

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
Annual Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

For the Fiscal Year ended December 31, 1993 Commission File Number 0-21886

BARRETT BUSINESS SERVICES, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of
incorporation or organization)

52-0812977
(I.R.S. Employer
Identification No.)

4724 S.W. Macadam Avenue
Portland, Oregon
(Address of principal
executive offices)

97201
(Zip Code)

Registrant's telephone number, including area code: (503) 220-0988

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

None

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

Common Stock, Par Value \$.01 Per Share
(Title of class)

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

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

State the aggregate market value of the voting stock held by non-affiliates of the registrant.

\$22,284,768 at February 25, 1994

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at February 25, 1994
Common Stock, Par Value \$.01 Per Share	3,164,000 Shares

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K into which the document is incorporated: Portions of the registrant's definitive proxy statement for its 1994 annual meeting of stockholders are incorporated by reference into Part III of Form 10-K.

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PART I

Item 1.	BUSINESS	
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General

Barrett Business Services, Inc. ("Barrett" or the "Company"), was incorporated in the state of Maryland in 1965. Barrett provides light industrial, clerical and technical employees to a wide range of businesses on both a temporary basis and a longer-term leased basis. The Company believes it is the largest provider of temporary staffing and staff leasing services in Oregon, measured by revenue. Services are provided through a branch network of 14 offices, nine located throughout the western half of Oregon, two in northern California, two in Maryland, and one in Seattle, Washington. The Company provides employees to a diverse set of customers, including forest products and agriculture-based companies, electronics manufacturers, transportation and shipping enterprises, professional firms and general contractors.

Recent Acquisitions

In March 1993, the Company acquired a branch office of CDI Corporation-West in Sacramento, California, with annual revenues of approximately \$300,000. The acquired temporary services operations were combined with the Company's existing Sacramento office.

The Company completed the purchase of the assets of Personnel Management & Consulting, Inc. ("PMC"), with unaudited revenues of \$800,000 for the year ended December 31, 1993, in February 1994. PMC, which had been operating since mid-1992, had offices located in each of Easton and Salisbury, Maryland, and Seaford, Delaware.

On March 7, 1994, the acquisition of the assets of Golden West Temporary Services, operating through four offices in the San Francisco Bay Area of California, was consummated by the Company. The acquired assets included office equipment and leases, customer and employee lists, and trade names, logos and goodwill. The acquired operations had total revenues of \$24,533,000 for the year ended December 31, 1993. The purchase price of \$4,514,000 was paid in cash from working capital and was determined by arm's-length negotiation between the parties.

Barrett's growth strategy includes expanding operations at existing offices, primarily through its ongoing marketing and sales program, as well as acquiring additional personnel-related businesses, both in its existing markets and in other geographic areas. The Company reviews acquisition opportunities on an ongoing basis, but there is no assurance that any additional acquisitions will be completed in the foreseeable future.

Temporary Services

General. Temporary employees permit businesses to meet peak or extraordinary demands caused by such factors as seasonal increases, vacations, illnesses, special projects and marketing promotions without incurring the ongoing expense and administrative responsibilities associated with recruiting, hiring and retaining additional permanent employees. The use of temporary services permits businesses to apply to their personnel requirements the "just-in-time" approach adopted by many manufacturers in recent years to manage raw materials inventories. By maintaining a core of permanent employees to meet minimum requirements and managing increased demand through greater use of temporary employees, companies are able to convert a portion of their fixed personnel expense to variable expense and to lower the amounts they are required to spend overall on recruiting and training efforts, severance compensation, recordkeeping, payroll and other personnel management functions.

The Company's Temporary Services. The Company provides light industrial, clerical and technical workers on a temporary basis to a broad range of businesses, including forest products and agriculture-based companies, electronics manufacturers, transportation and shipping companies, professional firms, and construction contractors. Light

industrial workers perform such tasks as operation of machinery, loading and shipping, site preparation for conventions and other special events, construction site cleanup and janitorial services, and generated approximately 73% of the Company's 1993 temporary services revenues. Clerical workers, who accounted for approximately 19% of 1993 temporary services revenues, include secretaries, receptionists, typists and clerks. Technical personnel include electronic parts assembly workers, engineers in a variety of fields, including aerospace, chemicals, electronics and general industry, and designers and drafters of electronic parts; these workers represented approximately 8% of the Company's 1993 temporary services revenues.

Temporary assignments may last a day, a week or months, depending upon the client's requirements. The client pays only for actual hours worked by temporary personnel and may terminate their services at any time. A significant portion of the temporary services provided by the Company is project-oriented, requiring one or more employees for a period of time to accomplish a nonrecurring or periodic task, such as converting to a new data processing system or taking a physical inventory.

The Company's temporary services customers range in size from small local firms to large national companies using the Company's services on a local basis. The Company provided temporary services to more than 3,600 clients during 1993, up from approximately 2,800 clients in 1992. None of the Company's temporary services clients individually accounted for more than 5% of its total annual revenues during 1993.

Business Strategy. The Company emphasizes prompt, personalized service in assigning quality, trained personnel at competitive rates to users of its temporary services. Since 1980, the Company has relied on internally developed computer databases of employee skills and availability to match customer needs with available qualified employees. As a local company operating in selected market areas, Barrett has an understanding of the unique factors affecting its clientele that enables it to personalize its response to its customers' needs.

Barrett provides extensive training to its branch office managers and other sales personnel to develop and maintain a high level of service and professionalism. Its ongoing training program includes in-house presentations, outside seminars, video instruction and role playing. Both the successful solicitation of new customers and the retention of existing accounts are rewarded through a commission structure. Sales commissions represent between one-third and two-thirds of a salesperson's compensation. In addition, branch office staff participate in the Company's profit-sharing program. See "Employees and Employee Benefits," below.

Recruiting. The Company employs a variety of methods to recruit its workforce of temporary employees, including newspaper advertising and flyers distributed at colleges and vocational schools. In addition, a substantial number of new employees are hired through referrals by Barrett's existing employees. The Company has generally found it easier to recruit and retain qualified personnel during periods of higher unemployment and must devote more resources to locating new employees during upturns in the economies in its market areas. The Company may be unable to pass on the full amount of such increased recruiting and personnel costs in the form of higher prices for temporary services, resulting in lower gross profit margins.

Each employee applicant undergoes an interview, skills assessment and reference verification process to determine level of ability and past job performance. Following hire and placement, performance is reviewed with clients to assure customer satisfaction and quality control. Barrett provides its customers with an unconditional guarantee of performance; if a client is dissatisfied for any reason, no payment is required.

The Company believes that its wage and benefit package, customer base, and opportunities for part-time and flexible scheduling have contributed significantly to its success in recruiting and retaining quality personnel in numbers sufficient to meet customer demand. See "Employees and Employee Benefits," below.

Sales and Marketing. The Company markets its temporary services primarily through personal sales presentations by its branch office managers and trained sales force and, to a lesser extent, through advertising in various publications, including local newspapers and the Yellow Pages. The Company also benefits from referrals by existing clients; staff leasing clients frequently use Barrett's temporary services as well.

Following development of a preliminary profile of a prospective client's needs, the Company schedules a meeting with the client's personnel manager to explain the Company's services. Based on this information, Barrett develops an hourly charge for its temporary services which is designed to be competitive in relation to the marketplace. The actual cost to the client of an employee typically ranges from 135% to 150% of salary, including employment taxes, employee benefits and insurance and administrative costs. The Company believes it has been able to maintain a price advantage due to the lower costs associated with its self-insured workers' compensation program when compared to the cost of workers' compensation insurance coverage.

The Company's sales and marketing efforts have generally increased during periods of economic decline, when demand for temporary services decreases. As a result of this reduced demand, the higher costs associated with sales and marketing typically cannot be recovered through price increases, with the result that gross margins decline.

Billing. The Company prepares weekly customer invoices immediately following each payroll period through the centralized payroll and billing operations at its corporate headquarters. Barrett has not experienced significant problems in collecting accounts to date, which it attributes to client satisfaction with its services, its analysis of potential clients' credit history prior to agreeing to provide services, and regular monitoring of accounts.

Staff Leasing Services

General. Many businesses, particularly those with a limited number of employees, find personnel administration requirements to be unduly complex and time-consuming. These businesses often cannot justify the expense of a full-time human resources staff. In addition, the escalating costs of health and workers' compensation insurance in recent years, coupled with the increased complexity of laws and regulations affecting the workplace, have encouraged these small to mid-sized businesses to consider staff leasing.

The Company's Staff Leasing Services. In a staff leasing arrangement, the Company hires, as its own employees, workers who were previously employed directly by the client and then leases these employees to the client. The Company assumes responsibility for handling some or all personnel-related matters, including payroll and payroll taxes, employee benefits, health and workers' compensation insurance coverage and related administrative paperwork. The Company also hires and fires leased employees, although the client remains responsible for day-to-day assignments, supervision and training and, in most cases, recruiting.

The Company began offering staff leasing services to Oregon customers in 1990, and expanded its worker leasing program to Maryland in the first quarter of 1994. The number of Barrett's staff leasing clients increased from approximately 300 at December 31, 1992, to approximately 425 at year-end 1993. The Company has entered into staff leasing arrangements with a wide variety of clients, including

reforestation companies, moving and shipping companies and professional firms. Staff leasing clients are typically small to mid-sized businesses with up to 50 employees. None of the Company's staff leasing clients individually accounted for more than 5% of its total annual revenues during 1993.

Business Strategy. The Company believes that it has attracted significant numbers of new staff leasing clients since 1990 by demonstrating the potential for cost reductions offered by the Company's self-insured workers' compensation program. Barrett also offers a variety of employee benefits, which it can generally provide on a cost-effective basis due to its large size relative to its clients. The Company believes these benefits reduce employee turnover and increase the appeal of staff leasing arrangements to most clients. The overall cost to the client for its leased employees is typically at or below the cost per employee that the client would incur if it employed its workforce directly.

The Company's standard lease agreement provides for a minimum one-year term, with successive one-year renewals unless notice of termination is given by either party. The agreement permits cancellation by either party upon 60 days' prior written notice. In addition, the Company may terminate the agreement at any time for specified reasons, including nonpayment or failure to follow Barrett's workplace safety program. The agreement also provides for indemnification of the Company by the client against losses arising out of any default by the client under the agreement, including failure to comply with any employment-related, health and safety or immigration laws or regulations.

Sales and Marketing. The Company markets its staff leasing services through its Oregon and Maryland branches using its branch office sales staff. The Company also obtains referrals from existing clients and other third parties, and places advertisements in the Yellow Pages.

Prior to entering into a staff leasing arrangement, the Company performs an analysis of the potential client's actual personnel and workers' compensation costs based on information provided by the customer. Barrett also introduces its workplace safety program and makes recommendations as to improvements in procedures and equipment following a safety inspection of the customer's facilities. Once the client has agreed to implement the Company's safety program, the Company proposes a leasing arrangement at a price which is typically at or below the client's prior overall personnel costs per employee. Barrett also offers significant financial incentives to clients to maintain a safer work environment, thus enabling clients to achieve additional savings. Typically, clients share these incentives with their leased employees.

Billing. Through centralized operations at the Company's headquarters in Portland, Oregon, weekly payroll checks are prepared for each staff leasing client and delivered by courier. The Company invoices its clients following the end of each payroll period. Such invoices are due upon receipt and are generally paid within five business days. The costs of health insurance coverage and Barrett's cafeteria plan are passed through to its staff leasing clients based on the number of participating employees. The Company often requires a deposit from its staff leasing clients to cover a portion of the anticipated billing for one payroll period. The Company has had generally favorable results with collecting accounts to date, which it attributes to the prompt turnover of receivables, its analysis of potential clients' credit history, and regular monitoring of accounts.

Self-Insured Workers' Compensation Program

The Company believes that its self-insured workers' compensation program has been key to its growth in revenue and profitability in Oregon. Significant elements contributing to the success of the

workers' compensation program include the regulatory climate surrounding workers' compensation, the Company's workplace safety program and the aggressive claims management approach taken by the Company and its third-party administrators, all of which are described in detail below.

Elements of Workers' Compensation System. State law generally mandates that an employer reimburse its employees for the costs of medical care and other specified benefits for injuries or illnesses incurred in the course and scope of employment. The benefits payable for various categories of claims are determined by state regulation and vary with the severity and nature of the injury or illness and other specified factors. In return for this guaranteed protection, workers' compensation is an exclusive remedy and employees are generally barred from seeking other damages from their employer for workplace injuries.

Most states require employers to maintain workers' compensation insurance coverage or otherwise demonstrate financial responsibility to meet workers' compensation obligations to employees. In many states, employers who meet certain financial and other requirements are permitted to self-insure.

Self-Insurance for Workers' Compensation. In August 1987 and November 1993, the Company became a self-insured employer for workers' compensation coverage in Oregon and Maryland, respectively. The regulations governing self-insured employers in each state require the Company to maintain deposits of cash, government securities or other financial instruments to cover potential claims losses.

Barrett also maintains excess workers' compensation insurance coverage for claims exceeding \$350,000 (\$300,000 prior to January 1, 1994) in an unlimited amount (up to \$10,000,000 per occurrence for claims through December 31, 1993) pursuant to an annual policy. The excess insurance policy contains standard exclusions from coverage, including punitive damages, fines or penalties in connection with violation of any statute or regulation and losses covered by other insurance or indemnity provisions. The Company maintains workers' compensation insurance coverage through state programs in California and Washington and, to a limited extent, through independent insurance carriers in Washington. The Company is presently pursuing applications to become a self-insured employer in California and Washington.

Workplace Safety Program. In the late 1980's, the Company saw an opportunity to package and market to small and mid-sized Oregon employers its safety program designed to assist clients in managing workplace injuries and reducing workers' compensation claims. The Company's program, which was expanded to Maryland in 1993, begins with an on-site safety inspection by one of its risk managers. Barrett then designs a safety program for the client, including employee and supervisor safety training and regular meetings between management and employees to discuss safety precautions. Among other safety measures, the Company encourages clients to provide on-site first aid care and to make improvements in workplace procedures and equipment to reduce the risk of injury. The Company's third-party administrators for workers' compensation claims also assist the Company in performing safety inspections of client worksites and provide technical advice regarding workplace safety measures.

A key factor to the success of the Company's safety program is its system of financial incentives to reward reductions in the number and severity of work-related injuries. If the cost of claims is less than agreed upon amounts, the Company pays an annual amount based on a percentage of the staff leasing client's payroll. Clients typically share these incentives with their leased employees. Staff leasing clients and leased employees are thus given an economic incentive to cooperate in maintaining a safer work environment and reducing the frequency of fraudulent claims.

During 1993, Barrett implemented a corporate-wide mandatory pre-

employment drug testing program. Results of the program are believed to include a reduction in the frequency of fraudulent claims and in accidents in which the use of illegal drugs appears to have been a factor.

Claims Management. The Company also seeks to contain its workers' compensation costs through an aggressive approach to claims management. Barrett uses managed care systems to reduce medical costs and keeps time-loss costs to a minimum by assigning injured workers, whenever possible, to temporary assignments which accommodate the worker's physical limitations. The Company believes that these temporary assignments minimize both time actually lost from work and covered time-loss costs. Barrett has also engaged third-party administrators to provide additional claims management expertise. Typical management procedures include performing thorough and prompt on-site investigations of claims filed by employees, working with doctors to encourage efficient medical management of cases, denying questionable claims, and negotiating early settlements to cut off future case development and costs.

In July 1993, the Company acted to decentralize responsibility for safety and claims management to its branch offices in Oregon and Maryland. This operational change effectively tripled the total personnel resources dedicated to injury prevention and claims expense control, enabling the Company to conduct more effective on-site safety training and more thorough and timely investigation of claims.

Elements of Self-Insurance Costs. The costs associated with the Company's self-insured workers' compensation program include loss and loss adjustment expense payments with respect to claims made by employees, fees payable to the Company's third-party administrators, assessments payable to state workers' compensation regulatory agencies, premiums for excess workers' compensation insurance coverage, and safety incentive payments. Although not directly tied to the size of the Company's payroll, the number of claims and related loss payments may be expected to increase with growth in the total number of employees. Third-party administration fees also vary with the number of claims administered. The state assessments are based on payroll amounts and increase proportionately with increases in the Company's employee base. Excess insurance premiums are also based in part on the amount of the Company's payroll. Safety incentives expense may increase as the number of the Company's staff leasing employees rises, although increases will only occur for any given client if such client's claims costs are below agreed upon amounts.

Workers' Compensation Claims Experience and Reserves

In connection with its workers' compensation self-insurance program, the Company is liable for loss and loss adjustment expense payments under the workers' compensation laws of Oregon and Maryland. Several months may elapse between the occurrence of a workers' compensation loss, the reporting of the claim to the Company and the Company's payment of that claim. The Company reflects its liability for the ultimate payment of all incurred claims and claims adjustment expenses by establishing loss and allocated loss adjustment expense reserves, which are balance sheet liabilities representing estimates of future amounts needed to pay claims and related expenses with respect to covered events that have occurred.

When a claim involving a probable loss is reported, the Company establishes a case reserve for the estimated amount of its ultimate loss and allocated loss adjustment expense payments. The estimate reflects an informed judgment based on established reserving practices and the experience and knowledge of Barrett's third-party administrators regarding the nature and value of the claim, as well as the estimated expense of settling the claim, including legal and other fees and expenses of administering claims ("allocated loss adjustment expenses"). The reserves also provide for losses incurred but not reported ("IBNR"),

as well as future development in excess of case reserves on losses reported to the Company (together, "IBNR reserves").

As part of the reserving process, historical data are reviewed, and consideration is given to the anticipated effect of various factors, including known and anticipated legal developments, changes in social attitudes, inflation and economic conditions. Reserve amounts are necessarily based on management's estimates, and as other data become available and are reviewed these estimates and judgments are revised, resulting in increases or decreases to existing reserves. As of December 31, 1993, the Company's loss reserves totaled \$2,434,000, compared to \$1,337,000 at year-end 1992. The total number of self-insured claims reported in 1993 was 1,085, compared to 979 for 1992. Barrett has engaged a nationally-recognized, independent actuarial firm to review the Company's reserves periodically. Based in part on such review, the Company believes its total loss reserves at December 31, 1993, make adequate provision for its workers' compensation loss and allocated loss adjustment expense obligations at such date. There can, however, be no assurance that the Company's actual future workers' compensation obligations will not exceed the amount of its reserves, with a corresponding negative impact on future earnings, due to such factors as unanticipated loss development of known claims, an increase in the number and severity of new claims, and a lack of historical claims experience with new staff leasing clients.

Employees and Employee Benefits

At December 31, 1993, the Company had approximately 7,615 employees, including approximately 3,900 temporary services employees, 3,600 leased employees and 115 managerial, sales and administrative employees. The number of employees at any given time can vary significantly due to special project requests, seasonality and other factors. None of the Company's employees are covered by a collective bargaining agreement. Each of Barrett's managerial, sales and administrative employees has entered into a standard form of employment agreement which, among other things, contains covenants not to engage in certain activities in competition with the Company for 18 months following termination of employment and to keep the Company's customer lists and other proprietary information confidential. Barrett believes its employee relations are good.

Benefits offered to Barrett's temporary employees include group health insurance, a cafeteria plan permitting employees to use pre-tax dollars to obtain various services, including medical, dental and child care, and a 401(k) savings plan pursuant to which employees may begin making contributions upon reaching 21 years of age and completing 1,000 hours of service in any consecutive 12-month period. The Company may also make contributions to the savings plan, which vest over seven years and are subject to certain legal limits, at the sole discretion of the Company's board of directors. Leased employees may participate in the Company's benefit plans, provided that the group health insurance premiums may, at the client's option, be paid by payroll deduction. Barrett also maintains profit-sharing bonus plans for its managerial and administrative personnel.

Regulatory and Legislative Issues

The Company is subject to the laws and regulations governing self-insurers under the workers' compensation systems in Oregon and Maryland. In addition, legislation was adopted in Oregon in 1993 which requires a worker leasing company, such as Barrett, to be licensed by the Workers' Compensation Division of the Oregon Department of Consumer and Business Services. Temporary services companies are expressly exempt from the legislation. Worker leasing companies are required to notify the Workers' Compensation Division if they provide workers' compensation coverage for their leased employees, and an insurer providing such coverage is required to use the experience of the client for the purpose of assigning an experience rating to the worker leasing company. Worker

leasing companies are also required to assure that each leasing client provides adequate training and supervision for its workers in compliance with statutory requirements for workplace safety and to give 30 days' written notice of termination of its obligation to provide workers' compensation coverage for leased employees and other subject employees of a leasing client. Although compliance with the legislation has caused Barrett to make certain changes in its staff leasing operations and client contracts and has subjected it to additional financial risk with respect to workers' compensation expense, particularly with respect to leasing clients who breach their payment obligations to the Company, Barrett does not anticipate that compliance with the legislation will have a material impact on its business operations, financial condition, or operating results.

Federal legislative proposals for national health care reform include provisions extending mandatory health insurance benefits to virtually all classes of employees. In addition, workers' compensation coverage may be included in the reform package ultimately adopted. While it is impossible to predict if, when and in what form health care reform will be enacted, elements of such reform may have a material adverse effect on the Company's operations and its self-insured workers' compensation program.

Competition

The staff leasing and temporary services businesses are characterized by rapid growth and intense competition. The temporary services market includes competitors of all sizes, including several, such as Manpower, Inc., Kelly Services, Inc., The Olsten Corporation, Interim Services, Inc., and Adia Services, Inc., which are national in scope and have substantially greater financial and marketing resources than the Company. In addition to national companies, Barrett competes with numerous local and regional firms for both customers and personnel. The Company estimates that approximately 50 firms provide temporary services in Oregon. There are relatively limited barriers to entry into the temporary services business. The principal competitive factors in the temporary services industry are price, the ability to provide qualified workers in a timely manner and the monitoring of job performance. The Company attributes its growth in temporary services revenues to the cost-efficiency of its operations, which permits it to price its services competitively, and to its ability through its branch office network to understand the needs of its customers and fill those needs with competent personnel.

Although there are believed to be more than 1,300 staff leasing companies currently operating in the United States, many of these potential competitors are located in states in which the Company presently does not operate. Barrett believes that approximately 13 staff leasing firms are operating in Oregon, but that the Company has the largest presence in the state. The Company may face additional competition in the future from new entrants to the field, including other temporary services companies, payroll processing companies and insurance companies. Certain staff leasing companies operating in areas in which the Company does not now, but may in the future, offer its services have greater financial and marketing resources than the Company. Competition in the staff leasing industry is based largely on price, although service and quality are also important. Barrett believes that its growth in staff leasing revenues is attributable to its ability to provide small and mid-sized companies with the opportunity to provide enhanced benefits to their employees while typically reducing the clients' overall personnel administration and workers' compensation costs. The Company's competitive advantage may be adversely affected by a substantial increase in the costs of maintaining its self-insured workers' compensation program or by a general decrease in workers' compensation premiums due to reform efforts or workplace safety improvements.

Item 2. PROPERTIES

The Company provides temporary services through all 14 of its branch offices. Staff leasing services are currently offered through each of Barrett's Oregon and Maryland locations. The following table shows the locations of the Company's branch offices and the year in which each branch was opened or acquired. The Company's Oregon branches accounted for approximately 90% of its total revenues in 1993. The Company also leases space in nine other locations in its market areas which it uses to recruit employees.

Oregon Locations	Year Opened Or Acquired	Other Locations	Year Opened or Acquired
Portland (Industrial)	1984	Sacramento, California	1988
Portland (Bridgeport)	1988	Santa Clara, California	1994
Bend	1990	Baltimore, Maryland	1951
Medford	1990	Easton, Maryland	1994
Salem	1990	Seattle, Washington	1981
Albany	1991		
Eugene	1991		
Grants Pass	1991		
Portland (Leasing)	1993		

In May 1993, Barrett purchased an office building in Portland, Oregon, with approximately 9,200 square feet of office space, for a total purchase price of \$925,000. The Company's corporate headquarters were relocated to the new building in June 1993. The building is subject to a mortgage loan with a principal balance of approximately \$683,000 at December 31, 1993.

The Company also owns another office building in Portland, Oregon, in which its headquarters were previously located. The building is subject to a mortgage loan with a principal balance at December 31, 1993, of approximately \$283,000 due in full in November 1998 and has approximately 7,000 square feet of office space. Barrett moved its Portland (Bridgeport) branch office to this building in September 1993.

Barrett leases the office space housing its other branch offices. At December 31, 1993, such leases had expiration dates ranging from less than one year to six years, with total minimum payments through 1998 of approximately \$578,000.

Item 3. LEGAL PROCEEDINGS

There were no legal proceedings requiring disclosure pursuant to this item pending at December 31, 1993, or at the date of this report.

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

No matters were submitted to a vote of the Company's stockholders during the fourth quarter of 1993.

EXECUTIVE OFFICERS OF THE REGISTRANT

Officers of the Company are elected annually and serve at the discretion of the Company's board of directors. There are no family relationships among the Company's executive officers and directors. At February 25, 1994, the executive officers of Barrett were as follows:

William W. Sherertz, age 48, has acted as chief executive officer

of the Company since 1980. He has also been a director of the Company since 1980, and was elected President of the Company in March 1993.

Jack D. Williamson, Jr., age 39, was elected Vice President-- Finance, Treasurer, Secretary and a director of the Company in March 1993. He had previously been controller of the Company since 1986.

Peter J. Schenk, age 35, joined the Company as director of operations and marketing in December 1991. He was elected Vice President--Operations and Marketing in March 1993. From 1986 to 1991, Mr. Schenk was Vice President--Marketing for American Consulting Services, a provider of marketing consulting services to media companies.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded over-the-counter in the National Market System under the (NASDAQ) symbol BBSI. At February 25, 1994, there were 38 stockholders of record of the Company's common stock. The Company has not declared or paid any cash dividends since the closing of its initial public offering of its common stock on June 18, 1993, and has no present plan to do so in the foreseeable future. The following table presents the high and low sales prices of the Company's common stock for each quarterly period since June 18, 1993, as reported by NASDAQ:

	1993	
	High	Low
June 18 through June 30	\$ 9.50	\$ 7.00
Third Quarter	14.25	7.75
Fourth Quarter	16.75	13.50

Item 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the Company's financial statements and the accompanying notes presented in Item 8 of this report.

	Fiscal Year Ended June 30,	Six Months Ended Dec. 31,	Years Ended December 31,			
	1989	1989<F1>	1990	1991	1992	1993
	(In thousands, except per share data)					
Statement of Operations						
Data<F2>:						
Revenues:						
Temporary services . .	\$20,829	\$11,941	\$23,433	\$31,041	\$34,681	\$41,755
Staff leasing services	---	---	3,630	16,949	45,444	58,512
Total	20,829	11,941	27,063	47,990	80,125	100,267
Cost of revenues:						
Direct payroll costs .	15,502	8,890	19,774	35,486	59,820	75,171
Payroll taxes and benefits	1,780	1,002	2,252	4,309	7,826	9,911
Workers' compensation	602	290	990	1,958	3,233	4,591
Safety incentives . .	---	---	68	270	651	598
Total	17,884	10,182	23,084	42,023	71,530	90,271

	1993	1992	1991
Temporary services revenues	41.6%	43.3%	64.7%
Staff leasing services revenues	58.4	56.7	35.3
Direct payroll costs	74.9	74.7	73.9
Payroll taxes and benefits	9.9	9.8	9.0
Workers' compensation	4.6	4.0	4.1
Safety incentives6	.8	.6
Gross margin	10.0	10.7	12.4
Selling, general and administrative expenses	6.8	7.9	10.5
Income from operations	3.2	2.8	1.9
Other income (expense)2	---	(1.6)
Pretax income	3.4	2.8	.3
Pro forma provision for income taxes . . .	1.3	1.1	.1
Pro forma net income	2.1	1.7	.2

Years Ended December 31, 1993 and 1992

Temporary and Staff Leasing Services Revenues. Total revenues increased \$20,142,000 (25.1%) to \$100,267,000 for 1993 compared to 1992. The increase in total revenues was attributable to growth in temporary services revenues and staff leasing services revenues of \$7,074,000 (20.4%) and \$13,068,000 (28.8%), respectively.

Moderate economic growth and uncertainty regarding long-term economic prospects increased demand for the Company's temporary services during 1993 compared to 1992. The Company attributes its growth in temporary services revenues to the cost-efficiency of its operations, which permits it to price its services competitively, and to its ability through its branch office network to understand the needs of its customers and fill those needs with competent personnel.

During the first quarter of 1994 the Company expanded its operations through acquisition of two temporary services businesses. The acquired companies had total revenues of approximately \$25,000,000 during 1993, through seven branch offices. See "Liquidity and Capital Resources" below.

Market conditions remained favorable for the Company's staff leasing services in Oregon during 1993, due to a limited number of competitors in this industry and the competitive advantage afforded by the financial incentives offered to the Company's clients for reductions in the cost of workplace injuries.

The Company believes the growth of its staff leasing services is due in part to its ability to assume personnel administration functions while providing employees to clients at an overall cost that is generally less than the clients would have to pay if they carried such employees on their payrolls. The Company's services are cost-effective because of (i) the economies of scale and, in some cases, additional benefits available to it as an employer handling a significantly larger volume of payroll, payroll taxes and fringe benefits as compared to the typical staff of up to 50 employees handled by its staff leasing clients and (ii) the lower cost per employee of the Company's self-insured workers' compensation program in Oregon and Maryland as compared to the third-party insurance coverage its clients typically would otherwise be required to carry. See "Workers Compensation Expense" below.

Payroll Costs, Payroll Taxes and Benefits. Payroll costs, payroll taxes and benefits for the Company's temporary and staff leasing employees increased by \$17,436,000 (25.8%) to \$85,082,000 in 1993 compared to \$67,646,000 in 1992, slightly ahead of the 25.1% growth in total revenues for the same period. The increase in payroll costs, payroll taxes and benefits is primarily attributable to an increase in the number of employees and to higher participation in the Company's fully insured group health plan. On June 1, 1993, the Company replaced its various regional vendors of group

health insurance with a single national underwriter to take further advantage of available volume discounts. The Company believes the number of employees participating in its group health plan will continue to rise for the foreseeable future; however, the resulting increase in the Company's benefits costs is expected to be offset by decreases in the statutory payroll tax rates for the Company during 1994.

Workers' Compensation Expense. The Company has been a self-insured employer for workers' compensation coverage in Oregon since August 1987 and became self-insured in Maryland in November 1993. Workers' compensation expense currently includes the costs of self-insurance for the Company's employees in Oregon and Maryland, and third-party insurance coverage for such employees in California and Washington. Self-insurance expenses include case reserves for reported claims, reserves for claims incurred but not reported, loss adjustment expenses, third-party administrator fees, reinsurance premiums, and assessments paid to the States of Oregon and Maryland. Workers' compensation expense increased by \$1,358,000 (42.0%) during 1993 compared to 1992, due primarily to increases in the number of temporary and staff leasing employees in Oregon. Self-insurance expense in Oregon increased by approximately \$1,342,000 in 1993 compared to 1992.

During the third quarter of 1993, the Company submitted applications for self-insurance of its workers' compensation costs for its operations in California and Washington. In January 1994, the Company's application in California was denied. The Department of Industrial Relations of the State of California ("Department of Industrial Relations") cited as reasons for the denial concerns regarding the Company's financial strength (based on its 1992 audited financial statements) and the effectiveness of its injury and illness prevention program. The Company believes that its audited financial statements at December 31, 1993 will satisfy the Department of Industrial Relations' financial requirements. The Company also plans to submit additional information demonstrating its ability to implement effective injury and illness prevention programs, based on its workplace safety program in Oregon. Accordingly, the Company plans to submit an amended application to the Department of Industrial Relations during the second quarter of 1994. However, there can be no assurance that self-insured status will be granted on terms which are financially feasible to the Company. The State of Washington is scheduled to review the Company's application for workers' compensation self-insurance during the second quarter of 1994.

Upon becoming self-insured, the Company's workers' compensation expense is tied directly to the incidence and severity of workplace injuries to its employees. Significant elements contributing to the success of the workers' compensation program include the regulatory climate surrounding workers' compensation, the Company's workplace safety program and the aggressive claims management approach taken by the Company and its third-party administrators.

Selling, General and Administrative Expenses. Selling, general and administrative expenses (including the provision for doubtful accounts and the amortization of intangibles) consist of compensation and other expenses incident to the operation of the Company's headquarters and branch offices and marketing of its services. These expenses increased 7.6% for 1993 compared to 1992. Of the \$481,000 increase, \$81,000 is attributable to an increase in the provision for doubtful accounts arising from the failure of one of the Company's staff leasing customers in September 1993. As a percentage of total revenues, selling, general and administrative expenses decreased from 7.9% during 1992, to 6.8% during 1993, due to greater utilization of existing branch office capacity and the shift of the Company's business toward staff leasing services, which have lower overhead requirements as compared to temporary services.

Provision and Pro Forma Provision for Income Taxes. The Company was exempt from taxation as an S corporation until its S corporation election was terminated on April 30, 1993. A one-time tax benefit arising from net cumulative temporary differences in the timing of reporting certain deductible items for financial statement and income tax purposes was recognized by the Company as a reduction in its provision for income taxes

for the year ended December 31, 1993 in the amount of \$505,000. The pro forma effective tax rate of 39.1% is the effective tax rate that would have been recorded if the Company had been a C corporation for the periods presented. See Note 13 of the Notes to Financial Statements.

Years Ended December 31, 1992 and 1991

Temporary and Staff Leasing Services Revenues. Total revenues increased \$32,135,000 (67.0%) to \$80,125,000 for 1992, compared to 1991. The increase in total revenues was attributable to growth in temporary services revenues and staff leasing services revenues of \$3,640,000 (11.7%) and \$28,495,000 (168.1%), respectively. Staff leasing revenue growth was due primarily to higher volume associated with an increase in the number of staff leasing clients. Approximately one-third of the increase in clients resulted from the acquisition of Employee Leasing of Oregon, Inc. ("ELO"), in December 1991 and American Staff Management, Inc. ("ASM"), in March 1992, with annual aggregate revenues of approximately \$9,000,000. See Note 2 of the Notes to Financial Statements for unaudited pro forma information on the acquisitions.

Payroll Costs, Payroll Taxes and Benefits. Payroll costs, payroll taxes and benefits for the Company's staff leasing and temporary services employees increased by \$27,851,000, or 70.0%, to \$67,646,000 in 1992 compared to 1991, slightly in excess of the 67.0% growth in total revenues for the same period. The increase in payroll cost, payroll taxes and benefits is primarily attributable to an increase in the number of employees. As a percentage of revenue, such costs increased from 82.9% in 1991 to 84.5% in 1992 due to the growth in staff leasing services revenues as a percentage of total revenues.

Workers' Compensation Expense. Workers' compensation expense increased by \$1,275,000, or 65.1%, in 1992 compared to 1991 due primarily to an increase in the number of temporary and staff leasing employees. Self-insurance expense in Oregon increased by 68.3% in 1992 compared to 1991, while premium expense relating to the Company's operations in California, Maryland and Washington increased by 48.0% from 1991 to 1992.

Selling, General and Administrative Expenses. Selling, general and administrative expenses (including the provision for doubtful accounts and the amortization of intangibles) increased by \$1,285,000 (25.4%) to \$6,339,000 in 1992 compared to 1991, due primarily to an increase in the number of headquarters and branch employees needed to manage the Company's revenue growth. As a percentage of total revenues, selling, general and administrative expenses decreased from 10.5% in 1991 to 7.9% in 1992, due primarily to the shift of the Company's business toward staff leasing services.

Other Income (Expense). The Company had other income of \$19,000 in 1992 as compared to other expense of \$748,000 in 1991, due primarily to material litigation costs incurred in 1991 and to a 56.0% decline in interest expense in 1992 compared to 1991 as a result of lower average borrowings outstanding and a lower interest rate environment.

Pro Forma Provision for Income Taxes. The pro forma effective tax rates would have been 40.6% in 1991 and 39.1% in 1992. The lower tax rate in 1992 was due primarily to a lesser amount of goodwill amortization, which is not tax deductible, compared to 1991.

Seasonal Fluctuations

The Company's revenues historically have been subject to some seasonal fluctuation, particularly in its temporary services business. Demand for the Company's temporary employees and its payroll requirements (and associated mark-ups) for certain of its staff leasing clients decline during the year-end holiday season and periods of bad weather. Correspondingly, demand for temporary services and the operations of some staff leasing clients,

particularly agricultural and forest products-based companies, increase during the second and third quarters. Over the past three years, staff leasing revenues represented an increasing share of total revenues, diminishing the effect of seasonal fluctuations as staff leasing clients are engaged in a wide range of industries with varying seasonal demands.

Liquidity and Capital Resources

The Company has financed its operations and met its liquidity needs primarily from cash flow from operations of \$2,905,000 and \$3,415,000 during 1992 and 1993, respectively. The principal uses of funds during 1993 were (i) additional workers' compensation surety deposits required by the States of Oregon and Maryland of \$826,000 and \$600,000, respectively, (ii) cash distributions to shareholders prior to termination of the Company's S corporation status of \$869,000, and (iii) purchase of an office building in May 1993. The building purchase price of \$925,000 was funded in part, on an interim basis, by drawing on the Company's working capital line of credit, which was replaced by permanent long-term mortgage financing in the amount of \$693,750 in August 1993.

Capital expenditures for incidental purposes were approximately \$200,000 in 1992 and \$360,000 in 1993 and are expected to total approximately \$500,000 for 1994. In addition, the Company hopes to expand its self-insured workers' compensation and staff leasing program to California and Washington during the second quarter of 1994. If self-insured status is obtained, the required surety deposits for the two states are expected to total at least \$2,500,000 to be paid from cash or from other funding sources, potentially including letters of credit from the Company's lender and surety bonds from providers of third-party insurance. The Company also has long-term commitments under non-cancelable operating leases which expire at various times through 1999. See Note 9 of the Notes to Financial Statements.

The Company has an unsecured bank line of credit for a maximum amount of \$2,000,000, expiring subject to renewal on May 31, 1994. Outstanding balances against the line of credit accrue interest at the bank's prime rate. The highest borrowing against the line during 1992 and 1993 was \$321,617 and \$1,189,000, respectively. The average balance outstanding against the line for the year ended December 31, 1992 was \$142,000, compared to \$59,000 during 1993. There was a zero balance outstanding under the credit line at December 31, 1992 and 1993. See Note 6 of the Notes to Financial Statements.

On June 18, 1993, the Company completed its underwritten initial public offering of 1,000,000 shares of its common stock at a public offering price of \$7.00 per share. In July 1993, the underwriters exercised an option to purchase 150,000 additional shares of common stock on the same terms to cover over-allotments. Total net proceeds to the Company were \$6,828,000 after deducting underwriting discounts of \$644,000 and other expenses incurred in connection with the offering of \$570,000.

In February 1994, the Company acquired the assets of Personnel Management & Consulting, Inc. ("PMC"), a Maryland corporation, for \$270,000, of which \$42,000 was paid in cash and \$228,000 was paid in the form of 12,000 shares of common stock of the Company. PMC had unaudited revenues of approximately \$800,000 for the year ended December 31, 1993, primarily from sales of temporary services provided through three branch offices, one in each of Salisbury and Easton, Maryland; and in Seaford, Delaware.

In March 1994, the Company acquired the assets of Golden West Temporary Services ("Golden West"), a California corporation, for \$4,514,000 in cash from working capital. Golden West had total revenues of \$24,533,000 for the year ended December 31, 1993, from the sales of temporary services provided through four branch offices, one in each of San Jose, Santa Clara, Mountain View and Fremont, California.

A key part of the Company's business strategy is continued growth through the expansion of operations at existing offices and the acquisition of additional personnel-related businesses, both in its existing markets and in other geographic areas. The Company actively explores proposals for

various acquisition opportunities on an ongoing basis, but there can be no assurance that any additional transactions will be consummated. The Company believes that the unused net proceeds of its stock offering, available credit lines and other sources of financing, and anticipated funds to be generated from operations will be sufficient in the aggregate to provide funds for expansion and its working capital needs for the foreseeable future.

Inflation

Inflation generally has not been a significant factor in the Company's operations during the periods discussed above. The Company has taken into account the impact of escalating medical and other costs in establishing reserves for future expenses for self-insured workers' compensation claims in Oregon and Maryland.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(a) The following audited financial statements of Barrett Business Services, Inc., and related documents are set forth herein on the pages indicated:

	Page
Report of Independent Accountants	20
Balance Sheet at December 31, 1992 and 1993	21
Statement of Operations for the years ended December 31, 1991, 1992, and 1993	22
Statement of Stockholders' Equity for the years ended December 31, 1991, 1992, and 1993	23
Statement of Cash Flows for the years ended December 31, 1991, 1992, and 1993	24
Notes to Financial Statements	25

(b) The following financial statement schedule and report thereon are set forth herein on the pages indicated:

Report of Independent Accountants on Financial Statement Schedule	
Schedule I - Marketable Securities - Other Investments	39
Other financial statement schedules are omitted because they are not applicable or not required.	

(c) The following pro forma financial information as of December 31, 1993, is set forth herein on the pages indicated:

Barrett Business Services, Inc.:	
Pro Forma Balance Sheet at December 31, 1993	40
Pro Forma Statement of Operations for the year ended December 31, 1993	41
Notes to Pro Forma Financial Statements	42

(d) The following audited financial statements of Golden West Temporary Services and related documents are set forth herein on the pages indicated:

Independent Accountants' Report	43
Balance Sheets at December 31, 1993 and 1992	44
Statements of Income for the years ended December 31, 1993 and 1992	46
Statements of Changes in Stockholders' Equity for the years ended December 31, 1993 and 1992	47

Statements of Cash Flows for
the years ended December 31,
1993 and 1992

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Notes to Financial Statements

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Report of Independent Accountants

February 7, 1994

To the Stockholders and Board of Directors,
Barrett Business Services, Inc.

In our opinion, the accompanying balance sheet and the related statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Barrett Business Services, Inc. at December 31, 1992 and 1993, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE
Portland, Oregon

Barrett Business Services, Inc.
Balance Sheet
(In thousands, except per share amounts)

	December 31,	
	1992	1993
Assets		
Current assets:		
Cash and cash equivalents	\$ 12	\$ 1,127
Marketable securities	--	6,374
Trade accounts receivable, net	4,145	4,954
Prepaid expenses and other	147	145
Deferred tax asset (Note 13)	--	894
Total current assets	4,304	13,494
Intangibles, net (Note 3)	654	294
Property and equipment, net (Notes 4 and 7)	752	1,876
Restricted marketable securities and workers' compensation deposits (Note 5)	1,469	2,728
Other assets	40	33
	\$7,219	\$18,425
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt (Notes 7 and 11)	\$221	\$123
Income taxes payable (Note 13)	--	79
Due to stockholder (Note 2)	98	--
Accounts payable	226	91
Accrued payroll and related benefits	2,565	3,223

Accrued workers' compensation claim liabilities (Note 5)	1,337	2,434
Customer safety incentives payable	535	527
Total current liabilities	4,982	6,477
Long-term debt, net of current portion (Notes 7 and 11)	292	946
Customer deposits	371	522
	5,645	7,945
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock, \$.01 par value; 7,500 shares authorized, 3,152 shares issued and outstanding (Notes 12 and 14)	20	32
Additional paid-in capital	190	8,469
Retained earnings	1,364	1,979
	1,574	10,480
	\$7,219	\$18,425

The accompanying notes are an integral part of this financial statement.

Barrett Business Services, Inc.
Statement of Operations
(In thousands, except per share amounts)

Years Ended December 31,
1991 1992 1993

Revenues:

Temporary services	\$31,041	\$34,681	\$41,755
Staff leasing services	16,949	45,444	58,512
	47,990	80,125	100,267
Cost of revenues:			
Direct payroll costs	35,486	59,820	75,171
Payroll taxes and benefits	4,309	7,826	9,911
Workers' compensation (Note 5)	1,958	3,233	4,591
Safety incentives	270	651	598
	42,023	71,530	90,271
Gross margin	5,967	8,595	9,996
Selling, general and administrative expenses	4,708	5,924	6,290
Provision for doubtful accounts	111	79	160
Amortization of intangibles (Note 3)	235	336	370
Income from operations	913	2,256	3,176
Other (expense) income:			
Litigation settlement (Note 10)		(600)	--
Interest expense		(175)	(77)
Interest income		58	70
Other, net		(31)	26
		(748)	19
Income before provision for income taxes		165	2,275
			3,384
Provision for income taxes (Note 13)	--	--	437
Net income	\$ 165	\$ 2,275	\$2,947

Unaudited pro forma information (Note 13):

Income before provision for income taxes	\$ 165	\$ 2,275	\$3,384
Provision for income taxes	67	890	1,324
Net income	\$ 98	\$ 1,385	\$2,060
Net income per share	\$.05	\$.69	\$.78
Weighted average number of shares	1,994	2,000	2,630

The accompanying notes are an integral part of this financial statement.

Barrett Business Services, Inc.
Statement of Stockholders' Equity
(In thousands)

	Common stock Shares	stock Amount	Additional paid-in capital	Retained earnings	Total
Balance, December 31, 1990	\$ 1,992	\$20	\$ 182	\$ 986	\$1,188
Common stock issued	8	--	8	--	8
Net income 165	--	--	--	--	165
Distributions to stockholders	--	--	--	(399)	(399)
Balance, December 31, 1991	2,000	20	190	752	962
Net income 2,275	--	--	--	--	2,275
Distributions to stockholders	--	--	--	(1,663)	(1,663)
Balance, December 31, 1992	2,000	20	190	1,364	1,574
Common stock issued	1,152	12	6,816	--	6,828
Net income	--	--	--	2,947	2,947
Distributions to stockholders	--	--	(869)	--	(869)
Reclassification of retained earnings on issuance of common stock	--	--	2,332	(2,332)	--
Balance, December 31, 1993	3,152	\$32	\$8,469	\$1,979	\$10,480

The accompanying notes are an integral part of this financial statement.

Barrett Business Services, Inc.
Statement of Cash Flows
(In thousands)

	Years Ended December 31,		
	1991	1992	1993
Cash flows from operating activities:			
Net income	\$ 165	\$ 2,275	\$ 2,947
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	429	476	530
Loss (gain) on sales of marketable securities	6	(14)	(112)
Provision for doubtful accounts	111	79	160
Deferred taxes	--	--	(894)
Changes in certain assets and liabilities:			
Trade accounts receivable	(1,507)	(701)	(969)
Prepaid expenses and other	(10)	(88)	2
Accounts payable	186	(25)	(135)
Accrued payroll and related benefits	992	620	658
Accrued workers' compensation claim liabilities	643	462	1,097
Customer safety incentives payable	159	307	(8)
Litigation settlement	600	(600)	--
Due to stockholder	--	--	(98)
Income taxes payable	--	--	79
Customer deposits and other, net	288	114	158
Net cash provided by operating activities	2,062	2,905	3,415
Cash flows from investing activities:			
Increase in intangibles through acquisitions	(372)	(90)	(10)
Purchases of fixed assets	(205)	(201)	(1,287)
Proceeds from sales of marketable securities	104	539	8,413
Proceeds from sales of fixed assets	--	--	7
Purchases of marketable securities	(106)	(1,421)	(15,938)
Net cash used by investing activities	(579)	(1,173)	(8,815)
Cash flows from financing activities:			
Distributions to stockholders	(399)	(1,630)	(869)
Net decrease in bank line of credit	(438)	--	--
Proceeds from debt issued	150	--	752
Payments on long-term debt	(635)	(276)	(196)
Proceeds from issuance of common stock	8	--	6,828
Net cash provided (used) by financing activities	(1,314)	(1,906)	6,515
Net increase (decrease) in cash and cash equivalents	169	(174)	1,115
Cash and cash equivalents, beginning of period	17	186	12
Cash and cash equivalents, end of period	\$ 186	\$ 12	\$1,127

The accompanying notes are an integral part of this financial statement.

Barrett Business Services, Inc.
Notes to Financial Statements

1. Summary of Operations and Significant Accounting Policies

Nature of Operations

Barrett Business Services, Inc. (Barrett or the Company), a Maryland corporation, is engaged in providing temporary staffing and staff leasing services to a diversified group of customers through a network of branch offices throughout western Oregon and in Seattle, Washington; Sacramento; California; and Baltimore, Maryland. Approximately 92% of the Company's revenue during 1992 and 1993 was attributable to its Oregon operations.

Revenue Recognition

The Company recognizes revenue as the services are rendered by its work force. Temporary services are engaged by customers to meet short-term fluctuations in personnel needs. Staff leasing services are normally used by organizations to satisfy ongoing personnel needs and generally involve contracts, with a minimum term of one year renewable annually, covering all employees at a particular work site.

Allowance for Doubtful Accounts

The Company had an allowance for doubtful accounts of \$30,000 and \$25,000 at December 31, 1992 and 1993, respectively.

Marketable Securities

Marketable securities are stated at cost, which approximates fair market value. At December 31, 1992 and 1993, marketable securities consisted primarily of municipal tax anticipation notes and certificates of deposit.

Intangibles

Intangible assets are recorded at cost and are being amortized using the straight-line method over their estimated useful lives ranging from three to 15 years.

Property and Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to operating expense as incurred, and expenditures for additions and betterment are capitalized. The cost of assets sold or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the Statement of Operations.

Depreciation of property and equipment is calculated using either straight-line or accelerated methods over estimated useful lives ranging from three to 31.5 years.

Customer Safety Incentives Payable

Safety incentives are paid annually to staff leasing clients if the cost of workers' compensation claims is less than agreed upon amounts; amounts paid are based on a percentage of payroll. The Company accrues the amounts payable under this program on a monthly basis.

Barrett Business Services, Inc.

Notes to Financial Statements

1. Summary of Operations and Significant Accounting Policies (Continued)

Income Taxes

Effective July 1, 1987, the Company elected to be treated as an S Corporation under provisions of the Internal Revenue Code. As such, federal and state income tax regulations provide that the income or losses of the Company were attributable to its stockholders in their individual tax returns. Accordingly, no accrual or provision for income taxes is made in the Company's financial statements for the years ended December 31, 1991 and 1992. Effective April 30, 1993, the Company terminated its S Corporation status. A pro forma provision for income taxes that would have been recorded if the Company had been a C Corporation for all periods presented is provided for comparative purposes in the Statement of Operations.

Customer Deposits

The Company requires deposits from certain staff leasing customers to cover a portion of its accounts receivable due from such customers in case of default.

Cash and Cash Equivalents

The Company considers nonrestricted short-term investments which are highly liquid, are readily convertible into cash and have original maturities less than three months to be cash equivalents for purposes of the Statement of Cash Flows.

Statement of Cash Flows

The Company has recorded the following non-cash transactions:

In September 1992, the Company, for financial reporting purposes, is deemed to have distributed to its stockholders certain non-cash assets and liabilities which aggregated a net liability of \$23,000. See Note 2.

During 1992, notes receivable from a stockholder were extinguished. See Note 11.

Interest paid during 1991, 1992 and 1993 did not differ materially from interest expense.

Income taxes paid by the Company since termination of its S Corporation status totalled \$1,239,600.

Common Stock Split and Change in Authorized Shares

The Company's stockholders approved a 7,968-for-1 split of its common stock, an increase in authorized common shares and the authorization of preferred stock which became effective March 25, 1993. All share and earnings per share amounts have been adjusted to reflect this transaction for all periods presented. Additionally, the par value of common stock was changed to \$.01 from \$10 per share. Common stock and additional paid-in capital have been adjusted to reflect this change.

Pro Forma Net Income Per Share

Net income per share is computed based on the weighted average number of common shares outstanding during the period without giving effect to securities that would otherwise be considered to be common stock equivalents, because such securities aggregate less than 3% of shares outstanding and thus are not considered dilutive.

Barrett Business Services, Inc.

Notes to Financial Statements

1. Summary of Operations and Significant Accounting Policies (Continued)

Reclassifications

Certain prior year amounts have been reclassified to conform with 1993 presentation. Such reclassifications had no impact on net income or stockholders' equity.

2. Acquisitions

Oregon Temporary Services

In January 1991, a company owned by the chief executive officer of the Company purchased Oregon Temporary Services, Inc. (OTS), a company engaged in the temporary services business. Of the \$300,000 purchase price, \$150,000 was financed through a distribution from the Company to the then sole stockholder, who is the chief executive officer's spouse, and the remaining \$150,000 was payable under a note. Following the acquisition, OTS purchased employee services from Barrett and sold these services to third-party customers.

In November 1991, Barrett began directly servicing certain customers of OTS. By September 1992, all of the OTS customers were serviced by Barrett and, therefore, OTS has recognized no further revenues related to the temporary services business since that time. In September 1992, the Company, for financial reporting purposes, is deemed to have distributed to its stockholders cash of \$438,800 and other assets and liabilities which aggregated a net liability of \$23,000. Additionally, the Company incurred a note payable to the stockholders of \$98,500 for the purchase of certain fixed assets related to OTS which had a net book value of \$71,400. The difference between the note payable and the net book value of such assets of \$27,100 was recorded as a distribution to the stockholders. Subsequent to relinquishing the OTS customers to Barrett, the stockholders invested the remaining net assets of OTS in another business not in the temporary services industry. See Note 1-- Statement of Cash Flows.

Because of the relationship between Barrett and OTS and because Barrett assumed the OTS customers gradually over the period from November 1991 through September 1992 at no cost, the accompanying financial statements as of and for the years ended December 31, 1991 and 1992 present the accounts of Barrett and the temporary services business of OTS as if the Company had purchased OTS in January 1991. As legal entities, OTS and Barrett were not combined; however, due to the common ownership and commingled operations of the two entities, combination for financial statement purposes properly presents the results of operations, cash flows and financial position of the Company. Transactions between Barrett and OTS from February 1991 through September 1992 have been eliminated.

Employee Leasing of Oregon

In November and December 1991, the Company acquired substantially all of the staff leasing customers of Employee Leasing of Oregon, Inc. (ELO). The Company recorded \$95,000 as intangible assets and expensed approximately

Barrett Business Services, Inc.

Notes to Financial Statements

\$155,000 paid to the five ELO stockholders for services rendered in transition and delivery of the staff leasing customers to Barrett.

Nancy Horn Personnel Agency

On January 1, 1992, the Company purchased substantially all of the assets of Nancy Horn Personnel Agency (NHPA), a business engaged in the temporary services business. The Company paid cash for NHPA and accounted for the acquisition using the purchase method of accounting. The purchase price of \$65,000 was recorded as intangible assets at the date of acquisition.

American Staff Management

In March 1992, the Company paid the stockholder of American Staff Management, Inc. (ASM) \$25,000 for ASM's customer list. The Company recorded the purchase price as intangible assets.

CDI Corporation-West

In March 1993, the Company acquired a branch office of CDI Corporation-West

in Sacramento, California for \$10,000. The purchase was recorded as intangible assets under the purchase method of accounting.

Pro Forma Results of Operations (Unaudited)

The operating results of each of the above acquisitions are included in the Company's results of operations from the respective date of its acquisition. The following unaudited pro forma summary presents the combined results of operations as if the ELO, NHPA and ASM acquisitions had occurred at the beginning of 1991, after giving effect to certain adjustments for the amortization of intangible assets, taxation and cost of capital.

Barrett Business Services, Inc.

Notes to Financial Statements

	Years ended December 31,	
	1991	1992
	(Unaudited)	
	(In thousands, except per share amounts)	
Revenue	\$52,812	\$80,730
Net income	\$76	\$1,385
Net income per share	\$.04	\$.69

The pro forma results above have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisitions been made as of that date or of results which may occur in the future.

3. Intangibles

Intangibles consist of the following (in thousands):

	December 31,	
	1992	1993
Covenants not to compete	\$1,215	\$1,215
Goodwill	220	220
Customer lists	201	211
	1,636	1,646
Less accumulated amortization	982	1,352
	\$ 654	\$ 294

Barrett Business Services, Inc.

Notes to Financial Statements

4. Property and Equipment

Property and equipment consists of the following (in thousands):

	December 31,	
	1992	1993
Office furniture and fixtures	\$ 840	\$1,092
Building	394	1,157
Automobiles	48	36
	1,282	2,285
Less accumulated depreciation	567	716
	715	1,569
Land	37	307
	\$ 752	\$1,876

Substantially all of the Company's fixed assets serve as security for long-term debt (see Note 7).

5. Accrued Workers' Compensation Claim Liabilities

During August 1987 and November 1993, the Company became self-insured with respect to workers' compensation claims for all its employees working or living in Oregon and Maryland, respectively. The Company has provided \$1,337,000 and \$2,434,000 at December 31, 1992 and December 31, 1993, respectively, as an estimated liability for unsettled workers' compensation claims. This estimated liability represents management's best estimate which includes, in part, an evaluation of information provided by the Company's third-party administrator and its independent actuary. Included in the claims liabilities are case reserve estimates for reported losses, plus additional amounts based on projections for incurred but not reported claims, allocated loss adjustment expenses and anticipated increases in case reserve estimates. These estimates are continually reviewed and adjustments to liabilities are reflected in current operations as they become known. The Company believes that the difference between amounts recorded at December 31, 1993 for its estimated liability and the possible range of costs of settling related claims is not material to results of operations; nevertheless, it is reasonably possible that adjustments required in future periods would be material to results of operations. The Company has obtained excess workers' compensation insurance to limit its self-insurance liability to \$300,000 per occurrence (\$350,000 for claims after December 31, 1993). The excess insurance provides coverage up to \$10 million per occurrence for claims through December 31, 1993 and unlimited excess coverage for claims after that date.

Barrett Business Services, Inc.

Notes to Financial Statements

The States of Oregon and Maryland require the Company to maintain specified investment balances or other financial instruments, which aggregated \$1,300,000 at December 31, 1992 and \$2,761,000 at December 31, 1993 to cover potential claims losses. To partially meet this requirement at December 31, 1993, the Company holds a \$300,000 surety bond guaranteed by an irrevocable standby letter of credit. The investments are included in restricted marketable securities and workers' compensation deposits in the accompanying Balance Sheet.

5. Accrued Workers' Compensation Claim Liabilities (Continued)

The workers' compensation expense in the accompanying Statement of Operations consists of \$1,652,000, \$2,780,000 and \$4,071,000 for self-insurance expense in Oregon in 1991, 1992 and 1993, respectively, and

\$4,000 for Maryland in 1993. Premiums in the insured states were \$306,000, \$453,000 and \$516,000 for 1991, 1992 and 1993, respectively.

6. Bank Line of Credit

On August 12, 1993, the Company entered into a new bank line of credit which expires on May 31, 1994. Pursuant to the amended loan agreement, the line of credit permits total borrowings of up to \$2,000,000. The interest rate on outstanding balances is at the prime rate. The new line of credit is unsecured. Under the amended loan agreement, the Company is required to maintain (i) a ratio of total liabilities to tangible net worth of not more than 1.25 to 1.0, (ii) positive quarterly income before taxes, (iii) tangible net worth of at least \$7,120,000, and (iv) a zero outstanding balance against the line for a minimum of 60 consecutive days during each year. The Company is also prohibited from pledging any of its assets other than existing mortgages on its real property. There were no borrowings outstanding under the line of credit at December 31, 1992 or 1993.

During the years ended December 31, 1991, 1992 and 1993, the maximum balances outstanding under the line of credit were \$1,248,362, \$321,617 and \$1,189,000, respectively, the average balance outstanding was \$768,000, \$142,000 and \$59,000, respectively, and the weighted average interest rate during the period was 9.8%, 7.0% and 6.6%, respectively. The weighted average interest rate during the period is calculated using daily weighted averages.

Barrett Business Services, Inc.

Notes to Financial Statements

7. Long-Term Debt

Long-term debt consists of the following (in thousands):

	December 31,	
	1992	1993
Note payable to bank in monthly installments of \$13,889, plus interest at prime plus 1.5% through 1993. Secured by all assets, except real property, of the Company.	\$124	\$ --
Mortgage note payable in monthly installments of \$2,781, including interest at 11%, through 1998, with a principal payment of \$269,174 due in 1998. Secured by land and building.	286	283
Mortgage note payable in monthly installments of \$6,730, including interest at 8.15%, through 2003, with a principal payment of \$366,633 due in 2003. Secured by land and building.	--	683
Note to former majority stockholder. Interest at 12% payable monthly. Unsecured. See Note 11.	103	103
	513	1,069
Less portion due within one year	(221)	(123)
	\$292	\$ 946

Maturities on long-term debt are summarized as follows at
December 31, 1993 (in thousands):

Year ending December 31,	
1994	\$ 123
1995	39
1996	33
1997	36
1998	307
Thereafter	531
	\$ 1,069

/TABLE

Barrett Business Services, Inc.

Notes to Financial Statements

8. Savings Plan

On April 1, 1990, the Company established a 401(k) employee savings plan for the benefit of its eligible employees. Each employee, twenty-one years of age or older, becomes eligible to participate in the savings plan upon completion of 1,000 hours of service in any consecutive twelve-month period following the initial date of employment. The determination of amounts, if any, of Company contributions to the plan is subject to the sole discretion of the Company. Participants' interests in Company contributions to the plan vest over a seven-year period. Company contributions to the plan were \$17,800, \$35,000 and \$43,574 for the years ended December 31, 1991, 1992 and 1993, respectively.

9. Commitments

Lease Commitments

The Company leases its branch offices under operating lease agreements which require minimum annual payments as follows (in thousands):

<TABLE>

Year ending December 31,	
1994	\$ 249
1995	181
1996	64
1997	41
1998	43
Thereafter	44
Total minimum payments	\$ 622

Rent expense for the years ended December 31, 1991, 1992 and 1993 was approximately \$271,000, \$313,000 and \$295,000, respectively.

10. Litigation Settlement

During 1991, the Company became a defendant in a lawsuit. The plaintiffs claimed that the termination of their employment by the Company was unlawful. On May 15, 1992, the Company settled the lawsuit for \$600,000. Accordingly, a provision for the settlement of \$600,000 was made in the accompanying financial statements for the year ended December 31, 1991.

Barrett Business Services, Inc.

Notes to Financial Statements

11. Related Party Transactions

During 1991, 1992 and 1993, the Company recorded revenues of \$1,940,000, \$2,249,000 and \$2,404,000, respectively, and cost of revenues of \$1,724,000, \$2,116,000 and \$2,316,000, respectively, for providing services to a company of which a director of the Company is president and majority stockholder. At December 31, 1992 and 1993, Barrett had receivables from this company of \$84,000 and \$117,000, respectively.

During 1992 and 1993, the Company recorded revenues of \$47,000 and \$480,000, respectively, and cost of revenues of \$45,000 and \$475,000, respectively, for providing staff leasing services to a company owned by the chief executive officer, a stockholder. At December 31, 1992 and 1993, Barrett had recorded a receivable from this company of \$114,000 and \$35,000, respectively.

As further described in Note 7, the Company has a note payable to the estate of the former majority stockholder, who was the late mother of a current stockholder. The Company was obligated to make annual payments to the former director and majority stockholder until her death in 1993 in recognition of her past services and in return for non-competition covenants. The payments were adjusted annually for increases in the Consumer Price Index for All Items--U.S. National Average. The Company accounted for this arrangement as a defined benefit plan. Under the plan, net pension costs were approximately \$40,000 for each of 1991 and 1992.

At December 31, 1993, the chief executive officer of the Company, pursuant to the approval of a majority of the disinterested outside directors, agreed to personally guarantee, at no cost to the Company, the repayment of a \$111,000 receivable from an unrelated, insolvent customer. The Company will exercise this guarantee at such time as the Company determines that further collection efforts are likely to be ineffective, but not later than December 31, 1995.

A director of the Company is Vice Chairman of the board of directors of the bank that provides the Company's unsecured working capital line of credit and certain mortgage financing. In addition to other banking business, the bank is the Transfer Agent for the Company's common stock. See Notes 6 and 7.

12. Public Stock Offering

In June 1993, the Company completed an initial public offering of 1,000,000 shares of common stock at \$7.00 per share. In July 1993, the underwriters exercised an option to purchase 150,000 additional shares at \$7.00 per share to cover over-allotments. Total net proceeds to the Company were \$6,828,000 after deducting the underwriting discount and offering expenses.

Barrett Business Services, Inc.

Notes to Financial Statements

13. Income Taxes

In conjunction with the Company's public offering, the Company terminated its S Corporation status effective April 30, 1993. Accordingly, unaudited pro forma income tax information is presented below which would have been recorded if the Company had been a C Corporation during all periods presented, based on tax laws in effect during those periods, as calculated under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109).

The unaudited pro forma provisions for income taxes are as follows (in thousands):

	Years Ended December 31,		
	1991	1992	1993
Current:			
Federal	\$507	\$674	\$1,439
State	95	133	284
	602	807	1,723
Deferred:			
Federal	(452)	70	(338)
State	(83)	13	(61)
	(535)	83	(399)
Total provision	\$67	\$890	\$1,324

The actual provision for income taxes for the first eight months of operation as a C Corporation (May 1, 1993 to December 31, 1993) is as follows (in thousands):

Current:	
Federal	\$ 1,110
State	221
	1,331
Deferred:	
Federal	(327)
State	(62)
	(389)
Provision before cumulative deferred tax asset	942
Cumulative deferred tax asset	(505)
	\$ 437

The provision for income taxes for the year ended December 31, 1993 is offset by recognition of a cumulative net deferred tax asset of \$505,000 associated with the termination of the Company's S Corporation status on April 30, 1993, in accordance with SFAS 109.

Barrett Business Services, Inc.

Notes to Financial Statements

13. Income Taxes (Continued)

Deferred tax assets (liabilities) are comprised of the following components (in thousands):

	December 31,	
	1992	1993
	(Unaudited)	
	(Pro Forma)	
Accrued workers' compensation claim liabilities	\$509	\$949
Allowance for doubtful accounts	11	10
Tax depreciation in excess of book depreciation	(53)	(65)
Capital loss carryforward	28	---
	\$495	894

The pro forma effective tax rate would differ from the U.S. statutory federal tax rate due to the following:

	Years Ended December 31,		
	1991	1992	1993
Statutory federal tax rate	34.0 %	34.0 %	34.0 %
State taxes, net of federal benefit	4.1	4.1	4.3
Goodwill amortization	6.9	.7	.5
Jobs credit	(5.3)	---	---
Other, net	.9	.3	.3
	40.6 %	39.1 %	39.1 %

Upon termination of the Company's S Corporation status, cash distributions totaling \$330,000, representing the estimated tax liabilities of stockholders on S Corporation earnings from January 1, 1993 through April 30, 1993, were paid to the stockholders from the undistributed S Corporation retained earnings. In total, since December 31, 1992, the Company has paid stockholder distributions of \$869,000. The remaining undistributed S Corporation retained earnings have been reclassified as additional paid-in capital.

Barrett Business Services, Inc.

Notes to Financial Statements

14. Stock Incentive Plan

As of March 1, 1993, the Company adopted a stock incentive plan (the Plan) which provides for stock-based awards to the Company's employees, non-employee directors and outside consultants or advisers. The Company has reserved 250,000 shares of common stock for issuance under the Plan. An award of 2,000 restricted shares was granted under the Plan in June 1993. The following table summarizes options granted under the Plan during 1993:

	Options	Range of Prices
Outstanding at March 1, 1993	--	

Options granted	83,250	\$7.00 to 9.375
Options exercised	--	
Options cancelled or expired	(3,000)	
Outstanding at December 31, 1993	80,250	
Available for grant at December 31, 1993	167,750	

The options listed in the table will become exercisable in four equal annual installments beginning one year after the date of grant.

15. Quarterly Financial Information (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(In thousands, except per share amounts)				
Year ended December 31, 1992				
Revenue	\$17,000	\$20,333	\$22,597	\$20,195
Cost of sales	15,123	18,101	20,197	18,109
Pro forma net income	253	408	435	289
Pro forma net income per share	.13	.20	.22	.14
Year ended December 31, 1993				
Revenue from services	\$20,535	\$25,386	\$28,076	\$26,270
Cost of services	18,501	22,931	25,147	23,692
Pro forma net income	389	488		
Pro forma net income per share	.19	.22		
Net income			702	481
Net income per share			.22	2.15

Barrett Business Services, Inc.

Notes to Financial Statements

16. Market Information (Unaudited)

The Company's common stock is traded on the National Market System (NASDAQ) under the symbol BBSI. The following table sets forth the high and low sale prices of the stock for each quarter from the Company's June 18, 1993 initial public offering:

	1993	
	High	Low
June 18 through June 30	\$ 9.50	\$ 7.00
Third quarter	14.25	7.75
Fourth quarter	16.75	13.50

Report of Independent Accountants
on Financial Statement Schedule

February 7, 1994

To the Board of Directors and
Stockholders of Barrett Business Services, Inc.

Our audits of the financial statements referred to in our report dated February 7, 1994 appearing on page 20 of this Annual Report on Form 10-K also included an audit of the Financial Statement Schedule included in Part II, Item 8b of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related financial statements.

PRICE WATERHOUSE
Portland, Oregon

Schedule I - Marketable Securities-Other Investments

Issuer	Description	Shares	Approximate Market		Carrying	Amount
			Cost	Value		
Multnomah Co. SD 3, OR	Tax Anticipation Notes	2,425,000	\$ 2,425,000	\$ 2,456,000	\$ 2,456,000	
Multnomah Co. SD 7, OR	Tax Anticipation Notes	1,445,000	1,445,000	1,464,000	1,464,000	
Jackson Co., OR	Tax Anticipation Notes	850,000	850,000	861,000	861,000	
Deschutes Co., OR	Tax Anticipation Notes	575,000	575,000	582,000	582,000	
Clackamas Co., OR	Tax Anticipation Notes	1,000,000	1,000,000	1,011,000	1,011,000	
		6,295,000	6,295,000	6,374,000	6,374,000	
First Interstate Bank of Oregon	Time Deposit	826,000	826,000	830,000	830,000	
First Interstate Bank of Oregon	Time Deposit	1,013,000	1,013,000	1,042,000	1,042,000	
King Co. SD 415, WA	General Obligation Bonds	601,000	601,000	602,000	602,000	
State of Oregon	Workers' Comp. Deposit	117,000	117,000	117,000	117,000	
State of Maryland	Workers' Comp. Deposit	58,000	58,000	58,000	58,000	
State of Washington	Workers' Comp. Deposit	41,000	41,000	41,000	41,000	
State of California	Workers' Comp. Deposit	38,000	38,000	38,000	38,000	
		2,694,000	2,694,000	2,728,000	2,728,000	
		8,989,000	\$ 8,989,000	\$ 9,102,000	\$ 9,102,000	

BARRETT BUSINESS SERVICES, INC.

PRO FORMA STATEMENT OF OPERATIONS (UNAUDITED)

Year Ended December 31, 1993

	BBSI Historical	Golden West Historical	Pro Forma Adjustments	Pro Forma Combined
(In thousands, except per share amounts)				
Revenues				
Temporary services	\$ 41,755	\$ 24,533	\$ ---	\$ 66,288
Staff leasing services	58,512	---	---	58,512
	100,267	24,533	---	124,800
Cost of revenues:				
Direct payroll costs	75,171	18,075	---	93,246
Payroll taxes and benefits	9,911	2,206	---	12,117
Workers' compensation	4,591	686	---	5,277
Safety incentives	598	---	---	598
	90,271	20,967	---	111,238
Gross margin	9,996	3,566	---	13,562
Selling, general and administrative expenses	6,290	2,378	(175)	8,493
Provision for doubtful accounts	160	23	---	183
Amortization of intangibles	370	3	290	663
Income from operations	3,176	1,162	(115)	4,223
Other income (expense):				
Interest expense	(86)	(30)	30	(86)
Interest income	161	5	---	166
Other, net	133	---	---	133
	208	(25)	30	213
Income before provision for income taxes	3,384	1,137	(85)	4,436

Provision for income taxes		437		36		333		806
Net income	\$	2,947	\$	1,101	\$	(418)	\$	3,630
Unaudited pro forma information:								
Income before provision for income taxes	\$	3,384					\$	4,436
Provision for income taxes		1,324						1,735
Net income	\$	2,060					\$	2,701
Net income per share	\$	0.78					\$	1.03
Weighted average number of shares		2,630				2,630		

BARRETT BUSINESS SERVICES, INC.

PRO FORMA STATEMENT OF OPERATIONS (UNAUDITED)

Year Ended December 31, 1993

	BBSI Historical	Golden West Historical	Pro Forma Adjustments	Pro Forma Combined
(In thousands, except per share amounts)				
ASSETS				
Current assets:				
Cash and equivalents	\$ 1,127	\$ 509	\$ (1,469)	\$ 167
Marketable securities	6,374	---	(4,484)	1,890
Trade accounts receivable, net	4,954	2,637		7,591
Prepaid expenses and other	145	57		202
Deferred tax asset	894	---		894
Total current assets	13,494	3,203	(5,953)	10,744
Intangibles, net	294	30	4,072	4,396
Property and equipment, net	1,876	69	6	1,951
Restricted marketable securities and workers' compensation deposits	2,728	---		2,728
Other assets	33	17		50
	18,425	3,319	(1,875)	19,869
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term debt	\$ 123	\$ ---	\$ ---	\$ 123
Bank line of credit	---	500	(500)	---
Income taxes payable	79	64		143
Accounts payable	91	61		152
Accrued payroll and related benefits	3,223	636		3,859
Accrued workers' compensation claims	2,434	---		2,434
Customer safety incentives payable	527	---		527
Total current liabilities	6,477	1,261	(500)	7,238
Long-term debt, net of current portion	946	---		946
Customer deposits	522	---		522
	7,945	1,261	(500)	8,706
Stockholders' equity:				
Common stock	32	86	(86)	32
Additional paid-in capital	8,469	---	---	8,469
Retained earnings	1,979	1,972	(1,289)	2,662
	10,480	2,058	11,163	
	\$ 18,425	\$ 3,319	\$ (1,875)	\$ 19,869

* The accompanying notes are an integral part of this financial statement.

Notes to Pro Forma Financial Statements

Acquisition

In March 1994, the Company acquired the assets of Golden West Temporary Services ("Golden West"), a California corporation, for \$4,514,000 in cash from working capital. Golden West had total revenues of \$24,533,000 for the year ended December 31, 1993, from the sales of temporary services provided through four branch offices. The accompanying pro forma balance sheet and statement of operations assume the acquisition took effect January 1, 1993.

Pro Forma Adjustments

The combined pro forma financial statements reflect the following adjustments: (i) the purchase price of \$4,514,000, paid in cash from working capital, and the resulting increase in intangibles and equipment of \$4,425,000 and \$89,000, respectively, (ii) additional amortization and depreciation expense attributable to the acquired assets, (iii) elimination of interest expense and other nonrecurring operating costs, and (iv) the anticipated tax effect of the additional earnings.

Board of Directors
Golden West Temporary Services
Santa Clara, California

INDEPENDENT ACCOUNTANTS' REPORT

We have audited the accompanying balance sheets of Golden West Temporary Services as of December 31, 1993 and 1992, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Golden West Temporary Services as of December 31, 1993 and 1992, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

FRANK, RIMERMAN & CO.

San Jose, California
February 14, 1994

GOLDEN WEST TEMPORARY SERVICES
BALANCE SHEETS

December 31, 1993 and 1992

	1993	1992
ASSETS		
CURRENT ASSETS		
Cash	\$ 509,270	\$ 62,399
Accounts receivable, net of allowance for doubtful accounts of \$20,000 (Notes 2 and 3)	2,630,493	2,913,753
Other receivables	6,378	15,414
Prepaid expenses	56,771	53,216
Refundable income taxes	---	17,968

Total current assets	3,202,912	3,062,750
PROPERTY AND EQUIPMENT, at cost (Note 3)		
Automobile	7,399	7,399
Office equipment	241,318	217,820
Leasehold improvements	30,969	16,947
	279,686	242,166
Less accumulated depreciation and amortization	210,635	184,405
	69,051	57,761
INTANGIBLE ASSETS		
Goodwill	63,689	63,689
Less accumulated amortization	34,282	31,090
	29,407	32,599
OTHER ASSETS		
Insurance deposits	7,633	36,788
Other deposits	9,717	9,717
	17,350	46,505
	\$3,318,720	\$3,199,615

See Notes to Financial Statements

GOLDEN WEST TEMPORARY SERVICES
STATEMENTS OF INCOME
December 31, 199 and 1992

LIABILITIES AND STOCKHOLDERS' EQUITY

	1993	1992
CURRENT LIABILITIES		
Bank borrowings (Note 3)	\$ 500,000	\$ 580,775
Accounts payable	42,177	53,079
Accrued wages	268,151	166,593
Accrued payroll taxes	345,021	260,029
Accrued workers' compensation insurance	19,297	78,225
Other accrued liabilities	22,186	17,273
Income taxes payable	34,000	---
Deferred income taxes (Note 4)	30,000	30,000
Total current liabilities	1,260,832	1,185,974
COMMITMENTS (Note 5)		
STOCKHOLDERS' EQUITY (Note 6)		
Common stock, no par value, 120,000 shares authorized, 101,125 shares outstanding (100,925 in 1992)	86,129	82,129
Retained earnings	1,971,759	1,931,512
	2,057,888	2,013,641
	\$3,318,720	\$3,199,615

See Notes to Financial Statements

GOLDEN WEST TEMPORARY SERVICES

STATEMENTS OF INCOME
Years Ended December 31, 1993 and 1992

	1993	1992
REVENUES (Note 2)	\$24,532,530	\$20,188,422
DIRECT EXPENSES	20,966,949	17,312,174
Gross profit	3,565,581	2,876,248
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and related costs	1,814,542	1,386,772
Other	589,283	590,352
	2,403,825	1,977,124
Income from operations	1,161,756	899,124
OTHER INCOME (EXPENSE)		
Interest income	4,897	3,822
Interest expense	(29,893)	(15,339)
	(24,996)	(11,517)
Income before income taxes	1,136,760	887,607
PROVISION FOR INCOME TAXES (Note 4)	35,600	22,500
Net income	\$1,101,160	\$ 865,107

See Notes to Financial Statements

GOLDEN WEST TEMPORARY SERVICES
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 1993 and 1992

	Common Stock		Retained Earnings
	Shares	Amount	
BALANCE, December 31, 1991	101,125	\$75,783	\$1,377,926
Net income	---	---	865,107
Repurchase of common stock	(600)	(1,654)	(9,146)
Issuance of common stock to employee as compensation	400	8,000	---
Dividends (\$3.00 per share)	---	---	(302,375)

BALANCE, December 31, 1992	100,925	82,129	1,931,512
Net income	---	---	1,101,160
Issuance of common stock	200	4,000	---
Dividends (\$10.50 per share)	---	---	(1,060,913)
BALANCE, December 31, 1993	101,125	\$86,129	\$1,971,759

See Notes to Financial Statements

GOLDEN WEST TEMPORARY SERVICES
STATEMENTS OF CASH FLOWS
Years Ended December 31, 1993 and 1992

	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$1,101,160	\$ 865,107
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	---	3,190
Depreciation and amortization	29,422	21,176
Loss on disposal of leasehold improvements	---	665
Stock bonus awarded to employee	---	8,000
Change in assets and liabilities:		
Accounts receivable	283,260	(1,330,839)
Other receivables	9,036	(14,226)
Prepaid expenses	(3,555)	(10,032)
Refundable income taxes	17,968	(17,968)
Other assets	29,155	(3,456)
Accounts payable	(10,902)	20,264
Accrued expenses	132,535	145,943
Income taxes payable	34,000	(4,745)
Deferred income taxes	---	22,500
Net cash provided by (used in) operating activities	1,622,079	(294,421)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(37,520)	(50,396)
Net cash used in investing activities	(37,520)	(50,396)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) under line of credit	(80,775)	480,775
Proceeds from issuance of common stock	4,000	---
Repurchase of common stock	---	(10,800)
Dividends paid	(1,060,913)	(302,375)
Net cash provided by (used in) financing activities	(1,137,688)	167,600
Net increase (decrease) in cash	446,871	(177,217)
CASH, beginning of year	62,399	239,616

CASH, end of year

\$ 509,270 \$ 62,399

(continued)

GOLDEN WEST TEMPORARY SERVICES
STATEMENTS OF CASH FLOWS
Years Ended December 31, 1993 and 1992

(continued)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Income taxes paid	\$ ---	\$21,176
Interest paid	\$29,893	\$15,339

SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES

During 1992, the Company awarded a bonus of 400 shares of common stock with a fair market value of \$8,000 to an employee. The fair market value of the stock was included in the employee's compensation.

See Notes to Financial Statements

GOLDEN WEST TEMPORARY SERVICES
NOTES TO FINANCIAL STATEMENTS

1. Nature of Business and Significant Accounting Policies

Nature of Business

Golden West Temporary Services (Company) provides temporary and permanent placement contract labor services to various industries in the San Francisco Bay Area. The majority of the Company's accounts receivable are from high

technology companies.

Significant Accounting Policies

Depreciation and amortization:

Office equipment and the automobile are depreciated using the double declining balance method over estimated useful lives of three to seven years. Leasehold improvements are amortized over the lesser of the original term of the facility leases or estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred.

Goodwill is amortized using the straight-line method over 20 years.

Income taxes:

Effective January 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 109 (SFAS 109). SFAS 109 calls for measuring the provisions for income taxes and recognizing deferred tax assets and liabilities on the balance sheet using the liability method.

Concentration of credit risk:

The Company maintains approximately \$40,000 and \$108,000, respectively, in two commercial banks located in California. These cash deposits are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank.

Statements of cash flows:

For purposes of this statement, cash represents bank demand and money market accounts.

2. Major Customer

During 1993, the Company recognized revenues of approximately \$6,900,000 from one customer, of which \$808,000 was outstanding at December 31, 1993. No major customers existed at December 31, 1992.

GOLDEN WEST TEMPORARY SERVICES NOTES TO FINANCIAL STATEMENTS

3. Bank Borrowings

The Company has a bank revolving credit agreement which provides for borrowings of up to \$1,500,000 for general working capital purposes. Borrowings under this agreement bear interest at the bank's reference rate (6% at December 31, 1993) and are secured by the Company's accounts receivable and equipment. The agreement is renewable on April 30, 1994 and requires the Company to maintain certain financial covenants.

4. Income Taxes

The Company operates for Federal income and California franchise tax purposes as an S-Corporation. As a result, the Company does not provide for Federal income taxes, and California franchise taxes are provided for at a 2-1/2% tax rate (1.5% for 1994 and future years). The stockholders are responsible to report, at the individual level, their pro rata share of taxable income and other items affecting taxable income.

The deferred income taxes reflect the differences in the timing of reporting results of operations for California franchise tax and financial accounting purposes. Deferred taxes arise principally from differences between the cash basis California franchise taxable income and the accrual basis pre-tax accounting income.

The effective rate of 3.1% for 1993 differs from the statutory rate of 2.5% as a result of the implementation of SFAS 109.

The provision for income taxes consists of the following:

	1993	1992
Current	\$35,600	\$ 800
Deferred	--	21,700
	\$35,600	\$22,500

5. Lease Commitments

The Company leases office space located in Santa Clara, Mountain View, San Jose, and Fremont, California. These leases are noncancellable operating leases expiring from December 1994 to December 1997. The Santa Clara lease contains an option to renew up through December 1998. Rent expense was approximately \$113,000 in 1993 (\$123,000 in 1992).

GOLDEN WEST TEMPORARY SERVICES
NOTES TO FINANCIAL STATEMENTS

5. Lease Commitments (continued)

The following is a schedule of future minimum lease payments as of December 31, 1993:

1994	\$123,000
1995	97,000
1996	84,000
1997	63,000
1998	---
	\$367,000

6. Incentive Stock Option Agreements

The Company has granted nonqualified incentive stock options to officers and key employees. Each option allows the holder to purchase one share of the Company's common stock at the fair market value on the date of grant. Fair market value is determined by the Board of Directors.

Activity related to incentive stock option agreements is summarized as follows:

	Stock Options Outstanding	Option Price Per Share
Balance, December 31, 1991	1,200	\$18.00
Granted	1,600	\$20.00
Balance, December 31, 1992	2,800	
Exercised	(200)	\$20.00
Balance, December 31, 1993	2,600	\$18.00-\$20.00

Options expire five years from the date of grant and vest over a five year period. At December 31, 1993, 1,400 options are exercisable (800 options at December 31, 1992).

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The information required by Item 10, Directors and Executive Officers of the Registrant, is incorporated herein by reference to the Company's definitive Proxy Statement dated March 18, 1994 ("Proxy Statement"), pages 1-2, under the heading "Election of Directors" or appears under the heading "Executive Officers of the Registrant" on page 12 of this report. The information required by Item 11, Executive Compensation, is incorporated herein by reference to the Proxy Statement, pages 4-5, under the headings "Compensation Committee Interlocks and Insider Participation" and "Executive Compensation." The information required by Item 12, Security Ownership of Certain Beneficial Owners and Management, is incorporated herein by reference to the Proxy Statement, pages 2-3, under the heading "Stock Ownership by Principal Stockholders and Management." The information required by Item 13, Certain Relationships and Related Transactions, is incorporated herein by reference to the Proxy Statement, pages 7-8, under the heading "Transactions with Management and Principal Stockholders."

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. and 2.

The financial statements, financial statement schedules and supplementary data listed in the index set forth in Item 8 of this report are filed as part of this report.

(a) 3.

Exhibits are listed in the Exhibit Index beginning on page 55 of this report. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this report is listed under Item 10, "Executive Compensation Plans and Arrangements and Other Management Contracts," in the Exhibit Index.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Company during the quarter ended December 31, 1993.

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.

BARRETT BUSINESS SERVICES, INC.
(Registrant)

Date: March 22, 1994

By: /s/ William W. Sherertz
William W. Sherertz
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 22nd day of March, 1994.

Signature	Title
Principal Executive Officer and Director:	
/s/ William W. Sherertz William W. Sherertz	President and Chief Executive Officer and Director
Principal Financial and Accounting Officer and Director:	
/s/ Jack D. Williamson, Jr. Jack D. Williamson, Jr.	Vice President-Finance and Treasurer and Director

Other Directors:

ROBERT R. AMES* Robert R. Ames	Director
JEFFREY L. BEAUDOIN* Jeffrey L. Beaudoin	Director
ANTHONY MEEKER* Anthony Meeker	Director
STANLEY G. RENECKER* Stanley G. Renecker	Director

*By: /s/ Jack D. Williamson, Jr.
Jack D. Williamson, Jr.,
Attorney-in-Fact

EXHIBIT INDEX

Exhibits

- 2 Asset Purchase Agreement between Golden West Temporary Services and the registrant dated March 7, 1994.
- 3.1 Articles of Amendment and Restatement of the registrant. Incorporated by reference to Exhibit 3.1 to the registrant's Registration Statement on Form S-1 (No. 33-61804) (the "Form S-1").
- 3.2 Bylaws of the registrant. Incorporated by reference to Exhibit 3.2 to the registrant's Form S-1.
- 4.1 Loan Agreement between the registrant and First Interstate Bank of Oregon, N.A., dated August 12, 1993. Incorporated by reference to Exhibit 10 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

The registrant has incurred other long-term indebtedness as to which the amount involved is less than 10 percent of the registrant's total assets. The registrant agrees to furnish cop-

ies of the instruments relating to such indebtedness to the Commission upon request.

- 10 Executive Compensation Plans and Arrangements and Other Management Contracts.
- 10.1 1993 Stock Incentive Plan of the registrant as amended March 8, 1994.
- 10.2 Form of Indemnification Agreement with each director of the registrant. Incorporated by reference to Exhibit 10.8 to the registrant's Form S-1.
- 23.1 Consent of Price Waterhouse, independent accountants.
- 23.2 Consent of Frank, Rimerman & Co., independent accountants.
- 24 Power of Attorney of certain officers and directors.

Other exhibits listed in Item 601 of Regulation S-K are not applicable.

ASSET PURCHASE AGREEMENT

THIS AGREEMENT, made and entered into on March 7, 1994, by and between GOLDEN WEST TEMPORARY SERVICES, a California corporation ("Seller"), and BARRETT BUSINESS SERVICES, INC., a Maryland corporation ("Buyer").

WHEREAS, Seller is engaged in providing temporary employment services and payrolling services to a diversified group of customers.

WHEREAS, Buyer operates a similar business and desires to purchase from Seller and Seller desires to sell to Buyer, certain assets as designated herein, all relating to Seller's business (the "Business");

WHEREAS, Buyer and Seller have negotiated the general terms and conditions that are to govern the sale of said assets; and

WHEREAS, as contemplated in the negotiations, the parties now desire to set forth certain representations, warranties, covenants and agreements made as an inducement to the execution and delivery of this agreement (the "Agreement").

NOW, THEREFORE, Buyer and Seller mutually agree as follows:

1. Purchase and Sale of Assets. Subject to the terms and conditions and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, Seller shall sell, convey, transfer, assign and deliver to Buyer and Buyer shall purchase all of the following assets (collectively called the "Assets") of Seller, as of the Closing Date, as hereinafter defined. The Assets described below in subparagraphs 1.3 through 1.9 of this paragraph 1, are collectively called the "Intangibles":

1.1 Equipment. The equipment, furniture, fixtures, automobiles, computers, and supplies used in connection with the Business, which shall be limited to those which are set forth on Schedule "1.1," which is attached hereto, and by this reference incorporated herein (the "Equipment").

1.2 Leasehold. Those certain leasehold interests and improvements thereon located at:

3396 Stevens Creek
Boulevard, Suite 1
San Jose CA 95117

2930 Patrick Henry Drive
Santa Clara CA 95054

1398 El Camino Real
Mountain View CA 94040

39170 Fremont Boulevard
Fremont CA 94538

wherein Seller operates its Business, which leasehold improvements are set forth and described on Schedule "1.2," which is attached hereto, and by this reference incorporated herein. Copies of the four (4) leases have been marked as Schedule "1.2(a)," and have been delivered to the Buyer. Schedule "1.2(a)" is not attached to this Agreement, however, Schedule "1.2(a)" is incorporated into this Agreement, as though fully set forth herein (the "Leasehold").

EXHIBIT 2

1.3 Customer Contracts. The originals or copies of all of Seller's customer contracts wherein Seller provides temporary employees or payrolling services to its customers (the "Customer Contracts"). A list of such Customer Contracts is attached hereto, marked as Schedule "1.3," and by this reference incorporated herein.

1.4 Customer Lists. All customers who did business with Seller since March 1, 1993, are set forth and listed on Schedule "1.4," attached hereto, and by this reference incorporated herein (the "Customer Lists"). In addition to the above-referenced Customer Lists, on the Closing Date Seller shall transfer to Buyer, by electronic means, Seller's complete Customer Lists and customer information that is stored in Seller's computers or on disks, which information shall include, without limitation, all customers who did business with Seller in 1993 and 1994.

1.5 Employee Lists and Files. Seller has two (2) distinctly different types of employees. One group consists of employees who currently perform the function of operating the Business of the Seller ("Staff Employees"). The other group of employees are those who perform services for the customers of Seller in the capacity of a payrolled employee or a temporary employee ("Temporary Employees"). Reference to employees, without reference to "staff" or "temporary," shall include both Staff Employees and Temporary Employees. The following information relating to the Staff Employees and Temporary Employees shall be transferred by Seller to Buyer.

(a) On the Closing Date, Seller shall transfer to Buyer, by electronic means and without limitation, all of the information and data stored in Seller's computers or on disk regarding the Temporary Employees, including, specifically, a list of the Temporary Employees, all data from the Temporary Employees' employment application and the Temporary Employees' work history ("Electronically Transmitted Temporary Employee Files").

(b) A written list of all of Seller's Temporary Employees who received any form of compensation from Seller during the period of October 1, 1993, through the Closing Date, which list of Temporary Employees has been marked as Schedule "1.5(b)," and has been delivered to Buyer. Schedule "1.5(b)" is not attached to this Agreement, however, Schedule "1.5(b)" is incorporated into this Agreement, as though fully set forth herein ("Written Temporary Employee List").

(c) All of Seller's Staff Employees are set forth and listed on Schedule "1.5(c)," attached hereto and by this reference incorporated herein ("Staff Employee List").

(d) The originals or legible copies of all Staff Employees' employment applications, complete personnel file and work history while employed by Seller ("Staff Employee Files").

(e) Seller's Staff Employees' and Temporary Employees' employment files that are stored off site ("Off Site Files"). The Off Site Files are currently located in three (3) separate storage units, the location of which has been disclosed to Buyer, along with delivery of any and all documents relating to the lease or rental of such storage locations, with appropriate assignment to Buyer and landlord's consent, if necessary. Access to the Off Site Files or current files that may become Off Site Files shall be governed by the provisions of paragraph 8.1(c) of this Agreement.

1.6 Trade Names, Logos, Etc. All trade names, including, specifically, "Golden West Temporary Services," trademarks and logos owned by Seller used in connection with Seller's Business, which are set forth on Schedule "1.6," which is attached hereto, and by this reference incorporated herein, and any and all variations thereof.

1.7 Manuals. All of Seller's manuals, written warranties and other similar documents then in Seller's possession respecting the Assets.

1.8 Books and Records. Legible copies of all of Seller's books, records, computer programs, and related software, financial statements and tax returns used in connection with the Business as shall be made available to Buyer upon reasonable request.

1.9 Goodwill. Seller's goodwill.

1.10 Deposits and Prepaid Items (Transferred). All of Seller's deposits and prepaid expenses of any kind or nature which are set forth and described, along with the amounts thereof, on Schedule "1.10" attached hereto, and by this reference incorporated herein (the "Deposits").

1.11 Other Property. All other property, tangible or intangible, used in the Business, except the assets described in paragraph 2 below.

2. Assets to be Excluded From Sale. The Assets to be sold under this Agreement shall not include the following:

2.1 Cash. Cash and cash equivalents.

2.2 Receivables. Those Seller receivables, both internal or external, that result from Seller's Business accrued for the period ending on the day prior to the Closing Date, regardless of the billing date and as more particularly described in paragraph 11.

2.3 Employee Benefits; Pension Plans. Any employee benefit, health or welfare plan, profit sharing or pension plans of Seller and policies entered into or issued under the employee benefit, profit sharing or pension plans.

2.4 Deposits and Prepaid Items (Retained). All of Seller's Deposits and prepaid expenses of any kind or nature which are not included or described on Schedule "1.10."

2.5 Workers' Compensation Dividends or Refunds. Dividends or refunds due to Seller workers' compensation insurance for policies and activities that ended or occurred on or before December 31, 1993. Dividends and refunds for workers' compensation insurance policies relating to activity occurring from January 1, 1994, to the day prior to the Closing Date.

2.6 Stale Dated Checks. Stale dated checks written by Seller.

2.7 Other Refunds; Dividends. Any and all other dividends or refunds based on Seller's activity prior to the Closing Date.

3. Other Agreements. At Closing, as hereinafter defined, Seller and Buyer and others shall execute and deliver to one another the following agreements:

3.1 Individual Noncompetition Agreement. Seller is bound by the terms and conditions of a covenant not to compete, as more particularly described in subparagraph 8.1(b). In addition thereto, Richard H. Vaccarello, Vincent G. Vaccarello, Ronald D. Van Horsen, Frank C. Amato, and Lawrence A. Klein, shareholders of Seller (the "Individuals"), at Closing, shall each have executed and delivered to Buyer a separate covenant not to compete ("Individual Noncompetition Agreements") restricting the Individuals' ability to compete with Buyer for two (2) years after the Closing Date. Copies of the Individual Noncompetition Agreements are attached hereto, marked as Schedules "3.1(a)," "3.1(b)," "3.1(c)," "3.1(d)," and "3.1(e)," and by this reference incorporated herein.

3.2 Employment Agreement. At Closing, as hereinafter defined, Richard H. Vaccarello and Richard Godard (individually the "Employee" and collectively the "Employees") and Buyer shall enter into an employment agreement ("Employment Agreement") wherein Employee shall be employed by Buyer on a full-time basis subject to the terms and conditions contained therein. A copy of each Employment Agreement is attached hereto, marked as Schedules "3.2(a)" and "3.2(b)," respectively, and by this reference incorporated herein.

4. Closing Date and Transactions at and Subsequent to the Closing Date.

4.1 Closing Date. The Closing of the sale and purchase of Assets (the "Closing") shall take place at the office of the Seller on Monday, March 7, 1994, at 9:00 a.m. The effective date of this Agreement shall be 12:01 a.m., on March 7, 1994, which shall hereafter be referred to as the "Closing Date."

4.2 Closing Date Obligations.

(a) Seller shall execute and deliver to Buyer such bills of sale, assignments and other documents and instruments of assignment, transfer and conveyance, and consents and waivers in such form as shall be satisfactory to counsel for Buyer, as are necessary to vest in Buyer good and marketable title to all of the Assets, free and clear of any lien, encumbrance or security interest.

(b) Seller shall deliver to Buyer possession of the Customer Lists, Customer Contracts, Electronically Transmitted Temporary Employee Files, Written Temporary Employee List, Staff Employee Files, and Off Site Files. Seller shall also deliver the following items that are in Seller's possession: sales materials, catalogs, brochures, price lists, advertising and marketing materials and similar materials and other similar documents respecting the Assets and the Business.

(c) Seller shall execute and deliver to Buyer the assignment of the Leasehold, as such Leaseholds are described on Schedule "1.2," with appropriate landlord consents, and the keys to each Leasehold.

(d) Seller, Employees, Individuals, and Buyer shall execute and deliver any and all such documents, instruments and agreements, including, specifically, Employment Agreements and the Individual Noncompetition Agreements among Seller, Employees, Buyer, and Individuals, which are required to consummate this transaction in accordance with the terms of this Agreement.

(e) Buyer shall deliver to Seller the full amount of the purchase price for the Assets as determined pursuant to this Agreement.

(f) Buyer shall deliver to the Individuals the sums set forth in the Individual Noncompetition Agreements.

(g) Seller shall have terminated its Staff Employees and shall have paid the Staff Employees their regular compensation on Monday, March 7, 1994, for the Staff Employees' services through March 6, 1994. On the Closing Date, Seller shall pay its Staff Employees any and all amounts that may be due to said Staff Employees for their employment with Seller which may include vacation time, health benefits, or other accrued obligations of the Seller to the Staff Employees.

4.3 Obligations Subsequent to the Closing Date.

(a) No later than March 11, 1994, Seller shall pay its payroll obligations for all of its Temporary Employees for services rendered up to and including 12:00 midnight, March 6, 1994, by payment to the Temporary Employees, who have submitted the required time cards by March 11, 1994, all amounts of compensation, bonuses, incentive payments, fringe benefits, or any other amount then accrued, whether or not then due (including, specifically, the fringe benefits referred to as "Holiday Pay" and the "Service Recognition Program," that are then due to the Temporary Employees assigned to Seller's customers, Solectron, Inc., G.S.S. Array, and APAQ; the Holiday Pay and Service Recognition Program obligations that become due to Temporary Employees after the Closing Date shall be the obligation of Buyer), and payment of all payroll obligations and the filing of all returns, including taxes and other direct expenses when such obligations become due, with quarterly payments and adjustments on or before the due date for such obligations. Such payroll obligations shall include payment

of wages, benefit payments, vacation, pension contributions, income tax, withholding, FICA obligations, workers' compensation premiums and costs, unemployment and other payroll obligations which are the obligation of Seller directly, or that sum or amount which is withheld from Temporary Employees' compensation, pursuant to either federal, state or local statute or law. Seller shall provide Buyer proof of such payment within ten (10) days after the due date of the return (April 30, 1994) relating to said payroll obligations and shall afford Buyer an opportunity to inspect its books and records to verify that said payments were paid in full. Seller's final payment to its Temporary Employees shall be accompanied with a notice of termination of employment of said Temporary Employees, as of the day preceding the Closing Date.

(b) Buyer shall pay certain Temporary Employees of Seller for services of such Temporary Employees that occurred before the Closing Date, but for which no Temporary Employees' time card was submitted to Seller by March 11, 1994. Buyer shall be entitled to the full amount of the account receivable from Seller's customer as it relates to such Temporary Employees, including the profit margin.

5. No Assumption of Liabilities; Employee Matters; Prorates; Lease Obligations.

5.1 No Assumption of Liabilities. Buyer does not assume and shall not be liable for any obligations or liabilities whatsoever of Seller, whether known or unknown, for all time, unrelated to the Business or the Assets. Seller shall be responsible and liable for all liabilities arising from the Business prior to the Closing Date and Buyer shall be responsible and liable for all liabilities arising from Buyer's operation of the Business after the Closing Date.

5.2 Employee Matters. Seller shall be responsible for all wages, the withholdings, workers' compensation, payroll deductions, benefits and claims of its Staff Employees and Temporary Employees through the Closing Date. Any claim or cost associated with or arising from any claim of any of Seller's Staff Employees or Temporary Employees, from Seller's termination of any Staff Employee or Temporary Employee, any claim for unemployment compensation, or any claim arising out of Seller's activities prior to the Closing Date shall be the responsibility of Seller. Buyer shall have no obligation to employ any Staff Employee or Temporary Employee of Seller, but Buyer may interview Seller's current Staff Employees or Temporary Employees and consider employing them. As a condition precedent to Buyer employing any person who is or was a Staff Employee or Temporary Employee of Seller, Seller shall first affirmatively terminate said employee and provide Buyer with evidence of such termination. The parties agree that Buyer shall not be deemed a successor employer for any Staff Employee or Temporary Employee of Seller whether or not hired by Buyer.

5.3 Prorations. Insurance, personal property taxes and assessments, rents, utility charges, any prepaid items, and similar items, if applicable, shall be prorated as of the Closing Date. Said prorations to be based on the number of working days of the relevant period. At the Closing, Seller shall present to Buyer a statement of prorations, which shall be adjusted after the Closing by cash payment from one party to the other due within 30 days of demand.

5.4 Lease Obligations. Buyer shall assume the obligations under the Leasehold, either by way of assignment and assumption or sublease from Seller, for office space presently occupied by Seller, which are located at:

3396 Stevens Creek
Boulevard, Suite 1
San Jose CA 95117

2930 Patrick Henry Drive
Santa Clara CA 95054

1398 El Camino Real
Mountain View CA 94040

39170 Fremont Boulevard
Fremont CA 94538

and described in Schedule "1.2," that arise from and after the Closing Date, provided said Leasehold is (i) not in default in payment or performance of any obligations relating to said Leasehold; and (ii) properly assigned with the consent of the landlord who shall certify that the Leasehold is not in default, that all obligations have been paid in full, that there are no deferred obligations not yet due and that Seller has performed all other acts required of it. If Seller is not released from liability from the Leasehold for the period after the Closing Date, Buyer will indemnify and defend the Seller from any liability accruing after the Closing Date which is not caused by or contributed to by Seller.

6. Purchase Price for the Assets; Consideration for Covenant Not to Compete; Payment.

6.1 Purchase Price for the Assets. As the purchase price for the Assets (the "Purchase Price"), Buyer shall pay Seller the sum of the following amounts:

(a) Equipment. A sum equal to the net book value of the fixed assets of the Seller, as established by the audited financial statement of Seller for the year ending December 31, 1993, which financial statement has been prepared in accordance with generally accepted accounting principles, consistently applied, and in a manner substantially consistent with prior financial statements of the Seller, less the net book value of the Leasehold improvements, as described in Seller's financial statement, plus adjustments for additions and deletions from January 1, 1994, to the Closing Date, which have been approved by Buyer. The net book value of the fixed assets shall not exceed the sum of \$100,000.

(b) Leasehold: A sum equal to the net book value of the Leasehold improvements, as established by the audited financial statement of Seller for the year ending December 31, 1993, which financial statement has been prepared in accordance with generally accepted accounting principles, consistently applied, and in a manner substantially consistent with prior financial statements of the Seller, plus adjustments for additions and deletions from January 1, 1994, to the Closing Date, which have been approved by Buyer. The net book value of the fixed assets shall not exceed the sum of \$100,000.

(c) Intangibles and Goodwill (Other than Covenant Not to Compete): A sum equal to Four Million Two Hundred Nineteen Thousand Eight Hundred Sixty-eight Dollars (\$4,219,868).

(d) Deposits and Prepaid Items (Transferred). A sum equal to the total amount of the items listed on Schedule "1.10."

6.2 Consideration for Covenant Not to Compete. As consideration for Seller's and Individuals' covenants not to compete, as described in subparagraphs 3.1 and 8.1(b), respectively, of this Agreement, Buyer shall pay Seller the sum of One Thousand Dollars (\$1,000), Individual Richard H. Vaccarello, the sum of Two Hundred Thousand Dollars (\$200,000), and each of the other Individuals, the sum of One Thousand Dollars (\$1,000).

6.3 Allocation of Purchase Price and Other Payments to Seller. The Purchase Price, which was not specifically allocated in subparagraphs 6.1(a) and 6.1(b), shall be allocated among the various Intangibles. No portion of the Purchase Price for the Intangibles shall be allocated to the covenant not to compete and no portion of the amounts payable to Seller and Individuals for the covenant not to compete shall be allocated to the Purchase Price for the Intangibles. The above allocation shall occur only after Buyer has had an opportunity to review all books, records and Intangibles of Seller and such allocation shall be in accordance with Buyer's accepted accounting practices.

(a) Each party shall prepare and file with the Internal Revenue Service Form 8594, setting forth the allocations set forth and established in subparagraphs 6.1 and 6.2 above. An identical copy of the filled-in

Form 8594, is to be filed with Seller's, Individuals' and Buyer's respective tax returns for the tax period in which this transaction occurs. A copy of said Form 8594 is attached hereto, marked as Exhibit "6.3(a)," and by this reference incorporated herein.

6.4 Payment of Purchase Price. The price of the Assets and the covenant not to compete shall be paid as follows:

(a) At Closing, Buyer shall pay Seller, in cash, by wire transfer or certified check, the entire Purchase Price.

(b) At Closing, Buyer shall pay Individuals, in cash, by wire transfer or certified check, the sums required of Buyer by each Individual Noncompetition Agreement.

7. Representations and Warranties.

7.1 Seller's Representations and Warranties. Seller represents and warrants to Buyer as follows:

(a) Organization. Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the State of California, is qualified to do business in each other jurisdiction where the conduct of its Business or the ownership of its properties requires such qualification, and has full corporate power, authority and legal right to carry on its Business as presently conducted, to own and operate its properties and Assets, and to execute, deliver and perform this Agreement to sell Assets. Copies of Seller's Articles of Incorporation and Bylaws have been delivered to Buyer and are complete and correct as at the date hereof. Seller's minute books, which Buyer has received and reviewed during Buyer's due diligence, contain a complete and accurate record of all corporate resolutions and other corporate action of its shareholders and board of directors.

(b) Corporate Authority. The execution, delivery and performance by Seller of this Agreement and the consummation of the transaction contemplated by this Agreement, have been duly and properly authorized by the board of directors and shareholders of Seller and violates no agreement between Seller and any third party. This Agreement has been duly and validly executed and delivered by Seller and constitutes a valid and binding obligation of Seller, enforceable against Seller in accordance with its terms. The execution, delivery and performance by Seller of the Agreement does not contravene any law, regulation, rules or order binding on it or its Articles of Incorporation or Bylaws and does not contravene the provisions of or constitute a default under any indenture, mortgage, contract or other agreement or instrument to which the Seller is a party or by which the Seller may be bound or affected.

(c) Title to Assets. All of the Assets exist and are in the possession of Seller. Seller has good and marketable title to all of the Assets, free and clear of all liens, encumbrances, obligations or security interests. The sale and transfer of the Assets to Buyer, pursuant to the terms hereof, will vest in Buyer good and marketable title thereto, free and clear of all liens, encumbrances, obligations, security interests and other title defects of any nature whatsoever. Seller has no notice of violation of any regulation, ordinance, law, order, or requirement relating to its Business or its Assets.

Seller shall have delivered to Buyer forms of release, termination or waiver of any lien, encumbrance or security interest that may exist against the Assets. The forms of release, termination or waiver shall specifically include Uniform Commercial Code ("UCC") termination statements or release statements as they relate to the security interest of Comerica Bank to Seller's Assets.

(d) Financial Statements. The audited balance sheet of the Seller as at December 31, 1993 (the "December 31, 1993 Balance Sheet"), fairly presents the financial position of the Seller as at December 31, 1993, and the audited income statements of the Seller for the years ended

December 31, 1990, 1991, 1992, and 1993 (the "December 31, 1990-93 Income Statement"), fairly presents the results of operations of the Seller for the years ended December 31, 1990, 1991, 1992, and 1993, and all statements have been prepared in accordance with generally accepted accounting principles, consistently applied, and in a manner substantially consistent with prior financial statements of the Seller. The December 31, 1993, Balance Sheet and the December 31, 1993, income statement are referred to collectively in this Agreement as the "December 31, 1993 Statements." The unaudited balance sheet and income statement of the Seller as at January 31, 1994, for the one (1) month period then ended (the "Unaudited Financial Statements"), fairly present the financial position of the Seller as at January 31, 1994, and the results of operations for the one (1) month period then ended and have been prepared in a manner substantially consistent with the December 31, 1993 Statements. There are no adjustments that would be required on audit of the Unaudited Financial Statements that would, individually or in the aggregate, have a material negative effect upon the Seller's reported financial condition. All activity of Seller is reported in its financial statements. There are no off financial statement items and no related party transactions. The Unaudited Financial Statements have been provided to Buyer at the direction of Seller during Buyer's due diligence review of Seller's Business. A copy of the Unaudited Financial Statements are attached hereto, marked as Schedule "7.1(d)," and by this reference incorporated herein.

(e) No Undisclosed Liabilities; Information. To the best of Seller's knowledge, after due inquiry the Seller and no property of the Seller is subject to any material liability or obligation that was required to be included or adequately reserved against in the December 31, 1993 Statements, the Unaudited Financial Statements or described in the notes thereto and was not so included, reserved against, or described in accordance with the generally accepted accounting principles applied in the preparation of such December 31, 1993 Statements or the Unaudited Financial Statements.

Seller has notified Buyer of any change in the ordinary course of business and of any governmental complaints, investigations or hearings of which it has been advised or the institution or settlement of litigation, and has kept Buyer fully informed of such events.

(f) Absence of Certain Changes in Condition and Affairs. Between December 31, 1993, and the date of this Agreement, there has not been:

(i) any change in the Assets, earnings, Business, prospects, or condition (financial or otherwise) of Seller, except changes in the ordinary course of business, none of which has been materially adverse;

(ii) the incurrence of any liabilities by or on behalf of Seller other than those liabilities incurred in the ordinary course of business, none of which has had a materially adverse effect on the Business or financial condition of Seller;

(iii) any damage, destruction or loss (whether covered by insurance or not) materially and adversely affecting the Business or properties of Seller;

(iv) any special bonus or remuneration paid to any officer, director or Staff Employee of Seller, or any general wage or salary increase made for the benefit of the Staff Employees of Seller, except as is paid in Seller's ordinary course of business and except for the compensation paid to Richard H. Vaccarello, which shall be disclosed to Buyer and which is set forth on Schedule "7.1(f)(iv)";

(v) the incurrence of any commitment or liability by or on behalf of Seller not in the ordinary course of business or the making of any acquisition or purchase by or on behalf of Seller not in the ordinary course of business;

(vi) any other transaction entered into that has resulted or will result in the transfer by Seller of Assets;

(vii) any capital transactions that would cause the net book value of the fixed assets of Seller to exceed the sum of \$100,000; or

(viii) a change in accounting methods or practices with respect to Seller or a revaluation of any of the Assets.

(g) Complete and Authentic Documents and Lists. The Customer Lists, Customer Contracts and Employee Files are the originals of such documents and represent all of the documents and instruments relating to such Customer Lists, Customer Contracts and Employee Files. There are no other Customer Lists, Customer Contracts and Employee Files which are not included in the transaction contemplated by this Agreement. The Customer Lists represent a true and accurate description of every past and present customer of Seller as it relates to the Business within the last one (1) year prior to the Closing Date. There are no past or present customers of Seller, as it relates to the Business within said one (1) year period, that are not included on the Customer Lists. Seller has no knowledge of any information indicating that any of the customers of Seller intend to alter the amount of business they are presently doing with Seller, such as to have a material and adverse effect on the business.

(h) Assignability; Consents. Each Asset, including, specifically, the Customer Lists, and Employee Files being transferred herein, is assignable. All Customer Contracts that are assignable, will be assigned. The assignment constitutes a legal, valid and binding obligation of Seller which is enforceable against Seller by Buyer.

Seller has obtained the written consent or waiver of every person or entity whose consent or waiver is necessary, in the opinion of Buyer's counsel, for the consummation of any of the transactions contemplated by this Agreement.

(i) Legal Proceedings; Liabilities; Solvency. Except as disclosed on Schedule "7.1(i)," there is no litigation, proceeding or investigation pending or threatened against or relating to Seller or to the Assets of Seller before any court or any federal, state, municipal or other government department, commission, board, bureau, agency or instrumentality. There is no action, proceeding or investigation pending or threatened which questions or might question the validity of this Agreement or any of the transactions contemplated by this Agreement. Since December 31, 1993, there has not been any material change in the Business financial condition or results of operations of Seller, nor has there been any adverse change in the condition of the Assets or relationships with customers, or any damage, destruction or loss, whether or not covered by insurance, adversely affecting the value of the Assets or the Business relationships with Seller's customers. Seller is solvent and there are no facts, material or information known to Seller that would render Seller insolvent.

(j) Compliance with Laws. To the best of Seller's knowledge, after due inquiry, the operation of the Business does not violate any applicable federal, state or local ordinance, administrative regulation, restrictive covenant or provision of law. No government approval or filing or registration with any government authority is required for the making and performance by Seller of this Agreement.

(k) Labor Matters, Agreements or Claims. Seller is not a party to any collective bargaining or other labor agreement. The Staff Employees of Seller are not members of any labor union and there is no current attempt to encourage or achieve such membership. Temporary Employees may or may not be labor union members. Except as disclosed on Schedule "7.1(k)," which is attached hereto and by this reference incorporated herein, there are no discrimination charges or proceedings pending or, to Seller's knowledge, threatened before any federal or state agency. Seller warrants

that it has complied with all applicable laws, rules and regulations related to employment, including the Immigration Reform and Control Act of 1986, as amended, and the Consolidated Omnibus Reconciliation Act, as amended, those related to wages, hours (including payment of overtime required by state or federal law), Equal Employment Opportunity, pension and welfare benefits plans and the payment of state and federal payroll taxes, including Social Security taxes. There is no pending or threatened labor disputes, claims, union organizing activity, strike, or work stoppage affecting the Staff Employees of Seller. As a result of the termination of the employment of all Staff Employees and Temporary Employees of Seller, Buyer shall have no liability on or after the Closing Date with respect to any employment agreements covering the employees of Seller and no liability arising in connection with the termination of such Staff Employees and Temporary Employees, including, without limitation, accrued compensation, vacation pay or fringe benefits, or severance pay; except that Buyer shall be responsible for Holiday Pay and the Service Recognition Program obligations that become due after the Closing Date. Prior to Closing, Seller shall deliver to Buyer a true, accurate, and complete list setting forth, for each of Seller's Staff Employees and those Temporary Employees listed on Schedule "1.5(b)," such Staff Employees' and Temporary Employees' compensation, cumulative time worked for Seller from such Staff Employees' and Temporary Employees' hire date, and benefits, including accrued vacation time and sick leave bank as of the Closing Date and each Staff Employee's and Temporary Employee's current vacation year.

(l) Copyrights, Service Marks and Trade Names. Seller possesses sufficient copyrights, service marks and trade names or licenses or the rights to the foregoing to conduct its Business as now operated, with no conflict with or infringement upon valid copyrights, service marks or trade names or licenses or rights to the foregoing, of others. Seller's ownership of such items is free and clear of all liens, encumbrances, charges or restrictions.

(m) Absence of Defaults. Seller is not in default of any lease, contract, note, indenture, loan agreement or any other agreement or arrangement, or any court order which affects the Assets and to which Seller is a party or by which it is bound or affected, and neither the execution of this Agreement nor the consummation of any transaction contemplated by this Agreement will result in any breach or violation of, acceleration of the maturity of or constitute a default under, any such lease, contract, note, indenture, loan agreement or agreement or arrangement or any court order. Seller has obtained or will obtain prior to the Closing Date, the consent or waiver of any person, entity or court not a party to this Agreement whose consent or waiver is necessary in the opinion of Buyer's counsel for the consummation of this transaction contemplated by this Agreement.

(n) Taxes. Seller is and shall be liable and responsible for and shall pay all income, sales and other federal, state or local taxes payable as a result of the operation of Seller's Business and the consummation of the transaction contemplated by this Agreement. Except as disclosed on Schedule "7.1(n)," which is attached hereto and by this reference incorporated herein, Seller has timely filed all federal, state, foreign and/or local tax returns and tax information returns required to be filed and has paid all taxes, interest, deficiencies and penalties due and payable with respect to the income, operation or properties of Seller and has paid or made provision for the payment of all taxes which have or may have become due pursuant to such returns or pursuant to any assessment received by Seller. Seller has made and will make, provision for the payment of all taxes, whether then due or not, interest payments, deficiencies, and penalties accruable for the United States or any other taxing authority and is not delinquent in the payment of any installment or obligation of any kind or nature of any tax or government charge of any nature whatsoever, including (by way of illustration and not limitation) all income, sales, Federal Insurance Contribution Act (FICA) taxes. To the best of Seller's knowledge, after due inquiry, there are no taxes owed or owing by Seller which, if not paid by Seller, could or may result in a claim, charge, tax or assessment being asserted against Buyer under a theory of transferee

liability based on equitable principles, statute or contract. No audit, examination, inquiry or investigation is presently being conducted or threatened nor has such occurred within the last three (3) years by any taxing authority. Seller has withheld (and timely paid to the appropriate government) proper and accurate amounts from its employees for all periods in full and in compliance with all tax withholding provisions (including, without limitation, income, FICA and unemployment and withholdings for all forms of compensation) of applicable federal, state and local laws.

(o) Absence of Seller's Employment Contracts. There are no employment agreements or employee benefits other than regular wages and salaries paid or granted by Seller which have not been disclosed in writing to Buyer. Since December 31, 1993, Seller has not increased the rate of compensation or made any bonuses to any Staff Employees or Temporary Employees, except as is paid in Seller's ordinary course of business or except as disclosed to Buyer. There are no amounts owing to Seller from any of the Staff Employees or Temporary Employees or shareholders of Seller or to any of such Staff Employees or Temporary Employees from Seller. Seller shall be responsible for payment of all wages, benefits and claims of its Staff Employees and Temporary Employees, including, but not limited to, any claim arising out of the transaction contemplated by this Agreement.

Seller has, as of the Closing Date, terminated all Staff Employees of Seller. Seller has, as of the date of final payment due to Temporary Employees, terminated the Temporary Employees effective the day prior to the Closing Date. Seller shall have complied with all laws regarding termination of employees, including, specifically, and without limiting the generality of the foregoing, the Consolidated Omnibus Budget Reconciliation Act ("COBRA") and the Worker Adjustment and Retraining Notification Act ("WARN Act") and Seller is solely responsible for all liabilities arising from such termination, including, without limitation, accrued compensation, vacation pay, fringe benefits and payments to the employees of any benefits before the Closing Date.

Seller does not maintain a pension, profit sharing or any other type of qualified retirement plan. No pension plan or trust has been terminated, which termination could result in the imposition of a lien on any property of the Seller and there have been no "reportable events" (as that term is defined in Section 4043 of ERISA) since the effective date of ERISA; no pension plan or trust has incurred any "accumulated funding deficiency" (as such term is defined in Section 302 of ERISA) whether or not waived, since the effective date of ERISA; and the required allocations and contributions to pension plans will not violate Section 415 of the Code. Buyer will have no liability with respect to any obligation relating to this paragraph.

Neither the Seller nor any member of a Controlled Group of which Seller is a member ["Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Seller are treated as a single employer under Section 414(b) or 414(c) of the Code] nor any pension, profit sharing, 401(k) or any other type of retirement plan ("Plan") or any of them will (i) engage in any "prohibited transaction" as such term is defined in Section 4.06 or Section 2003(a) of ERISA; (ii) incur any "accumulated funding deficiencies" (as such term is defined in Section 3.02 of ERISA) whether or not waived; (iii) terminate any Plan in a manner which could result in the imposition of a lien on any property of the Seller or any member of the Controlled Group pursuant to Section 4068 of ERISA; or (iv) violate state or federal securities laws applicable to any Plan.

(p) Effect of Agreement. The execution, delivery and performance of this Agreement by Seller in consummation of the transaction contemplated hereby will not:

(i) violate any provision of law, statute, rule or regulation or any judgment, order, writ or decree of any court applicable to Seller; or

(ii) result in the breach of or conflict with any term, covenant, condition or provision of, result in the modification or termination of, or constitute a default under the Articles of Incorporation or Bylaws of the Seller; or

(iii) render Seller insolvent when considering all of the assets and liabilities of Seller; or

(iv) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under any material terms, conditions or provisions of any note, bond, mortgage, indenture, license, permit, lease, agreement, or other instrument or obligation to which Seller is a party or by which Seller or the Assets may be bound; or

(v) result in the creation or imposition of any lien of any kind or nature against the Seller or any of the Assets.

(q) Books of Account. The books of account of Seller reflect all of the items of income and expense (including accruals) and all assets and liabilities of Seller, as it relates to the Business, in accordance with generally accepted accounting principles.

(r) No Omission of Material Fact. No representation or warranty made in this Agreement by Seller and no document or instrument furnished or to be furnished to Buyer pursuant to this Agreement or in connection with the transaction contemplated by this Agreement contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make statements contained therein not misleading.

(s) Workers' Compensation. Seller has timely filed all workers' compensation applications, forms, returns and documents required to be filed and shall have paid its premiums, charges and assessments that have accrued, or are due, or may become due under its regular premium payment schedule. Seller has made provision for payments, after Closing, of amounts, if necessary, for premiums, claims, costs, expenses, charges, and assessments that have accrued or may become due after the Closing Date for activity, claims, adjustments, or accrual before the Closing Date. No audit, examination or investigation is presently being conducted or threatened by any carrier or former carrier of Seller's workers' compensation coverage other than the annual workers' compensation audit. All information, applications, reports or instruments submitted to Seller's workers' compensation carrier (past or present) were truthful, accurate and contained no information that was misleading or omitted from the information necessary to make the same not misleading to such carrier regarding issues concerning Seller's experience rating and the status of Seller's stock ownership and identification of the true owners of such stock.

(t) Discrimination, Environmental Protections, Occupational Safety and Other Statutes and Regulations.

(i) To the best of Seller's knowledge, after due inquiry, Seller is presently and has at all times in the past been in compliance with all rules, regulations and orders of each federal, state, municipal, or other governmental department, commission, board, bureau, agency, or instrumentality with jurisdiction over Seller or Seller's operations on or off Seller's premises, including, but not limited to, all environmental and safety laws, rules and regulations with respect to Seller's real and personal property.

(ii) None of the local, state or federal governments have alleged that Seller is not in compliance with any law, rule, regulation, or order; none of the federal Environmental Protection Agency, or state agencies having jurisdiction over environmental matters, any other state environmental agency, or the Occupational Safety and Health Administration

("OSHA") is engaged in an investigation of Seller with regard to its operations on or off of Seller's business premises or the condition of Seller's business premises.

(iii) Except for small amounts of toner, flux remover and P.C. board cleaner, which are used in the ordinary course of Seller's Business, Seller has no knowledge that any Hazardous Substance is or has been used, treated, stored, disposed of, released, spilled, refined, generated, manufactured, transported, or otherwise handled on or at any of the locations where Seller operates its Business ("Location") or any property adjacent to the Location, or has otherwise come to be located on or under the Location, and all operations conducted at the Location are in compliance with all Environmental Laws; to the best of Seller's knowledge, after due inquiry, no Asbestos-Containing Material is present in any of the improvements at the Location or is otherwise located thereon, and the Location and all operations conducted thereon, are in compliance with all federal and state statutes and regulations relating to Asbestos; and no underground storage tanks, whether in use, abandoned or decommissioned are on or under the Location.

(iv) For purposes of this Agreement, the following are defined:

(1) The term "Environmental Laws" means any and all present federal, state and local laws (whether under common law, statute, rule, regulation, or otherwise), permits, licenses, ordinances and other requirements of governmental authorities relating to the protection of human health or the environment or to any Hazardous Substance. Such laws include, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act; Resource Conservation and Recovery Act; Clean Water Act; Clean Air Act; Hazardous Materials Transportation Act; Toxic Substances Control Act; Occupational Safety and Health Act; and their state and local counterparts.

(2) The term "Hazardous Substance" is used in this Agreement in its very broadest sense, and refers to materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a threat or potential hazard to human health or the environment when stored, used, treated, held, existing, released, emitted, discharged, generated, processed, manufactured, abated, removed, disposed of, transported, or otherwise handled. "Hazardous Substance" shall include, but shall not be limited to, (a) any chemical, compound, material, mixture, or substance that is now or hereafter defined or listed in, or otherwise classified pursuant to, any Environmental Laws as a "hazardous substance," "hazardous material," "hazardous waste," "extremely hazardous waste," "toxic waste," "infectious waste," "toxic substance," "toxic pollutant," or any other formulation intended to define, list or classify substance by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, or "EP toxicity," and (b) Asbestos, Asbestos-Containing Material, petroleum, petroleum products, including crude oil and any fraction thereof, natural gas, natural gas liquids, liquified natural gas, synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas).

(u) Insurance. Seller has insurance in force which is described on Schedule "7.1(u)." Seller is not now liable, nor has it received notice from any insurance carrier that it will be liable, for any retroactive premium adjustments. All insurance policies are valid and enforceable in full force and effect, and all premium payments are current.

(v) Leases. Schedule "1.2(a)" is a true and accurate copy of the leases or arrangements under which Seller holds or operates any real property used in the Business, and the leases or agreements under which the Seller leases, holds or operates any personal property used in its Business.

The leases are valid, subsisting, in full force and effect, binding and enforceable in accordance with their terms, there exists no default by Seller (or event or condition which, with notice or lapse of time, or both would constitute a default) under the leases or agreements with respect to any term of the leases. There are no deposits, rent escalations or deferred obligations on such leases that Seller has not disclosed in this Agreement. There is no pending or threatened condemnation or similar proceedings affecting the lease properties included among the purchase Assets, nor are they the subject of any special assessment, and the Seller has received no notice that any proceeding or special assessment is pending or has been proposed.

All leases are bona fide, arms-length transactions. The Lessors of the above-referenced leases are not parties that are related to the Seller or Seller's shareholders.

(w) Conduct of Business. Seller has, since October 1993, when Seller and Buyer commenced negotiations for the purchase of the Business through the Closing Date:

(i) Conduct of Business. Conducted the business in the usual, regular and ordinary course, and in substantially the same manner as previously conducted and maintained and refrained from taking any action that would make any of the representations or warranties of Seller contained in this Agreement untrue or that would result in any material change in the business.

(ii) Performance of Contracts. Performed in all material respects all of the respective obligations under agreements, contracts or commitments and instruments relating to or affecting the business of Seller.

(iii) Liability. Refrained from incurring any obligations or liabilities (absolute or contingent) other than those that are usual and normal in the ordinary course of business of Seller. The net book value of the fixed assets of Seller shall not exceed the sum of \$100,000.

(iv) Insurance. Maintained all insurance coverage, in force and effect, (or like policies) on the business and employees of Seller.

(v) Maintain Status Quo. Used its best efforts to preserve intact the business organization of Seller and kept available the services of its present employees and preserved its relationship with customers and others having business relationships with it.

(vi) Accounting. Seller has not changed or modified its accounting practice or procedure.

(x) Permits, Licenses and Compliance with Applicable Laws. Seller has all material permits, licenses and approvals of governmental and administrative authorities to own and lease the Assets and to carry on the Business as presently conducted, and attached hereto as Schedule "7.1(x)," is the list of all such permits, licenses and approvals. Seller has delivered to Buyer copies of all such permits, licenses and approvals. Such permits, licenses and approvals which are material to the conduct of the Business and to the best of Seller's knowledge, after due inquiry, are in full force and effect and no suspension or cancellation of them is pending nor are such proceedings threatened. Seller is not in default under or in violation of any respect under any executive, legislative, judicial or administrative ruling, order, writ, injunction, or decree. Seller, in the conduct of the Business, is in compliance in all material respects with all federal, state and local laws, statutes, ordinances and regulations, the failure to comply with which would have a material adverse effect on the Business or the Assets, including, but not limited to, those relating to wages, hours, discrimination of employment, collective bargaining, payment and withholding of taxes, zoning, occupational, safety and health, immigration and Environmental Laws.

(y) Brokers and Finders. Seller has employed John Hamachek &

Company as its agent in connection with the transaction contemplated by this Agreement. Seller shall be obligated to said agent for any and all claims, costs, fees, or charges by said agent for a brokerage commission, finder's fee or other like payment, and Seller hereby agrees to indemnify and defend Buyer against any such claims, costs, fees, or charges.

Seller has not employed any other broker or other finder in connection with the transaction contemplated by this Agreement and has taken no action that would give rise to a valid claim against any party for a brokerage commission, finder's fee or other like payment. Seller hereby agrees to indemnify and defend Buyer from any claims against Buyer by a broker or finder asserting a claim by or through the Seller.

(z) Materiality Standard. Seller shall not be in violation of the above-referenced representations and warranties unless the misrepresentation is material. A misrepresentation of an individual representation and warranty is material if it exceeds \$5,000. Misrepresentation of more than one representation and warranty is material if such misrepresentations are in the aggregate, in excess of \$20,000.

7.2 Buyer's Representations and Warranties. Buyer represents and warrants to Seller as follows:

(a) Organization. Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Maryland, is qualified to do business in each other jurisdiction where the conduct of its business or the ownership of its properties requires such qualification, and has full corporate power, authority and legal right to carry on its business as presently conducted.

(b) Corporate Authority. The consummation of the transaction contemplated by this Agreement will be duly and properly authorized by the board of directors of Buyer and will violate no agreement between Buyer and any third party. The execution, delivery and performance by Buyer of this Agreement does not contravene any law, regulation, rule or order binding on it or its Articles of Incorporation or Bylaws and will not contravene the provisions of or constitute a default under any indenture, mortgage, contract or other agreement or instrument to which the Buyer is a party or by which the Buyer may be bound or affected.

(c) Effect of Agreement. The execution, delivery and performance of this Agreement by Buyer and consummation of the transaction contemplated hereby will not:

(i) violate any provision of law, statute, rule or regulation or any judgment, order, writ or decree of any court applicable to the Buyer; or

(ii) result in the breach of or conflict with any term, covenant, condition or provision of, result in the modification or termination of, or constitute a default under the Articles of Incorporation or Bylaws of Buyer; or

(iii) render Buyer insolvent when considering all of the assets and liabilities of Buyer.

(d) Brokers and Finders. Buyer has not employed any broker or finder in connection with the transaction contemplated by this Agreement and has taken no action that would give rise to a valid claim against any party for a brokerage commission, finder's fee or other like payment. Buyer hereby agrees to indemnify and defend Seller from any claims against Seller by a broker or finder asserting a claim by or through the Buyer.

8. Covenants.

8.1 Seller's Covenants. Seller agrees to do all of the following, unless the Buyer shall otherwise consent in writing:

(a) Payment of Retained Liabilities. Seller covenants that it shall pay and discharge in full all of its liabilities as they become due and payable, whether before or after Closing, in accordance with their terms.

(b) Covenant Not to Compete of Seller; Confidentiality.

(i) For purposes hereof, all confidential information with respect to the Business (including, without limitation, its trade secrets and information about the names of Staff Employees and Temporary Employees and customers) constitute "Company Confidential Information." Seller acknowledges that it had in the past and will continue to have access to Company Confidential Information, and that improper use or revelation of the same by it could cause serious injury to the business of Buyer. For two (2) years following the Closing Date, Seller will not use or disclose to any other party Company Confidential Information, which shall have come or shall hereinafter come into its possession, for its own private benefit or, directly or indirectly, for the benefit of any business which is or may be similar or competitive with the business of the Buyer, including, specifically, any business which is involved in any way with the temporary employment, payroll services or employee leasing business in the marketing area of Alameda, San Mateo and Santa Clara Counties of the state of California ("Restricted Area").

(ii) For two (2) years following the Closing Date, Seller shall not directly or indirectly own, manage, operate, join, control or participate in the ownership, management, operation or control of and/or assist, or be connected in any manner, directly or indirectly, with any business that is similar to that of Seller's Business being sold to Buyer herein, including, but not limited to, employee leasing, payroll services and the temporary employment business in the Restricted Area (whether as an officer, director, partner, shareholder, proprietor, investor, associate, employee, consultant or otherwise), nor shall Seller divert or attempt to divert from Buyer any past, present or prospective Staff Employees, Temporary Employees or customers of the Business of the Buyer or Seller.

(iii) Seller agrees that the forgoing restrictions are reasonable under the circumstances, considering the fact that Seller is selling to Buyer the Business; however, if it shall be finally determined by any court of competent jurisdiction that the scope or duration of the restrictions is unreasonable, then the court so holding may enforce such reasonable restrictions as the court deems necessary to protect the rights and interests of the Buyer to the fullest extent permissible by law.

(iv) In the event that the time for which the obligations of Seller under this subparagraph 8.1(b) are reduced as a result of any legal action, claim, request for relief or legislative enactment, the amounts to be paid, if any, in accordance with subparagraph 6.2 above shall not be reduced or otherwise modified unless such reduction in time results from any legal action initiated by Seller.

(v) Seller acknowledges that any violation of the provisions of this subparagraph 8.1(b) will cause serious and irreparable damage to Buyer. Seller further acknowledges that it might not be possible to measure such damages in money. Accordingly, Seller further acknowledges that, in the event of breach or threatened breach of the provisions of this subparagraph 8.1(b) Buyer, in addition and as a supplement to such other rights and remedies, including recovery of money damages, may seek an injunction or restraining order, restraining Seller from performing any act in violation of the provisions of this subparagraph 8.1(b).

(vi) Notwithstanding the foregoing provisions to the contrary and not before one (1) year after the Closing Date, Seller may make a written request that Buyer modify the terms of the restrictions of this subparagraph 8.1(b). The written request of Seller shall specifically

describe the proposed activity in which Seller wishes to engage and describe with particularity the market area within the Restricted Area that said activity will impact. Seller must obtain the written consent of Buyer to engage in the proposed activity which otherwise is in violation of this paragraph 8. Buyer shall not unreasonably withhold consent; provided, however, Buyer may consider, among others, the following factors in determining whether or not to consent to Seller's request: (a) Buyer is engaged in the activity described by Seller; (b) Buyer is planning to engage in the described activity within the next year; or (c) the described activity has an adverse impact on the Buyer's business.

(vii) Notwithstanding the foregoing provisions to the contrary, Seller may purchase shares of publicly traded stock listed on any stock exchange, including, without limiting the foregoing, the NASDAQ National Market, of companies which are similar or competitive to the Business of Buyer provided that Seller does not participate in said companies' policy, management or operation in any manner whatsoever.

(c) Post Closing Inquires. After the Closing Date, Seller shall respond and provide all information and documents requested of it in connection with any inquiries, demands or filing requirements by any and all court orders, lawfully issued subpoenas or government authorities, whether federal, state, local, or private, as such inquiries may relate to Seller's activity prior to the Closing Date. Buyer will permit Seller access to the Off Site Files in an effort to assist Seller in satisfying the inquiries. Seller agrees to reimburse Buyer for any out-of-pocket costs and consequential damages to Buyer as a result of Seller's breach of this provision.

8.2 Buyer's Covenant. Buyer agrees to do all of the following, at Buyer's sole cost, unless the Seller shall otherwise consent in writing:

(a) Post Closing Inquiries. After the Closing Date, Buyer shall respond and provide all information and documents requested of it in connection with Staff Employee and Temporary Employee matters, as such inquiries pertain to unemployment taxes, domestic relation matters, credit checks, and Staff Employee and Temporary Employee work history for those Staff Employees and Temporary Employees who were employees of Seller and the information related thereto is part of the Off Site Files.

(b) Maintenance of Off Site Files. Buyer will maintain the Off Site Files for seven (7) years. Each year Buyer shall be allowed to dispose of the oldest year thereby always maintaining a minimum of seven (7) years of Off Site Files. Seller is currently involved in an Internal Revenue Service audit for tax year 1986 which relates back to 1982. All Off Site Files have been maintained for that period. Buyer shall be permitted to dispose of the appropriate years in question upon written notification from Seller indicating the conclusion of the dispute. Upon request, Seller will be permitted access to the Off Site Files at such reasonable times as may be mutually agreed upon by Seller and Buyer.

9. Effect of Survival of Representations and Warranties; Indemnification; Bulk Sales.

9.1 Effect and Survival of Representations and Warranties by Seller; Indemnification by Seller; Bulk Sales.

(a) True on Closing Date. The representations and warranties made by Seller in this Agreement shall be true on the Closing Date.

(b) Survival Past Closing Date. Except as otherwise provided herein, notwithstanding any investigation by Buyer, the representations and warranties Seller in this Agreement shall survive for one (1) year and shall not merge in the performance of any obligation by any party to this Agreement. Buyer must assert a claim against Seller with respect to such representations and warranties prior to the expiration of the one (1) year period, by given notice thereof pursuant to the provisions of subparagraph

9.1(c) hereof, in order for such claim to survive beyond one (1) year.

(c) Indemnification by Seller. Seller shall indemnify Buyer and hold Buyer harmless, on an after-tax basis, from and against any and all damages, liens, taxes, assessments, premium charges, obligations, recoveries, deficiencies, losses, claims, liabilities, demands, charges, suits, interest, penalties, costs or expenses, whether accrued, contingent or otherwise (including, but not limited to, court costs and reasonable attorneys fees) (collectively the "Losses") to which Buyer may be subjected or to which Buyer may incur arising out of:

(i) any misrepresentation or breach of any of the representations and warranties of Seller contained herein or any documents, certificates, schedules or exhibits given or delivered to Buyer by or on behalf of Seller pursuant to or in connection with this Agreement;

(ii) any other breach of this Agreement by Seller;

(iii) the conduct of the Business prior to and through the Closing Date; or

(iv) any transferee or successor liability imposed on Buyer by statute, case law or any other manner whatsoever.

The Buyer shall promptly notify Seller of the existence of any Losses or other matter to which Seller's indemnification obligation would apply, and give the Seller a reasonable opportunity to defend the same at Seller's own expense, and with counsel of Seller's own selection reasonably satisfactory to Buyer. Buyer shall, at all times, also have the right to fully participate in the defense, at its own expense. If Seller, within a reasonable time after that notice, but not later than 15 days, fails to defend, the Buyer shall have the right, but not the obligation to, undertake the defense of, and to compromise or settle (exercising reasonable business judgment) the Losses or other matter on behalf, for the account, and at the risk, of the Seller.

(d) Bulk Sales Indemnification. It will not be practical to comply or attempt to comply with the procedures of the Uniform Commercial Code - Bulk Transfers Law, if applicable, or any similar law of any other state which may be asserted to be applicable to the transaction contemplated in this Agreement. Accordingly, to induce Buyer to waive any requirement for compliance with the procedures of any Bulk Sales Law, Seller agrees that the indemnity provisions of subparagraph 9.1(c) above, shall apply to any claim asserted against Buyer arising out of, or resulting from the failure of Buyer or Seller to comply with or perform, any actions in connection with, in preparation for, or incident to, the transactions anticipated in this Agreement which might be required under the terms and provisions under any Uniform Commercial Code - Bulk Transfers Law or similar law, or which may be asserted to be applicable.

9.2 Effect and Survival of Representations and Warranties of Buyer; Indemnification by Buyer.

(a) True on Closing Date. The representations and warranties made by Buyer in this Agreement shall be true on the Closing Date.

(b) Survival Past Closing. Except as otherwise provided herein, the representations and warranties of Buyer in this Agreement shall survive for a period of one (1) year following the Closing Date. Seller must assert the claim against Buyer with respect to such representations and warranties prior to the expiration of the survival period by giving notice thereof pursuant to subparagraph 9.2(c), in order for such claim to survive beyond one (1) year.

(c) Indemnification by Buyer. Buyer shall indemnify Seller and hold Seller harmless, on an after-tax basis, from and against any and all Losses to which Seller may be subjected or which Seller may incur resulting or arising out of:

(i) any misrepresentation or breach of any of the representations and warranties of Buyer contained herein or any documents, certificates, schedules or exhibits given or delivered to Seller by or on behalf of Buyer pursuant to or in connection with this Agreement.

(ii) any other breach of this Agreement by Buyer; or

(iii) the conduct of the Business after the Closing Date.

The Seller shall promptly notify the Buyer of the existence of any Losses or other matter to which Buyer's indemnification obligation would apply, and give the Buyer a reasonable opportunity to defend the same at Buyer's own expense, and with counsel of Buyer's own selection reasonably satisfactory to Seller. Seller shall, at all times, also have the right to fully participate in the defense, at its own expense. If Buyer, within a reasonable time after that notice, but no later than 15 days, fails to defend, the Seller shall have the right, but not the obligation to, undertake the defense of, and to compromise or settle (exercising reasonable business judgment) the Losses or other matter on behalf, for the account, and at the risk, of the Buyer.

10. Conditions to Obligations to Close.

10.1 Conditions to Buyer's Obligations to Close. The obligations of Buyer under this Agreement are subject to the satisfaction, prior to or at the Closing Date, of each of the following conditions precedent:

(a) Continued Truth of Representations and Warranties. All of the representations and warranties made by Seller in this Agreement will be true on the Closing Date.

(b) Performance of Covenants. Either prior to or at Closing Date, Seller will have performed and complied with all of the covenants, agreements, obligations and conditions required by this Agreement to be performed or complied with by Seller by that date.

(c) Authorization and Corporate Documents. The execution and delivery by Seller of this Agreement, and the transaction contemplated by this Agreement, will have been duly authorized by the board of directors and shareholders of Seller as required by law, and Seller will have delivered to Buyer complete and correct copies, certified by its secretary or assistant secretary, of all resolutions and any other documents or instruments affecting such authorization. Buyer shall have been authorized by the board of directors of Buyer to complete this transaction.

(d) Delivery of Documents. All documents and instruments required to be delivered to Buyer by Seller at the Closing Date will have been tendered for delivery to Buyer by Seller.

(e) No Litigation. No litigation will have been commenced or threatened which would prevent or limit the ability of Buyer or Seller to consummate the transaction contemplated by this Agreement or any other suit which, if resolved adversely to such party, would materially and adversely affect the financial condition, Business, property, Assets, or prospects of such party.

(f) Consents. All consents, approvals, permits, licenses, and authorizations of any person, shareholders of Seller, landlord, government authorities, courts or private agencies, which, in the opinion of counsel for Buyer, are necessary or appropriate in connection with the consummation of the transaction contemplated by this Agreement, shall have been obtained to the satisfaction of Buyer and its counsel.

(g) No Material Adverse Change. There will have occurred no material adverse change in the Business, business prospects, financial condition or Assets of the Business from December 31, 1993, through the Closing Date.

10.2 Conditions to Seller's Obligations to Close. The obligations of Seller under this Agreement are subject to the satisfaction, prior to or at the Closing Date, of each of the following conditions precedent:

(a) Continued Truth of Representations and Warranties. All representations and warranties made by Buyer in this Agreement will be true on the Closing Date.

(b) Authorization and Corporate Documents. The Closing of the transaction contemplated by this Agreement, will have been duly authorized by the board of directors of Buyer and Buyer will have delivered to Seller complete and correct copies, certified by its secretary or assistant secretary, of all resolutions and other documents or instruments affecting such authorizations.

(c) Performance. Either prior to or at the Closing Date, Buyer will have performed and complied with all of the agreements, obligations and conditions required by this Agreement to be performed or complied with by Buyer by that date.

11. Collection of Seller's Accounts Receivable. At Closing, or as soon as practicable thereafter, Seller will deliver to Buyer a schedule of Seller's accounts receivable resulting from business accrued for the period ending on the Closing Date. Buyer will maintain the address where Seller's fees are currently remitted at 2930 Patrick Henry Drive, Santa Clara, California 95054. For 120 days after the Closing Date, invoices issued by Buyer in connection with the Business will require remittance to 2930 Patrick Henry Drive, Santa Clara, California 95054. Upon the expiration of the 120 day period, Buyer shall have no restriction on the address or post office box that remittances are to be made in connection with invoices generated from the Business.

If a remittance received by Seller should include payment for services after the Closing Date or for services before and after the Closing Date, Seller shall not negotiate the instrument, but shall, by the end of the next business day, deliver the instrument to Buyer. Buyer shall negotiate the instrument, retain the proceeds thereof that were for services provided after the Closing Date and remit, by the end of the next business day, the balance, if any, to Seller for services that were rendered prior to the Closing Date.

If Buyer shall receive a remittance that includes payment only for services performed prior to Closing, Buyer shall not negotiate said instrument, but shall, by the end of the next business day, deliver the instrument to Seller. On Buyer's receipt of a remittance that includes payment for services before and after the Closing Date, Buyer shall deposit the remittance in Buyer's account, retain that portion of the remittance for invoices generated by Buyer and, by the end of the next business day, deliver the balance of the remittance to Seller.

If Buyer shall receive a remittance which does not indicate that it is payment for services before or after the Closing Date, Buyer shall request the payor to designate the remittance to specific invoices and Buyer shall then make the appropriate allocation and disburse the proceeds accordingly. For those remittances that no invoice designation can be made, the remittance will be applied to the oldest outstanding invoice.

Buyer shall be entitled to an account receivable that is attributable to services that were rendered by Seller's Temporary Employees prior to Closing, if Buyer paid the Temporary Employees based on a time record that was submitted to Buyer after Seller made its final payroll for Temporary Employees.

For one (1) year after the Closing Date, Buyer will allow Seller reasonable access at reasonable times to records, computers and equipment in order for Seller to wind up its accounting, issue appropriate W-2's for 1994, complete payroll reports, financial statements, tax returns, and monitor its accounts receivable. Buyer will provide space and power for

the computer that Seller sold to Buyer.

12. Miscellaneous.

12.1 Waiver of Conditions. Any of the conditions set forth in this Agreement may be waived, in whole or in part, by the party for whom the condition benefits. Any such waiver shall be in writing, and no such waiver or failure to insist on strict compliance with any covenant, condition or agreement herein shall operate as a waiver of, or estoppel with respect to any subsequent or other failure.

12.2 Expenses. Each party shall pay its own fees and expenses incurred in connection with this Agreement, including, but not limited to, attorneys and accountants fees, without regard to whether the purchase of Assets, as contemplated herein, is consummated.

12.3 Further Assurances and Additional Instruments.

(a) Upon the reasonable request of Buyer at any time and from time to time following the Closing Date, Seller, its officers or directors, or both, as appropriate, without further consideration shall execute and deliver to Buyer such further documents or instruments of assignment, transfer, conveyance, endorsement, direction or authorization as Buyer or its counsel may reasonably request in order to perfect the title of Buyer, or its successors and assigns in and to the Assets or otherwise to fulfill the purpose and intent of this Agreement.

(b) At any reasonable time or times following the Closing Date, but only to the extent reasonably necessary to the conduct of the Business, Seller shall allow employees, attorneys, accountants and other authorized representatives of Buyer free and full access to Seller's books, records, documents and correspondence, as it relates to the Business, and shall make the same available to Buyer at a place to be designated by Buyer.

12.4 Notices. Any notice, request, instruction, or other document or instrument required or permitted by this Agreement shall be in writing and shall be given to either Seller or Buyer and shall be deemed to have been given on the date when such notice, request, instruction, or other document or instrument is personally delivered or 48 hours after deposited in the United States Mail, registered or certified, postage prepaid and addressed to the appropriate party at the address set forth on page 1 of this Agreement or to such other address as may be given by notice as provided herein.

12.5 Headings. The underlined paragraph and subparagraph headings used in this Agreement are for convenient reference only and are not intended to affect the meaning or construction of any provision of this Agreement.

12.6 Binding on Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Buyer, Seller and their respective successors, heirs, devisees, transferees and assigns.

12.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

12.8 Arbitration. All disputes between the parties under this Agreement shall be submitted to binding arbitration in Santa Clara County, California, and in accordance with the then current Commercial Arbitration rules of the American Arbitration Association (the "Association"). Notwithstanding the provisions of this paragraph, either party may seek appropriate injunctive relief in a court of appropriate jurisdiction for any breach or any threatened breach, of the other party's ongoing obligations. The nonprevailing party shall bear the expenses, including attorneys fees and costs, in the arbitration or judicial proceeding, unless the arbitrator or court determines otherwise. Judgment upon the award rendered may be entered in any court of competent jurisdiction.

The procedure for arbitration shall be in accordance with the

Association's then existing rules, except that each party may select one (1) arbitrator, and the two (2) selected arbitrators shall choose a third arbitrator. If either party fails to select an arbitrator within ten (10) days after arbitration is sought, or the two (2) arbitrators fail to select a third arbitrator within 15 days after arbitration is sought, the Association shall make the selection.

12.9 Entire Agreement; Amendment. This Agreement and the collateral documents and instruments called for herein to consummate this transaction and the agreements referred to in paragraph 3, comprise the entire agreements of the parties and may not be amended or modified, except by written agreement of the parties. No provision of the aforementioned agreements may be waived, except in writing, and only in the specific instance and for the specific purposes for which given.

12.10 Schedules. The schedules attached hereto and referred to herein are part of this Agreement for all purposes. The terms which are defined in this Agreement shall have the same meaning when used in the schedules hereto.

12.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which when fully and properly executed, shall be deemed to be an original.

12.12 Default and Remedies. If any party defaults in the performance of any term, covenant, condition or obligation under this Agreement, the nondefaulting party may pursue any and all remedies available to such party. The rights and remedies provided herein are cumulative and not exclusive of any other right or remedy provided by law.

12.13 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall as to such jurisdiction be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforcement of any such provision in any other jurisdiction. To the extent permitted by applicable law, the parties waive any provision of law which renders any provision hereof prohibited or enforceable in any respect.

2.14 Attorneys Fees. In the event it is necessary for any party hereto to institute a proceeding in connection with this Agreement or breach thereof, the prevailing party in such proceeding shall be entitled to reimbursement for its reasonable attorneys costs, expenses and attorneys fees incurred, including fees incurred on any appeal or review.

12.15 Post-Judgment Attorneys Fees. If the services of an attorney are required by any party to enforce a judgment rendered in connection with this Agreement, the judgment creditor shall be entitled to reasonable attorneys fees, costs and other expenses, and such fees, costs and expenses shall be recoverable as a separate item. This provision shall be severable from all other provisions of this Agreement, shall survive any judgment, and shall not be deemed merged into the judgment.

12.16 Cross Default. Any default under this Agreement shall be deemed a default under the agreements referred to in paragraph 3; any default under the agreements referred to in paragraph 3 shall be a default under this Agreement.

12.17 Gender. In construing this instrument and whenever the context hereof so requires, the masculine gender includes the feminine and neuter and the singular includes the plural.

12.18 Public Announcement. Seller and Buyer shall agree as to the content and the timing of the announcement of this transaction to the public. Until such time as the parties shall decide to announce the transaction, all aspects thereof shall remain confidential except as required to fulfill the obligations of this Asset Purchase Agreement and as

otherwise required by law.

12.19 Counsel. Each party has been represented by its counsel in connection with the negotiation and preparation of this Agreement and, consequently, each party hereby waives the application of any rule of law to the effect that any provision of this Agreement will be interpreted or construed against the party whose counsel prepared the same.

12.20 No Duress. This Agreement has been negotiated at arms-length and neither party has acted under economic or other type of threat, coercion, influence, or duress.

12.21 Time of Essence. Time is expressly declared to be strictly of the essence of this Agreement and the performance of each and every provision hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first herein written.

Seller:

Golden West Temporary Services

By _____

Title: _____

Buyer:

Barrett Business Services, Inc.

By _____

William W. Sherertz, President

List of Schedules:

Number

- 1.1 Equipment
- 1.2 Leasehold
- 1.2(a) Leases
- 1.3 Customer Contracts
- 1.4 Customer Lists
- 1.5(b) Written Temporary Employee List
- 1.5(c) Staff Employee List
- 1.6 Trade Names, Logos, Etc.
- 1.10 Deposits and Prepaid Items Transferred
- 3.1(a) Noncompetition Agreement--Richard H. Vaccarello
- 3.1(b) Noncompetition Agreement--Vincent G. Vaccarello
- 3.1(c) Noncompetition Agreement--Ronald D. Van Horsen
- 3.1(d) Noncompetition Agreement--Frank C. Amato
- 3.1(e) Noncompetition Agreement--Lawrence A. Klein
- 3.2(a) Employment Agreement--Richard H. Vaccarello
- 3.2(b) Employment Agreement--Richard Godard
- 6.3(a) Form 8594
- 7.1(d) Unaudited Financial Statements
- 7.1(f) (iv) Richard H. Vaccarello's Compensation
- 7.1(i) Legal Proceedings; Liabilities; Solvency
- 7.1(k) Labor Matters, Agreements or Claims
- 7.1(n) Taxes
- 7.1(u) Insurance
- 7.1(x) Permits, Licenses and Approvals

The above schedules have been omitted from this exhibit. The registrant agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request.

BARRETT BUSINESS SERVICES, INC.
1993 STOCK INCENTIVE PLAN

ARTICLE 1
ESTABLISHMENT AND PURPOSE

1.1 Establishment. Barrett Business Services, Inc. ("Corporation"), hereby establishes the Barrett Business Services, Inc., 1993 Stock Incentive Plan (the "Plan"), effective as of March 1, 1993, subject to shareholder approval as provided in Article 18.

1.2 Purpose. The purpose of the Plan is to promote and advance the interests of Corporation and its shareholders by enabling Corporation to attract, retain, and reward key employees, directors, and outside consultants of Corporation and its subsidiaries. It is also intended to strengthen the mutuality of interests between such employees, directors, and consultants and Corporation's shareholders. The Plan is designed to serve these purposes by offering stock options and other equity-based incentive awards, thereby providing a proprietary interest in pursuing the long-term growth, profitability, and financial success of Corporation.

ARTICLE 2
DEFINITIONS

2.1 Defined Terms. For purposes of the Plan, the following terms shall have the meanings set forth below:

"Award" means an award or grant made to a Participant of Options, Stock Appreciation Rights, Restricted Awards, Performance Awards, or Other Stock-Based Awards pursuant to the Plan.

"Award Agreement" means an agreement as described in Section 6.4.

"Board" means the Board of Directors of Corporation.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, or any successor thereto, together with rules, regulations, and interpretations promulgated thereunder. Where the context so requires, any reference to a particular Code section shall be construed to refer to the successor provision to such Code section.

"Committee" means the committee appointed by the Board to administer the Plan as provided in Article 3 of the Plan.

"Common Stock" means the \$.01 par value Common Stock of Corporation or any security of Corporation issued in substitution, exchange, or lieu thereof.

"Consultant" means any consultant or adviser to Corporation or a Subsidiary

selected by the Committee, who is not an employee of Corporation or a Subsidiary.

"Continuing Restriction" means a Restriction contained in Sections 6.5(i), 17.4, 17.5, and 17.7 of the Plan and any other Restrictions expressly designated by the Committee in an Award Agreement as a Continuing Restriction.

EXHIBIT 10.1

"Corporation" means Barrett Business Services, In corporation, or any successor corporation.

"Deferred Compensation Option" means a Nonqualified Option granted in lieu of a specified amount of other compensation pursuant to Section 7.8 of the Plan.

"Director Options" means options granted to Non-Employee Board Directors pursuant to Article 14 of the Plan, including Initial Director Options and Annual Director Options.

"Disability" means the condition of being permanently "disabled" within the meaning of Section 22(e)(3) of the Code, namely being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. However, the Committee may change the foregoing definition of "Disability" or may adopt a different definition for purposes of specific Awards.

"Exchange Act" means the Securities Exchange Act of 1934, as amended and in effect from time to time, or any successor statute. Where the context so requires, any reference to a particular section of the Exchange Act, or to any rule promulgated under the Exchange Act, shall be construed to refer to successor provisions to such section or rule.

"Fair Market Value" means on any given date, the fair market value per share of the Common Stock determined as follows:

- (a) If the Common Stock is traded on an established securities exchange, the mean between the reported high and low sale prices of Common Stock as reported for such day by the principal exchange on which Common Stock is traded (as determined by the Committee) or, if Common Stock was not traded on such date, on the next preceding day on which Common Stock was traded;
- (b) If trading activity in Common Stock is reported in the NASDAQ National Market System, the mean between the reported high and low sale prices of Common Stock as reported for such day by the NASDAQ or, if Common Stock trades were not reported on such date, on the next preceding day on which Common Stock trades were reported by the NASDAQ;
- (c) If trading activity in Common Stock is reported in the NASDAQ Bid and Asked Quotations, the mean between the bid price and asked price quote for such day as reported by the NASDAQ or, if there are no such quotes for Common Stock for such date, on the next preceding day for which bid and asked price quotes for Common Stock were reported by NASDAQ; or
- (d) If there is no market for Common Stock or if trading activities for Common Stock are not reported in one of the manners described above, the fair market value shall be as determined by the Committee.

"Incentive Stock Option" or "ISO" means any Option granted pursuant to the Plan that is intended to be and is specifically designated in its Award Agreement as an "incentive stock option" within the meaning of Section 422 of the Code.

"Non-Employee Board Director" means a member of the Board who is not an employee of Corporation or any Subsidiary.

"Non-Employee Subsidiary Director" means a member of the board of directors of a Subsidiary who is neither an employee of Corporation or a Subsidiary nor a member of the Board.

"Nonqualified Option" or "NQO" means any Option, including a Deferred Compensation Option, granted pursuant to the Plan that is not an Incentive Stock Option.

"Option" means an ISO, an NQO, a Deferred Compensation Option, or a Director Option.

"Other Stock-Based Award" means an Award as defined in Section 11.1.

"Participant" means an employee or a Consultant of Corporation or a Subsidiary, a Non-Employee Board Director, or a Non-Employee Subsidiary Director who is granted an Award under the Plan.

"Performance Award" means an Award granted pursuant to the provisions of Article 10 of the Plan, the Vesting of which is contingent on performance attainment.

"Performance Cycle" means a designated performance period pursuant to the provisions of Section 10.3 of the Plan.

"Performance Goal" means a designated performance objective pursuant to the provisions of Section 10.4 of the Plan.

"Plan" means this Barrett Business Services, Inc., 1993 Stock Incentive Plan, as set forth herein and as it may be hereafter amended and from time to time.

"Reporting Person" means a Participant who is subject to the reporting requirements of Section 16(a) of the Exchange Act.

"Restricted Award" means a Restricted Share or a Restricted Unit granted pursuant to Article 9 of the Plan.

"Restricted Share" means an Award described in Section 9.1(a) of the Plan.

"Restricted Unit" means an Award of units representing Shares described in Section 9.1(b) of the Plan.

"Restriction" means a provision in the Plan or in an Award Agreement which limits the exercisability or transferability, or which governs the forfeiture, of an Award or the Shares, cash, or other property payable pursuant to an Award.

"Retirement" means:

(a) For Participants who are employees, retirement from active employment with Corporation and its Subsidiaries on or after age 65, or such earlier retirement date as approved by the Committee for purposes of the Plan;

(b) For Participants who are Non-Employee Board Directors or Non-Employee Subsidiary Directors, retirement from the applicable board of directors after attaining the maximum age (if any) specified in the articles of incorporation or bylaws of the applicable corporation; or

(c) For Participants who are Consultants, termination of service as a Consultant after attaining a retirement age specified by the Committee for purposes of an Award to such Consultant.

However, the Committee may change the foregoing definition of "Retirement" or may adopt a different definition for purposes of specific Awards.

"Share" means a share of Common Stock.

"Stock Appreciation Right" or "SAR" means an Award to benefit from the appreciation of Common Stock granted pursuant to the provisions of Article 8 of the Plan.

"Subsidiary" means a "subsidiary corporation" of Corporation, within the meaning of Section 425 of the Code, namely any corporation in which Corporation directly or indirectly controls 50 percent or more of the total combined voting power of all classes of stock having

voting power.

"Vest" or "Vested" means:

(a) In the case of an Award that requires exercise, to be or to become immediately and fully exercisable and free of all Restrictions (other than Continuing Restrictions);

(b) In the case of an Award that is subject to forfeiture, to be or to become nonforfeitable, freely transferable, and free of all Restrictions (other than Continuing Restrictions);

(c) In the case of an Award that is required to be earned by attaining specified Performance Goals, to be or to become earned and nonforfeitable, freely transferable, and free of all Restrictions (other than Continuing Restrictions); or

(d) In the case of any other Award as to which payment is not dependent solely upon the exercise of a right, election, exercise, or option, to be or to become immediately payable and free of all Restrictions (except Continuing Restrictions).

2.2 Gender and Number. Except where otherwise indicated by the context, any masculine or feminine terminology used in the Plan shall also include the opposite gender; and the definition of any term in Section 2.1 in the singular shall also include the plural, and vice versa.

ARTICLE 3 ADMINISTRATION

3.1 General. The Plan shall be administered by a Committee composed as described in Section 3.2.

3.2 Composition of the Committee. The Committee shall be appointed by the Board and shall consist of not less than a sufficient number of Non-Employee Board Directors so as to qualify the Committee to administer the Plan as contemplated by Rule 16b-3 under the Exchange Act. The Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, however caused, shall be filled by the Board. In the event that the Committee shall cease to satisfy the requirements of Rule 16b-3, the Board shall appoint another Committee satisfying such requirements.

3.3 Authority of the Committee. The Committee shall have full power and authority (subject to such orders or resolutions as may be issued or adopted from time to time by the Board) to administer the Plan in its sole discretion, including the authority to:

(a) Construe and interpret the Plan and any Award Agreement;

(b) Promulgate, amend, and rescind rules and procedures relating to the implementation of the Plan;

(c) Select the employees, Non-Employee Subsidiary Directors, and Consultants who shall be granted Awards;

(d) Determine the number and types of Awards to be granted to each such Participant;

(e) Determine the number of Shares, or Share equivalents, to be subject to each Award;

(f) Determine the option price, purchase price,

base price, or similar feature for any Award; and

(g) Determine all the terms and conditions of all Award Agreements, consistent with the requirements of the Plan.

Decisions of the Committee, or any delegate as permitted by the Plan, shall be final, conclusive, and binding on all Participants.

3.4 Action by the Committee. A majority of the members of the Committee shall constitute a quorum for the transaction of business. Action approved by a majority of the members present at any meeting at which a quorum is present, or action in writing by a majority of the members of the Committee, shall be the valid acts of the Committee.

3.5 Delegation. Notwithstanding the foregoing, the Committee may delegate to one or more officers of Corporation the authority to determine the recipients, types, amounts, and terms of Awards granted to Participants who are not Reporting Persons.

3.6 Liability of Committee Members. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan, any Award, or any Participant.

3.7 Costs of Plan. The costs and expenses of administering the Plan shall be borne by Corporation.

ARTICLE 4

DURATION OF THE PLAN AND SHARES SUBJECT TO THE PLAN

4.1 Duration of the Plan. The Plan is effective March 1, 1993, subject to approval by Corporation's shareholders as provided in Article 18. The Plan shall remain in effect until Awards have been granted covering all the available Shares or the Plan is otherwise terminated by the Board. Termination of the Plan shall not affect outstanding Awards.

4.2 Shares Subject to the Plan. The shares which may be made subject to Awards under the Plan shall be Shares of Common Stock, which may be either authorized and unissued Shares or reacquired Shares. No fractional Shares shall be issued under the Plan. Subject to adjustment pursuant to Article 15, the maximum number of Shares for which Awards may be granted under the Plan shall be 400,000. If an Award under the Plan is canceled or expires for any reason prior to having been fully Vested or exercised by a Participant or is settled in cash in lieu of Shares or is exchanged for other Awards, all Shares covered by such Awards shall be made available for future Awards under the Plan.

ARTICLE 5 ELIGIBILITY

5.1 Employees and Non-Employee Subsidiary Directors. Officers and other key employees of Corporation and its Subsidiaries (including employees who may also be directors of Corporation or a Subsidiary), Consultants, and Non-Employee Subsidiary Directors who, in the Committee's judgment, are or will be contributors to the long-term success of Corporation shall be eligible to receive Awards under the Plan.

5.2 Non-Employee Board Directors. All Non-Employee Board Directors shall be eligible to receive Director Options pursuant to Article 14 of the Plan.

ARTICLE 6 AWARDS

6.1 Types of Awards. The types of Awards that may be granted under the Plan are:

(a) Options governed by Article 7 of the Plan;

(b) Stock Appreciation Rights governed by Article 8 of the Plan;

(c) Restricted Awards governed by Article 9 of the Plan;

(d) Performance Awards governed by Article 10 of the Plan;

(e) Other Stock-Based Awards or combination awards governed by Article 11 of the Plan; and

(f) Director Options governed by Article 14 of the Plan.

In the discretion of the Committee, any Award (other than a Director Option) may be granted alone, in addition to, or in tandem with other Awards under the Plan.

6.2 General. Subject to the limitations of the Plan, the Committee may cause Corporation to grant Awards to such Participants, at such times, of such types, in such amounts, for such periods, with such option prices, purchase prices, or base prices, and subject to such terms, conditions, limitations, and restrictions as the Committee, in its discretion, shall deem appropriate. Awards may be granted as additional compensation to a Participant or in lieu of other compensation to such Participant. A Participant may receive more than one Award and more than one type of Award under the Plan.

6.3 Nonuniform Determinations. The Committee's determinations under the Plan or under one or more Award Agreements, including without limitation, (a) the selection of Participants to receive Awards, (b) the type, form, amount, and timing of Awards, (c) the terms of specific Award Agreements, and (d) elections and determinations made by the Committee with respect to exercise or payments of Awards, need not be uniform and may be made by the Committee selectively among Participants and Awards, whether or not Participants are similarly situated.

6.4 Award Agreements. Each Award shall be evidenced by a written Award Agreement between Corporation and the Participant. Award Agreements may, subject to the provisions of the Plan, contain any provision approved by the Committee.

6.5 Provisions Governing All Awards. All Awards shall be subject to the following provisions:

(a) Alternative Awards. If any Awards are designated in their Award Agreements as alternative to each other, the exercise of all or part of one Award automatically shall cause an immediate equal (or pro rata) corresponding termination of the other alternative Award or Awards.

(b) Rights as Shareholders. No Participant shall have any rights of a shareholder with respect to Shares subject to an Award until such Shares are issued in the name of the Participant.

(c) Employment Rights. Neither the adoption of the Plan nor the granting of any Award shall confer on any person the right to continued employment with Corporation or any Subsidiary or the right to remain as a director of or a Consultant to Corporation or any Subsidiary, as the case may be, nor shall it interfere in any way with the right of Corporation or a Subsidiary to terminate such person's employment or to remove such person as a Consultant or as a director at any time for any reason, with or without cause.

(d) Nontransferable. Each Award (other than Restricted Shares after they Vest) shall not be transferable otherwise than by will or the laws of descent and distribution and shall be exercisable (if exercise is required) during the lifetime of the Participant, only by the Participant or, in the event the Participant becomes legally incompetent, by the Participant's guardian or legal representative.

(e) Termination of Employment. The terms and conditions under which an Award may be exercised, if at all, after a Participant's termination of employment or service as a Non-Employee Subsidiary Director or a Consultant shall be determined by the Committee and specified in the applicable Award Agreement.

(f) Change in Control. The Committee, in its discretion, may provide in any Award Agreement that in the event of a change in control of Corporation (as the Committee may define such term in the Award Agreement), as of the date of such change in control:

(i) All, or a specified portion of, Awards requiring exercise shall become fully and immediately exercisable, notwithstanding any other limitations on exercise;

(ii) All, or a specified portion of, Awards subject to Restrictions shall become fully Vested; and

(iii) All, or a specified portion of, Awards subject to Performance Goals shall be deemed to have been fully earned.

Unless the Committee specifically provides otherwise in the change in control provision for a specific Award Agreement, Awards shall become exercisable, become Vested, or become earned as of a change in control date only if, or to the extent, such acceleration in the exercisability, Vesting, or becoming earned of the Awards does not result in an "excess parachute payment" within the meaning of Section 280G(b) of the Code. The Committee, in its discretion, may include change in control provisions in some Award Agreements and not in others, may include different change in control provisions in different Award Agreements, and may include change in control provisions for some Awards or some Participants and not for others.

(g) Conditioning or Accelerating Benefits. The Committee, in its discretion, may include in any Award Agreement a provision conditioning or accelerating the Vesting of an Award or the receipt of benefits pursuant to an Award, either automatically or in the discretion of the Committee, upon the occurrence of specified events including, without limitation, a change in control of Corporation (subject to the foregoing paragraph (f)), a sale of all or substantially all the property and assets of Corporation, or an event of the type described in Section 15 of this Plan.

(h) Payment of Purchase Price and Withholding. The Committee, in its discretion, may include in any Award Agreement a provision permitting the Participant to pay the purchase or option price, if any, for the Shares or other property issuable pursuant to the

Award, or the Participant's federal, state, or local tax, or tax withholding, obligation with respect to such issuance in whole or in part by any one or more of the following:

(i) By delivering previously owned Shares (including Restricted Shares, whether or not vested);

(ii) By surrendering outstanding other Vested Awards under the Plan denominated in Shares or in Share equivalent units;

(iii) By reducing the number of Shares or other property otherwise Vested and issuable pursuant to the Award;

(iv) By delivering to Corporation a promissory note payable on such terms and over such period as the Committee shall determine;

(v) By delivery (in a form approved by the Committee) of an irrevocable direction to a securities broker acceptable to the Committee:

(A) To sell Shares subject to the Option and to deliver all or a part of the sales proceeds to Corporation in payment of all or a part of the option price and taxes or withholding taxes attributable to the issuance; or

(B) To pledge Shares subject to the Option to the broker as security for a loan and to deliver all or a part of the loan proceeds to Corporation in payment of all or a part of the option price and taxes or withholding taxes attributable to the issuance; or

(vi) In any combination of the foregoing or in any other form approved by the Committee.

If Restricted Shares are surrendered in full or partial payment of the purchase or option price of Shares issuable under an Award, a corresponding number of the Shares issued upon exercise of the Award shall be Restricted Shares subject to the same Restrictions as the surrendered Restricted Shares. Shares withheld or surrendered as described above shall be valued based on their Fair Market Value on the date of the transaction. Any Shares withheld or surrendered with respect to a Reporting Person shall be subject to such additional conditions and limitations as the Committee may impose to comply with the requirements of the Exchange Act.

(i) Reporting Persons. With respect to all Awards granted to Reporting Persons:

(i) Awards requiring exercise shall not be exercisable until at least six months after the date the Award was granted, except in the case of the death or Disability of the

Participant; and

(ii) Shares issued pursuant to any other Award may not be sold by the Participant for at least six months after acquisition, except in the case of the death or Disability of the Participant;

provided, however, that (unless an Award Agreement provides otherwise) the limitation of this Section 6.5(i) shall apply only if or to the extent required by Rule 16b-3 under the Exchange Act. Award Agreements for Awards to Reporting Persons shall also comply with any future restrictions imposed by such Rule 16b-3.

(j) Service Periods. At the time of granting Awards, the Committee may specify, by resolution or in the Award Agreement, the period or periods of service performed or to be performed by the Participant in connection with the grant of the Award.

ARTICLE 7 OPTIONS

7.1 Types of Options. Options granted under the Plan may be in the form of Incentive Stock Options or Nonqualified Options (including Deferred Compensation Options and Director Options). The grant of each Option and the Award Agreement governing each Option shall identify the Option as an ISO or an NQO. In the event the Code is amended to provide for tax-favored forms of stock options other than or in addition to Incentive Stock Options, the Committee may grant Options under the Plan meeting the requirements of such forms of options.

7.2 General. Options shall be subject to the terms and conditions set forth in Article 6 and this Article 7 and Award Agreements governing Options shall contain such additional terms and conditions, not inconsistent with the express provisions of the Plan, as the Committee shall deem desirable.

7.3 Option Price. Each Award Agreement for Options shall state the option exercise price per Share of Common Stock purchasable under the Option, which shall not be less than:

(a) \$.01 per share in the case of a Deferred Compensation Option;

(b) 75 percent of the Fair Market Value of a Share on the date of grant for all other Nonqualified Options (except Director Options); or

(c) 100 percent of the Fair Market Value of a Share on the date of grant for all Incentive Stock Options.

7.4 Option Term. The Award Agreement for each Option shall specify the term of each Option, which may be unlimited or may have a specified period during which the Option may be exercised, as determined by the Committee.

7.5 Time of Exercise. The Award Agreement for each Option shall specify, as determined by the Committee:

(a) The time or times when the Option shall become exercisable and whether the Option shall become exercisable in full or in graduated amounts based on:
(i) continuation of employment over a period specified in the Award Agreement, (ii) satisfaction of

performance goals or criteria specified in the Award Agreement, or (iii) a combination of continuation of employment and satisfaction of performance goals or criteria;

(b) Such other terms, conditions, and restrictions as to when the Option may be exercised as shall be determined by the Committee; and

(c) The extent, if any, that the Option shall remain exercisable after the Participant ceases to be an employee, Consultant, or director of Corporation or a Subsidiary.

An Award Agreement for an Option may, in the discretion of the Committee, provide whether, and to what extent, the time when an Option becomes exercisable shall be accelerated or otherwise modified (i) in the event of the death, Disability, or Retirement of the Participant, or (ii) upon the occurrence of a change in control of Corporation. The Committee may, at any time in its discretion, accelerate the time when all or any portion of an outstanding Option becomes exercisable.

7.6 Special Rules for Incentive Stock Options. In the case of an Option designated as an Incentive Stock Option, the terms of the Option and the Award Agreement shall conform with the statutory and regulatory requirements specified pursuant to Section 422 of the Code, as in effect on the date such ISO is granted. ISOs may be granted only to employees of Corporation or a Subsidiary. ISOs may not be granted under the Plan after ten years following the date specified in Section 4.1, unless the ten-year limitation of Section 422(b)(2) of the Code is removed or extended.

7.7 Restricted Shares. In the discretion of the Committee, the Shares issuable upon exercise of an Option may be Restricted Shares if so provided in the Award Agreement for the Option.

7.8 Deferred Compensation Options. The Committee may, in its discretion, grant Deferred Compensation Options with an option price less than Fair Market Value to provide a means for deferral to future dates of compensation otherwise payable to a Participant. The option price shall be determined by the Committee subject to Section 7.3(a) of the Plan. The number of Shares subject to a Deferred Compensation Option shall be determined by the Committee, in its discretion, by dividing the amount of compensation to be deferred by the difference between the Fair Market Value of a Share on the date of grant and the option price of the Deferred Compensation Option. Amounts of compensation deferred with Deferred Compensation Options may include amounts payable under Awards granted under the Plan or under any other compensation program or arrangement of Corporation as permitted by the Committee. The Committee shall grant Deferred Compensation Options only if it reasonably determines that the recipient of such an Option is not likely to be deemed to be in constructive receipt for income tax purposes of the income being deferred.

7.9 Reload Options. The Committee, in its discretion, may provide in an Award Agreement for an Option that in the event all or a portion of the Option is exercised by the Participant using previously acquired Shares, the Participant shall automatically be granted (subject to the available pool of Shares subject to grants of Awards as specified in Section 4.2 of the Plan) a replacement Option (with an option price equal to the Fair Market Value of a Share on the date of such exercise) for a number of Shares equal to (or equal to a portion of) the number of shares surrendered upon exercise of the Option. Such reload Option features may be subject to such terms and conditions as the Committee shall determine, including without limitation, a condition that the Participant retain the Shares issued upon exercise of the Option for a specified period of time.

8.1 General. Stock Appreciation Rights shall be subject to the terms and conditions set forth in Article 6 and this Article 8 and Award Agreements governing Stock Appreciation Rights shall contain such additional terms and conditions, not inconsistent with the express terms of the Plan, as the Committee shall deem desirable.

8.2 Nature of Stock Appreciation Right. A Stock Appreciation Right is an Award entitling a Participant to receive an amount equal to the excess (or, if the Committee shall determine at the time of grant, a portion of the excess) of the Fair Market Value of a Share of Common Stock on the date of exercise of the SAR over the base price, as described below, on the date of grant of the SAR, multiplied by the number of Shares with respect to which the SAR shall have been exercised. The base price shall be designated by the Committee in the Award Agreement for the SAR and may be the Fair Market Value of a Share on the grant date of the SAR or such other higher or lower price as the Committee shall determine.

8.3 Exercise. A Stock Appreciation Right may be exercised by a Participant in accordance with procedures established by the Committee. The Committee may also provide that a SAR shall be automatically exercised on one or more specified dates or upon the satisfaction of one or more specified conditions. In the case of SARs granted to Reporting Persons, exercise of the SAR shall be limited by the Committee to the extent required to comply with the applicable requirements of Rule 16b-3 under the Exchange Act.

8.4 Form of Payment. Payment upon exercise of a Stock Appreciation Right may be made in cash, in installments, in Shares, by issuance of a Deferred Compensation Option, or in any combination of the foregoing, or in any other form as the Committee shall determine.

ARTICLE 9 RESTRICTED AWARDS

9.1 Types of Restricted Awards. Restricted Awards granted under the Plan may be in the form of either Restricted Shares or Restricted Units.

(a) Restricted Shares. A Restricted Share is an Award of Shares transferred to a Participant subject to such terms and conditions as the Committee deems appropriate, including, without limitation, restrictions on the sale, assignment, transfer, or other disposition of such Restricted Shares and may include a requirement that the Participant forfeit such Restricted Shares back to Corporation upon termination of Participant's employment (or service as a Non-Employee Subsidiary Director or a Consultant) for specified reasons within a specified period of time or upon other conditions, as set forth in the Award Agreement for such Restricted Shares. Each Participant receiving a Restricted Share shall be issued a stock certificate in respect of such Shares, registered in the name of such Participant, and shall execute a stock power in blank with respect to the Shares evidenced by such certificate. The certificate evidencing such Restricted Shares and the stock power shall be held in custody by Corporation until the Restrictions thereon shall have lapsed.

(b) Restricted Units. A Restricted Unit is an Award of units (with each unit having a value equivalent to one Share) granted to a Participant subject to such terms and conditions as the Committee deems appropriate, and may include a requirement that the Participant forfeit such Restricted Units upon

termination of Participant's employment (or service as a Non-Employee Subsidiary Director or a Consultant) for specified reasons within a specified period of time or upon other conditions, as set forth in the Award Agreement for such Restricted Units.

9.2 General. Restricted Awards shall be subject to the terms and conditions of Article 6 and this Article 9 and Award Agreements governing Restricted Awards shall contain such additional terms and conditions, not inconsistent with the express provisions of the Plan, as the Committee shall deem desirable.

9.3 Restriction Period. Award Agreements for Restricted Awards shall provide that Restricted Awards, and the Shares subject to Restricted Awards, may not be transferred, and may provide that, in order for a Participant to Vest in such Restricted Awards, the Participant must remain in the employment (or remain as a Non-Employee Subsidiary Director or a Consultant) of Corporation or its Subsidiaries, subject to relief for reasons specified in the Award Agreement, for a period commencing on the grant date of the Award and ending on such later date or dates as the Committee may designate at the time of the Award (the "Restriction Period"). During the Restriction Period, a Participant may not sell, assign, transfer, pledge, encumber, or otherwise dispose of Shares received under or governed by a Restricted Award grant. The Committee, in its sole discretion, may provide for the lapse of restrictions in installments during the Restriction Period. Upon expiration of the applicable Restriction Period (or lapse of Restrictions during the Restriction Period where the Restrictions lapse in installments) the Participant shall be entitled to settlement of the Restricted Award or portion thereof, as the case may be. Although Restricted Awards shall usually Vest based on continued employment (or service as a Non-Employee Subsidiary Director or a Consultant) and Performance Awards under Article 10 shall usually Vest based on attainment of Performance Goals, the Committee, in its discretion, may condition Vesting of Restricted Awards on attainment of Performance Goals as well as continued employment (or service as a Non-Employee Subsidiary Director or a Consultant). In such case, the Restriction Period for such a Restricted Award shall include the period prior to satisfaction of the Performance Goals.

9.4 Forfeiture. If a Participant ceases to be an employee (or Consultant or Non-Employee Subsidiary Director) of Corporation or a Subsidiary during the Restriction Period for any reason other than reasons which may be specified in an Award Agreement (such as death, Disability, or Retirement) the Award Agreement may require that all non-Vested Restricted Awards previously granted to the Participant be forfeited and returned to Corporation.

9.5 Settlement of Restricted Awards.

(a) Restricted Shares. Upon Vesting of a Restricted Share Award, the legend on such Shares will be removed and the Participant's stock power will be returned and the Shares will no longer be Restricted Shares. The Committee may also, in its discretion, permit a Participant to receive, in lieu of unrestricted Shares at the conclusion of the Restriction Period, payment in cash, installments, or by issuance of a Deferred Compensation Option equal to the Fair Market Value of the Restricted Shares as of the date the Restrictions lapse.

(b) Restricted Units. Upon Vesting of a Restricted Unit Award, a Participant shall be entitled to receive payment for Restricted Units in an amount equal to the aggregate Fair Market Value of the Shares covered by such Restricted Units at the expiration of the Applicable Restriction Period. Payment in settlement of a Restricted Unit shall be made as soon as practicable following the conclusion of the applicable Restriction Period in cash, in installments, in Shares equal to the number of Restricted Units, by issuance of a Deferred Compensation Option, or in any other manner or combination of such methods as the Committee, in its sole discretion, shall determine.

9.6 Rights as a Shareholder. A Participant shall have, with respect to unforfeited Shares received under a grant of Restricted Shares, all the rights of a shareholder of Corporation, including the right to vote the shares, and the right to receive any cash dividends. Stock dividends issued with respect to Restricted Shares shall be treated as additional Shares covered by the grant of Restricted Shares and shall be subject to the same Restrictions.

ARTICLE 10
PERFORMANCE AWARDS

10.1 General. Performance Awards shall be subject to the terms and conditions set forth in Article 6 and this Article 10 and Award Agreements governing Performance Awards shall contain such other terms and conditions not inconsistent with the express provisions of the Plan, as the Committee shall deem desirable.

10.2 Nature of Performance Awards. A Performance Award is an Award of units (with each unit having a value equivalent to one Share) granted to a Participant subject to such terms and conditions as the Committee deems appropriate, including, without limitation, the requirement that the Participant forfeit such Performance Award or a portion thereof in the event specified performance criteria are not met within a designated period of time.

10.3 Performance Cycles. For each Performance Award, the Committee shall designate a performance period (the "Performance Cycle") with a duration to be determined by the Committee in its discretion within which specified Performance Goals are to be attained. There may be several Performance Cycles in existence at any one time and the duration of Performance Cycles may differ from each other.

10.4 Performance Goals. The Committee shall establish Performance Goals for each Performance Cycle on the basis of such criteria and to accomplish such objectives as the Committee may from time to time select. Performance Goals may be based on (i) performance criteria for Corporation, a Subsidiary, or an operating group, (ii) a Participant's individual performance, or (iii) a combination of both. Performance Goals may include objective and subjective criteria. During any Performance Cycle, the Committee may adjust the Performance Goals for such Performance Cycle as it deems equitable in recognition of unusual or nonrecurring events affecting Corporation, changes in applicable tax laws or accounting principles, or such other factors as the Committee may determine.

10.5 Determination of Awards. As soon as practicable after the end of a Performance Cycle, the Committee shall determine the extent to which Performance Awards have been earned on the basis of performance in relation to the established Performance Goals.

10.6 Timing and Form of Payment. Settlement of earned Performance Awards shall be made to the Participant as soon as practicable after the expiration of the Performance Cycle and the Committee's determination under Section 10.5, in the form of cash, installments, Shares, Deferred Compensation Options, or any combination of the foregoing or in any other form as the Committee shall determine.

ARTICLE 11
OTHER STOCK-BASED AND COMBINATION AWARDS

11.1 Other Stock-Based Awards. The Committee may grant other Awards under the Plan pursuant to which Shares are or may in the future be acquired, or Awards denominated in or measured by Share equivalent units, including Awards valued using measures other than the market value of Shares. Other Stock-Based Awards are not restricted to any specified form or structure and may include, without limitation, Share purchase warrants, other rights to acquire Shares, and securities convertible into or redeemable for Shares. Such Other Stock-Based Awards

may be granted either alone, in addition to, or in tandem with, any other type of Award granted under the Plan.

11.2 Combination Awards. The Committee may also grant Awards under the Plan in tandem or combination with other Awards or in exchange of Awards, or in tandem or combination with, or as alternatives to, grants or rights under any other employee plan of Corporation, including the plan of any acquired entity. No action authorized by this section shall reduce the amount of any existing benefits or change the terms and conditions thereof without the Participant's consent.

ARTICLE 12 DEFERRAL ELECTIONS

The Committee may permit a Participant to elect to defer receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise, earn out, or Vesting of an Award made under the Plan. If any such election is permitted, the Committee shall establish rules and procedures for such payment deferrals, including, but not limited to: (a) payment or crediting of reasonable interest or other growth or earnings factor on such deferred amounts credited in cash, (b) the payment or crediting of dividend equivalents in respect of deferrals credited in Share equivalent units, or (c) granting of Deferred Compensation Options.

ARTICLE 13 DIVIDEND EQUIVALENTS

Any Awards may, at the discretion of the Committee, earn dividend equivalents. In respect of any such Award which is outstanding on a dividend record date for Common Stock, the Participant may be credited with an amount equal to the amount of cash or stock dividends that would have been paid on the Shares covered by such Award, had such covered Shares been issued and outstanding on such dividend record date. The Committee shall establish such rules and procedures governing the crediting of dividend equivalents, including the timing, form of payment, and payment contingencies of such dividend equivalents, as it deems are appropriate or necessary.

ARTICLE 14 NON-EMPLOYEE BOARD DIRECTORS

14.1 General. Awards shall be made to Non-Employee Board Directors only pursuant to this Article 14. All Non-Employee Board Directors shall receive Initial Director Options and Annual Director Options. No person, including the members of the Board or the Committee, shall have any discretion as to the selection of eligible recipients or the determination of the type, amount, or terms of Awards pursuant to this Article 14.

14.2 Eligibility. The persons eligible to receive Awards pursuant to this Article 14 are all Non-Employee Board Directors of Corporation.

14.3 Definitions. For purposes of this Article 14, the following terms shall have the meanings set forth below:

"Annual Meeting Date" means the date of Corporation's regular annual meeting of shareholders.

"Offering Date" means the closing date of Corporation's initial public offering of Shares pursuant to a registration statement which has become effective under the Securities Act of 1933.

14.4 Initial Director Options.

(a) Grant of Initial Director Options. As of the Offering Date, each Non-Employee Board Director who is a member of the Board on the

Offering Date shall be granted automatically an Initial Director Option to purchase 1,500 Shares.

(b) Option Price. The option purchase price for each Initial Director Option shall be equal to the public offering price of a Share.

(c) Terms of Initial Director Options. Each Initial Director Option shall have the terms and conditions specified in the form of Award Agreement attached to this Plan as Appendix A.

14.5 Annual Director Options.

(a) Grant of Annual Director Options. As of each Annual Meeting Date, each Non-Employee Board Director whose term begins on or continues after that Annual Meeting Date shall be granted automatically an Annual Director Option to purchase 500 Shares.

(b) Option Price. The option exercise price for each Annual Director Option shall be equal to the Fair Market Value of a Share as of the Annual Meeting Date.

(c) Terms of Annual Director Options. Each Annual Director Option shall have the terms and conditions specified in the form of Award Agreement attached to this Plan as Appendix A.

ARTICLE 15

ADJUSTMENTS UPON CHANGES IN CAPITALIZATION, ETC.

15.1 Plan Does Not Restrict Corporation. The existence of the Plan and the Awards granted under the Plan shall not affect or restrict in any way the right or power of the Board or the shareholders of Corporation to make or authorize any adjustment, recapitalization, reorganization, or other change in Corporation's capital structure or its business, any merger or consolidation of the Corporation, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting Corporation's capital stock or the rights thereof, the dissolution or liquidation of Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding.

15.2 Adjustments by the Committee. In the event of any change in capitalization affecting the Common Stock of Corporation, such as a stock dividend, stock split, recapitalization, merger, consolidation, split-up, combination or exchange of shares or other form of reorganization, or any other change affecting the Common Stock, such proportionate adjustments, if any, as the Committee, in its sole discretion, may deem appropriate to reflect such change, shall be made with respect to the aggregate number of Shares for which Awards in respect thereof may be granted under the Plan, the maximum number of Shares which may be sold or awarded to any Participant, the number of Shares covered by each outstanding Award, and the base price or purchase price per Share in respect of outstanding Awards. The Committee may also make such adjustments in the number of Shares covered by, and price or other value of any outstanding Awards in the event of a spin-off or other distribution (other than normal cash dividends), of Corporation assets to shareholders.

ARTICLE 16

AMENDMENT AND TERMINATION

Without further approval of Corporation's shareholders, the Board may at any time terminate the Plan, or may amend it from time to time in such respects as the Board may deem advisable, except that the Board may not, without approval of the shareholders, make any amendment which would (i) materially increase the benefits accruing to Participants under the Plan, (ii) materially increase the aggregate number of shares of Common Stock which may be issued under the Plan (except for adjustments pursuant to Article 15 of the Plan), or (iii) materially modify the requirements as

to eligibility for participation in the Plan. Without further shareholder approval, the Board may amend the Plan to take into account changes in applicable securities, federal income tax laws, and other applicable laws. Further, should the provisions of Rule 16b-3, or any successor rule, under the Exchange Act be amended, the Board, without further shareholder approval, may amend the Plan as necessary to comply with any modifications to such rule. The provisions of Article 14 may not be amended more than once every six months, other than to conform with changes in the Code or in Rule 16b-3 under the Exchange Act.

ARTICLE 17
MISCELLANEOUS

17.1 Tax Withholding. Corporation shall have the right to deduct from any settlement of any Award under the Plan, including the delivery or vesting of Shares, any federal, state, or local taxes of any kind required by law to be withheld with respect to such payments or to take such other action as may be necessary in the opinion of Corporation to satisfy all obligations for the payment of such taxes. The recipient of any payment or distribution under the Plan shall make arrangements satisfactory to Corporation for the satisfaction of any such withholding tax obligations. Corporation shall not be required to make any such payment or distribution under the Plan until such obligations are satisfied.

17.2 Unfunded Plan. The Plan shall be unfunded and Corporation shall not be required to segregate any assets that may at any time be represented by Awards under the Plan. Any liability of Corporation to any person with respect to any Award under the Plan shall be based solely upon any contractual obligations that may be effected pursuant to the Plan. No such obligation of Corporation shall be deemed to be secured by any pledge of, or other encumbrance on, any property of Corporation.

17.3 Payments to Trust. The Committee is authorized to cause to be established a trust agreement or several trust agreements whereunder the Committee may make payments of amounts due or to become due to Participants in the Plan.

17.4 Annulment of Awards. Any Award Agreement may provide that the grant of an Award payable in cash is revocable until cash is paid in settlement thereof or that grant of an Award payable in Shares is revocable until the Participant becomes entitled to the certificate in settlement thereof. In the event the employment (or service as a Non-Employee Subsidiary Director or a Consultant) of a Participant is terminated for cause (as defined below), any Award which is revocable shall be annulled as of the date of such termination for cause. For the purpose of this Section 17.4, the term "for cause" shall have the meaning set forth in the Participant's employment agreement, if any, or otherwise means any discharge (or removal) for material or flagrant violation of the policies and procedures of Corporation or for other job performance or conduct which is materially detrimental to the best interests of Corporation, as determined by the Committee.

17.5 Engaging in Competition With the Corporation. Any Award Agreement may provide that, if a Participant terminates employment (or service as a Non-Employee Subsidiary Director or a Consultant) with Corporation or a Subsidiary for any reason whatsoever, and within a period of time (as specified in the Award Agreement) after the date thereof accepts employment with any competitor of (or otherwise engages in competition with) Corporation, the Committee, in its sole discretion, may require such Participant to return to Corporation the economic value of any Award that is realized or obtained (measured at the date of exercise, Vesting, or payment) by such Participant at any time during the period beginning on the date that is six months prior to the date of such Participant's termination of employment (or service as a Non-Employee Subsidiary Director or a Consultant) with Corporation.

17.6 Other Corporation Benefit and Compensation Programs.

Payments and other benefits received by a Participant under an Award made pursuant to the Plan shall not be deemed a part of a Participant's regular, recurring compensation for purposes of the termination indemnity or severance pay law of any state or country and shall not be included in, nor have any effect on, the determination of benefits under any other employee benefit plan or similar arrangement provided by Corporation or a Subsidiary unless expressly so provided by such other plan or arrangements, or except where the Committee expressly determines that an Award or portion of an Award should be included to accurately reflect competitive compensation practices or to recognize that an Award has been made in lieu of a portion of cash compensation. Awards under the Plan may be made in combination with or in tandem with, or as alternatives to, grants, awards, or payments under any other Corporation or Subsidiary plans, arrangements, or programs. The Plan notwithstanding, Corporation or any Subsidiary may adopt such other compensation programs and additional compensation arrangements as it deems necessary to attract, retain, and reward employees and directors for their service with Corporation and its Subsidiaries.

17.7 Securities Law Restrictions. No Shares shall be issued under the Plan unless counsel for Corporation shall be satisfied that such issuance will be in compliance with applicable federal and state securities laws. Certificates for Shares delivered under the Plan may be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed, and any applicable federal or state securities law. The Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

17.8 Governing Law. Except with respect to references to the Code or federal securities laws, the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the state of Maryland.

ARTICLE 18
SHAREHOLDER APPROVAL

The adoption of the Plan and the grant of Awards under the Plan are expressly subject to the approval of the Plan by Corporation's shareholders holding a majority of Corporation's outstanding Shares.

Appendix A

Form of
AWARD AGREEMENT
Under The
Barrett Business Services, Inc.
1993 Stock Incentive Plan

[INITIAL] [ANNUAL] DIRECTOR OPTIONS

Corporation: BARRETT BUSINESS SERVICES, INC.
2828 S.W. Kelly Street
Portland, Oregon 97201

Participant: _____

Date: _____

Corporation maintains the Barrett Business Services, Inc.,
1993 Stock Incentive Plan (the "Plan").

This Award Agreement evidences the grant of an [Initial]

[Annual] Director Option (the "Option") to Participant.

The parties agree as follows:

1. Defined Terms

When used in this Agreement, the following terms shall have the meaning specified below:

(a) "Acquiring Person" shall mean any person or related person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Securities Exchange Act of 1934 (the "Exchange Act"), as such Section and Rule are in effect as of the Grant Date; provided, however, that the term Acquiring Person shall not include (i) Corporation or any of its Subsidiaries, (ii) any employee benefit plan of Corporation or any of its Subsidiaries, (iii) any entity holding voting capital stock of Corporation for or pursuant to the terms of any such employee benefit plan, or (iv) any person or group solely because such person or group has voting power with respect to capital stock of Corporation arising from a recoverable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act.

(b) "Change in Control" shall mean:

(i) A change in control of Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the Grant Date pursuant to the Exchange Act; provided that, without limitation, such a change in control shall be deemed to have occurred at such time as any Acquiring Person hereafter becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of Corporation Voting Securities; or

(ii) During any period of 12 consecutive calendar months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election, by Corporation shareholders of each new director was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of the period; or

(iii) There shall be consummated (i) any consolidation or merger of Corporation in which Corporation is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of Corporation in which the holders of Voting Securities immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related

transactions) of all, or substantially all, of the assets of Corporation, provided that any such consolidation, merger, sale, lease, exchange, or other transfer consummated at the insistence of an appropriate banking regulatory agency shall not constitute a Change in Control; or

(iv) Approval by the shareholders of Corporation of any plan or proposal for the liquidation or dissolution of Corporation.

(c) "Change in Control Date" shall mean the first date following the Grant Date on which a Change in Control has occurred.

(d) "Disability" shall mean permanent and total disability as defined in Section 22(e)(3) of the Code.

(e) "Grant Date" shall mean the date the Option is granted, which is reflected as the date of this Agreement.

(f) "Retirement" shall mean ceasing to be a member of the Board for any reason (other than by removal) after service on the Board for at least 10 years.

(g) "Voting Securities" shall mean Corporation's issued and outstanding securities ordinarily having the right to vote at elections for the Board.

(h) Capitalized terms not otherwise defined in this Agreement have the meanings given them in the Plan.

2. Grant of Option

Subject to the terms and conditions of this Agreement and the Plan, Corporation grants to Participant the Option to purchase _____ Shares of Corporation's common stock at \$ per share.

3. Terms of Option

The Option shall be subject to all the provisions of the Plan and to the following terms and conditions:

par Term. The term of the Option shall be unlimited unless terminated earlier in accordance with this Agreement.

3.2 Time of Exercise. Unless the Option is otherwise terminated or the time of its exercisability is accelerated in accordance with this Agreement, the Option may be exercised from time to time to purchase Shares up to the following limits (based on years after the Grant Date):

(a) During the first year - none;

(b) During the second year - up to 25 percent of the total Shares;

(c) During the third year - up to 50 percent of the total Shares;

(d) During the fourth year - up to 75 percent of the total Shares; and

(e) After the fourth year - 100 percent.

3.3 Continuation as Director. If Participant ceases to be a member of the Board for any reason, the right to exercise the Option shall expire at the end of the following periods:

After Termination On Account Of	Period
death	1 year
Retirement	5 years
Disability	1 year
any other reason	3 months

3.4 Acceleration of Exercisability. Notwithstanding the schedule provided in subsection 3.2, the Option shall become fully exercisable upon the occurrence of either:

(a) Participant's death or withdrawal from the Board by reason of Disability or Retirement; or

(b) A Change in Control Date.

3.5 Method of Exercise. The Option may be exercised by delivery of written notice to Corporation stating the number of Shares, form of payment, and proposed date of closing.

3.6 Other Documents. Participant shall furnish Corporation before closing such other documents or representations as Corporation may require to assure compliance with applicable laws and regulations.

3.7 Payment. The purchase price for the Shares purchased upon exercise of the Option shall be paid in full at or before closing by one or a combination of the following:

(a) Payment in cash; or

(b) Delivery of previously acquired Shares having a Fair Market Value equal to the purchase price.

3.8 Previously Acquired Shares. Delivery of previously acquired Shares in full or partial payment for the exercise of the Option shall be subject to the following conditions:

(a) The Shares tendered shall be in good delivery form;

(b) The Fair Market Value of the Shares tendered, together with the amount of cash, if any, tendered shall equal or exceed the exercise price of the Option;

(c) Any Shares remaining after satisfying the payment for the Option shall be reissued in the same manner as the Shares tendered; and

(d) No fractional Shares will be issued and cash will not be paid to the Optionee for any fractional Share value not used to satisfy the Option purchase price.

3.9 Reload Option. In the event all or a portion of

the Option is exercised by Participant by delivering previously acquired Shares, Participant shall be granted automatically a replacement Option for a number of Shares equal to the number of Shares delivered to Corporation by Participant upon exercise of the Option. The grant date for such replacement Option shall be the date of exercise and the option price for such replacement Option shall be the Fair Market Value of a Share on such grant date. The replacement Option initially shall not be exercisable and shall become fully exercisable six months after the grant date. In all other respects, the replacement Option shall be subject to all the terms and conditions of this Award Agreement.

4. Tax Reimbursement

In the event any withholding or similar tax liability is imposed on Corporation in connection with or with respect to any exercise of the Option, the Participant agrees to pay to Corporation an amount sufficient to provide for such tax liability.

5. Conditions Precedent

Corporation will use its best efforts to obtain approval of the Plan and this Option by any state or federal agency or authority that Corporation determines has jurisdiction. If Corporation determines that any required approval cannot be obtained, this Option shall terminate on notice to the Optionee to that effect. Without limiting the foregoing, Corporation shall not be required to issue any Shares upon exercise of the Option, or any portion thereof, until Corporation shall have taken any action required to comply with all applicable federal and state securities laws.

6. Successorship

Subject to restrictions on transferability set forth in the Plan, this Agreement shall be binding upon and benefit the parties, their successors and assigns.

7. Notices

Any notices under this Option shall be in writing and shall be effective when actually delivered personally or, if mailed, when deposited as registered or certified mail directed to the address of Corporation's records or to such other address as a party may certify by notice to the other party.

8. Arbitration

Any dispute or claim that arises out of or that relates to this Agreement or to the interpretation, breach, or enforcement of this Agreement, shall be resolved by mandatory arbitration in accordance with the then effective arbitration rules of Arbitration Service of Portland, Inc., or American Arbitration Association, whichever organization is selected by the party which first initiates arbitration by filing a claim in accordance with the filing rules of the organization selected, and any judgment upon the award rendered pursuant to such arbitration may be entered in any court having jurisdiction thereof.

9. Attorneys' Fees

In the event of any suit or action or arbitration proceeding to enforce or interpret any provision of this Agreement (or which is based on this Agreement), the prevailing party shall be entitled to recover, in addition to other costs, reasonable attorneys' fees in connection with such suit, action,

arbitration, and in any appeal. The determination of who is the prevailing party and the amount of reasonable attorneys' fees to be paid to the prevailing party shall be decided by the arbitrator or arbitrators (with respect to attorneys' fees incurred prior to and during the arbitration proceedings) and by the court or courts, including any appellate courts, in which the matter is tried, heard, or decided, including the court which hears any exceptions made to an arbitration award submitted to it for confirmation as a judgment (with respect to attorneys' fees incurred in such confirmation proceedings).

BARRETT BUSINESS SERVICES, INC.

By

Its

Participant

Exhibit 23.1

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-71792) of Barrett Business Services, Inc. of our report dated February 7, 1994 appearing on page 20 of this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page 38 of this Annual Report on Form 10-K.

Price Waterhouse

Portland, Oregon
March 2,, 1994

Exhibit 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-71792) of Barrett Business Services, Inc. of our report dated February 14, 1994 appearing on page 43 of this Annual Report on Form 10-K.

FRANK, RIMERMAN & CO

San Jose California
March 22, 1994

POWER OF ATTORNEY

Each person whose signature appears below designates and appoints WILLIAM W. SHERERTZ, JACK D. WILLIAMSON, JR., and PETER J. SCHENK, and each of them, his true and lawful attorneys-in-fact and agents to sign the annual report on Form 10-K of Barrett Business Services, Inc., a Maryland corporation, for the year ended December 31, 1993, and to file said report, with all exhibits thereto, with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Each person whose signature appears below also grants full power and authority to these attorneys-in-fact and agents to take any action and execute any instruments that they deem necessary or desirable in connection with said report, as fully as he could do in person, hereby ratifying and confirming all that the attorneys-in-fact and agents or their substitutes may lawfully do or cause to be done.

IN WITNESS WHEREOF, this power of attorney has been executed by each of the undersigned as of the 8th day of March, 1994.

Signature	Title
/s/ WILLIAM W. SHERERTZ William W. Sherertz	President and Director
/s/ JACK D. WILLIAMSON, JR. Jack D. Williamson, Jr.	Vice President-Finance, Treasurer, and Director
/s/ ROBERT R. AMES Robert R. Ames	Director
/s/ JEFFREY L. BEAUDOIN Jeffrey L. Beaudoin	Director
/s/ ANTHONY MEEKER Anthony Meeker	Director
/s/ STANLEY G. RENECKER Stanley G. Renecker	Director