TrueBlue, Inc.
Form 10-K
February 19, 2008

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

FORM 10-K

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

For the fiscal year ended: December 28, 2007
or

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

Commission File Number: 001-14543

TrueBlue, Inc.

(Exact name of Registrant as specified in its charter)

Washington	**91-1287341**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1015 A Street, Tacoma, Washington	**98402**
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock without par value	**The New York Stock Exchange**

Securities registered under Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

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 last ninety days Yes ý No o

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act). Large accelerated filer ý Accelerated filer o Non-accelerated filer o

Indicate by check mark if the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

The aggregate market value (based on the NYSE quoted closing price) of the common stock held by non-affiliates of the Registrant as of the last business day of the second fiscal quarter, June 29, 2007, was approximately $1.055 billion.

As of February 13, 2008, there were 43,849,712 shares of the Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this report is incorporated by reference from the Registrant's definitive proxy statement, relating to the Annual Meeting of Shareholders scheduled to be held May 14, 2008, which definitive proxy statement will be filed not later than 120 days after the end of the fiscal year to which this report relates.

COMMENT ON FORWARD LOOKING STATEMENTS

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

TrueBlue, Inc.
2007 Annual Report on Form 10-K
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TrueBlue, Inc.
Form 10-K

PART I

Item 1. BUSINESS

Description of the Business

TrueBlue, Inc. ("TrueBlue," "we," "us," "our") is an international provider of temporary blue-collar staffing with four primary brands. We operate branches and provide temporary labor services under the Labor Ready brand for general labor, on-demand services, Spartan Staffing brand for light industrial services, CLP brand for skilled construction trades services, and PlaneTechs brand for skilled aircraft maintenance staffing. Our customers are primarily small to mid-sized businesses who require temporary blue-collar staffing. Annually, we serve more than 300,000 customers and put approximately 600,000 people to work through our brands.

We began operations in 1989 under the name Labor Ready, Inc. providing on-demand, general labor staffing services. Starting in 2004, we began acquiring additional brands to increase our ability to serve the customers of the blue-collar staffing market. Effective December 18, 2007, Labor Ready, Inc. changed its name to TrueBlue, Inc. The name change reflects our vision to be the leading provider of blue-collar staffing with multiple brands serving the temporary staffing industry. Our former company name of Labor Ready remains as our primary brand name for on-demand, general labor staffing services. We believe renaming the parent company helps better position us to fulfill our vision of becoming "the leading national provider of blue-collar staffing" for the following reasons:

Clarity of vision. Differentiating the parent company name from its brand names provides clarity of our vision to our customers, employees and stakeholders. While we have added brands to serve additional niches of blue-collar staffing, our company is often incorrectly defined exclusively by the Labor Ready brand. We believe separating the name of the parent company and the Labor Ready brand helps unify the direction and focus of our brands in becoming the leading provider of blue-collar staffing.

Reduce the risk of brand dilution. We value the significant brand awareness that has been built around the Labor Ready brand over nearly two decades of servicing our customers. Our intent is to preserve and continue to build strength within the Labor Ready brand. A separate parent company name helps us avoid diluting the Labor Ready brand with the other brands we offer.

Niche approach. We believe that a niche approach with separate brands is the best way to achieve our vision. This approach tailors our staffing services to more specifically meet the needs of our customers.

Temporary Staffing Industry

The temporary staffing industry evolved out of the need to minimize the inconvenience and expense of hiring and administering permanent employees in response to temporary changes in business conditions. The demand for temporary employees has been driven primarily by the need to satisfy peak production and service requirements and to temporarily replace full-time employees absent due to illness, vacation or abrupt termination. Competitive pressures have forced businesses to focus on reducing costs, including converting fixed, permanent labor costs to variable or flexible costs.

The temporary staffing industry includes a number of sectors focusing on business needs that vary widely in duration of assignment and level of technical specialization. We operate within the industrial staffing, or blue-collar staffing, sector of the temporary staffing industry. This sector is fragmented among a large number of providers and presents opportunities for larger, well-capitalized companies to compete effectively. Our competitive advantages include:

- Specialized focus on blue-collar staffing;
- Multi-location servicing of regional and national customers;
- Worker safety programs and risk management;

Proprietary systems and automation that efficiently process a high volume of transactions;

Ability to fulfill customer orders and meet quality expectations;

- Management and employee development programs; and
- Leverage of infrastructure support of multi-location activities.

Strategy for Profitable Growth

Our business strategies are to:

- Grow faster than the blue-collar markets we serve;
- Be the industry customer service leader; and
- Operate multiple blue-collar brands.

We believe we are the gateway to individual growth for our temporary workers and the gateway for our customers seeking to grow their businesses.

We plan to grow faster than the industrial staffing market by executing on the following objectives:

Our primary objective is to increase existing branch revenue by utilizing the strong operating leverage within our business model. Additional same branch revenue generally drives increasing operating margins due to the fixed costs in our business. We believe our success in increasing same branch revenue is largely tied to our strategy of becoming the service leader in our industry, which is discussed in more depth in our service leadership strategy below.

Our second objective is to add new branches. Our goal is to open new branches each year equal to about 5% of our existing branch count, assuming favorable economic conditions. We are committed to only opening branches that can quickly reach or exceed performance standards, and closing branches that are under-performing. During less favorable economic conditions, we will likely reduce branch openings and increase the number of branch closings. We believe this type of flexibility and discipline improves the overall return for our investors. During 2007, we opened 22 new branches and closed 58 branches. During 2008, we currently plan to open three branches, all of which are expected to be in the CLP brand and in markets with robust economic activity. While we plan to open new Labor Ready branches in new markets, we plan to focus more of our new openings in the CLP Resources and Spartan Staffing brands to build a national presence for these two brands. We continually analyze individual branch results, and may close branches in 2008 that do not meet specific performance standards.

Our third objective is to expand into new markets by making strategic acquisitions. We continue to look at acquisitions in the blue-collar staffing market that can produce strong returns on investment, which we believe is a key measure of value for our shareholders. Our focus is on the large but fragmented light industrial market, which is a subset within the blue-collar staffing market. Likewise, we continue to evaluate skilled trades niches that can expand or enhance our skilled trades staffing services.

- In April 2007 we purchased all of the stock of Skilled Services Corporation ("SSC") adding 17 branches to our network. SSC is a skilled construction trades staffing provider, similar to CLP Resources, that has been "tucked in" under the CLP brand.
- In December 2007 we purchased substantially all of the assets of PlaneTechs, LLC ("PlaneTechs"), a leading aircraft maintenance staffing provider that services the maintenance, repair, and overhaul ("MRO") market across the United States through a centralized recruiting model located in Chicago, Ill. We believe this acquisition provides us with potential to grow within aviation staffing as well as potential growth into other blue-collar end markets that have a need for mechanics and technicians.

We plan to be the service leader by executing on the following objectives:

We are building a sales culture with a commitment to capturing and cultivating customer loyalty. We have and plan to continue to invest in training that teaches our employees methods to create demand with potential and existing customers as opposed to more common practices within the industry of simply making prospective customers aware of our services. At the heart of this strategy is building a relationship of trust with the customer, obtaining a firm understanding of their needs, finding solutions, and ensuring our service delivery meets or exceeds expectations.

Maintaining a quality temporary workforce with ample supply is a key objective in our strategy to be the service leader. Our ability to provide the right worker, at the right time, and for the right amount of time is important to meeting our customers' needs. A key area of focus for us has been maintaining a safe work environment for our employees through our safety and risk management programs.

Another important objective is continuing to develop methods to attract and retain quality permanent employees. Examples of our efforts include training in company values, management skills, and leadership development. We also believe that recurring reviews of our compensation and incentive systems are key processes to aid in recruiting quality candidates and reducing future turnover.

We plan to operate with multiple blue-collar brands.

We plan to achieve a dominant market position in each of our blue-collar brands. We have achieved a dominant position with our general labor brand Labor Ready. That blueprint for success is being applied to Spartan Staffing, CLP Resources and PlaneTechs. We believe these brands can be expanded into a national presence with dominant market positions.

We will continue to invest in building effective and efficient support services. Those support services are leveraged across brands whenever practicable to provide cost efficient support services to our operations. This includes integrating services across brands where practicable, investing in technology, and challenging current methods of doing business.

Brand Operations

Labor Ready On-Demand, General Labor Services. Labor Ready provides general labor on an on-demand basis. Our customers' needs are generally project based and only last a few days. Of primary importance to our customers is our ability to supply the general laborers needed each day on time and often on same day or next day notice. Our service is especially important to customers that value a commitment to compliance with applicable laws and regulations. In 1994, we expanded our Labor Ready brand for on-demand labor into Canada. We subsequently expanded our international operations to include the United Kingdom in 1998. At the end of 2007, the Labor Ready brand had in aggregate 774 branches in all 50 states, Puerto Rico, Canada and the United Kingdom. Our international operations are in the Labor Ready brand. The following table lists the number of Labor Ready brand branches by country for each of the last five years.

	Year End				
	2007	**2006**	**2005**	**2004**	**2003**
United States (including Puerto Rico)	704	729	730	723	698
Canada	40	40	36	35	36
United Kingdom	30	47	50	47	45
Total	774	816	816	805	779

Spartan Staffing Light Industrial Temporary Services. Spartan Staffing provides workers to the light industrial market which includes, among others, manufacturing, logistics, and warehousing. Spartan Staffing enables our customers to have access to a wide variety of workers. Spartan Staffing was acquired in 2004 and has grown from 10 branches at the date of acquisition to 32 branches at the end of 2007.

CLP Resources ("CLP") Skilled Construction Trade Services. This brand provides skilled trades people primarily to the commercial construction market. Customers value CLP's ability to supply high-quality skilled trades people. This enables our customers to obtain immediate value by placing a highly productive and skilled employee on the job site. The staffing assignments are project based but typically last several weeks since the tradesperson is often needed for a substantial amount of the construction process. CLP was acquired in 2005 and has grown from 50 branches at the date of the acquisition to 75 branches at the end of 2007.

PlaneTechs Skilled Aircraft Maintenance Services. In December 2007 we purchased substantially all of the assets of PlaneTechs, LLC ("PlaneTechs"), a leading provider of aircraft maintenance staffing. PlaneTechs operates out of a single facility in Chicago, Ill. and draws from a national database of skilled aviation technicians. The acquisition of PlaneTechs continues our diversification strategy within blue-collar staffing and adds a new element of growth and specialization to our skilled trades services. We believe PlaneTechs delivers an innovative approach to the flexible workforce requirements of the aviation industry.

The following table reconciles the number of TrueBlue branches open at the end of each of the last five fiscal years for each brand grouping.

	TrueBlue Branches by Brand Grouping			
	General Labor	Light Industrial	Skilled Trades	Total Branches
2002 balance forward	**748**			**748**
Branches opened	50			50
Branches closed	(19)			(19)
2003 ending branches	**779**			**779**
Branches acquired (1)	17	10		27
Branches opened	33			33
Branches closed	(24)			(24)
2004 ending branches	**805**	**10**		**815**
Branches acquired (1)			50	50
Branches opened	30	8	3	41
Branches closed	(19)			(19)
2005 ending branches	**816**	**18**	**53**	**887**
Branches opened	24	10	16	50
Branches closed	(24)		(1)	(25)
2006 ending branches	**816**	**28**	**68**	**912**
Branches acquired (1)			18	18
Branches opened	5	7	10	22
Branches closed	(47)	(3)	(8)	(58)
2007 ending branches	**774**	**32**	**88**	**894**

(1) "Branches acquired" in the table above includes branches added as a result of the following acquisitions:

In April 2004, we acquired substantially all of the assets of Spartan Staffing. As part of the Spartan Staffing acquisition we purchased 27 branches, 17 of which were subsequently converted to Labor Ready brand branches.

In May 2005, we acquired 100% of the common stock of CLP Holdings Corp.

In April 2007, we acquired all of the stock of Skilled Services Corporation ("SSC"). The SSC branches are part of the CLP Resources brand. SSC operated 17 branches at the time of acquisition.

In December 2007, we purchased substantially all of the assets of PlaneTechs, LLC ("PlaneTechs"). PlaneTechs operates out of one branch facility in Chicago, Ill.

Information about Business Segments

TrueBlue operations are one reportable segment. Our operations are all in the blue-collar staffing sector of the temporary labor market and focus on supplying customers with temporary employees. All our brands have the following similar characteristics:

- They service businesses and provide temporary labor services;
- They primarily serve small to medium-sized customers who have a need for temporary staff to perform tasks which do not require a permanent employee;
- They each build a temporary work force through recruiting, screening and hiring. Temporary workers are dispatched to customers where they work under the supervision of our customers; and

Profitability is driven largely by bill rates to our customers and pay rates to our workers. The difference between the bill rate and pay rate is a key metric used to drive the business in all our brands. Profitable growth requires increased volume or bill rates which grow faster than pay rates. Profitable growth is also driven by leveraging our cost structure across all brands.

We expect similar operating margins for our brands based on historical experience. The long-term performance expectations of all our brands are similar as are the underlying financial and economic metrics used to manage those brands.

Our international operations are not significant to our total operations for segment reporting purposes.

Operations

Branch operations are organized into geographic areas. Each area is under the supervision of a manager who oversees branch performance. Within an area, multi-unit managers supervise branch operations and meet regularly with branch managers to discuss new customers, customer satisfaction, temporary workforce recruitment and retention, and operating performance. Similar meetings are conducted at the corporate level with regional management.

Branches are generally open five days a week, with extended hours as required to meet customer needs. Branch locations are generally staffed with a branch manager and two or more additional employees that focus on customer service, temporary worker recruiting and screening. Branches follow standardized and detailed operating procedures.

We have our own proprietary front-end software systems to process all required credit, billing, collection and temporary worker payroll, together with other information and reporting systems necessary for the management of hundreds of thousands of temporary employees and operations in multiple locations. The systems maintain all of our key databases, from the tracking of work orders to payroll processing to maintaining worker records. The current systems regularly exchange all point of sale information between the corporate headquarters and the branches, including customer credit information and outstanding receivable balances. Branch staff can run a variety of reports on-demand, such as receivables aging, margin reports and customer activity reports. Regional, area, and district managers are able to monitor their territories from remote locations.

We believe that one of the most critical factors determining the success of a branch is selecting, hiring and retaining an effective branch manager. Each branch manager has the responsibility for recruiting and retaining a quality temporary workforce and capturing and cultivating customer loyalty. Each branch manager has the responsibility for managing the operations of the branch which include the recruiting, dispatch and payment of temporary employees, meeting the needs of our customers with a guarantee of customer satisfaction, selling our services to new customers, as well as cost control through accident prevention, and compliance with the laws and regulations. We commit substantial resources to the training, development, and operational support of our branch managers.

Our Customers

The majority of our customers require temporary employees for peak production and service requirements and to temporarily replace absent full time employees. We currently derive our revenue from a large number of customers and we are not dependent on any individual customer for more than 2% of our annual revenue. During 2007, we served over 300,000 customers. Our ten largest customers accounted for approximately 4% of total revenue in 2007, 2006 and 2005. While a single branch may derive a substantial percentage of its revenue from an individual customer, the loss of that customer would not have a significant impact on our total revenue.

Our Temporary Employees

During 2007, we put approximately 600,000 people to work. We recruit temporary employees daily so that we can be responsive to the planned as well as unplanned needs of the customers we serve. Our customers know we can respond quickly to their labor needs. Under our "satisfaction guaranteed" policy, temporary employees unsatisfactory to our customer are promptly replaced and the customer is not charged for their time if the customer notifies us within an established timeframe, which is different for each brand. We attract our pool of temporary employees through advertisements and word of mouth. We believe our focus on locating branches in areas convenient for our temporary employees is particularly important in attracting temporary employees. We consider our relations with temporary employees to be good.

Seasonality

Our business experiences seasonal fluctuation. Construction and landscaping businesses and, to a lesser degree, other customer businesses typically increase activity in spring, summer and early fall months and decrease activity in late fall and winter months. Inclement weather can slow construction and landscaping activities in such periods. As a result, we generally experience an increase in temporary labor demand in the spring, summer and early fall months, and lower

demand in the late fall and winter months. Additionally, our gross profit has generally fluctuated as our mix of business changes from quarter to quarter.

Competition

The blue-collar staffing sector of the temporary services industry is highly competitive with limited barriers to entry. Several very large full-service and specialized temporary staffing companies, as well as small local companies, compete with us in the staffing industry. A large percentage of temporary staffing companies serving the industrial staffing sector are local operations with fewer than five branches. Within local or regional markets, these firms actively compete with us for business. In most areas, no single company has a dominant share of the market. One or more of these competitors may decide at any time to enter or expand their existing activities in the industrial staffing sector short-term labor market and provide new and increased competition to us. While entry to the market has limited barriers, lack of working capital frequently limits the growth of smaller competitors.

We believe that the primary competitive factors in obtaining and retaining customers are the cost of temporary labor, the ability to provide the temporary worker requested, the quality of the temporary employees provided, the responsiveness of the temporary staffing company to provide the requested amount of temporary employees on time, and the number and location of branches. Competition in some markets is intense, particularly with regard to recruiting workers, and these competitive forces limit our ability to raise prices to our customers. Competitive forces have historically limited our ability to raise our prices to immediately and fully offset increased costs of doing business, including increased labor costs, costs for workers' compensation and state unemployment insurance. As a result of these forces, we have in the past faced pressure on our operating margins. See Item 1A below of this Form 10-K Risk Factors.

Government Regulations

We are in the business of employing people and placing them in the workplaces of other businesses. As a result, we are subject to a number of federal, state and local laws and regulations regulating our industry. Some of the most important areas of regulation include the following:

Wage and hour regulation. We are required to comply with applicable state and federal wage and hour laws. These laws require us to pay our employees minimum wage and overtime at applicable rates. When our temporary employees are employed on public works projects we are generally required to pay prevailing wages and to comply with additional reporting obligations.

Regulation concerning equal opportunity. We are required to comply with applicable state and federal laws prohibiting harassment and discrimination on the basis of race, gender and other legally-protected factors in the employment of our temporary and permanent employees.

Workplace safety. We are subject to a number of state and federal statutes and administrative regulations pertaining to the safety of our employees. These laws generally require us to provide general safety awareness and basic safety equipment to our temporary employees.

Patents and Trademarks

Our business is not presently dependent on any patents, licenses, franchises or concessions. "TrueBlue," "Labor Ready," "Spartan Staffing," "CLP Resources," "PlaneTechs" and certain service marks and other trademarks are registered with the U.S. Patent and Trademark Office.

Fiscal Year End

Our fiscal year is based on a 52/53-week year ending on the last Friday in December. Prior to fiscal 2006, our fiscal year was based on a 52/53-week year ending on the Friday closest to December 31st. Fiscal year 2007 ended on the same day that it would have under the old policy. Consistent with the old policy, in fiscal years consisting of 53 weeks the final quarter will consist of 14 weeks while in 52-week years all quarters will consist of 13 weeks.

Financial Information About Geographic Areas

The following table depicts our revenue derived from within the United States and that derived from other countries for the past three years (in thousands).

	2007		2006		2005	
United States (including Puerto Rico)	$ 1,288,456	93.0%	$ 1,263,642	93.7%	$ 1,155,494	93.5%
Canada and the United Kingdom	97,200	7.0%	85,476	6.3%	80,576	6.5%
Total revenue from services	$ 1,385,656	100%	$ 1,349,118	100%	$ 1,236,070	100%

The following table depicts our net property and equipment located in the United States and the net property and equipment located in other countries for the past three years (in thousands).

	2007		2006		2005	
United States (including Puerto Rico)	$ 43,644	97.2%	$ 29,982	93.8%	$ 24,689	92.8%
Canada and the United Kingdom	1,265	2.8%	1,967	6.2%	1,926	7.2%
Total property and equipment, net	$ 44,909	100%	$ 31,949	100%	$ 26,615	100%

Number of Employees

At the end of 2007, we employed approximately 3,500 full time and part time employees in addition to our temporary employees.

Item 1A. RISK FACTORS

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

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

The temporary services industry is highly competitive, with limited barriers to entry. Several very large and mid-sized full-service and specialized temporary labor companies, as well as small local operations, compete with us in the staffing industry. Competition in the markets we serve is intense and these competitive forces limit our ability to raise prices to our customers. For example, competitive forces have historically limited our ability to raise our prices to immediately and fully offset increased costs of doing business, including increased labor costs, costs for workers' compensation and state unemployment insurance. As a result of these forces, we have in the past faced pressure on our operating margins. Pressure on our margins remains intense, and we cannot assure you that it will not continue. If we are not able to effectively compete in the staffing markets we serve, our operating margins and other financial results will be harmed and the price of our securities could decline.

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

We maintain various types of insurance coverage to help offset the costs associated with certain risks to which we are exposed. We have previously experienced, and could again experience, changes in the insurance markets that result in significantly increased insurance costs and higher deductibles. For example, we are required to pay workers' compensation benefits for our temporary and permanent employees. Under our workers' compensation insurance program, we maintain "per occurrence" insurance, which covers claims for a particular event above a $2.0 million deductible, and we do not maintain an aggregate stop-loss limit other than on a per-occurrence basis. While we have secured coverage with American International Group, Inc. (AIG) for occurrences during the period from July 2007 to July 2008, our insurance

policies must be renewed annually, and we cannot guarantee that we will be able to successfully renew such policies for any period after July 2008. In the event we are not able to obtain workers' compensation insurance, or any of our other insurance coverages, on commercially reasonable terms, our ability to operate our business would be significantly impacted and our financial condition and results of operations could suffer.

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

We are required to maintain commitments such as cash and cash-backed instruments, irrevocable letters of credit, and/or surety bonds to secure repayment to our insurance companies (or in some instances, the state) of the deductible portion of all open workers' compensation claims. We pledge cash or other assets in order to secure these commitments and there are a number of factors that cause the size of our collateral commitments to grow over time. As our business grows so does our workers' compensation reserve and the collateral needed to support it. We sometimes face difficulties in recovering our collateral from insurers, particularly when those insurers are in financial distress, and we cannot guarantee that our collateral for past claims will be released in a timely manner as we pay down claims. As a result, we expect that the amount of collateral required to secure our commitments to our insurance carriers will continue to increase. While we believe that our current sources of liquidity will satisfy our immediate needs for these obligations, our currently available sources of capital for these commitments are limited and we could be required to seek additional sources of capital in the future. These additional sources of financing may not be available on commercially reasonable terms. Even if such sources of financing are available, they could result in a dilution of value to our existing shareholders.

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

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

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

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

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

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

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

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

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

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

A significant portion of our revenue is derived from our operations in a limited number of states. Total revenue generated from operations in California, Texas and Florida, accounted for 36% of our overall revenue in 2007, 38% of our overall revenue in 2006 and 35% of our overall revenue in 2005.

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

Because demand for personnel services and recruitment services is sensitive to changes in the level of economic activity, our business may suffer during economic downturns. As economic activity slows down, companies tend to reduce their use of temporary employees and recruitment services before undertaking layoffs of their permanent employees, resulting in decreased demand for our personnel. In addition, we provide staffing services to businesses in different industries, such as the construction, warehousing, hospitality, landscaping, transportation, light manufacturing, retail, wholesale, facilities, sanitation, and aviation industries, and economic downturns in a particular industry may adversely affect us. For example, as interest rates rise, the amount of construction could decline, which will cause a reduction in the demand for the use of temporary employees in the construction industry. As a result, any significant economic downturn or increase in interest rates could harm our business, financial condition or results of operations, or cause the price of our securities to decline.

International operations will burden our resources and may fail to generate a substantial increase in revenue.

Our international branch operations expose us to certain risks. These risks include risks already discussed in connection with our domestic branch operations and also include risks related to fluctuations in the value of foreign currencies, the additional expense and risks inherent in operations in geographically and culturally diverse locations, being subject to complex foreign tax laws and regulations. If we are not able to effectively manage those risks, our financial results could be harmed. As of December 28, 2007, we had 70 branches outside the United States in the United Kingdom and Canada.

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

Each year a number of bills are introduced to Federal, State, and local governments, any one of which, if enacted, could impose conditions which could harm our business. This proposed legislation has included provisions such as a requirement that temporary employees receive equal pay and benefits as permanent employees, requirements regarding employee health care, and a requirement that our customers provide workers' compensation insurance for our temporary employees. We actively oppose proposed legislation adverse to our business and inform policy makers of the social and economic benefits of our business. However, we cannot guarantee that any of this legislation will not be enacted, in which event demand for our service may suffer.

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

We incur significant costs to comply with complex federal, state, and local laws and regulations relating to employment, including occupational safety and health provisions, wage and hour requirements (including minimum wages), workers'

compensation unemployment insurance, and immigration. In addition, from time to time we are subject to audit by various state and governmental authorities to determine our compliance with a variety of these laws and regulations. We have in the past been found, and may in the future be found, to have violated such laws or regulations. We may, from time to time, incur fines and other losses or negative publicity with respect to any such violation. If we incur additional costs to comply with these laws and regulations or as a result of fines or other losses and we are not able to increase the rates we charge our customers to fully cover any such increase, our margins and operating results may be harmed.

Labor unions have attempted to harm our business.

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

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

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

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

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

We have significant working capital requirements.

We require significant working capital in order to operate our business. We may experience periods of negative cash flow from operations and investment activities, especially during seasonal peaks in revenue experienced in the second and third quarter of the year. We invest significant cash into the opening and operations of new branches until they begin to generate revenue sufficient to cover their operating costs. We also pay our temporary employees before customers pay us for the services provided. As a result, we must maintain cash reserves to pay our temporary employees prior to receiving payment from our customers. Our collateral requirements may increase in future periods, which would decrease amounts available for working capital purposes. If our available cash balances and borrowing base under our existing credit facility do not grow commensurate with the growth in our working capital requirements, we could be required to explore alternative sources of financing to satisfy our liquidity needs.

Our management information and computer processing systems are critical to the operations of our business and any failure, interruption in service, or security failure could harm our ability to effectively operate our business.

The efficient operation of our business is dependent on our management information systems. We rely heavily on our management information systems to manage our order entry, order fulfillment, pricing, and point-of-sale processes. The failure of our management information systems to perform as we anticipate could disrupt our business and could result in decreased revenue, increased overhead costs and could require that we commit significant additional capital and management resources to resolve the issue, causing our business and results of operations to suffer materially. Failure to protect the integrity and security of our customers' and employees' information could expose us to litigation and materially damage our standing with our customers.

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

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

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

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

Failure in our pursuit or execution of new business ventures, strategic alliances and acquisitions could have a material adverse impact on our business.

Our growth strategy includes expansion via new business ventures and acquisitions. While we employ several different valuation methodologies to assess a potential growth opportunity, we can give no assurance that new business ventures and strategic acquisitions will positively affect our financial performance. Acquisitions may result in the diversion of our capital and our management's attention from other business issues and opportunities. Unsuccessful acquisition efforts may result in significant additional expenses that would not otherwise be incurred. We may not be able to assimilate or integrate successfully companies that we acquire, including their personnel, financial systems, distribution, operations and general operating procedures. If we fail to assimilate or integrate acquired companies successfully, our business could suffer materially. In addition, we may not realize the revenues and cost savings that we expect to achieve or that would justify the acquisition investment, and we may incur costs in excess of what we anticipate. We may also encounter challenges in achieving appropriate internal control over financial reporting in connection with the integration of an acquired company. In addition, the integration of any acquired company, and its financial results, into ours may have a material adverse effect on our operating results.

We are highly dependent on the cash flows and net earnings we generate during our second and third fiscal quarters.

More than 60% of our net earnings were generated in our second and third fiscal quarter of 2007 which include the summer months. Unexpected events or developments such as natural disasters, manmade disasters and adverse economic conditions in our second and third quarter could have a material adverse effect on our revenue and earnings.

The foregoing should not be construed as an exhaustive list of all factors that could cause actual results to differ materially from those expressed in forward-looking statements made by us or on our behalf.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

We lease the building space at virtually all of our branches. Under the majority of these leases, both parties to the agreement have the right to terminate the lease on 90 days notice and upon payment of an early termination penalty equivalent to three months rent. A small percentage of leases provide for a minimum lease term in excess of one year. We own a 157,000 square foot office building in downtown Tacoma, Washington, which serves as our headquarters. We also own two branches in Florida. Management believes all of our facilities are currently suitable for their intended use.

Item 3. LEGAL PROCEEDINGS

See Note 11 to the Notes to Consolidated Financial Statements found in Item 8 of Part II of this Form 10-K (listed under the subheading, Legal contingencies and developments, below).

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter ended December 28, 2007.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is listed on the New York Stock Exchange under the ticker symbol TBI. Prior to December 18, 2007, our common stock was listed on the New York Stock Exchange under the ticker symbol LRW. The table below sets forth the high and low sales prices for our common stock as reported by the New York Stock Exchange during the periods indicated:

Quarter Ended	High	Low
March 31, 2006	$ 26.05	$ 20.50
June 30, 2006	$ 27.75	$ 20.79
September 29, 2006	$ 22.75	$ 14.94
December 29, 2006	$ 19.82	$ 15.45
March 30, 2007	$ 19.78	$ 17.00
June 29, 2007	$ 24.56	$ 17.62
September 28, 2007	$ 28.63	$ 18.35
December 28, 2007	$ 21.58	$ 14.22

Holders of the Corporation's Capital Stock

We had approximately 751 shareholders of record as of February 13, 2008.

Dividends

No cash dividends have been declared on our common stock to date nor have any decisions been made to pay a dividend in the future. Payment of dividends is evaluated on a periodic basis and if a dividend were paid, it would be subject to the covenants of our lending facility, which may have the effect of restricting our ability to pay dividends.

Issuer Purchases of Equity Securities

Under our authorized share purchase program, we purchased and retired 7.6 million shares of our common stock for a total of $150.3 million during 2007. Under our authorized share purchase program, we purchased and retired 4.2 million shares of our common stock for a total of $88.7 million during 2006.

The table below includes purchases of our common stock pursuant to publicly announced plans or programs and those not made pursuant to publicly announced plans or programs during the thirteen weeks ended December 28, 2007.

Period	Total number of shares purchased (1)	Weighted average price paid per share (2)	Total number of shares purchased as part of publicly announced plans or programs (1)	Maximum number of shares (or approximate dollar value) that may yet be purchased under plans or programs at period end (3)
9/29/07 through 10/26/07	476	$ 18.99		$ 39.6 million
10/27/07 through 11/23/07	130,748	$ 15.95	130,000	$ 37.5 million
11/24/07 through 12/28/07	1,365	$ 15.49		$ 37.5 million

	132,589	$	15.96	130,000	$ 37.5 million

(1) During the thirteen weeks ended December 28, 2007, we purchased 2,589 shares in order to satisfy employee tax withholding obligations upon the vesting of restricted stock. These shares were not acquired pursuant to any publicly announced purchase plan or program.

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

(3)
Our share purchase program is conducted under authorizations made by our Board of Directors. The shares reported in the table above are under a $100 million share purchase authorization approved by our Board of Directors in April 2007 that does not have an expiration date.

TrueBlue Stock Comparative Performance Graph

The following graph depicts our stock price performance from December 31, 2002, through December 28, 2007, relative to the performance of the Dow Jones Composite and a peer group of companies in the temporary labor industry. All indices shown in the graph have been reset to a base of 100 as of December 31, 2002, and assume an investment of $100 on that date and the reinvestment of dividends, if any, paid since that date.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN
Among TrueBlue, Inc., the Dow Jones Composite Index
and Selected peer group*

*
Peer group includes Kelly Services, Inc., Manpower, Inc., Volt Information Sciences, Inc., Spherion Corp. and Adecco SA. Prior to 2006, peer group included Remedytemp, Inc. In 2006, Remedytemp, Inc. was acquired by Select Staffing and is no longer publicly traded. Accordingly, Remedytemp, Inc. has been replaced in our peer group by Volt Information Services, Inc., which is a provider of industrial temporary labor and is publicly traded. Accordingly, the peer group total return analysis has been presented on a retroactive basis with Volt Information Services, Inc.

Item 6. SELECTED FINANCIAL DATA

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

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

	2007 (2)	2006	2005 (2)	2004 (2)	2003
Statement of Income Data:					
Revenue from services	$ 1,385,656	$ 1,349,118	$ 1,236,070	$ 1,044,236	$ 891,191
Cost of services	943,563	915,773	844,448	727,059	624,878
Gross profit	442,093	433,345	391,622	317,177	266,313
Selling, general and administrative expenses	336,220	318,681	286,460	244,606	226,019
Depreciation and amortization	12,223	10,364	9,603	10,127	8,395
Interest and other income (expense), net	10,953	11,873	4,636	(2,599)	(4,332)
Income before tax expense	104,603	116,173	100,195	59,845	27,567
Income tax expense	38,405	39,701	38,174	23,532	10,036
Net income	$ 66,198	$ 76,472	$ 62,021	$ 36,313	$ 17,531
Net income per common share:					
Basic	$ 1.45	$ 1.46	$ 1.28	$ 0.87	$ 0.43
Diluted	$ 1.44	$ 1.45	$ 1.18	$ 0.75	$ 0.41
Weighted average shares outstanding (1):					
Basic	45,683	52,418	48,421	41,674	40,387
Diluted	45,960	52,853	53,793	52,289	50,916
Operating Data (unaudited):					
Revenue from branches open for full year	$ 1,314,919	$ 1,325,902	$ 1,136,617	$ 980,672	$ 875,848
Revenue from branches opened or acquired during year	48,201	22,236	96,530	59,717	11,561
Revenue from branches closed during year	22,536	980	2,923	3,847	3,782
Total	$ 1,385,656	$ 1,349,118	$ 1,236,070	$ 1,044,236	$ 891,191
Branches open at period end	894	912	887	815	779

	At Year End,				
	2007 (2)	2006	2005 (2)	2004 (2)	2003
Balance Sheet Data:					
Current assets	$ 229,508	$ 339,758	$ 318,663	$ 261,058	$ 206,749
Total assets	545,249	592,306	572,076	444,107	373,717
Current liabilities	114,538	101,385	100,014	76,508	70,830
Long-term liabilities	146,884	138,403	123,464	165,205	148,748
Total liabilities	261,422	239,788	223,478	241,713	219,578
Shareholders' equity	283,827	352,518	348,598	202,394	154,139
Working capital	$ 114,970	$ 238,373	$ 218,649	$ 184,550	$ 135,919

(1) Weighted average shares outstanding are described in Note 10 to the Consolidated Financial Statements found in Item 8 of Part II of this Form 10-K.

(2) The operating results reported above include the results of the following acquisitions subsequent to their respective purchase dates:

- In April, 2004, we acquired substantially all of the assets of Spartan Staffing;
- In May 2005, we acquired 100% of the common stock of CLP Holdings Corp;
- In April 2007, we acquired 100% of the common stock of Skilled Services Corporation; and
- In December 2007, we acquired substantially all of the assets of PlaneTechs, LLC.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide the reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity and certain other factors that may affect future results. Our MD&A is presented in six sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Contractual Obligations and Commitments
- Summary of Critical Accounting Policies and Estimates
- New Accounting Standards

OVERVIEW

TrueBlue, Inc. ("TrueBlue," "we," "us," "our") is an international provider of temporary blue-collar staffing with four primary brands. Effective December 18, 2007, we changed our name from Labor Ready, Inc. to TrueBlue, Inc. We operate branches and provide temporary labor services under the Labor Ready brand for general labor, on-demand services, Spartan Staffing brand for light industrial services, CLP brand for skilled construction trades services, and PlaneTechs brand for skilled aircraft maintenance staffing. Our customers are primarily small to mid-sized businesses who require temporary blue-collar staffing. Annually, we serve more than 300,000 customers and put approximately 600,000 people to work through our brands.

During 2007 we took the following actions:

Corporate name change. In December 2007 we changed our name from Labor Ready, Inc. to TrueBlue, Inc. The name change reflects our vision to be the leading provider of blue-collar staffing with multiple brands serving the temporary staffing industry.

Share purchases. During 2007 we purchased 7.6 million shares of our common stock for $150.3 million, including commissions. At the end of 2007, we had $37.5 million available to us to purchase shares of our common stock under the current authorization.

Purchases of Skilled Services Corporation and PlaneTechs, LLC. During April 2007 we purchased Skilled Services Corporation ("SSC"), a privately-held skilled construction trades staffing provider for $26.3 million. During December 2007 we purchased substantially all of the assets of PlaneTechs, LLC ("PlaneTechs"), a leading provider of aircraft maintenance staffing for $50.6 million.

Branch openings and closures. During less favorable economic conditions, we tend to reduce branch openings and increase the number of branch closings. We believe this type of flexibility and discipline improves the overall return for our investors. During 2007, we opened 22 new branches and closed 58 branches.

Revenue for 2007 was $1.4 billion, an increase of 2.7% over the prior year. Net income decreased 13.4% to $66.2 million, or $1.44 per diluted share. The 2007 revenues were higher primarily as a result of revenue growth from acquired branches.

Gross profit decreased slightly during 2007. Gross profit was 31.9% of revenue in 2007 compared to 32.1% of revenue during 2006. Lower workers' compensation expense was offset by an increase in wages paid to temporary workers and pricing pressure. The improvement in workers' compensation expense is primarily due to improvements in accident prevention and risk management. The increase in wages paid to our temporary workers was heavily driven by numerous statutory minimum wage increases. While we have increased the bill rates to our customers for these pay increases, we have not yet fully passed through the amount of our standard markup due to an increased level of price sensitivity with our customers associated with slower economic conditions.

Selling, General and Administrative ("SG&A") expenses increased to 24.3% of revenue for 2007 compared to 23.6% of revenue during 2006. SG&A expense was higher during 2007 due to:

- Lease termination and other costs related to closing branches;
- Transition and integration costs related to acquisitions;
- Sales development expenses; and
- Decrease in same store branch revenue coupled with general increases in our cost structure.

Net income was $66.2 million during 2007, or $1.44 per diluted share, compared to $76.5 million or $1.45 per diluted share for 2006. Other items affecting net income and net income per diluted share not discussed above include a lower income tax expense during 2006 and a decrease in weighted average shares outstanding at the end of 2007 as compared to 2006. Our 2006 effective tax rate was lower than our 2007 rate due to the retroactive renewal of certain tax credits and favorable resolution of other income tax matters during the fourth quarter of 2006. We also undertook a significant share purchase effort in 2007 by purchasing $150.3 million of our common stock, including commissions. These purchases have resulted in lower weighted average shares outstanding at the end of 2007 as compared to 2006. Since the beginning of 2006 we have purchased approximately 11.8 million shares of our common stock at a cost of $239.0 million, including commissions.

RESULTS OF OPERATIONS

The following table presents selected consolidated financial data for each of the past three years (in thousands, except per share amounts):

	2007	2006	2005
Revenue from services	$ 1,385,656	$ 1,349,118	$ 1,236,070
Total revenue growth %	2.7%	9.1%	18.4%
Same store branch revenue growth %	(0.2%)	4.0%	8.6%
Gross profit as a % of revenue	31.9%	32.1%	31.7%
SG&A as a % of revenue	24.3%	23.6%	23.2%
Operating Income	$ 93,650	$ 104,300	$ 95,559
Operating Income as % of revenue	6.8%	7.7%	7.7%
Depreciation and amortization	$ 12,223	$ 10,364	$ 9,603
Interest and other income, net	$ 10,953	$ 11,873	$ 4,636
Effective income tax rate	36.7%	34.2%	38.1%
Net income	$ 66,198	$ 76,472	$ 62,021
Net income as a % of revenue	4.8%	5.7%	5.0%
Net income per diluted share	$ 1.44	$ 1.45	$ 1.18

Branches and Revenue from services. The number of branches decreased to 894 at December 28, 2007 from 912 locations at December 29, 2006, a net decrease of 18 branches or 2.0%. Revenue for 2007 increased 2.7% compared to 2006. The change in revenue was made up of the following five components:

a 0.2% decline in same store branch revenue, defined as those branches opened one year or longer;

a 2.7% increase due to acquired branches;

a 1.7% decline in revenue related to branches closed over the past twelve months;

a 1.3% increase in revenue from new branches opened less than one year, excluding the acquired branches; and

a net 0.6% increase from currency and other miscellaneous factors.

The number of branches increased to 912 at December 29, 2006 from 887 locations at December 30, 2005, a net increase of 25 branches or 2.8%. Revenue for 2006 increased 9.1% compared to 2005. The change in revenue was made up of the following five components:

a 4.0% increase in same store branch revenue, defined as those branches opened one year or longer;

a 4.3% increase due to acquired branches;

a 0.8% decline in revenue related to branches closed over the past twelve months;

a 1.5% increase in revenue from new branches opened less than one year, excluding the acquired branches; and

a net 0.1% increase from other miscellaneous factors.

Revenue from our international operations for 2007 was approximately 7.0% of our total revenue compared to 6.3% and 6.5%, respectively, for 2006 and 2005.

Gross profit. Gross profit was 31.9% of revenue for 2007 compared to 32.1% and 31.7% for 2006 and 2005, respectively. Workers' compensation costs for 2007 were approximately 4.7% of revenue compared to 5.6% of revenue for 2006. The improvement in workers' compensation expense is due primarily to the success of our accident prevention and risk management programs that have been implemented over several years. The decrease in workers' compensation costs was partially offset by an increase in wages paid to temporary workers. There were 45 state minimum wage increases during 2007 as well as increases in Canada and the United Kingdom. While we have increased the bill rates to our customers for these pay increases, we have not yet fully passed through our standard markup due to an increased level of price sensitivity

with our customers associated with slower economic conditions. As a result, our average pay rate increased 4.0% while our average bill rate increased 2.3%.

The increase in gross profit in 2006 compared to 2005 was due to the reduction to our workers' compensation costs as a result of safety and risk management programs reducing the frequency and severity of accidents.

Selling, general, and administrative expenses. SG&A expenses were 24.3% of revenue for 2007 and 23.6% and 23.2% of revenue for 2006 and 2005, respectively. The increase during 2007 was primarily attributable to four factors:

- Lease termination and other costs related to closing branches. During 2007 we closed 58 branches;
- Transition and integration costs related to acquisitions;
- Sales development expenses; and
- Decrease in same store branch revenue coupled with general increases in our cost structure.

The increase in SG&A expenses during 2006 compared to 2005 was primarily attributable to three factors:

- Increased stock-based compensation related to the adoption of SFAS 123R and an increase in restricted stock expense. Effective December 31, 2005, the first day of our 2006 fiscal year, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised), *Share-Based Payment*, using the modified-prospective transition method;
- The mix of the 50 new branch openings during 2006. CLP and Spartan brands comprised the majority of new branch openings. These brands have a higher initial cost structure, longer break-even period and ultimately a higher average branch revenue than the Labor Ready brand; and
- The increase to our sales and safety teams. We added sales resources to generate revenue growth and safety personnel to reduce accident rates.

Depreciation and amortization expense. Depreciation and amortization expense increased to $12.2 million for 2007 from $10.4 million and $9.6 million for 2006 and 2005, respectively. The increase during 2007 was primarily due to depreciation of our investments in technology and increased amortization of intangibles as a result of the SSC and PlaneTechs acquisitions. The increase during 2006 as compared to 2005 was primarily attributable to the depreciation and amortization on acquired CLP assets.

Interest and other income, net. We recorded net interest and other income of $11.0 million for 2007 compared to $11.9 million for 2006 and $4.6 million for 2005. During 2007 we have used cash to purchase our common stock and for the acquisition of SSC and PlaneTechs which has resulted in a decrease in the amount of cash available for investment. The increase during 2006 compared to 2005 was attributable to increasing average cash and restricted cash balances, the rise in short-term interest rates, and increased rates of return on our restricted cash. In 2005 we also recorded interest expense for our Convertible Subordinated Notes that we redeemed in the second quarter of 2005.

Income tax. Our effective income tax rate was 36.7% in 2007 compared to 34.2% in 2006 and 38.1% in 2005. The principal difference between the statutory federal income tax rate of 35.0% and our effective income tax rate results from state income taxes, federal tax credits, tax exempt interest income, and certain non-deductible expenses. Our 2006 effective tax rate was lower than our 2007 and 2005 rates due to the retroactive renewal of certain tax credits and favorable resolution of other income tax matters during the fourth quarter of 2006.

LIQUIDITY AND CAPITAL RESOURCES

Our principal source of liquidity is operating cash flows. Our net income and, consequently, our cash provided from operations are impacted by sales volume, seasonal sales patterns and profit margins.

Cash flows from operating activities

Our cash flows provided by operating activities were as follows (in thousands):

	2007	2006	2005
Net income	$ 66,198	$ 76,472	$ 62,021
Depreciation and amortization	12,223	10,364	10,087
Provision for doubtful accounts	9,987	7,215	9,569
Stock-based compensation	6,943	6,377	1,517
Excess tax benefits from stock-based compensation	(1,451)	(3,527)	
Deferred income taxes	(8,696)	(3,169)	(658)
Tax benefit on stock options			6,031
Other operating activities	401	56	270
Changes in operating assets and liabilities, exclusive of businesses acquired	13,049	14,363	16,605
Net cash provided by operating activities	$ 98,654	$ 108,151	$ 105,442

Over the past three years, cash from operations provided approximately $312.2 million

Stock-based compensation increased starting in 2006 primarily due to the expensing of stock options in accordance with our adoption of SFAS 123R. The adoption of SFAS 123R also changed our reporting of tax benefits on stock options in the statement of cash flows. We now report on the line "Excess tax benefit from stock-based compensation" the gross increases in the pool of windfall tax benefits as a cash outflow for operating activities and a cash inflow for financing activities. We are no longer required to report tax benefits from stock options on an individual line.

The change in deferred taxes during 2007 is due to increases in deferred tax assets related to the increases in the workers' compensation reserve, reserves related to branch closures and contingencies that are not deductible until paid.

Cash flows from investing activities

Our cash flows used in investing activities were as follows (in thousands):

	2007	2006	2005
Capital expenditures	$ (21,040)	$ (13,007)	$ (5,260)
Purchases of marketable securities	(191,032)	(88,266)	(124,317)
Maturities of marketable securities	271,580	90,301	84,014
Acquisition of businesses, net of cash acquired	(76,902)		(45,963)
Change in restricted cash	11,234	8,948	(24,072)
Other	(167)	214	(301)
Net cash used in investing activities	$ (6,327)	$ (1,810)	$ (115,899)

Capital expenditures in 2007 and 2006 included work associated in upgrading information technology projects and leasehold improvements. During 2006 capital expenditures also included costs related to the upgrade of security systems. Work on information technology projects will continue in 2008. We anticipate that total capital expenditures will be approximately $18.0 million in 2008.

We had net maturities of marketable securities in 2007 and 2006 and net purchases of marketable securities in 2005. Net maturities of marketable securities were higher in 2007 as funds that would have been used to purchase additional marketable securities were used to fund share purchases and the acquisitions of SSC and PlaneTechs. We had net purchases of marketable securities in 2005 as we did not purchase our common stock in 2005 as we did in 2007 and 2006.

During April 2007 we purchased SSC, a privately-held skilled construction trades staffing provider for $26.3 million. During December 2007 we purchased substantially all of the assets of PlaneTechs, a leading provider of aircraft maintenance staffing for $50.6 million.

The change in restricted cash was higher in 2007 compared to 2006 due to a decrease in the collateral requirements for our workers' compensation program. The change in restricted cash for 2005 was primarily the result of providing

additional workers' compensation collateral associated with the purchase of CLP as well as for our ongoing worker's compensation program.

Cash flows from financing activities

Our cash flows (used in)/provided by financing activities were as follows (in thousands):

	2007	2006	2005
Purchases and retirement of common stock	$ (150,310)	$ (88,744)	$
Net proceeds from sale of stock through options and employee benefit plans	4,715	5,293	8,649
Excess benefits from stock-based compensation	1,451	3,527	
Payments on debt	(909)	(1,212)	(2,327)
Net cash (used in)/provided by financing activities	$ (145,053)	$ (81,136)	$ 6,322

We purchased and retired 7.6 million and 4.2 million shares of our common stock in 2007 and 2006, respectively.

Capital resources

We have an $80.0 million credit agreement with certain unaffiliated financial institutions (the "Revolving Credit Facility") that expires in November 2008. The Revolving Credit Facility, which is secured by substantially all our assets except our real estate, provides us with access to loan advances and letters of credit. The amounts we may borrow (our borrowing capacity) under this agreement are largely a function of the levels of our accounts receivable from time to time, supplemented by pledged collateral. Under the terms of the Revolving Credit Facility, we pay a variable rate of interest based on a margin above LIBOR for borrowings and a variable unused commitment fee, both based on a consolidated leverage ratio of consolidated total debt to consolidated EBITDA. Fees for letters of credit are based on the margin in effect plus a fee of 0.05%. As of December 28, 2007, our margin was 0.50% and our unused capacity fee was 0.15%. At December 28, 2007 we had $34.5 million of letters of credit issued against that borrowing capacity leaving us with $45.5 million available for future borrowings. The Revolving Credit Facility requires that we comply with certain financial covenants. Among other things, these covenants require us to maintain certain leverage and coverage ratios. We are currently in compliance with all covenants related to the Revolving Credit Facility.

We have agreements with certain financial institutions through our wholly-owned and consolidated subsidiary, Workers' Assurance of Hawaii, Inc. (our "Workers' Assurance Program"), that allow us to restrict cash for the purpose of providing cash-backed instruments for our workers' compensation collateral. These instruments include cash-backed letters of credit, cash held in trusts as well as cash deposits held by our insurance carriers. At December 28, 2007 we had restricted cash in our Workers' Assurance Program totaling $126.8 million. Of this cash, $126.4 million was committed to insurance carriers leaving $0.4 million available for future needs.