TrueBlue, Inc.
Form 10-Q
October 31, 2011

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

FORM 10-Q

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

For the quarterly period ended: September 30, 2011
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 (State or other jurisdiction of incorporation or organization)	91-1287341 (IRS Employer Identification No.)
1015 A Street, Tacoma, Washington (Address of principal executive offices)	98402 (Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer o Accelerated filer x Non-accelerated filer o Smaller reporting company o

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

As of October 21, 2011, there were 40,093,279 shares of the registrant's common stock outstanding.

TrueBlue, Inc.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TRUEBLUE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par values)
(unaudited)

	September 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$99,050	$163,153
Accounts receivable, net of allowance for doubtful accounts of $6,287 and $6,427	174,384	108,692
Prepaid expenses, deposits and other current assets	8,254	9,981
Income tax receivable	—	4,898
Deferred income taxes	4,678	6,776
Total current assets	286,366	293,500
Property and equipment, net	54,733	53,958
Restricted cash and investments	136,538	120,067
Deferred income taxes	3,597	2,400
Goodwill	48,139	36,960
Intangible assets, net	20,207	20,526
Other assets, net	19,061	19,055
Total assets	$568,641	$546,466
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable and other accrued expenses	$38,410	$18,776
Accrued wages and benefits	36,502	24,464
Income Tax Payable	1,555	—
Current portion of workers' compensation claims reserve	41,768	42,379
Other current liabilities	7,602	304
Total current liabilities	125,837	85,923
Workers’ compensation claims reserve, less current portion	146,273	144,927
Other long-term liabilities	5,942	2,909
Total liabilities	278,052	233,759
Commitments and contingencies (Note 7)		
Shareholders’ equity:		
Preferred stock, $0.131 par value, 20,000 shares authorized; No shares issued and outstanding	—	—
Common stock, no par value, 100,000 shares authorized; 40,483 and 44,086 shares issued and outstanding	1	1
Accumulated other comprehensive income	2,442	2,906
Retained earnings	288,146	309,800
Total shareholders’ equity	290,589	312,707
Total liabilities and shareholders’ equity	$568,641	$546,466

See accompanying notes to condensed consolidated financial statements

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TRUEBLUE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 30, 2011	September 24, 2010	September 30, 2011	September 24, 2010
Revenue from services	$371,379	$312,769	$965,857	$837,424
Cost of services	271,528	228,181	710,644	615,882
Gross profit	99,851	84,588	255,213	221,542
Selling, general and administrative expenses	73,235	64,442	206,071	186,926
Depreciation and amortization	4,205	3,874	11,989	11,888
Income from operations	22,411	16,272	37,153	22,728
Interest expense	(371)	(439)	(1,059)	(1,169)
Interest and other income	694	583	1,857	1,832
Interest and other income, net	323	144	798	663
Income before tax expense	22,734	16,416	37,951	23,391
Income tax expense	8,821	6,197	14,724	7,511
Net income	$13,913	$10,219	$23,227	$15,880
Net income per common share:				
Basic	$0.33	$0.24	$0.54	$0.37
Diluted	$0.33	$0.23	$0.54	$0.37
Weighted average shares outstanding:				
Basic	41,612	43,269	42,813	43,196
Diluted	41,958	43,509	43,176	43,456

See accompanying notes to condensed consolidated financial statements

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TRUEBLUE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Thirty-nine weeks ended	
	September 30, 2011	September 24, 2010
Cash flows from operating activities:		
Net income	$23,227	$15,880
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,989	11,888
Provision for doubtful accounts	4,424	5,828
Stock-based compensation	5,583	5,412
Deferred income taxes	899	1,986
Other operating activities	(471)	(141)
Changes in operating assets and liabilities:		
Accounts receivable	(70,116)	(34,357)
Income taxes	6,950	1,345
Other assets	1,720	253
Accounts payable and other accrued expenses	19,634	1,489
Accrued wages and benefits	12,033	4,560
Workers’ compensation claims reserve	735	83
Other liabilities	(144)	123
Net cash provided by operating activities	16,463	14,349
Cash flows from investing activities:		
Capital expenditures	(6,251)	(5,256)
Change in restricted cash and cash equivalents	65,104	6,358
Purchases of restricted investments	(87,768)	—
Maturities of restricted investments	6,193	—
Other	(6,800)	(297)
Net cash (used in) provided by investing activities	(29,522)	805
Cash flows from financing activities:		
Purchases and retirement of common stock	(50,143)	—
Net proceeds from sale of stock through options and employee benefit plans	874	755
Common stock repurchases for taxes upon vesting of restricted stock	(1,692)	(1,467)
Payments on debt	(302)	(282)
Other	674	48
Net cash used in financing activities	(50,589)	(946)
Effect of exchange rates on cash	(455)	396
Net change in cash and cash equivalents	(64,103)	14,604
CASH AND CASH EQUIVALENTS, beginning of period	163,153	124,377
CASH AND CASH EQUIVALENTS, end of period	$99,050	$138,981
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$719	$861
Income taxes	$6,870	$3,525

See accompanying notes to condensed consolidated financial statements

Notes to Condensed Consolidated Financial Statements

NOTE 1: ACCOUNTING PRINCIPLES AND PRACTICES

The accompanying unaudited condensed consolidated financial statements ("financial statements") are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") 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 GAAP have been condensed or omitted. The unaudited financial statements reflect all adjustments which, in the opinion of management, are necessary to fairly state the financial position, results of operations and cash flows for the interim periods presented. We follow the same accounting policies for preparing both quarterly and annual financial information. These financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Our 2011 fiscal year will include 52 weeks and our 2010 fiscal year included 53 weeks, with the 53rd week falling in our fourth fiscal quarter.

On March 11, 2011, we entered into an agreement with The Bank of New York Mellon as escrow agent and National Union Fire Insurance Company of Pittsburgh, PA on behalf of itself and its insurance company affiliates including, but not limited to, Chartis Casualty Company (Chartis). The agreement creates a trust (the "Trust") at The Bank of New York Mellon, which holds the majority of our collateral obligations under existing workers' compensation insurance policies that were previously held directly by Chartis. Placing the collateral in the Trust allows us to manage the investment of the assets. In conjunction with the creation of the Trust, we expanded our accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2010 to include the following. Our quarterly financial information was prepared in accordance with these accounting policies.

Restricted cash and investments

Cash and investments pledged as collateral and restricted to use for workers' compensation insurance programs are included as restricted cash and investments in our Consolidated Balance Sheets. Our investments consist of highly rated investment grade debt securities which are rated A or higher by Nationally Recognized Statistical Rating Organizations. All of our investments are classified as held-to-maturity.

Fair value of financial instruments and investments

The carrying value of cash and cash equivalents and restricted cash approximates fair value because of the short-term maturity of those instruments. The fair value of our restricted investments is based upon the quoted market price on the last business day of the fiscal reporting period. Where an observable quoted market price for a security does not exist, we estimate fair value using a variety of valuation methodologies, which include observable inputs for comparable instruments and unobservable inputs. The specific methodologies include comparing the security with similar publicly traded securities and estimating discounted cash flows.

Recent Accounting Pronouncements

In June 2011, the FASB issued guidance on presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity will be required to present either a continuous statement of net income and other comprehensive income or two separate but consecutive statements. The new guidance will be effective for years beginning after December 15, 2011.

In September 2011, the FASB issued guidance on testing goodwill for impairment. The new guidance provides an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines that this is the case, it is required to perform the currently prescribed two-step goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized for that reporting unit, if any. If an entity determines that the fair value of a reporting unit is less than its carrying amount, the two-step goodwill impairment test is not required. The new guidance will be effective for us beginning December 31, 2011; early adoption is permitted.

Subsequent Events

We evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through the

Notes to Condensed Consolidated Financial Statements—(Continued)

day these financial statements were issued.

As of September 30, 2011, $46 million remained available for repurchase of common stock under the current authorized stock repurchase program, which has no expiration date. Subsequent to September 30, 2011, we repurchased 0.4 million shares of our common stock for approximately $4.6 million, resulting in approximately $42 million remaining under our existing stock repurchase program.

NOTE 2: FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We apply a fair value hierarchy which prioritizes the inputs used to measure fair value:

- Level 1: Investments valued using quoted market prices in active markets for identical assets or liabilities
- Level 2: Investments valued using other observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3: Investments with no observable inputs and, therefore, are valued using significant management judgment

The carrying value of our cash and cash equivalents, restricted cash, and accounts receivable approximates fair value due to their short term nature. Cash equivalents consist of money market funds and investments with original maturities of three months or less and are classified within Level 1 of the fair value hierarchy. Our cash equivalents included money market funds totaling $63 million and $133 million for September 30, 2011 and December 31, 2010, respectively.

NOTE 3: RESTRICTED CASH AND INVESTMENTS

Restricted cash, accrued interest, and investments consist primarily of collateral that has been provided or pledged to insurance carriers and state workers' compensation programs. Our insurance carriers and certain state workers' compensation programs require us to collateralize a portion of our workers' compensation obligation. The collateral typically takes the form of cash and cash equivalents, highly rated investment grade debt securities, and cash-backed instruments.

Prior to March 11, 2011, Chartis held the majority of the restricted cash collateralizing our self-insured workers' compensation policies. As of March 11, 2011, we entered into an agreement with Chartis and the Bank of New York Mellon creating a trust at the Bank of New York Mellon which holds the majority of our collateral obligations. The majority of funds in the Trust have been invested in highly rated investment grade U.S. Treasury Securities, U.S. Agency Debentures, U.S. Agency Mortgages, Corporate Securities, and Municipal Securities.

The following is a summary of restricted cash and investments (in millions):

	September 30, 2011	December 31, 2010
Cash collateral held by insurance carriers	$21.3	$108.7
Cash and cash equivalents held in Trust (1)	28.3	—
Investments held in Trust	80.9	—
Cash collateral backing letters of credit	4.1	4.1
Cash collateral backing surety bonds	—	3.0

Other	1.9	4.3
Total Restricted cash and investments	$ 136.5	$ 120.1

(1)Included in this amount is $0.8 million of accrued interest at September 30, 2011.

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Notes to Condensed Consolidated Financial Statements—(Continued)

The following is a summary of held-to-maturity investments (in millions):

	September 30, 2011			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Municipal securities	$42.5	$0.7	$(0.1)	$43.1
Corporate bonds	17.1	0.1	—	17.2
Asset backed bonds	14.3	0.1	—	14.4
State government and agency securities	4.5	—	—	4.5
United States Treasury securities	2.5	—	—	2.5
	$80.9	$0.9	$(0.1)	$81.7

The amortized cost and fair value by maturity of investments are as follows (in millions):

	September 30, 2011	
	Amortized Cost	Fair Value
Due in one year or less	$13.5	$13.5
Due after one year through five years	39.6	40.0
Due after five years through ten years	27.8	28.2
	$80.9	$81.7

NOTE 4: PROPERTY AND EQUIPMENT, NET

Property and equipment are stated at cost and consist of the following (in millions):

	September 30, 2011	December 31, 2010
Buildings and land	$23.8	$23.5
Computers and software	80.6	71.2
Cash dispensing machines	4.5	11.4
Furniture and equipment	8.6	8.6
Construction in progress	2.4	2.7
	119.9	117.4
Less accumulated depreciation and amortization	(65.2)	(63.4)
	$54.7	$54.0

Capitalized software costs, net of accumulated amortization, were $35.5 million and $32.8 million as of September 30, 2011 and December 31, 2010, respectively, excluding amounts in Construction in progress. Construction in progress consists primarily of leasehold improvements and internally developed software.

Depreciation and amortization of property and equipment totaled $3.4 million and $3.2 million for the thirteen weeks ended September 30, 2011 and September 24, 2010, respectively. Depreciation and amortization of Property and equipment totaled $9.9 million for each of the thirty-nine weeks ended September 30, 2011 and September 24, 2010.

NOTE 5: GOODWILL AND INTANGIBLE ASSETS

We completed two acquisitions during the thirty-nine weeks ended September 30, 2011 for a total purchase price of $17.4 million of which $10.6 million will be paid in the future. The assets acquired and liabilities assumed were recorded at the date of acquisition at their respective estimated fair values. Assets acquired included finite lived intangible assets of $1.8 million with an estimated weighted average useful life of 4.6 years. The excess of the purchase price over the estimated fair values of the net assets acquired in the amount of $11.2 million was recorded as goodwill. These acquisitions were not individually or in the aggregate material to our consolidated results of operations and as such, pro forma financial statements were not required.

Notes to Condensed Consolidated Financial Statements—(Continued)

The following is a summary of the changes in carrying amount of Goodwill for the thirty-nine weeks ended September 30, 2011 (in millions):

	Carrying Amount
Goodwill as of December 31, 2010	$36.9
Acquisitions	11.2
Goodwill as of September 30, 2011	$48.1

The following table presents our purchased intangible assets other than Goodwill (in millions):

	September 30, 2011			December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets (1):						
Customer relationships	$19.1	$(7.7)	$11.4	$18.0	$(6.2)	$11.8
Trade name/trademarks	3.3	(1.2)	2.1	3.0	(0.9)	2.1
Non-compete agreements	2.5	(1.6)	0.9	2.1	(1.3)	0.8
	$24.9	$(10.5)	$14.4	$23.1	$(8.4)	$14.7
Indefinite-lived intangible assets:						
Trade name/trademarks	$5.8	$—	$5.8	$5.8	$—	$5.8

(1)Excludes intangible assets that are fully amortized or written off due to impairment.

Total amortization expense was $0.8 million and $0.7 million for the thirteen weeks ended September 30, 2011 and September 24, 2010, respectively. Amortization expense was $2.1 million and $2.0 million for each of the thirty-nine weeks ended September 30, 2011 and September 24, 2010, respectively.

Amortization expense of intangible assets for the next five years and thereafter is as follows (in millions):

Remainder of 2011	$0.8
2012	3.1
2013	2.7
2014	2.6
2015	2.6
Thereafter	2.6
	$14.4

We did not perform an interim impairment test of our goodwill and indefinite-lived intangibles assets during the thirty-nine weeks ended September 30, 2011 as we noted no significant indicators of impairment.

NOTE 6: WORKERS' COMPENSATION INSURANCE AND RESERVES

We provide workers' compensation insurance for our temporary and permanent employees. The majority of our current workers' compensation insurance policies cover claims for a particular event above a $2.0 million deductible limit on a "per occurrence" basis. This results in our being substantially self-insured. Our workers' compensation insurance policies are renewed annually. We renewed our coverage with Chartis effective July 1, 2011 for the period July 2011 through

June 2012. For all prior periods, we had coverage with Chartis and other insurance providers. Furthermore, we have full liability for all further payments on claims that originated between January 2001 and June 2003 without recourse to any third-party insurer as the result of a novation agreement we entered into with Kemper Insurance Company in December 2004.

Our workers’ compensation reserve is established using estimates of the future cost of claims and related expenses that have been reported but not settled, as well as those that have been incurred but not reported. Management evaluates the adequacy of

Notes to Condensed Consolidated Financial Statements—(Continued)

the workers’ compensation reserves in conjunction with an independent quarterly actuarial assessment. Changes in the self-insurance reserve estimates are reflected in the income statement in the period when the changes in estimates are made.

Our workers’ compensation reserve for claims below the deductible limit is discounted to its estimated net present value using discount rates based on average returns of “risk-free” U.S. Treasury instruments available during the year in which the liability was incurred. At September 30, 2011, the weighted average rate was 3.0%. The claim payments are made over an estimated weighted average period of approximately 5.5 years.

Our workers’ compensation reserves include estimated expenses related to claims above our deductible limits (“excess claims”) and a corresponding receivable for the insurance coverage on excess claims based on the contractual policy agreements we have with insurance carriers. We discount this reserve and corresponding receivable to its estimated net present value using the discount rates based on average returns of “risk-free” U.S. Treasury instruments available during the year in which the liability was incurred. At September 30, 2011, the weighted average rate was 4.9%. The claim payments are made and the corresponding reimbursements from our insurance carriers are received over an estimated weighted average period of approximately 19.4 years. The discounted workers’ compensation reserve for excess claims and the corresponding receivable for the insurance on excess claims were $25.9 million and $25.8 million as of September 30, 2011 and December 31, 2010, respectively.

Two of the workers’ compensation insurance companies (“Troubled Insurance Companies”) with which we formerly did business are in liquidation and have failed to pay a number of excess claims. These excess claims have been presented to the state guaranty funds of the states in which the claims originated. Certain of these excess claims have been rejected by the state guaranty funds due to statutory eligibility limitations. We have recorded a valuation allowance of $7.3 million against all of the Troubled Insurance Companies insurance receivables as of September 30, 2011 and substantially all of the Troubled Insurance Companies insurance receivables as of December 31, 2010. The receivable for the insurance on excess claims, net of the valuation allowance, is included in Other assets, net in the accompanying Consolidated Balance Sheets.

Our total discounted workers’ compensation claims reserves were $188.0 million and $187.3 million as of September 30, 2011 and December 31, 2010, respectively. Workers’ compensation expense totaling $14.8 million and $12.7 million was recorded for the thirteen weeks ended September 30, 2011 and September 24, 2010, respectively. Workers’ compensation expense totaling $37.4 million and $31.0 million was recorded for the thirty-nine weeks ended September 30, 2011 and September 24, 2010, respectively.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Revolving credit facility

On September 30, 2011, we entered into an Amended and Restated Credit Agreement with Bank of America, N.A. and Wells Fargo Capital Finance, LLC for a secured revolving credit facility of up to a maximum of $80 million (the “Revolving Credit Facility”). The Revolving Credit Facility, which expires September 2016, amends and restates our existing $80 million revolving credit facility with Wells Fargo Capital Finance, LLC and Bank of America, N.A., which was set to expire in June of 2012.
The maximum amount we can borrow under the Revolving Credit Facility of $80 million is subject to certain borrowing limits (the "Borrowing Base"). We are limited to the sum of 85% of our eligible accounts receivable, and 75% of the liquidation value of our Tacoma headquarters office building not to exceed $15 million. The amount is

then reduced by the sum of a reserve in an amount equal to the payroll and payroll taxes for our temporary employees for one payroll cycle and other reserves if deemed applicable. As of September 30, 2011, the maximum $80 million was available under the Revolving Credit Facility and letters of credit in the amount of $11 million had been issued against the facility, leaving an unused portion of $69 million.

The Revolving Credit Facility requires that we maintain liquidity in excess of $12 million. We are required to satisfy a fixed charge coverage ratio in the event we do not meet that requirement. Liquidity is defined as the amount we are entitled to borrow as advances under the Revolving Credit Facility plus the amount of cash and cash equivalents held in accounts subject to a control agreement benefiting the lenders. The amount we were entitled to borrow at September 30, 2011 was $69 million and the amount of cash and cash equivalents under control agreements was $105 million for a total of $174 million which is well in excess of the liquidity requirement. We are currently in compliance with all covenants related to the Revolving Credit Facility.

Under the terms of the Revolving Credit Facility, we pay a variable rate of interest on funds borrowed that is based on LIBOR or the Prime Rate at our option, plus an applicable spread based on excess liquidity as set forth below:

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Notes to Condensed Consolidated Financial Statements—(Continued)

Excess Liquidity:	Prime Rate Loans:	LIBOR Rate Loans:
Greater than $40 million	0.50%	1.50%
Equal to or greater than $20 million to equal to or less than $40 million	0.75%	1.75%
Less than $20 million	1.00%	2.00%

A fee on borrowing availability of 0.25% is also applied against the unused portion of the Revolving Credit Facility.
Letters of credit are priced at the margin in effect for LIBOR loans, plus a fronting fee of 0.125%.
Obligations under the Revolving Credit Facility are secured by substantially all of our domestic personal property and our headquarters located in Tacoma, Washington.

Workers’ compensation commitments

Our insurance carriers and certain state workers' compensation programs require us to collateralize a portion of our workers' compensation obligation, for which they would become responsible if we became insolvent. The collateral typically takes the form of cash and cash equivalents, highly rated investment grade debt securities, letters of credit, and/or surety bonds. On a regular basis these entities assess the amount of collateral they will require from us relative to our workers' compensation obligation. Prior to March 11, 2011, Chartis held the majority of the restricted cash collateralizing our self-insured workers' compensation policies. As of March 11, 2011, we entered into an agreement with Chartis and the Bank of New York Mellon creating a trust at the Bank of New York Mellon which holds the majority of our collateral obligations.

Our surety bonds are issued by independent insurance companies on our behalf. The terms of these bonds are subject to review and renewal every one to four years and most bonds can be canceled by the sureties with as little as 60 days notice.

At September 30, 2011 and December 31, 2010, we had provided our insurance carriers and certain states with commitments in the form and amounts listed below (in millions):

	September 30, 2011	December 31, 2010
Cash collateral held by insurance carriers	$21.3	$108.7
Cash and cash equivalents held in Trust (1)(2)	28.3	—
Investments held in Trust (1)	80.9	—
Letters of credit (3)	15.0	15.1
Surety bonds (4)	16.7	16.8
Total collateral commitments	$162.2	$140.6

(1) During the first quarter of 2011, we entered into an agreement with Chartis and the Bank of New York Mellon creating a trust at the Bank of New York Mellon which holds the majority of our collateral obligations.
(2) Included in this amount is $0.8 million of accrued interest at September 30, 2011.
(3) We had $4.1 million of restricted cash collateralizing our letters of credit at both September 30, 2011 and December 31, 2010.
(4) We had $3.0 million of restricted cash collateralizing our surety bonds at December 31, 2010. During the second quarter of 2011, our obligation to collateralize these surety bonds was released.

Legal contingencies and developments

We are involved in various proceedings arising in the normal course of conducting business. We believe the amounts provided in our financial statements are adequate in consideration of the probable and estimable liabilities. The resolution of those proceedings is not expected to have a material effect on our results of operations or financial condition.

NOTE 8: STOCK-BASED COMPENSATION

Stock-based compensation includes expense charges for all stock-based awards to employees and directors. Such awards include restricted stock awards, performance share units, stock options, and shares purchased under an employee stock purchase plan ("ESPP").

Total stock-based compensation expense was (in millions):

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Notes to Condensed Consolidated Financial Statements—(Continued)

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 30, 2011	September 24, 2010	September 30, 2011	September 24, 2010
Restricted stock and performance share units expense	$1.3	$1.2	$5.1	$4.4
Stock option expense	0.1	0.2	0.3	0.8
ESPP expense	0.1	0.1	0.2	0.2
Total stock-based compensation	$1.5	$1.5	$5.6	$5.4

Restricted stock and performance share units

Stock-based awards are issued under our 2005 Long-Term Equity Incentive Plan. Restricted stock is granted to officers and key employees and vests over periods ranging from three to four years. Stock granted to our directors vested immediately. Restricted stock-based compensation expense is calculated based on the grant-date market value. We recognize stock-based compensation expense on a straight-line basis over the vesting period for the awards that are expected to vest.

Performance share units have been granted to executives since 2010. Vesting of the performance share units is contingent upon the achievement of certain financial goals at the end of each three-year performance period. Each performance share unit is equivalent to a share of common stock. Compensation expense is calculated based on the grant-date market value of our stock and is recognized ratably over the performance period for the performance share units which are expected to vest. Our estimate of the performance units expected to vest is reviewed and adjusted as appropriate each quarter.

Restricted stock and performance share units activity was (shares in thousands):

	Thirty-nine weeks ended September 30, 2011	
	Shares	Price (1)
Nonvested at beginning of period	882	$13.14
Granted	759	$14.76
Vested	(355)	$13.86
Forfeited	(17)	$12.90
Nonvested at the end of the period	1,269	$13.92

(1) Weighted average market price on grant-date.

As of September 30, 2011, total unrecognized stock-based compensation expense related to non-vested restricted stock was approximately $7.3 million, of which $6.6 million is currently estimated to be recognized over a weighted average period of 1.6 years through 2015. As of September 30, 2011, total unrecognized stock-based compensation expense related to performance share units assuming achievement of maximum financial goals was approximately $6.2 million, of which $2.0 million is currently estimated to be recognized over a weighted average period of 2 years through 2014.

Stock options

Our 2005 Long-Term Equity Incentive Plan provides for both nonqualified stock options and incentive stock options (collectively, “stock options”) for directors, officers, and certain employees.

Notes to Condensed Consolidated Financial Statements—(Continued)

Stock option activity follows (shares in thousands):

	Thirty-nine weeks ended September 30, 2011	
	Shares	Price (1)
Outstanding, December 31, 2010	1,119	$15.62
Granted	—	$—
Exercised	(8)	$13.20
Expired/Forfeited	—	$—
Outstanding, September 30, 2011	1,111	$15.64
Exercisable, September 30, 2011	813	$18.03
Options expected to vest, September 30, 2011	298	$9.14

(1) Weighted average exercise price.

There were no stock options granted during the period ending September 30, 2011. A summary of the weighted average assumptions and results for stock options granted during the period ending September 24, 2010 is as follows:

	Thirty-nine weeks ended	
	September 30, 2011	September 24, 2010
Expected life (in years)	—	3.36
Expected volatility	— %	59.6 %
Risk-free interest rate	— %	1.3 %
Expected dividend yield	— %	0.0 %
Weighted average fair value of options granted during the period	$—	$6.24

As of September 30, 2011, total unrecognized stock-based compensation expense related to non-vested stock options was approximately $0.1 million, which is currently estimated to be recognized over a weighted average period of 0.5 years through 2013.

Employee stock purchase plan

Our 2010 Employee Stock Purchase Plan (“2010 ESPP”) became effective on July 1, 2010, replacing our 1996 Employee Stock Purchase Plan, which expired on June 30, 2010. We have reserved for purchase under the 2010 ESPP 1.0 million shares of common stock. During the thirty-nine weeks ended September 30, 2011 and September 24, 2010, participants purchased 57,000 and 62,000 shares, respectively, from the plans for cash proceeds of $0.7 million for each period.

NOTE 9: STOCK REPURCHASES

Under our authorized stock repurchase programs, we repurchased and retired 3.0 million shares of our common stock during the thirteen weeks ended September 30, 2011 and 3.9 million shares of our common stock during the thirty-nine weeks ended September 30, 2011, for a total amount of $37 million and $50 million including commissions, respectively. On July 25, 2011, our Board of Directors approved a new program to repurchase an

additional $75 million of our outstanding common stock. As of September 30, 2011, $46 million remained available for repurchase of common stock under the current authorization, which has no expiration date. We did not repurchase any common stock during 2010.

Subsequent to September 30, 2011, we repurchased 0.4 million shares of our common stock for approximately $4.6 million resulting in approximately $42 million remaining under our existing stock repurchase program.

Purchases of our common stock are not displayed separately as treasury stock on the Consolidated Balance Sheets in accordance with the Washington Business Corporation Act, which requires the retirement of purchased shares. As a result, shares of our common stock that we purchase are retired immediately. It is our policy to first record these purchases as a

reduction to our Common stock account. Once the Common stock account has been reduced to a nominal balance, remaining purchases are recorded as a reduction to our Retained earnings account.

NOTE 10: INCOME TAXES

The effective tax rate was 38.8% for both thirteen and thirty-nine weeks ended September 30, 2011. The principal difference between the statutory federal income tax rate of 35% and our effective income tax rate results from state and foreign income taxes, federal tax credits, and certain non-deductible expenses. As of September 30, 2011 and December 31, 2010, we had unrecognized tax benefits of $1.6 million recorded in accordance with current accounting guidance on uncertain tax positions. Our uncertain tax position accrual was related to various tax jurisdictions.

NOTE 11: NET INCOME PER SHARE

Adjusted net income and diluted common shares were calculated as follows (in millions except per share amounts):

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 30, 2011	September 24, 2010	September 30, 2011	September 24, 2010
Net income	$13.9	$ 10.2	$23.2	$ 15.9
Weighted average number of common shares used in basic net income per common share	41.6	43.3	42.8	43.2
Dilutive effect of outstanding stock options and non-vested restricted stock	0.4	0.2	0.4	0.3
Weighted average number of common shares used in diluted net income per common share	42.0	43.5	43.2	43.5
Net income per common share:				
Basic	$0.33	$ 0.24	$0.54	$ 0.37
Diluted	$0.33	$ 0.23	$0.54	$ 0.37
Antidilutive stock options and other	1.1	1.1	0.7	1.0

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

Antidilutive shares associated with our stock options relate to those stock options with an exercise price higher than the average market value of our stock during the periods presented. Antidilutive shares also include in-the-money options and non-vested restricted stock for which the sum of the assumed proceeds, including unrecognized compensation expense, exceeds the average stock price during the periods presented.

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

The following discussion should be read in conjunction with the condensed consolidated financial statements and the notes included in Item 1 of Part I of this Form 10-Q and the audited consolidated financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the most recently filed Annual Report on Form 10-K for the fiscal year ended December 31, 2010. This item contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in "Item 1A, Risk Factors."

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a 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") provides temporary blue-collar staffing services through the following brands: Labor Ready for general labor, Spartan Staffing for light industrial services, CLP Resources for skilled trades, PlaneTechs for aviation and diesel mechanics and technicians, and Centerline for dedicated and temporary commercial drivers. We are a leader in blue-collar staffing services and through our brands we provide a wide range of specialized staffing services to our customers.

Revenue for the quarter was $371.4 million, an increase of 18.7% compared to revenue for the third quarter of 2010. During the third quarter of 2011, we grew revenue across most major industries and geographies. Our results are driven by increasing success with our vertical market sales and service strategy. Our dedicated sales leaders have expertise in the specific industries we serve. These dedicated industry sales leaders partner with our national sales and service teams to meet the specific project needs of our national customers. Likewise, they provide our branches with best practice industry knowledge, including sales and service methods for each industry.

Our gross profit as a percent of revenue for the current quarter has improved by 0.3% over the same quarter of 2010, excluding the effect of Hiring Incentives to Restore Employment (HIRE) Act credits in the comparable prior year quarter. The improvement to our gross margin as a percent of revenue is primarily due to the success of our disciplined pricing and increased billing rates.

Income from operations was $22.4 million, an increase of 37.7% compared to income from operations for the third quarter of 2010. The increase is due to the strong revenue growth combined with leveraging our branch network and cost structure.

Net income for the quarter grew to $13.9 million, or $0.33 per diluted share, compared to a net income of $10.2 million, or $0.23 per diluted share, for the third quarter of 2010.

We are delivering against our objective to provide sustainable and increasing profitability to our shareholders and returning excess capital to enhance shareholder returns. We repurchased and retired 3.0 million shares of our common stock during the thirteen weeks ended September 30, 2011 for $37 million including commissions. Subsequent to September 30, 2011, we repurchased 0.4 million shares of our common stock for approximately $4.6 million resulting in approximately $42 million remaining under our existing stock repurchase program.

On September 30, 2011, we entered into an Amended and Restated Credit Agreement with Bank of America, N.A. and Wells Fargo Capital Finance, LLC for a secured revolving credit facility of up to a maximum of $80 million (the "Revolving Credit Facility"). The Revolving Credit Facility, which expires September 2016, amends and restates our existing $80 million revolving credit facility. The Revolving Credit Facility has substantially lower borrowing costs and improved terms and conditions in comparison with our prior facility.

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Results of Operations

The following table presents selected financial data (in millions, except per share amounts):

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 30, 2011	September 24, 2010	September 30, 2011	September 24, 2010
Revenue from services	$371.4	$312.8	$965.9	$837.4
Total revenue growth %	18.7 %	9.8 %	15.3 %	10.7 %
Gross profit as a % of revenue	26.9 %	27.0 %	26.4 %	26.5 %
Selling, general and administrative expenses	$73.2	$64.4	$206.1	$186.9
Selling, general and administrative expenses as a % of revenue	19.7 %	20.6 %	21.3 %	22.3 %
Income from operations	$22.4	$16.3	$37.2	$22.7
Income from operations as a % of revenue	6.0 %	5.2 %	3.8 %	2.7 %
Net Income	$13.9	$10.2	$23.2	$15.9
Net Income per diluted share	$0.33	$0.23	$0.54	$0.37

Revenue

Revenue for the quarter was $371.4 million, an increase of 18.7% compared to the same quarter in 2010. The strong revenue growth during the third quarter of 2011 was primarily driven by continued revenue growth across most major industries and geographies we serve. We experienced double digit revenue growth in most of the industry groups we serve. Our construction industry growth remains strong mostly due to our success in serving energy related projects, and to a lesser extent, remodel work in non-residential projects. Approximately one third of our total revenue growth came from our recent success in serving various energy related construction projects.

Our results are driven by increasing success with our vertical market sales and service strategy. Our dedicated sales leaders have expertise in the specific industries we serve. They partner with our national sales and service teams to meet the specific project needs of our national customers. Likewise, they provide our branches with best practice industry knowledge including sales and service methods for each industry. Our local sales and service teams build strong customer relationships and loyalty in providing tailored solutions that meet the day to day needs of our local customers.

Our quarterly and monthly revenue trends in comparison with the same period in the prior year are as follows:

	Revenue Growth	
	2011	2010
First Quarter (1)	14.4 %	6.9 %
Second Quarter (2)(3)	12.4 %	15.3 %
Third Quarter (2)	18.7 %	9.8 %
July	17.7 %	8.3 %
August	16.9 %	9.2 %
September	21.0 %	11.5 %

(1) The first quarter of 2010 included the last week of December 2009, our slowest week of the year. The first quarter of 2011 excluded that same week.
(2) Acquisitions had the effect of improving our revenue growth by 0.4% for the second quarter and 1% for the third quarter of 2011.
(3) The second quarter of 2011 would have been 15.3% excluding a large industrial project in the second quarter of the prior year.

Revenue growth was primarily due to our success in investing in vertical market specialization to meet the unique needs of customer groups within the blue collar industry and investing in sales and recruiting staff. We continue to experience success with our vertical market strategy utilizing specialized sales, marketing, and service programs to sell to and serve our vertical market customer groups. We invested in sales and recruiting staff to fill open positions, make market adjustments to compensation, and retain our talent. Staffing levels have increased from recessionary lows and are contributing to our revenue growth. We are well

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positioned to capture growing customer demand by meeting their specific needs with our dedicated employees.

Gross profit

Gross profit was as follows (in millions):

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 30, 2011	September 24, 2010	September 30, 2011	September 24, 2010
Gross profit	$99.9	$84.6	$255.2	$221.5
Gross profit as a % of revenue	26.9 %	27.0 %	26.4 %	26.5 %

Gross profit represents revenues from services less direct costs of services, which consist of payroll, payroll taxes, workers' compensation insurance costs, and reimbursable costs. Excluding HIRE Act credits of 0.4% of revenue in the prior year, our gross profit as a percent of revenue for the current quarter has improved by 0.3% over the same quarter of 2010. The HIRE Act provided incentives for hiring and retaining workers by exempting the employer share of the social security tax on wages paid to qualified individuals beginning on March 18, 2010 and expired on December 31, 2010. The improvement to our gross margin as a percent of revenue is primarily due to the success of our disciplined pricing and increased billing rates.

Workers' compensation expense was 4.0% of revenue for the third quarter of 2011 and 2010, respectively. We continue to actively manage the safety of our temporary workers with our risk management programs.

Selling, general and administrative expenses

Selling, general and administrative ("SG&A") expenses were as follows (in millions):

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 30, 2011	September 24, 2010	September 30, 2011	September 24, 2010
Selling, general and administrative expenses	$73.2	$64.4	$206.1	$186.9
Percentage of revenue	19.7 %	20.6 %	21.3 %	22.3 %

SG&A increased from $64.4 million for third quarter in the prior year to $73.2 million in the third quarter of 2011, but declined as a percentage of revenue from 20.6% to 19.7%. The decline in SG&A as a percentage of revenue was the result of leveraging our cost structure across more revenue for the third quarter of 2011 as compared to the same period in 2010. The increase in SG&A dollars between the third quarter of 2011 and the same period a year ago is primarily due to two items. First, our variable expenses increased with the revenue growth of $59 million over the same period a year ago. Second, we invested in sales and recruiting staff to fill open positions, and made market adjustment increases to compensation. Staffing levels have increased from recessionary lows and our turnover has declined. We believe these investments have accelerated our revenue growth trends during the third quarter of 2011 and will positively impact future quarters.

Depreciation, interest and income taxes

Depreciation, interest and income taxes were as follows (in millions):

Thirteen weeks ended	Thirty-nine weeks ended

	September 30, 2011	September 24, 2010	September 30, 2011	September 24, 2010
Depreciation and amortization	$4.2	$3.9	$12.0	$11.9
Interest and other income, net	$0.3	$0.1	$0.8	$0.7
Effective income tax rate	38.8 %	37.7 %	38.8 %	32.1 %

Our effective tax rate on earnings for the thirteen weeks ended September 30, 2011 was 38.8% compared to 37.7% for the same period in 2010. The principal difference between the statutory federal income tax rate of 35% and our effective income tax rate results from state and foreign income taxes, federal tax credits, and certain non-deductible expenses.

Future outlook for results of operations

The following highlights represent our expectations in regard to operating trends for the remainder of fiscal year 2011. These expectations are subject to revision as our business changes with the overall economy:

- We expect revenue growth for the fourth quarter will remain strong. We believe the revenue growth will come from continued success in vertical market specialization to meet the unique needs of customer groups within the blue collar industry and the employee investments we have made. However, we expect our revenue growth percentage will diminish in quarters thereafter due to more challenging prior period revenue comparisons.

- Fiscal 2011 will be a 52-week year as compared to fiscal 2010 which was a 53-week year resulting in a 14-week fourth quarter. For the 13-week fourth quarter of 2011, we estimate reported revenue growth of about 9% compared to the 14-week fourth quarter of 2010. On a comparable week basis, this revenue growth would be about 18%. The fourth quarter of 2011 starts one week later than the fourth quarter of 2010 and accordingly does not benefit from a seasonally higher volume week of revenue. This has the effect of reducing our expectation for reported revenue for the fourth quarter of 2011 and our growth rate comparisons by approximately 9%.

- We expect that the positive gross margin trends in the third quarter of 2011 will continue into the fourth quarter. For purposes of comparison, the fourth quarter of the prior year included the benefit of non-recurring HIRE Act credits and payroll tax items which were about 0.2% of revenue.

- As we leverage our fixed cost structure and previous investments made in sales and recruiting talent to meet the needs of increased customer demand, and as revenues grow, we expect continued improvement to income from operations as a percentage of sales.

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 from operating activities were as follows (in millions):

	Thirty-nine weeks ended	
	September 30, 2011	September 24, 2010
Net income	$23.2	$15.9
Depreciation and amortization	12.0	11.9
Provision for doubtful accounts	4.4	5.8
Stock-based compensation	5.6	5.4
Deferred income taxes	0.9	2.0
Other operating activities	(0.5)	(0.1)
Changes in operating assets and liabilities:		
Accounts receivable	(70.1)	(34.4)
Income taxes	7.0	1.3
Accounts payable and other accrued expenses	19.6	1.5
Accrued wages and benefits	12.1	4.6

Workers' compensation claims reserve	0.7	0.1
Other assets and liabilities	1.6	0.4
Net cash provided by operating activities	$16.5	$14.4

Net cash provided by operating activities was $16.5 million for the thirty-nine weeks ended September 30, 2011 as compared to net cash provided by operating activities of $14.4 million for the same period in 2010.

- The increase in cash from operating activities is primarily due to strong revenue and corresponding net income

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growth.

- The increase in accounts receivable is primarily due to revenue growth and the seasonal peak of our revenue and corresponding accounts receivable dollars during the third quarter.

- The increase in accounts payable and accrued expenses is primarily due to the timing of $15.8 million due to our insurance provider. This amount is included in accrued liabilities and represents a timing difference between claim payments made by our insurance carrier and the reimbursement from cash held in the Trust. When claims are paid by our carrier, the amount is removed from the workers' compensation reserve but not removed from collateral until reimbursed to the carrier. This should be remedied in the fourth quarter of 2011 and have an offsetting impact to restricted cash.

- The increase in accrued wages and benefits is primarily due to timing of amounts paid for payroll and payroll taxes. The same is true for income taxes.

Cash Flows from Investing Activities

Our cash flows from investing activities were as follows (in millions):

	Thirty-nine weeks ended	
	September 30, 2011	September 24, 2010
Capital expenditures	$(6.2)	$(5.3)
Change in restricted cash and cash equivalents	65.1	6.4
Purchase of restricted investments	(87.8)	—
Maturities of restricted investments	6.2	—
Other	(6.8)	(0.3)
Net cash (used in) provided by investing activities	$(29.5)	$0.8

- Capital expenditures in 2011 and 2010 were primarily related to investments made to upgrade our proprietary information systems. We anticipate that total capital expenditures will be approximately $10 million in 2011.

- Other includes the purchase of a staffing company and a technology company. The technology acquired will be integrated with our proprietary front end systems to better attract and retain our temporary workers and serve our customers.

- Restricted cash and investments consist primarily of collateral that has been provided or pledged to insurance carriers and state workers' compensation programs. Prior to March 11, 2011, Chartis held the majority of the restricted cash collateralizing our self-insured workers' compensation policies. As of March 11, 2011, we entered into an agreement with Chartis and the Bank of New York Mellon creating a trust at the Bank of New York Mellon, which holds the majority of our collateral obligations. Placing the collateral in the Trust allows us to manage the investment of the assets. The majority of those funds have been invested. The change in restricted cash and cash equivalents when combined with purchases of restricted investments net of maturities of restricted investments increased by $16.5 million for the thirty-nine weeks ended September 30, 2011. This increase is primarily due to the timing of $15.8 million due to Chartis. This amount is included in accrued liabilities and represents a timing difference between claim payments made by our insurance carrier and the reimbursement from cash held in the Trust to Chartis. When claims are paid by our carrier, the amount is removed from the workers' compensation reserve but not removed from collateral until reimbursed to the carrier. This should be remedied in the fourth quarter of 2011.

Cash Flows from Financing Activities

Our cash flows from financing activities were as follows (in millions):

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	Thirty-nine weeks ended	
	September 30, 2011	September 24, 2010
Purchases and retirement of common stock	$(50.1)	$—
Net proceeds from sale of stock through options and employee benefit plans	0.9	0.8
Common stock repurchases for taxes upon vesting of restricted stock	(1.7)	(1.5)
Payments on debt	(0.3)	(0.3)
Other	0.6	—
Net cash used in financing activities	$(50.6)	$(1.0)

- Cash used in financing activities was primarily driven by repurchases of 3.9 million shares of our common stock.

Capital Resources

On September 30, 2011, we entered into an Amended and Restated Credit Agreement with Bank of America, N.A. and Wells Fargo Capital Finance, LLC for a secured revolving credit facility of up to a maximum of $80 million (the “Revolving Credit Facility”). The Revolving Credit Facility, which expires September 2016, amends and restates our existing $80 million revolving credit facility with Wells Fargo Capital Finance, LLC and Bank of America, N.A., which was set to expire in June of 2012.
The maximum amount we can borrow under the Revolving Credit Facility of $80 million is subject to certain borrowing limits (the "Borrowing Base"). We are limited to the sum of 85% of our eligible accounts receivable, and 75% of the liquidation value of our Tacoma headquarters office building not to exceed $15 million. The amount is then reduced by the sum of a reserve in an amount equal to the payroll and payroll taxes for our temporary employees for one payroll cycle and other reserves if deemed applicable. As of September 30, 2011, the maximum $80 million was available under the Revolving Credit Facility and letters of credit in the amount of $11 million had been issued against the facility, leaving an unused portion of $69 million.
The Revolving Credit Facility requires that we maintain liquidity in excess of $12 million. We are required to satisfy a fixed charge coverage ratio in the event we do not meet that requirement. Liquidity is defined as the amount we are entitled to borrow as advances under the Revolving Credit Facility plus the amount of cash and cash equivalents held in accounts subject to a control agreement benefiting the lenders. The amount we were entitled to borrow at September 30, 2011 was $69 million and the amount of cash and cash equivalents under control agreements was $105 million for a total of $174 million which is well in excess of the liquidity requirement. We are currently in compliance with all covenants related to the Revolving Credit Facility.
Under the terms of the Revolving Credit Facility, we pay a variable rate of interest on funds borrowed that is based on LIBOR or the Prime Rate, at our option, plus an applicable spread based on excess liquidity as set forth below:

Excess Liquidity:	Prime Rate Loans:	LIBOR Rate Loans:
Greater than $40 million	0.50%	1.50%
Equal to or greater than $20 million to equal to or less than $40 million	0.75%	1.75%
Less than $20 million	1.00%	2.00%

A fee on borrowing availability of 0.25% is also applied against the unused portion of the Revolving Credit Facility. Letters of credit are priced at the margin in effect for LIBOR loans, plus a fronting fee of 0.125%.
Obligations under the Revolving Credit Facility are secured by substantially all of our domestic personal property and our headquarters located in Tacoma, Washington.

We have agreements with certain financial institutions that allow us to restrict cash and cash equivalents and investments for the purpose of providing collateral instruments to our insurance carriers to satisfy workers' compensation claims. At September 30, 2011, we had restricted cash and investments totaling approximately $137

million.

As of March 11, 2011, we entered into an agreement with Chartis and the Bank of New York Mellon creating a trust which holds the majority of our collateral obligations under existing workers' compensation insurance policies previously held directly by Chartis. We established investment policy directives for the Trust, with the first priority to be preservation of capital, second to maintain and ensure a high degree of liquidity, and third to maximize after-tax returns.

Trust investments must meet minimum acceptable quality standards. The primary investments include U.S. Treasury Securities, U.S. Agency Debentures, U.S. Agency Mortgages, Corporate Securities, and Municipal Securities. For those investments rated by the Nationally Recognized Statistical Rating Organizations the minimum ratings are:

	S & P	Moody's	Fitch
Short-term Rating	A-1/SP-1	P-1/MIG-1	F-1
Long-term Rating	A	A2	A

Workers' Compensation Commitments, Insurance and Collateral

We provide workers' compensation insurance for our temporary workers and permanent employees. The majority of our current workers' compensation insurance policies cover claims for a particular event above a $2.0 million deductible limit, on a "per occurrence" basis. This results in our being substantially self-insured. Our workers' compensation insurance policies are renewed annually. We renewed our coverage with Chartis effective July 1, 2011 for the period July 2011 through June 2012. For all prior periods, we had coverage with Chartis and other insurance providers. However, we have full liability for all remaining payments on claims that originated between January 2001 and June 2003, without recourse to any third party insurer as the result of a novation agreement we entered into with Kemper Insurance Company in December 2004.

Our insurance carriers and certain state workers' compensation programs require us to collateralize a portion of our workers' compensation obligation, for which they would become responsible if we become insolvent. The collateral typically takes the form of cash and cash equivalents, highly rated investment grade debt securities, letters of credit, and/or surety bonds. On a regular basis these entities assess the amount of collateral they will require from us relative to our workers' compensation obligation. To the extent our investments decline in value below our current collateral obligation, we could be required to post additional collateral.

We have agreements with certain financial institutions to issue letters of credit as collateral. Our surety bonds are issued by independent insurance companies on our behalf. The terms of these surety bonds are subject to review and renewal every one to four years and most surety bonds can be canceled by the sureties with as little as 60 days notice.

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

	September 30, 2011	December 31, 2010
Total workers' compensation reserve	$188.0	$187.3
Add back discount on reserves (1)	24.4	26.4
Less excess claims reserve (2)	(25.7)	(25.5)
Reimbursable payments to insurance provider (3)	15.8	—
Less portion of workers' compensation not requiring collateral	(40.3)	(47.6)
Total collateral commitments	$162.2	$140.6

(1) Our workers' compensation reserves are discounted to their estimated net present value while our collateral commitments are based on the gross, undiscounted reserve.

(2) Workers' compensation reserve includes the estimated obligation for claims above our deductible limits. These are the responsibility of the insurance carriers against which there are no collateral requirements.

(3)

This amount is included in accrued liabilities and represents a timing difference between claim payments made by our insurance carrier and the reimbursement from cash held in the Trust. When claims are paid by our carrier, the amount is removed from the workers' compensation reserve but not removed from collateral until reimbursed to the carrier.

At September 30, 2011 and December 31, 2010 our total collateral commitments were made up of the following components (in millions):

	September 30, 2011	December 31, 2010
Cash collateral held by insurance carriers	$ 21.3	$ 108.7
Cash and cash equivalents held in Trust (1)(2)	28.3	—
Investments held in Trust (1)	80.9	—
Letters of credit (3)	15.0	15.1
Surety bonds (4)	16.7	16.8
Total collateral commitments	$ 162.2	$ 140.6

(1) During the first quarter of 2011, we entered into an agreement with Chartis and the Bank of New York Mellon creating a trust at the Bank of New York Mellon which holds the majority of our collateral obligations.

(2) Included in this amount is $0.8 million of accrued interest at September 30, 2011.

(3) We had $4.1 million of restricted cash collateralizing our letters of credit at both September 30, 2011 and December 31, 2010.

(4) We had $3.0 million of restricted cash collateralizing our surety bonds at December 31, 2010. During the second quarter of 2011, our obligation to collateralize our surety bonds was released.

Our workers' compensation reserve is established using estimates of the future cost of claims and related expenses that have been reported but not settled, as well as those that have been incurred but not reported. Management evaluates the adequacy of the workers' compensation reserves in conjunction with an independent quarterly actuarial assessment. Changes in the self-insurance reserve estimates are reflected in the income statement in the period when the changes in estimates are made.

Our workers' compensation reserve for claims below the deductible limit is discounted to its estimated net present value using discount rates based on average returns of "risk-free" U.S. Treasury instruments available during the year in which the liability was incurred. At September 30, 2011, the weighted average rate was 3.0%. The claim payments are made over an estimated weighted average period of approximately 5.5 years.

Our workers' compensation reserves include estimated expenses related to claims above our deductible limits ("excess claims"), and a corresponding receivable for the insurance coverage on excess claims based on the contractual policy agreements we have with insurance carriers. We discount this reserve and corresponding receivable to its estimated net present value using the discount rates based on average returns of "risk-free" U.S. Treasury instruments available during the year in which the liability was incurred. At September 30, 2011, the weighted average rate was 4.9%. The claim payments are made and the corresponding reimbursements from our insurance carriers are received over an estimated weighted average period of approximately 19.4 years. The discounted workers' compensation reserve for excess claims and the corresponding receivable for the insurance on excess claims were $25.9 million and $25.8 million as of September 30, 2011 and December 31, 2010, respectively.

Two of the workers' compensation insurance companies ("Troubled Insurance Companies") with which we formerly did business are in liquidation and have failed to pay a number of excess claims to date. These excess claims have been presented to the state guaranty funds of the states in which the claims originated. Certain of these excess claims have been rejected by the state guaranty funds due to statutory eligibility limitations. We have recorded a valuation allowance of $7.3 million against all of the Troubled Insurance Companies receivables as of September 30, 2011 and substantially all of the Troubled Insurance Companies receivables as of December 31, 2010.

Capital Resources Future Outlook

Our sources of liquidity are funds generated by operating activities, available cash, and cash equivalents, restricted cash and investments, and our Revolving Credit Facility. We have a cash equivalents balance of $99.1 million, restricted cash and cash equivalents balance of $137 million, and $69.0 million of borrowing available under our existing Revolving Credit Facility as of September 30, 2011. We believe our sources of liquidity will be sufficient to sustain operations and to finance anticipated expansion plans and strategic initiatives for the remainder of 2011. The rate and sustainability of the current economic recovery is uncertain and, accordingly, our investments are paced to correspond with a sustainable economic recovery. We will continue to closely monitor expenses and capital expenditures. We believe we are well positioned to generate positive operating cash flows, fund opportunities to expand our presence, and take advantage of sustained economic growth.

Contractual Obligations and Commitments

There have been no material changes during the period covered by this quarterly report, outside of the ordinary course of our business, to the contractual obligations specified in the table of contractual obligations included in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for

the fiscal year ended December 31, 2010.

Summary of Critical Accounting Estimates

Our critical accounting estimates are discussed in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations; Summary of Critical Accounting Estimates” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and footnote 1 to our financial statements for the quarter ended September 30, 2011.

New Accounting Standards

In June 2011, the FASB issued guidance on presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity will be required to present either a continuous statement of net income and other comprehensive income or two separate but consecutive statements. The new guidance will be effective for years beginning after December 15, 2011.

In September 2011, the FASB issued guidance on testing goodwill for impairment. The new guidance provides an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines that this is the case, it is required to perform the currently prescribed two-step goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized for that reporting unit (if any). If an entity determines that the fair value of a reporting unit is less than its carrying amount, the two-step goodwill impairment test is not required. The new guidance will be effective for us beginning December 31, 2011, and early adoption is permitted.

Cautionary Statement for Purposes of “Safe Harbor Provisions” of the Private Securities Litigation Reform Act of 1995

Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”), provide a “safe harbor” for forward-looking statements to encourage companies to provide prospective information about their companies. With the exception of historical information, the matters discussed in this Quarterly Report on Form 10-Q are forward-looking statements and may be identified by the use of words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “outlook,” and other words and similar meaning. Such statements reflect our current view with respect to future events and are subject to certain risks, uncertainties and assumptions. 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. 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. A variety of factors could cause our future results to differ materially from the anticipated results expressed in such forward-looking statements. Readers should review Item 1A, Risk Factors, for a description of important factors that could cause future results to differ materially from those contemplated by the forward-looking statements made in this Quarterly Report on Form 10-Q. In addition, general economic conditions, acquisitions, brand expansion, divestitures, revenue volumes and mix, pricing actions and promotional activities of our competitors, profit margins, weather, changes in law or regulations, availability of suitable temporary workers, our ability to react to a

disaster recovery situation, availability of credit on our overall profitability, among other things, could cause our future results to differ materially from those projected in any such forward-looking statement.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We discussed our interest rate risk and our foreign currency exchange risk in Part 1, “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2010. There has been no material change since that time.

In March, 2011, we entered into an agreement with Chartis and the Bank of New York Mellon creating a trust which holds the majority of our collateral obligations under existing workers' compensation insurance policies previously held by Chartis. The Trust now holds a significant portion of our total Restricted cash and investments, much of which is invested in high quality debt instruments. As a result of the shift in our restricted cash and investments portfolio, we are exposed to risk from interest rates and credit exposure. We mitigate these risks through investment policy directives for the Trust, with the first priority to be the preservation of capital, and second to maintain and ensure a high degree of liquidity. The investments are broadly

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diversified among high quality investments in U.S. Treasury Securities, U.S. Agency Debentures, U.S. Agency Mortgages, Corporate Securities, and Municipal Securities. The individual investments within the Trust are subject to credit risk due to possible rating changes, default or impairment. We monitor the portfolio to ensure this risk does not exceed prudent levels. We consistently apply and adhere to our investment policy of holding high quality, diversified securities.

Our investments are classified as held-to-maturity. Any fluctuation or change in interest rates would not impact our net income. Furthermore, an increase or decrease in interest rates immediately and uniformly by 10% would not have a material effect on our Restricted cash and investments or Cash and cash equivalents balances.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO) as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of management, including our CEO and CFO, of the effectiveness of the design and operation of the disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our CEO and CFO concluded that, as of September 30, 2011, our disclosure controls and procedures are effective.

During the fiscal quarter ended September 30, 2011, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that materially affected or are reasonably likely to materially affect internal control over financial reporting.

The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits 31.1 and 31.2, respectively, to this Quarterly Report on Form 10-Q.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 7 of Notes to Condensed Consolidated Financial Statements found in Item 1 of Part I of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

Investing in our securities involves risk. The following risk factors and all other information set forth in this Quarterly Report on Form 10-Q 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. If any of the events described below occurs, our business, financial condition, results of operations, liquidity or access to the capital markets could be materially and adversely affected.

Our business is significantly affected by fluctuations in general economic conditions.
The demand for our blue-collar staffing services is highly dependent upon the state of the economy and upon staffing needs of our customers. Any variation in the economic condition or unemployment levels of the United States and Canada, or in the economic condition of any region or specific industry in which we have a significant presence may severely reduce the demand for our services and thereby significantly decrease our revenues and profits.

Our business is subject to extensive government regulation and a failure to comply with regulations could materially harm our business.
Our business is subject to extensive regulation. The cost to comply, and any inability to comply, with government regulation could materially harm our business. Increased government regulation of the workplace or of the employer-employee relationship, or judicial or administrative proceedings related to such regulation, could materially harm our business.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Health Care Reform Laws") include various health-related provisions to take effect through 2014, including requiring most individuals to have health insurance and establishing new regulations on health plans. Although the Health Care Reform Laws do not mandate that employers offer health insurance, beginning in 2014 penalties will be assessed on large employers who do not offer health insurance that meets certain affordability or benefit requirements. Unless modified by regulations or subsequent legislation, providing such additional health insurance benefits to our temporary workers, or the payment of penalties if such coverage is not provided, would increase our costs. If we are unable to raise the rates we charge our customers to cover these costs, such increases in costs could materially harm our business.

We may incur employment related and other claims that could materially harm our business.
We employ individuals on a temporary basis and place them in our customers' workplaces. We have limited control over our customers' workplace environments. As the employer of record of our temporary workers we incur a risk of liability for various workplace events, including claims for personal injury, wage and hour requirements, discrimination or harassment, and other actions or inactions of our temporary workers. In addition, some or all of these claims may give rise to litigation including class action litigation. Although we currently believe resolving all of these matters, individually or in the aggregate, will not have a material adverse impact on our financial statements, the

litigation and other claims are subject to inherent uncertainties and our view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and can be reasonably estimated.

We cannot be certain that our insurance will be sufficient in amount or scope to cover all claims that may be asserted against us. Should the ultimate judgments or settlements exceed our insurance coverage, they could have a material effect on our business. We cannot be certain we will be able to obtain appropriate types or levels of insurance in the future, that adequate replacement policies will be available on acceptable terms, if at all, or that the companies from which we have obtained insurance will be able to pay claims we make under such policies.

We are dependent on workers' compensation insurance coverage at commercially reasonable terms.
We provide workers' compensation insurance for our temporary workers. Our workers' compensation insurance policies are renewed annually. The majority of our insurance policies are with Chartis. Our insurance carriers require us to collateralize a

significant portion of our workers' compensation obligation. The majority of collateral is held in trust by a third party for the payment of these claims. We cannot be certain we will be able to obtain appropriate types or levels of insurance in the future or that adequate replacement policies will be available on acceptable terms, if at all. As our business grows or our financial results deteriorate, the amount of collateral required will likely increase and the timing of providing collateral could be accelerated. Resources to meet these requirements may not be available. The loss of our workers' compensation insurance coverage would prevent us from doing business in the majority of our markets. Further, we cannot be certain that our current and former insurance carriers will be able to pay claims we make under such policies. The loss or decline in value of the collateral could require us to seek additional sources of capital to pay our workers' compensation claims. These additional sources of capital may not be available on commercially reasonable terms, or at all.

Our liquidity may be materially adversely affected by constraints in the capital markets.
We must have sufficient sources of liquidity to fund our working capital requirements, workers' compensation collateral requirements, service our outstanding indebtedness and finance investment opportunities. Without sufficient liquidity, we could be forced to curtail our operations or we may not be able to pursue promising business opportunities. The principal sources of our liquidity are funds generated from operating activities, available cash and cash equivalents, and borrowings under credit facilities.

Our failure to comply with the restrictive covenants under our revolving credit facility could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms, or are unable to refinance at all, our results of operations and financial condition could be adversely affected by increased costs and rates.

Acquisitions and new business ventures may have an adverse effect on our business.
We expect to continue making acquisitions or entering into new business ventures as part of our long-term business strategy. These acquisitions involve significant challenges and risks including that the acquisition does not advance our business strategy, that we do not realize a satisfactory return on our investment, that we experience difficulty in integrating their operations, or diversion of management's attention from our other business. These events could cause harm to our operating results or financial condition.

We operate in a highly competitive business and may be unable to retain customers or market share.
The staffing services business is highly competitive and the barriers to entry are low. There are new competitors entering the market which may increase pricing pressures. In addition, long-term contracts form only a small portion of our revenue. Therefore, there can be no assurance that we will be able to retain customers or market share in the future. Nor can there be any assurance that we will, in light of competitive pressures, be able to remain profitable or, if profitable, maintain our current profit margins.

Our management information systems are vulnerable to damage and interruption.
The efficient operation of our business is dependent on our management information systems. We rely heavily on proprietary management information systems to manage our order entry, order fulfillment, pricing and collections, as well as temporary worker recruitment, dispatch and payment. The failure of our management information systems to perform as we anticipate could disrupt our business and could result in decreased revenue and increased overhead costs, causing our business and results of operations to suffer materially. Our primary computer systems and operations are vulnerable to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, catastrophic events and errors in usage by our employees. In addition, we are nearing the completion of a project to replace a key proprietary management information system and have experienced, and may continue to experience, problems with functionality and associated delays in implementation. Failure of our management information systems to perform may require significant additional capital and management

resources to resolve, causing material harm to our business.

Our results of operations could materially deteriorate if we fail to attract, develop and retain qualified employees.
Our performance is dependent on attracting and retaining qualified employees who are able to meet the needs of our customers. We believe our competitive advantage is providing unique solutions for each individual customer, which requires us to have highly trained and engaged employees. Our success depends upon our ability to attract, develop and retain a sufficient number of qualified employees, including management, sales, recruiting, service and administrative personnel. The turnover rate in the staffing industry is high, and qualified individuals of the requisite caliber and number needed to fill these positions may be in short supply. Our inability to recruit a sufficient number of qualified individuals may delay or affect the speed of our planned growth. Delayed expansion, significant increases in employee turnover rates or significant increases in labor costs could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to attract and retain sufficient qualified temporary workers.
We compete with other temporary staffing companies to meet our customer needs and we must continually attract reliable temporary

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workers to fill positions. We have in the past experienced worker shortages and we may experience such shortages in the future. Further, if there is a shortage of temporary workers, the cost to employ these individuals could increase. If we are unable to pass those costs through to our customers, it could materially and adversely affect our business.

We may have additional tax liabilities that exceed our estimates.
We are subject to federal taxes and a multitude of state and local taxes in the United States and taxes in foreign jurisdictions. In the ordinary course of our business, there are transactions and calculations where the ultimate tax determination is uncertain. We are regularly subject to audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical tax provisions and accruals. The results of an audit or litigation could materially harm our business.

Accidental disclosure of our employees' or customers' information could materially harm our business.
Failure to protect the integrity and security of our employees' and customers' information, including proprietary information, could expose us to litigation and materially damage our relationship with our employees and our customers.

Failure to maintain adequate financial and management processes and controls could lead to errors in our financial reporting.
Failure to maintain adequate financial and management processes and controls could lead to errors in our financial reporting. If our management is unable to certify the effectiveness of our internal controls or if our independent registered public accounting firm cannot render an opinion on the effectiveness of our internal control over financial reporting, or if material weaknesses in our internal controls are identified, we could be subject to regulatory scrutiny and a loss of public confidence. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to accurately report our financial performance on a timely basis, which could cause our stock price to fall.

Outsourcing certain aspects of our business could result in disruption and increased costs.
We have outsourced certain aspects of our business to third party vendors that subject us to risks, including disruptions in our business and increased costs. For example, we have engaged third parties to host and manage certain aspects of our data center information and technology infrastructure and to provide certain back office support activities. Accordingly, we are subject to the risks associated with the vendor's ability to provide these services to meet our needs. If the cost of these services is more than expected, or if the vendor or we are unable to adequately protect our data and information is lost, or our ability to deliver our services is interrupted, then our business and results of operations may be negatively impacted.

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

Under our authorized stock repurchase programs, we repurchased and retired 3.0 million shares of our common stock during the thirteen weeks ended September 30, 2011 and 3.9 million shares of our common stock during the thirty-nine weeks ended September 30, 2011, for a total amount of $37 million and $50 million including commissions, respectively. On July 25, 2011, our Board of Directors approved a new program to repurchase an additional $75 million of our outstanding common stock. As of September 30, 2011, $46 million remained available for repurchase of common stock under the current authorization, which has no expiration date. We did not repurchase any common stock during 2010.

Subsequent to September 30, 2011, we repurchased 0.4 million shares of our common stock for approximately $4.6 million resulting in approximately $42 million remaining under our existing stock repurchase program.

The table below includes repurchases of our common stock pursuant to publicly announced plans or programs and those not made pursuant to publicly announced plans or programs during the thirteen weeks ended September 30, 2011.

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	Maximum number of shares (or approximate dollar value) that may yet be purchased under plans or programs at period end (3)
7/2/11 through 7/29/11	244,822	$14.07	241,526	$80.2 million
7/30/11 through 8/26/11	1,389,045	$13.04	1,388,114	$62.1 million
8/27/11 through 9/30/11	1,324,277	$11.87	1,322,280	$46.3 million
Total	2,958,144	$12.60	2,951,920	

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(1) During the thirteen weeks ended September 30, 2011, we purchased 6,224 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 Board of Directors authorized a $100 million share repurchase program in April 2007 that was fully utilized by September 30, 2011. On July 25, 2011, our Board of Directors approved a new program to repurchase an additional $75 million that does not have an expiration date.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Item 6. Exhibits

10.1	Credit Agreement by and among Trueblue, Inc. as borrower, the lenders that are signatories thereto as the lenders, Bank of America, N.A. as the co-lead arranger and administrative agent and the syndication agent, and Wells Fargo Capital Finance, LLC as the co-lead arranger and documentation agent (incorporated by reference to Exhibit 10.1 of the 8-K filed on October 4, 2011).
31.1	Certification of Steven C. Cooper, Chief Executive Officer of TrueBlue, Inc., Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Derrek L. Gafford, Chief Financial Officer of TrueBlue, Inc., Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Steven C. Cooper, Chief Executive Officer of TrueBlue, Inc. and Derrek L. Gafford, Chief Financial Officer of TrueBlue, Inc., Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the SEC on October 31, 2011, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) the Notes to Condensed Consolidated Financial Statements (tagged as blocks of text). (1)

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(1) The XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

SIGNATURES

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

TrueBlue, Inc.

/S/ STEVEN C. COOPER	10/31/2011
Signature	Date
By: Steven C. Cooper, Director, Chief Executive Officer and President	
/S/ DERREK L. GAFFORD	10/31/2011
Signature	Date
By: Derrek L. Gafford, Chief Financial Officer and Executive Vice President	
/S/ NORMAN H. FREY	10/31/2011
Signature	Date
By: Norman H. Frey, Chief Accounting Officer and Corporate Controller	