TrueBlue, Inc.
Form 10-Q
April 29, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: March 27, 2015
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)	(IRS Employer Identification No.)
1015 A Street, Tacoma, Washington	98402
(Address of principal executive offices)	(Zip Code)

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

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 ý No ¨

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

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

Large accelerated filer	x	Accelerated filer	¨	Non-accelerated filer	¨	(Do not check if a smaller reporting company)
Smaller reporting company	¨					

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
As of April 13, 2015, there were 41,941,221 shares of the registrant's common stock outstanding.

TrueBlue, Inc.
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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
TRUEBLUE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value data)

ASSETS	March 27, 2015 (unaudited)	December 26, 2014
Current assets:		
Cash and cash equivalents	$17,779	$19,666
Marketable securities	—	1,500
Accounts receivable, net of allowance for doubtful accounts of $6,629 and $7,603	290,746	359,903
Prepaid expenses, deposits and other current assets	15,803	18,778
Income tax receivable	10,438	10,516
Deferred income taxes	7,700	5,444
Total current assets	342,466	415,807
Property and equipment, net	58,591	61,392
Restricted cash and investments	172,039	168,426
Goodwill	241,855	241,855
Intangible assets, net	131,409	136,560
Other assets, net	41,111	42,631
Total assets	$987,471	$1,066,671
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued expenses	$53,769	$50,256
Accrued wages and benefits	65,693	69,692
Current portion of workers' compensation claims reserve	61,784	64,556
Other current liabilities	2,582	2,726
Total current liabilities	183,828	187,230
Workers' compensation claims reserve, less current portion	181,214	178,283
Long-term debt, less current portion	110,817	199,383
Deferred income taxes	21,726	19,768
Other long-term liabilities	14,444	12,673
Total liabilities	512,029	597,337
Commitments and contingencies (Note 9)		
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; 41,939 and 41,530 shares issued and outstanding	1	1
Accumulated other comprehensive income (loss)	(374)	871
Retained earnings	475,815	468,462
Total shareholders' equity	475,442	469,334
Total liabilities and shareholders' equity	$987,471	$1,066,671

See accompanying notes to consolidated financial statements

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

	Thirteen weeks ended	
	March 27, 2015	March 28, 2014
Revenue from services	$573,315	$396,063
Cost of services	443,479	296,504
Gross profit	129,836	99,559
Selling, general and administrative expenses	111,593	91,982
Depreciation and amortization	10,520	5,161
Income from operations	7,723	2,416
Interest expense	(1,166)	(263)
Interest and other income	632	607
Interest and other income (expense), net	(534)	344
Income before tax expense	7,189	2,760
Income tax expense	1,473	1,104
Net income	$5,716	$1,656
Net income per common share:		
Basic	$0.14	$0.04
Diluted	$0.14	$0.04
Weighted average shares outstanding:		
Basic	41,031	40,572
Diluted	41,362	40,891
Other comprehensive income (loss):		
Foreign currency translation adjustment, net of tax	$(1,412)	$(245)
Unrealized gain on investments, net of tax	167	48
Total other comprehensive loss, net of tax	(1,245)	(197)
Comprehensive income	$4,471	$1,459

See accompanying notes to consolidated financial statements

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

	Thirteen weeks ended	
	March 27, 2015	March 28, 2014
Cash flows from operating activities:		
Net income	$5,716	$1,656
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	10,520	5,161
Provision for doubtful accounts	1,745	3,487
Stock-based compensation	3,389	2,876
Deferred income taxes	(299)	(1,433)
Other operating activities	(316)	(435)
Changes in operating assets and liabilities:		
Accounts receivable	67,411	9,949
Income taxes	943	3,567
Other assets	4,496	(331)
Accounts payable and other accrued expenses	4,369	(3,307)
Accrued wages and benefits	(3,999)	1,380
Workers' compensation claims reserve	159	261
Other liabilities	1,626	664
Net cash provided by operating activities	95,760	23,495
Cash flows from investing activities:		
Capital expenditures	(3,458)	(2,091)
Purchases of marketable securities	—	(25,057)
Sales and maturities of marketable securities	1,500	9,450
Change in restricted cash and cash equivalents	(8,215)	(1,491)
Maturities of restricted investments	4,288	4,215
Net cash used in investing activities	(5,885)	(14,974)
Cash flows from financing activities:		
Net proceeds from stock option exercises and employee stock purchase plans	411	602
Common stock repurchases for taxes upon vesting of restricted stock	(3,026)	(2,474)
Net change in revolving credit facility	(88,000)	—
Payments on debt and other liabilities	(566)	(567)
Other	865	973
Net cash used in financing activities	(90,316)	(1,466)
Effect of exchange rate changes on cash and cash equivalents	(1,446)	(240)
Net change in cash and cash equivalents	(1,887)	6,815
CASH AND CASH EQUIVALENTS, beginning of period	19,666	122,003
CASH AND CASH EQUIVALENTS, end of period	$17,779	$128,818

See accompanying notes to consolidated financial statements

TRUEBLUE, INC.
Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Financial statement preparation

The accompanying unaudited consolidated financial statements (“financial statements”) of TrueBlue, Inc. (the "Company," "we," "us," "our," and "TrueBlue") are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures usually found in financial statements prepared in accordance with GAAP have been condensed or omitted. The 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.
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 26, 2014. The results of operations for the thirteen weeks ended March 27, 2015 are not necessarily indicative of the results expected for the full fiscal year or for any other fiscal period.

Recently issued accounting pronouncements not yet adopted

In April 2015, the Financial Accounting Standards Board ("FASB") issued new accounting guidance intended to simplify the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the presentation for debt discounts. The recognition and measurement guidance for debt issuance costs is not affected. This guidance is effective for annual periods beginning after December 15, 2015 (Q1 2016 for TrueBlue), including interim periods within those annual periods and must be applied on a retrospective basis with early adoption permitted. This guidance is not expected to have a material impact on our consolidated financial statements.

In April 2015, the FASB issued new accounting guidance related to accounting for fees paid in a cloud computing arrangement. The new standard provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 (Q1 2016 for TrueBlue). Early adoption is permitted and may be applied retrospectively or prospectively to arrangements entered into, or materially modified, after the effective date. We are evaluating the impact, if any, that this standard will have on our consolidated financial statements.

In May 2014, the FASB issued new accounting guidance that sets forth a five-step revenue recognition model, which supersedes current revenue recognition guidance, including industry-specific revenue recognition guidance. The underlying principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The ASU provides two methods of initial adoption: retrospective for all periods presented, or through a cumulative adjustment in the year of adoption. It is effective for annual periods beginning after December 15, 2016 (Q1 2017 for TrueBlue), including interim periods within those annual periods. Early adoption is not permitted. We have not yet determined which method of adoption will be

applied and are currently evaluating the impact that this standard will have on our consolidated financial statements.

NOTE 2: FAIR VALUE MEASUREMENT

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

- Level 1 inputs are valued using quoted market prices in active markets for identical assets or liabilities. Our Level 1 assets primarily include cash and cash equivalents and mutual funds.

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Notes to Consolidated Financial Statements—(Continued)

- Level 2 inputs are valued based upon quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active. Our Level 2 assets are marketable securities, which may consist of certificates of deposit ("CDs"), and commercial paper, and restricted investments, which consist of municipal debt securities, corporate debt securities, asset-backed securities, and U.S. agency debentures. Our investments consist of highly rated investment grade debt securities, which are rated A1/P1 or higher for short-term securities and A- or higher for long-term securities, by nationally recognized statistical rating organizations. We obtain our inputs from quoted market prices and independent pricing vendors.
- Level 3 inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. We have no Level 3 assets or liabilities.

The carrying values of our accounts receivable, accounts payable and other accrued expenses, and accrued wages and benefits approximate fair value due to their short-term nature. We also hold certain restricted investments which collateralize workers' compensation programs and are classified as held-to-maturity and carried at amortized cost on our Consolidated Balance Sheets. We hold long-term debt with variable interest rates that approximate fair value. For additional information, see Note 8: Long-term Debt.

The following tables present the fair value and hierarchy for our financial assets (in thousands):

	March 27, 2015				
	Carrying Value	Total Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents (1)	$17,779	$17,779	$17,779	$—	$—
Restricted cash and cash equivalents (1)	75,427	75,427	75,427	—	—
Other restricted assets (3)	11,261	11,261	11,261	—	—
Restricted investments classified as held-to-maturity	85,351	86,945	—	86,945	—

	December 26, 2014				
	Carrying Value	Total Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents (1)	$19,666	$19,666	$19,666	$—	$—
Marketable securities classified as available-for-sale (2)	1,500	1,500	—	1,500	
Restricted cash and cash equivalents (1)	68,359	68,359	68,359	—	—
Other restricted assets (3)	9,972	9,972	9,972	—	—
Restricted investments classified as held-to-maturity	90,095	91,066	—	91,066	—

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

(2) At March 27, 2015 we held no marketable securities. At December 26, 2014, all our marketable securities, which consisted of CDs, had stated maturities of less than one year.

(3) Other restricted assets primarily consist of deferred compensation plan accounts, which are comprised of mutual funds.

NOTE 3: MARKETABLE SECURITIES

We held no marketable securities as of March 27, 2015.

As of December 26, 2014, the amortized cost and fair value of our marketable securities, which were all CDs with stated maturities of less than one year, were $1.5 million. Gross unrealized gains and losses were de minimis for the thirteen weeks ended March 28, 2014.

NOTE 4: 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. The

collateral typically takes the form of cash and cash equivalents and highly rated investment grade securities, primarily in municipal debt securities, corporate debt securities, and asset-backed securities. The majority of our collateral obligations are held in a trust at the Bank of New York Mellon ("Trust"). Our investments have not resulted in any other-than-temporary impairments.

Notes to Consolidated Financial Statements—(Continued)

The following is a summary our restricted cash and investments (in thousands):

	March 27, 2015	December 26, 2014
Cash collateral held by insurance carriers	$22,497	$22,639
Cash and cash equivalents held in Trust	51,066	43,856
Investments held in Trust	85,351	90,095
Cash collateral backing letters of credit	1,864	1,864
Other (1)	11,261	9,972
Total restricted cash and investments	$172,039	$168,426

(1) Primarily consists of deferred compensation plan accounts, which are comprised of mutual funds.

The following tables present fair value disclosures for our held-to-maturity investments, which are carried at amortized cost (in thousands):

	March 27, 2015			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Municipal debt securities	$49,353	$1,002	$(22)	$50,333
Corporate debt securities	26,646	469	(22)	27,093
Asset-backed securities	9,352	167	—	9,519
	$85,351	$1,638	$(44)	$86,945

	December 26, 2014			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Municipal debt securities	$52,406	$882	$(92)	$53,196
Corporate debt securities	27,715	179	(144)	27,750
Asset-backed securities	9,974	157	(11)	10,120
	$90,095	$1,218	$(247)	$91,066

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

	March 27, 2015	
	Amortized Cost	Fair Value
Due in one year or less	$8,649	$8,691
Due after one year through five years	40,368	40,906
Due after five years through ten years	36,334	37,348
	$85,351	$86,945

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.

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Notes to Consolidated Financial Statements—(Continued)

NOTE 5: PROPERTY AND EQUIPMENT, NET

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

	March 27, 2015	December 26, 2014
Buildings and land	$30,769	$30,381
Computers and software	117,000	115,419
Furniture and equipment	11,629	11,690
Construction in progress	5,001	5,415
	164,399	162,905
Less accumulated depreciation	(105,808)	(101,513)
	$58,591	$61,392

Capitalized software costs, net of accumulated depreciation, were $28.7 million and $30.2 million as of March 27, 2015 and December 26, 2014, respectively, excluding amounts in Construction in progress. Construction in progress consists primarily of purchased and internally-developed software.

Depreciation expense of property and equipment totaled $5.4 million and $3.7 million for the thirteen weeks ended March 27, 2015 and March 28, 2014, respectively.

NOTE 6: GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following table reflects goodwill at March 27, 2015 and December 26, 2014 (in thousands):

	Legacy TrueBlue	Unallocated Goodwill (1)	Total Company
Balance at December 26, 2014			
Goodwill before impairment	$128,449	$159,616	$288,065
Accumulated impairment loss	(46,210)	—	(46,210)
Goodwill, net	82,239	159,616	241,855
Balance at March 27, 2015			
Goodwill before impairment	128,449	159,616	288,065
Accumulated impairment loss	(46,210)	—	(46,210)
Goodwill, net	$82,239	$159,616	$241,855

(1) Management is still determining the allocation of our goodwill acquired to our new reportable segments, which will be finalized in Q2 2015. See Note 16: Segment Information, for additional details.

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Notes to Consolidated Financial Statements—(Continued)

Intangible assets

The following table presents our purchased finite-lived intangible assets (in thousands):

	March 27, 2015			December 26, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets (1):						
Customer relationships	$123,940	$(26,316)	$97,624	$123,940	$(22,195)	$101,745
Trade name/trademarks	4,422	(3,090)	1,332	4,422	(2,878)	1,544
Non-compete agreements	1,800	(907)	893	1,800	(817)	983
Technologies	18,300	(2,940)	15,360	18,300	(2,212)	16,088
Total finite-lived intangible assets	$148,462	$(33,253)	$115,209	$148,462	$(28,102)	$120,360

(1) Excludes assets that are fully amortized.

Amortization of our finite-lived intangible assets was $5.2 million and $1.5 million for the thirteen weeks ended March 27, 2015 and March 28, 2014, respectively.

The following table provides the estimated future amortization of finite-lived intangible assets as of March 27, 2015 (in thousands):

Remainder of 2015	$13,836
2016	18,186
2017	16,157
2018	14,638
2019	11,942
Thereafter	40,450
Total future amortization	$115,209

We also held indefinite-lived trade name/trademarks of $16.2 million as of March 27, 2015 and December 26, 2014.

We did not perform an interim impairment test of our goodwill and indefinite-lived intangible assets as we noted no significant indicators of impairment as of March 27, 2015.

NOTE 7: WORKERS’ COMPENSATION INSURANCE AND RESERVES

We provide workers’ compensation insurance for our temporary and permanent employees. The majority of our current workers’ compensation insurance policies cover claims for a particular event above a $2.0 million deductible limit, on a “per occurrence” basis. This results in our being substantially self-insured.

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 our Labor Ready service line in the state of 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. Our workers’ compensation reserve is established using estimates of the future cost of claims and related expenses that have been reported but not settled, as well as those that have been incurred but not reported.

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 1.6% and 1.7% at March 27, 2015 and December 26, 2014, respectively. Payments made against self-insured claims are made over a weighted average period of approximately 4.5 years at March 27, 2015.

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Notes to Consolidated Financial Statements—(Continued)

The table below presents a reconciliation of the undiscounted workers' compensation claims reserve to the discounted workers' compensation reserve for the periods presented as follows (in thousands):

	March 27, 2015	December 26, 2014
Undiscounted workers' compensation reserve	$257,177	$256,220
Less discount on workers' compensation reserve	14,179	13,381
Workers' compensation reserve, net of discount	242,998	242,839
Less current portion	61,784	64,556
Long-term portion	$181,214	$178,283

Payments made against self-insured claims were $16.8 million and $13.7 million for the thirteen weeks ended March 27, 2015 and March 28, 2014, 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. The claim payments are made and the corresponding reimbursements from our insurance carriers are received over an estimated weighted average period of approximately 14.7 years. The discounted workers' compensation reserve for excess claims was $41.3 million and $42.6 million as of March 27, 2015 and December 26, 2014, respectively. The discounted receivables from insurance companies, net of valuation allowance, were $37.4 million and $38.7 million as of March 27, 2015 and December 26, 2014, respectively, and are included in Other assets, net on the accompanying Consolidated Balance Sheets.

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;
- impact of safety initiatives; and
- positive or adverse development of claims.

Workers' compensation expense consists primarily of changes in self-insurance reserves net of changes in discount, monopolistic jurisdictions' premiums, insurance premiums, and other miscellaneous expenses. Workers' compensation expense of $21.5 million and $15.9 million was recorded in Cost of services for the thirteen weeks ended March 27, 2015 and March 28, 2014, respectively.

NOTE 8: LONG-TERM DEBT

The components of our borrowings were as follows (in thousands):

	March 27, 2015	December 26, 2014
Revolving Credit Facility	$83,995	$ 171,994
Term Loan	29,089	29,656
Total debt	113,084	201,650
Less current portion	2,267	2,267
Long-term debt	$110,817	$ 199,383

Second amended and restated credit agreement

Effective June 30, 2014, we entered into a Second Amended and Restated Revolving Credit Agreement for a secured revolving credit facility of $300.0 million with Bank of America, N.A., Wells Fargo Bank, National Association, HSBC and PNC Capital Markets LLC ("Revolving Credit Facility") in connection with our acquisition of Seaton. The Revolving Credit Facility, which matures June 30, 2019, amended and restated our previous credit facility, and replaced the Seaton credit facility.

Notes to Consolidated Financial Statements—(Continued)

The maximum amount we can borrow under the Revolving Credit Facility is subject to certain borrowing limits. Specifically, we are limited to the sum of 90% of our eligible billed accounts receivable, plus 85% of our eligible unbilled accounts receivable limited to 15% of all our eligible receivables, plus the value of our Tacoma headquarters office building. The real estate lending limit is $17.4 million, and is reduced quarterly by $0.4 million. As of March 27, 2015, the Tacoma headquarters office building liquidation value totaled $16.6 million. The borrowing limit is further reduced by the sum of a reserve in an amount equal to the payroll and payroll taxes for our temporary employees for one payroll cycle and other reserves, if deemed applicable. Each borrowing has a stated maturity of 90 days or less. At March 27, 2015, $240.9 million was available under the Revolving Credit Facility, $84.0 million was utilized as a draw on the facility, and $5.0 million was utilized by outstanding standby letters of credit, leaving $151.9 million available for additional borrowings. The letters of credit collateralize a portion of our workers' compensation obligation.

The Revolving Credit Facility requires that we maintain an excess liquidity of $37.5 million. Excess liquidity is an amount equal to the unused borrowing capacity under the Revolving Credit Facility plus certain unrestricted cash, cash equivalents, and marketable securities. We are required to satisfy a fixed charge coverage ratio in the event we do not meet that requirement. The additional amount available to borrow at March 27, 2015 was $151.9 million and the amount of cash, cash equivalents and certain marketable securities under control agreements was $15.1 million for a total of $167.0 million, which is well in excess of the liquidity requirement. We are currently in compliance with all covenants related to the Revolving Credit Facility.

Under the terms of the Revolving Credit Facility, we pay a variable rate of interest on funds borrowed that is based on London Interbank Offered Rate (LIBOR) plus an applicable spread between 1.25% and 2.00%. Alternatively, at our option, we may pay interest based upon a base rate plus an applicable spread between 0.25% and 1.00%. The applicable spread is determined by certain liquidity to debt ratios. The base rate is the greater of the prime rate (as announced by Bank of America), the federal funds rate plus 0.50%, or the one-month LIBOR rate plus 1.00%. Until April 1, 2015, the applicable spread on LIBOR was 1.75% and the applicable spread on the base rate was 0.75%. As of March 27, 2015, the interest rate was 2.00%.

A fee of 0.375% is applied against the Revolving Credit Facility's unused borrowing capacity when utilization is less than 25%, or 0.25% when utilization is greater than or equal to 25%. Letters of credit are priced at the margin in effect for LIBOR loans, plus a fronting fee of 0.125%.

Obligations under the Revolving Credit Facility are guaranteed by TrueBlue and material U.S. domestic subsidiaries, and are secured by a pledge of substantially all of the assets of TrueBlue and material U.S. domestic subsidiaries. The Revolving Credit Facility has variable rate interest and approximates fair value as of March 27, 2015 and December 26, 2014.

Term loan agreement

On February 4, 2013, we entered into an unsecured Term Loan Agreement (“Term Loan”) with Synovus Bank in the principal amount of $34.0 million. The Term Loan has a five-year maturity with fixed monthly principal payments, which total $2.3 million annually based on a loan amortization term of 15 years. Interest accrues at the one-month LIBOR index rate plus an applicable spread of 1.50%, which is paid in addition to the principal payments. At our discretion, we may elect to extend the term of the Term Loan by five consecutive one-year extensions. At March 27, 2015, the interest rate for the Term Loan was 1.67%.

At March 27, 2015 and December 26, 2014, the remaining balance of the Term Loan was $29.1 million and $29.7 million, respectively, of which $2.3 million is current and is included in Other current liabilities on our Consolidated Balance Sheets. The Term Loan has variable rate interest and approximates fair value as of March 27, 2015 and

December 26, 2014.

Our obligations under the Term Loan may be accelerated upon the occurrence of an event of default under the Term Loan, which includes customary events of default, as well as cross-defaults related to indebtedness under our Revolving Credit Facility and other Term Loan specific defaults. The Term Loan contains customary negative covenants applicable to the Company and our subsidiaries such as indebtedness, certain dispositions of property, the imposition of restrictions on payments under the Term Loan, and other Term Loan specific covenants. We are currently in compliance with all covenants related to the Term Loan.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Workers' compensation commitments

Our insurance carriers and certain state workers' compensation programs require us to collateralize a portion of our workers' compensation obligation, for which they become responsible should we become insolvent. The collateral typically takes the form of cash and cash equivalents, highly rated investment grade debt securities, letters of credit, and/or surety bonds. On a regular

Notes to Consolidated Financial Statements—(Continued)

basis these entities assess the amount of collateral they will require from us relative to our workers' compensation obligation. The majority of our collateral obligations are held in the Trust.
We have provided our insurance carriers and certain states with commitments in the form and amounts listed below (in thousands):

	March 27, 2015	December 26, 2014
Cash collateral held by insurance carriers	$22,497	$22,639
Cash and cash equivalents held in Trust	51,066	43,856
Investments held in Trust	85,351	90,095
Letters of credit (1)	6,787	6,513
Surety bonds (2)	16,861	16,861
Total collateral commitments	$182,562	$179,964

(1) We have agreements with certain financial institutions to issue letters of credit as collateral. We had $1.9 million of restricted cash collateralizing our letters of credit at March 27, 2015 and December 26, 2014.

(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 resolution of those proceedings is not expected to have a material effect on our results of operations or financial condition.

NOTE 10: STOCK-BASED COMPENSATION

We record stock-based compensation expense for restricted and unrestricted stock awards, performance share units, stock options, and shares purchased under an employee stock purchase plan.
Our 2005 Long-Term Equity Incentive Plan, as amended and restated effective May 2013 ("Incentive Plan"), provides for the issuance or delivery of up to 7.95 million shares of our common stock over the full term of the Incentive Plan.

Restricted and unrestricted stock awards and performance share units

Under the Incentive Plan, restricted stock awards are granted to executive officers and key employees and vest annually over three or four years. Unrestricted stock awards granted to our Board of Directors vest immediately. Restricted and unrestricted stock-based compensation expense is calculated based on the grant-date market value. We recognize compensation expense on a straight-line basis over the vesting period, net of estimated forfeitures.
Performance share units have been granted to executive officers and certain key employees. Vesting of the performance share units is contingent upon the achievement of revenue and/or profitability growth goals at the end of each three-year performance period. Each performance share unit is equivalent to one share of common stock. Compensation expense is calculated based on the grant-date market value of our stock and is recognized ratably over the performance period for the performance share units which are expected to vest. Our estimate of the performance units expected to vest is reviewed and adjusted as appropriate each quarter.

Notes to Consolidated Financial Statements—(Continued)

Restricted and unrestricted stock awards and performance share units activity for the thirteen weeks ended March 27, 2015, was as follows (shares in thousands):

	Shares	Weighted-average grant-date price
Non-vested at beginning of period	1,547	$20.03
Granted	455	$21.77
Vested	(495)	$17.02
Forfeited	(241)	$14.02
Non-vested at the end of the period	1,266	$22.29

As of March 27, 2015, total unrecognized stock-based compensation expense related to non-vested restricted stock was approximately $12.9 million, which is estimated to be recognized over a weighted average period of 1.89 years. As of March 27, 2015, total unrecognized stock-based compensation expense related to performance share units was approximately $5.2 million which is estimated to be recognized over a weighted average period of 2.07 years.

Stock options

Our Incentive Plan provides for both nonqualified stock options and incentive stock options (collectively, "stock options") for directors, officers, and certain employees. We issue new shares of common stock upon exercise of stock options. All of our stock options are vested and expire if not exercised within seven to ten years from the date of grant. Stock option activity was de minimis for the thirteen weeks ended March 27, 2015.

Employee stock purchase plan

Our Employee Stock Purchase Plan ("ESPP") reserves for purchase 1.0 million shares of common stock. The plan allows eligible employees to contribute up to 10% of their earnings toward the monthly purchase of the Company's common stock. The employee's purchase price is the lesser of 85% of the fair market value of shares on either the first day or the last day of each month. We consider our ESPP to be a component of our stock-based compensation and accordingly we recognize compensation expense over the requisite service period for stock purchases made under the plan. The requisite service period begins on the enrollment date and ends on the purchase date, the duration of which is one month.

During the thirteen weeks ended March 27, 2015 and March 28, 2014, participants purchased approximately 20,000 and 17,000 shares from the plan, for cash proceeds of $0.4 million and $0.3 million, respectively.

Stock-based compensation expense

Total stock-based compensation expense, which is included in Selling, general and administrative expenses on our Consolidated Statements of Operations and Comprehensive Income, was $3.4 million and $2.9 million for the thirteen weeks ended March 27, 2015 and March 28, 2014, respectively.

NOTE 11: DEFINED CONTRIBUTION PLANS

We offer both qualified and non-qualified defined contribution plans to eligible employees. Participating employees may elect to defer and contribute a portion of their eligible compensation. The plans offer discretionary matching contributions. The liability for the non-qualified plans was $11.3 million and $10.1 million as of March 27, 2015 and December 26, 2014, respectively. The current and non-current portion of the deferred compensation liability is included in Other current liabilities and Other long-term liabilities, respectively, on the Consolidated Balance Sheets, and is largely offset by restricted investments recorded in Restricted cash and investments on the Consolidated Balance Sheets.

NOTE 12: INCOME TAXES

Our tax provision or benefit from income taxes 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 our quarterly estimate of our annual effective tax rate, is subject to variation due to several factors, including variability in accurately predicting our pre-tax and taxable income and loss and the mix of jurisdictions to which they relate, audit developments,

changes in law, 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. 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.

Our effective tax rate on earnings for the thirteen weeks ended March 27, 2015 was 20.5% compared to 40.0% for the same period in 2014. During the thirteen weeks ended March 27, 2015, we recognized $1.3 million of discrete tax benefits from prior year federal and state hiring credits. These hiring credits include the federal Work Opportunity Tax Credit ("WOTC") and the California Enterprise Zone Tax Credit.

Our effective tax rate on earnings for the thirteen weeks ended March 28, 2014, was 40.0% compared to 83.4% on losses, for the same period in 2013. The principal difference between the statutory federal income tax rate of 35.0% and our effective income tax rate of 40.0%, results from state income taxes, certain non-deductible expenses, and the WOTC earned in 2014 for prior year hires.

As of March 27, 2015 and December 26, 2014, we had gross unrecognized tax benefits of $2.1 million and $2.0 million recorded in accordance with current accounting guidance on uncertain tax positions.

NOTE 13: NET INCOME PER SHARE

Diluted common shares were calculated as follows (in thousands, except per share amounts):

	Thirteen weeks ended	
	March 27, 2015	March 28, 2014
Net income	$5,716	$1,656
Weighted average number of common shares used in basic net income per common share	41,031	40,572
Dilutive effect of outstanding stock options and non-vested restricted stock	331	319
Weighted average number of common shares used in diluted net income per common share	41,362	40,891
Net income per common share:		
Basic	$0.14	$0.04
Diluted	$0.14	$0.04
Anti-dilutive shares	266	—

Basic net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is calculated by dividing net income by the weighted average number of common shares and potential common shares outstanding during the period. Potential common shares include the dilutive effects of outstanding options, non-vested restricted stock, performance share units, and shares issued under the employee stock purchase plan, except where their inclusion would be anti-dilutive.

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

Notes to Consolidated Financial Statements—(Continued)

NOTE 14: ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) is reflected as a net increase (decrease) to shareholders' equity. Changes in the balance of each component of accumulated other comprehensive income (loss) during the years presented were as follows (in thousands):

	Foreign currency translation adjustment	Unrealized gain on marketable securities (1)	Total other comprehensive income, net of tax
Balance at beginning of period	$848	$23	$ 871
Current-period other comprehensive income (loss) (2)	(1,412)	167	(1,245)
Balance at end of period	$(564)	$190	$ (374)

(1) Consists of deferred compensation plan accounts, which includes mutual funds.

(2) The tax impact on foreign currency translation adjustment and unrealized gain on marketable securities was de minimis for the period ending March 27, 2015.

There were no material reclassifications out of accumulated other comprehensive income (loss) during the fiscal period presented.

NOTE 15: SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosure of cash flow information (in thousands):

	Thirteen weeks ended	
	March 27, 2015	March 28, 2014
Cash paid during the period for:		
Interest	$1,137	$254
Income taxes	$565	$913

As of March 27, 2015 and March 28, 2014 we had acquired $0.2 million and $0.9 million, respectively, of property, plant and equipment on account that was not yet paid. These are considered non-cash investing items.

NOTE 16: SEGMENT INFORMATION

Our operating segments are based on the organizational structure for which financial results are regularly evaluated by the chief operating decision maker, our Chief Executive Officer, to determine resource allocation and assess performance. Our service lines are our operating segments. Our reportable segments are described below:

Our Staffing Services segment provides temporary staffing through the following service lines:

- Labor Ready: On-demand general labor;
- Spartan Staffing: Skilled manufacturing and logistics labor;
- CLP Resources: Skilled trades for commercial, industrial, and energy construction as well as building and plant maintenance;
- PlaneTechs: Skilled mechanics and technicians to the aviation and transportation industries;
- Centerline Drivers: Temporary and dedicated drivers to the transportation and distribution industries; and
- Staff Management On-premise Staffing: Exclusive recruitment and on-premise management of a facility's contingent industrial workforce.

Our Managed Services segment provides high-volume permanent employee recruitment process outsourcing and management of outsourced labor service providers through the following service lines:

- PeopleScout and hrX: Outsourced recruitment of permanent employees on behalf of clients; and

- Staff Management: Management of multiple third party staffing vendors on behalf of clients.

We have two measures of segment performance; revenue from services and income from operations. Income from operations for each segment includes net sales to third parties, related cost of sales, and operating expenses directly attributable to the segment. Costs excluded from segment income from operations include various corporate general and administrative expenses, depreciation and amortization expense, interest income (expense), other income (expense), and income taxes. Asset information by reportable

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Notes to Consolidated Financial Statements—(Continued)

segment is not presented, since we do not manage the performance of our segments on a balance sheet basis. There are no material internal revenue transactions between our reporting segments.

Revenue from services and income from operations associated with our segments were as follows (in thousands):

	Thirteen weeks ended	
	March 27, 2015	March 28, 2014
Revenue from services		
Staffing Services	$549,712	$396,063
Managed Services	23,603	—
Total Company	$573,315	$396,063
Income from operations		
Staffing Services	$24,229	$15,545
Managed Services	3,478	—
Depreciation and amortization	(10,520)	(5,161)
Corporate unallocated	(9,464)	(7,968)
Total Company	7,723	2,416
Interest and other income (expense), net	(534)	344
Income before tax expense	$7,189	$2,760

NOTE 17: SUBSEQUENT EVENTS

We evaluated events and transactions occurring after the balance sheet date through the date the financial statements were issued, and noted no other events that were subject to recognition or disclosure.

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

COMMENT ON FORWARD LOOKING STATEMENTS

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, 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 may appear throughout this report, including the following sections: “Management’s Discussion and Analysis,” and “Risk Factors.” Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements. Actual events or results may differ materially. These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” 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 the forward-looking statements. We describe risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements in “Risk Factors” (Part II, Item 1A of this Form 10-Q), “Quantitative and Qualitative Disclosures about Market Risk” (Part I, Item 3), and “Management’s Discussion and Analysis” (Part I, Item 2). We undertake no obligation to update or revise publicly any forward-looking statements, 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 financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity and certain other factors that may affect future results. Our MD&A is presented in the following sections:

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

OVERVIEW

TrueBlue, Inc. (“TrueBlue,” “we,” “us,” “our”) is a leading provider of specialized workforce solutions helping clients improve growth and performance by providing staffing, recruitment process outsourcing, and managed service provider solutions. Our workforce solutions meet clients’ needs for a reliable, efficient workforce in a wide variety of industries. Through our workforce solutions, we help over 135,000 businesses be more productive and we connect as many as 750,000 people and work each year. We are headquartered in Tacoma, Washington.

Revenue grew to $573.3 million for the thirteen weeks ended March 27, 2015, a 44.8% increase compared to the same period in the prior year. The revenue increase is primarily due to the acquisition of Staffing Solutions Holdings, Inc. ("Seaton"), which we completed effective June 30, 2014. The acquired on-premise staffing and recruitment process outsourcing businesses continue to deliver strong results, each posting record first quarter results. Revenue for Seaton was $175.8 million for the thirteen weeks ended March 27, 2015, or 44.4 percentage points of our revenue growth. Organic revenue growth for the legacy TrueBlue business was 0.4%, or 2.6%, excluding our services to the green energy industry. Revenue from green energy projects declined in 2014. We expect the decline in the green energy business will negatively impact organic revenue growth through the second quarter of 2015 by approximately 1.0%.

Gross profit as a percentage of revenue for the thirteen weeks ended March 27, 2015 was 22.6% compared to 25.1% for the first quarter of 2014 for a decline of 2.5% of revenue. The Seaton acquisition carries a lower gross margin than the legacy TrueBlue business, dropping the new blended rate by approximately 2.9% of revenue. This was partially

offset by gross margin improvement in the legacy TrueBlue business of approximately 0.4% of revenue from widespread attention to customer bill rates.

Selling, general and administrative ("SG&A") increased by $19.6 million to $111.6 million for the thirteen weeks ended March 27, 2015 compared to the same period in 2014. The increase is primarily related to $20.4 million of expense from the acquired operations of Seaton and $1.2 million of integration costs offset by a $2.0 million decrease within the legacy TrueBlue operations.

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SG&A expenses as a percentage of revenue decreased to 19.5% for the thirteen weeks ended March 27, 2015 from 23.2% for the same period in 2014. The decline is largely due to the blended impact of the Seaton acquisition, which carries a lower SG&A percentage than the legacy TrueBlue business.

Depreciation and amortization increased $5.4 million for the thirteen weeks ended March 27, 2015 primarily due to the amortization of intangible assets acquired in connection with the Seaton acquisition of $3.8 million and the depreciation of the fair value of acquired tangible assets.

Income from operations grew to $7.7 million for the thirteen weeks ended March 27, 2015, or an increase of 219.7%, compared to the $2.4 million for the same period in 2014. The improved performance reflects strong revenue growth, disciplined pricing, and effective cost control.

Our effective tax rate on earnings for the thirteen weeks ended March 27, 2015 was 20.5%, compared to 40.0%, for the same period in 2014. During the thirteen weeks ended March 27, 2015, we recognized $1.3 million of discrete tax benefits from prior year federal and state hiring credits.

Net income more than tripled to $5.7 million, or $0.14 per diluted share for the thirteen weeks ended March 27, 2015, compared to $1.7 million, or $0.04 per diluted share, for the same period in 2014.

We believe we are in a strong financial position to fund working capital needs for growth opportunities. We had cash and cash equivalents of $17.8 million at March 27, 2015. As of March 27, 2015, we had $151.9 million available under the Revolving Credit Facility.

RESULTS OF OPERATIONS

Total company results

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

	Thirteen weeks ended			
	March 27, 2015		March 28, 2014	
Revenue from services	$573,315		$396,063	
Total revenue growth %	44.8	%	14.3	%
Gross profit	$129,836		$99,559	
Gross profit as a % of revenue	22.6	%	25.1	%
Selling, general and administrative expenses	$111,593		$91,982	
Selling, general and administrative expenses as a % of revenue	19.5	%	23.2	%
Depreciation and amortization	$10,520		$5,161	
Depreciation and amortization as a % of revenue	1.8	%	1.3	%
Income from operations	$7,723		$2,416	
Income from operations as a % of revenue	1.3	%	0.6	%
Interest and other income (expense), net	$(534	)	$344	
Net income	$5,716		$1,656	
Net income per diluted share	$0.14		$0.04	

Our year over year trends are significantly impacted by the acquisition of Seaton. We completed the acquisition of all of the outstanding equity interests of Seaton effective June 30, 2014, the first business day of our third quarter of the prior year. The Seaton acquisition added a full service line of on-premise blue-collar contingent staffing and added new complementary outsourced service offerings in RPO and MSP solutions. On-premise temporary staffing is large scale exclusive sourcing, screening, recruitment, and management of a customer's on-premise contingent labor

workforce. RPO is high-volume sourcing, screening, and recruiting of permanent

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employees for all major industries and jobs. The MSP solution provides customers with improved quality and spend management of their contingent labor vendors. Through the Seaton acquisition we added industry leaders Staff Management | SMX ("Staff Management") for on-premise contingent staffing, PeopleScout and Australia-based hrX for RPO services, and MSP solutions under the Staff Management brand. The service lines offer staffing and outsourced workforce solutions as an integrated partner with their customers. They have dedicated customer on-site and virtual teams which leverage highly centralized support services for recruiting and delivering services to the specialized needs of each customer. They do not operate a branch network and accordingly operate more flexible service lines. We are pleased with the Seaton integration and the retention of the senior leadership team and customers. The Seaton acquisition added new services and capabilities to better meet our objective of providing our customers with talent and flexible workforce solutions they need to enhance their business performance.

The impact of Seaton on our consolidated results is highlighted as follows (in thousands):

	Thirteen weeks ended			
	March 27, 2015			March 28, 2014
	Legacy TrueBlue	Seaton (1)	Total Company	Total Company
Revenue from services	$397,556	$175,759	$573,315	$396,063
Earnings before interest, depreciation and amortization	10,264	7,979	18,243	7,577
Depreciation and amortization			10,520	5,161
Income from operations			7,723	2,416
Interest and other income (expense), net			(534)	344
Income before tax expense			7,189	2,760
Income tax expense			1,473	1,104
Net income			$5,716	$1,656

(1) Seaton was acquired effective June 30, 2014. Therefore, the comparative prior year amounts are not presented.

Revenue from services

Revenue from services was as follows (in thousands, except percentages):

	Thirteen weeks ended	
	March 27, 2015	March 28, 2014
Revenue from services	$573,315	$396,063
Total revenue growth %	44.8 %	14.3 %

Revenue grew to $573.3 million for the thirteen weeks ended March 27, 2015, a 44.8% increase compared to the same period in the prior year. The revenue increase is primarily due to the acquisition of Seaton. Revenue for Seaton was $175.8 million for the thirteen weeks ended March 27, 2015 or 44.4% of our revenue growth.

In addition to revenue growth from our acquisition of Seaton, we experienced legacy TrueBlue organic revenue growth for the thirteen weeks ended March 27, 2015 of approximately 0.4%, or 2.6%, excluding our service to the green energy industry. Green energy projects declined and slowed in 2014. We expect the decline in the green energy business will negatively impact organic revenue growth through the second quarter of 2015 by approximately 1.0%. Further, excluding our green energy services, we experienced improved year over year monthly growth trends during the first quarter of 2015.

Gross profit

Gross profit was as follows (in thousands, except percentages):

	Thirteen weeks ended	
	March 27, 2015	March 28, 2014

Gross profit	$129,836	$99,559
Percentage of revenue	22.6 %	25.1 %

Gross profit represents revenues from services less direct costs of services, which consist of payroll, payroll taxes, workers' compensation costs, and reimbursable costs.

Gross profit as a percentage of revenue for the thirteen weeks ended March 27, 2015 was 22.6% compared to 25.1% for the same period in the prior year for a decline of 2.5% of revenue. This was due largely to the impact of the Seaton acquisition, which carries lower gross margins in comparison to our blended company average prior to the acquisition. The impact on our blended rate is a decline of approximately 2.9% of revenue. This was partially offset by improved gross margins in our legacy TrueBlue business of approximately 0.4% of revenue resulting from disciplined pricing and management of increasing minimum wage, payroll taxes and benefits for our temporary labor.

Workers’ compensation expense as a percentage of revenue was 3.8% for the thirteen weeks ended March 27, 2015, compared to 4.0%, for the same period in the prior year. The decline is primarily due to the acquisition of Seaton and the lower cost of workers' compensation cost as a percentage of revenue due to the nature of their business.

Selling, general and administrative expenses

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

	Thirteen weeks ended	
	March 27, 2015	March 28, 2014
Selling, general and administrative expenses	$111,593	$91,982
Percentage of revenue	19.5 %	23.2 %

SG&A spending increased by $19.6 million to $111.6 million for the thirteen weeks ended March 27, 2015 compared to the same period in 2014. The increase is primarily related to the acquired operations of Seaton of approximately $20.4 million. We incurred $1.2 million of of integration costs during the first quarter of 2015 and expect to complete our integration of Seaton by mid-2015. Legacy TrueBlue SG&A expenses declined by approximately $2.0 million through disciplined cost management.

SG&A expenses as a percentage of revenue decreased to 19.5% for the thirteen weeks ended March 27, 2015 from 23.2% for the same period in 2014 primarily due to Seaton's lower cost of doing business as a percent of sales. The acquired service lines offer workforce solutions as an integrated partner with our customers, which are delivered through highly centralized operations in Chicago, Illinois with support from on-site and virtual employee teams. We do not operate a branch network to service these customers and accordingly these services utilize a more flexible centralized support structure resulting in lower SG&A as a percent of sales.

Depreciation and amortization

Depreciation and amortization were as follows (in thousands, except percentages):

	Thirteen weeks ended	
	March 27, 2015	March 28, 2014
Depreciation and amortization	$10,520	$5,161
Percentage of revenue	1.8 %	1.3 %

Depreciation and amortization increased $5.4 million for the thirteen weeks ended March 27, 2015 primarily due to the amortization of intangible assets acquired in connection with the Seaton acquisition of $3.8 million and the depreciation of the fair value of acquired tangible assets. We continue to make significant investments in projects that are designed to further improve our efficiency and effectiveness in recruiting, retaining our temporary workers, and attracting and retaining our customers.

Interest and other income (expense), net

Interest and other income (expense), net is as follows (in thousands):

	Thirteen weeks ended	
	March 27, 2015	March 28, 2014
Interest and other income (expense), net	$(534)	$344

Net interest expense for the thirteen weeks ended March 27, 2015 was $0.5 million compared to net interest income of $0.3 million over the same period in 2014. The increase in interest expense is primarily due to the use of our Revolving Credit Facility to acquire Seaton at the beginning of the third quarter in 2014.

Income taxes

The income tax expense and the effective income tax rate were as follows (in thousands, except percentages):

	Thirteen weeks ended			
	March 27, 2015		March 28, 2014	
Income tax expense	$1,473		$1,104	
Effective income tax rate	20.5	%	40.0	%

Our tax provision or benefit from income taxes 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 our 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 and the mix of jurisdictions to which they relate, audit developments, changes in law, 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. 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.

Our effective tax rate on earnings for the thirteen weeks ended March 27, 2015 was 20.5%, compared to 40.0%, for the same period in 2014. During the thirteen weeks ended March 27, 2015, we recognized $1.3 million of discrete tax benefits from prior year federal and state hiring credits. These hiring credits include the federal Work Opportunity Tax Credit ("WOTC") and the California Enterprise Zone Tax Credit (“EZTC”).

Changes to our effective tax rate as a result of hiring credits were as follows:

	Thirteen weeks ended			
	March 27, 2015		March 28, 2014	
Effective income tax rate without hiring credits	39.7	%	41.4	%
Hiring credits estimate from current year wages	(1.7	)%	(1.4	)%
Effective income tax rate before prior year adjustments	38.0	%	40.0	%
Additional hiring credits from prior year wages	(17.5	)%	—	%
Effective income tax rate with hiring credits	20.5	%	40.0	%

Both the federal WOTC and the California EZTC have expired and do not apply to 2015 hires. However, both continue to generate trailing credits related to 2015 wages of certified workers hired prior to 2015.

Segment results

In the fourth quarter of 2014, we changed our organizational structure as a result of our acquisition of Seaton. Legacy TrueBlue operations were all in the blue-collar staffing market of the temporary staffing industry and supplied customers with temporary workers, which we aggregated into one reportable segment in accordance with U.S. GAAP. The acquisition of Seaton added a full service line of on-premise temporary blue-collar staffing. On-premise staffing is large scale exclusive sourcing, screening, recruitment and management of an on-premise contingent labor workforce at a customer's facility. This service line is an operating segment which is aggregated with our blue-collar staffing

services and reported as Staffing Services.

The acquisition of Seaton also added complementary outsourced service offerings in RPO and MSP solutions. RPO is high-volume sourcing, screening and recruitment of permanent employees for all major industries and jobs. MSP solutions provide customers with improved quality and spend management of their contingent labor vendors. The complementary service lines are operating segments which are aggregated and reported as Managed Services.

We completed the acquisition of Seaton effective June 30, 2014, the first business day of our third quarter of the prior year. Our year over year segment trends will include Seaton commencing in the third quarter of 2015.

Revenue from services and income from operations associated with our segments were as follows (in thousands, except percentages):

	Thirteen weeks ended			
	March 27, 2015		March 28, 2014	
Revenue from services		Revenue growth %		Revenue growth %
Staffing Services	$549,712	38.8%	$396,063	14.3%
Managed Services	23,603		—	
Total Company	$573,315	44.8%	$396,063	14.3%
		% of revenue		% of revenue
Income from operations				
Staffing Services	$24,229	4.4%	$15,545	3.9%
Managed Services	3,478	14.7%	—	
Depreciation and amortization	(10,520)		(5,161)	
Corporate unallocated	(9,464)		(7,968)	
Total Company	7,723	1.3%	2,416	0.6%
Interest and other income (expense), net	(534)		344	
Income before tax expense	$7,189		$2,760	

Results of Operations Future Outlook

The following highlights represent our expectations regarding operating trends for the remainder of fiscal year 2015. These expectations are subject to revision as our business changes with the overall economy:

- Our top priority is to produce strong organic revenue and gross profit growth, and leverage our cost structure to generate increasing operating income as a percentage of revenue. The acquisition of Seaton provides new opportunities to leverage technology and best practice processes in centralized, high-volume, and rapid recruitment of quality workers which are deployed to customers with multi-location demand for temporary staffing. These centralized capabilities when combined with our local presence provide opportunities to accelerate staffing services growth.
- The addition of Seaton added new services and capabilities to better meet our objective of providing customers with talent and flexible workforce solutions they need to enhance business performance. PeopleScout and hrX are recognized industry leaders of recruitment process outsourcing services, which are in the early stages of their adoption cycles. We expect continued growth with a differentiated service that leverages innovative technology for high-volume scalable sourcing and dedicated client service teams for connecting the best talent to work opportunity, reducing the cost of hiring, and delivering a better outcome for the customer.
- Acquisitions are a key element of our growth strategy. We have a proven track record of successfully acquiring and integrating companies and believe we have a strong business competence to continue to do so.
- We are committed to technology innovation that makes it easier for our customers to do business with us and easier to connect workers to work opportunity. We are making significant investments in online and mobile applications to improve access, speed, and ease of connecting our customers and workers. We will continue to invest in technology which increases our sustainability, scalability, and agility. These investments improve the efficiency and effectiveness of delivering our service. These investments are reducing our dependence on local branches. Additionally, these investments advance our ability to centralize high-volume activities which have increased the reliability of our service delivery and allowed our field personnel to focus on matching the customer's needs with the best solution to enhance

their performance.

LIQUIDITY AND CAPITAL RESOURCES

The following discussion highlights our cash flow activities for the thirteen weeks ended March 27, 2015 and March 28, 2014.

Cash flows from operating activities

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

	Thirteen weeks ended	
	March 27, 2015	March 28, 2014
Net income	$5,716	$1,656
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	10,520	5,161
Provision for doubtful accounts	1,745	3,487
Stock-based compensation	3,389	2,876
Deferred income taxes	(299)	(1,433)
Other operating activities	(316)	(435)
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	67,411	9,949
Income taxes	943	3,567
Accounts payable and other accrued expenses	370	(1,927)
Workers' compensation claims reserve	159	261
Other assets and liabilities	6,122	333
Net cash provided by operating activities	$95,760	$23,495

Net cash provided by operating activities was $95.8 million for the thirteen weeks ended March 27, 2015, compared to $23.5 million for the same period in 2014.

- Net income of $5.7 million increased over 2014 due to a combination of the acquisition of Seaton and improved profitability of the legacy TrueBlue business.
- Depreciation and amortization increased over 2014 by $5.4 million primarily due to the amortization of acquired finite-lived intangible assets in connection with the acquisition of Seaton on the first day of our third quarter in 2014.
- Stock-based compensation increased for performance shares due to improved future performance expectations from the acquisition of Seaton.
- The significant decrease in accounts receivable for the thirteen weeks ended March 27, 2015 compared to the prior year is due to a change in the seasonal peak of accounts receivable with the acquisition of Seaton. Historically, legacy TrueBlue accounts receivable peaked in the third quarter and de-leveraged in the fourth quarter. Subsequent to the acquisition of Seaton and its significant seasonal peak in the fourth quarter, the seasonal de-leveraging of accounts receivable now occurs in the first quarter.

Cash flows from investing activities

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

	Thirteen weeks ended	
	March 27, 2015	March 28, 2014
Capital expenditures	$(3,458)	$(2,091)
Purchases of marketable securities	—	(25,057)
Sales and maturities of marketable securities	1,500	9,450
Change in restricted cash and cash equivalents	(8,215)	(1,491)
Maturities of restricted investments	4,288	4,215
Net cash used in investing activities	$(5,885)	$(14,974)

Cash flows used in investing activities was $5.9 million for the thirteen weeks ended March 27, 2015 compared to $15.0 million for the same period in 2014.

- During the thirteen weeks ended March 27, 2015, we did not purchase marketable securities. We intend to use excess cash to pay down debt on the Revolving Credit Facility.

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- When combining the change in restricted cash and cash equivalents with maturities of restricted investments, restricted cash and investments decreased by $3.9 million for the thirteen weeks ended March 27, 2015. This decrease is primarily due to the timing of collateral payments to our workers' compensation insurance providers.

Cash flows from financing activities

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

	Thirteen weeks ended	
	March 27, 2015	March 28, 2014
Net proceeds from stock option exercises and employee stock purchase plans	$411	$602
Common stock repurchases for taxes upon vesting of restricted stock	(3,026)	(2,474)
Net change in revolving credit facility	(88,000)	—
Payments on debt and other liabilities	(566)	(567)
Other	865	973
Net cash used in financing activities	$(90,316)	$(1,466)

The increase to net cash used in financing activities is primarily due to repayments on our Revolving Credit Facility. See Note 8: Long-Term Debt, to our Consolidated Financial Statements found in Item 1 of this Quarterly Report on Form 10-Q, for details of our Revolving Credit Facility.

Future outlook

Our cash-generating capability provides us with financial flexibility in meeting our operating and investing needs. Our current financial position is highlighted as follows:

- Our Revolving Credit Facility of up to a maximum of $300.0 million expires on June 30, 2019. The Revolving Credit Facility is an asset backed facility which is secured by a pledge of substantially all of the assets of TrueBlue, Inc, and material U.S. domestic subsidiaries. The additional amount available to borrow at March 27, 2015 was $151.9 million. We believe the Revolving Credit Facility provides adequate borrowing availability.
- We had cash and cash equivalents of $17.8 million at March 27, 2015. We expect to continue to apply any excess cash towards the outstanding balance on our Revolving Credit Facility.
- The majority of our workers' compensation payments are made from restricted cash rather than cash from operations. At March 27, 2015, we had restricted cash and investments totaling $172.0 million.

We believe that cash provided from operations and our capital resources will be adequate to meet our cash requirements for the foreseeable future.

Capital resources

Revolving Credit Facility

See Note 8: Long-term Debt, to our Consolidated Financial Statements found in Item 1 of this Quarterly Report on Form 10-Q, for details of 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 March 27, 2015, we had restricted cash and investments totaling $172.0 million. The majority of our collateral obligations are held in a trust at the Bank of New York Mellon ("Trust").

We established investment policy directives for the Trust with the first priority to ensure sufficient liquidity to pay workers' compensation claims, second to maintain and ensure a high degree of liquidity, and third to maximize after-tax returns. Trust investments must meet minimum acceptable quality standards. The primary investments include U.S. Treasury securities, U.S.

agency debentures, U.S. agency mortgages, corporate securities, and municipal securities. For those investments rated by the Nationally Recognized Statistical Rating Organizations the minimum ratings are:

	S&P	Moody's	Fitch
Short-term Rating	A-1/SP-1	P-1/MIG-1	F-1
Long-term Rating	A-	A3	A-

Workers’ compensation insurance, collateral and claims reserves

Workers' compensation insurance

We provide workers’ compensation insurance for our temporary and permanent employees. The majority of our current workers’ compensation insurance policies cover claims for a particular event above a $2.0 million deductible limit, on a “per occurrence” basis. This results in our being substantially self-insured.

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 our Labor Ready service line in the state of 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/or surety bonds. On a regular basis, these entities assess the amount of collateral they will require from us relative to our workers’ compensation obligation. 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):

	March 27, 2015	December 26, 2014
Cash collateral held by insurance carriers	$22,497	$22,639
Cash and cash equivalents held in Trust	51,066	43,856
Investments held in Trust	85,351	90,095
Letters of credit (1)	6,787	6,513
Surety bonds (2)	16,861	16,861
Total collateral commitments	$182,562	$179,964

(1) We have agreements with certain financial institutions to issue letters of credit as collateral. We had $1.9 million of restricted cash collateralizing our letters of credit as of March 27, 2015 and December 26, 2014.

(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):

	March 27, 2015	December 26, 2014
Total workers’ compensation reserve	$242,998	$242,839
Add back discount on workers' compensation reserve (1)	14,179	13,381
Less excess claims reserve (2)	(41,346)	(42,612)
Reimbursable payments to insurance provider (3)	9,424	8,336
Less portion of workers' compensation not requiring collateral (4)	(42,693)	(41,980)
Total collateral commitments	$182,562	$179,964

(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 deductible and self-insured reserves where collateral is not required.

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. The discounted workers’ compensation claims reserve was $243.0 million at March 27, 2015.

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;
- Mix changes 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 March 27, 2015, the weighted average rate was 1.6%. The claim payments are made over an estimated weighted average period of approximately 4.5 years.

Our workers’ compensation reserves include estimated expenses related to claims above our deductible limits (“excess claims”), and a corresponding receivable for the insurance coverage on excess claims based on the contractual policy agreements we have with insurance carriers. We discount this reserve and corresponding receivable to its estimated net present value using the discount rates based on average returns of “risk-free” U.S. Treasury instruments available during the year in which the liability was incurred. At March 27, 2015, the weighted average rate was 3.5%. The claim payments are made and the corresponding reimbursements from our insurance carriers are received over an estimated

weighted average period of approximately 14.7 years. The discounted workers' compensation reserve for excess claims and the corresponding receivable for the insurance on excess claims were $41.3 million and $42.6 million as of March 27, 2015 and December 26, 2014, respectively.

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Certain workers’ compensation insurance companies with which we formerly did business are in liquidation and have failed to pay a number of excess claims to date. We have recorded a valuation allowance against all of the insurance receivables from the insurance companies in liquidation.

We continue to actively manage workers’ compensation expense through the safety of our temporary 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 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.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

There have been no material changes during the period covered by this quarterly report, outside of the ordinary course of our business, to the contractual obligations specified in the table of contractual obligations included in Part II, “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the fiscal year ended December 26, 2014.

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 26, 2014.

NEW ACCOUNTING STANDARDS

See Note 1: Summary of Significant Accounting Policies, to our Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.

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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 26, 2014.

Item 4. CONTROLS AND PROCEDURES

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

We carried out an evaluation, under the supervision and with the participation of management, including our CEO and CFO, of the effectiveness of the design and operation of the disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our CEO and CFO concluded that, as of March 27, 2015, our disclosure controls and procedures are effective.

Effective June 30, 2014, we completed the acquisition of all of the outstanding equity interests of Staffing Solutions Holdings, Inc. ("Seaton"). Accordingly, the acquired assets and liabilities of Seaton are included in our Consolidated Balance Sheet as of March 27, 2015, and the result of its operations and cash flows are reported in our consolidated statements of operations and cash flows for the thirteen weeks ended March 27, 2015. We are currently in the process of evaluating and integrating the controls and systems of Seaton into the Company’s system of internal control over financial reporting.

During the fiscal quarter ended March 27, 2015, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that materially affected or are reasonably likely to materially affect internal control over financial reporting.

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

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PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 9: Commitments and Contingencies, to our Consolidated Financial Statements found in Item 1 or Part I of this Quarterly Report on Form 10-Q.

Item 1A. RISK FACTORS

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

Our workforce solutions and services are significantly affected by fluctuations in general economic conditions.

The demand for workforce solutions and services is highly dependent upon the state of the economy and upon the workforce needs of our customers which creates uncertainty and volatility. As economic activity slows, companies tend to reduce their use of contingent workers and reduce their recruitment of new employees. Significant declines in demand of any region or specific industry in which we have a significant presence may severely reduce the demand for our services and thereby significantly decrease our revenues and profits. Deterioration in economic conditions or the financial or credit markets could also have adverse impacts on our customers' ability to pay us for services we have already provided.

It is difficult for us to forecast future demand for our services due to the inherent difficulty in forecasting the direction and strength of economic cycles, and the project nature of our staffing assignments. This situation can be exacerbated by uncertain and volatile economic conditions, which may cause clients to reduce or defer projects for which they utilize our services, thereby negatively affecting demand for them. 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 take advantage of growth opportunities.

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

Our workforce solutions and services are subject to extensive 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. Increased government regulation of the workplace or of the employer-employee relationship, or judicial or administrative proceedings related to such regulation, could materially harm our business.

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

We offer our temporary 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 legislation related to the ACA may change, the full financial effect of the ACA is not yet known, and additional requirements, regulations, or legislation changes could increase our costs. If we are unable to comply with such additional changes, or sufficiently raise the rates we charge our customers to cover any additional costs, such increases in costs could materially harm our business.

We may incur employment related claims and costs that could materially harm our business.

We are in the business of employing people and placing them in the workplaces of other business. We incur a risk of liability for claims for personal injury, wage and hour violations, immigration, discrimination, harassment, and other liabilities arising from the actions of our customers and temporary workers. Some or all of these claims may give rise to negative publicity and/or litigation, including class action litigation. A material adverse impact on our financial statements could occur for the period in which the effect of an unfavorable final outcome becomes probable and can be reasonably estimated.

We maintain insurance with respect to certain claims and costs. We cannot be certain that our insurance will be available, or if available, will be in sufficient amount or scope to cover all claims that may be asserted against us. Should the ultimate judgments or settlements exceed our insurance coverage, they could have a material effect on our business. We cannot be certain we will be able to obtain appropriate types or levels of insurance in the future, that adequate replacement policies will be available on acceptable

terms, or at all, or that the companies from which we have obtained insurance will be able to pay claims we make under such policies.

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

Our temporary staffing services employ contingent 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. 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. 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. The loss of our workers' compensation insurance coverage would prevent us from doing business in the majority of our markets. Further, we cannot be certain that our current and former insurance carriers will be able to pay claims we make under such policies.

We self-insure, or otherwise bear financial responsibility for, a significant portion of expected losses under our workers' compensation program. Unexpected changes in claim trends, including the severity and frequency of claims, changes in state laws regarding benefit levels and allowable claims, actuarial estimates, or medical cost inflation, could result in costs that are significantly different than initially reported. There can be no assurance that we will be able to increase the fees charged to our customers 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 temporary workers with 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 has been declining 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.

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.

Extensions of credit under our Second Amended and Restated Revolving Credit Agreement ("Revolving Credit Facility") are permitted based on a borrowing base, which is an agreed percentage of eligible accounts receivable and an agreed percentage of the appraised value of our Tacoma headquarters building, less required reserves and other adjustments. If the amount or quality of our accounts receivable deteriorates, then our ability to borrow under the Revolving Credit Facility will be directly affected. Our lenders can impose additional conditions which may reduce the amounts available to us under the Revolving Credit Facility.

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.

Our Revolving Credit Facility and Term Loan Agreement contain restrictive covenants that require us to maintain certain financial conditions. Our failure to comply with these restrictive covenants could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date. 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.

Our increased debt levels 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 acquisition opportunities; limiting our ability to react to changes in market or industry conditions; and putting us at a competitive disadvantage compared to competitors with less debt.

Acquisitions and new business initiatives may have an adverse effect on our business.

We expect to continue making acquisitions and entering into new business initiatives as part of our business strategy. This strategy may be impeded, however, if we cannot identify suitable acquisition candidates or new business initiatives, or if acquisition candidates are not available under terms that are acceptable to us. Future acquisitions could result in our incurring additional debt and contingent liabilities, an increase in interest expense, an increase in amortization expense, and/or significant charges related

to integration costs. Acquisitions and new business initiatives, including initiatives outside of our workforce solutions and services business, could involve significant unanticipated challenges and risks, including that they may not advance our business strategy, we may not realize our anticipated return on our investment, we may experience difficulty in implementing initiatives or integrating acquired operations, or management's attention may be diverted from our other business. These events could cause material harm to our business, operating results, or financial condition.

If our acquired intangible assets become impaired we may be required to record a significant charge to earnings.

We regularly review acquired intangible assets for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. We test goodwill and indefinite-lived intangible assets for impairment at least annually. Factors that may be considered a change in circumstances, indicating that the carrying value of the intangible assets may not be recoverable, include: macroeconomic conditions, such as deterioration in general economic conditions; industry and market considerations, such as deterioration in the environment in which we operate; cost factors, such as increases in labor or other costs that have a negative effect on earnings and cash flows; our financial performance, such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods; and other relevant entity-specific events, such as changes in management, key personnel, strategy, or customers, and sustained decreases in share price. 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 intangible assets has occurred, negatively impacting our financial results.

We operate in a highly competitive business and may be unable to retain customers or market share.

Our business is highly competitive and rapidly innovating. Our competitors include large, well-financed competitors, small local competitors, and internet-based companies providing a variety of flexible workforce solutions. We face extensive pricing pressure and the requirement to innovate changes in the way we do business to remain relevant to our customers. Therefore, there can be no assurance that we will be able to retain customers or market share in the future. Nor can there be any assurance that we will, in light of competitive pressures, be able to remain profitable or, if profitable, maintain our current profit margins.

The loss of or substantial decline in revenue from a major customer could have a material adverse effect on our revenues, profitability, and liquidity.

We experience revenue concentration with large customers. The loss of, or reduced demand for our services related to major customers could have a material adverse effect on our business, financial condition and results of operations. In addition, customer concentration exposes us to concentrated credit risk, as a significant portion of our accounts receivable may be from a small number of customers.

Our management information systems may not perform as anticipated and are vulnerable to damage and interruption.

The efficient operation of our business is dependent on our management information systems. We rely heavily on proprietary and third-party management information systems, mobile device technology and related services, and other technology which may not yield the intended results. Our systems may experience problems with functionality and associated delays. The failure of our systems to perform as we anticipate could disrupt our business and could result in decreased revenue and increased overhead costs, causing our business and results of operations to suffer materially. Our primary computer systems and operations are vulnerable to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, catastrophic events, and errors in usage by our employees. Failure of our systems to perform may require significant additional capital and management resources to resolve, causing material harm to our business.

Improper disclosure of, or access to, our confidential and/or proprietary information or our employees' or customers' information could materially harm our business.

Our business involves the use, storage, and transmission of information about applicants, candidates, contingent workers, permanent placements, our employees, and customers. Additionally, our employees may have access or exposure to confidential customer information about applicants, candidates, contingent workers, permanent placements, other employees, and customers. We and our third party vendors have established policies and procedures to help protect the security and privacy of this information. It is possible that our security controls over sensitive or confidential data and other practices we and our third party vendors follow may not prevent the improper access to, disclosure of, or loss of such information, resulting in increased costs or loss of revenue. Failure to protect the integrity and security of such confidential and/or proprietary information, could expose us to litigation and materially damage our relationships. Further, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions in which we do business. Our failure to adhere to or successfully implement changes in response to the changing regulatory requirements could result in legal liability, additional compliance costs, and damage to our reputation.

Our results of operations could materially deteriorate if we fail to attract, develop and retain qualified employees.

Our performance is dependent on attracting and retaining qualified employees who are able to meet the needs of our customers. We believe our competitive advantage is providing unique solutions for each individual customer, which requires us to have trained and engaged employees. Our success depends upon our ability to attract, develop and retain a sufficient number of qualified employees, including management, sales, recruiting, service and administrative personnel. The turnover rate in the employment services industry is high, and qualified individuals of the requisite caliber and number needed to fill these positions may be in short supply. Our inability to recruit, train, and motivate a sufficient number of qualified individuals may delay or affect the speed 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.

We may be unable to attract sufficient qualified candidates to meet the needs of our customers.

We compete to meet our customers' needs for workforce solutions and services and we must continually attract qualified candidates to fill positions. Attracting qualified candidates depends on factors such as desirability of the assignment, location, and the associated wages and other benefits. We have in the past experienced shortages of qualified candidates and we may experience such shortages in the future. Further, if there is a shortage, the cost to employ these individuals could increase. If we are unable to pass those costs through to our customers, it could materially and adversely affect our business. 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.

We may have additional tax liabilities that exceed our estimates.

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

Failure to maintain adequate financial and management processes and controls could lead to errors in our financial reporting.

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

Outsourcing certain aspects of our business could result in disruption and increased costs.

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

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

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 March 27, 2015.

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)
12/27/14 through 1/23/15	416	$21.38	—	$35.2 million
1/24/15 through 2/20/15	137,979	$21.63	—	$35.2 million
2/21/15 through 3/27/15	1,357	$23.42	—	$35.2 million
Total	139,752	$21.65	—	

(1) During the thirteen weeks ended March 27, 2015, we purchased 139,752 shares in order to satisfy employee tax withholding obligations upon the vesting of restricted stock. These shares were not acquired pursuant to any publicly announced purchase plan or program.

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

(3) Our Board of Directors authorized a $75.0 million share repurchase program in July 2011 that does not have an expiration date. As of March 27, 2015, $35.2 million remains available for repurchase of our common stock under the current authorization.

Item 6. EXHIBITS

Exhibit Number	Exhibit Description
31.10	Certification of Steven C. Cooper, Chief Executive Officer of TrueBlue, Inc., Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.20	Certification of Derrek L. Gafford, Chief Financial Officer of TrueBlue, Inc., Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.10	Certification of Steven C. Cooper, Chief Executive Officer of TrueBlue, Inc. and Derrek L. Gafford, Chief Financial Officer of TrueBlue, Inc., Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

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SIGNATURES

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

TrueBlue, Inc.

/s/ Steven C. Cooper	4/29/2015
Signature	Date
By: Steven C. Cooper, Director, Chief Executive Officer and President	
/s/ Derrek L. Gafford	4/29/2015
Signature	Date
By: Derrek L. Gafford, Chief Financial Officer and Executive Vice President	
/s/ Norman H. Frey	4/29/2015
Signature	Date
By: Norman H. Frey, Chief Accounting Officer and Senior Vice President	