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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended: June 28, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission File Number: 001-14543

TrueBlue, Inc.
(Exact name of registrant as specified in its charter)

Washington	**91-1287341**
(State of incorporation)	(I.R.S. employer identification no.)

1015 A Street, Tacoma, Washington 98402
(Address of principal executive offices) (Zip Code)

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

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common stock, no par value	**TBI**	**New York Stock Exchange**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of July 13, 2020, there were 36,061,289 shares of the registrant's common stock outstanding.

TrueBlue, Inc.
Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

TRUEBLUE, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands, except par value data)	June 28, 2020	December 29, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 92,051	$ 37,608
Accounts receivable, net of allowance of $7,656 and $4,288	224,078	342,303
Prepaid expenses, deposits and other current assets	25,776	30,717
Income tax receivable	17,996	11,105
Total current assets	359,901	421,733
Property and equipment, net	67,447	66,150
Restricted cash and investments	217,844	230,932
Deferred income taxes, net	30,234	3,228
Goodwill	94,000	237,498
Intangible assets, net	32,617	73,673
Operating lease right-of-use assets	37,740	41,082
Workers' compensation claims receivable, net	46,530	44,624
Other assets, net	16,688	17,235
Total assets	$ 903,001	$ 1,136,155
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued expenses	$ 46,405	$ 68,406
Accrued wages and benefits	56,795	67,604
Current portion of workers' compensation claims reserve	66,193	73,020
Current portion of long-term debt	27,051	—
Current operating lease liabilities	13,999	14,358
Other current liabilities	9,582	7,418
Total current liabilities	220,025	230,806
Workers' compensation claims reserve, less current portion	183,757	182,598
Long-term debt, less current portion	17,949	37,100
Long-term deferred compensation liabilities	24,166	26,765
Long-term operating lease liabilities	25,668	28,849
Other long-term liabilities	18,675	4,064
Total liabilities	490,240	510,182
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; 36,052 and 38,593 shares issued and outstanding	1	1
Accumulated other comprehensive loss	(17,765)	(13,238)
Retained earnings	430,525	639,210
Total shareholders' equity	412,761	625,973
Total liabilities and shareholders' equity	$ 903,001	$ 1,136,155

See accompanying notes to consolidated financial statements

TRUEBLUE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(unaudited)

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands, except per share data)	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Revenue from services	$ 358,944	$ 588,594	$ 853,196	$ 1,140,946
Cost of services	275,719	431,911	643,812	837,568
Gross profit	83,225	156,683	209,384	303,378
Selling, general and administrative expense	97,200	125,965	214,581	253,945
Depreciation and amortization	7,256	9,827	16,350	19,779
Goodwill and intangible asset impairment charge	—	—	175,189	—
Income (loss) from operations	(21,231)	20,891	(196,736)	29,654
Interest expense	(1,933)	(660)	(2,476)	(1,382)
Interest and other income, net	1,521	1,487	2,327	2,762
Interest and other income (expense), net	(412)	827	(149)	1,380
Income (loss) before tax expense (benefit)	(21,643)	21,718	(196,885)	31,034
Income tax expense (benefit)	(13,475)	2,312	(38,223)	3,352
Net income (loss)	$ (8,168)	$ 19,406	$ (158,662)	$ 27,682
Net income (loss) per common share:				
Basic	$ (0.23)	$ 0.50	$ (4.39)	$ 0.71
Diluted	$ (0.23)	$ 0.49	$ (4.39)	$ 0.70
Weighted average shares outstanding:				
Basic	35,077	39,163	36,166	39,264
Diluted	35,077	39,554	36,166	39,619
Other comprehensive income (loss):				
Foreign currency translation adjustment	$ 2,098	$ (693)	$ (4,527)	$ 633
Comprehensive income (loss)	$ (6,070)	$ 18,713	$ (163,189)	$ 28,315

See accompanying notes to consolidated financial statements

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

(in thousands)	Twenty-six weeks ended June 28, 2020	Twenty-six weeks ended June 30, 2019
Cash flows from operating activities:		
Net income (loss)	$ (158,662)	$ 27,682
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	16,350	19,779
Goodwill and intangible asset impairment charge	175,189	—
Provision for doubtful accounts	5,923	3,761
Stock-based compensation	4,345	5,260
Deferred income taxes	(27,049)	2,393
Non-cash lease expense	7,454	6,934
Other operating activities	2,669	(2,072)
Changes in operating assets and liabilities:		
Accounts receivable	111,803	16,162
Income tax receivable	(7,291)	(6,347)
Other assets	4,682	(4,472)
Accounts payable and other accrued expenses	(22,197)	(16,542)
Accrued wages and benefits	4,921	(4,667)
Workers' compensation claims reserve	(5,668)	(7,109)
Operating lease liabilities	(7,643)	(6,957)
Other liabilities	(1,344)	3,174
Net cash provided by operating activities	103,482	36,979
Cash flows from investing activities:		
Capital expenditures	(11,641)	(11,064)
Purchases of restricted available-for-sale investments	(1,739)	(4,295)
Sales of restricted available-for-sale investments	2,581	2,435
Purchases of restricted held-to-maturity investments	(11,458)	(7,020)
Maturities of restricted held-to-maturity investments	16,190	17,250
Net cash used in investing activities	(6,067)	(2,694)
Cash flows from financing activities:		
Purchases and retirement of common stock	(52,346)	(9,077)
Net proceeds from employee stock purchase plans	536	700
Common stock repurchases for taxes upon vesting of restricted stock	(1,956)	(1,631)
Net change in Revolving Credit Facility	7,900	(55,300)
Other	(1,344)	(119)
Net cash used in financing activities	(47,210)	(65,427)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(736)	560
Net change in cash, cash equivalents and restricted cash	49,469	(30,582)
Cash, cash equivalents and restricted cash, beginning of period	92,371	102,450
Cash, cash equivalents and restricted cash, end of period	$ 141,840	$ 71,868
Supplemental disclosure of cash flow information:		
Cash paid (received) during the period for:		
Interest	$ 2,402	$ 1,199
Income taxes	(3,707)	7,277
Operating lease liabilities	8,841	8,798
Non-cash transactions:		
Property and equipment purchased but not yet paid	1,189	1,227
Right-of-use assets obtained in exchange for new operating lease liabilities	4,841	7,711

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement preparation

The accompanying unaudited consolidated financial statements ("financial statements") of TrueBlue, Inc. (the "company," "TrueBlue," "we," "us," and "our") are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, certain information and footnote disclosures usually found in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The financial statements reflect all adjustments which, in the opinion of management, are necessary to fairly state the financial statements for the interim periods presented. We follow the same accounting policies for preparing both quarterly and annual financial statements.

We also considered COVID-19 related impacts to our estimates, as appropriate, within our financial statements and there may be changes to those estimates in future periods. However, we believe that the accounting estimates used are appropriate after giving consideration to the increased uncertainties surrounding the severity and duration of COVID-19. These estimates and assumptions are subject to inherent uncertainties, which may result in actual future amounts differing from reported estimated amounts.

We expect to fund operations over the next 12 months with cash from operations and funds borrowed on our revolving credit facility. On June 24, 2020, we entered into an amendment to our revolving credit facility agreement, which modified the terms of our financial covenants. We believe that we will meet the financial covenants under our amended revolving credit facility agreement over the next 12 months. This amendment resolved the potential covenant compliance issues previously disclosed in our Quarterly report on Form 10-Q for the thirteen weeks ended March 29, 2020. Refer to Note 6: *Long-Term Debt* for additional details of our revolving credit facility.

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 29, 2019. The results of operations for the thirteen and twenty-six weeks ended June 28, 2020, are not necessarily indicative of the results expected for the full fiscal year or for any other fiscal period.

Recently adopted accounting standards

Credit losses

In June 2016, the FASB issued guidance on accounting for credit losses on financial instruments. This guidance sets forth a current expected credit loss model ("CECL"), which requires the measurement of credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance requires the application of a current expected credit loss model, which is a new impairment model based on expected losses. Under this model, an entity recognizes an allowance for expected credit losses based on historical experience, current conditions, and forecasted information rather than the previous methodology of delaying recognition of credit losses until it is probable a loss has been incurred. This guidance was adopted at the beginning of the first quarter of 2020. We were required to apply the new standard by means of a cumulative-effect adjustment to opening retained earnings as of the beginning of the first quarter of 2020. The total impact upon adoption to opening retained earnings was immaterial to both the individual financial assets affected as well as in the aggregate.

The following policies have been updated to reflect our adoption of the new standard on accounting for credit losses on financial instruments.

Accounts receivable and allowance for credit losses

Accounts receivable are recorded at the invoiced amount. We establish an estimate for the allowance for credit losses resulting from the failure of our clients to make required payments by applying an aging schedule to pools of assets with similar risk characteristics. Based on an analysis of the risk characteristics of our clients and associated receivables, we have concluded our pools are as follows:

- PeopleReady and Centerline Drivers ("Centerline") have a large, diverse set of clients, generally with frequent, low dollar invoices due to the daily nature of the work we perform. This results in high turnover in accounts receivable and lower rates of non-payment.
- PeopleManagement On-site has a smaller number of clients, and follows a contractual billing schedule. The invoice amounts are higher than that of PeopleReady and Centerline, with longer payment terms.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- PeopleScout has a smaller number of clients, and generally sends invoices on a consolidated basis for a client. Invoice amounts are generally higher for PeopleScout than for PeopleManagement On-site, with similar payment terms.

When specific clients are identified as no longer sharing the same risk profile as their current pool, they are removed from the pool and evaluated separately. The credit loss rates applied to each aging category by pool are based on current collection efforts, historical collection trends, write-off experience, client credit risk and current economic data. The allowance for credit loss is reviewed quarterly and represents our best estimate of the amount of expected credit losses. Each month, past due or delinquent balances are identified based upon a review of aged receivables performed by collections and operations. Past due balances are written off when it is probable the receivable will not be collected. Changes in the allowance for credit losses are recorded in selling, general and administrative ("SG&A") expense on the Consolidated Statements of Operations and Comprehensive Income (Loss).

Due to the dynamic current economic environment, it is difficult to estimate the impact caused by COVID–19 on our clients. However, we believe the allowance for credit loss for accounts receivable as of June 28, 2020, is our best estimate of the amount of expected credit losses. Should actual results deviate from what we have currently estimated, our allowance for credit losses could change significantly.

The activity related to the allowance for credit losses for accounts receivable during the twenty-six weeks ended June 28, 2020 was as follows:

(in thousands)		
Beginning balance	$	4,288
Cumulative-effect adjustment (1)		524
Current period provision		5,923
Write-offs		(3,053)
Foreign currency translation		(26)
Ending balance	$	7,656

(1) As a result of our adoption of the accounting standard for credit losses, we recognized a cumulative-effect adjustment to our account receivable allowance of $0.5 million as of the beginning of the first quarter of 2020.

Restricted cash and investments

We establish an allowance for credit loss for our held-to-maturity debt securities using a discounted cash flow method including a probability of default rate based on the issuer credit rating. We report the entire change in present value as credit loss expense (or reversal of credit loss expense) in cost of services on the Consolidated Statements of Operations and Comprehensive Income (Loss). The cumulative-effect adjustment to our held-to-maturity debt securities as a result of adopting CECL as of the beginning of the first quarter of 2020 was immaterial, as was the allowance as of June 28, 2020.

Workers' compensation claims reserves

We establish an allowance for credit loss for our insurance receivables using a probability of default and losses expected upon default method, with the probability of default rate based on the third-party insurance carrier credit rating. Changes in the allowance for credit losses are recorded in cost of services on the Consolidated Statements of Operations and Comprehensive Income (Loss). The cumulative-effect adjustment to our workers' compensation insurance receivables as a result of adopting CECL as of the beginning of the first quarter of 2020 was immaterial, as was the allowance as of June 28, 2020.

Reclassifications

Certain previously reported amounts have been reclassified to conform to the current presentation. Specifically, the company has made certain reclassifications between cost of services and SG&A expense to more accurately reflect the costs of delivering our services. Such reclassifications did not have a significant impact on the company's gross profit or SG&A expense.

Certain immaterial prior year amounts have also been reclassified within cash flows from investing activities on our Consolidated Statements of Cash Flows to conform to current year presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recently issued accounting pronouncements not yet adopted

There are no accounting pronouncements which have not yet been adopted that are expected to have a significant impact on our financial statements and related disclosures.

NOTE 2: FAIR VALUE MEASUREMENT

Assets measured at fair value on a recurring basis

Our assets measured at fair value on a recurring basis consisted of the following:

	June 28, 2020			
(in thousands)	Total fair value	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Cash and cash equivalents	$ 92,051	$ 92,051	$ —	$ —
Restricted cash and cash equivalents	49,789	49,789	—	—
Cash, cash equivalents and restricted cash (1)	$ 141,840	$ 141,840	$ —	$ —
Municipal debt securities	$ 74,528	$ —	$ 74,528	$ —
Corporate debt securities	73,462	—	73,462	—
Agency mortgage-backed securities	931	—	931	—
U.S. government and agency securities	1,134	—	1,134	—
Restricted investments classified as held-to-maturity	$ 150,055	$ —	$ 150,055	$ —
Deferred compensation investments (2)	$ 11,981	$ 11,981	$ —	$ —

	December 29, 2019			
(in thousands)	Total fair value	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Cash and cash equivalents	$ 37,608	$ 37,608	$ —	$ —
Restricted cash and cash equivalents	54,763	54,763	—	—
Cash, cash equivalents and restricted cash (1)	$ 92,371	$ 92,371	$ —	$ —
Municipal debt securities	$ 74,236	$ —	$ 74,236	$ —
Corporate debt securities	76,068	—	76,068	—
Agency mortgage-backed securities	1,376	—	1,376	—
U.S. government and agency securities	1,051	—	1,051	—
Restricted investments classified as held-to-maturity	$ 152,731	$ —	$ 152,731	$ —
Deferred compensation investments (2)	$ 13,670	$ 13,670	$ —	$ —

(1) Cash, cash equivalents and restricted cash consist of money market funds, deposits and investments with original maturities of three months or less.
(2) Deferred compensation investments consist of mutual funds and money market funds.

There were no material transfers between level 1, level 2 and level 3 of the fair value hierarchy during the twenty-six weeks ended June 28, 2020 or June 30, 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Assets measured at fair value on a nonrecurring basis

We measure the fair value of certain non-financial assets on a nonrecurring basis, including goodwill and certain intangible assets. During the first quarter of 2020, we performed an interim impairment test as of the last day of our first fiscal quarter (March 29, 2020) due to market conditions. As a result of that test, we recognized an impairment charge of $175.2 million comprised as follows:

	March 29, 2020				
(in thousands)	Total fair value	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total impairment loss
Goodwill	$ 31,705	$ —	$ —	$ 31,705	$ (140,489)
Client relationships	14,700	—	—	14,700	(34,700)
Total	$ 46,405	$ —	$ —	$ 46,405	$ (175,189)

In the first quarter of 2020, goodwill and client relationship intangible assets with a total carrying value of $221.6 million were written down to their fair value, resulting in a goodwill and intangible asset impairment charge on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the twenty-six weeks ended June 28, 2020. Refer to Note 4: *Goodwill and Intangible Assets* for additional details on the impairment charge and valuation methodologies.

NOTE 3: RESTRICTED CASH AND INVESTMENTS

The following is a summary of the carrying value of our restricted cash and investments:

(in thousands)	June 28, 2020	December 29, 2019
Cash collateral held by insurance carriers	$ 24,308	$ 24,612
Cash and cash equivalents held in Trust	21,922	23,681
Investments held in Trust	143,731	149,373
Deferred compensation investments	11,981	13,670
Company owned life insurance policies	12,343	13,126
Other restricted cash and cash equivalents	3,559	6,470
Total restricted cash and investments	$ 217,844	$ 230,932

Held-to-maturity

Restricted cash and investments include collateral that has been provided or pledged to insurance carriers for workers' compensation 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 and highly rated investment grade securities, primarily in debt and asset-backed securities. The majority of our collateral obligations are held in a trust at the Bank of New York Mellon ("Trust").

The amortized cost and estimated fair value of our held-to-maturity investments held in Trust, aggregated by investment category as of June 28, 2020 and December 29, 2019, were as follows:

	June 28, 2020			
(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Municipal debt securities	$ 71,117	$ 3,411	$ —	$ 74,528
Corporate debt securities	70,717	2,746	(1)	73,462
Agency mortgage-backed securities	897	34	—	931
U.S. government and agency securities	1,000	134	—	1,134
Total held-to-maturity investments	$ 143,731	$ 6,325	$ (1)	$ 150,055

	December 29, 2019			
(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Municipal debt securities	$ 72,017	$ 2,219	$ —	$ 74,236
Corporate debt securities	75,000	1,102	(34)	76,068
Agency mortgage-backed securities	1,357	21	(2)	1,376
U.S. government and agency securities	999	52	—	1,051
Total held-to-maturity investments	$ 149,373	$ 3,394	$ (36)	$ 152,731

The amortized cost and fair value by contractual maturity of our held-to-maturity investments are as follows:

	June 28, 2020	
(in thousands)	Amortized cost	Fair value
Due in one year or less	$ 25,297	$ 25,545
Due after one year through five years	90,729	94,717
Due after five years through ten years	27,705	29,793
Total held-to-maturity investments	$ 143,731	$ 150,055

Actual maturities may differ from contractual maturities because the issuers of certain debt securities have the right to call or prepay their obligations without penalty. We have no significant concentrations of counterparties in our held-to-maturity investment portfolio.

Equity investments

We hold mutual funds and money market funds to support our deferred compensation liability. Unrealized gains related to equity investments still held at June 28, 2020 and June 30, 2019, totaled $3.1 million and $0.8 million for the thirteen weeks then ended, respectively, and are included in SG&A expense on the Consolidated Statements of Operations and Comprehensive Income (Loss). Unrealized gains and losses related to equity investments still held at June 28, 2020 and June 30, 2019, totaled a $1.7 million loss and a $3.2 million gain for the twenty-six weeks then ended, respectively.

NOTE 4: GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following table reflects changes in the carrying amount of goodwill during the period by reportable segments:

(in thousands)	PeopleReady	PeopleManagement	PeopleScout	Total company
Balance at December 29, 2019				
Goodwill before impairment	$ 106,304	$ 81,092	$ 145,181	$ 332,577
Accumulated impairment loss	(46,210)	(33,700)	(15,169)	(95,079)
Goodwill, net	60,094	47,392	130,012	237,498
Impairment loss	—	(45,901)	(94,588)	(140,489)
Foreign currency translation	—	—	(3,009)	(3,009)
Balance at June 28, 2020				
Goodwill before impairment	106,304	81,092	142,172	329,568
Accumulated impairment loss	(46,210)	(79,601)	(109,757)	(235,568)
Goodwill, net	$ 60,094	$ 1,491	$ 32,415	$ 94,000

Intangible assets

Finite-lived intangible assets

The following table presents our purchased finite-lived intangible assets:

June 28, 2020			December 29, 2019		
Gross carrying	Accumulated	Net carrying	Gross carrying	Accumulated	Net carrying

(in thousands)	amount	amortization	amount	amount	amortization	amount
Finite-lived intangible assets (1):						
Client relationships (2)	$ 96,811	$ (71,665)	$ 25,146	$ 149,299	$ (83,317)	$ 65,982
Trade names/trademarks	1,958	(507)	1,451	2,052	(441)	1,611
Technologies	600	(580)	20	600	(520)	80
Total finite-lived intangible assets	$ 99,369	$ (72,752)	$ 26,617	$ 151,951	$ (84,278)	$ 67,673

(1) Excludes assets that are fully amortized.
(2) Balance at June 28, 2020 is net of impairment loss of $34.7 million recorded in the twenty-six weeks ended June 28, 2020.

Amortization expense of our finite-lived intangible assets was $2.1 million and $5.0 million for the thirteen weeks ended June 28, 2020 and June 30, 2019, respectively, and $6.1 million and $10.0 million for the twenty-six weeks ended June 28, 2020 and June 30, 2019, respectively.

Indefinite-lived intangible assets

We also held indefinite-lived trade names/trademarks of $6.0 million as of June 28, 2020 and December 29, 2019.

Impairments

Goodwill

We evaluate goodwill for impairment on an annual basis as of the first day of our fiscal second quarter, and whenever events or circumstances make it more likely than not that an impairment may have occurred. These events or circumstances could include a significant change in the business climate, operating performance indicators, competition, client engagement, legal factors, or sale or disposition of a significant portion of a reporting unit. We monitor the existence of potential impairment indicators throughout the fiscal year.

Interim impairment test

During the first quarter of 2020, the following events made it more likely than not that an impairment had occurred and accordingly, we performed an interim impairment test as of the last day of our fiscal first quarter.

We experienced a significant decline in our stock price during the first quarter of 2020. As a result of the decline in stock price, our market capitalization fell significantly below the recorded value of our consolidated net assets. The reduced market capitalization reflected the expected continued weakness in pricing and demand for our staffing services in a volatile economic climate. This was further impacted in March 2020 by COVID-19, which created a sudden global economic shock. We experienced a significant drop in client demand associated with government and societal actions to address COVID-19.We have experienced and expect to continue to experience significant decreases to our revenues and corresponding operating results due to weakness in pricing and demand for our services during this severe economic downturn. While demand is expected to recover in the future, the rate of recovery will vary by geography and industry depending on the economic impact caused by COVID-19 and the rate at which infections decline to a contained level.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions to evaluate the impact of operating and macroeconomic changes on each reporting unit. The fair value of each reporting unit was estimated using a combination of a discounted cash flow methodology and the market valuation approach using publicly traded company multiples in similar businesses. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internally developed forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital, which is risk-adjusted to reflect the specific risk profile of the reporting unit being tested. The weighted average cost of capital used in our most recent impairment test was risk-adjusted to reflect the specific risk profile of the reporting units and ranged from 11.5% to 12.0%. The combined fair values for all reporting units were then reconciled to our aggregate market value of our shares of common stock on the date of valuation, while considering a reasonable control premium. As a result of this impairment test, we concluded that the carrying amounts of goodwill for PeopleScout RPO, PeopleScout MSP and PeopleManagement On-Site reporting units exceeded their implied fair values and we recorded a non-cash impairment loss of $140.5 million, which was included in goodwill and intangible asset impairment charge on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the twenty-six weeks ended June 28, 2020. The total goodwill carrying value of $45.9 million for PeopleManagement On-site reporting unit was fully impaired. The goodwill impairment charge for PeopleScout RPO and PeopleScout MSP was $92.2 million and $2.4 million, respectively.

Annual impairment test

Given the proximity of our interim impairment measurement date (last day of our fiscal first quarter - March 29, 2020) to our annual goodwill impairment measurement date (first day of our fiscal second quarter - March 30, 2020), we performed a qualitative assessment to determine whether it is more likely than not that the fair value of any of our reporting units is less than the carrying value. We considered the current and expected future economic and market conditions surrounding COVID-19 and concluded that it was not more likely than not that the goodwill associated with our reporting units were impaired as of the first day of our fiscal second quarter. Therefore, a quantitative assessment was not performed as of March 30, 2020.

Additionally, we did not identify any events or conditions that make it more likely than not that an impairment may have occurred during the thirteen weeks ended June 28, 2020. The remaining goodwill balances for PeopleScout RPO and PeopleScout MSP were $22.7 million and $9.7 million, respectively, as of June 28, 2020. Should actual results decline further or longer than we have currently estimated, the remaining goodwill balances may be further impaired. We will continue to closely monitor the operational performance of these reporting units as it relates to goodwill impairment.

Finite-lived intangible assets

We generally record acquired intangible assets that have finite useful lives, such as client relationships, in connection with business combinations. We review intangible assets that have finite useful lives and other long-lived assets whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. Factors considered important that could result in an impairment review include, but are not limited to, significant underperformance relative to historical or planned operating results or significant changes in business strategies. We estimate the recoverability of these assets by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate. An impairment loss is recognized when the estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset (if any) are less than the carrying value of the asset. When an impairment loss is recognized, the carrying amount of the asset is reduced to its estimated fair value based on discounted cash flow analysis or other valuation techniques.

Interim impairment test

With the decrease in demand for our services due to the economic impact caused by the response to COVID-19, we lowered our future expectations, which was the primary trigger of an impairment to our acquired client relationships intangible assets for our PeopleScout RPO and PeopleManagement On-Site reporting units of $34.7 million, which was included in goodwill and intangible asset impairment charge on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the twenty-six weeks ended June 28, 2020. The impairment charge for PeopleScout RPO and PeopleManagement On-site reporting units was $25.0 million and $9.7 million, respectively. Considerable management judgment was necessary to determine key assumptions, including projected revenue of acquired clients and an appropriate discount rate of 12.0%.

Additionally, we did not identify any events or conditions that make it more likely than not that an impairment may have occurred during the thirteen weeks ended June 28, 2020. The remaining client relationship intangible asset balances related to assets impaired for PeopleScout RPO and PeopleManagement On-site were $5.8 million and $8.1 million, respectively, as of June 28, 2020.

Indefinite-lived intangible assets

We have indefinite-lived intangible assets related to our Staff Management and PeopleScout trade names. We test our trade names annually for impairment, and when indicators of potential impairment exist. We utilize the relief from royalty method to determine the fair value of each of our trade names. If the carrying value exceeds the fair value, we recognize an impairment loss in an amount equal to the excess, not to exceed the carrying value. Management uses considerable judgment to determine key assumptions, including projected revenue, royalty rates and appropriate discount rates.

Interim impairment test

We performed an interim impairment test of our indefinite-lived intangible assets as of the last day of our first fiscal quarter for 2020 and determined that the estimated fair values exceeded the carrying amounts for our indefinite-lived trade names. Accordingly, no impairment loss was recognized.

Annual impairment test

Given the proximity of our interim impairment measurement date (last day of our fiscal first quarter - March 29, 2020) to our annual indefinite-lived trade names impairment measurement date (first day of our fiscal second quarter - March 30, 2020), we performed a qualitative assessment to determine whether it is more likely than not that the fair value of any of our indefinite-lived trade names is less than the carrying value. We concluded that it was not more likely than not that the indefinite-lived intangible assets associated with our Staff Management and PeopleScout trade names were impaired as of the first day of our fiscal second quarter. Therefore, a quantitative assessment was not performed as of March 30, 2020.

Additionally, we did not identify any events or conditions that make it more likely than not that an impairment may have occurred during the thirteen weeks ended June 28, 2020.

NOTE 5: WORKERS' COMPENSATION INSURANCE AND RESERVES

We provide workers' compensation insurance for our contingent 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 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. The weighted average discount rate was 1.9% and 2.0% at June 28, 2020 and December 29, 2019, respectively. Payments made against self-insured claims are made over a weighted average period of approximately 5 years as of June 28, 2020.

The following table presents a reconciliation of the undiscounted workers' compensation reserve to the discounted workers' compensation reserve for the periods presented:

(in thousands)	June 28, 2020	December 29, 2019
Undiscounted workers' compensation reserve	$ 268,128	$ 274,934
Less discount on workers' compensation reserve	18,178	19,316
Workers' compensation reserve, net of discount	249,950	255,618
Less current portion	66,193	73,020
Long-term portion	$ 183,757	$ 182,598

Payments made against self-insured claims were $28.0 million and $32.6 million for the twenty-six weeks ended June 28, 2020 and June 30, 2019, respectively.

Our workers' compensation reserve includes estimated expenses related to claims above our self-insured limits ("excess claims"), and we record 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 June 28, 2020 and December 29, 2019, the weighted average rate was 1.7% and 2.4%, respectively. The claim payments are made and the corresponding reimbursements from our insurance carriers are received over an estimated weighted average period of approximately 17 years. The discounted workers' compensation reserve for excess claims was $47.6 million and $45.3 million, and the corresponding gross receivable for the insurance on excess claims was $46.6 million and $45.3 million as of June 28, 2020 and December 29, 2019, respectively.

Workers' compensation cost consists primarily of changes in self-insurance reserves net of changes in discount, monopolistic jurisdictions' premiums, insurance premiums and other miscellaneous expenses. Workers' compensation cost of $9.2 million and $16.3 million was recorded in cost of services on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirteen weeks ended June 28, 2020 and June 30, 2019, respectively, and $23.5 million and $28.2 million or the twenty-six weeks ended June 28, 2020 and June 30, 2019, respectively.

NOTE 6: LONG-TERM DEBT

Our borrowings consisted of the following:

(in thousands)	June 28, 2020	December 29, 2019
Current portion of long-term debt	$ 27,051	$ —
Long-term debt, less current portion	17,949	37,100
Total debt	$ 45,000	$ 37,100

On March 16, 2020, we entered into a first amendment to our credit agreement with Bank of America, N.A., Wells Fargo Bank, N.A., PNC Bank, N.A., KeyBank, N.A. and HSBC Bank USA, N.A. dated as of July 13, 2018, which extended the maturity of the revolving credit facility established thereunder (the "Revolving Credit Facility") to March 16, 2025 and modified certain other terms. On June 24, 2020, we entered into a second amendment to our credit agreement (the "Second Amendment"), which modified terms of our financial covenants as well as certain other provisions of the Revolving Credit Facility.

The amended credit agreement provides for a revolving line of credit of up to $300.0 million with an option, subject to lender approval, to increase the amount to $450.0 million. Included in the Revolving Credit Facility is a $30.0 million sub-limit for Swingline loans and a $125.0 million sub-limit for letters of credit. At June 28, 2020, $45.0 million was drawn on the Revolving Credit Facility and $6.2 million was utilized by outstanding standby letters of credit, leaving $248.8 million unused under the Revolving Credit Facility, which is constrained by our most restrictive covenant making $125 million available for additional borrowings. At June 28, 2020, $27.1 million of the draw down was considered current due to a restriction established by the Second Amendment, which requires us to repay borrowings to the extent our cash and cash equivalents exceed $65 million. At December 29, 2019, $37.1 million was drawn on the Revolving Credit Facility, which included a $17.1 million Swingline loan.

Under the terms of the Revolving Credit Facility, we pay a variable rate of interest on funds borrowed under the revolving line of credit in excess of the Swingline loans, based on the London Interbank Offered Rate ("LIBOR") plus an applicable spread between 1.25% and 3.50%. Alternatively, at our option, we may pay interest based on a base rate plus an applicable spread between 0.25%

and 1.50%. The base rate is the greater of the prime rate (as announced by Bank of America), or the federal funds rate plus 0.50%. The applicable spread on LIBOR is 3.50% through the end of fiscal 2020, and will be determined by the consolidated leverage ratio thereafter, as defined in the amended credit agreement. At June 28, 2020, the applicable spread on LIBOR was 3.50% and the weighted average index rate was 0.75%, resulting in a weighted average interest rate of 4.25%.

Under the terms of the Revolving Credit Facility, we are required to pay a variable rate of interest on funds borrowed under the Swingline loan based on the base rate plus applicable spread between 0.25% and 1.50%, as described above.

A commitment fee between 0.25% and 0.50% is applied against the Revolving Credit Facility's unused borrowing capacity, with the specific rate determined by the consolidated leverage ratio, as defined in the amended credit agreement. Letters of credit are priced at a margin between 1.00% and 3.25%, plus a fronting fee of 0.50%.

Obligations under the Revolving Credit Facility are guaranteed by TrueBlue and material U.S. domestic subsidiaries, and are secured by substantially all of the assets of TrueBlue and material U.S. domestic subsidiaries. The amended credit agreement contains customary representations and warranties, events of default, and affirmative and negative covenants, including, among others, financial covenants. The Second Amendment suspended testing of certain covenants through June 27, 2021 (second quarter of 2021).

The following financial covenants, as defined in the Second Amendment, are in effect:

- Asset Coverage Ratio of greater than 1.00, defined as the ratio of 60% of accounts receivable to the difference of total debt outstanding and unrestricted cash in excess of $50 million. As of June 28, 2020, our asset coverage ratio was greater than 1.00 at 14.7.

- Liquidity greater than $150 million, defined as the sum of unrestricted cash and availability under the aggregate revolving commitments. As of June 28, 2020, our liquidity was greater than the $150 million at $340.8 million.

The following financial covenant, as defined in the Second Amendment, will be in effect starting the first quarter of 2021:

- EBITDA, as defined in the amended credit agreement, greater than $12 million for the trailing three quarters ending Q1 2021 and greater than $15 million for the trailing four quarters ending Q2 2021.

The following financial covenants, as defined in the Second Amendment, will be in effect starting the third quarter of 2021:

- Consolidated leverage ratio greater than 4.00 for the third and fourth quarters of 2021 and greater than 3.00 thereafter, defined as our funded indebtedness divided by trailing twelve months consolidated EBITDA, as defined in the amended credit agreement.

- Consolidated fixed charge coverage ratio greater than 1.25, defined as the trailing twelve months bank-adjusted cash flow divided by cash interest expense.

As of June 28, 2020, we were in compliance with all effective covenants related to the Revolving Credit Facility.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Workers' compensation commitments

We have provided our insurance carriers and certain states with commitments in the form and amounts listed below:

(in thousands)	June 28, 2020	December 29, 2019
Cash collateral held by workers' compensation insurance carriers	$ 21,902	$ 22,256
Cash and cash equivalents held in Trust	21,922	23,681
Investments held in Trust	143,731	149,373
Letters of credit (1)	6,202	6,202
Surety bonds (2)	20,731	20,731
Total collateral commitments	$ 214,488	$ 222,243

(1) We have agreements with certain financial institutions to issue letters of credit as collateral.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Legal contingencies and developments

We are involved in various proceedings arising in the normal course of conducting business. We believe the liabilities included in our financial statements reflect the probable loss that can be reasonably estimated. The amounts recorded and resolution of those proceedings are immaterial and are not expected to have a material effect on our results of operations or financial condition.

NOTE 8: SHAREHOLDERS' EQUITY

Changes in the balance of each component of shareholders' equity during the reporting periods were as follows:

(in thousands)	Thirteen weeks ended June 28, 2020	Thirteen weeks ended June 30, 2019	Twenty-six weeks ended June 28, 2020	Twenty-six weeks ended June 30, 2019
Common stock shares				
Beginning balance	36,128	40,152	38,593	40,054
Purchases and retirement of common stock	—	(156)	(2,930)	(390)
Net issuance under equity plans, including tax benefits	(76)	58	339	366
Stock-based compensation	—	4	50	28
Ending balance	36,052	40,058	36,052	40,058
Common stock amount				
Beginning balance	$ 1	$ 1	$ 1	$ 1
Current period activity	—	—	—	—
Ending balance	1	1	1	1
Retained earnings				
Beginning balance	435,804	611,609	639,210	606,087
Net income (loss)	(8,168)	19,406	(158,662)	27,682
Purchases and retirement of common stock (1)	—	(3,774)	(52,346)	(9,077)
Net issuance under equity plans, including tax benefits	51	127	(1,420)	(930)
Stock-based compensation	2,838	1,654	4,345	5,260
Change in accounting standard cumulative-effect adjustment (2)	—	—	(602)	—
Ending balance	430,525	629,022	430,525	629,022
Accumulated other comprehensive loss				
Beginning balance, net of tax	(19,863)	(13,323)	(13,238)	(14,649)
Foreign currency translation adjustment	2,098	(693)	(4,527)	633
Ending balance, net of tax	(17,765)	(14,016)	(17,765)	(14,016)
Total shareholders' equity ending balance	$ 412,761	$ 615,007	$ 412,761	$ 615,007

(1) Under applicable Washington State law, shares purchased are not displayed separately as treasury stock on our Consolidated Balance Sheets and are treated as authorized but unissued shares. It is our accounting 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. Furthermore, activity in our common stock account related to stock-based compensation is also recorded to retained earnings until such time as the reduction to retained earnings due to stock repurchases has been recovered.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) As a result of our adoption of the accounting standard for credit losses, we recognized a cumulative-effect adjustment to retained earnings of $0.6 million in the first quarter of 2020.

Share repurchase plan

On October 16, 2019, our Board of Directors authorized a $100.0 million share repurchase program of our outstanding common stock. The share repurchase program does not obligate us to acquire any particular amount of common stock and does not have an expiration date. We may choose to purchase shares in the open market, from individual holders, through an accelerated share repurchase program or otherwise. As of June 28, 2020, $66.7 million remains available for repurchase of common stock under the existing authorization. The second amendment to our revolving credit facility agreement prohibits us from repurchasing shares until July 1, 2021.

As part of the existing share repurchase plan, on February 28, 2020 we entered into an accelerated share repurchase (“ASR”) agreement with a third-party financial institution to repurchase $40.0 million of our common stock. Under the ASR agreement, we paid $40.0 million to the financial institution and received an initial delivery of 2,150,538 shares in the first quarter of 2020, which represented 80% of the total shares we expected to receive based on the market price at the time of the initial delivery. This transaction was initiated prior to the medical community’s acknowledgment of the expected severity of the impact COVID-19 would have on the United States.

The final number of shares delivered upon settlement of the agreement is determined by the volume weighted average price of our shares over the term of the ASR agreement, less the agreed-upon discount. Under the terms of the ASR agreement, upon settlement, either we receive additional shares from the financial institution or we are required to deliver additional shares or cash to the financial institution. We control the election to either deliver additional shares or cash to the financial institution, if required. As such, the forward stock purchase contract was considered indexed to our own stock and is classified as an equity instrument as of June 28, 2020. The value of the initial shares received was recorded as a reduction to retained earnings, and the number of shares initially received was an immediate reduction in the weighted average common shares calculation for basic and diluted earnings per share. We settled our ASR agreement on July 2, 2020. Refer to Note 12: *Subsequent Event* for additional details.

NOTE 9: INCOME TAXES

Our income tax provision or benefit for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter we update our estimate of the annual effective tax rate, and if our estimated tax rate changes, we make a cumulative adjustment. Our quarterly tax provision and quarterly estimate of our annual effective tax rate are subject to variation due to several factors, including variability in accurately predicting our pre-tax and taxable income and loss by jurisdiction, tax credits, government audit developments, changes in laws, regulations and administrative practices, and relative changes in expenses or losses for which tax benefits are not recognized. Additionally, our effective tax rate can be more or less volatile based on the amount of pre-tax income. For example, the impact of discrete items, tax credits, and non-deductible expenses on our effective tax rate is greater when our pre-tax income is lower.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted in the United States. The CARES Act is an emergency economic aid package to help mitigate the impact of COVID-19. Among other things, the CARES Act provides certain changes to tax laws, including the ability to carry back losses to obtain refunds related to prior year tax returns.

Our effective tax rate for the twenty-six weeks ended June 28, 2020 was 19.4%. The difference between the statutory federal income tax rate of 21% and our effective income tax rate results primarily from a non-deductible goodwill and intangible asset impairment charge, the CARES Act, and the federal Work Opportunity Tax Credit (“WOTC”). WOTC is designed to encourage employers to hire workers from certain targeted groups with higher than average unemployment rates. Other differences between the statutory federal income tax rate result from state and foreign income taxes, certain non-deductible expenses, tax exempt interest, and tax effects of stock-based compensation.

NOTE 10: NET INCOME (LOSS) PER SHARE

Diluted common shares were calculated as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands, except per share data)	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Net income (loss)	$ (8,168)	$ 19,406	$ (158,662)	$ 27,682
Weighted average number of common shares used in basic net income (loss) per common share	35,077	39,163	36,166	39,264
Dilutive effect of non-vested restricted stock	—	391	—	355
Weighted average number of common shares used in diluted net income (loss) per common share	35,077	39,554	36,166	39,619
Net income (loss) per common share:				
Basic	$ (0.23)	$ 0.50	$ (4.39)	$ 0.71
Diluted	$ (0.23)	$ 0.49	$ (4.39)	$ 0.70
Anti-dilutive shares	580	246	565	336

NOTE 11: SEGMENT INFORMATION

Our operating segments are based on the organizational structure for which financial results are regularly reviewed by our chief operating decision-maker, our Chief Executive Officer, to determine resource allocation and assess performance.

Our operating segments and reportable segments are described below:

Our **PeopleReady** reportable segment provides blue-collar, contingent staffing through the PeopleReady operating segment. PeopleReady provides on-demand and skilled labor in a broad range of industries that include construction, manufacturing and logistics, warehousing and distribution, retail, waste and recycling, energy, hospitality, general labor and others.

Our **PeopleManagement** reportable segment provides contingent labor and outsourced industrial workforce solutions, primarily on-site at the client's facility, through the following operating segments, which we have aggregated into one reportable segment in accordance with U.S. GAAP:

- *On-site*: On-site management and recruitment for the contingent industrial workforce of manufacturing, warehouse, and distribution facilities; and
- *Centerline Drivers*: Recruitment and management of contingent and dedicated commercial drivers to the transportation and distribution industries.

Our **PeopleScout** reportable segment provides high-volume, permanent employee recruitment process outsourcing, employer branding services and management of outsourced labor service providers through the following operating segments, which we have aggregated into one reportable segment in accordance with U.S. GAAP:

- *PeopleScout*: Outsourced recruitment of permanent employees on behalf of clients; and
- *PeopleScout MSP*: Management of multiple third-party staffing vendors on behalf of clients.

We evaluate performance based on segment revenue and segment profit (loss). Inter-segment revenue is minimal. Segment profit (loss) includes revenue, related cost of services, and ongoing operating expenses directly attributable to the reportable segment. Segment profit (loss) excludes goodwill and intangible impairment charges, depreciation and amortization expense, unallocated corporate general and administrative expense, interest, other income and expense, income taxes, and other adjustments not considered to be ongoing.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents our revenue disaggregated by major source and segment and a reconciliation of segment revenue from services to total company revenue:

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands)	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Revenue from services:				
Contingent staffing				
PeopleReady	$ 209,151	$ 369,261	$ 508,445	$ 696,129
PeopleManagement	118,661	153,530	260,275	311,574
Human resource outsourcing				
PeopleScout	31,132	65,803	84,476	133,243
Total company	$ 358,944	$ 588,594	$ 853,196	$ 1,140,946

The following table presents a reconciliation of segment profit to income (loss) before tax expense (benefit):

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands)	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Segment profit (loss):				
PeopleReady	$ 633	$ 21,795	$ 8,288	$ 33,265
PeopleManagement	1,803	4,128	1,489	6,434
PeopleScout	(2,782)	11,223	(274)	21,650
Total segment profit (loss)	(346)	37,146	9,503	61,349
Corporate unallocated	(4,929)	(3,634)	(10,138)	(10,911)
Work Opportunity Tax Credit processing fees	—	(240)	(135)	(480)
Acquisition/integration costs	—	(673)	—	(1,250)
Goodwill and intangible asset impairment charge	—	—	(175,189)	—
Other benefits (costs)	(8,700)	(1,881)	(4,427)	725
Depreciation and amortization	(7,256)	(9,827)	(16,350)	(19,779)
Income (loss) from operations	(21,231)	20,891	(196,736)	29,654
Interest and other income (expense), net	(412)	827	(149)	1,380
Income (loss) before tax expense (benefit)	$ (21,643)	$ 21,718	$ (196,885)	$ 31,034

Asset information by reportable segment is not presented since we do not manage our segments on a balance sheet basis.

NOTE 12: SUBSEQUENT EVENT

On July 2, 2020, we settled our ASR agreement resulting in the receipt of 626,948 additional shares from the third-party financial institution. The total number of shares delivered under the ASR agreement was 2,777,486 with a volume weighted average price over the term of the ASR agreement of $14.40.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMMENT ON FORWARD LOOKING STATEMENTS

Certain statements in this Form 10-Q, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, the impact of and our ongoing response to COVID-19, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "goal," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which may cause actual results to differ materially from those expressed or implied in our forward-looking statements, including the risks and uncertainties described in "Management's Discussion and Analysis" (Part I, Item 2 of this Form 10-Q),"Quantitative and Qualitative Disclosures about Market Risk" (Part I, Item 3 of this Form 10-Q), and "Risk Factors" (Part II, Item 1A of this Form 10-Q). We undertake no duty to update or revise publicly any of the forward-looking statements after the date of this report or to conform such statements to actual results or to changes in our expectations, whether because of new information, future events, or otherwise.

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide the reader of our accompanying unaudited consolidated financial statements ("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. MD&A is provided as a supplement to, and should be read in conjunction with, our Annual Report on Form 10-K for the fiscal year ended December 29, 2019, and our financial statements and the accompanying notes to our financial statements.

OVERVIEW

TrueBlue, Inc. (the "company," "TrueBlue," "we," "us" and "our") is a leading provider of specialized workforce solutions that help clients achieve business growth and improve productivity. In 2019, we connected approximately 724,000 people with work and served approximately 139,000 clients. We report our business as three reportable segments: PeopleReady, PeopleManagement and PeopleScout. See Note 11: *Segment Information*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for additional details on our operating segments and reportable segments. Our PeopleReady segment offers on-demand, industrial staffing; our PeopleManagement segment offers contingent, on-site industrial staffing and commercial driver services; and our PeopleScout segment offers recruitment process outsourcing ("RPO") and managed service provider ("MSP") solutions to a wide variety of industries.

The global economy and our business have been dramatically affected by COVID-19. There are no reliable estimates of how long the pandemic will last or how many people will be affected by it. For that reason, it is difficult to predict the short- and long-term impacts of the pandemic on our business at this time. Most states, counties and municipalities are monitoring overall COVID-19 testing volume and changes in the percent of positive tests in relation to hospital capacity and supplies to care for COVID-19 patients and other patients needing urgent care, and are reopening their respective economies in phases. The process of reopening has slowed due to increases in testing volumes and percent of positive test results. The preventative measures taken to help curb the spread of COVID-19 continues to have a severe adverse impact on client demand for our services and our business results. Throughout the pandemic, our business has remained open and we continue to provide key services to essential businesses.

Our first priority, with regard to COVID-19, continues to be the safety, health and hygiene of our associates, employees, clients, suppliers and others with whom we partner in our business activities to continue our business operations in this unprecedented business environment. We implemented comprehensive measures across our businesses to keep our workers and clients healthy and safe, including adherence to guidance from the Centers for Disease Control and Prevention, World Health Organization, Occupational Safety and Health Administration and other key authorities.

In response to these rapidly changing market conditions, commencing in March 2020, we have taken appropriate actions to reduce our operating expenses by between $90 million and $100 million in fiscal 2020, while preserving the key strengths of our business, to ensure we are prepared when business conditions improve. Additionally, we amended our revolving credit agreement in June 2020 to further enhance our liquidity position and are taking steps to improve positive cash flow.

MANAGEMENT'S DISCUSSION AND ANALYSIS

We continue to monitor this rapidly evolving situation and guidance from domestic and international authorities, including federal, state and local public health authorities, and may take additional actions based on their recommendations. There may be developments outside our control requiring us to adjust our operating plan. As such, given the dynamic nature of this situation, it is difficult to estimate the impacts of COVID-19 on our financial condition, results of operations or cash flows in the future. However, we do expect that it will continue to have a material adverse impact on our future revenue, overall profitability and liquidity. For additional discussion on the uncertainties and business risks associated with COVID-19, refer to "*Risk Factors*" in Part II, Item 1A of this Form 10-Q.

Second quarter of 2020 highlights

Revenue from services

Total company revenue declined 39% to $359 million for the thirteen weeks ended June 28, 2020, compared to the same period in the prior year. The decline was due to a significant drop in client demand associated with government and societal actions to address COVID-19. In particular, the outbreak and preventive measures taken to help curb the spread of COVID-19 had severe adverse impacts on our operations and business results. Many of the clients we serve have been severely impacted by COVID-19 and have stopped or significantly reduced their need for our staffing services, which has resulted in lower than expected revenue. Declines were broad-based across multiple geographies and industries.

PeopleReady, our largest segment, experienced a revenue decline of 43%. PeopleManagement, our lowest margin segment, experienced a revenue decline of 23%. PeopleScout, our highest margin segment, experienced a revenue decline of 53%. PeopleScout has a large number of clients in the travel and leisure sectors which have been impacted significantly by COVID-19.

Gross profit

Total company gross profit as a percentage of revenue for the thirteen weeks ended June 28, 2020, decreased by 340 basis points to 23.2%, compared to 26.6% for the same period in the prior year. Our PeopleScout business contributed approximately 240 basis points to the decline, partially due to 80 basis points of severance and the remaining decline from the continued impact of lower volume due to the rapid revenue decline caused by COVID-19, which outpaced the reductions to our service delivery team. Our staffing businesses contributed 100 basis points to the decline primarily due to health concerns and higher pay rates necessary to attract employees given the availability of federal unemployment benefits.

Selling, general and administrative expense

Total company SG&A expense decreased by $29 million to $97 million, or 27.1% of revenue for the thirteen weeks ended June 28, 2020, compared to $126 million, or 21.4% of revenue for the same period in the prior year. The decrease in SG&A expense is primarily due to comprehensive actions we put in place in March 2020 to dramatically reduce costs in response to rapidly changing market conditions due to COVID-19. We have taken appropriate steps to reduce SG&A expense while preserving the key strengths of our business to ensure we are prepared when business conditions improve. The decrease in SG&A expense also included $3 million in employee retention credits made available under the Canada Emergency Wage Subsidy for Canadian employees and the Australian JobKeeper subsidy for Australian employees during the thirteen weeks ended June 28, 2020. These reductions were partially offset by $8 million in workforce reduction costs recorded in the thirteen weeks ended June 28, 2020, compared to $1 million for the same period in the prior year. We will continue to monitor and manage our SG&A expense in the current environment.

Loss from operations

Total company loss from operations was $21 million for the thirteen weeks ended June 28, 2020, compared to operating income of $21 million for the same period in the prior year. We experienced a loss from operations primarily due to the significant drop in client demand associated with government and societal actions to address COVID-19. The significant drop in demand, increased price sensitivity, increased contingent worker wages and preventive measures taken to help curb the spread of COVID-19 had severe adverse impacts on our operations and business results. The declines were partially offset by the decisive and comprehensive cuts to SG&A expense in line with management's plans to preserve the key strengths of our business.

Net loss

Net loss was $8 million, or $0.23 per diluted share for the thirteen weeks ended June 28, 2020, compared to net income of $19 million, or $0.49 per diluted share for the same period in the prior year. This loss from operations was partially offset by the income tax benefit of $13 million. The difference between the statutory federal income tax rate of 21% and our effective income tax rate results primarily from the federal Work Opportunity Tax Credit ("WOTC") and the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). WOTC is designed to encourage employers to hire workers from certain targeted groups with higher than average unemployment rates. The CARES Act is an emergency economic aid package to help mitigate the impact of COVID-19. Among other things, the CARES Act provides certain changes to tax laws, including the ability to carry back losses to obtain refunds related to prior year tax returns where the federal tax rate was 35%.

Additional highlights

We are focused on capital preservation as a top priority. In response to the rapidly changing market conditions, we have taken swift action to reduce operating costs and other cash outflows to preserve capital to fund working capital needs. On March 16, 2020, we amended our revolving credit agreement which extended the maturity of the revolving credit facility established thereunder ("Revolving Credit Facility") to March 16, 2025. On June 24, 2020, we further amended our revolving credit agreement, which modified terms of our financial covenants as well as certain other provisions. Under the amended credit agreement, we have the option, subject to lender approval, to increase the Revolving Credit Facility to $450 million. As of June 28, 2020, we are in a strong financial position with cash and cash equivalents of $92 million and $125 million available under the most restrictive covenant of our Revolving Credit Facility for total liquidity of $217 million.

RESULTS OF OPERATIONS

Total company results

The global economy and our business have been dramatically affected by COVID-19. To date, COVID-19 has surfaced all around the world and resulted in country-level quarantines, global travel restrictions and broad-based economic slowdowns. There are no reliable estimates of how long the pandemic will last or how many people will be affected by it. For that reason, it is difficult to predict the short- and long-term impacts of the pandemic on our business at this time.

Our first priority, with regard to COVID-19, has been to ensure the safety, health and hygiene of our associates, employees, clients, suppliers and others with whom we partner in our business activities to continue our business operations in this unprecedented business environment. We implemented comprehensive measures across our businesses to keep our workers and clients healthy and safe, including adherence to guidance from the Centers for Disease Control and Prevention, World Health Organization, Occupational Safety and Health Administration and other key authorities. We formed a specialized task force tracking the most up-to-date developments and safety standards, and created an internal information hub with safety protocols, dashboards, FAQs, and daily reporting by location on the COVID-19 impact. In addition to posting TrueBlue's action plan on our external websites, we are actively sharing information on how companies and workers can protect themselves via ongoing emails, social outreach, webinars and other digital communications. We are fully leveraging our JobStack™ app to help companies and workers connect safely through a digital environment, and are rolling out a new virtual onboarding capability to minimize in-person branch visits. We are also leveraging our Affinix™ technology to enable companies to connect with permanent talent through virtual hiring and sourcing. Working closely with clients to enforce safety standards, we are supporting efforts in providing masks for associates, hand sanitizer, workplace disinfecting, social distancing, and infrared temperature checks. We instruct all our workers to stay home if they are not feeling well or have been exposed to COVID-19. Immediate notification and self-quarantine protocols are in place if a staff member, associate or client's employee is exposed to COVID-19, and our Field Safety Specialists closely evaluate any assignments related to clean-up of potentially infectious job sites. To ensure business continuity and support for clients who need workers for essential services, we established a Centralized Branch Support Center and are ready to implement Regional Command Centers as needed to serve as backup for our 600+ branches. Our branches follow strict sanitation and social distancing guidelines. In addition, across the TrueBlue organization, we suspended all international travel and restricted nonessential domestic travel for our employees and are providing remote work capabilities for our Tacoma and Chicago support centers as well as other locations.

In response to these rapidly changing market conditions, we are taking all appropriate steps to reduce SG&A expense and other cash outflows. We continue to monitor this rapidly evolving situation and guidance from domestic and international authorities, including federal, state and local public health authorities, and may take additional actions based on their recommendations. There may be developments outside our control requiring us to adjust our operating plan. As such, given the dynamic nature of this situation, it is difficult to estimate the impacts of COVID-19 on our financial condition, results of operations or cash flows in the future. However, we do expect that it will continue to have a material adverse impact on our future revenue, overall profitability and liquidity. For additional discussion on the uncertainties and business risks associated with COVID-19, refer to “Risk Factors” in Part II, Item 1A of this Quarterly Report on Form 10-Q.

The following table presents selected financial data:

	Thirteen weeks ended				Twenty-six weeks ended			
(in thousands, except percentages and per share data)	June 28, 2020	% of revenue	June 30, 2019	% of revenue	June 28, 2020	% of revenue	June 30, 2019	% of revenue
Revenue from services	$ 358,944		$ 588,594		$ 853,196		$ 1,140,946	
Total revenue growth (decline) %	(39.0)%		(4.2)%		(25.2)%		(2.4)%	
Gross profit	$ 83,225	23.2 %	$ 156,683	26.6%	$ 209,384	24.5 %	$ 303,378	26.6%
Selling, general and administrative expense	97,200	27.1 %	125,965	21.4%	214,581	25.2 %	253,945	22.3%
Depreciation and amortization	7,256	2.0 %	9,827	1.7%	16,350	1.9 %	19,779	1.7%
Goodwill and intangible asset impairment charge	—		—		175,189		—	
Income (loss) from operations	(21,231)	(5.9)%	20,891	3.5%	(196,736)	(23.1)%	29,654	2.6%
Interest and other income (expense), net	(412)		827		(149)		1,380	
Income (loss) before tax expense (benefit)	(21,643)		21,718		(196,885)		31,034	
Income tax expense (benefit)	(13,475)		2,312		(38,223)		3,352	
Net income (loss)	$ (8,168)	(2.3)%	$ 19,406	3.3%	$ (158,662)	(18.6)%	$ 27,682	2.4%
Net income (loss) per diluted share	$ (0.23)		$ 0.49		$ (4.39)		$ 0.70	

We report our business as three reportable segments described below and in Note 11: *Segment Information*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q.

- ***PeopleReady*** provides access to reliable workers in the United States, Canada and Puerto Rico through a wide range of staffing solutions for on-demand contingent general and skilled labor. PeopleReady connects people to work in a broad range of industries that include construction, manufacturing and logistics, warehousing and distribution, waste and recycling, energy, retail, hospitality, and others. As of December 29, 2019, we had a network of 614 branches across all 50 states, Canada and Puerto Rico. Complementing our branch network is our mobile application, JobStack™, which connects workers with jobs, creates a virtual exchange between our workers and clients, and allows our branch resources to expand their recruiting and sales efforts and service delivery. JobStack is helping to competitively differentiate our services, expand our reach into new demographics, and improve both service delivery and work order fill rates as we lead our business into a digital future.

- ***PeopleManagement*** predominantly provides a wide range of on-site contingent staffing and workforce management solutions to larger multi-site manufacturing, distribution and fulfillment clients. In comparison with PeopleReady, services are larger in scale, longer in duration, and dedicated service teams are located at the client’s facility. Effective December 30, 2019 (first day of our 2020 fiscal year), we combined our two on-site contingent industrial workforce operating segments, Staff Management | SMX and SIMOS Insourcing Solutions (“SIMOS”) into one operating segment titled “On-site,” which continues to be reported under PeopleManagement. On-site includes our branded service offerings for hourly (Staff Management | SMX) and productivity-based (SIMOS) industrial staffing solutions serving the same industries and similar clients. PeopleManagement also includes Centerline Drivers (“Centerline”), which specializes in dedicated and contingent commercial truck drivers to the transportation and distribution industries.

- ***PeopleScout*** provides recruitment process outsourcing of end-to-end talent acquisition services from candidate sourcing and engagement through the onboarding of employees as well as employer branding services. Our solution is highly scalable and flexible, which allows for the outsourcing of all or a subset of skill categories across a series of recruitment, hiring and onboarding steps. Our solution delivers improved talent quality and candidate experience, faster hiring, increased scalability, lower cost of recruitment, greater flexibility, and increased compliance. Our clients outsource the recruitment process to PeopleScout in all major industries and jobs. We leverage our proprietary technology platform (Affinix™) for sourcing, screening and delivering a permanent workforce, along with dedicated service delivery teams to work as an integrated partner with our clients. Affinix uses artificial intelligence and machine learning to search the web and source candidates, which means we can create the first slate of candidates for a job posting within minutes rather than days.

Our PeopleScout reportable segment also includes a managed service provider business, which provides clients with improved quality and cost management of their contingent labor vendors.

Revenue from services

Revenue from services by reportable segment was as follows:

	Thirteen weeks ended					Twenty-six weeks ended				
(in thousands, except percentages)	June 28, 2020	Growth (decline) %	Segment % of total	June 30, 2019	Segment % of total	June 28, 2020	Growth (decline) %	Segment % of total	June 30, 2019	Segment % of total
Revenue from services:										
PeopleReady	$ 209,151	(43.4)%	58.2	$ 369,261	62.7%	$ 508,445	(27.0)%	59.6%	$ 696,129	61.0%
PeopleManagement	118,661	(22.7)	33.1	153,530	26.1	260,275	(16.5)	30.5	311,574	27.3
PeopleScout	31,132	(52.7)	8.7	65,803	11.2	84,476	(36.6)	9.9	133,243	11.7
Total company	$ 358,944	(39.0)%	100.0%	$ 588,594	100.0%	$ 853,196	(25.2)%	100.0%	$ 1,140,946	100.0%

The workforce solutions business is dependent on the overall strength of the labor market. Clients tend to use contingent workers to supplement their existing workforce and generally hire permanent workers when long-term demand is expected to increase. As a consequence, our revenue from services tends to increase quickly when the economy begins to grow. Conversely, our revenue decreases quickly when the economy begins to weaken and thus contingent staff positions are eliminated, permanent hiring is frozen and turnover replacement diminishes.

Total company revenue declined 39.0% to $358.9 million for the thirteen weeks ended June 28, 2020, compared to the same period in the prior year. During the quarter, revenue declined 42.3% in April 2020, then moderated to a decline of 34.6% in June 2020, compared to the same periods in the prior year. The decline was due to a significant drop in client demand associated with government and societal actions to address COVID-19. In particular, the outbreak and preventive measures taken to help curb the spread of COVID-19 had severe adverse impacts on our operations and business results. Many of the clients we serve have been severely impacted by COVID-19 and have stopped or significantly reduced their need for our staffing services, which has resulted in lower than expected revenue. Declines were broad-based across multiple geographies and industries. Our business remained open as we continued to provide key services to essential businesses. We expect significant adverse impact on our future revenue as well as our overall profitability and liquidity for as long as the negative economic impacts of COVID-19 are being experienced.

PeopleReady

PeopleReady revenue declined to $209.2 million for the thirteen weeks ended June 28, 2020, a 43.4% decrease compared to the same period in the prior year, and declined to $508.4 million for the twenty-six weeks ended June 28, 2020, a 27.0% decrease compared to the same period in the prior year. The decline was due to a significant drop in client demand associated with government and societal actions to address COVID-19. In particular, the outbreak and preventive measures taken to help curb the spread of COVID-19 had severe adverse impacts on our operations and business results. Many of the clients we serve have been severely impacted by COVID-19 and have stopped or significantly reduced their need for our staffing services, which has resulted in lower than expected revenue. Declines were broad-based across multiple geographies and industries and most significant during the month of April 2020, when revenue declined 46.2% compared to the prior year. Demand partially recovered to a decline of 39.3% in June 2020.

We believe the decline was partially offset by the use of our industry-leading JobStack mobile application that digitally connects workers with jobs. During the second quarter of 2020, PeopleReady dispatched approximately 0.6 million shifts via JobStack and achieved an all-time high digital fill rate of 53%. JobStack has an 88% worker adoption rate and 24,300 client users as of the second quarter of 2020, or an increase of 38% compared to the same period in the prior year. JobStack is helping us safely connect people with work during this time of crisis.

PeopleManagement

PeopleManagement revenue declined to $118.7 million for the thirteen weeks ended June 28, 2020, a 22.7% decrease compared to the same period in the prior year, and declined to $260.3 million for the twenty-six weeks ended June 28, 2020, a 16.5% decrease compared to the same period in the prior year. Many of the clients we serve have been severely impacted by COVID-19 and have stopped or significantly reduced their need for our staffing services, which has resulted in lower than expected revenue. Declines were broad-based across multiple industries and the most significant during the month of April 2020, when revenue declined 29.9% compared to the prior year. Demand partially recovered to a decline of 15.5% in June 2020, as compared to the prior year driven by manufacturers reopening (including food processors and auto manufacturing suppliers) and strength in e-commerce.

PeopleScout

PeopleScout revenue declined to $31.1 million for the thirteen weeks ended June 28, 2020, a 52.7% decrease compared to the same period in the prior year, and declined to $84.5 million for the twenty-six weeks ended June 28, 2020, a 36.6% decrease compared to the same period in the prior year. The revenue decline was partially due to the impact of reduced project-based recruiting volumes at a large industrial client, which declined throughout 2019 due to the client's adverse business conditions resulting in no order volume in the fourth quarter of 2019. Revenue declined further due to less demand from existing clients resulting from the economic disruption caused by COVID-19. Our clients in the travel and leisure industries were hit especially hard.

Gross profit

Gross profit was as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands, except percentages)	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Gross profit	$ 83,225	$ 156,683	$ 209,384	$ 303,378
Percentage of revenue	23.2%	26.6%	24.5%	26.6%

Gross profit as a percentage of revenue declined to 23.2%, or 340 basis points for the thirteen weeks ended June 28, 2020, compared to 26.6% for the same period in the prior year. Our PeopleScout business contributed approximately 240 basis points to the decline partially due to 80 basis points of severance and the remaining decline from the continued impact of lower volume due to the rapid revenue decline caused by the disruption of COVID-19, which outpaced the reductions to our service delivery team. Our staffing businesses contributed 100 basis points to the decline primarily due to health concerns and higher pay rates necessary to attract employees given the availability of federal unemployment benefits.

Gross profit as a percentage of revenue declined to 24.5%, or 210 basis points for the twenty-six weeks ended June 28, 2020, compared to 26.6% for the same period in the prior year. Our PeopleScout business contributed approximately 160 basis points to the decline partially due to 40 basis points of severance and the remaining decline from the continued impact of lower volume due to the rapid revenue decline caused by the disruption of COVID-19, which outpaced the reductions to our service delivery team. Our staffing businesses contributed 50 basis points to the decline primarily due to health concerns and higher pay rates necessary to attract employees given the availability of federal unemployment benefits, partially offset by a benefit from a reduction in estimated costs to comply with the Affordable Care Act, which were recorded in prior fiscal years, net of additional insurance coverage associated with former workers' compensation carriers in liquidation in the prior year. We do not expect the benefit from lower affordable health care costs to reoccur.

Selling, general and administrative expense

SG&A expense was as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands, except percentages)	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Selling, general and administrative expense	$ 97,200	$ 125,965	$ 214,581	$ 253,945
Percentage of revenue	27.1%	21.4%	25.2%	22.3%

Total company SG&A expense decreased by $28.8 million and $39.4 million for the thirteen and twenty-six weeks ended June 28, 2020, compared to the same periods in the prior year, respectively. The decrease in SG&A expense was primarily due to comprehensive actions we put in place in March 2020 to dramatically reduce costs in response to rapidly changing market conditions due to COVID-19. We have taken appropriate steps to reduce SG&A expense while preserving the key strengths of our business to ensure we are prepared for the time when business conditions improve. The decrease in SG&A expense included $3.1 million in employee retention credits made available under the Canada Emergency Wage Subsidy for Canadian employees and the Australian JobKeeper subsidy for Australian employees during the thirteen weeks ended June 28, 2020. These reductions were partially offset by $8.0 million and $8.8 million in workforce reduction costs recorded in the thirteen and twenty-six weeks ended June 28, 2020, respectively, compared to $0.5 million for the same periods in the prior year. We will continue to monitor and manage our SG&A expense in the current environment.

Depreciation and amortization

Depreciation and amortization was as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands, except percentages)	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Depreciation and amortization	$ 7,256	$ 9,827	$ 16,350	$ 19,779
Percentage of revenue	2.0%	1.7%	1.9%	1.7%

Depreciation and amortization decreased primarily due to the impairment to our acquired client relationships intangible assets of $34.7 million in the first quarter of 2020 and several intangible assets that were fully amortized in the second half of 2019, which resulted in a decline in amortization expense for the thirteen and twenty-six weeks ended June 28, 2020.

Goodwill and intangible asset impairment charge

Goodwill and intangible asset impairment charge were as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands, except percentages)	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Goodwill and intangible asset impairment charge	$ —	$ —	$ 175,189	$ —

A summary of the goodwill and intangible asset impairment charge by reportable segment is as follows:

(in thousands)	PeopleManagement	PeopleScout	Total company
Goodwill	$ 45,901	$ 94,588	$ 140,489
Client relationships	9,700	25,000	34,700
Total	$ 55,601	$ 119,588	$ 175,189

We evaluate goodwill for impairment on an annual basis as of the first day of our fiscal second quarter, and whenever events or circumstances make it more likely than not that an impairment may have occurred. These events or circumstances could include a significant change in the business climate, operating performance indicators, competition, client engagement, legal factors, or sale or disposition of a significant portion of a reporting unit. We monitor the existence of potential impairment indicators throughout the fiscal year. During the first quarter of 2020, the following events made it more likely than not that an impairment had occurred and accordingly, we performed an interim impairment test as of the last day of our fiscal first quarter of 2020.

We experienced a significant decline in our stock price during the first quarter of 2020. As a result of the decline in stock price, our market capitalization fell significantly below the recorded value of our consolidated net assets. The reduced market capitalization reflected the expected continued weakness in pricing and demand for our services in an uncertain economic climate. This was further impacted in March 2020 by COVID-19, which created a sudden global economic shock. Most industries we serve have been impacted by a significant decrease in demand for their products and services and, as a result, we experienced a significant drop in client demand associated with government and societal actions to address COVID-19. We have experienced and expect to continue to experience significant decreases to our revenues and corresponding operating results due to weakness in pricing and demand for our services during this severe economic downturn. While demand is expected to recover in the future, the rate of recovery will vary by geography and industry depending on the economic impact caused by COVID-19 and the rate at which infections decline to a contained level.

As a result of our interim impairment test in the first quarter of 2020, we concluded that the carrying amounts of goodwill for PeopleScout RPO, PeopleScout MSP and PeopleManagement On-Site reporting units exceeded their implied fair values and we recorded a non-cash impairment loss of $140.5 million. The total goodwill carrying value of $45.9 million for PeopleManagement On-site reporting unit was fully impaired. The goodwill impairment charge for PeopleScout RPO and PeopleScout MSP was $92.2 million and $2.4 million, respectively. The remaining goodwill balances for PeopleScout RPO and PeopleScout MSP were $22.7 million and $9.7 million, respectively, as of June 28, 2020.

We generally record acquired intangible assets that have finite useful lives, such as client relationships, in connection with business combinations. We review intangible assets that have finite useful lives and other long-lived assets whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. Factors considered important that could result in an impairment review include, but are not limited to, significant underperformance relative to historical or planned operating results or significant changes in business strategies. With the decrease in demand for our services due to the economic impact caused by COVID-19, we have lowered our future expectations, which was the primary trigger of an impairment to our acquired client relationships intangible assets for our PeopleScout RPO and PeopleManagement On-Site reporting units of $34.7 million in the first quarter of 2020. The impairment charge for PeopleScout RPO and PeopleManagement On-site reporting units was $25.0 million and $9.7 million, respectively. The remaining client relationship intangible asset balances related to assets impaired for PeopleScout RPO and PeopleScout MSP were $5.8 million and $8.1 million, respectively, as of June 28, 2020.

Income taxes

The income tax expense and the effective income tax rate were as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands, except percentages)	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Income tax expense (benefit)	$ (13,475)	$ 2,312	$ (38,223)	$ 3,352
Effective income tax rate	62.3%	10.6%	19.4%	10.8%

Our tax provision and our effective tax rate are subject to variation due to several factors, including variability in accurately predicting our pre-tax and taxable income and loss by jurisdiction, tax credits, government audit developments, changes in laws, regulations and administrative practices, and relative changes of expenses or losses for which tax benefits are not recognized.

Additionally, our effective tax rate can be more or less volatile based on the amount of pre-tax income and loss. For example, the impact of the following discrete items, tax credits and non-deductible expenses on our effective tax rate is greater when our pre-tax income or loss is lower. The semi-fixed nature of discrete items, tax credits and non-deductible expenses is magnified on our effective tax rate due to lower pre-tax income or loss.

The items accounting for the difference between income taxes computed at the statutory federal income tax rate and income taxes reported on the Consolidated Statements of Operations and Comprehensive Income (Loss) are as follows:

	Thirteen weeks ended				Twenty-six weeks ended			
	June 28, 2020	%	June 30, 2019	%	June 28, 2020	%	June 30, 2019	%
Income (loss) before tax expense (benefit)	$ (21,643)		$ 21,718		$ (196,885)		$ 31,034	
Federal income tax expense (benefit) at statutory rate	$ (4,545)	21.0 %	$ 4,561	21.0 %	$ (41,346)	21.0 %	$ 6,517	21.0 %
Increase (decrease) resulting from:								
State income taxes, net of federal benefit	(1,644)	7.6	1,062	4.9	(9,952)	5.1	1,517	4.9
Goodwill and intangible asset impairment impact	—	—	—	—	21,849	(11.1)	—	—
Benefit from the CARES Act	(3,595)	16.6	—	—	(5,698)	2.9	—	—
Job tax credits, net	(3,905)	18.0	(3,464)	(16.0)	(3,982)	2.0	(5,065)	(16.3)
Other non-deductible/non-taxable items	214	(0.9)	153	0.7	906	(0.5)	383	1.2
Income tax expense (benefit)	$ (13,475)	62.3 %	$ 2,312	10.6 %	$ (38,223)	19.4 %	$ 3,352	10.8 %

Significant fluctuations in our effective rate are primarily due to the non-deductible goodwill and intangible asset impairment charge, the CARES Act and the WOTC hiring credits. Other differences between the statutory federal income tax rate result from state and foreign income taxes and certain other non-deductible and non-taxable items.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As a result of our interim impairment test, we concluded that the carrying amounts of goodwill and other intangible assets for selected reporting units exceeded their implied fair values and we recorded a non-cash impairment loss of $175.2 million. Of the total impairment loss, $84.7 million (tax effected $21.8 million) related to reporting units from stock acquisitions and accordingly are not deductible for tax purposes. The remaining impairment loss of $90.5 million (tax effected $23.3 million) related to reporting units from asset acquisitions and accordingly are deductible for tax purposes.

On March 27, 2020 the CARES Act was enacted in the United States. The CARES Act is an emergency economic aid package to help mitigate the impact of COVID-19. Among other things, the CARES Act provides certain changes to tax laws, including the ability to carry back current year losses to obtain refunds related to prior year tax returns with a higher federal tax rate of 35%. The net operating loss carry back benefit will vary depending on estimated results for the year.

WOTC is designed to encourage employers to hire workers from certain targeted groups with higher than average unemployment rates. WOTC is generally calculated as a percentage of wages over a twelve month period up to worker maximums by targeted group. Based on historical results and business trends, we estimate the amount of WOTC we expect to earn related to wages of the current year. However, the estimate is subject to variation because 1) a small percentage of our workers qualify for one or more of the many targeted groups; 2) the targeted groups are subject to different incentive credit rates and limitations; 3) credits fluctuate depending on economic conditions and qualified worker retention periods; and 4) state and federal offices can delay their credit certification processing and have inconsistent certification rates. We recognize additional prior year hiring credits if credits in excess of original estimates have been certified by government offices. WOTC is due to expire at the end of 2020.

Segment performance

We evaluate performance based on segment revenue and segment profit (loss). Segment profit (loss) includes revenue, related cost of services, and ongoing operating expenses directly attributable to the reportable segment. Segment profit (loss) excludes goodwill and intangible impairment charges, depreciation and amortization expense, unallocated corporate general and administrative expense, interest, other income and expense, income taxes, and other adjustments not considered to be ongoing. See Note 11: *Segment Information*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for additional details on our reportable segments, as well as a reconciliation of segment profit to income (loss) before tax expense (benefit).

Segment profit (loss) should not be considered a measure of financial performance in isolation or as an alternative to net income (loss) in the Consolidated Statements of Operations and Comprehensive Income (Loss) in accordance with accounting principles generally accepted in the United States of America, and may not be comparable to similarly titled measures of other companies.

PeopleReady segment performance was as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands, except percentages)	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Revenue from services	$ 209,151	$ 369,261	$ 508,445	$ 696,129
Segment profit	633	21,795	8,288	33,265
Percentage of revenue	0.3%	5.9%	1.6%	4.8%

PeopleReady segment profit declined $21.2 million and $25.0 million for the thirteen and twenty-six weeks ended June 28, 2020, compared to the same periods in the prior year, respectively. We experienced a segment profit decline primarily due to the significant drop in client demand associated with government and societal actions to address COVID-19. The significant drop in demand, increased price sensitivity, increased contingent worker wages and preventive measures taken to help curb the spread of COVID-19 had severe adverse impacts on our operations and business results. The declines were partially offset by the decisive and comprehensive cuts to SG&A expense in line with management's plans to preserve the key strengths of our business.

We believe these declines were partially offset by the strategic use of our industry-leading JobStack mobile application that digitally connects workers with jobs. JobStack is helping us safely connect people with work during this time of crisis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PeopleManagement segment performance was as follows:

(in thousands, except percentages)	Thirteen weeks ended		Twenty-six weeks ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Revenue from services	$ 118,661	$ 153,530	$ 260,275	$ 311,574
Segment profit	1,803	4,128	1,489	6,434
Percentage of revenue	1.5%	2.7%	0.6%	2.1%

PeopleManagement segment profit declined $2.3 million and $4.9 million for the thirteen and twenty-six weeks ended June 28, 2020, compared to the same periods in the prior year, respectively. We experienced a segment profit decline primarily due to a significant drop in demand from our clients associated with government and societal actions to address COVID-19. Many of the clients we serve have been severely impacted by COVID-19 and have stopped or significantly reduced their need for our staffing services, which has resulted in lower revenue. The significant drop in demand, increased price sensitivity, higher pay rates necessary to attract employees given the availability of federal unemployment benefits, and preventive measures taken to help curb the spread of COVID-19 had severe adverse impacts on our segment profit and our segment profit as a percent of revenue. The decline in revenue was partially offset by our cost control programs which have reduced our SG&A expense in line with our plans.

PeopleScout segment performance was as follows:

(in thousands, except percentages)	Thirteen weeks ended		Twenty-six weeks ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Revenue from services	$ 31,132	$ 65,803	$ 84,476	$ 133,243
Segment profit (loss)	(2,782)	11,223	(274)	21,650
Percentage of revenue	(8.9)%	17.1%	(0.3)%	16.2%

PeopleScout segment profit declined $14.0 million and $21.9 million for the thirteen and twenty-six weeks ended June 28, 2020, compared to the same periods in the prior year, respectively. We experienced a segment profit decline primarily due to a decline in demand. The decline in demand was partially due to the impact of the substantially reduced project-based recruiting volumes at a large industrial client, which declined throughout 2019 due to the client's adverse business conditions resulting in no order volume in the fourth quarter of 2019. Revenue declined further due to less demand from existing clients resulting from the economic disruption caused by COVID-19, which significantly impacted our clients in the travel and leisure industries. Due to the decline in revenue, we took actions to reduce the cost of our service delivery which lagged the rapid revenue decline caused by the disruption of COVID-19 and negatively impacted our segment profit and our segment profit as a percent of revenue. The decline in revenue was partially offset by our cost control programs which have reduced our SG&A expense in line with our plans.

FUTURE OUTLOOK

The global economy and our business have been dramatically affected by COVID-19. To date, COVID-19 has surfaced all around the world and resulted in country-level quarantines, global travel restrictions and broad-based economic slowdowns. There are no reliable estimates of how long the pandemic will last or how many people will be affected by it. For that reason, it is difficult to predict the short- and long-term impacts of the pandemic on our business at this time.

Most states, counties and municipalities are monitoring overall COVID-19 testing volume and changes in the percent of positive tests in relation to hospital capacity and supplies to care for COVID-19 patients and other patients needing urgent care, and reopening their respective economies in phases. The process of reopening has slowed due to increases in testing volumes and percent of positive test results. We expect the disruption due to COVID-19 will continue to have a significant adverse impact on our future revenue as well as our overall profitability and liquidity for as long as the negative economic impacts of COVID-19 are being experienced. Due to the uncertainty surrounding COVID-19 and its impact on the business environment, we have limited visibility into our financial condition, results of operations or cash flows in the future. However, we anticipate pressure on our profitability and cash flows and have taken steps to increase our cash position and preserve financial flexibility as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS

- We expect our second quarter of 2020 gross margin headwinds of 340 basis points compared to the prior year, to improve as we move into the second half of 2020, due to the relative improvement in our PeopleScout business. PeopleScout, our highest gross margin business, took actions in the second quarter to reduce the cost of our service delivery which lagged the rapid revenue decline caused by the disruption of COVID-19 and negatively impacted our gross margin. While we may continue to experience severe revenue headwinds from existing clients in the travel and leisure industries that were significantly impacted by COVID-19, we have taken steps to reduce the negative impact on gross margins due to the fixed nature of certain costs of service delivery. We anticipate gross margin headwinds to decline between 210 to 150 basis points in the third quarter of 2020 and 200 to 140 basis points for fiscal 2020, compared to the same periods in the prior year, primarily due to lower volume and client mix.

- We have taken appropriate and swift steps to reduce our operating cost structure and other cash outflows to preserve capital to fund working capital needs. These actions will have the effect of reducing our operating expenses by between $90 million and $100 million in fiscal 2020 and $28 million and $33 million in the third quarter of 2020 compared to the same periods in the prior year, while preserving the key strengths of our business to ensure we are prepared when business conditions improve.

- We are reducing planned cash capital expenditures by approximately $10 million to $22 million for fiscal 2020 to preserve operating capital and focus investment efforts. Capital expenditures of $22 million are net of $4 million of build-out costs for our Chicago headquarters that will be reimbursed by our landlord in 2020. Total capital expenditures for the third quarter of 2020 will be approximately $7 million. We remain committed to technological innovation to transform our business for a digital future. We continue to make investments in online and mobile applications to improve access to workers and candidates, as well as improve the speed and ease of connecting our clients and workers for our staffing businesses, and candidates for our recruitment process outsourcing business. We expect these investments will increase the competitive differentiation of our services over the long-term, improve the efficiency of our service delivery, and reduce our PeopleReady dependence on local branches to find contingent workers and connect them with work. Examples include our JobStack mobile application in our PeopleReady business and our Affinix talent acquisition technology in our PeopleScout business.

- On March 16, 2020, we amended our credit agreement and extended the term to March 16, 2025. On June 24, 2020, we entered into a second amendment, which modified terms of our financial covenants as well as certain other provisions of the Revolving Credit Facility. While we would have been in compliance with our prior banking covenants on June 28, 2020, we felt it was prudent to amend the covenants to provide additional flexibility given the amount of economic uncertainty. At June 28, 2020, $45.0 million was drawn on the Revolving Credit Facility leaving $248.8 million unused under the Revolving Credit Facility, which is constrained by our most restrictive covenant making $125 million available. We have an option to increase the total line of credit amount to $450.0 million, subject to bank approval. As of June 28, 2020, we had cash and cash equivalents of $92.1 million and total debt of $45.0 million.

- Under the CARES Act, we are allowed to delay payments for the employer portion of social security taxes (6.2% of taxable wages) incurred during March 27, 2020 to December 31, 2020, for both our temporary associates and permanent employees. As of June 28, 2020, we have deferred $15.7 million of employer payroll taxes. In addition, we are taking advantage of other deferred payment opportunities for federal, state, local and foreign taxes for which we qualify.

- We have historically returned capital to shareholders through stock repurchases, however we do not plan on repurchasing additional shares until economic conditions improve.

We continue to monitor the rapidly evolving situation and guidance from domestic and international authorities, including federal, state and local public health authorities, and may take additional actions based on their recommendations. There may be developments outside our control requiring us to adjust our operating plan. As such, given the dynamic nature of this situation, it is difficult to estimate the impacts of COVID-19 on our financial condition, results of operations or cash flows in the future. A protracted recession will have a material adverse impact on our future revenue growth as well as our overall profitability, funding working capital needs and complying with banking covenants that require us to maintain certain financial conditions.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

(in thousands)	Twenty-six weeks ended June 28, 2020	Twenty-six weeks ended June 30, 2019
Net income (loss)	$ (158,662)	$ 27,682
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	16,350	19,779
Goodwill and intangible asset impairment charge	175,189	—
Provision for doubtful accounts	5,923	3,761
Non-cash lease expense, net of changes in operating lease liabilities	(189)	(23)
Stock-based compensation	4,345	5,260
Deferred income taxes	(27,049)	2,393
Other operating activities	2,669	(2,072)
Changes in operating assets and liabilities:		
Accounts receivable	111,803	16,162
Accounts payable and other accrued expenses	(22,197)	(16,542)
Accrued wages and benefits	4,921	(4,667)
Income tax receivable	(7,291)	(6,347)
Other assets	4,682	(4,472)
Workers' compensation claims reserve	(5,668)	(7,109)
Other liabilities	(1,344)	3,174
Net cash provided by operating activities	$ 103,482	$ 36,979

Cash flows from operating activities

Net cash provided by operating activities was $103.5 million for the twenty-six weeks ended June 28, 2020, compared to $37.0 million for the prior year.

Net loss for the twenty-six weeks ended June 28, 2020 includes a goodwill and intangible asset impairment charge of $175.2 million ($151.9 million after tax) related to the company's acquisitions. The charge was a result of the adverse impact on expected future cash flows related to the current state of the economy and the impact of COVID-19. The charge does not impact the company's current cash, liquidity, or banking covenants.

Changes to adjustments to reconcile net loss to net cash provided by operating activities for the twenty-six weeks ended June 28, 2020 were primarily due to:

- Depreciation and amortization decreased primarily due to the impairment to our acquired client relationships intangible assets for our PeopleScout RPO and PeopleManagement On-Site reporting units of $34.7 million in the first quarter of 2020, and several intangible assets that were fully amortized in the second half of 2019, which resulted in a decline in amortization expense for the thirteen and twenty-six weeks ended June 28, 2020.
- The provision for doubtful accounts increased primarily due to clients significantly impacted by COVID-19. Bad debt expense as a percent of revenue increased to 0.7% for the twenty-six weeks ended June 28, 2020, from 0.3% for the comparable period in the prior year.
- Deferred tax assets increased primarily due to $23.3 million of discrete tax benefit resulting from goodwill and intangible asset impairments. Impairment losses related to reporting units where the net assets we acquired are deductible for tax purposes.
- Other operating activities increased primarily due to $1.7 million in unrealized losses on deferred compensation assets due to overall declines in global equity investments for the twenty-six weeks ended June 28, 2020, as compared to a $3.2 million gain for the same period in the prior year as equity markets strengthened.

Changes to operating assets and liabilities for the twenty-six weeks ended June 28, 2020 were primarily due to:

- Cash provided by accounts receivable of $111.8 million was due to lower revenue from a decline in demand for our services and a seasonal revenue decline from the fourth quarter of 2019, resulting in a significant decrease in accounts receivable. This decrease was partially offset by an increase in our days sales outstanding of 4.1 days during the twenty-six weeks ended June 28, 2020, caused by a mix of clients with longer payment terms and payment delays from certain clients that have been severely impacted by COVID-19.

- Cash used for accounts payable and accrued expenses of $22.2 million was due to cost control programs, seasonal patterns and timing of payments. The primary driver for the reduction to accounts payable and accrued expenses was the swift action to reduce our operating cost structure in response to the economic impact of COVID-19. The decline was also due to seasonal patterns. Our business experiences seasonal fluctuations for contingent staffing services. Additionally, the beginning accounts payable and accrued expense balance was higher than normal and the ending balance lower than normal due to timing of payments.

- Accrued wages and benefits includes $15.7 million of employer payroll tax payments that were deferred as of June 28, 2020, as allowed under the CARES Act. This was partially offset by a reduction to accrued wages and benefits due to our swift actions to reduce our operating cost structure in response to the economic impact of COVID-19.

- Generally, our workers' compensation claims reserve for estimated claims decreases as contingent labor services declines, as is the case in the current and prior year. Additionally, our worker safety programs have had a positive impact and have created favorable adjustments to our workers' compensation liabilities recorded in each period. Continued favorable adjustments to our workers' compensation liabilities are dependent on our ability to continue to lower accident rates and claim costs.

Cash flows from investing activities

	Twenty-six weeks ended	
(in thousands)	**June 28, 2020**	**June 30, 2019**
Capital expenditures	$ (11,641)	$ (11,064)
Purchases and sales of restricted investments	5,574	8,370
Net cash used in investing activities	$ (6,067)	$ (2,694)

Net cash used in investing activities was $6.1 million for the twenty-six weeks ended June 28, 2020, compared to net cash used of $2.7 million for the same period in the prior year.

Capital expenditures are primarily due to our increased investment in software technology. We remain committed to technological innovation to transform our business for a digital future that makes it easier for our clients to do business with us and easier to connect people to work. We continue making investments in online and mobile applications to improve access to workers and candidates, as well as improve the speed and ease of connecting our clients and workers for our staffing businesses, and candidates for our recruitment process outsourcing business. We expect these investments will increase the competitive differentiation of our services over the long-term, improve the efficiency of our service delivery, and reduce our PeopleReady dependence on local branches to find contingent workers and connect them with work. Examples include our JobStack mobile application in our PeopleReady business and our Affinix talent acquisition technology in our PeopleScout business.

Restricted investments consist primarily of collateral that has been provided or pledged to insurance carriers and state workers' compensation programs. The decrease in the incremental cash used in investing activities was primarily due to lower collateral requirements from our workers' compensation insurance providers, as well as the timing of collateral payments.

Cash flows from financing activities

	Twenty-six weeks ended	
(in thousands)	June 28, 2020	June 30, 2019
Purchases and retirement of common stock	$ (52,346)	$ (9,077)
Net proceeds from employee stock purchase plans	536	700
Common stock repurchases for taxes upon vesting of restricted stock	(1,956)	(1,631)
Net change in Revolving Credit Facility	7,900	(55,300)
Other	(1,344)	(119)
Net cash used in financing activities	$ (47,210)	$ (65,427)

Net cash used in financing activities was $47.2 million for the twenty-six weeks ended June 28, 2020, compared to net cash used of $65.4 million for the same period in the prior year.

During the twenty-six weeks ended June 28, 2020, we repurchased $40.0 million of our common stock under an accelerated share repurchase program and $12.4 million of our common stock in the open market, including commissions, for a total of $52.4 million of common stock. These transactions were initiated prior to the medical community's acknowledgment of the expected severity of the impact COVID-19 would have on the United States. The total number of shares purchased in the open market during the twenty-six weeks ended June 28, 2020 was 779,068. On February 28, 2020, as part of the existing share repurchase plan, we entered into an accelerated share repurchase agreement with a third-party financial institution to repurchase $40.0 million of our common stock. See Note 8: *Shareholders' Equity*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for additional details on the accelerated share repurchase agreement. On July 2, 2020, we settled our ASR agreement resulting in the receipt of 626,948 additional shares from the third-party financial institution. The total number of shares delivered under the ASR agreement was 2,777,486 with a volume weighted average price over the term of the ASR agreement of $14.40. As of June 28, 2020, $66.7 million remains available for repurchase of common stock under existing authorizations. The second amendment to our revolving credit facility agreement prohibits us from repurchasing shares until July 1, 2021.

In June 2020, we amended our credit agreement. See Note 6: *Long-Term Debt*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for additional details on our Revolving Credit Facility. The net change in our Revolving Credit Facility was primarily due to the timing of repayments and our desire to maintain higher liquidity levels.

CAPITAL RESOURCES

Revolving credit facility

On March 16, 2020, we entered into a first amendment to our credit agreement with Bank of America, N.A., Wells Fargo Bank, N.A., PNC Bank, N.A., KeyBank, N.A. and HSBC Bank USA, N.A. dated as of July 13, 2018, which extended the maturity of the revolving credit facility established thereunder (the "Revolving Credit Facility") to March 16, 2025 and modified certain other terms. On June 24, 2020, we entered into a second amendment to our credit agreement (the "Second Amendment"), which modified terms of our financial covenants as well as certain other provisions of the Revolving Credit Facility. Subject to lender approval, we have the ability to increase our Revolving Credit Facility up to $450.0 million.

Obligations under the Revolving Credit Facility are guaranteed by TrueBlue and material U.S. domestic subsidiaries, and are secured by substantially all of the assets of TrueBlue and material U.S. domestic subsidiaries. The amended credit agreement contains customary representations and warranties, events of default, and affirmative and negative covenants, including, among others, financial covenants. The Second Amendment suspended testing of certain covenants through June 27, 2021 (second quarter of 2021).

The following financial covenants, as defined in the Second Amendment, are in effect:

- Asset Coverage Ratio of greater than 1.00, defined as the ratio of 60% of accounts receivable to the difference of total debt outstanding and unrestricted cash in excess of $50 million. As of June 28, 2020, our asset coverage ratio was 14.7.
- Liquidity greater than $150 million, defined as the sum of unrestricted cash and availability under the aggregate revolving commitments. As of June 28, 2020, our liquidity was $340.8 million.

The following financial covenant, as defined in the Second Amendment, will be in effect starting the first quarter of 2021:

- EBITDA, as defined in the amended credit agreement, greater than $12 million for the trailing three quarters ending Q1 2021 and greater than $15 million for the trailing four quarters ending Q2 2021.

See Note 6: *Long-Term Debt*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for additional details on our Revolving Credit Facility.

Restricted cash and investments

Restricted cash and investments consist principally of collateral that has been provided or pledged to insurance carriers for workers’ compensation 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. 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 June 28, 2020, we had restricted cash and investments totaling $217.8 million. The majority of our collateral obligations are held in a trust at the Bank of New York Mellon (“Trust”). See Note 3: *Restricted Cash and Investments*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for details on our restricted cash and investments.

We established investment policy directives for the Trust with the first priority to preserve capital, second to ensure sufficient liquidity to pay workers’ compensation claims, third to diversify the investment portfolio, and fourth 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 nationally recognized statistical rating organizations the minimum ratings at time of purchase 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 insurance, collateral and claims reserves

Workers’ compensation insurance

We provide workers’ compensation insurance for our contingent 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 and, accordingly, we are substantially self-insured.

For workers’ compensation claims originating in Washington, North Dakota, Ohio, Wyoming, Canada and Puerto Rico (our “monopolistic jurisdictions”), we pay workers’ compensation insurance premiums and obtain full coverage under government-administered programs (with the exception of PeopleReady in Ohio where we have a self-insured policy). Accordingly, because we are not the primary obligor, our financial statements do not reflect the liability for workers’ compensation claims in these monopolistic jurisdictions.

Workers’ compensation collateral

Our insurance carriers and certain state workers’ compensation programs require us to collateralize a portion of our workers’ compensation obligation, for which they become responsible should we become insolvent. The collateral typically takes the form of cash and cash-backed instruments, highly rated investment grade securities, letters of credit, and surety bonds. On a regular basis, these entities assess the amount of collateral they will require from us relative to our workers’ compensation obligation. Such amounts can increase or decrease independent of our assessments and reserves. We generally anticipate that our collateral commitments will continue to grow as we grow our business. We pay our premiums and deposit our collateral in installments. The majority of the restricted cash and investments collateralizing our self-insured workers’ compensation policies are held in the Trust.

Our total collateral commitments were made up of the following components for the fiscal period end dates presented:

(in thousands)	June 28, 2020	December 29, 2019
Cash collateral held by workers' compensation insurance carriers	$ 21,902	$ 22,256
Cash and cash equivalents held in Trust	21,922	23,681
Investments held in Trust	143,731	149,373
Letters of credit (1)	6,202	6,202
Surety bonds (2)	20,731	20,731
Total collateral commitments	$ 214,488	$ 222,243

(1) We have agreements with certain financial institutions to issue letters of credit as collateral.
(2) Our surety bonds are issued by independent insurance companies on our behalf and bear annual fees based on a percentage of the bond, which is determined by each independent surety carrier. These fees do not exceed 2.0% of the bond amount, subject to a minimum charge. The terms of these bonds are subject to review and renewal every one to four years and most bonds can be canceled by the sureties with as little as 60 days' notice.

Workers' compensation reserve

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

(in thousands)	June 28, 2020	December 29, 2019
Total workers' compensation reserve	$ 249,950	$ 255,618
Add back discount on workers' compensation reserve (1)	18,178	19,316
Less excess claims reserve (2)	(47,601)	(45,253)
Reimbursable payments to insurance provider (3)	4,117	8,121
Other (4)	(10,156)	(15,559)
Total collateral commitments	$ 214,488	$ 222,243

(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) Excess claims 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 restricted cash 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.
(4) Represents the difference between the self-insured reserves and collateral commitments.

Our workers' compensation reserve is established using estimates of the future cost of claims and related expenses, which are discounted to their estimated net present value. We discount our workers' compensation liability as we believe the estimated future cash outflows are readily determinable.

Our workers' compensation reserve for deductible and self-insured claims 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. Reserves are estimated for claims incurred in the current year, as well as claims incurred during prior years.

Management evaluates the adequacy of the workers' compensation reserves in conjunction with an independent quarterly actuarial assessment. Factors considered in establishing and adjusting these reserves include, among other things:

- changes in medical and time loss ("indemnity") costs;
- changes in mix between medical only and indemnity claims;
- regulatory and legislative developments impacting benefits and settlement requirements;
- type and location of work performed;
- the impact of safety initiatives; and
- positive or adverse development of claims.

Our workers' compensation claims reserves are discounted to their estimated net present value using discount rates based on returns of "risk-free" U.S. Treasury instruments with maturities comparable to the weighted average lives of our workers' compensation claims. At June 28, 2020, the weighted average discount rate was 1.9%. The claim payments are made over an estimated weighted average period of approximately 5 years.

Our workers’ compensation reserves include estimated expenses related to claims above our self-insured 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 June 28, 2020, the weighted average rate was 1.7%. The claim payments are made and the corresponding reimbursements from our insurance carriers are received over an estimated weighted average period of approximately 17 years. The discounted workers’ compensation reserve for excess claims was $47.6 million and $45.3 million, and the corresponding gross receivable for the insurance on excess claims was $46.6 million and $45.3 million as of June 28, 2020 and December 29, 2019, respectively.

We continue to actively manage workers’ compensation cost through the safety of our contingent workers with our safety programs, and actively control costs with our network of service providers. These actions have had a positive impact creating favorable adjustments to workers’ compensation liabilities recorded in the current and prior periods. Continued favorable adjustments to our workers’ compensation liabilities are dependent on our ability to continue to aggressively lower accident rates and costs of our claims. We expect diminishing favorable adjustments to our workers’ compensation liabilities as the opportunity for significant reduction to frequency and severity of accident rates diminishes.

Future outlook

We are focused on capital preservation as a top priority. In response to the rapidly changing market conditions, we have taken swift action to reduce operating costs and other cash outflows to preserve capital to fund working capital needs. Our Revolving Credit Facility provides for a revolving line of credit of up to $300.0 million with an option, subject to lender approval, to increase the amount to $450.0 million. On March 16, 2020, we extended the maturity of the Revolving Credit Facility to March 16, 2025. Although we were in compliance with our covenants, we felt it was prudent to negotiate more favorable covenants given the level of economic uncertainty. On June 24, 2020, we further amended our revolving credit agreement, which included modifications to our financial covenants. As of June 28, 2020, we are in a strong financial position with cash and cash equivalents of $92.1 million and $125 million available under the most restrictive covenant of our Revolving Credit Facility for total liquidity of $217 million.

Our insurance carriers and certain state workers’ compensation programs require us to collateralize a portion of our workers’ compensation obligation, for which they become responsible should we become insolvent. The collateral typically takes the form of cash and cash-backed instruments, highly rated investment grade securities, letters of credit, and surety bonds. We continue to have risk that these collateral requirements may be increased by our insurers due to our loss history and market dynamics, including from the impact of COVID-19.

Under the CARES Act, we are allowed to delay payments for the employer portion of social security taxes (6.2% of taxable wages) incurred during March 27, 2020 to December 31, 2020, for both our temporary associates and permanent employees. As of June 28, 2020, we have deferred $15.7 million of employer payroll taxes. In addition, we are taking advantage of other deferred payment opportunities for federal, state, local and foreign taxes for which we qualify.

In February 2020, as part of the existing share repurchase plan, we entered into an accelerated share repurchase agreement with a third-party financial institution to repurchase $40.0 million of our common stock, and we also repurchased $12.4 million, including commissions, in the open market. These transactions were initiated prior to the medical community’s acknowledgment of the expected severity of the impact COVID-19 would have on the United States. We did not repurchase any of our common stock during the thirteen weeks ended June 28, 2020. As of June 28, 2020, $66.7 million remains available for repurchase of common stock under existing authorizations. We have historically returned capital to shareholders through stock repurchases, however we do not plan on repurchasing additional shares until economic conditions improve. Additionally, the second amendment to our revolving credit facility agreement prohibits us from repurchasing shares until July 1, 2021.

We believe that cash provided from operations and our capital resources will be adequate to meet our cash requirements for the for the next 12 months. If the business interruptions caused by COVID-19 last longer than we expect, we may need to seek other sources of liquidity. These sources may include raising additional debt at less favorable terms or a secondary equity offering at a time of depressed equity valuations in our industry.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

There have been no material changes during the period covered by this Quarterly Report on Form 10-Q, outside of the ordinary course of business, to the contractual obligations specified in the table of contractual obligations found in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the fiscal year ended December 29, 2019.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

Our critical accounting estimates are discussed in Part II, 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 29, 2019. The following has been updated to reflect the results of our impairment analyses.

Considerations related to COVID-19

We have considered COVID-19 related impacts to our estimates, as appropriate, within our financial statements and there may be changes to those estimates in future periods. However, we believe that the accounting estimates used are appropriate after giving consideration to the increased uncertainties surrounding the severity and duration of COVID-19. Such estimates and assumptions are subject to inherent uncertainties, which may result in actual future amounts differing from reported estimated amounts.

Goodwill and indefinite-lived intangible assets

We evaluate goodwill and indefinite-lived intangible assets for impairment on an annual basis as of the first day of our fiscal second quarter, and whenever events or circumstances make it more likely than not that an impairment may have occurred. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, client engagement, or sale or disposition of a significant portion of a reporting unit. We monitor the existence of potential impairment indicators throughout the fiscal year.

Goodwill

We test for goodwill impairment at the reporting unit level. We consider our operating segments to be our reporting units for goodwill impairment testing. As of June 28, 2020, our operating segments are PeopleReady, PeopleManagement Centerline Drivers, PeopleManagement On-Site, PeopleScout, and PeopleScout MSP.

Interim impairment test

During the first quarter of 2020 we experienced a significant decline in our stock price. As a result of the decline in stock price, our market capitalization fell significantly below the recorded value of our consolidated net assets. The reduced market capitalization reflected the expected continued weakness in pricing and demand for our staffing services in a volatile economic climate. This was further impacted in March 2020 by COVID-19, which created a sudden global economic shock. We experienced a significant drop in client demand associated with government and societal actions to address COVID-19.We have experienced and expect to continue to experience significant decreases to our revenues and corresponding operating results due to weakness in pricing and demand for our services during this severe economic downturn. While demand is expected to recover in the future, the rate of recovery will vary by geography and industry depending on the economic impact caused by COVID-19 and the rate at which infections decline to a contained level. Accordingly, we performed an interim impairment test of our goodwill.

The interim impairment test involved comparing the fair value of each reporting unit to its carrying value, including goodwill. Fair value reflects the price a market participant would be willing to pay in a potential sale of the reporting unit. If the fair value exceeds the carrying value, we conclude that no goodwill impairment has occurred. If the carrying value of the reporting unit exceeds its fair value, we recognize an impairment loss in an amount equal to the excess, not to exceed the carrying value of the goodwill. Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions to evaluate the impact of operating and macroeconomic changes on each reporting unit. The fair value of each reporting unit was estimated using a combination of a discounted cash flow methodology and the market valuation approach using publicly traded company multiples in similar businesses. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internally developed forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital, which is risk-adjusted to reflect the specific risk profile of the reporting unit being tested.

The weighted average cost of capital used in our interim impairment test was risk-adjusted to reflect the specific risk profile of the reporting units and ranged from 11.5% to 12.0%. Our control premium was approximately 12%, which management has determined to be reasonable.

We carefully considered the economic impact of COVID-19, together with the estimated decreases to our revenues and corresponding operating results as we have continued weakness in pricing and demand for our services during the current economic downturn. Our estimates were based on our experience with prior recessions, as well as our experience with plans and actions to adjust and adapt to recessions. We base fair value estimates on assumptions we believe to be reasonable but that are difficult to predict. Given the uncertain nature of the economic impact of COVID-19, and the recovery pattern of the broader economy and its impact on our business, actual results could differ significantly from our estimates. The loss of a key client, loss of a significant number of key sites, a significant further decline to the economy, or a protracted recession could give rise to an additional impairment. Should any one of these events occur, we will need to record an impairment loss to goodwill for the amount by which the carrying value exceeds the reporting unit’s fair value, not to exceed the total amount of goodwill.

As a result of our Q1 2020 interim impairment test, we concluded that the carrying amounts of goodwill for PeopleScout RPO, PeopleScout MSP and PeopleManagement On-Site reporting units exceeded their implied fair values and we recorded a non-cash impairment loss of $140.5 million, which was included in goodwill and intangible asset impairment charge on the Consolidated Statements of Operations and Comprehensive Income (Loss). The total goodwill carrying value of $45.9 million for PeopleManagement On-site reporting unit was fully impaired. The goodwill impairment charge for PeopleScout RPO and PeopleScout MSP was $92.2 million and $2.4 million, respectively. Based on our interim goodwill impairment test, the fair values of our PeopleReady and PeopleManagement Centerline Drivers reporting units were in excess of their carrying value by approximately 60% and 195%, respectively.

Annual impairment test

Given the proximity of our interim impairment measurement date (last day of our fiscal first quarter - March 29, 2020) to our annual goodwill impairment measurement date (first day of our fiscal second quarter - March 30, 2020), we performed a qualitative assessment to determine whether it is more likely than not that the fair value of any of our reporting units is less than the carrying value. We considered the current and expected future economic and market conditions surrounding COVID-19 and concluded that it was not more likely than not that the goodwill associated with our reporting units were impaired as of the first day of our fiscal second quarter. Therefore, a quantitative assessment was not performed as of March 30, 2020.

Additionally, we did not identify any events or conditions that make it more likely than not that an impairment may have occurred during the thirteen weeks ended June 28, 2020. The remaining goodwill balances for PeopleScout RPO and PeopleScout MSP were $22.7 million and $9.7 million, respectively, as of June 28, 2020. Should actual results decline further or longer than we have currently estimated, the remaining goodwill balances may be further impaired. We will continue to closely monitor the operational performance of these reporting units as it relates to goodwill impairment

Indefinite-lived intangible assets

We have indefinite-lived intangible assets related to our Staff Management and PeopleScout trade names. We test our trade names annually for impairment, and when indicators of potential impairment exist. We utilize the relief from royalty method to determine the fair value of each of our trade names. If the carrying value exceeds the fair value, we recognize an impairment loss in an amount equal to the excess, not to exceed the carrying value. Management uses considerable judgment to determine key assumptions, including projected revenue, royalty rates and appropriate discount rates.

Interim impairment test

We performed an interim impairment test as of the last day of our first fiscal quarter for 2020 and determined that the estimated fair values exceeded the carrying amounts for our indefinite-lived trade names. Accordingly, no impairment loss was recognized.

Annual impairment test

Given the proximity of our interim impairment measurement date (last day of our fiscal first quarter - March 29, 2020) to our annual indefinite-lived trade names impairment measurement date (first day of our fiscal second quarter - March 30, 2020), we performed a qualitative assessment to determine whether it is more likely than not that the fair value of any of our indefinite-lived trade names is less than the carrying value. We concluded that it was not more likely than not that the indefinite-lived intangible assets associated with our Staff Management and PeopleScout trade names were impaired as of the first day of our fiscal second quarter. Therefore, a quantitative assessment was not performed as of March 30, 2020.

Additionally, we did not identify any events or conditions that make it more likely than not that an impairment may have occurred during the thirteen weeks ended June 28, 2020.

Finite-lived intangible assets and other long-lived assets

We review intangible assets that have finite useful lives and other long-lived assets whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. Factors considered important that could result in an impairment review include, but are not limited to, significant underperformance relative to historical or planned operating results, or significant changes in business strategies. We estimate the recoverability of these assets by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate.

An impairment loss is recognized when the estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset (if any) are less than the carrying value of the asset. When an impairment loss is recognized, the carrying amount of the asset is reduced to its estimated fair value based on discounted cash flow analysis or other valuation techniques.

Interim impairment test

With the estimated decrease in demand for our services due to the economic impact of COVID-19, we have lowered our future expectations, which was the primary trigger of an impairment to our acquired client relationships intangible assets for our PeopleScout RPO and PeopleManagement On-Site reporting units of $34.7 million, which was included in goodwill and intangible asset impairment charge on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the twenty-six weeks ended June 28, 2020. The impairment charge for PeopleScout RPO and PeopleManagement On-site reporting units was $25.0 million and $9.7 million, respectively. Considerable management judgment was necessary to determine key assumptions, including estimated revenue of acquired clients and an appropriate discount rate of 12.0%. Should actual results decline further or longer than we have currently estimated, the remaining intangible asset balances may become further impaired.

Additionally, we did not identify any events or conditions that make it more likely than not that an impairment may have occurred during the thirteen weeks ended June 28, 2020. The remaining client relationship intangible asset balances related to assets impaired for PeopleScout RPO and PeopleManagement On-site were $5.8 million and $8.1 million, respectively, as of June 28, 2020.

NEW ACCOUNTING STANDARDS

See Note 1: *Summary of Significant Accounting Policies,* to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our quantitative and qualitative disclosures about market risk are discussed in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended December 29, 2019.

Item 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that 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 our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

During the fiscal second quarter of 2020, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, as of June 28, 2020.

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) during our most recently completed fiscal quarter that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

The certifications required by Rule 13a-14 of the Exchange Act 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: *Commitments and Contingencies,* to our consolidated financial statements found in Part I, Item 1 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. If any of the events described below occur, our business, financial condition, results of operations, liquidity, or access to the capital markets could be materially and adversely affected.

COVID-19, governmental reactions to COVID-19, and the resulting adverse economic conditions have negatively impacted our business and will have an even greater material adverse impact on our business, financial condition, liquidity, and results of operations.

The COVID-19 outbreak has been categorized as a pandemic by the World Health Organization. The negative impacts on the global economy of COVID-19 and related governmental responses have been wide ranging and multi-faceted. These impacts have caused historically steep and rapid declines in economic activity in the markets where we operate, disruptions in global supply chains, travel restrictions, sharp downturns and price volatility in equities markets, and concern that credit markets and companies will not remain liquid.

COVID-19 has caused significant negative impacts on our operations and stock price. Our revenues declined substantially beginning in the second half of March because of COVID-19 and will remain suppressed while the current economic conditions continue. The operations of our clients have been severely disrupted, and could further decline, thereby increasing the likelihood that our clients continue to delay new contracts or cancel current contracts, reduce orders for our services in the future, have difficulty paying for services provided, or cease operations altogether. The rapid increase in unemployment has made it easier for clients to find new staff, reducing the demand for our services. In response to these adverse conditions we have taken steps to reduce our expenses and cash outflows. These reductions in expenses, including layoffs, could fail to achieve the intended savings or alternatively reduce our ability to take advantage of opportunities in the future if economic conditions improve. Further deteriorations in economic conditions, as a result of COVID-19 or otherwise, will lead to a prolonged decline in demand for our services and negatively impact our business.

The extent to which COVID-19 adversely impacts our business depends on future developments of the pandemic and related governmental responses, which are both uncertain and unpredictable. While this matter has, and we expect it to continue to, negatively impact our results of operations, cash flows, profit margins, and financial position, the current level of uncertainty over the economic and operational impacts of COVID-19 means the related financial impact is difficult to estimate at this time. In addition, we cannot assure you that actions we take to reduce costs or otherwise change our operations will address the issues we face with clients, employees or our results of operations.

Demand for our workforce solutions is significantly affected by fluctuations in general economic conditions.

The demand for workforce solutions is highly dependent upon the state of the economy and the workforce needs of our clients, which creates uncertainty and volatility. National and global economic activity is slowed by many factors, including rising interest rates, political and legislative changes, epidemics, other significant health concerns, and global trade uncertainties. As economic activity slows, companies tend to reduce their use of contingent workers and recruitment of new employees. For example, we have recently experienced significantly reduced demand from our clients due to COVID-19. Significant declines in demand from any region or industry in which we have a major presence, or the financial health of our clients, significantly decreases our revenues and profits. Deterioration in economic conditions or the financial or credit markets could also have an adverse impact on our clients' financial health or their ability to pay for services we have already provided.

It is difficult for us to forecast future demand for our services due to the inherent uncertainty in forecasting the direction and strength of economic cycles and the project nature of our staffing assignments. The uncertainty can be exacerbated by volatile economic conditions, which has caused and may continue to cause clients to reduce or defer projects for which they utilize our services. The negative impact to our business can occur before, during or after a decline in economic activity is seen in the broader economy. When it is difficult for us to accurately forecast future demand, we may not be able to determine the optimal level of personnel and investment necessary to profitably manage our business in light of opportunities and risks we face.

We may not achieve the intended effects of our business strategy which could negatively impact our results.

Our business strategy focuses on driving growth in our PeopleReady, PeopleManagement and PeopleScout business lines by investing in innovative technology, acquisitions and initiatives which drive organic growth. Our investments and acquisitions may not achieve our desired returns and the results of our initiatives may not be as expected or may be impacted by matters outside of our control. If we are unsuccessful in executing any of these strategies, we may not achieve our goal of revenue and profitability growth, which could negatively impact financial results.

Our workforce solutions are subject to extensive government regulation and the imposition of additional regulations, which could materially harm our future earnings.

Our workforce solutions are subject to extensive government regulation. The cost to comply, and any inability to comply with government regulation, could have a material adverse effect on our business and financial results. Increases or changes in 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.

Our temporary staffing services employ contingent workers. The wage rates we pay to contingent workers are based on many factors including government-mandated minimum wage requirements, payroll-related taxes and benefits. If we are not able to increase the fees charged to clients to absorb any increased costs related to these factors, our results of operations and financial condition could be adversely affected.

We offer our contingent workers in the United States government-mandated health insurance in compliance with the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the “ACA”). Because the requirements, regulations, and interpretations of the ACA may change, the ultimate financial effect of the ACA is not yet known, and changes in its requirements and interpretations could increase or change our costs. In addition, because of the uncertainty surrounding a potential repeal or replacement of the ACA, we cannot predict with any certainty the likely impact of the ACA’s repeal or the adoption of any other health care reform legislation on our financial condition or operating results. Whether or not there is a change in health care legislation in the United States the costs of our health care expenditures may increase. If we are unable to comply with changes to the ACA, or any future health care legislation in the United States, or sufficiently raise the rates we charge our clients to cover any additional costs, such noncompliance or increases in costs could materially harm our business.

We may experience employment related claims, commercial indemnification claims and other legal proceedings that could materially harm our business.

We are in the business of employing people in the workplaces of our clients. We incur a risk of liability for claims relating to personal injury, wage and hour violations, immigration, discrimination, harassment and other liabilities arising from the actions of our clients and/or contingent workers. Some or all of these claims may give rise to negative publicity, investigations, litigation or settlements. We may incur costs or other material adverse impacts on our financial statements for the period in which the effect of an unfavorable final outcome becomes probable and can be reasonably estimated.

We may have liability to our clients for the action or inactions of our employees, that may cause harm to our clients or third parties. In some cases, we must indemnify our clients for certain acts of our contingent workers or arising from our contingent workers presence on the client’s job site and certain clients have negotiated broad indemnification provisions. We may also incur fines, penalties, and losses that are not covered by insurance or negative publicity with respect to these matters.

We maintain insurance with respect to some potential claims and costs with deductibles. 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. Should the final judgments or settlements exceed our insurance coverage, they could have a material effect on our business. Our ability to obtain insurance, its coverage levels, deductibles and premiums, are all dependent on market factors, our loss history, and insurance providers’ assessments of our overall risk profile. Further, we cannot be certain our current and former insurance carriers will be able to pay claims we make under such policies.

We are dependent on obtaining workers’ compensation and other insurance coverage at commercially reasonable terms. Unexpected changes in claim trends on our workers’ compensation may negatively impact our financial condition.

Our temporary staffing services employ workers for which we provide workers’ compensation insurance. Our workers’ compensation insurance policies are renewed annually. The majority of our insurance policies are with AIG. 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. The loss or decline in value of the collateral could require us to seek additional sources of capital to pay our workers’ compensation claims. As our business grows or if 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. 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. The loss of our workers' compensation insurance coverage would prevent us from operating as a staffing services 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.

We self-insure, or otherwise bear financial responsibility for, a significant portion of expected losses under our workers' compensation program. We have experienced unexpected changes in claim trends, including the severity and frequency of claims, changes in state laws regarding benefit levels and allowable claims, actuarial estimates, and medical cost inflation, and may experience such changes in the future which could result in costs that are significantly different than initially anticipated or reported and could cause us to record different reserves in our financial statements. There is a risk that we will not be able to increase the fees charged to our clients in a timely manner and in a sufficient amount to cover increased costs as a result of any changes in claims-related liabilities.

We actively manage the safety of our contingent workers through our safety programs and actively control costs with our network of workers' compensation related service providers. These activities have had a positive impact creating favorable adjustments to workers' compensation liabilities recorded in prior periods. The benefit of these adjustments is likely to decline and there can be no assurance that we will be able to continue to reduce accident rates and control costs to produce these results in the future.

Some clients require extensive insurance coverage and request insurance endorsements that are not available under standard policies. There can be no assurance that we will be able to negotiate acceptable compromises with clients or negotiate appropriate changes in our insurance contracts. An inability to meet client insurance requirements may adversely affect our ability to take on new clients or continue providing services to existing clients.

We operate in a highly competitive industry and may be unable to retain clients, market share, or profit margins.

Our industry is highly competitive and rapidly innovating, with low barriers to entry. We compete in global, national, regional and local markets with full-service and specialized temporary staffing companies as well as business process outsourcing companies that also offer our services. Our competitors offer a variety of flexible workforce solutions. Therefore, there is no assurance that we will be able to retain clients 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 maintain our current profit margins.

Advances in technology may disrupt the labor and recruiting markets and we must constantly improve our technology to meet the expectations of clients, candidates and employees.

The increased use of internet-based and mobile technology is attracting additional technology-oriented companies and resources to the staffing industry. Our candidates and clients increasingly demand technological innovation to improve the access to and delivery of our services. Our clients increasingly rely on automation, artificial intelligence, machine learning and other new technologies to reduce their dependence on labor needs, which may reduce demand for our services and impact our operations. We face extensive pressure for lower prices and new service offerings and must continue to invest in and implement new technology and industry developments in order to remain relevant to our clients and candidates. As a result of this increasing dependence upon technology, we must timely and effectively identify, develop, or license technology from third parties, and integrate such enhanced or expanded technologies into the solutions that we provide. In addition, our business relies on a variety of technologies, including those that support recruiting, hiring, paying, order management, billing, collecting, contingent worker data analytics and client data analytics. If we do not sufficiently invest in and implement new technology, or evolve our business at sufficient speed and scale, our business results of operations may decline materially. Acquiring technological expertise and developing new technologies for our business may require us to incur significant expenses and costs. For some solutions, we depend on key vendors and partners to provide technology and support. If these third parties fail to perform their obligations or cease to work with us, our ability to execute on our strategic initiatives could be negatively affected.

Our business and operations have undergone, and will continue to undergo, significant change as we seek to improve our operational and support effectiveness, which if not managed could have an adverse outcome on our business and results of operations.

We have significantly changed our operations and internal processes in recent periods, and we will continue making similar changes, in order to improve our operational effectiveness. These efforts strain our systems, management, administrative, operations and financial infrastructure. For example, we are currently combining some of our operating segments. We believe these efforts are important to our long-term success. Managing and cascading these changes throughout the company will continue to require the further attention of our management team and refinement to our operational, financial and management controls, reporting systems and procedures. These activities will require ongoing expenditures and allocation of valuable management and employee resources.

If we fail to manage these changes effectively, our costs and expenses may increase more than we expect and our business, financial condition and results of operations may be harmed.

We are at risk of damage to our brands and reputation, which is important to our success.

Our ability to attract and retain clients, contingent workers, candidates, and employees is affected by external perceptions of our brands and reputation. Negative perceptions or publicity could damage our reputation with current or perspective clients and employees. Negative perceptions or publicity regarding our vendors, clients, or business partners may adversely affect our brand and reputation. We may not be successful in detecting, preventing, or negating all changes in or impacts on our reputation. If any factor, including poor performance or negative publicity, whether or not true, hurts our reputation, we may experience negative repercussions which could harm our business.

The expansion of social media platforms creates new risks and challenges that could cause damage to our brand and reputation.

The use of social media platforms, including social media websites and other forms of internet-based communications, has rapidly increased allowing individuals access to a broad audience of consumers and other interested parties. For example, unfavorable comments about a work site could make recruiting or hiring at that site more challenging. The inappropriate or unauthorized use of such platforms by our clients or employees could violate privacy laws, cause damage to our brand, or lead to litigation which could harm our business.

Our level of debt and restrictions in our credit agreement could negatively affect our operations and limit our liquidity and our ability to react to changes in the economy.

Our Revolving Credit Facility contains restrictive covenants that require us to maintain certain financial conditions, which we may fail to meet if there is a material decrease in our profitability, including as a result of COVID-19. Our failure to comply with these restrictive covenants could result in an event of default, which, if not cured or waived, would require us to repay these borrowings before their due date. We may not have sufficient funds on hand to repay these loans, and 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 materially adversely affected by increased costs and rates. If the business interruptions caused by COVID-19 last longer than we expect, we may need to seek other sources of liquidity.

Our principal sources of liquidity are funds generated from operating activities, available cash and cash equivalents, and borrowings under our Revolving Credit Facility. We must have sufficient sources of liquidity to meet our working capital requirements, fund our 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.

As our debt levels increase, it could have significant consequences for the operation of our business including requiring us to dedicate a significant portion of our cash flow from operations to servicing our debt rather than using it for our operations; limiting our ability to obtain additional debt financing for future working capital, capital expenditures, or other corporate purposes; limiting our ability to take advantage of significant business opportunities, such as acquisitions; limiting our ability to react to changes in market or industry conditions; and putting us at a disadvantage compared to competitors with less debt.

The loss of, continued reduction or substantial decline in revenue from larger clients or certain industries could have a material adverse effect on our revenues, profitability and liquidity.

We experience revenue concentration with large clients and in certain industries. Generally, our contracts do not contain guarantees of minimum duration, revenue levels, or profitability. Our clients may terminate their contracts or materially reduce their requested levels of service at any time. Although we have no clients that represents over 10% of our consolidated revenue, there are clients that exceed 10% of revenues within some of our operating segments. The deterioration of the financial condition of a large client or a particular industry could have a material adverse effect on our business, financial condition, and results of operations. COVID-19 has caused certain clients to temporarily close large job sites or reduce demand for our services, and future outbreaks of the pandemic could cause large closures and long-term reduction in demand. In addition, a significant change to the business, staffing or recruiting model of these clients, for example a decision to insource our services, has had and could again have a material adverse effect on our business, financial condition, and results of operations. The loss of, or reduced demand for our services from larger clients and industries, has had, and in the future could have, a material adverse effect on our business, financial condition, and results of operations. Client concentration exposes us to concentrated credit risk, as a significant portion of our accounts receivable may be from a small number of clients. As the impact of COVID-19 increases for our clients, their ability to pay for our services may decline. If we are unable to collect our receivables, or are required to take additional reserves, our results and cash flows will be adversely affected.

Failure of our information technology systems could adversely affect our operating results.

The efficient operation of our business and applications and services we provide is dependent on reliable technology. We rely on our information technology systems to monitor and control our operations, adjust to changing market conditions, implement strategic initiatives, and provide services to clients. We rely heavily on proprietary and third-party information technology systems, mobile device technology data centers, cloud-based environments and other technology. We take various precautions and have enhanced controls around these systems, but information technology systems are susceptible to damage, disruptions, or shutdowns due to failures during the process of upgrading or replacing software, databases, power outages, hardware failures, computer viruses, malicious attacks, telecommunication failures, user errors or catastrophic events. The failure of technology and our applications and services, and our information systems to perform as anticipated could disrupt our business and result in decreased revenue and increased overhead costs, causing our business and results of operations to suffer materially.

Cybersecurity vulnerabilities and incidents could lead to the improper disclosure of information about our clients, candidates and employees.

Our business requires the use, processing, and storage of confidential information about applicants, candidates, contingent workers, other employees and clients. We use information technology and other computer resources to carry out operational and support activities and maintain our business records. We rely on information technology systems to process, transmit, and store electronic information and to communicate among our locations around the world and with our clients, partners, and employees. The breadth and complexity of this infrastructure increases the potential risk of security breaches which could lead to potential unauthorized disclosure of confidential information.

Our systems and networks are vulnerable to computer viruses, malware, hackers and other security issues, including physical and electronic break-ins, disruptions from unauthorized access and tampering, social engineering attacks, impersonation of authorized users, and coordinated denial-of-services attacks. We have experienced cybersecurity incidents and attacks which have not had a material impact on our business or results of operations, however, there is no assurance that such impacts will not be material in the future. The security controls over sensitive or confidential information and other practices we and our third-party vendors follow may not prevent the improper access to, disclosure of, or loss of such information. Continued investments in cybersecurity will increase our costs and a failure to prevent access to our systems could lead to penalties, litigation, and damage to our reputation. Perceptions that we do not adequately protect the privacy of information could harm our relationship with clients and employees.

Data security, data privacy and data protection laws and other technology regulations increase our costs.

Laws and regulations related to privacy and data protection are evolving and generally becoming more stringent. We may fail to implement practices and procedures that comply with increasing international and domestic privacy regulations, such as the General Data Protection Regulations or the California Consumer Privacy Act. Several additional U.S. states have issued cybersecurity regulations that outline a variety of required security measures for protection of data. These regulations are designed to protect client, candidate, contingent worker, and employee data and require that we meet stringent requirements regarding the handling of personal data, including the use, protection and transfer of personal data. As these laws continue to change, we may be required to make changes to our services, solutions or products to meet the new legal requirements. Changes in these laws may increase our costs to comply as well as our potential costs through higher potential penalties for non-compliance. Failure to protect the integrity and security of such confidential and/or proprietary information could expose us to regulatory fines, litigation, contractual liability, damage to our reputation and increased compliance costs.

Improper disclosure of, or access to our clients' information could materially harm our business.

Our contingent workers and employees may have access to or exposure to confidential information about applicants, candidates, contingent workers, other employees and clients. The security controls over sensitive or confidential information and other practices we, our clients and our third-party vendors follow may not prevent the improper access to, disclosure of, or loss of such information. Failure to protect the integrity and security of such confidential and/or proprietary information could expose us to regulatory fines, litigation, contractual liability, damage to our reputation and increased compliance costs.

Failure to protect our intellectual property could harm our business, and we face the risk that our services or products may infringe upon the intellectual property rights of others.

We have invested in developing specialized technology and intellectual property, proprietary systems, processes and methodologies that we believe provide us a competitive advantage in serving clients. We cannot guarantee that trade secrets, trademark, and copyright law protections are adequate to deter misappropriation of our intellectual property, which is an important part of our business. We may be unable to detect the unauthorized use of our intellectual property and take the necessary steps to enforce our rights. We cannot be sure that our services and products, or the products of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and we may have infringement claims asserted against us or our clients. These claims may harm our reputation, result in financial liability and prevent us from offering some services or products to clients.

We may be unable to attract sufficient qualified contingent workers and candidates to meet the needs of our clients.

We compete to meet our clients' needs for workforce solutions, therefore, we must continually attract qualified contingent workers and candidates to fill positions. Attracting qualified workers and candidates depends on factors such as desirability of the assignment, location, the associated wages and other benefits. Prior to COVID-19, unemployment in the United States was low, making it challenging to find sufficient eligible workers and candidates to meet our clients' orders. The economic slowdown resulting from COVID–19 has increased unemployment substantially, but we cannot predict its continued effect on employment rates. Government responses to COVID-19 included generous unemployment benefits which negatively impacted our ability to recruit qualified workers and candidates. Continued similar unemployment benefits will further impact our ability to recruit in the future. We have experienced shortages of qualified workers and candidates and may experience such shortages in the future. Further, if there is a shortage, the cost to employ or recruit these individuals could increase and our ability to generate revenue would be harmed if we could not fill positions. If we are unable to pass those costs through to our clients, it could materially and adversely affect our business. Organized labor periodically engages in efforts to represent various groups of our contingent workers. If we are subject to unreasonable collective bargaining agreements or work disruptions, our business could be adversely affected.

Our facilities, operations and information technology systems are vulnerable to damage and interruption.

Our primary computer systems, headquarters, support facilities and operations are vulnerable to damage or interruption from power outages, computer and telecommunications failures, computer viruses, employee errors, security breaches, natural disasters, civil unrest, and catastrophic events. Failure of our systems or damage to our facilities may cause significant interruption to our business, and require significant additional capital and management resources to resolve, causing material harm to our business.

Acquisitions may have an adverse effect on our business.

We may continue making acquisitions a part of our business strategy. This strategy may be impeded, however, and we may not achieve our long-term growth goals if we cannot identify suitable acquisition candidates or if acquisition candidates are not available under acceptable terms. We may have difficulty integrating acquired companies into our operating, financial planning, and financial reporting systems and may not effectively manage acquired companies to achieve expected growth.

Future acquisitions could result in incurring additional debt and contingent liabilities, an increase in interest expense, amortization expense, and charges related to integration costs. Additional indebtedness could also include covenants or other restrictions that would impede our ability to manage our operations. We may also issue equity securities to pay for an acquisition, which could result in dilution to our shareholders. Any acquisitions we announce could be viewed negatively by investors, which may adversely affect the price of our common stock. Acquisitions can also result in the addition of goodwill and intangible assets to our financial statements and we may be required to record a significant charge in our financial statements during the period in which we determine an impairment of our acquired goodwill and intangible assets has occurred, which would negatively impact our financial results. The potential loss of key executives, employees, clients, suppliers, vendors, and other business partners of businesses we acquire may adversely impact the value of the assets, operations, or business we acquire. These events could cause material harm to our business, operating results or financial condition.

New business initiatives may have an adverse effect on our business.

We expect to continue adjusting the composition of our business lines and entering into new business initiatives as part of our business strategy. New business initiatives, strategic business partners or changes in the composition of our business mix can be distracting to our management and disruptive to our operations, causing our business and results of operations to suffer materially. New business initiatives, including initiatives outside of our workforce solutions business, in new markets, or new geographies, could involve significant unanticipated challenges and risks including not advancing our business strategy, not realizing our anticipated return on investment, experiencing difficulty in implementing initiatives, or diverting management's attention from our other businesses. These events could cause material harm to our business, operating results or financial condition.

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 clients. We believe our competitive advantage is providing unique solutions for each client, which requires us to have 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, technology and administrative personnel. The turnover rate in the employment services industry is high, and qualified individuals may be difficult to attract and hire. Our inability to recruit, train and motivate a sufficient number of qualified individuals may delay or affect the speed and quality of our strategy execution and 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. While we are generally able to keep our branches and offices open, as a key support service for essential business, we must keep our staff healthy for our branches and offices to remain open. Failure to keep our staff healthy and our branches and offices open would harm our results of operations

We may have additional tax liabilities that exceed our estimates.

We are subject to federal taxes, a multitude of state and local taxes in the United States, and taxes in foreign jurisdictions. We face continued uncertainty surrounding the 2017 Tax Cuts and Jobs Act and any reduction or change in tax credits which we utilize, such as the Work Opportunity Tax Credit. 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 with tax authorities could materially harm our business. Changes in interpretation of existing laws and regulations by a taxing authority could result in penalties and increased costs in the future. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing intercompany arrangements or may change their laws, which could increase our worldwide effective tax rate and harm our financial position and results of operations.

The price of our common stock may fluctuate significantly, which may result in losses for investors.

The market price for our common stock may be subject to significant volatility. Our stock price can fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include, but are not limited to, changes in general economic conditions, including those caused by COVID-19; announcement of new services or acquisitions by us or our competitors; changes in financial estimates or other statements by securities analysts; changes in industry trends or conditions; regulatory developments and any major change in our board or management. In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated to the operating performance of listed companies. These broad market and industry factors may impact the price of our common stock, regardless of our operating performance.

We cannot guarantee that we will repurchase our common stock pursuant to our share repurchase program or that our share repurchase program will enhance long-term shareholder value.

Our Board of Directors has authorized a share repurchase program. Under the program, we are authorized to repurchase shares of common stock for a set aggregate purchase price, or we may choose to purchase shares in the open market, from individual holders, through an accelerated share repurchase program or otherwise. Although the Board of Directors has authorized a share repurchase program, the share repurchase program does not obligate the company to repurchase any specific dollar amount or to acquire any specific number of shares. The timing and amount of the repurchases, if any, will depend upon several factors, including market and business conditions, the trading price of the company's common stock and the nature of other investment opportunities. The repurchase program may be limited, suspended or discontinued at any time without prior notice. In addition, repurchases of our common stock pursuant to our share repurchase program could affect our stock price and increase its volatility. The existence of a share repurchase program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. Additionally, our share repurchase program could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. There can be no assurance that these share repurchases will enhance shareholder value because the market price of our common stock may decline below the level at which we repurchased shares of stock. Although our share repurchase program is intended to enhance long-term shareholder value, there is no assurance that it will do so and short-term stock price fluctuations could reduce the program's effectiveness. Following an amendment to our Revolving Credit Facility, our share repurchase program has been paused until the third quarter of 2021.

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, including those over our third-party vendors, or if our independent registered public accounting firm cannot render an opinion on the effectiveness of our internal controls 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. These relationships subject us to risks including disruptions in our business and increased costs. For example, we license software from third parties, much of which is central to our systems and our business. The licenses are generally terminable if we breach our obligations under the license agreements. If any of these relationships were terminated, or if any of these parties were to cease doing business or supporting the applications we currently utilize, we may be forced to spend significant time and money to replace the licensed software. In addition, we have engaged third parties to host and manage certain aspects of our data center, information and technology infrastructure, mobile applications, and electronic pay solutions, to provide certain back office support activities, and to support business process outsourcing for our clients. We are subject to the risks associated with the vendors' inability to provide these services in a manner that meets our needs. If the cost of these services is more than expected, if we or the vendors fail to adequately protect our data and information is lost, or if our ability to deliver our services is interrupted, then our business and results of operations may be negatively impacted.

We face risks in operating internationally.

A portion of our business operations and support functions are located outside of the United States. These international operations are subject to a number of risks, including the effects of COVID-19 and governmental action, such as travel restrictions and "stay-at-home" orders, political and economic conditions in those foreign countries, foreign currency fluctuations, the burden of complying with various foreign laws and technical standards, unpredictable changes in foreign regulations, U.S. legal requirements governing U.S. companies operating in foreign countries, legal and cultural differences in the conduct of business, potential adverse tax consequences and difficulty in staffing and managing international operations. We recently acquired operations in the United Kingdom, which could be negatively impacted as clients in the United Kingdom encounter uncertainties related to the United Kingdom's exit from the European Union. We could also be exposed to fines and penalties under U.S. or foreign laws, such as the Foreign Corrupt Practices Act, which prohibits improper payments to governmental officials and others for the purpose of obtaining or retaining business. Although we have implemented policies and procedures designed to ensure compliance with these laws, we cannot be sure that our employees, contractors or agents will not violate such policies. Any such violations could materially damage our reputation, brands, business and operating results. Further, changes in U.S. laws and policies governing foreign investment and use of foreign operations or workers, and any negative sentiments towards the United States resulting from such changes, could adversely affect our operations.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below includes repurchases of our common stock pursuant to publicly announced plans or programs and those not made pursuant to publicly announced plans or programs during the thirteen weeks ended June 28, 2020.

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)
03/30/2019 through 04/26/2020	6,388	$13.48	—	$66.7 million
04/27/2020 through 05/24/2020	2,123	$15.24	—	$66.7 million
05/25/2020 through 06/28/2020	2,696	$16.86	—	$66.7 million
Total	11,207	$14.63	—	

(1) During the thirteen weeks ended June 28, 2020, we purchased 11,207 shares in order to satisfy employee tax withholding obligations upon the vesting of restricted stock. These shares were not acquired pursuant to our publicly announced share repurchase program.
(2) Weighted average price paid per share does not include any adjustments for commissions.
(3) On October 16, 2019, our Board of Directors authorized a $100.0 million share repurchase program of our outstanding common stock. The share repurchase program does not obligate us to acquire any particular amount of common stock and does not have expiration dates. As of June 28, 2020, $66.7 million remains available for repurchase under the existing authorization. The second amendment to our revolving credit facility agreement prohibits us from repurchasing shares until July 1, 2021.

Accelerated share repurchase plan

On February 28, 2020 we entered into an accelerated share repurchase ("ASR") agreement with a third-party financial institution to repurchase $40.0 million of our common stock. Under the ASR agreement, we paid $40.0 million to the financial institution and received an initial delivery of 2,150,538 shares during the first quarter of 2020, which represented 80% of the total shares we expected to receive based on the market price at the time of the initial delivery. On July 2, 2020, we settled our ASR agreement resulting in the receipt of 626,948 additional shares from the third-party financial institution. The total number of shares delivered under the ASR agreement was 2,777,486 with a volume weighted average price over the term of the ASR agreement of $14.40.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. INDEX TO EXHIBITS

Exhibit number	Exhibit description	Filed herewith	Incorporated by reference		
			Form	File no.	Date of first filing
3.1	Amended and Restated Articles of Incorporation.		8-K	001-14543	05/12/2016
3.2	Amended and Restated Bylaws.		10-Q	001-14543	10/30/2017
10.1	Second Amendment to Credit Agreement, dated as of June 24, 2020, by and among Bank of America, N.A., Wells Bank, HSBC and TrueBlue, Inc.	X			
10.2*	Executive Employment Agreement between TrueBlue, Inc. and Garrett Ferencz, as amended July 1, 2020.	X			
10.3*	Form Executive Indemnification Agreement between TrueBlue, Inc. and Patrick Beharelle, Derrek L. Gafford, Taryn R. Owen, Carl Schweihs, and Garrett Ferencz.		10-K	001-14543	02/24/2020
10.4*	Form Executive Change in Control Agreement between TrueBlue, Inc. and Derrek L. Gafford, Patrick Beharelle, Taryn R. Owen, Carl Schweihs and Garrett Ferencz.		10-Q	001-14543	5/4/2007
10.5*	Form Non-Competition Agreement between TrueBlue, Inc. and Taryn R. Owen, Carl Schweihs and Garrett Ferencz.		10-K	001-14543	02/24/2020
31.1	Certification of A. Patrick Beharelle, 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.	X			
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.	X			
32.1	Certification of A. Patrick Beharelle, 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.	X			
101	The following financial statements from the Company's 10-Q, formatted as Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Consolidated Statements of Cash Flows, and (iv) Notes to consolidated financial statements.	X			
104	Cover page interactive data file - The cover page from this Quarterly Report on Form 10-Q is formatted as Inline XBRL	X			

** Indicates a management contract or compensatory plan or arrangement*

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/ A. Patrick Beharelle	**7/27/2020**
	Signature	Date
By:	A. Patrick Beharelle, Director, President and Chief Executive Officer	
	/s/ Derrek L. Gafford	**7/27/2020**
	Signature	Date
By:	Derrek L. Gafford, Chief Financial Officer and Executive Vice President	
	/s/ Norman H. Frey	**7/27/2020**
	Signature	Date
By:	Norman H. Frey, Chief Accounting Officer and Senior Vice President	

SECOND AMENDMENT TO CREDIT AGREEMENT

This SECOND AMENDMENT TO CREDIT AGREEMENT (this "Agreement") is entered into as of June 24, 2020 (the "Second Amendment Effective Date") among TRUEBLUE, INC., a Washington corporation (the "Borrower"), the Guarantors party hereto, the Lenders party hereto and BANK OF AMERICA, N.A., as Administrative Agent. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Credit Agreement (as defined below).

RECITALS

WHEREAS, the Borrower, the Guarantors, the Lenders and the Administrative Agent are parties to that certain Credit Agreement dated as of July 13, 2018 (as amended or modified from time to time, the "Credit Agreement");

WHEREAS, the Borrower has requested that the Lenders agree to modify certain provisions of the Credit Agreement; and

WHEREAS, the Lenders are willing to amend certain terms of the Credit Agreement, subject to the terms and conditions set forth below.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. Amendments to Credit Agreement.

(a) Section 1.01. The following definitions in Section 1.01 of the Credit Agreement are hereby amended to read as follows:

"Applicable Rate" means the following percentages per annum, based upon the Consolidated Leverage Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 6.02(b):

Pricing Tier	Consolidated Leverage Ratio	Commitment Fee	Letter of Credit Fee	Eurodollar Rate Loans	Base Rate Loans
1	< 1.00:1	0.250%	1.00%	1.25%	0.25%
2	≥ 1.00:1 but < 1.50:1	0.300%	1.25%	1.50%	0.50%
3	≥ 1.50:1 but < 2.00:1	0.350%	1.75%	2.00%	0.75%
4	≥ 2.00:1 but < 2.50:1	0.400%	2.25%	2.50%	1.00%
5	≥ 2.50:1 but < 3.00:1	0.450%	2.75%	3.00%	1.25%
6	≥ 3.00:1	0.500%	3.25%	3.50%	1.50%

Any increase or decrease in the Applicable Rate resulting from a change in the Consolidated Leverage Ratio shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.02(b); provided, however, that if a Compliance Certificate is not delivered when due in accordance with such Section, then, upon the request of the Required Lenders, Pricing Tier 6 shall apply as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered and shall remain in effect until the first Business Day immediately following the date on which such Compliance Certificate is delivered in accordance with Section 6.02(b), whereupon the Applicable Rate shall be adjusted based upon the calculation of the Consolidated Leverage Ratio contained in such Compliance Certificate. The Applicable Rate in effect from the Second Amendment Effective Date through the first Business Day immediately following the date a Compliance Certificate is required to be delivered pursuant to Section 6.02(b) for the fiscal quarter ending December 27, 2020 shall be determined based upon Pricing Tier 6. Notwithstanding anything to the contrary contained in this definition, the determination of the Applicable Rate for any period shall be subject to the provisions of Section 2.10(b).

"Base Rate" means for any day a fluctuating rate of interest per annum equal to the highest of (a) the Federal Funds Rate plus 0.50%, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate" and (c) the Eurodollar Rate plus 1.0%; provided that if the Base Rate shall be less than 0.75%, such rate shall be deemed 0.75% for purposes of this Agreement. The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such "prime rate" announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change. If the Base Rate is being used as an alternate rate of interest pursuant to Section 3.07 hereof (for the avoidance of doubt, only until any amendment has become effective pursuant to Section 3.07), then the Base Rate shall be the greater of clauses (a) and (b) above and shall be determined without reference to clause (c) above.

(b) Section 1.01. The following definitions are hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order to read as follows:

"Accounts" shall have the meaning set forth in Article 9 of the UCC.

"Asset Coverage Ratio" means, as of any date of determination, the ratio of (a) sixty percent (60%) of Accounts of the Loan Parties on an aggregate basis to (b) the difference of (i) the Total Revolving Outstandings on such date minus (ii) the difference of (A) unrestricted cash and Cash Equivalents of the Loan Parties on an aggregate basis minus (B) $50,000,000; provided, that, the amount of this clause (ii) shall not be less than zero.

"Liquidity" means, as of any date of determination, the sum of (a) unrestricted cash and Cash Equivalents of the Loan Parties plus (b) availability under the Aggregate Revolving Commitments.

(c) Section 1.01. The definition of "Eurodollar Rate" in the Credit Agreement is hereby amended to replace both instances of the text "zero" therein with "0.75%".

(d) Section 3.07. The second to last paragraph in Section 3.07 of the Credit Agreement is hereby amended to replace the text "zero" therein with "0.75%".

(e) Section 4.02. A new clause (e) is hereby added to Section 4.02 of the Credit Agreement to read as follows:

(e) The Borrower and its Subsidiaries shall be in compliance with Section 7.18.

(f) Section 7.06. Section 7.06(e) of the Credit Agreement is hereby amended to replace the text "; and" with the text "; provided, further, that the Borrower shall not make any share repurchases pursuant to this Section 7.06(e) prior to June 30, 2021; and".

(g) Section 7.11. Section 7.11 of the Credit Agreement is hereby amended in its entirety to read as follows:

7.11 Financial Covenants.

(a) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio (x) as of the end of any fiscal quarter ending on or prior to June 27, 2020 to be greater than 3.00:1.00, (y) as of the end of any fiscal quarter ending from June 28, 2021 through and including December 26, 2021 to be greater than 4.00:1.00 and (z) as of the end of any fiscal quarter of the Borrower thereafter to be greater than 3.00:1.00; provided, that, at any time after December 27, 2021, for each of the four (4) fiscal quarters immediately following a Qualified Acquisition, commencing with the fiscal quarter in which such Qualified Acquisition was consummated (such period of increase, the "Leverage Increase Period"), the numerator of the required ratio set forth above shall be increased by 0.50; provided, further that (i) there shall only be two (2) Leverage Increase Periods during the term of this Agreement, (ii) the maximum Consolidated Leverage Ratio shall revert to the then required maximum ratio set forth above at the end of such four (4) fiscal quarter period and (iii) each Leverage Increase Period shall apply only with respect to the calculation of the Consolidated Leverage Ratio for purposes of determining compliance with this Section 7.11 and for purposes of any Qualified Acquisition Pro Forma Determination; provided, however, that the Consolidated Leverage Ratio shall not be tested for the fiscal quarters ending from June 28, 2020 through and including June 27, 2021.

(b) Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio as of the end of any fiscal quarter of the Borrower to be less than 1.25:1.00; provided, however, that the Consolidated Fixed Charge Coverage Ratio shall not be tested for the fiscal quarters ending from June 28, 2020 through June 27, 2021.

(c) Asset Coverage Ratio. Permit the Asset Coverage Ratio as of the end of any fiscal quarter of the Borrower ending from June 28, 2020 through June 27, 2021, to be less than 1.00:1.00.

(d) Liquidity. Permit the Liquidity as of the end of any fiscal quarter of the Borrower ending from June 28, 2020 through June 27, 2021, to be less than $150,000,000.

(e) EBITDA. Permit the EBITDA (i) as of the fiscal quarter ending March 28, 2021 and calculated based on the three fiscal quarter period ending on such date, to be less than $12,000,000 and (ii) as of the fiscal quarter ending June 27, 2021 and calculated based on the four fiscal quarter period ending on such date, to be less than $15,000,000.

(h) Section 7.18. A new Section 7.18 is hereby added to the Credit Agreement to read as follows:

7.18 Anti-Cash Hoarding.

Commencing July 10, 2020, at any time that any Loans are outstanding, permit the aggregate amount of cash and Cash Equivalents of the Borrower and its Subsidiaries to exceed $65,000,000 at any time for a period of longer than five (5) Business Days; provided, in such case, the Borrower shall, within two (2) Business Days of becoming aware of any such excess, repay any Loans outstanding in the aggregate principal amount equal to the lesser of (a) such excess and (b) the aggregate amount of Loans outstanding at such time.

(i) Section 11.17. Section 11.17 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

11.17 Electronic Execution; Electronic Records.

(a) The words "delivery," "execute," "execution," "signed," "signature," and words of like import in any Loan Document or any other document executed in connection herewith shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary, the Administrative Agent is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it; provided, further, without limiting the foregoing, upon the written request of the Administrative Agent, any electronic signature shall be promptly followed by such manually executed counterpart. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Administrative Agent and each of the Secured Parties of a manually signed paper document, amendment, approval, consent, information, notice, certificate, request, statement, disclosure or authorization related to this Agreement (each a "Communication") which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention.

(b) The Borrower hereby acknowledges the receipt of a copy of this Agreement and all other Loan Documents. The Administrative Agent and each Lender may, on behalf of the Borrower, create a microfilm or optical disk or other electronic image of this Agreement and any or all of the other Loan Documents. The Administrative Agent and each Lender may store the electronic image of this Agreement and the other Loan Documents in its electronic form and then destroy the paper original as part of the Administrative Agent's and each Lender's normal business practices, with the electronic image deemed to be an original and of the same legal effect, validity and enforceability as the paper originals.

2. Effectiveness; Condition Precedent. This Agreement shall be effective upon satisfaction of the following conditions precedent:

(a) Receipt by the Administrative Agent of counterparts of this Agreement duly executed by the Borrower, the Guarantors, the Required Lenders, the Lenders extending their Commitments, the Swingline Lender and the L/C Issuer;

(b) Receipt by the Administrative Agent of the following, in form and substance satisfactory to the Administrative Agent: (i) a certificate from a Responsible Officer of each Loan Party certifying that there have been no changes to the Organization Documents of such Loan Party since the Closing Date; and (ii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement, the Credit Agreement and the other Loan Documents to which such Person is a party;

(c) Upon the reasonable request of any Lender made at least five (5) days prior to the Second Amendment Effective Date, the Borrower shall have provided to such Lender, and such Lender shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act;

(d) If the Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, it shall deliver, to each Lender that so requests, a Beneficial Ownership Certification in relation to the Borrower;

(e) The Administrative Agent shall have received from the Borrower all fees required to be paid on or before the Second Amendment Effective Date; and

(f) The Borrower shall have paid all reasonable out-of-pocket costs and expenses due and payable to the Administrative Agent on the date hereof, including without limitation, the reasonable, documented fees and out-of-pocket costs and expenses of Moore & Van Allen PLLC as counsel to the Administrative Agent to the extent invoiced at least two (2) Business Days prior to the Second Amendment Effective Date.

3. Reaffirmation. The Loan Parties acknowledge and confirm (a) that the Administrative Agent, for the benefit of the holder of the Obligations, has a valid and enforceable perfected security interest in the Collateral, which security interest is prior to all Liens other than Permitted Liens, (b) that the Borrower's obligation to repay the outstanding principal amount of the Loans and reimburse the L/C Issuer for any

drawing on a Letter of Credit and the Guarantors' Obligations under the Loan Documents are unconditional and not subject to any offsets, defenses or counterclaims, and (c) by entering into this Agreement, the Administrative Agent and the Lenders do not waive or release any term or condition of the Credit Agreement or any of the other Loan Documents or any of their rights or remedies under such Loan Documents or applicable law or any of the obligations of any Loan Party thereunder.

4. Ratification of Credit Agreement. The term "Credit Agreement" as used in each of the Loan Documents shall hereafter mean the Credit Agreement as amended and modified by this Agreement. Except as herein specifically agreed, the Credit Agreement, as amended by this Agreement, is hereby ratified and confirmed and shall remain in full force and effect according to its terms. The Loan Parties acknowledge and consent to the modifications set forth herein and agree that this Agreement does not impair, reduce or limit any of their obligations under the Loan Documents (including, without limitation, the indemnity obligations set forth therein) and that, after the date hereof, this Agreement shall constitute a Loan Document. Notwithstanding anything herein to the contrary and without limiting the foregoing, each Guarantor reaffirms its guaranty obligations set forth in the Credit Agreement.

5. Authority/Enforceability. Each of the Loan Parties represents and warrants as follows:

(a) It has taken all necessary action to authorize the execution, delivery and performance of this Agreement.

(b) This Agreement has been duly executed and delivered by such Person and constitutes such Person's legal, valid and binding obligation, enforceable in accordance with its terms, except as such enforceability may be subject to (i) Debtor Relief Laws and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(c) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or Governmental Authority or third party is required in connection with the execution, delivery or performance by such Person of this Agreement.

(d) The execution and delivery of this Agreement does not (i) contravene any provision of its Organization Documents or (ii) violate any Laws applicable to it except as could not reasonably be expected to have a Material Adverse Effect.

6. Representations. The Loan Parties represent and warrant to the Administrative Agent and the Lenders that (a) the representations and warranties of the Loan Parties set forth in Article V of the Credit Agreement and any other Loan Document are true and correct in all material respects (or, if qualified by materiality or Material Adverse Effect, in all respects) on and as of the date hereof, except to the extent that such representations and warranties specifically refer to a certain date, in which case they are true and correct in all material respects (or, if qualified by materiality or Material Adverse Effect, in all respects) as of such date and (b) no Default exists.

7. Counterparts/Telecopy. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by fax transmission or e-mail transmission (e.g., "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Agreement.

8. <u>GOVERNING LAW</u>. **THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.**

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered and this Agreement shall be effective as of the date first above written.

BORROWER: TRUEBLUE, INC.,
a Washington corporation

By: */s/ Derrek Gafford*
Name: Derrek Gafford
Title: Executive Vice President and Chief Financial Officer

GUARANTORS: CENTERLINE DRIVERS, LLC,
a Nevada limited liability company

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

CLP HOLDINGS CORP.,
a Nevada corporation

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

CLP RESOURCES, INC.,
a Delaware corporation

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

JOB ROOSTER, INC.,
a California corporation

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

LABOR READY HOLDINGS, INC.,
a Nevada corporation

By: */s/ Derrek Gafford*
Name: Derrek Gafford
Title: Chief Financial Officer

PEOPLEREADY FLORIDA, INC.,
a Washington corporation

By: */s/ Rich Christensen*
Name: Rich Christensen

Title: Treasurer and Chief Financial Officer
PEOPLEREADY, INC.,
a Washington corporation

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

PEOPLESCOUT, INC.,
a Delaware corporation

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

PEOPLESCOUT MSP, LLC,
a Nevada limited liability company

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

PLANETECHS, LLC,
a Nevada limited liability company

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

PR TRADES, LLC,
a Nevada limited liability company

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

PROJECT TRADES SOLUTIONS, LLC,
a Nevada limited liability company

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

SIMOS INSOURCING SOLUTIONS, LLC,
a Delaware limited liability company

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

SMX CARGO, LLC,
an Illinois limited liability company

By: *__/s/ Rich Christensen__*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

SMX, LLC,
an Illinois limited liability company

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

SPARTAN STAFFING, LLC,
a Nevada limited liability company

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

STAFF MANAGEMENT SOLUTIONS, LLC,
an Illinois limited liability company

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

STAFFING SOLUTIONS HOLDINGS, INC.,
a Delaware corporation

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

STUDENTSCOUT, LLC,
an Illinois limited liability company

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

TBI OUTSOURCING PUERTO RICO, INC.,
a Delaware corporation

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

TRUEBLUE ENERGY AND INDUSTRIAL SERVICES, LLC,
a Washington limited liability company

By: *__/s/ Rich Christensen____*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

TRUEBLUE ENTERPRISES, INC.,
a Nevada corporation

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

TRUEBLUE SERVICES, INC.,
a Delaware corporation

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

VENUE READY, LLC,
a Nevada limited liability company

By: */s/ Rich Christensen*
Name: Rich Christensen
Title: Treasurer and Chief Financial Officer

ADMINISTRATIVE
AGENT: BANK OF AMERICA, N.A.,
as Administrative Agent

By: */s/ Aamir Saleem*
Name: Aamir Saleem
Title: Vice President

LENDERS: BANK OF AMERICA, N.A.,
as a Lender, Swingline Lender and L/C Issuer

By: */s/ Timothy G. Holsapple*
Name: Timothy G. Holsapple
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as a Lender

By: *__/s/ Jennifer L. Shafer____*
Name: Jennifer L. Shafer
Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ April Bjorkman
Name: April Bjorkman
Title: Vice President

KEYBANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ Joseph M. Murry
Name: Joseph M. Murry
Title: Senior Vice President

HSBC BANK USA, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Michael Madden
Name: Michael Madden
Title: Vice President

SENIOR VICE PRESIDENT, GARRETT R. FERENCZ
EXECUTIVE EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is between Garrett Ferencz ("Executive") and TrueBlue, Inc. or a TrueBlue, Inc. subsidiary, affiliate, related business entity, successor, or assign (collectively "TrueBlue" or "Company") and is effective as of December 30, 2019.

I. COMPENSATION AND POSITION.

A. Employment.

Executive wishes to be employed with Company, and Company wishes to employ Executive as a Senior Vice President, under the terms and conditions stated in this Agreement. Additionally, Executive will have access to company-wide confidential and propriety information, including strategic planning information, which is vital to the ability of Company and its affiliates to compete in all of its locations. Executive's entering into this Agreement is a condition of continued employment and continued access to such materials. Valuable consideration, including without limitation, the mutual covenants and promises contained herein, and the terms of Section II.A.2, is provided to Executive to enter this Agreement, the sufficiency of which is expressly acknowledged.

B. Effective Date.

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

C. Title and Compensation.

1. **Title.** Executive's title shall be Senior Vice President, General Counsel & Chief Compliance Officer. Executive may also have additional Company or Company affiliate titles. Executive's title is subject to change, and shall be set forth in the Executive's record with Company's Human Resources department. Executive shall have such responsibilities, duties and authority as are customarily assigned to such position and shall render services as directed. These responsibilities, duties and authority are as outlined in the executive job description as contained in the Human Resources file and given to Executive prior to commencement of employment.

2. **Annual Base Salary**. Executive will receive a salary in the gross amount in accordance with the terms and conditions of the offer letter ("Offer Letter") attached hereto as Exhibit A, which shall be on file with Company's Human Resources department. This position is a salaried position which is exempt under the Fair Labor Standards Act and relevant state law. This salary is in compensation for all work performed by Executive. Executive warrants and acknowledges that Executive is not entitled to "overtime" pay. Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as Company is required to withhold pursuant to any applicable law, regulation or ruling and other customary and usual deductions.

3. **Bonus and Equity Awards.** Executive will be eligible for an Annual Bonus and Future Equity Awards in accordance with the terms and conditions of the Offer Letter. The Bonus Plan and all aspects of bonus compensation may be changed at the discretion of the Compensation Committee and/or the Board of Directors.

D. Benefits.

1. **General.** Executive shall be entitled to all benefits offered generally to Executives of Company in accordance with the terms of the Offer Letter.

2. **Health & Welfare Benefits.** Executive shall be entitled to all health and welfare benefits offered generally to employees of Company.

3. **Paid Time Off.** Executive shall be entitled each year during Executive's employment to the number of vacation outlined in the Offer Letter.

4. **Business Expenses.** Business expenses will be reimbursed in accordance with Company policies.

II. TERMS AND CONDITIONS.

A. Employment

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

2. **Post Termination Payments.**

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

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

(i) separation payments equal to twelve (12) months of base monthly salary in effect for Executive on the termination date to be paid on the Company's customary payroll schedule beginning after the revocation period has lapsed for the release requirement in Section II(A)(2)(c), with the actual period of receipt of such payments being referred to as the "Severance Period"; and

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

(c) As a condition precedent to being entitled to receive the benefits set forth in Section

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

3. **Cause.**

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

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

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

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

(20) days after written notice from Company;

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

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

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

(h) Executive breaches this Agreement in any material respect and does not cure such breach (if curable) within twenty (20) days after written notice from Company or, if notice and cure have

previously taken place regarding a similar breach, if a similar breach recurs.

A termination of employment by the Employer for one of the reasons set forth in Section II. 3(a)-(h) above will not constitute cause unless, within the 60-day period immediately following the occurrence of such event, Employer has given written notice to Executive specifying in reasonable detail the event or events relied upon for such termination and Executive has not remedied such event or events within twenty

(20) days of the receipt of such notice.

4 **Good Reason**. For the purpose of this Agreement, "Good Reason," as used herein,

means:

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

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

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

A termination of employment by the Executive for one of the reasons set forth in Section II. 4(a)-(c) above will not constitute Good Reason unless, within the 60-day period immediately following the occurrence of such Good Reason event, Executive has given written notice to Company specifying in reasonable detail the event or events relied upon for such termination and Company has not remedied such event or events within twenty (20) days of the receipt of such notice.

B. **Dispute Resolution; Arbitration; Exigent Relief.**

Company and Executive agree that any claim arising out of or relating to this Agreement, or the breach of this Agreement, or Executive's application, employment, or termination of employment, shall be submitted to and resolved by binding arbitration under the Federal Arbitration Act. Company and Executive agree that all claims shall be submitted to arbitration including, but not limited to, claims based on any alleged violation of Title VII or any other federal or state laws; claims of discrimination, harassment, retaliation, wrongful termination, compensation due or violation of civil rights; or any claim based in tort, contract, or equity. Any arbitration between Company and Executive will be administered by the American Arbitration Association under its Employment Arbitration Rules then in effect. The award entered by the arbitrator will be based solely upon the law governing the claims and defenses pleaded, and will be final and binding in all respects. Judgment on the award may be entered in any court having jurisdiction. Company agrees to pay for the arbiter's fees where required by law.

Executive understands that if Executive has breached the Confidentiality Agreement, or any other section herein, Company may seek an injunction, or other relief as may be appropriate, against Executive.

C. **Duty of Loyalty.**

Executive agrees to devote all time that is reasonably necessary to execute and complete Executive's duties to Company. During the time necessary to execute Executive's duties, Executive agrees to devote Executive's full and undivided time, energy, knowledge, skill and ability to Company's business, to the exclusions of all other business and sideline interests. Because of the agreement in the preceding sentence,

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

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

D. **Reimbursement.**

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

E. **Background Investigation and Review of Company Property.**

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

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

III. **CONFIDENTIAL INFORMATION.**

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

1. In connection with Executive's duties, Executive may have access to some or all of Company's "Confidential Information," whether original, duplicated, computerized, memorized, handwritten, or in any other form, and all information contained therein, including, without limitation:

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

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

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

person has received or disclosed or intends to receive or disclose Confidential Information without Company's consent, Executive agrees to immediately notify Company.

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

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

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

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

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

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

10. Executive agrees to notify Company (Human Resources) if Executive becomes aware that others are using, wrongfully disclosing, downloading, making copies of, taking, possessing, deleting or destroying confidential information.

B. **Other Employers and Obligations.**

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

2. Executive warrants that Executive's employment with Company will not violate any contractual obligations with other parties. Executive will not use during Executive's employment with Company nor disclose to Company any confidential or proprietary information or trade secrets from any former or current employers, principals, partners, co-venturers, customers or suppliers, and will not bring onto Company's premises any unpublished document or any property belonging to any such person or entities without their consent. Executive will honor any non-disclosure, proprietary rights, or other contractual agreements with any other person or entity and has disclosed to Company any such agreements that may bear on employment with Company. Executive agrees to tell any prospective new employer about this Agreement and its terms.

IV. ASSIGNMENT OF INVENTIONS.

A. **Inventions Assignment**.

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

B. **Outside Inventions**.

Executive's obligation to assign shall not apply to any Invention about which Executive can prove all the following: (a) it was developed entirely on Executive's own time; (b) no equipment, supplies, facility, services or trade secret information of Company was used in its development; (c) it does not relate

(i) directly to the business of Company or its affiliates or (ii) to the actual or demonstrably anticipated business, research or development of Company or its affiliates; and (d) it does not result from any work performed by Executive for Company or its affiliates. Executive shall attach a list of all existing Inventions meeting these requirements to this Agreement.

V. COMPLIANCE WITH LAWS AND COMPANY'S CODE OF CONDUCT.

A. **Commitment to Compliance**.

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

B. **Duty to Comply with the Law**.

Executive agrees to and shall comply with all federal, state and local laws and regulations, including, without limit, equal employment opportunity laws and wage and hour laws. Executive agrees to and shall immediately notify Company if Executive becomes aware of a violation of the law, or suspects a violation of the law has or will occur. Executive acknowledges that Executive may be held personally liable for intentional violations.

C. **Duty to Comply with Company's Code of Conduct.**

Executive acknowledges and agrees that it is Executive's duty to be familiar with Company's Code of Conduct, and to comply with all of its respective provisions.

VI. **MISCELLANEOUS.**

A. **Integration.**

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

B. **Choice of Law.**

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

C. **Venue and Consent to Jurisdiction.**

Where the parties have mutually waived their right to arbitration in writing or have not sought to enforce their right to compel arbitration, or where a temporary and/or preliminary or permanent injunction may be necessary to protect the interests of either party, Executive and Company hereby irrevocably and unconditionally submit to the jurisdiction of the Washington State Superior Court for Peirce County or the United States District Court, Western District of Washington at Tacoma, or to any court in any location where Executive is threatening to breach or is engaged in breaching the Agreement; Executive and Company consent to submit to venue and personal jurisdiction of the courts identified herein, and agree to waive any claim that any such suit, action, or proceeding has been brought in an inconvenient forum. Executive and Company agree that the choice of venue lies solely in the discretion of the Company.

D. **No Wavier of Rights.**

A waiver by Company of the breach of any of the provisions of this Agreement by Executive shall not be deemed a waiver by Company of any subsequent breach, nor shall recourse to any remedy hereunder be deemed a waiver of any other or further relief or remedy provided for herein. No waiver shall be effective unless made in writing and signed by the General Counsel our Chief Compliance Officer of Company. Agreement shall be enforceable regardless of claim Executive may have against Company.

E. **Severability.**

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

F. **Binding Effect and Assignability.**

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

G. **Non-Disparagement.**

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

H. **Survival.**

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

I. **Section 409A of the Internal Revenue Code of 1986.**

1. To the extent applicable, it is intended that this Agreement comply with or be exempt from the provisions of Section 409A of the Internal Revenue Code of 1986 ("Section 409A"). This Agreement will be construed and administered in a manner consistent with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Section 409A.

2. Notwithstanding any other provision of this Agreement, if at the time of the Executive's termination of employment, he is a "specified employee", determined in accordance with Section 409A, any payments and benefits provided under this Agreement that constitute "nonqualified deferred compensation" subject to Section 409A that are provided to the Executive on account of his

separation from service shall not be paid until the first payroll date to occur following the six-month anniversary of the Executive's termination date ("Specified Employee Payment Date"). The aggregate amount of any payments that would otherwise have been made during such six-month period shall be paid in a lump sum on the Specified Employee Payment Date without interest and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule. If the Executive dies during the six-month period, any delayed payments shall be paid to the Executive's estate in a lump sum upon the Executive's death.

3. To the extent required by Section 409A, each reimbursement or in-kind benefit provided under this Agreement shall be provided in accordance with the following:

(a) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year.

(b) any reimbursement of an eligible expense shall be paid to the Executive on or before the last day of the calendar year following the calendar year in which the expense was incurred; and

(c) any right to reimbursements or in-kind benefits under this Agreement shall not be subject to liquidation or exchange for another benefit.

J. **Attorney's Fees.**

In any suit or proceeding to enforce the terms of this Agreement Executive and Company agree that the prevailing party in any such dispute shall be paid and indemnified by the non-prevailing party for and against all expenses of every nature and character incurred by in pursuing such suit or proceeding including, without limitation, all reasonable attorneys' fees, costs and disbursements. Headings for Convenience Only.

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

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

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

	EXECUTIVE		**COMPANY**
By:	*/s/ Garrett Ferencz*	By:	/s/ Jim Defebaugh
Name:	Garrett Ferencz	Name:	Jim Defebaugh
Date:	1/6/2020	Title:	EVP, Chief Legal Officer
		Date:	1/6/2020

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

EXHIBIT A (OFFER LETTER)

July 16, 2020

Garrett Ferencz

Dear Garrett:

It is my pleasure to extend the following promotional offer to you on behalf of TrueBlue. We trust that your knowledge, skills and experience will continue to be a valuable asset to our organization. Please note that this offer is based upon the following terms:

Position: Executive Vice President, Chief Legal Officer
Reporting to: Patrick Beharelle, President and CEO
Base Salary: $400,000 annually ($15,384.61 per pay period) paid on a bi-weekly basis and subject to applicable taxes. This is an exempt position.
Annual Bonus Target: $ 260,000 (65% of base salary)
Annual Equity Grant: $ 400,000 (100% of base salary)
Annual Compensation Target: $1,060,000

Promotional Equity Grant: $160,000 (40% of base salary)

Effective Date: On or about July 1, 2020

Temporary Pay Reduction: The base salary above will be effective when the current mandatory salary reductions in place are removed and base salaries are reinstated. Until that time, your salary will be $360,000 ($13,846.15 per pay period).

Annual Bonus Plan: You will be eligible to participate in our annual bonus plan prorated based on the effective date of this promotion. This plan has a target payout of 65% of your salary.
The bonus plan is based on a combination of service line and individual performance.

Annual Equity Grant: You will be eligible for an annual equity award as outlined above. Annual equity grants are typically granted in February (for employees hired before December 31) and actual award values and equity components are subject to the approval of the Board and the applicable plan documents.

Promotional Equity Grant: You will receive a one-time award of restricted shares having a value of 40% of base salary. The number of shares you receive will be based on the grant value divided by the previous 60-day average closing price of the stock on the grant date. Shares will be granted on the first trading day of the month following your promotion date. Restricted shares will vest equally over four years on the anniversary date of the grant and per the terms of the grant agreement.

Health & Welfare Benefits: Your current benefits program selections will remain in place.
This promotional offer letter amends your employment agreement to the extent specifically set forth in this letter. All other terms and conditions in your employment agreement remain unmodified.

Nothing in this offer letter is intended to be a separate contract of employment or a promise of specific treatment in specific situations. This offer letter does not change your at-will employment status and TrueBlue reserves the right to modify your compensation, title or continued employment as circumstances dictate.

We are excited about continuing our mutually rewarding employment relationship. If you have any questions regarding this offer letter, please contact me.

Sincerely,

Patrick Beharelle President and CEO

I have read and accept the terms of this employment offer.

/s/ Garrett Ferencz	7/20/2020
Signature	Date

EXHIBIT B

(SAMPLE) RELEASE OF CLAIMS

This Release of Claims ("Release") is hereby executed by ______("Executive") in accordance with the Employment Agreement between Executive and Company ______, Inc. ("Employer"), dated ______("Employment Agreement").

<u>RECITALS</u>

A. Employer and Executive are parties to the Employment Agreement.

B. The Employment Agreement provides for certain payments and benefits to Executive upon termination of Executive's employment under certain circumstances, provided that Executive signs and delivers to Employer upon such termination a Release in substantially the form of this Release, and does not revoke the same.

C. Executive desires for Employer to make payments in accordance with the Employment Agreement and therefore executes this Release.

<u>TERMS</u>

1. <u>Waiver, Release and Covenant</u>. On behalf of Executive and Executive's marital community, heirs, executors, administrators and assigns, Executive expressly waives, releases, discharges and acquits any and all claims against Employer and its present, former and future affiliates, related entities, predecessors, successors and assigns, and all of their present, former and future officers, directors, stockholders, employees, agents, partners, and members, in their individual and representative capacities (collectively "Released Parties") that arise from or relate to Executive's employment with Employer and/or the termination of such employment ("Released Claims"). This waiver and release includes any and all Released Claims (including claims to attorneys' fees), damages, causes of action or disputes, whether known or unknown, based upon acts or omissions occurring or that could be alleged to have occurred before the execution of this Release. Released Claims include, without limitation, claims for wages, employee benefits, and damages of any kind whatsoever arising out of any: contract, express or implied; tort; discrimination; wrongful termination; any federal, state, local or other governmental statute or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act, as amended ("ADEA"); the Americans with Disabilities Act of 1990, the Rehabilitation Act of 1973; the Family and Medical Leave Act; the Employee Retirement Income Security Act of 1974, including but not limited to claims under Company-sponsored severance and termination pay plans, if any; and any other legal limitation on the employment relationship. Executive also covenants and promises never to file, press or join in any complaint or lawsuit for personal relief or any amounts of any nature based on any Released Claim and agrees that any such claim, if filed by Executive, shall be dismissed, except that this covenant and promise does not apply to any claim of Executive challenging the validity of this Release in connection with claims arising under the ADEA and/or the Older Workers' Benefit Protection Act of 1990 ("OWBPA"). Executive represents and warrants that he is the sole owner of all Released Claims and has not assigned, transferred, or otherwise disposed of Executive's right or interest in those matters. Notwithstanding the foregoing, this waiver and release does not apply to claims that arise after the date that the release is executed, claims to vested benefits under ERISA, workers' compensation claims or any other claims that may not be released under this Release in accordance with applicable law.

2. <u>Acknowledgment of Sufficiency of Consideration</u>. Executive acknowledges and agrees that in the absence of Executive's execution of this Release, Employer is not obligated to provide Executive with the

payment and benefits described in Section II(A)(2)(b) of the Employment Agreement, and that the payment and benefits set forth in Section II(A)(2)(b) of the Employment Agreement are adequate consideration for the covenants and release herein.

3. Covenants and Obligations under Employment Agreement. Nothing in this Release supersedes or restricts any obligations that Executive owes to Employer, including, without limitation, the obligation to protect Employer's interests in Confidential Information and trade secrets and inventions under the Employment Agreement and/or under applicable law, and/or Company's Non-Competition Agreement executed by Executive. Executive agrees to comply with all covenants that Executive has entered into with Company.

4. Non-Disparagement. At all times during the Executive's employment with Company and following termination of that employment by either Executive or Company, Executive agrees not to make any statements, written or verbal, or cause or encourage others to make any statements, written or verbal, including but not limited to any statements made via social media, on websites or blogs, that defame, disparage the Company or its Subsidiaries or any of their respective directors, officers or employees. Executive will not be in breach of this provision by providing information as required by law or legal compulsion.

Executive further understands and agrees that this paragraph is a material provision of this Agreement and that any breach of this paragraph shall be a material breach of this Agreement, and that the Company would be irreparably harmed by violation of this provision.

5. Disclosure. Executive acknowledges and warrants that s/he is not aware of, or that s/he has fully disclosed to the Company, any matters for which Executive was responsible or which came to Executive's attention as an employee of the Company that might give rise to, evidence, or support any claim of illegal conduct, regulatory violation, unlawful discrimination, or other cause of action against the Company.

6. Company Property. All records, files, lists, including computer generated lists, data, drawings, documents, equipment and similar items relating to the Company's business that Executive generated or received from the Company remains the Company's sole and exclusive property. Executive agrees to promptly return to the Company all property of the Company in his/her possession. Executive further represents that s/he has not copied or caused to be copied, printout, or caused to be printed out any documents or other material originating with or belonging to the Company. Executive additionally represents that s/he will not retain in her/his possession any such documents or other materials.

7. Review and Revocation Period. Executive has a period of seven (7) calendar days after delivering the executed Release to Employer to revoke the Release. To revoke, Executive must deliver a notice revoking Executive's agreement to this Release to the CEO of Employer. This Release shall become effective on the eighth day after delivery of this executed Release by Executive to Employer ("Effective Date"), provided that Executive has not revoked the Release. Employer shall have no obligation to provide Executive with any payment or benefits as described in Section 6 of the Employment Agreement if Executive revokes this Release.

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

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

10. Knowing and Voluntary Agreement. Executive hereby warrants and represents that (a) Executive has carefully read this Release and finds that it is written in a manner that he understands; (b) Executive knows the contents hereof; (c) Executive has been advised to consult with Executive's personal attorney regarding the Release and its effects and has done so; (d) Executive understands that Executive is giving up all Released

Claims and all damages and disputes that have arisen before the date of this Release, except as provided herein; (e) Executive has had ample time to review and analyze this entire Release; (f) Executive did not rely upon any representation or statement concerning the subject matter of this Release, except as expressly stated in the Release; (g) Executive has been given at least twenty-one (21) days to consider this Release and seven (7) days to revoke this Release; (h) Executive understands the Release's final and binding effect; (i) Executive has signed this Release as Executive's free and voluntary act.

11. Arbitration and Venue. Employer and Executive agree that any claim arising out of or relating to this Release of Claims, or the breach of this Release of Claims, shall be submitted to and resolved by binding arbitration under the Federal Arbitration Act, except for claims where a temporary and/or preliminary or permanent injunction may be necessary to protect the interests of Company, or the employee. Employer and Executive agree that all claims shall be submitted to arbitration including, but not limited to, claims based on any alleged violation of Title VII or any other federal or state laws; claims of discrimination, harassment, retaliation, wrongful termination, compensation due or violation of civil rights; or any claim based in tort, contract, or equity. Any arbitration between Employer and Executive will be administered by the American Arbitration Association under its Employment Arbitration Rules then in effect. The award entered by the arbitrator will be based solely upon the law governing the claims and defenses pleaded, and will be final and binding in all respects. Judgment on the award may be entered in any court having jurisdiction. In any such arbitration, neither Executive nor Employer shall be entitled to join or consolidate claims in arbitration or arbitrate any claim as a representative or member of a class. Employer agrees to pay for the arbiter's fees where required by law. Where the parties have mutually waived their right to arbitration in writing or have not yet sought to enforce their right to compel arbitration, venue for any legal action in connection with this Release of Claims will be limited exclusively to the Washington State Superior Court for Pierce County, or the United States District Court for the Western District of Washington at Tacoma. Executive and Company agrees to submit to the personal jurisdiction of the courts identified herein, and agrees to waive any objection to personal jurisdiction in these courts including but not limited to any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

END OF EXHIBIT B
(SAMPLE) RELEASE OF CLAIMS

EXHIBIT 31.1

CERTIFICATION

I, A. Patrick Beharelle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TrueBlue, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2020

/s/ A. Patrick Beharelle

A. Patrick Beharelle
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Derrek L. Gafford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TrueBlue, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2020

/s/ Derrek L. Gafford

Derrek L. Gafford

Chief Financial Officer (Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

We, A. Patrick Beharelle, the chief executive officer of TrueBlue, Inc. (the “company”), and Derrek L. Gafford, the chief financial officer of the company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report of the company on Form 10-Q, for the fiscal period ended June 28, 2020 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the company.

/s/ A. Patrick Beharelle	*/s/ Derrek L. Gafford*
A. Patrick Beharelle	Derrek L. Gafford
Chief Executive Officer	Chief Financial Officer
(Principal Executive Officer)	(Principal Financial Officer)

July 27, 2020

A signed original of this written statement required by Section 906 has been provided to TrueBlue, Inc. and will be retained by TrueBlue, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.