REMEDYTEMP INC
Form 10-Q
February 07, 2005

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

FORM 10-Q

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

For the quarterly period ended January 2, 2005

or

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

For the transition period from __________ to __________

Commission file number 0-5260

REMEDYTEMP, INC.

(Exact Name of Registrant as Specified in Its Charter)

California	**95-2890471**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
101 Enterprise Aliso Viejo, California	**92656**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s Telephone Number, Including Area Code: (949) 425-7600

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 þ No o

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes þ No o

As of February 3, 2005 the Registrant had 8,787,653 shares of Class A Common Stock and 800,312 shares of Class B Common Stock outstanding.

RemedyTemp, Inc.

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* No information provided due to inapplicability of item.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except per share amounts)
(unaudited)

	January 2, 2005	October 3, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,159	$ 7,348
Investments	16,067	66
Restricted investments	3,505	19,161
Accounts receivable, net of allowance for doubtful accounts of $1,642 and $2,984, respectively	61,147	63,152
Prepaid expenses and other current assets	7,607	8,913
Prepaid income taxes	87	160
Total current assets	92,572	98,800
Fixed assets, net	10,230	10,589
Restricted cash and investments	21,919	21,925
Other assets	270	330
Intangible assets, net of accumulated amortization of $836 and $700, respectively	2,138	2,274
Goodwill	4,122	3,703
Total Assets	$ 131,251	$ 137,621
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 1,389	$ 4,225
Accrued workers compensation, current portion (Note 9)	14,694	15,036
Accrued payroll, benefits and related costs	12,993	17,938
Accrued licensees share of gross profit	2,093	2,745
Other accrued expenses	3,701	3,899
Total current liabilities	34,870	43,843
Other liabilities (Note 9)	32,565	30,267
Total liabilities	67,435	74,110

Commitments and contingent liabilities (Note 4)		
Shareholders equity:		
Preferred Stock, $0.01 par value; authorized 5,000 shares; none outstanding		
Class A Common Stock, $0.01 par value; authorized 50,000 shares; 8,778 shares issued and outstanding at January 2, 2005 and October 3, 2004	88	88
Class B Non-Voting Common Stock, $0.01 par value; authorized 4,530 shares; 800 shares issued and outstanding at January 2, 2005 and October 3, 2004	8	8
Additional paid-in capital	41,523	41,522
Unearned compensation	(3,399)	(3,737)
Accumulated other comprehensive loss	(80)	(68)
Retained earnings	25,676	25,698
Total shareholders equity	63,816	63,511
Total Liabilities and Shareholders Equity	$ 131,251	$ 137,621

See accompanying notes to consolidated financial statements.

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RemedyTemp, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands, except per share amounts)
(unaudited)

	Three Months Ended January 2, 2005	Three Months Ended December 28, 2003
Company-owned office revenues	$ 88,628	$ 82,190
Licensed franchise revenues	48,406	43,378
Franchise royalties and initial franchise fees	322	443
Total revenues	137,356	126,011
Cost of Company-owned office revenues	71,821	70,867
Cost of licensed franchise revenues	38,744	34,654
Licensees share of gross profit	6,468	5,817
Selling and administrative expenses	19,348	16,292
CIGA litigation	98	150
Depreciation and amortization	1,364	1,748
Loss from operations	(487)	(3,517)
Other income (expense):		
Interest expense	(128)	(127)
Interest income	259	258
Other, net	371	194
Income (loss) before income taxes	15	(3,192)
Provision for income taxes	37	124
Net loss	$ (22)	$ (3,316)
Earnings per share basic and diluted:		
Net loss basic and diluted	$ (0.00)	$ (0.37)
Weighted average shares:		
Basic and diluted	9,033	9,019

See accompanying notes to consolidated financial statements.

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RemedyTemp, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)
(unaudited)

	Three Months Ended January 2, 2005	Three Months Ended December 28, 2003
Cash flows from operating activities:		
Net loss	$ (22)	$ (3,316)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	1,364	1,748
Provision for losses on accounts receivable	188	903
Restricted stock compensation expense	338	89
Changes in assets and liabilities:		
Trading investments	(344)	(147)
Accounts receivable	1,860	5,283
Prepaid expenses and other current assets	1,151	137
Other assets	60	158
Accounts payable	(2,836)	(1,624)
Accrued workers compensation	1,955	3,634
Accrued payroll, benefits and related costs	(4,953)	(6,713)
Accrued licensees share of gross profit	(570)	(374)
Other accrued expenses	(707)	71
Prepaid income taxes	74	(284)
Other	1	
Net cash used by operating activities	(2,441)	(435)
Cash flows from investing activities:		
Purchase of fixed assets	(716)	(257)
Purchase of available-for-sale investments	(60)	(8,067)
Proceeds from maturity of available-for-sale investments		5,998
Restricted cash and investments	6	1,847
Net cash used in investing activities	(770)	(479)
Cash flows from financing activities:		
Proceeds from stock option activity		8
Proceeds from Employee Stock Purchase Plan activity		58
Net cash provided by financing activities		66

Effect of exchange rate changes in cash		22		9
Net decrease in cash and cash equivalents		(3,189)		(839)
Cash and cash equivalents at beginning of period		7,348		13,236
Cash and cash equivalents at end of period	$	4,159	$	12,397

Non-cash investing and financing activities:

The Company s $16,000 certificate of deposit was reclassified from restricted investments to investments at January 2, 2005.

See accompanying notes to consolidated financial statements.

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RemedyTemp, Inc.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands, except per share amounts)
(unaudited)

1. Basis of Presentation

The consolidated financial statements include the accounts of RemedyTemp, Inc. and its wholly-owned subsidiaries (collectively referred to herein as the Company or Remedy). These financial statements have been prepared in accordance with principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). In the opinion of management, the accompanying unaudited consolidated financial statements contain all material adjustments (consisting of normal recurring adjustments) necessary to fairly state the financial position of the Company as of January 2, 2005, and its results of operations and cash flows for the thirteen weeks ended January 2, 2005 and December 28, 2003. All significant intercompany accounts and transactions have been eliminated in consolidation. As permitted under the applicable rules and regulations of the SEC, these financial statements do not include all disclosures and footnotes normally included with annual consolidated financial statements and, accordingly, should be read in conjunction with the consolidated financial statements, and the notes thereto, included in the Company s Annual Report on Form 10-K filed with the SEC on December 7, 2004 for the year ended October 3, 2004. The results of operations for the three fiscal months ended January 2, 2005 may not be indicative of the results of operations that can be expected for the full year.

Fiscal quarter

The Company s fiscal quarters include 13 or 14 weeks. The current quarter ended January 2, 2005 consisted of 13 weeks. The remaining quarters of fiscal 2005 include 13 weeks and will end on April 3, 2005, July 3, 2005, and October 2, 2005. The fourth quarter of fiscal 2004, ended October 3, 2004 included 14 weeks.

Reclassifications

Certain amounts in the prior year s consolidated financial statements have been reclassified to conform to the current year presentation. The reclassifications did not have a material impact on net loss or total shareholders equity.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. Stock-based Incentive Compensation

The Company follows the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, and, accordingly, accounts for its stock-based compensation plans using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25) and related interpretations.

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The following table illustrates the effect on net loss and net loss per share had compensation expense for the employee stock-based plans been recorded based on the fair value method using the Black-Scholes option pricing model under SFAS No. 123, as amended:

	For the Three Months Ended	
	January 2, 2005	December 28, 2003
Net loss, as reported	$ (22)	$ (3,316)
Add: stock-based compensation expense included in net loss	357	127
Deduct: total stock-based compensation expense determined under fair value based method	(444)	(242)
Net loss, as adjusted	$ (109)	$ (3,431)
Basic and diluted net loss per share:		
As reported	$ (0.00)	$ (0.37)
As adjusted	$ (0.01)	$ (0.38)

Stock-based compensation expense of $357 included in net loss for the three fiscal months ended January 2, 2005 included $338 and $19 for restricted stock compensation expense and Board of Directors compensation expense, respectively. Stock-based compensation expense of $127 included in net loss for the three fiscal months ended December 28, 2003 included $89 and $38 related to restricted stock compensation expense and Board of Directors compensation expense, respectively.

The tax benefit related to the options granted during the three fiscal months ended January 2, 2005 and December 28, 2003 would generally be recorded at the Company s federal and state statutory rate of approximately 40%. However, due to the full valuation allowance on the deferred tax assets, as discussed in Note 13, any expense related to stock options would result in a net zero tax effect.

In arriving at an option valuation, the Black-Scholes model considers, among other factors, the expected life of an option and the expected volatility of the Company s stock price. For pro forma purposes, the estimated fair value of the Company s stock-based awards to employees is amortized over their respective vesting periods.

3. Shareholders Equity

Comprehensive Loss

The components of comprehensive loss, net of taxes are as follows:

Three Fiscal Months Ended

	January 2, 2005	December 28, 2003
Net loss	$ (22)	$ (3,316)
Other comprehensive income (loss):		
Change in unrealized loss on investments	(59)	(55)
Translation adjustments	47	9
Total comprehensive loss	$ (34)	$ (3,362)

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Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows:

	January 2, 2005	October 3, 2004
Accumulated unrealized loss on investments	$ (174)	$ (115)
Accumulated translation adjustments	94	47
Total accumulated other comprehensive loss	$ (80)	$ (68)

Registration Statement

The Company has in effect a universal shelf registration statement on Form S-3 filed with the SEC. The universal shelf registration statement permits the Company to sell, in one or more public offerings, shares of its Class A common stock, shares of preferred stock, debt securities, depository shares and/or warrants, or any combination of such securities, for proceeds in an aggregate amount of up to $30,000. Specific terms and prices will be determined at the time of any offering and included in a related prospectus supplement to be filed with the SEC. To date no securities have been issued pursuant to the universal shelf registration.

4. Commitments and Contingent Liabilities

Litigation

CIGA

In early 2002, as a result of the liquidation of Remedy s former workers compensation insurance carrier, Reliance National Insurance Company (Reliance), the California Insurance Guarantee Association (CIGA) began making efforts to join some of the Company s clients and their workers compensation insurance carriers (collectively, Clients), in pending workers compensation claims filed by Remedy employees. At the time of these injuries, from July 22, 1997 through March 31, 2001, Remedy was covered by workers compensation policies issued by Reliance. The Company believes that, under California law, CIGA is responsible for Reliance s outstanding liabilities. On April 5, 2002, the California Workers Compensation Appeals Board (WCAB), at Remedy s request, consolidated the various workers compensation claims in which CIGA sought to join Remedy s Clients, and agreed to stay proceedings on those claims pending resolution of the issue of CIGA s obligations to satisfy Reliance s obligations to Remedy s employees. The WCAB selected a single test case from the consolidated pending cases in which to decide whether CIGA is responsible for the claims of Remedy s employees, or can shift such responsibility to the Clients. The trial occurred on September 20, 2002. The WCAB Administrative Law Judge ruled in favor of CIGA, thus allowing the pending workers compensation matters to proceed against the Clients. Remedy then filed a motion for reconsideration of the Administrative Law Judge s decision by the entire WCAB. On March 28, 2003, the WCAB, en banc, affirmed the ruling of the Administrative Law Judge. Thereafter, in May 2003, the Company filed a petition for writ of review of the WCAB s decision in the California Court of Appeal. The WCAB continued the stay in effect since April 5, 2002, thus preventing CIGA from proceeding until the writ proceeding was concluded. In January 2004, the Court of Appeal granted the Company s petition and undertook to review the WCAB s decision. The Court heard oral argument in the matter on July 9, 2004.

On October 20, 2004, the Court of Appeal affirmed the WCAB s decision. The Company intends to seek further review of that decision by way of rehearing by the Court of Appeal and/or review by the California Supreme Court. On November 18, 2004, the Court of Appeal granted the Company s petition for rehearing and requested additional briefing on this matter. The Court of Appeal scheduled oral argument for March 2, 2005. Both avenues of further review are discretionary with the court such that the Company does not have an absolute right to such review.

Despite the Company s determination to further pursue the appellate review process, there can be no assurance that such efforts will be successful in overturning the Court of Appeal s decision. In the event of a final unfavorable outcome, Remedy may be obligated to reimburse certain clients and believes that it would consider reimbursement of other clients for actual losses incurred as a result of an unfavorable ruling in this matter. If CIGA is permitted to join Remedy s clients, thus triggering the clients insurance carriers obligation to respond to the claims of Remedy s employees, the Company believes that the direct financial exposure to Remedy becomes a function of the ultimate losses on the claims and the

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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impact of such claims, if any, on the clients insurance coverage, potentially including but not limited to the clients responsibility for any deductibles or retentions under their own workers compensation insurance. The Company has received data from the Third Party Administrator (TPA) handling the claims for CIGA. Such data indicates claims of $31.6 million as of January 2, 2005. The losses incurred to date represent amounts paid to date by the trustee and the remaining claim reserves on open files.

Based on the Court of Appeal s decision, the Company recorded a $5,877 charge to operating income during the fourth quarter of fiscal 2004. This amount represents the Company s current estimate based on review of known information and was established for costs associated with the indemnification of certain clients for losses they may suffer as a result of the ruling. The $5,877 charge was based on the Company s review of customer contracts, review of the loss run received from the TPA handling the claims, actuarial development of the reported claim losses, estimates of customer insurance coverage, and other applicable information. The amount of the charge is therefore subject to change as more information becomes available to the Company. The Company recorded $98 in legal expenses for CIGA litigation costs during the first quarter of fiscal 2005. Additionally, the Company reclassified $150 of legal expenses related to the CIGA matter that were incurred during the first quarter of fiscal 2004 from selling and administrative expense to CIGA litigation. The Company may also choose to reimburse clients that did not enter into contracts with the Company or whose contracts may not have included indemnification language. These costs will be treated as period costs and will be charged to the consolidated statements of operations in the period management decides to make any goodwill payments to clients. Management s current estimate of future goodwill payments is a range of $2,000 to $3,000. This estimate is subject to change.

Other Litigation

From time to time, the Company becomes a party to other litigation incidental to its business and operations. The Company maintains insurance coverage that management believes is reasonable and prudent for the business risks that the Company faces. Based on current available information, management does not believe the Company is party to any other legal proceedings that are likely to have a material adverse effect on its business, financial condition, cash flows or results of operations.

Other Contingency

On November 18, 2003, the Company was notified by the State of California Employment Development Department (the EDD) that the Company allegedly underpaid its state unemployment insurance by approximately $2,000 for the period January 1, 2003 through September 30, 2003. Based on preliminary evaluations and on advice of its outside counsel, the Company believes that its methodology in calculating its state unemployment insurance is in compliance with all applicable laws and regulations. The Company is currently working with outside counsel to resolve this issue, and has not accrued for this amount as of January 2, 2005.

5. Earnings Per Share

Basic earnings per share (EPS) is calculated using net loss divided by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated similar to basic EPS except that the weighted average number of common shares is increased to include the number of additional common shares that would have been outstanding if the potential dilutive common shares, such as options, had been issued and restricted shares had vested.

Potential common shares (including applicable outstanding options, restricted shares and shares in trust of 1,258 and 1,333 for the three fiscal months ended January 2, 2005 and December 28, 2003, respectively) have been excluded from the calculation of diluted shares because the effect of their inclusion would be anti-dilutive.

6. Investments

The Company accounts for its investments in accordance SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. The Company s portfolio consists of commercial paper, fixed income securities and mutual funds classified as available-for-sale. At the time of sale, the cost of mutual fund investments are determined using the average cost method and fixed income securities cost is based upon specific identification. The Company s portfolio of fixed income

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securities have various maturity dates; $5,910 mature in fiscal 2006 and $9,388 mature in fiscal 2007. Unrealized gains and losses from available-for-sale securities are included in accumulated other comprehensive loss within shareholders equity. The net unrealized gains (losses) for available-for-sale securities were ($59) and $(55) for the three fiscal months ended January 2, 2005 and December 28, 2003, respectively. There were no realized gains or losses related to the Company s available-for-sale securities for the three fiscal months ended January 2, 2005 and $5 realized gains for the three fiscal months ended December 28, 2003.

Investments related to the Company s deferred compensation program are classified as trading and total $3,505 and $3,161 at January 2, 2005 and October 3, 2004, respectively. The deferred compensation investments are included in current restricted investments in the Company s consolidated balance sheets at January 2, 2005 and October 3, 2004. The realized and unrealized gains and losses relating to trading securities are recorded in other income and expense in the consolidated statements of operations. Net realized and unrealized gains (losses) for trading securities were $202 and $182 for the three fiscal months ended January 2, 2005 and December 28, 2003, respectively and are offset by the change in the deferred compensation liability which is included in selling and administrative expenses in the consolidated statements of operations. All investments are carried at fair value.

The following table presents the classification of the Company s investments:

	January 2, 2005	October 3, 2004
Current		
Available-for-sale securities (mutual funds)	$ 67	$ 66
Trading securities, restricted investments	3,505	3,161
Certificate of deposit*	16,000	16,000
Total investments	$ 19,572	$ 19,227
Long-term Restricted		
Cash	$ 6,621	$ 6,568
Available-for-sale securities (U.S. government securities)	15,298	15,357
Total restricted cash and investments	$ 21,919	$ 21,925

*At October 3, 2004, the $16,000 certificate of deposit was classified as restricted investments in the consolidated balance sheets in compliance with collateralization requirements under the Company s bank agreement. As of January 2, 2005, the Company is no longer required to maintain a $16,000 certificate of deposit as collateral and accordingly reclassified the amount from restricted investments to investments.

Gross unrealized gains and losses on our available-for-sale securities were as follows:

	For the Three Months Ended			
	January 2, 2005		December 28, 2003	
Mutual funds:				
Gross unrealized gains	$		$	90
Gross unrealized losses				(16)
U.S. government securities:				
Gross unrealized gains				52
Gross unrealized losses		(59)		(181)
Net unrealized losses	$	(59)	$	(55)

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The following table summarizes the fair value and gross unrealized losses related to the Company s available-for-sale securities that have been in a continuous unrealized loss position, at January 2, 2005:

	In a Loss Position for Less Than 12 Months	
	Fair Value	Gross Unrealized Losses
U.S. government securities	$ 15,298	$ (174)

There have been no available-for-sale securities that have been in a continuous unrealized loss position for more than twelve months.

The Company periodically reviews its investment portfolio to determine if any investment is other-than-temporarily impaired due to changes in credit risk or other potential valuation concerns. At January 2, 2005, the Company believes that its investments are not impaired. While certain available-for-sale debt securities have fair values that are below cost, the Company believes that it is probable that principal and interest will be collected in accordance with contractual terms, and that the decline in market value is due to changes in interest rates and not due to increased credit risk.

7. Goodwill and Other Intangible Assets

The following table summarizes the activity in goodwill:

	January 2, 2005	October 3, 2004
Beginning of year	$ 3,703	$ 3,030
Additions	419	700
Other adjustments		(27)
End of period	$ 4,122	$ 3,703

The change in goodwill for the quarter ended January 2, 2005 is related to estimated additional purchase consideration for prior year acquisitions.

Other intangible assets with finite lives include franchise rights, client relationships and non-competition agreements and are amortized on a straight-line basis. The weighted average amortization period is 6.3 years for franchise rights; 3.5 years for client relationships; and 5.0 years for non-competition agreements. Amortization expense related to other intangible assets was $136 and $81 for the three fiscal months ended January 2, 2005 and December 28, 2003, respectively.

The following table presents the details of the Company s other intangible assets that are subject to amortization:

	January 2, 2005	October 3, 2004
Franchise rights	$ 2,090	$ 2,090
Client relationships	470	470
Non-competition agreements	414	414
	2,974	2,974
Less accumulated amortization	(836)	(700)
Total	$ 2,138	$ 2,274

At January 2, 2005, $408 of the unamortized balance of intangible assets is expected to be amortized in the remaining nine months of fiscal 2005; and $542, $493, $379, $242 and $74 in fiscal years 2006 through 2010.

8. Capitalized Software Costs

During the fourth quarter of fiscal 2003, the Company changed the estimated useful life of the capitalized software used to manage revenues and track client activities. The primary factor contributing to the change in the estimated useful life was that the software s function was no longer consistent with the Company s strategic plan and the Company s offices were not fully utilizing the system. The Company discontinued use of the software in November 2003. The change in accounting estimate resulted in additional amortization expense of $507 during the first quarter of fiscal 2004. The

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additional amortization expense is included in depreciation and amortization expense for the three months ended December 28, 2003 in the accompanying consolidated statements of operations.

9. Workers Compensation

Remedy provides workers compensation insurance to its temporary associates and colleagues. Effective April 1, 2001 and for workers compensation claims originating in the majority of states (referred to as non-monopolistic states), the Company has contracted with independent, third-party carriers for workers compensation insurance and claims administration. Each annual contract covers all workers compensation claim costs greater than a specified deductible

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(amounts in thousands, except per share amounts)
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amount, on a per occurrence basis. The Company is self-insured for its deductible liability ($250 per individual claim incurred from April 1, 2001 to March 31, 2002 and $500 for all subsequent claims). The insurance carrier is responsible for incremental losses in excess of the applicable deductible amount.

Remedy establishes a reserve for the estimated remaining deductible portion of its workers compensation claims, representing the estimated ultimate cost of claims and related expenses that have been reported but not settled, and that have been incurred but not reported. The estimated ultimate cost of a claim is determined by applying actuarially determined loss development factors to current claims information. These development factors are determined based upon a detailed actuarial analysis of historical claims experience of both the Company and the staffing industry. The Company periodically updates the actuarial analysis supporting the development factors utilized and revises those development factors, as necessary. Adjustments to the claims reserve are charged or credited to expense in the periods in which they occur. The estimated remaining deductible liability under the aforementioned contracts as of January 2, 2005 is approximately $38,391, of which $12,003 is recorded as current and $26,388 is recorded as non-current in the accompanying consolidated balance sheets.

The Company also has an aggregate $2,691 and $2,677 current liability recorded at January 2, 2005 and October 3, 2004, respectively, for amounts due to various state funds related to workers compensation.

The following table presents the classification of the Company s workers compensation liability, accrued CIGA litigation and other liabilities:

	January 2, 2005	October 3, 2004
Current		
Liability for various state funds and previous guaranteed cost policies	$ 2,691	$ 2,677
Accrued workers compensation	12,003	12,359
Accrued workers compensation	$ 14,694	$ 15,036
Long-term		
Other liabilities		