Conduit Lender's Advances hereunder are not being financed by the sale of Commercial Paper, the daily rate to the Conduit Lender of borrowing such funds under the LAPA.

19

"*Redwood Termination Date*" means the date elected by Redwood or the Collateral Agent, by notice to the Borrower and the Administrative Agent as the Redwood Termination Date; *provided*, that on such date, one or more of the following events shall have occurred and be continuing: (a) a Borrower LOC Draw; (b) the obligations of the Liquidity Lenders to make Liquidity Loans shall have terminated and such Liquidity Lenders shall not have otherwise been replaced; (c) an event of default under the Collateral Agent Agreement or any other Program Document shall have occurred; (d) the short term debt rating of a Liquidity Lender shall have been downgraded by a Rating Agency and such Liquidity Lender shall not have been replaced in accordance with the terms of the LAPA within 30 days thereafter, or (e) Redwood or the Collateral Agent shall have determined that the funding of Transferred Receivables under the Funding Agreement is impracticable for any reason whatsoever, including as a result of (i) a drop in or withdrawal of any of the ratings assigned to the Commercial Paper by any Rating Agency, (ii) the imposition of Additional Amounts, (iii) restrictions on the amount of Transferred Receivables Redwood may finance or (iv) the inability of Redwood to issue Commercial Paper.

"Redwood Transfer Date" shall mean the date on which Redwood transfers to the Liquidity Lenders pursuant to Section 3.01 of the LAPA all of the Redwood Interest (as defined in the LAPA).

"Regulatory Change" shall mean any change after the Closing Date in any federal, state or foreign law or regulation (including Regulation D of the Federal Reserve Board) or the adoption or making after such date of any interpretation, directive or request under any federal, state or foreign law or regulation (whether or not having the force of law) by any Governmental Authority charged with the interpretation or administration thereof that, in each case, is applicable to any Affected Party.

"Rejected Amount" shall have the meaning assigned to it in Section 4.04 of each Sale Agreement.

"Related Documents" shall mean, the Concentration Account Agreement, each Lockbox Account Agreement, the Borrower Blocked Account Agreement, the Sale Agreements, the Funding Agreement, each Receivables Assignment, the Purchase Assignment, the Parent Note, the Intercreditor Agreement, the Subordinated Notes, and all other agreements, instruments, documents and certificates identified in the Schedule of Documents and including all other pledges, powers of attorney, consents, assignments, contracts, notices, and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Person, or any employee of any Person, and delivered in connection with either Sale Agreement, the Funding Agreement or the transactions contemplated thereby. Any reference in either Sale Agreement, the Funding Agreement or any other Related Document to a Related Document shall include all Appendices thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to such Related Document as the same may be in effect at any and all times such reference becomes operative.

"Repayment Notice" shall have the meaning assigned to it in Section 2.03(c) of the Funding Agreement.

"Reportable Event" shall mean any of the events set forth in Section 4043(b) of ERISA.

"Reserves" shall mean the aggregate Concentration Percentage for all Obligor of Transferred Receivables and such other reserves as the Administrative Agent may establish from time to time in its sole discretion.

"Retained Monthly Yield" shall mean, as of any date of determination within a Settlement Period, the sum of all amounts transferred to or retained in the Retention Account with respect to Daily Yield from and including the first day of such Settlement Period through and including such date pursuant to Section 6.03(a)(ii) of the Funding Agreement.

"Retained Servicing Fee" shall mean, as of any date of determination within a Settlement Period, the sum of all amounts transferred to or retained in the Retention Account with respect to the

20

Servicing Fee from and including the first day of such Settlement Period through and including such date pursuant to Section 6.03(a)(ii) of the Funding Agreement.

"Retained Unused Facility Fee" shall mean, as of any date of determination within a Settlement Period, the sum of all amounts transferred to or retained in the Retention Account with respect to the Unused Facility Fee from and including the first day of such Settlement Period through and including such date in accordance with Section 6.03(a)(ii) of the Funding Agreement.

"Retention Account" shall mean, (i) with respect to the Conduit Lender, that certain segregated deposit account established by the Administrative Agent and maintained with the Depository designated as the "GE Capital/Redwood Receivables Corporation—Retention Account (Labor Ready Funding Corporation)," account number 00386310, ABA No. 021001033, Ref: Labor Ready Inc., Ref: #31222, and (ii) with respect to the Committed Lender, such other segregated deposit account as may be established by the Administrative Agent for the Committed Lender.

"Retention Account Deficiency" shall mean, as of any Settlement Date, the amount, if any, by which the amounts necessary to make the payments required under Sections 6.04(a)(i), (ii) and (iii) of the Funding Agreement exceed the amounts on deposit in the Retention Account.

"Retiree Welfare Plan" shall mean, at any time, a Welfare Plan that provides for continuing coverage or benefits for any participant or any beneficiary of a participant after such participant's termination of employment, other than continuation coverage provided pursuant to Section 4980B of the IRC and at the sole expense of the participant or the beneficiary of the participant.

"Revolving Note" shall have the meaning assigned to such term in Section 2.01(b) of the Funding Agreement.

"Revolving Period" shall mean the period from and including the Closing Date through and including the day immediately preceding the Facility Termination Date.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor thereto.

"Sale" shall mean (a) with respect to a sale of receivables under the Receivables Sale Agreement, a sale of Receivables by a Subsidiary Originator to the Parent in accordance with the terms of the Receivables Sale Agreement, and (b) with respect to a sale of Receivables under the Sale and Contribution Agreement, a sale of Receivables by the Parent to the Borrower in accordance with the terms of the Sale and Contribution Agreement.

"Sale and Contribution Agreement" shall mean that certain Receivables Sale and Contribution Agreement dated as of March 1, 2001, between the Parent and Borrower, as the Buyer thereunder.

"Sale Agreements" shall mean each of (a) the Sale and Contribution Agreement and (b) the Receivables Sale Agreement.

"Sale Price" shall mean, with respect to any Sale of Sold Receivables or Subsidiary Sold Receivables, the price calculated by the Borrower and approved from time to time by the Administrative Agent equal to:

- (a) the Outstanding Balance of such Sold Receivables or Subsidiary Sold Receivables, *minus*
- (b) the expected costs to be incurred by the Borrower in financing the purchase of such Sold Receivables or Subsidiary Sold Receivables until the Outstanding Balance of such Sold Receivables or Subsidiary Sold Receivables, as applicable, is paid in full, *minus*
- (c) the portion of such Sold Receivables or Subsidiary Sold Receivables that are reasonably expected by such Originator to become Defaulted Receivables, *minus*

21

(d) the portion of such Sold Receivables or Subsidiary Sold Receivables that are reasonably expected by such Originator to be reduced by means other than the receipt of Collections thereon or pursuant to *clause (c)* above, *minus*

(e) amounts expected to be paid to the Servicer with respect to the servicing, administration and collection of such Sold Receivables or Subsidiary Sold Receivables; *provided*, that such calculations shall be determined based on the historical experience of (y) such Originator, with respect to the calculations required in each of *clauses (c)* and *(d)* above, and (z) the Borrower, with respect to the calculations required in *clauses (b)* and *(e)* above.

"*Schedule of Documents*" shall mean the schedule, including all appendices, exhibits or schedules thereto, listing certain documents and information to be delivered in connection with the Sale Agreements, the Funding Agreement and the other Related Documents and the transactions contemplated thereunder, substantially in the form attached as *Annex Y* to the Funding Agreement.

"*Securities Act*" shall mean the provisions of the Securities Act of 1933, 15 U.S.C. Sections 77*et seq.*, and any regulations promulgated thereunder.

"*Securities Exchange Act*" shall mean the provisions of the Securities Exchange Act of 1934, 15 U.S.C. Sections 78*et seq.*, and any regulations promulgated thereunder.

"*Selling Subsidiary*" shall have the meaning set forth in the preamble to the Receivables Sale Agreement.

"*Servicer*" shall mean the Parent, in its capacity as the Servicer under the Funding Agreement, or any other Person designated as a Successor Servicer.

"*Servicer's Certificate*" shall mean an Officer's Certificate substantially in the form of *Exhibit 3.01(a)(iii)* to the Funding Agreement.

"*Servicer Termination Notice*" shall mean any notice by the Administrative Agent to the Servicer that (a) an Event of Servicer Termination has occurred and (b) the Servicer's appointment under the Funding Agreement has been terminated.

"*Servicing Fee*" shall mean, for any day within a Settlement Period, the amount equal to (a) (i) the Servicing Fee Rate *divided by* (ii) 360, *multiplied by* (b) the Outstanding Principal Amount on such day.

"*Servicing Fee Rate*" shall mean 1.00%.

"*Servicing Fee Shortfall*" shall mean, as of any date of determination within a Settlement Period, the amount, if any, by which the Accrued Servicing Fee exceeds the Retained Servicing Fee, in each case as of such date.

"*Servicing Officer*" shall mean any officer of the Servicer involved in, or responsible for, the administration and servicing of the Transferred Receivables and whose name appears on any Officer's Certificate listing servicing officers furnished to the Administrative Agent by the Servicer, as such certificate may be amended from time to time.

"*Servicing Records*" shall mean all documents, books, Records and other information (including computer programs, tapes, disks, data processing software and related property and rights) prepared and maintained by the Servicer with respect to the Transferred Receivables and the Obligor thereunder.

"*Settlement Date*" shall mean the tenth Business Day following the end of each Settlement Period.

"*Settlement Period*" shall mean (a) solely for purposes of determining the Ratios, (i) with respect to all Settlement Periods other than the final Settlement Period, each calendar month, whether occurring before or after the Closing Date, and (ii) with respect to the final Settlement Period, the period ending

on the Termination Date and beginning with the first day of the calendar month in which the Termination Date occurs, and (b) for all other purposes, (i) with respect to the initial Settlement Period, the period from and including the Closing Date through and including the last day of the calendar month in which the Closing Date occurs, (ii) with respect to the final Settlement Period, the period ending on the Termination Date and beginning with the first day of the calendar month in which the Termination Date occurs, and (iii) with respect to all other Settlement Periods, each calendar month; *provided, however*, that upon the occurrence of the Committed Lender Funding Event, such Settlement Period shall terminate on the day prior to the Committed Lender Funding Event, and the next Settlement Period shall be the period from and including the day of the Committed Lender Funding Event through and including the last day of the calendar month in which the Committed Lender Funding Event occurs.

"*Sold Receivable*" shall have the meaning assigned to it in *Section 2.01(b)* of the Sale and Contribution Agreement.

"*Solvency Certificate*" shall mean an Officer's Certificate substantially in the form of *Exhibit 3.01(a)(i)* to the Funding Agreement.

"*Solvent*" shall mean, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person; (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its Debts as they become absolute and matured; (c) such Person does not intend to, and does not believe that it will, incur Debts or liabilities beyond such Person's ability to pay as such Debts and liabilities mature; and (d) such Person is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities (such as Litigation, guaranties and pension plan liabilities) at any time shall be computed as the amount that, in light of all the facts and circumstances existing at the time, represents the amount that can reasonably be expected to become an actual or matured liability.

"*Standby L/C Creditor*" shall mean GE Capital as the Creditor under the Standby Letter of Credit Agreement.

"*Standby L/C Exposure*" shall mean Letter of Credit Exposure (as defined in the Standby Letter of Credit Agreement).

"*Standby L/C Fee*" shall mean the Letter of Credit Fee (as defined in the Standby Letter of Credit Agreement).

"*Standby Letter of Credit Agreement*" shall mean that certain Letter of Credit Agreement dated as of March 1, 2001, between the Parent and the Standby L/C Creditor, together with such amendments, restatements, supplements or modifications thereto or any refinancings, replacements or refundings thereof as may be agreed to by the Lenders and the Administrative Agent.

"*Standby Letter of Credit Commitment Termination Date*" shall mean the Commitment Termination Date (as defined in the Standby Letter of Credit Agreement).

"*Stock*" shall mean all shares, options, warrants, member interests, general or limited partnership interests or other equivalents (regardless of how designated) of or in a corporation, limited liability company, partnership or equivalent entity whether voting or nonvoting, including common stock, preferred stock or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act).

"Stockholder" shall mean, with respect to any Person, each holder of Stock of such Person.

"Subordinated Loan" shall have the meaning assigned to it in Section 2.01(c) of the Sale Agreement.

"Subordinated Notes" shall have the meaning assigned to it in Section 2.01(c) of the Sale Agreement.

"Sub-Servicer" shall mean any Person with whom the Servicer enters into a Sub-Servicing Agreement.

"Sub-Servicing Agreement" shall mean any written contract entered into between the Servicer and any Sub-Servicer pursuant to and in accordance with Section 7.01 of the Funding Agreement relating to the servicing, administration or collection of the Transferred Receivables.

"Subsidiary" shall mean, with respect to any Person, any corporation or other entity (a) of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are at the time directly or indirectly owned by such Person or (b) that is directly or indirectly controlled by such Person within the meaning of control under Section 15 of the Securities Act.

"Subsidiary Collateral" shall have the meaning assigned to it in Section 7.01 of the Receivables Sale Agreement.

"Subsidiary Originator" shall mean each Selling Subsidiary and any other person that becomes a seller of Receivables under the Receivables Sale Agreement pursuant to the requirements thereto.

"Subsidiary Sold Receivable" shall have the meaning assigned to it in Section 2.01 of the Receivables Sale Agreement.

"Successor Servicer" shall have the meaning assigned to it in Section 11.02 of the Funding Agreement.

"Successor Servicing Fees and Expenses" shall mean the fees and expenses payable to the Successor Servicer as agreed to by the Borrower, the Lenders and the Administrative Agent.

"Termination Date" shall mean the date on which (a) Outstanding Principal Amount has been permanently reduced to zero, (b) all other Borrower Secured Obligations under the Funding Agreement and the other Related Documents have been indefeasibly repaid in full and completely discharged and (c) the Maximum Facility Amount has been irrevocably terminated in accordance with the provisions of Section 2.02(b) of the Funding Agreement.

"Termination Event" shall have the meaning assigned to it in Section 9.01 of the Funding Agreement.

"Three Month Aged Receivables Ratio" shall mean as of any date of determination the three month average of the following the ratio (expressed as a percentage):

(a) (i) the sum of the respective Outstanding Balances of Transferred Receivables with respect to which any payment, or part thereof, remained unpaid for more than 60 but less than 91 days from their respective Billing Dates as of the last day of the Settlement Period immediately preceding such date, plus (ii) any Receivables that have been written off as uncollectible less than sixty days from their invoice date.

to

(b) the aggregate Billed Amount of Transferred Receivables originated during the third Settlement Period immediately preceding such date.

"Title IV Plan" shall mean a Pension Plan (other than a Multiemployer Plan) that is covered by Title IV of ERISA and that any Originator or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

"Transfer" shall mean (a) any Sale or capital contribution of Transferred Receivables by the Parent to the Borrower pursuant to the terms of the Sale and Contribution Agreement and (b) any Sale of Transferred Receivables by any Subsidiary Originator to the Parent pursuant to the terms of the Receivables Sale Agreement.

"Transfer Date" shall have the meaning assigned to it in Section 2.01(a) of each Sale Agreement.

"Transferred Receivable" shall mean any Sold Receivable, Subsidiary Sold Receivable or Contributed Receivable; provided, that any Receivable repurchased by the Originator thereof pursuant to Section 4.04 of either Sale Agreement shall not be deemed to be a Transferred Receivable from and after the date of such repurchase unless such Receivable has subsequently been repurchased by or contributed to the Borrower.

"UCC" shall mean, with respect to any jurisdiction, the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in such jurisdiction.

"Unapproved Receivable" shall mean any receivable (a) with respect to which the obligor thereunder is not an Obligor on any Transferred Receivable and whose customer relationship with an Originator arises as a result of the acquisition by such Originator of another Person or (b) that was originated in accordance with standards established by another Person acquired by an Originator, in each case, solely with respect to any such acquisitions that have not been approved in writing by the Administrative Agent and then only for the period prior to any such approval.

"Underfunded Plan" shall mean any Plan that has an Underfunding.

"Underfunding" shall mean, with respect to any Plan, the excess, if any, of (a) the present value of all benefits under the Plan (based on the assumptions used to fund the Plan pursuant to Section 412 of the IRC) as of the most recent valuation date over (b) the fair market value of the assets of such Plan as of such valuation date.

"Unfunded Pension Liability" shall mean, at any time, the aggregate amount, if any, of the sum of (a) the amount by which the present value of all accrued benefits under each Title IV Plan exceeds the fair market value of all assets of such Title IV Plan allocable to such benefits in accordance with Title IV of ERISA, all determined as of the most recent valuation date for each such Title IV Plan using the actuarial assumptions for funding purposes in effect under such Title IV Plan, and (b) for a period of five years following a transaction that might reasonably be expected to be covered by Section 4069 of ERISA, the liabilities (whether or not accrued) that could be avoided by any Originator or any ERISA Affiliate as a result of such transaction.

"Unused Facility Fee" shall have the meaning assigned to it in *Section 2.07(c)* of the Funding Agreement.

"Unused Facility Fee Shortfall" shall mean, as of any date of determination within a Settlement Period, the amount, if any, by which the Accrued Unused Facility Fee exceeds the Retained Unused Facility Fee, in each case as of such date.

"Welfare Plan" shall mean a Plan described in Section 3(1) of ERISA.

"Workers Compensation Policy" shall mean that agreement dated as of January 1, 2001, between Labor Ready, Inc. and Kemper Insurance.

25

"Yield Shortfall" shall mean, as of any date of determination within a Settlement Period, the amount, if any, by which the Accrued Monthly Yield exceeds the Retained Monthly Yield, in each case as of such date.

SECTION 2. *Other Terms and Rules of Construction.*

(a) *Accounting Terms.* Rules of construction with respect to accounting terms used in any Related Document shall be as set forth in *Annex G* to the Funding Agreement. Unless otherwise specifically provided therein, any accounting term used in any Related Document shall have the meaning customarily given such term in accordance with GAAP, and all financial computations thereunder shall be computed in accordance with GAAP consistently applied. That certain items or computations are explicitly modified by the phrase "in accordance with GAAP" shall in no way be construed to limit the foregoing.

(b) *Other Terms.* All other undefined terms contained in any of the Related Documents shall, unless the context indicates otherwise, have the meanings provided for by the UCC as in effect in the State of New York to the extent the same are used or defined therein.

(c) *Rules of Construction.* Unless otherwise specified, references in any Related Document or any of the Appendices thereto to a Section, subsection or clause refer to such Section, subsection or clause as contained in such Related Document. The words "herein," "hereof" and "hereunder" and other words of similar import used in any Related Document refer to such Related Document as a whole, including all annexes, exhibits and schedules, as the same may from time to time be amended, restated, modified or supplemented, and not to any particular section, subsection or clause contained in such Related Document or any such annex, exhibit or schedule. Any reference to or definition of any document, instrument or agreement shall, unless expressly noted otherwise, include the same as amended, restated, supplemented or otherwise modified from time to time. Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter genders. The words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation"; the word "or" is not exclusive; references to Persons include their respective successors and assigns (to the extent and only to the extent permitted by the Related Documents) or, in the case of Governmental Authorities, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of the same and any successor statutes and regulations.

(d) *Rules of Construction for Determination of Ratios.* The Ratios as of the last day of the Settlement Period immediately preceding the Closing Date shall be established by the Administrative Agent on or prior to the Closing Date and the underlying calculations for periods immediately preceding the Closing Date to be used in future calculations of the Ratios shall be established by the Administrative Agent on or prior to the Closing Date in accordance with *Schedule 1* attached to this *Annex X*. For purposes of calculating the Ratios, (i) averages shall be computed by rounding to the third decimal place and (ii) the Settlement Period in which the date of determination thereof occurs shall not be included in the computation thereof and the first Settlement Period immediately preceding such date of determination shall be deemed to be the Settlement Period immediately preceding the Settlement Period in which such date of determination occurs.

26

QuickLinks

[Exhibit 10.8](#)

[ANNEX X to RECEIVABLES SALE AGREEMENT, RECEIVABLES SALE AND CONTRIBUTION AGREEMENT, and RECEIVABLES FUNDING AGREEMENT each dated as of March 1, 2001 Definitions and Interpretation](#)