

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

Form 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

For the fiscal year ended December 31, 1994

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. []

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

\$ 68,680,755 at February 28, 1995

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 28, 1995
-----	-----
Common Stock, Par Value \$.01 Per Share	6,538,317 Shares

DOCUMENTS INCORPORATED BY REFERENCE

None

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PART I

Item 1. BUSINESS

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 network of 15 branch offices, nine of which are located throughout Oregon, two in northern California, two in Maryland, and two in Washington. The Company also operates ten smaller recruiting and placement offices in its general market areas which are managed by a branch office. 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. See Item 6 of this report for information regarding the Company's revenues from temporary staffing and staff leasing services.

Growth Strategy

Barrett's strategic plan continues to include (1) the further expansion of its business at existing branch offices primarily through its ongoing marketing and sales program, (2) acquisition of additional personnel-related businesses, both in its existing markets and in other strategic geographic areas and (3) accelerating the growth of professional employer services (staff leasing) by seeking self-insured employer status for workers' compensation purposes in additional states.

Recent Acquisitions

The Company purchased certain assets of Personnel Management & Consulting, Inc. ("PMC") in February 1994. PMC, with unaudited 1993 revenues of \$800,000, had been operating since mid-1992, with offices located in Easton and Salisbury, Maryland, and Seaford, Delaware.

On March 7, 1994, the Company acquired certain assets of Golden West Temporary Services ("Golden West") for \$4,514,000 paid in cash. Golden West operated four offices in the San Francisco Bay Area of California with total audited revenues of \$24,533,000 for 1993.

On December 26, 1994, the Company purchased certain assets of Max Johnson Enterprises, Inc., operating as Construction Workforce, a company located in Spokane, Washington which specializes in providing highly-skilled temporary craftsmen to the commercial construction industry. Construction Workforce had 1994 revenues of approximately \$2.4 million. Of the \$300,000 purchase price, the Company paid \$60,000 in cash and issued 17,142 shares of its common stock with a then fair market value of \$240,000.

On December 29, 1994, the Company purchased for \$51,000 in cash certain assets of Advanced Temporary Systems, Inc., a company engaged in the temporary staffing business in Kent, Washington.

The Company reviews acquisition opportunities on an ongoing basis. While growth through acquisition is a major element of the Company's overall strategic growth plan, there can be no assurance that any additional acquisitions will be completed in the foreseeable future.

Temporary Staffing Services

GENERAL. Temporary employees enable businesses to meet peak or extraordinary demands caused by such factors as seasonality, increased customer demand, vacations, illnesses, parental leave and special projects without incurring the ongoing expense and administrative responsibilities associated with recruiting, hiring and retaining additional permanent employees. The use of temporary staffing services allows businesses to utilize the "just-in-time" approach to their personnel needs. The "just-in-time" concept is more commonly recognized in inventory management practices. By maintaining a core of permanent employees to satisfy 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, in addition to reducing costs related to recruiting, training, payroll, benefits, severance compensation, recordkeeping and other personnel matters.

THE COMPANY'S TEMPORARY STAFFING 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. The light industrial category generated approximately 51% of the Company's 1994 temporary services revenues. Clerical workers, which accounted for approximately 11% of 1994 temporary services revenues, include primarily secretaries, receptionists and office clerks. Technical personnel include electronic parts assembly workers and designers and drafters of electronic parts; these workers represented approximately 38% of the Company's 1994 temporary services revenues.

Temporary assignments may last a day, a week or months, depending upon the customer's requirements. The customer 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 perform nonrecurring or periodic assignments.

The Company's temporary services customers range in size from small local firms to large national companies which use Barrett's services on a local basis. The Company provided temporary services to more than 5,000 customers during 1994, up from approximately 3,600 customers in 1993. None of the Company's temporary services customers individually accounted for more than 5% of its total annual revenues for 1994.

BUSINESS STRATEGY. The Company emphasizes prompt, personalized service in assigning quality, trained, drug-free personnel at competitive rates to users of its temporary staffing 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 believes it has an understanding of the unique requirements of its clientele that allows it to offer a "money-back" guarantee to the customer if it is not satisfied with Barrett's temporary employees.

Barrett provides training to its branch office managers and sales personnel to develop and maintain a high level of customer service. The Company's ongoing training program includes seminars, in-house presentations, video instruction and role playing. The Company's sales staff is compensated through a combination of base salary and an incentive sales commission. Sales commissions are earned by new business development and the retention of existing customers. Sales commissions may represent one-third to two-thirds of a salesperson's total compensation. In addition, branch office staff participate in the Company's profit-sharing program. See "Employees and Employee Benefits," below.

RECRUITING. The Company utilizes a variety of methods to recruit its workforce of temporary employees, including among others, newspaper advertising and marketing brochures 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 believes it is easier to recruit and retain qualified personnel during periods of higher unemployment and therefore must devote more resources to recruiting new employees during periods of lower unemployment 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, which in turn could result in lower profit margins.

The employee application process includes an interview, skills assessment test, reference verification and drug test. The skills test and reference verification determine level of ability and an insight into prior job performance. Following hire and placement, performance is reviewed with customers to assure their complete satisfaction.

The Company believes that its employee 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, trained, drug-free 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 direct sales presentations by its branch office managers and trained sales staff and, to a lesser extent, through advertising in various publications, including local newspapers and the Yellow Pages. Barrett also benefits from referrals by existing temporary services customers and from the periodic needs of the Company's staff leasing clients.

Following the development of a preliminary profile of a prospective customer's needs, a Company salesperson typically schedules a meeting with the customer's personnel manager to explain Barrett's services. Based on this information, Barrett develops a market-competitive hourly charge for its temporary staffing services. The actual cost to the customer for a temporary employee typically ranges from 135% to 150% of the base wage rate. This composite rate includes all payroll taxes, employee benefits, workers' compensation coverage 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. 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, which may result in lower profitability.

BILLING. The Company prepares weekly customer invoices immediately following the preparation of each payroll through the centralized payroll and billing operations at the Company's corporate headquarters. Barrett has not experienced significant problems in collecting its accounts receivable, which the Company attributes to customer satisfaction, a thorough analysis of a customer's credit history prior to agreeing to provide services and the regular monitoring of account aging by each branch manager.

Professional Employer (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 created a compelling alternative for small to mid-sized businesses to outsource these managerial burdens through staff leasing. The increasing trend of outsourcing numerous business functions enables management to fully devote the enterprise's resources to its core competencies.

THE COMPANY'S STAFF LEASING SERVICES. In a staff leasing arrangement, Barrett enters into a contract to become a co-employer of the client company's existing workforce. Pursuant to this contract, Barrett assumes responsibility for some or all of the personnel-related matters, including payroll and payroll taxes, employee benefits, health insurance, workers' compensation coverage, employee risk management and related administrative responsibilities. Barrett also hires and fires leased employees, although the client company 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 these services to Maryland and Washington in the first and third quarters, respectively, of 1994. The number of Barrett's staff leasing clients increased from approximately 425 at December 31, 1993, to approximately 520 at year-end 1994. The Company has entered into staff leasing arrangements with a wide variety of clients, including companies involved in reforestation, moving and shipping, professional firms, construction, retail, manufacturing and distribution businesses. 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 1994.

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. Equally important, Barrett also offers a variety of employee benefits and services, which it can generally provide on a cost-effective basis due to its substantially larger employee base as compared to its clients. The employee benefits and human resource management services offered by the Company include a full range of health, life and disability insurance, a Section 125 cafeteria plan, a Section 401(k) savings plan, credit union participation, direct deposit for payroll or preferred payroll checks, mandatory drug testing, and advisory services related to hiring, employee evaluations and termination guidelines, among others. The Company believes these benefits and services are cost effective and reduce employee turnover, thereby increasing the appeal of staff leasing arrangements to most small to mid-sized business owners. 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 staff leasing agreement provides for services indefinitely, until notice of termination is given by either party. The agreement permits cancellation by either party upon 35 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, Washington and Maryland branches using its branch office sales staff. Coincident with the Company's self-insured employer status for workers' compensation purposes in California, the Company will commence its marketing of staff leasing services in California during the second quarter of 1995. 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 current overall personnel costs. Barrett also offers significant financial incentives to clients to maintain a safe work environment, thus enabling clients to achieve additional savings. Barrett strongly advocates that its client companies share these safe-work incentives with their leased employees.

BILLING. Through centralized operations at the Company's headquarters in Portland, Oregon, payroll checks are prepared for each staff leasing client on a frequency consistent with their typical payperiods, weekly or bi-weekly, 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 receivable, which it attributes to customer satisfaction, the prompt payment of receivables, its analysis of potential clients' credit history, and regular monitoring of account aging by each branch manager.

Self-Insured Workers' Compensation Program

The Company believes that its self-insured workers' compensation program

is an important contributor 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 precluded from seeking other damages from their employer for workplace injuries. Most states require employers to maintain workers' compensation insurance 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, the Company became a self-insured employer for workers' compensation coverage in Oregon. The Company subsequently obtained self-insured employer status for workers' compensation in three additional states, Maryland in November 1993, Washington in July 1994 and Delaware on January 1, 1995. On March 20, 1995, the Company announced that its application for self-insured employer status for workers' compensation purposes had been approved by the State of California. Regulations governing self-insured employers in each state typically require the employer to maintain surety deposits of cash, government securities or other financial instruments to cover workers' claims in the event the employer is unable to pay for such claims.

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.

Barrett also maintains excess workers' compensation insurance for individual 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 annual policies with major insurance companies. The excess-insurance policies contain 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 maintained workers' compensation insurance in California through a private insurance carrier and a state program.

WORKPLACE SAFETY PROGRAM. In the late 1980's, the Company identified an opportunity to 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 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 issues and precautionary actions. 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 further reduce the risk of injury. The Company's third-party administrators for workers' compensation claims also assists the Company in performing safety inspections of client worksites and provides 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 safe-work practices which result in reductions in the number and severity of work-related injuries. If the annual cost of claims is less than agreed upon amounts, the Company pays an annual

cash incentive based on a percentage of the staff leasing client's payroll. Barrett's business philosophy strongly encourages its client companies to share these incentives with their employees. Staff leasing clients and their leased employees are thus provided an economic incentive to maintain a safer work environment and to reduce the frequency of fraudulent claims for work-related injuries. During 1993, Barrett implemented a mandatory corporate-wide 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 contributing 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 physicians to encourage efficient medical management of cases, denying questionable claims and negotiating early settlements to eliminate future case development and costs.

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 and safety incentive payments. Although not directly related to the size of the Company's payroll, the number of claims and correlative loss payments may be expected to increase with growth in the total number of employees. Third-party administrator 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 size 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 company 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, Washington, Maryland, and most recently, Delaware and California. 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 recognizes its liability for the ultimate payment of all incurred claims and claims adjustment expenses by accruing liabilities which represent estimates of future amounts necessary 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. The estimate reflects an informed judgment based on established case reserving practices and the experience and knowledge of Barrett's third-party administrators regarding the nature and expected value of the claim, as well as the estimated expense of settling the claim, including legal and other fees and expenses of administering claims. Additionally, on an aggregate basis, the Company has established a provision for losses incurred but not reported and future development in excess of case reserves on existing reported claims ("IBNR").

As part of the case reserving process, historical data is reviewed and consideration is given to the anticipated effect of various factors, including

known and anticipated legal developments, inflation and economic conditions. Reserve amounts are necessarily based on management's estimates, and as other data becomes available, these estimates are revised, which may result in increases or decreases to existing case reserves. As of December 31, 1994, the Company's total accrued workers' compensation claims liabilities totaled \$2,522,000, compared to \$2,434,000 at year-end 1993. The total number of self-insured claims reported in 1994 was 1,051, compared to 1,085 for 1993. Barrett has engaged a nationally-recognized, independent actuary to periodically review the Company's total workers' compensation claims liability and reserving practices. Based in part on such review, the Company believes its total accrued workers' compensation claims liabilities are adequate. There can, however, be no assurance that the Company's actual future workers' compensation obligations will not exceed the amount of its accrued liabilities, with a corresponding negative effect 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, 1994, the Company had approximately 11,480 employees, including approximately 7,100 temporary services employees, approximately 4,200 leased employees and approximately 180 managerial, sales and administrative employees. The number of employees at any given time can vary significantly due to business conditions at customer or client companies. Less than 0.1% 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 maintain the confidentiality of certain proprietary information. Barrett believes its employee relations are good.

Benefits offered to Barrett's temporary employees include group health insurance, a Section 125 cafeteria plan which permits employees to use pre-tax earnings to fund various services, including medical, dental and child care, and a Section 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 plans for its managerial and administrative personnel.

Regulatory and Legislative Issues

The Company is subject to the laws and regulations governing self-insured employers under the workers' compensation systems in Oregon, Washington and Maryland and, beginning in 1995, Delaware and California. In addition, legislation was adopted in Oregon in 1993 requiring a staff 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. Staff leasing companies are also required to ensure that each leasing client provides adequate training and supervision for its employees to comply with statutory requirements for workplace safety and to give 30 days' written notice in the event of a 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 contracts, which has resulted in additional financial risk, particularly with respect to those 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.

While it is impossible to predict if, when and in what form any 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 staffing services businesses are characterized by rapid growth and intense competition. The temporary staffing 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 regional and local firms for both customers and employees. The Company estimates that at least 100 firms provide temporary services in Oregon. There are relatively few 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 the Company 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 2,200 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 at least 20 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 Barrett 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 with a concomitant reduction in 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 market decrease in workers' compensation premiums.

Item 2. PROPERTIES

The Company provides temporary staffing services through all 15 of its branch offices. Staff leasing services are currently offered through each of Barrett's Oregon, Washington 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 78% of its total revenues in 1994. The Company also leases space in ten other locations in its market areas which it uses to recruit and place 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	Spokane, Washington	1994
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 \$658,000 at December 31, 1994.

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, 1994, of approximately \$281,000 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 office space for its other branch offices. At December 31, 1994, such leases had expiration dates ranging from less than one year to five years, with total minimum payments through 1999 of approximately \$1,027,000.

Item 3. LEGAL PROCEEDINGS

There were no legal proceedings requiring disclosure pursuant to this item pending at December 31, 1994, 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 1994.

EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding Barrett's executive officers appears in Item 10 of this report.

PART II

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

The Company's common stock trades on The Nasdaq Stock Market under the symbol "BBSI." At February 28, 1995, there were 59 stockholders of record and approximately 1,900 beneficial owners 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 pay any cash dividends 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 The Nasdaq Stock Market:

1993 ----	High ----	Low ---
June 18 through June 30	\$ 4.75	\$ 3.50
Third Quarter	7.125	3.875
Fourth Quarter	8.375	6.75
1994 ----		

First Quarter	\$16.00	\$ 6.875
Second Quarter(1)	14.75	8.25
Third Quarter	12.25	8.00
Fourth Quarter	16.25	11.00
1995		

January 1 through February 28	\$19.50	\$14.50

(1) All per share prices prior to the second quarter of 1994 have been restated to reflect a 2-for-1 stock split effective May 23, 1994.

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.

	Years Ended December 31,				
	1994	1993	1992	1991	1990
	----	----	----	----	----
	(In thousands, except per share data)				
Statement of Operations Data:					
Revenues:					
Temporary services	\$ 71,148	\$ 41,755	\$34,681	\$31,041	\$23,433
Staff leasing services	69,404	58,512	45,444	16,949	3,630
Total	140,552	100,267	80,125	47,990	27,063
Cost of revenues:					
Direct payroll taxes and benefits ...	105,515	75,171	59,820	35,486	19,774
Payroll taxes and benefits	12,758	9,911	7,826	4,309	2,252
Workers' compensation	5,069	4,591	3,233	1,958	990
Safety incentives	1,103	598	651	270	68
Total	124,445	90,271	71,530	42,023	23,084
Gross margin	16,107	9,996	8,595	5,967	3,979
Selling, general, and administrative expenses	10,732	6,820	6,339	5,054	3,380
Income from operations	5,375	3,176	2,256	913	599
Other (expense) income:					
Litigation settlement	--	--	--	(600)	--
Interest expense	(106)	(86)	(77)	(175)	(223)
Interest income	224	161	70	58	44
Other, net	78	133	26	(31)	(60)
Total	196	208	19	(748)	(239)
Income before provision for income taxes	5,571	3,384	2,275	165	360
Provision for income taxes(1)	2,105	437	--	--	--
Net income	\$ 3,466	\$ 2,947	\$ 2,275	\$ 165	\$ 360
Net income per share	=====	=====	=====	=====	=====
	\$.53				
Unaudited pro forma data(1):					
Net income	\$ 2,060	\$ 1,385	\$ 98	\$ 221	
Net income per share(2)	=====	=====	=====	=====	=====
	\$.39	\$.35	\$.02	\$.06	
Weighted average common shares outstanding(2)					
	6,591	5,260	4,000	3,988	3,984
	=====	=====	=====	=====	=====

As of December 31,

	1994	1993	1992	1991	1990
	----	----	----	----	----
	(In thousands)				
Selected Balance Sheet Data:					
Working capital (deficit)	\$ 4,889	\$ 7,017	\$ (678)	\$ (589)	\$ (142)
Total assets	24,665	18,425	7,219	5,980	4,355
Long-term debt, net of current portion	980	946	292	446	690
Stockholders' equity	14,455	10,480	1,574	962	1,188

-
- (1) Effective July 1, 1987, the Company elected to be treated as a corporation subject to taxation under Subchapter S of the Internal Revenue Code, pursuant to which the net earnings of the Company were taxed directly to the Company's stockholders rather than to the Company. The Company terminated its election on April 30, 1993, and recognized a cumulative net deferred tax asset of \$505,000. The amounts shown reflect a pro forma tax provision as if the Company had been a Subchapter C corporation subject to income taxes for all periods presented.
- (2) All share and per share amounts have been restated to reflect the 2-for-1 stock split effective May 23, 1994.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth the percentages of total revenues represented by selected items in the Company's Statements of Operations for the years ended December 31, 1994, 1993 and 1992, included in Item 8 of this report. References to the Notes to Financial Statements appearing below are to the notes to the Company's financial statements included in Item 8 of this report.

	Percentage of Total Revenues		
	Years Ended December 31,		
	1994	1993	1992
Revenues:			
Temporary services	50.6%	41.6%	43.3%
Staff leasing services	49.4	58.4	56.7
	-----	-----	-----
Total revenues	100.0	100.0	100.0
	-----	-----	-----
Cost of revenues:			
Direct payroll costs	75.1	74.9	74.7
Payroll taxes and benefits	9.1	9.9	9.8
Workers' compensation	3.6	4.6	4.0
Safety incentives8	.6	.8
	-----	-----	-----
Total cost of revenues	88.6	90.0	89.3
	-----	-----	-----
Gross margin	11.4	10.0	10.7
Selling, general and administrative expenses	7.6	6.8	7.9
	-----	-----	-----
Income from operations	3.8	3.2	2.8
Other income (expense)2	.2	---
	-----	-----	-----
Pretax income	4.0	3.4	2.8
Provision for income taxes	1.5	.4	---
	-----	-----	-----
Net income	2.5	3.0	2.8
	=====	=====	=====
Pro forma provision for income taxes		1.3	1.1
Pro forma net income		2.1	1.7
		=====	=====

YEARS ENDED DECEMBER 31, 1994 AND 1993

Net income for 1994 amounted to \$3,466,000, an increase of \$1,406,000 or 68.3% over 1993 pro forma net income of \$2,060,000. The increase in 1994 net income over 1993 was primarily due to substantial increases in revenues and gross margin. Net income per share for 1994 was \$.53 as compared to pro forma net income per share of \$.39 for 1993.

Total 1994 revenues were \$140,552,000, which represented an increase of \$40,285,000 or 40.2% over 1993. The increase in revenues over 1993 was due in part to a 1994 internal growth rate of 18.3%, coupled with two acquisitions during the 1994 first quarter. Refer to Note 2 of the Notes to Financial Statements. 1994 revenues from temporary services increased \$29,393,000 or 70.4% over 1993, while 1994 staff leasing revenues rose \$10,892,000 or 18.6% over 1993. The disproportionate growth rate of temporary services as compared to staff leasing services was principally due to the acquisition of Golden West Temporary Services in March 1994, which provided only temporary staffing services. It is management's current belief that total revenues for 1995 may approach \$175 million.

The Company believes the growth of its staff leasing services was 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 as compared to the third-party insurance coverage its clients typically would otherwise be required to carry.

Gross margin for 1994 totaled \$16,107,000 or 11.4% of revenues, representing an increase of \$6,111,000 or 61.1% over 1993. The improvement in gross margin for 1994 of approximately 140 basis points over 1993 was due in large part to a decrease in workers' compensation expense (expressed as a percent of revenues) and to a reduction in the Oregon unemployment payroll tax rate.

Workers' compensation expense includes the cost of self-insurance (which incorporates among other elements, case reserves for reported claims, reserves for claims incurred but not reported, loss adjustment expenses, reinsurance premiums, third-party administrator fees and state assessments) for the Company's employees in Oregon, Maryland (since November 1993) and Washington (since July 1994) and third-party insurance for employees in California and Delaware. Effective January 1, 1995, the Company obtained self-insured employer status for workers' compensation coverage in Delaware. On March 20, 1995, the Company announced that its application for self-insured employer status for workers' compensation purposes had been approved by the State of California.

Workers' compensation and safety incentives expense, expressed as a percentage of revenues, decreased to 4.4% in 1994 from 5.2% in 1993. This overall decrease was attributable in part to a reduction in the number of injury claims and a small increase in claim reserves, in spite of substantial increases in the number of covered workers, as reflected by the Company's increased revenues.

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 for 1994 amounted to 7.6% of revenues compared to 6.8% of revenues in 1993. The increase for 1994 over 1993 was primarily due to (i) the acquisition of two temporary services businesses in the first quarter of 1994, which have higher administrative overhead requirements as compared to staff leasing services and (ii) additional management staff to support increased business activity, together with higher profit sharing and bonuses based on Company performance.

YEARS ENDED DECEMBER 31, 1993 AND 1992

Pro forma net income for 1993 totaled \$2,060,000, an increase of \$675,000 or 48.7% over 1992 pro forma net income of \$1,385,000. Refer to Note 12 of the Notes to Financial Statements regarding the pro forma provision for income taxes. Pro forma net income per share for 1993 and 1992 were \$.39 and \$.35, respectively, which have been restated to reflect the 2-for-1 stock split effective May 23, 1994.

Total revenues increased \$20,142,000 or 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 or 20.4% and \$13,068,000 or 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 attributed 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.

Market conditions were favorable for the Company's staff leasing services in Oregon during both 1993 and 1992, 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.

Gross margin for 1993 amounted to \$9,996,000 or 10.0% of revenues, which represented an increase of \$1,401,000, or 16.3% over 1992. The 1993 gross margin expressed as a percent of revenues declined 70 basis points from the 1992 rate of 10.7% as a result of higher workers' compensation expense, direct payroll, payroll taxes and benefits in comparison to 1992.

Payroll costs, payroll taxes and benefits for the Company's temporary and staff leasing employees increased by \$17,436,000 or 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 was 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.

Workers' compensation expense increased by \$1,358,000 or 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.

Selling, general and administrative expenses increased 7.6% for 1993 compared to 1992. Of the \$481,000 increase, \$81,000 was attributable to an increase in the provision for doubtful accounts arising from the financial 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 in 1993 toward staff leasing services, which have lower overhead requirements as compared to temporary services.

The Company was exempt from taxation as a Subchapter 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 Subchapter C corporation. See Note 12 of the Notes to Financial Statements.

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 certain staff leasing clients decline during the year-end holiday season and periods of inclement weather. Correspondingly, demand for temporary services and the operations of some staff leasing clients, particularly agricultural and forest products-related companies, increase during the second and third quarters. As staff leasing revenues increase in comparison to total revenues, the effect of seasonal fluctuations on the Company's revenues may diminish.

Liquidity and Capital Resources

The Company's net cash position of \$2,214,000 at December 31, 1994 increased \$1,087,000 from year end 1993. The Company financed its operations and satisfied its liquidity needs primarily from the sales of short-term marketable securities and from cash provided by operating activities. The principal uses of funds during 1994 were (i) to acquire four temporary services businesses whose total acquisition costs were \$5,135,000 (of which \$468,000 was paid in shares of Barrett common stock), (ii) the funding of increased working capital requirements due to higher accounts receivable as a result of the acquisitions and (iii) additional workers' compensation surety deposits required by Oregon and Washington of \$696,000 and \$345,000, respectively.

Net cash provided by operating activities for 1994 amounted to \$1,315,000 as compared to \$3,415,000 for 1993. For 1994, the cash flow provided by net income and higher accrued payroll and related benefits was offset in part by increases in accounts receivable and prepaid expenses. The increase in 1994 accounts receivable over 1993 was the result of higher sales levels, the Golden West acquisition and an increase in the number of days' sales in receivables from 18 days in 1993 to 24 days at December 31, 1994. The increase in this ratio is primarily attributable to the increased mix of temporary staffing revenues, which have longer trade terms than the cash terms for staff leasing clients.

Net cash used by investing activities for 1994 totaled \$139,000, which compares to \$8,815,000 for 1993. During 1994, the Company paid \$4,737,000 in cash in connection with four acquisitions and purchased \$3,713,000 in marketable securities. These activities were primarily funded by the sale of \$8,619,000 in marketable securities of which a substantial portion was originally purchased with proceeds of the Company's June 1993 initial public offering of common stock. Capital expenditures for 1994 totaled \$308,000; the Company presently has no material long-term capital commitments.

Net cash used by financing activities of \$89,000 in 1994 resulted from payments on long-term debt of \$130,000, offset in part by \$41,000 generated from the exercise of incentive stock options. For 1993, net cash provided by financing activities amounted to \$6,515,000 primarily due to proceeds of the Company's initial public offering and certain long-term mortgage financing on the Company's corporate office building.

The Company's business strategy continues to be focused on growth through the expansion of operations at existing offices and the acquisition of additional personnel-related businesses, both in its existing markets and other strategic 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 has an unsecured \$4.0 million revolving credit facility of which there was no outstanding balance at December 31, 1994. Refer to Note 6 of the Notes to Financial Statements. Management believes that the available credit facility and other sources of financing, together with anticipated

funds generated from operations, will be sufficient in the aggregate to fund the Company's working capital needs for the foreseeable future. Management also anticipates that the surety deposit required by the State of California in connection with the Company's recently approved application for self-insured employer status for workers' compensation purposes will be funded from a combination of cash reserves, letters of credit from the Company's principal bank, surety bonds from a third-party surety or from other financing sources or arrangements.

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.

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	21
Balance Sheets at December 31, 1994 and 1993	22
Statements of Operations for the years ended December 31, 1994, 1993, and 1992	23
Statements of Stockholders' Equity for the years ended December 31, 1994, 1993, and 1992	24
Statements of Cash Flows for the years ended December 31, 1994, 1993, and 1992	25
Notes to Financial Statements	26

Other financial statement schedules are omitted because they are not applicable or not required.

Report of Independent Accountants

February 6, 1995

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

In our opinion, the accompanying balance sheets 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, 1994 and 1993, and the

results of its operations and its cash flows for each of the three years in the period ended December 31, 1994 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 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, 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 LLP
Portland, Oregon

Barrett Business Services, Inc.
Balance Sheets
(In thousands)

	December 31,	
	1994	1993
	-----	-----
-		
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,214	\$ 1,127
Marketable securities	--	6,374
Trade accounts receivable, net	9,631	4,954
Prepaid expenses and other	599	145
Deferred tax asset (Note 12)	914	894
	-----	-----
Total current assets	13,358	13,494
Intangibles, net (Note 3)	4,936	294
Property and equipment, net (Notes 4 and 7)	2,110	1,876
Restricted marketable securities and workers' compensation deposits (Note 5)	4,196	2,728
Other assets	65	33
	-----	-----
	\$24,665	\$18,425
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt (Notes 7 and 10)	\$ 31	\$ 123
Income taxes payable (Note 12)	--	79
Accounts payable	218	91
Accrued payroll, payroll taxes and related benefits	5,057	3,223
Accrued workers' compensation claim liabilities (Note 5)	2,358	2,434
Customer safety incentives payable	805	527
	-----	-----
Total current liabilities	8,469	6,477
Long-term debt, net of current portion (Notes 7 and 10)	908	946
Customer deposits	669	522

Long-term workers' compensation liabilities (Note 5)	164	--
	-----	-----
	10,210	7,945
	-----	-----
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock, \$.01 par value; 20,500 shares authorized, 6,367 and 3,152 shares issued and outstanding, respectively (Notes 11 and 13)	64	32
Additional paid-in capital	8,978	8,469
Retained earnings	5,413	1,979
	-----	-----
	14,455	10,480
	-----	-----
	\$24,665	\$18,425
	=====	=====

The accompanying notes are an integral part of these financial statements.

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

	Year ended December 31,		
	1994	1993	1992
	-----	-----	-----
Revenues:			
Temporary services	\$71,148	\$41,755	\$34,681
Staff leasing services	69,404	58,512	45,444
	-----	-----	-----
	140,552	100,267	80,125
	-----	-----	-----
Cost of revenues:			
Direct payroll costs	105,515	75,171	59,820
Payroll taxes and benefits	12,758	9,911	7,826
Workers' compensation (Note 5)	5,069	4,591	3,233
Safety incentives	1,103	598	651
	-----	-----	-----
	124,445	90,271	71,530
	-----	-----	-----
Gross margin	16,107	9,996	8,595
Selling, general and administrative expenses	10,302	6,450	6,003
Amortization of intangibles (Note 3)	430	370	336
	-----	-----	-----
Income from operations	5,375	3,176	2,256
	-----	-----	-----
Other (expense) income:			
Interest expense	(106)	(86)	(77)
Interest income	224	161	70
Other, net	78	133	26
	-----	-----	-----
	196	208	19
	-----	-----	-----
Income before provision for taxes	5,571	3,384	2,275
Provision for income taxes (Note 12)	2,105	437	-
	-----	-----	-----
Net income	\$ 3,466	\$ 2,947	\$ 2,275
	=====	=====	=====

Net income per share	\$.53	\$ -	\$ -
	=====	=====	=====
Unaudited pro forma information (Note 12):			
Income before provision for income taxes		\$ 3,384	\$ 2,275
Pro forma provision for income taxes		1,324	890
		-----	-----
Pro forma net income		\$ 2,060	\$ 1,385
		=====	=====
Pro forma net income per share		\$.39	\$.35
		=====	=====
Weighted average number of shares outstanding	6,591	5,260	4,000
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

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

	Common stock Shares	Common stock Amount	Additional paid-in capital	Retained earnings	Total
	-----	-----	-----	-----	-----
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
Common stock issued for acquisitions	29		468		468
Common stock issued on exercise of options, net	22		41		41
Net income				3,466	3,466
Reclassification of retained earnings for stock split	3,164	32		(32)	-
	-----	-----	-----	-----	-----
Balance, December 31, 1994	6,367	\$ 64	\$ 8,978	\$ 5,413	\$14,455
	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

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

	Year ended December 31,		
	1994	1993	1992
	-----	-----	-----
Cash flows from operating activities:			
Net income	\$ 3,466	\$ 2,947	\$ 2,275
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	637	530	476
Gain on sales of marketable securities	-	(112)	(14)
Provision for doubtful accounts	136	160	79
Deferred taxes	(20)	(894)	-
Changes in certain assets and liabilities:			
Trade accounts receivable	(4,813)	(969)	(701)
Prepaid expenses and other	(454)	2	(88)
Income taxes payable	(79)	79	-
Accounts payable	127	(135)	(25)
Accrued payroll and related benefits	1,834	658	620
Accrued workers' compensation claim liabilities	88	1,097	462
Customer safety incentives payable	278	(8)	307
Litigation settlement	-	-	(600)
Due to stockholder	-	(98)	-
Customer deposits and other, net	115	158	114
	-----	-----	-----
Net cash provided by operating activities	1,315	3,415	2,905
	-----	-----	-----
Cash flows from investing activities:			
Payments for acquisitions	(4,737)	(10)	(90)
Purchases of fixed assets	(308)	(1,280)	(201)
Proceeds from sales of marketable securities	8,619	8,413	539
Purchases of marketable securities	(3,713)	(15,938)	(1,421)
	-----	-----	-----
Net cash used by investing activities	(139)	(8,815)	(1,173)
	-----	-----	-----
Cash flows from financing activities:			
Distributions to stockholders	-	(869)	(1,630)
Proceeds from debt issued	-	752	-
Payments on long-term debt	(130)	(196)	(276)
Proceeds from exercise of stock options	41	6,828	-
	-----	-----	-----
Net cash provided (used) by financing activities	(89)	6,515	(1,906)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	1,087	1,115	(174)
Cash and cash equivalents, beginning of year	1,127	12	186
	-----	-----	-----

Cash and cash equivalents, end of year	\$ 2,214	\$ 1,127	\$ 12
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

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 professional employer (staff leasing) services to a diversified group of customers through a network of branch offices throughout Oregon, Washington, northern California, Maryland and Delaware. Approximately 78%, 92% and 92%, respectively, of the Company's revenues during 1994, 1993 and 1992 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. Professional employer (staff leasing) services are normally used by organizations to satisfy ongoing personnel needs and typically involve contracts with a minimum term of one year, renewable annually, which cover all employees at a particular work site.

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

The Company had an allowance for doubtful accounts of \$62,500 and \$25,000 at December 31, 1994 and 1993, respectively.

Marketable Securities

Marketable securities are stated at cost which approximates fair market value. At December 31, 1994, marketable securities consisted primarily of municipal bonds and are expected to be held to maturity, generally from 17 to 30 years (see Note 5). At December 31, 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 estimated useful lives which range from 2 years 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 betterments 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 statements of operations.

Depreciation of property and equipment is calculated using either straight-line or accelerated methods over estimated useful lives which range from 3 years 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 certain provisions of the Internal Revenue Code. As such, 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 was made in the Company's financial statements for the year ended December 31, 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 the years ended December 31, 1993 and 1992 is provided for comparative purposes in the statements 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 event of default of payment.

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. Additionally, the par value of common stock was changed to \$.01 from \$10 per share. Common stock and additional paid-in capital as of December 31, 1991 have been adjusted to reflect this change. On April 20, 1994, the Company's board of directors approved a 2-for-1 stock split in the form of a stock dividend, paid May 23, 1994, to holders of record of its common stock at the close of business on May 2, 1994 (the "Record Date"), at the rate of one new share for each share outstanding on the Record Date. All earnings per share amounts have been adjusted to reflect these transactions for all periods presented.

A special meeting of stockholders was held on August 10, 1994, pursuant to which the stockholders approved an amendment to the Company's charter to increase the number of authorized shares of common stock from 7,500,000 shares to 20,500,000 shares.

Statements of Cash Flows

The Company has recorded the following non-cash transactions:

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

During 1992, notes receivable from a stockholder were extinguished.

During 1994, the Company issued common stock with an aggregate fair market value of \$468,000 in connection with the acquisition of certain assets of Personnel Management & Consulting, Inc. and Construction Workforce (see Note 2).

Interest paid during 1994, 1993 and 1992 did not materially differ from interest expense.

Income taxes paid by the Company in 1994 and 1993 totaled \$2,144,800 and \$1,239,600, respectively.

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

Net Income Per Share

Net income per share for the year ended December 31, 1994 is computed based on the weighted average number of common stock and common stock equivalents outstanding during the period. For the years ended December 31, 1993 and 1992, such pro forma computations were made without giving effect to securities that would otherwise be considered to be common stock equivalents, because such securities aggregated less than 3% of shares outstanding and thus were not considered dilutive. Outstanding stock options and warrants, net of assumed buy-back, are considered common stock equivalents.

Reclassifications

Certain prior year amounts have been reclassified to conform with the 1994 presentation. Such reclassifications have no impact on net income or stockholders' equity.

2. Acquisitions

CDI Corporation-West

In March 1993, the Company acquired a branch office of CDI Corporation-West in Sacramento, California for \$10,000. The acquisition was recorded under the purchase method of accounting which resulted in \$10,000 of intangible assets.

Personnel Management & Consulting, Inc.

On February 27, 1994, the Company purchased substantially all of the assets of Personnel Management & Consulting, Inc., a company engaged in the temporary services business in Maryland and Delaware. Of the \$270,000 purchase price, the Company paid \$42,000 in cash and issued 12,000 shares of its common stock with a then-fair market value of \$228,000. The acquisition was accounted for under the purchase method of accounting which resulted in approximately \$241,000 of intangible assets and \$29,000 of fixed assets.

Golden West Temporary Services

On March 7, 1994, the Company purchased certain assets of Golden West Temporary Services ("Golden West"), a company in the temporary services business with four offices in northern California. The cash purchase price of \$4,514,000 was paid by liquidating a portion of the Company's short-term marketable securities. The Company accounted for the acquisition under the purchase method of accounting which resulted in approximately \$4,425,000 of intangible assets and \$89,000 of fixed assets.

Construction Workforce

On December 26, 1994, the Company purchased certain assets of Max Johnson Enterprises, Inc., dba Construction Workforce, a company located in Spokane, Washington which specializes in providing highly skilled temporary craftsmen to the commercial construction industry. Of the \$300,000 purchase price, the Company paid \$60,000 in cash and issued 17,142 shares of its common stock with a then-fair market value of \$240,000. The acquisition was accounted for under the purchase method of accounting which resulted in \$285,000 of intangible assets and \$15,000 of fixed assets.

2. Acquisitions (Continued)

Advanced Temporary Systems, Inc.

On December 29, 1994, the Company purchased for \$51,000 cash certain assets of Advanced Temporary Systems, Inc., a company engaged in the temporary staffing business in Kent, Washington. The Company accounted for the acquisition under the purchase method of accounting which resulted in \$51,000 of intangible assets.

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 acquisition. The following unaudited pro forma summary presents the combined results of operations as if the Personnel Management & Consulting, Inc. and Golden West acquisitions had occurred at the beginning of 1993, after giving effect to certain adjustments for the amortization of intangible assets, taxation and cost of capital. The other acquisitions are not included in the pro forma information as their effect is not material.

	Year ended December 31,	
	1994	1993
	-----	-----
	(In thousands, except per share amounts)	
Revenue	\$145,066	\$125,514
	=====	=====
Net income	\$ 3,545	\$ 2,366
	=====	=====
Net income per share	\$.54	\$.45
	=====	=====

The unaudited 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,	
	1994	1993
	-----	-----
Covenants not to compete	\$ 1,490	\$ 1,215
Goodwill	4,870	220
Customer lists	358	211
	-----	-----
	6,718	1,646
Less accumulated amortization	1,782	1,352
	-----	-----
	\$ 4,936	\$ 294
	=====	=====

Barrett Business Services, Inc.

Notes to Financial Statements

4. Property and Equipment

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

	December 31,	
	1994	1993
	-----	-----
Office furniture and fixtures	\$ 1,509	\$ 1,092
Building	1,175	1,157
Vehicles	41	36
	-----	-----
	2,725	2,285
Less accumulated depreciation	923	716
	-----	-----
	1,802	1,569
Land	308	307
	-----	-----
	\$ 2,110	\$ 1,876
	=====	=====

5. Accrued Workers' Compensation Claim Liabilities

In August 1987 and November 1993, the Company became a self-insured employer with respect to workers' compensation insurance coverage for all its employees working or living in Oregon and Maryland, respectively. The Company also became a self-insured employer for workers' compensation insurance coverage in the state of Washington effective July 1, 1994 and in Delaware effective January 1, 1995. The Company has provided \$2,522,000 and \$2,434,000 at December 31, 1994 and 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, 1994 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 states of Oregon, Maryland and Washington require the Company to maintain specified investment balances or other financial instruments, totaling \$3,802,000 at December 31, 1994 and \$2,761,000 at December 31, 1993, to cover potential claims losses. To partially meet these requirements at December 31, 1994 and 1993, the Company held 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 sheets.

Barrett Business Services, Inc.

Notes to Financial Statements

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5. Accrued Workers' Compensation Claim Liabilities (Continued)

Liabilities incurred for work-related employee fatalities are recorded either at an agreed-upon lump-sum settlement amount or the net present value of future fixed and determinable payments over the actuarially determined remaining life of the beneficiary, discounted at a rate that approximates a long-term high quality corporate bond rate. The Company has obtained excess workers' compensation insurance to limit its self-insurance exposure to \$350,000 per occurrence (\$300,000 for claims

before December 31, 1993). The excess insurance provides coverage up to \$10 million per occurrence for claims through December 31, 1993 and unlimited excess coverage after that date. At December 31, 1994, the Company has recorded \$164,000 for work-related fatalities in long-term workers' compensation liabilities in the accompanying balance sheet.

The workers' compensation expense in the accompanying statements of operations consists of \$4,254,000, \$4,075,000 and \$2,780,000 for self-insurance expense for 1994, 1993 and 1992, respectively. Premiums in the insured states were \$815,000, \$516,000 and \$453,000 for 1994, 1993 and 1992, respectively.

6. Credit Facility

On August 12, 1993, the Company entered into a loan agreement (the "Agreement") with a major bank which provides for (a) an unsecured revolving credit facility for working capital purposes and (b) a term real estate loan. The Agreement, as amended, expires on May 31, 1995, and currently permits total borrowings of up to \$4,000,000 under the revolving credit facility. The interest rate on outstanding balances under the revolving credit facility is at the Federal Funds Rate plus 1.75%. 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 2.0 to 1.0, (ii) positive quarterly income before taxes, (iii) tangible net worth of not less than \$6,000,000, (iv) a minimum debt coverage ratio of 1.20 to 1.00 at the end of each fiscal year, and (v) a zero outstanding balance against the revolving credit facility 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 revolving credit facility at December 31, 1994 or 1993.

During the years ended December 31, 1994, 1993 and 1992, the maximum balances outstanding under the revolving credit facility were \$1,500,069, \$1,189,000 and \$321,617, respectively; the average balances outstanding were \$165,000, \$59,000 and \$142,000, respectively; and the weighted average interest rates during the period were 6.9%, 6.6% and 7.0%, respectively. The weighted average interest rate during the periods was calculated using daily weighted averages.

Barrett Business Services, Inc.

Notes to Financial Statements

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7. Long-Term Debt

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

	December 31,	
	1994	1993
	-----	-----
Mortgage note payable in monthly installments of \$2,781, including interest at 11% per annum through 1998, with a principal payment of \$269,174 due in 1998, secured by land and building	\$ 281	\$ 283
Mortgage note payable in monthly installments of \$6,730, including interest at 8.15% per annum through 2003, with a principal payment of \$366,633 due in 2003, secured by land and building	658	683

Unsecured note to former stockholder, with interest at 12% per annum (Note 10)	-	103
	-----	-----
	939	1,069
Less portion due within one year	31	123
	-----	-----
	\$ 908	\$ 946
	=====	=====

Maturities on long-term debt are summarized as follows at December 31, 1994 (in thousands):

Year ending December 31, -----	
1995	\$ 31
1996	33
1997	36
1998	307
1999	36
Thereafter	496

	\$ 939
	=====

8. Savings Plan

On April 1, 1990, the Company established a 401(k) employee savings plan for the benefit of its eligible employees. All employees, except those covered under a co-employer (leasing) contract, 21 years of age or older, become eligible to participate in the savings plan upon completion of 1,000 hours of service in any consecutive 12-month period following the initial date of employment. Employees covered under a co-employer (leasing) contract are eligible to participate in the savings plan beginning with their respective dates 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 7-year period. Company contributions to the plan were \$114,000, \$43,574 and \$35,000 for the years ended December 31, 1994, 1993 and 1992, respectively.

9. Commitments

Lease Commitments

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

Year ending December 31, -----	
1995	\$ 384
1996	242
1997	196
1998	114
1999	91

Total minimum payments	\$ 1,027
	=====

Rent expense for the years ended December 31, 1994, 1993 and 1992 was approximately \$423,000, \$295,000 and \$313,000, respectively.

10. Related Party Transactions

During 1994, 1993 and 1992, the Company recorded revenues of \$3,261,000, \$2,404,000 and \$2,249,000, respectively, and cost of revenues of \$3,112,000, \$2,316,000 and \$2,116,000, respectively, for providing services to a company of which a director of the Company is president and majority stockholder. At December 31, 1994 and 1993, Barrett had receivables from this company of \$140,000 and \$117,000, respectively.

During 1994, 1993 and 1992, the Company recorded revenues of \$119,000, \$480,000 and \$47,000, respectively, and cost of revenues of \$110,000, \$475,000 and \$45,000, respectively, for providing staff leasing services to a company owned by Barrett's President and Chief Executive Officer who is a stockholder of the client company. At December 31, 1993, Barrett had recorded a receivable of \$35,000 from this company.

As further described in Note 7, the Company had a note payable to the estate of the former majority stockholder, the late mother of a current stockholder. The Company was also 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 certain 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 1992.

At December 31, 1993, the President and 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.

10. Related Party Transactions (Continued)

A director of the Company is Vice Chairman of the Board of Directors of the bank that provides the Company's unsecured revolving credit facility and certain mortgage financing. In addition to providing other banking services, the bank also serves as the transfer agent for the Company's common stock. See Notes 6 and 7.

11. 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.

12. 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 provisions for income taxes are as follows (in thousands):

	Year ended December 31,		
	1994	1993	1992

	-----	-----	-----
		(Unaudited	pro forma)
Current:			
Federal	\$ 1,750	\$ 1,439	\$ 674
State	375	284	133
	-----	-----	-----
	2,125	1,723	807
	-----	-----	-----
Deferred:			
Federal	(17)	(338)	70
State	(3)	(61)	13
	-----	-----	-----
	(20)	(399)	83
	-----	-----	-----
Total provision	\$ 2,105	\$ 1,324	\$ 890
	=====	=====	=====

Barrett Business Services, Inc.

Notes to Financial Statements

12. Income Taxes (Continued)

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 partially 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.

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

	December 31,	
	1994	1993
	-----	-----
Accrued workers' compensation claim liabilities	\$ 982	\$ 949
Allowance for doubtful accounts	25	10

Tax depreciation in excess of book depreciation	(93)	(65)
	-----	-----
	\$ 914	\$ 894
	=====	=====

Barrett Business Services, Inc.

Notes to Financial Statements

12. Income Taxes (Continued)

The effective tax rate differed from the U.S. statutory federal tax rate due to the following:

	Year ended December 31,		
	1994	1993	1992
	-----	-----	-----
	(Unaudited pro forma)		
Statutory federal tax rate	34.0%	34.0%	34.0%
State taxes, net of federal benefit	4.4	4.3	4.1
Goodwill amortization	.2	.5	.7
Federal tax-exempt interest income	(1.1)	--	--
Other, net	.3	.3	.3
	-----	-----	-----
	37.8%	39.1%	39.1%
	=====	=====	=====

Upon termination of the Company's S Corporation status in 1993, cash distributions totaling \$330,000, which represented 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.

13. Stockholders' Equity

As of March 1, 1993, the Company adopted the 1993 Stock Incentive Plan (the "Plan") which provides for stock-based awards to the Company's employees, non-employee directors and outside consultants or advisers. As of April 20, 1994, the Company increased the number of shares of common stock reserved for issuance under the Plan from 500,000 to 800,000. An award of 4,000 restricted shares granted under the Plan in 1993 became fully vested in 1994. The following table summarizes option activity under the Plan:

	Options	Range of prices
	-----	-----
Outstanding at March 1, 1993	-	
Options granted	166,500	\$ 3.50 to \$ 4.69
Options exercised	-	
Options cancelled or expired	(6,000)	

Outstanding at December 31, 1993	160,500	
Options granted	233,500	\$ 9.50 to \$ 13.56
Options exercised	(22,175)	\$ 3.50
Options cancelled or expired	(65,250)	

Outstanding at December 31, 1994	306,575	
	=====	
Exercisable at December 31, 1994	10,450	
	=====	
Available for grant at December 31, 1994	467,250	

=====

Barrett Business Services, Inc.

Notes to Financial Statements

13. Stockholders' Equity (Continued)

The options listed in the table generally become exercisable in four equal annual installments beginning one year after the date of grant. The number of options and the price per share have been restated to reflect the 2-for-1 stock split effective May 23, 1994.

In connection with the initial public offering, the Company issued 200,000 warrants to its underwriters and related parties for the purchase of shares of the Company's common stock exercisable in whole at any time or in part from time to time commencing June 11, 1994 at \$4.20 per share, after giving effect for the 2-for-1 stock split. A total of 110,000 warrants were exercised in January 1995 for proceeds of \$462,000.

14. Quarterly Financial Information (Unaudited) (In thousands, except per share data)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	-----	-----	-----	-----
Year ended December 31, 1992:				
Revenues	\$ 17,000	\$ 20,333	\$ 22,597	\$ 20,195
Cost of revenues	15,123	18,101	20,197	18,109
Pro forma net income	253	408	435	289
Pro forma net income per share	.07	.10	.11	.07
Year ended December 31, 1993:				
Revenues	\$ 20,535	\$ 25,386	\$ 28,076	\$ 26,270
Cost of revenues	18,501	22,931	25,147	23,692
Pro forma net income	389	488		
Pro forma net income per share	.09	.11		
Net income			702	481
Net income per share			.11	.08
Year ended December 31, 1994:				
Revenues	\$ 27,067	\$ 35,136	\$ 41,149	\$ 37,200
Cost of revenues	24,096	31,217	36,107	33,025
Net income	608	765	1,235	858
Net income per share	.09	.12	.19	.13

Barrett Business Services, Inc.

Notes to Financial Statements

15. Market Information (Unaudited)

The Company's common stock trades on The Nasdaq Stock Market under the symbol "BBSI." The following table sets forth the high and low prices of the stock for each quarter since the June 1993 initial public offering:

	1993	
	High	Low
	-----	-----

June 1993	\$ 4.75	\$ 3.50
Third quarter	7.13	3.88
Fourth quarter	8.38	6.75

	1994	
	High	Low
	-----	-----
First quarter	\$ 16.00	\$ 6.88
Second quarter(1)	14.75	8.25
Third quarter	12.25	8.00
Fourth quarter	16.25	11.00

(1) All share prices prior to the second quarter of 1994 have been adjusted to reflect a 2-for-1 stock split effective May 23, 1994.

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

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table identifies, as of February 28, 1995, each director and executive officer of the Company. Directors serve until the next annual meeting of shareholders, or until their successors are elected and qualified. Executive officers serve at the discretion of the Board of Directors.

Name	Age	Principal Positions and Business Experience	Director since	Officer since

William W. Sherertz	49	President; Chief Executive Officer; Acting Chairman of the Board of Directors	1980	1980
Robert R. Ames	54	Director; Vice Chairman of First Interstate Bank of Oregon, N.A.	1993	
Jeffrey L. Beaudoin	40	Director; President of Rose City Moving and Storage Co.	1993	
Stephen A. Gregg	50	Director; Private investor and health care consultant	1995	
Anthony Meeker	55	Director; Vice President of Spears Benzak Salomon & Farrell	1993	
Stanley G. Renecker	40	Director; Vice President-Acquisitions of The Campbell Group		1993
Michael D. Mulholland	43	Vice President-Finance and Secretary; Chief Financial Officer		1994
Christopher J. McLaughlin	39	Vice President-Operations		1994
Peter J. Schenk	36	Vice President-Marketing and Sales		1993

William W. Sherertz has acted as Chief Executive Officer of the Company since 1980. He has also been a director of the Company since 1980, and was appointed President of the Company in March 1993. Mr. Sherertz also serves as Acting Chairman of the Board of Directors.

Robert R. Ames has served as a director of the Company since 1993. He is currently the Vice Chairman of the Board of Directors of First Interstate Bank of Oregon, N.A. From 1983 to 1991, Mr. Ames served as President of the Bank.

Jeffrey L. Beaudoin has served as a director of the Company since 1993. He is presently the President and a director of Rose City Moving and Storage Co., of Portland, Oregon, a staff leasing client of the Company.

Stephen A. Gregg was elected to the Company's Board of Directors in February 1995. He is currently a private investor and health care consultant. From 1985 to 1994, Mr. Gregg was Chairman and Chief Executive Officer of The Ethix Corporation, a national provider of health care programs headquartered in Portland, Oregon.

Anthony Meeker has served as a director of the Company since 1993. He has been a Vice President with Spears Benzak Soloman & Farrell, Portland, Oregon, an investment research firm, since 1993. From 1987 to 1993, Mr. Meeker was Treasurer of the State of Oregon. He has also been President and Chief Executive Officer and a director of Meeker Seed & Grain Co. since 1975.

Stanley G. Renecker has been a director of the Company since 1993. Mr. Renecker, a lawyer, is currently Vice President-Acquisitions of The Campbell Group, a timberland management firm, where he has been employed since 1989.

Michael D. Mulholland joined the Company in August 1994 as Vice President-Finance and Secretary. From 1988 to 1994, Mr. Mulholland was employed by Sprouse-Reitz Stores Inc., a former Nasdaq-listed retail company, serving as its Executive Vice President, Chief Financial Officer and Secretary. In November 1991, Sprouse-Reitz filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code. Its plan of reorganization was confirmed by the Bankruptcy Court in June 1992. Subsequently, Mr. Mulholland was appointed to the additional position of Acting Chief Executive Officer prior to Sprouse's filing of a voluntary petition in connection with a prepackaged liquidating Chapter 11 in November 1993.

Christopher J. McLaughlin joined the Company in May 1993 and was appointed Corporate Operations Manager in December 1993. Mr. McLaughlin is currently Vice President - Operations, a position held since July 1994. Prior to joining the Company, Mr. McLaughlin owned and operated an organizational development consulting firm.

Peter J. Schenk joined the Company as director of operations and marketing in December 1991. He was appointed Vice President--Operations and Marketing in March 1993 and in July 1994 became Vice President - Marketing and Sales. From 1986 to 1991, Mr. Schenk was Vice President--Marketing for American Consulting Services, a provider of marketing consulting services to media companies.

James D. Miller joined the Company in January 1994 as Controller. From 1991 to 1994, he was the Corporate Accounting Manager for Christensen Motor Yacht Corporation. Mr. Miller, a certified public accountant, was employed by Price Waterhouse from 1987 to 1991.

Section 16 of the Securities Exchange Act of 1934 ("Section 16") requires that reports of beneficial ownership of Barrett common stock and changes in such ownership be filed with the Securities and Exchange Commission ("SEC") by Section 16 "reporting persons," including directors, executive officers, and certain holders of more than 10% of the outstanding common stock or trusts of which reporting persons are trustees. To the Company's

knowledge, all Section 16 reporting requirements applicable to known reporting persons were complied with during 1994, except that Jack D. Williamson, Jr., who was an executive officer of the Company until August 1994, failed to file reports reflecting his exercise of a stock option and sale of the shares of common stock received upon such exercise in July 1994, and the termination of nonvested stock options in August 1994.

Item 11. EXECUTIVE COMPENSATION

The following Summary Compensation Table sets forth for the years indicated the compensation awarded or paid to, or earned by, the Company's chief executive officer and the Company's other executive officers whose salary level and bonus in 1994 exceeded \$100,000:

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards
		Salary (\$)	Bonus (\$)	Securities Underlying Options (2) (#)
William W. Sherertz President and Chief Executive Officer	1994	\$144,000	--	77,000
	1993	144,000	--	70,000
	1992	138,000	--	--
Michael D. Mulholland Vice President-Finance and Secretary; Chief Financial Officer	1994	42,486 (1)	--	20,000
	1993	--	--	--
	1992	--	--	--
Christopher J. McLaughlin Vice President-Operations	1994 (3)	79,583	\$39,300	20,000
	1993	--	--	--
	1992	--	--	--

- (1) Mr. Mulholland's current salary level of \$115,000 became effective with his date of employment, August 17, 1994.
- (2) Option grants do not include stock appreciation rights ("SARs").
- (3) Mr. McLaughlin became an executive officer during 1994; the amounts shown are for the full fiscal year.

Stock Option Data

The following table provides information as to options to purchase Barrett common stock granted to Messrs. Sherertz, Mulholland and McLaughlin during 1994.

Option Grants in Last Fiscal Year
Individual Grants

Name	Number of Securities Underlying Options Granted (1) #	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date	Grant Date Present Value (\$) (3)
-----	-----	-----	-----	-----	-----

William W. Sherertz	70,000	29.1%	\$ 9.50	2/18/2004	\$455,000
	7,000 (2)	2.9%	8.75	8/10/2004	46,900
Michael D. Mulholland	20,000	8.3%	10.75	8/17/2004	166,000
Christopher J. McLaughlin	20,000	8.3%	9.50	2/18/2004	130,000

- (1) Options become exercisable cumulatively in four equal annual installments beginning one year after the date of grant; provided that the option will become exercisable in full upon the officer's death, disability or retirement, or in the event of a change in control of the Company. A change in control is defined in the option agreements to include (i) any occurrence which would be required to be reported as such by the proxy disclosure rules of the Securities and Exchange Commission, (ii) the acquisition by a person or group (other than the Company or one of its employee benefit plans) of 30% or more of the combined voting power of its voting securities, (iii) with certain exceptions, the existing directors' ceasing to constitute a majority of the Board of Directors, (iv) certain transactions involving the merger, or sale or transfer of a majority of the assets, of the Company, or (v) approval by the stockholders of a plan of liquidation or dissolution of the Company. The options include a feature which entitles an optionee who tenders previously-acquired shares of common stock to pay all or part of the exercise price of the option, to receive a replacement option (a "reload option") to purchase a number of shares equal to the number of shares tendered at an exercise price equal to the fair market value of the common stock on the date of exercise. No SARs were granted to Messrs. Sherertz, Mulholland or McLaughlin during 1994.
- (2) Reload option as described in footnote (1) above.
- (3) The values shown have been calculated based on the Black-Scholes option pricing model and do not reflect the effect of restrictions on transferability or vesting. The values were calculated based on the following assumptions: (i) expectations regarding volatility of 50.3% were based on monthly stock price data during the past 10 years for companies deemed to be comparable; (ii) the risk-free rate of return was assumed to be the Treasury Bond rate whose maturity corresponds to the maturity of the option granted; and (iii) no dividends on the Barrett common stock will be paid during the option term. The values which may ultimately be realized will depend on the market value of the common stock during the periods during which the options are exercisable, which may vary significantly from the assumptions underlying the Black-Scholes model.

Information concerning each exercise of stock options and the fiscal year-end value of unexercised options held by Messrs. Sherertz, Mulholland and McLaughlin as of December 31, 1994 is summarized in the table below.

Name	Aggregated Option Exercises in Last Fiscal Year		Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year-End(2)	
	and Fiscal Year-End Option Values (1)					
	Shares Acquired on Exercise (#)	Value Realized (\$)	Exercisable	Unexercisable	Exercisable	Unexercisable
William W. Sherertz	17,500	\$91,875	--	129,500	--	\$903,000
Michael D. Mulholland	--	--	--	20,000	--	65,000
Christopher J. McLaughlin	--	--	1,000	23,000	\$10,500	121,500

(1) Messrs. Sherertz, Mulholland and McLaughlin did not exercise any SARs during 1994 and did not hold any SARs at December 31, 1994.

(2) The values shown have been calculated based on the difference between \$14.00, which was the closing sale price of Barrett common stock reported on The Nasdaq Stock Market on December 31, 1994, and the per share exercise price of unexercised options.

Directors' Compensation

Under the standard arrangement in effect at the end of 1994,

directors (other than directors who are full-time employees of the Company, who do not receive directors' fees) are entitled to receive a fee of \$500 for each Board meeting attended and each meeting of a committee of the Board attended other than a committee meeting held on the same day as a Board meeting.

In June 1993, concurrently with the closing of the Company's initial public offering, each person who was then a non-employee director of the Company received a nonqualified option, as adjusted for the May 1994 two-for-one stock split, to purchase 3,000 shares of the Company's common stock at an exercise price of \$3.50. Also, a nonqualified option for 500 shares of common stock is granted automatically to each non-employee director whose term begins on or continues after the date of each annual meeting of stockholders at an exercise price equal to the fair market value of the common stock on the date of the meeting. Accordingly, on April 20, 1994, Messrs. Ames, Beaudoin, Meeker and Renecker each received an option, adjusted for the stock split, for 1,000 shares at an exercise price of \$13.56 per share.

Payment of the exercise price of options granted to non-employee directors may be in cash or in previously-acquired shares of Barrett common stock. Each option includes a reload option feature to the extent that previously-acquired shares are used to pay the exercise price. Non-employee director options (other than reload options) become exercisable in four equal annual installments beginning one year after the date of grant. Reload options become exercisable six months following the date of grant. All options granted to a non-employee director will be exercisable in full upon the director's death, disability or retirement, or in the event of a change in control of the Company. The option term will expire three months following the date upon which the holder ceases to be a director other than by reason of death, disability or retirement; in the event of death or disability, the option will expire one year thereafter, while non-employee director options will expire five years after retirement.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table gives certain information regarding the beneficial ownership of Barrett common stock as of February 28, 1995, by each director, by each executive officer named in Item 11 above, and by all directors and executive officers of the Company as a group. In addition, it gives information about each person or group known to the Company to own beneficially more than 5% of the outstanding shares of its common stock. Information as to beneficial stock ownership is based on data furnished by the persons concerning whom such information is given. Unless otherwise indicated, all shares listed as beneficially owned are held with sole voting and dispositive power.

Name and Address of Beneficial Owner -----	Amount and Nature of Beneficial Ownership -----	Percent of Class -----
Robert R. Ames	1,000 (1)	*
Jeffrey L. Beaudoin	5,900 (1) (2)	*
Stephen A. Gregg	1,000	*
Christopher J. McLaughlin	8,400 (1)	*
Anthony Meeker	1,000 (1)	*
Michael D. Mulholland	--	--
Stanley G. Renecker	1,000 (1)	*
Nancy B. Sherertz 6513 Diamond Hall Road Easton, Maryland 21601	1,700,000	26.0%

William W. Sherertz 4724 S.W. Macadam Avenue Portland, Oregon 97201	1,935,000(1)	29.5%
Capital Consultants, Inc. 2300 S.W. First Avenue Portland, Oregon 97201	360,180(3)	5.5%
Wasatch Advisors, Inc. 68 South Main Street, Suite 400 Salt Lake City, Utah 84101	661,451(3)	10.1%
All directors and executive officers as a group (10 persons)	1,959,300(1)	29.8%

* Less than 1% of the outstanding shares of Common Stock.

- (1) Includes options to purchase Barrett common stock which are presently exercisable as follows: Mr. Ames, 1,000 shares; Mr. Beaudoin, 1,000 shares; Mr. McLaughlin, 6,000 shares; Mr. Meeker, 1,000 shares; Mr. Renecker, 1,000 shares; Mr. Sherertz, 24,500 shares; and all directors and executive officers as a group, 39,700 shares.
- (2) Includes 400 shares owned by Mr. Beaudoin's wife as to which he shares voting and dispositive powers.
- (3) A registered investment advisor who has filed a report of beneficial ownership on Schedule 13G reporting sole voting and dispositive power as to the indicated shares.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company has provided staff leasing services to Oregon Lumber Products, a sawmill company owned by William W. Sherertz, President and Chief Executive Officer of the Company, since September 1992. During 1994, the Company recorded revenues of \$119,000 and cost of revenues of \$110,000 in connection with these services. Oregon Lumber Products ceased operating during 1994 and as a result, there was no outstanding account receivable due at December 31, 1994.

The Company's indebtedness to the estate of Nancy R. Barrett throughout 1993 in the amount of \$103,311 pursuant to a promissory note bearing interest at 12% per annum and payable upon demand was paid in full during the first quarter of 1994. Mrs. Barrett is the late mother of Nancy B. Sherertz, who owns 26.0% of the outstanding common stock of the Company, and the late mother-in-law of William W. Sherertz. The promissory note was executed in 1986 in connection with the redemption of Barrett common stock held by Mrs. Barrett.

William W. Sherertz agreed, at December 31, 1993, to personally guarantee, at no cost to the Company and pursuant to the approval of a majority of the disinterested outside directors, the repayment of a \$111,000 account receivable from an unrelated, insolvent customer. The guarantee may be exercised by the Company at such time as the Company determines that further collection efforts with respect to the customer are likely to be ineffective, but not later than December 31, 1995.

Robert R. Ames, a director of the Company, is Vice Chairman of the board of directors of First Interstate Bank of Oregon, N.A., which has provided an unsecured revolving credit facility in the amount of \$4,000,000 and mortgage financing totaling approximately \$658,000 to the Company.

Compensation Committee Interlocks and Insider Participation

Incorporated by reference to Exhibit 10.1 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1993.

- 10.2 Form of Indemnification Agreement with each director of the registrant. Incorporated by reference to Exhibit 10.8 to the registrant's Registration Statement on Form S-1 (No.33-61804).
- 11 Statement of Calculation of Average Common Shares Outstanding.
- 23 Consent of Price Waterhouse LLP, independent accountants.
- 27 Financial Data Schedule.

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

EXHIBIT 3.2

BYLAWS OF BARRETT BUSINESS SERVICES, INC.

ARTICLE I. STOCKHOLDERS

Section 1. Annual Meeting. The annual meeting of the stockholders shall be held at 10:00 a.m., on the third Thursday in May of each year commencing in 1995, or at such other time and date in May of each year as the board of directors may establish, for the purpose of electing directors and for the transaction of such other business as may come before the meeting.

Section 2. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, may be called by the president or by the board of directors, and shall be called by the secretary upon written request by stockholders entitled to cast 25 percent of all votes entitled to be cast at the meeting stating the purpose of the meeting and the matters proposed to be acted upon at the meeting and upon payment by such stockholders to the corporation of the costs of the notice of the meeting. Notwithstanding the foregoing, a special meeting need not be called by the secretary to consider any matter which is substantially the same as a matter voted on at any special meeting of the stockholders held during the preceding 12 months unless requested by stockholders entitled to cast a majority of all votes entitled to be cast at the meeting.

Section 3. Place of Meeting. The place of meeting for all annual and special meetings of the stockholders shall be such place within the United States as shall be determined by the board of directors. In the absence of any such determination, all meetings of stockholders shall be held at the principal office of the corporation in the state of Oregon.

Section 4. Notice of Meeting; Waiver. Written or printed notice stating the place, day, and hour of the meeting and, in case of a special meeting or if otherwise required by law, the purpose or purposes for which the meeting is called, shall be given by the secretary not earlier than 90 nor less than 10 days before the date of the meeting, either personally or by mail, to each stockholder of record entitled to vote at or to receive notice of such meeting. If given personally, such notice shall be effective when delivered to the stockholder or when left at the stockholder's residence or usual place of business. If given by mail, such notice shall be effective when deposited in the United States mail, addressed to the stockholder at his or her address as shown in the corporation's current record of stockholders, with postage thereon prepaid. A stockholder entitled to notice of a meeting waives such notice if he or she is present at the meeting in person or by proxy. A written waiver of notice of a meeting signed by a stockholder entitled to such notice, whether before or after the time stated therein, which is filed with the records of stockholders meetings, shall be equivalent to the giving of such notice. A meeting of stockholders convened on the date for which it was called may be adjourned from time to time without further notice to a date not more than 120 days after the original record date for the meeting.

Section 5. Quorum; Manner of Acting. The presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting shall constitute a quorum. If a quorum is present, a majority of all the votes cast at the meeting is sufficient to approve any matter which properly comes before the meeting unless the vote of a greater proportion of all the votes cast or voting by classes is required by the Maryland General Corporation Law or the charter.

Section 6. Proxies. At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his or her duly authorized attorney-in-fact. Such proxy shall be filed with the secretary of the corporation before or at the time of the meeting. No proxy shall be valid after 11 months from the date of its execution unless otherwise expressly provided in the proxy.

Section 7. Voting of Shares. Each outstanding share of the corporation's common stock shall be entitled to one vote upon each matter submitted to a vote at a meeting of the stockholders except that shares owned, directly or indirectly, by another corporation in which the corporation owns,

directly or indirectly, shares entitled to cast a majority of all the votes entitled to be cast by all shares of such other corporation shall not be voted at any meeting or counted in determining the total number of outstanding shares at any given time.

Section 8. Acceptance of Votes. If the name signed on a vote, consent, waiver, or proxy appointment corresponds to the name of a stockholder, the corporation shall be entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the stockholder.

If the name signed on a vote, consent, waiver, or proxy appointment does not correspond to the name of its stockholder, the corporation shall nevertheless be entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the stockholder if:

a. The stockholder is a corporation, and the name signed purports to be that of the president, a vice-president, or a proxy appointed by either of them or by another person appointed under a bylaw or resolution of the board of directors of such stockholder, a certified copy of which is presented to the corporation.

b. The stockholder is an entity, other than a corporation, and the name signed purports to be that of an officer or agent of the entity.

c. The name signed purports to be that of an administrator, executor, guardian, or conservator representing the stockholder.

d. The name signed purports to be that of a receiver or trustee in bankruptcy of the stockholder.

e. The name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the stockholder.

f. Two or more persons are the stockholder whether as fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, and the name signed purports to be the name of at least one of the co-owners.

The corporation shall be entitled to reject a vote, consent, waiver, or proxy if the secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the stockholder.

Section 9. Action Without Meeting. Any action required or permitted by the Maryland General Corporation Law to be taken at a meeting of the stockholders may be taken without a meeting if there are filed with the records of stockholders meetings a consent in writing which sets forth the action so taken signed by each stockholder entitled to vote on the matter and a written waiver of any right to dissent signed by each stockholder entitled to notice of the meeting but not entitled to vote at the meeting.

ARTICLE II. BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the corporation shall be managed under the direction of its board of directors.

Section 2. Number, Tenure, and Qualifications. The board of directors shall consist of not more than nine persons and not less than three persons, the exact number within such specified limits to be fixed from time to time by resolution of a majority of the entire board, provided that so long as there are less than three stockholders the number of directors may be fixed at less than three but not less than the number of stockholders. Each director shall hold office until the next annual meeting of the stockholders and until his or her successor shall have been elected and qualified unless sooner removed from office as hereinafter provided. Directors need not be residents of the state of Maryland or stockholders of the corporation.

Section 3. Regular Meetings. A regular meeting of the board of directors shall be held without other notice than this bylaw immediately after, and at the same place as, the annual meeting of stockholders. The board of directors may provide by resolution the time and place, either within or without the state of Maryland, for the holding of additional regular meetings without other notice than such resolution.

Section 4. Special Meetings. Special meetings of the board of directors may be called by or at the request of the president or any two directors. The person or persons authorized to call special meetings of the board of directors may fix any place, either within or without the state of Maryland, as the place for holding any special meeting of the board of directors called by them.

Section 5. Notice; Waiver. Notice of the date, time, and place of any special meeting shall be given at least 36 hours previously thereto by written notice delivered personally or given by facsimile transmission, teletype, or other form of wire communication, or by mail or private carrier, to each director at his or her business address. Such notice shall be deemed effective at the earliest of the following: (a) when received, (b) three days after its deposit in the United States mail, as evidenced by the postmark, if mailed postpaid and correctly addressed, and (c) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the director. A director's attendance at, or participation in, a meeting shall constitute a waiver of notice of such meeting, except where a director at the beginning of the meeting, or promptly upon the director's arrival, objects to holding of the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to action taken at the meeting. A written waiver of notice of a meeting signed by a director entitled to such notice, whether before or after the time stated therein, which specifies the meeting for which notice is waived and which is filed with the records of the meeting shall be equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.

Section 6. Quorum. A majority of the number of directors fixed from time to time pursuant to Section 2 of this Article II shall constitute a quorum for the transaction of business at any meeting of the board of directors, but, if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 7. Manner of Acting. The action of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

Section 8. Vacancies. Any vacancy occurring in the board of directors, except a vacancy resulting from an increase in the number of directors, may be filled by the affirmative vote of a majority of the remaining directors, whether or not sufficient to constitute a quorum. A vacancy resulting from an increase in the number of directors may be filled by the affirmative vote of a majority of the entire board of directors.

Section 9. Presumption of Assent. A director who is present at a meeting of the board of directors when corporate action is taken shall be presumed to have assented to the action taken unless the director announces his or her dissent at the meeting and (a) the director's dissent is entered in the minutes of the meeting; or (b) the director files his or her written dissent with the secretary of the meeting before its adjournment; or (c) the director forwards his or her written dissent within 24 hours after the meeting is adjourned, by registered or certified mail, to the secretary of the meeting or of the corporation. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 10. Removal of Directors. All or any number of the directors may be removed by the stockholders with or without cause at a meeting expressly called for that purpose by the affirmative vote of a majority of all votes entitled to be cast for the election of directors. The notice of such meeting shall state that the purpose or one of the purposes of the meeting is the removal of the director or directors.

Section 11. Compensation. By resolution of the board of directors, each director may be paid an annual fee as director and, in addition thereto, a fixed sum for attendance at each meeting of the board of directors and executive committee or other committees and his expenses, if any, of attendance at any such meeting. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

Section 12. Action Without Meeting. Any action required or permitted by the Maryland General Corporation Law to be taken at a meeting of the board of directors may be taken without a meeting if a consent in writing which sets forth the action so taken is signed by each member of the board of directors and filed with the minutes of proceedings of the board of directors.

Section 13. Meetings By Telephone. Meetings of the board of directors may be held by means of conference telephone or similar communications equipment if all persons participating in the meeting can hear

each other at the same time, and such participation shall constitute presence in person at the meeting.

Section 14. Chairman and Vice Chairman. The board of directors shall appoint from among its members a chairman and a vice chairman who shall serve at the pleasure of the board of directors. The chairman, or in his absence the vice chairman, shall preside at the meetings of the board of directors.

ARTICLE III.

EXECUTIVE COMMITTEE AND OTHER COMMITTEES

Section 1. Appointment. The board of directors may appoint from among its members an executive committee to consist of a chairman and one or more other directors. The appointment of such committee, the delegation of authority to it or action by it under that authority shall not constitute of itself compliance by any director not a member of the committee with the standard provided in the Maryland General Corporation Law for the performance of duties by directors.

Section 2. Authority. The executive committee, when the board of directors is not in session, shall have and may exercise all the authority of the board of directors except to the extent, if any, that such authority shall be limited by the resolution appointing the executive committee and except also that neither the executive committee nor any other committee of the board of directors appointed pursuant to Section 9 of this Article III shall have the authority to (a) declare dividends or distributions on stock; (b) fix the terms of stock subject to classification or reclassification or the terms on which any stock may be issued except according to a general formula or method specified by the board of directors by resolution or by adoption of a stock option or other plan; (c) recommend to the stockholders any action which requires stockholder approval; (d) amend the bylaws; or (e) approve a merger or share exchange which does not require stockholder approval.

Section 3. Tenure. Each member of the executive committee shall hold office until the next regular annual meeting of the board of directors following his or her appointment and until his or her successor is appointed as a member of the executive committee.

Section 4. Meetings; Notice; Waiver. Regular meetings of the executive committee or any other committee of the board of directors appointed pursuant to Section 9 of this Article III may be held without notice at such times and places as the committee may fix from time to time by resolution. Special meetings of the executive committee or any such other committee may be called by any member thereof upon not less than 24 hours' notice stating the place, date and hour of the meeting. The provisions of Section 5 of Article II shall apply to the method for giving notice of special meetings of the executive committee or any such other committee and to the waiver of notice of any such meetings. The notice of a meeting of the executive committee or any such other committee need not state the business proposed to be transacted at the meeting.

Section 5. Quorum; Manner of Acting. A majority of the members of the executive committee or any such other committee shall constitute a quorum for the transaction of business at any meeting thereof, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

Section 6. Vacancies. Any vacancy in the executive committee or any such other committee may be filled by the board of directors.

Section 7. Resignations and Removal. Any member of the executive committee or any such other committee may be removed at any time with or without cause by the board of directors. Any member of the executive committee or any such other committee may resign as a member of the committee at any time by giving written notice to the chairman of the board or secretary of the corporation, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 8. Procedure. The chairman of the executive committee shall be the presiding officer of the executive committee. The executive committee and any such other committee shall fix its own rules of procedure which shall not be inconsistent with these bylaws. The committee shall keep regular minutes of its proceedings and report the same to the board of directors for its information at the meeting thereof held next after the proceedings shall have been taken.

Section 9. Appointment of Other Committees of the Board of

Directors. The board of directors may from time to time create any other committee or committees of the board of directors and appoint members of the board of directors to serve thereon. Each member of any such committee shall hold office until the next regular annual meeting of the board of directors following his or her appointment and until his or her successor is appointed as a member of such committee. Each committee shall have two or more members and, to the extent specified by the board of directors, may exercise the powers of the board subject to the limitations set forth in Section 2 of this Article III.

Section 10. Action Without a Meeting. Any action that may be taken by the executive committee or any such other committee at a meeting may be taken without a meeting if a consent in writing which sets forth the action so taken is signed by each member of the committee and filed with the minutes of proceedings of the committee.

Section 11. Meetings By Telephone. Meetings of any committee of the board of directors may be held by means of conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time, and such participation shall constitute presence in person at the meeting.

ARTICLE IV. OFFICERS

Section 1. Number. The officers of the corporation shall be a president, a secretary and a treasurer, each of whom shall be elected by the board of directors. The board of directors may elect one or more vice presidents (the number thereof to be determined by the board of directors) and such other officers and assistant officers as may be deemed necessary.

Section 2. Election and Term of Office. The officers of the corporation shall be elected annually at the first meeting of the board of directors held after each annual meeting of the stockholders. A person may hold more than one office but may not serve concurrently as both president and vice president of the corporation. Each officer shall hold office until his or her successor shall have been duly elected, or until his or her death, or until he or she shall resign or shall have been removed in the manner hereinafter provided.

Section 3. Removal. The board of directors may remove any officer at any time. The election of an officer shall not of itself create contract rights, and the resignation or removal of an officer shall not affect the contract rights, if any, of the corporation or the officer.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, or otherwise may be filled by the board of directors for the unexpired portion of the term.

Section 5. President. The president shall be the chief executive officer of the corporation and, subject to the control of the board of directors, shall in general supervise and control all the business and affairs of the corporation. He or she shall preside at all meetings of the stockholders and, in the absence of the chairman or vice chairman, at all meetings of the board of directors. He or she may sign, with the secretary or any other proper officer of the corporation thereunto authorized by the board of directors, certificates for shares of stock of the corporation and any deeds, mortgages, bonds, contracts, or other instruments which the board of directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors, or by these bylaws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed; and in general he or she shall perform all duties incident to the office of president and such other duties as may be prescribed by the board of directors from time to time.

Section 6. Vice Presidents. In the absence of the president, or in the event of his or her death, inability, or refusal to act, the vice president (or, in the event there be more than one vice president, the vice presidents in the order designated at the time of their election, or, in the absence of any designation, then in the order of their election) shall perform the duties of the president and, when so acting, shall have all the powers of and be subject to all the restrictions upon the president. Any vice president may sign, with the secretary or an assistant secretary, certificates for shares of stock of the corporation; and shall perform such other duties as from time to time may be assigned to him or her by the president or by the board of directors.

Section 7. Secretary. The secretary shall (a) keep the minutes of

the stockholders' and of the board of directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (c) be custodian of the corporate records and responsible for the authentication of such records; (d) keep or cause to be kept a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholder; (e) sign, with the president or a vice president, certificates for shares of stock of the corporation, the issuance of which shall have been authorized by the board of directors; (f) have general charge of the stock transfer books of the corporation; and (g) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him or her by the president or by the board of directors.

Section 8. Treasurer. If required by the board of directors, the treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the board of directors shall determine. He or she shall (a) have charge and custody of and be responsible for all funds and securities of the corporation, receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of Article V of these bylaws; and (b) in general perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him or her by the president or by the board of directors.

Section 9. Assistant Secretaries and Assistant Treasurers. The assistant secretaries, when authorized by the board of directors, may sign, with the president or a vice president, certificates for shares of stock of the corporation, the issuance of which shall have been authorized by the board of directors. The assistant treasurers shall, respectively, if required by the board of directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the board of directors shall determine. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or the treasurer, respectively, or by the president or the board of directors.

Section 10. Salaries. The salaries of the officers shall be fixed from time to time by the board of directors and no officer shall be prevented from receiving such salary by reason of the fact that he or she is also a director of the corporation.

ARTICLE V. CONTRACTS, LOANS, CHECKS, AND DEPOSITS

Section 1. Contracts. The board of directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation; and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the board of directors. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents, of the corporation and in such manner as shall from time to time be determined by resolution of the board of directors.

Section 4. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as selected by the officer or officers authorized by the board of directors to make such selection.

ARTICLE VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 1. Certificates for Shares. Certificates representing shares of stock of the corporation shall be in such form as shall be determined by the board of directors. Such certificates shall be signed manually by the president or a vice president and by the secretary or an assistant secretary and may be sealed with the corporate seal or a facsimile thereof. The signatures of such officers on a certificate may be facsimiles if the certificate is countersigned by a transfer agent, or registered by a

registrar, other than the corporation itself or an employee of the corporation. All certificates for shares or stock shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be canceled and no new certificates shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, stolen, destroyed, or mutilated certificate a new certificate may be issued therefor on such terms and indemnity to the corporation as the board of directors may prescribe.

Section 2. Transfer of Shares. Transfer of shares of stock of the corporation shall be made only on the stock transfer books of the corporation by the holder of record thereof or by his or her legal representative, who shall furnish proper evidence of authority to transfer, or by his or her attorney thereunto authorized by power of attorney duly executed and filed with the secretary of the corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares of stock stand on the books of the corporation shall be deemed by the corporation to be the owner thereof for all purposes.

ARTICLE VII. AMENDMENTS

The bylaws may be adopted, altered, or repealed solely by the board of directors.

EXHIBIT 4.4

THIRD AMENDMENT TO LOAN AGREEMENT

THIS AMENDMENT TO LOAN AGREEMENT, made and entered into as of the 3rd day of January, 1995, by and between FIRST INTERSTATE BANK OF OREGON, N.A. (hereinafter referred to as "Bank"), and BARRETT BUSINESS SERVICES, INC. (hereinafter referred to as "Borrower").

RECITALS:

The parties entered into a loan agreement dated as of August 12, 1993 (as amended from time to time the "Agreement"), and the parties now desire to amend the Agreement as hereinafter provided. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Agreement.

NOW, THEREFORE, the parties mutually agree as follows:

1. The attached Exhibit A which is by this reference incorporated herein shall replace the current Exhibit A, and Exhibit B shall remain the same.

2. Except as herein amended, each and all of the terms and provisions of the Agreement shall be and remain in full force and effect during the term thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to the Agreement, in duplicate, as of the date first hereinabove written.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY THE BANK AFTER OCTOBER 3, 1989, CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY THE BANK TO BE ENFORCEABLE.

Borrower hereby acknowledges receipt of a copy of this Amendment.

BARRETT BUSINESS SERVICES, INC. FIRST INTERSTATE BANK OF
OREGON, N.A.

By: MICHAEL D. MULHOLLAND By: LARRY C. ELLIS
Title: Vice President-Finance Title: Vice President

January 3, 1995

OPTIONAL ADVANCE NOTE

On May 31, 1995, the undersigned promises to pay in lawful money of the United States of America, to the order of FIRST INTERSTATE BANK OF OREGON, N.A. ("Bank"), at its Oregon Corporate Division ("OCD"), 1300 S.W. Fifth Avenue, Post Office Box 3131, Portland, Oregon 97208, the principal sum of Four Million and No/100 Dollars (\$4,000,000.00), or so much thereof as shall have been advanced by Bank to Undersigned and not repaid, together with interest thereon from the date of such advance.

This Note is given to avoid the execution by undersigned of an individual note for each advance by Bank to undersigned. In consideration thereof, undersigned agrees that Bank's record entries of transactions pursuant to this Note, together with Bank's written advice of charges, shall be conclusive evidence of borrowings, charges, and payments made pursuant hereto.

Interest shall accrue on the daily outstanding principal owing

hereon at the per annum rate of one and three-quarter percent (1.75%) above the Federal Funds Rate so long as undersigned is on the Bank's corporate cash management system; otherwise interest on the daily outstanding principal owing hereon shall accrue at the per annum rate of Bank's Prime Rate of interest in effect from time to time. "Federal Funds Rate" means, for any day, the interest rate per annum representing the offering rate for overnight federal funds as determined by Bank at the time of request. Bank's Prime Rate refers to Bank's publicly announced prime rate which is a base rate used to price some loans. It may not be the lowest rate at which Bank makes any loan. Each change in said rate is to become effective on the effective date of each change announced by Bank. Interest shall be computed on the basis of a 365-day year or 366-day year, as applicable, and actual days elapsed.

Interest shall be payable on the last business day of each month, beginning February 1, 1995, based on the daily outstanding unpaid principal balances during the preceding month. The unpaid balance of this obligation at any time shall be the aggregate amount advanced hereunder, plus accrued interest, less the amount of payments made hereon by or for the undersigned.

Advances hereunder may also be made by Bank at the oral or written request of William W. Sherertz, Jr. or Michael D. Mulholland, who are each authorized to request advances until written notice of the revocation of such authority is received by Bank at its OCD. Any such advances or advances made by Bank in the good faith belief that William W. Sherertz, Jr. or Michael D. Mulholland made such request, shall be conclusively presumed to have been made to or for the benefit of undersigned when such amounts are deposited to the credit of account number 003 0181390 of undersigned at Bank's Head Office Branch ("Branch"), regardless of the fact that persons other than those authorized hereunder may have authority to draw against such account or may have made such requests.

Payment of interest hereunder shall be made when due. Bank is hereby authorized to charge undersigned's account number 003 0181390 for the amount of interest due on the due dates. Repayments of principal shall be made by charging undersigned's account number 003 0181390 at the oral or written request of William W. Sherertz, Jr. or Michael D. Mulholland. Bank shall send undersigned an advice of any such charges when made.

All communications, instructions or directions by telephone or otherwise to Bank are to be directed to Bank's OCD.

Upon the occurrence of an Event of Default (as defined in the Loan Agreement), then, at the option of the holder of this Note, without prior notice, the entire indebtedness represented hereby shall immediately become due and payable. Failure or delay of the holder to exercise this option shall not constitute a waiver of the right to exercise the same in the event of subsequent default, or in the event of continuance of any existing default after demand for the performance of the terms hereof.

Undersigned shall pay upon demand any and all expenses, including reasonable attorney fees, incurred or paid by the holder of this Note without suit or action in attempting to collect funds due under this Note. In any suit or action instituted for the collection of any sums due hereunder, the prevailing party shall be entitled to recover such sum as the court may adjudge reasonable for its attorney fees, both in the trial court and any appellate court.

This Note is subject to the terms and conditions of that certain loan agreement dated August 12, 1993, between the undersigned and Bank, as amended from time to time ("Loan Agreement").

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY THE BANK AFTER OCTOBER 3, 1989, CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY THE BANK TO BE ENFORCEABLE. UNDERSIGNED HEREBY ACKNOWLEDGES RECEIPT OF A COPY OF THIS NOTE.

BARRETT BUSINESS SERVICES, INC.

By: MICHAEL D. MULHOLLAND

Title: Vice President-Finance

EXHIBIT 11

BARRETT BUSINESS SERVICES, INC.
STATEMENT OF CALCULATION OF AVERAGE
COMMON SHARES OUTSTANDING

	Three Months Ended Dec. 31, 1994 -----	Year Ended Dec. 31, 1994 -----
Primary Earnings Per Share		
Weighted average number of shares	6,349,861	6,333,378
Stock option plan shares to be issued at prices ranging from \$3.500 to \$13.563 per share	311,830	320,013
Warrant issues at a price of \$4.20 per share	200,000	200,000
Less: Assumed purchase at average market price during the period using proceeds received upon exercise of options and purchase of stock, and using tax benefits of compensation due to premature dispositions	(236,156) -----	(262,133) -----
Total Primary Shares	6,625,535 =====	6,591,259 =====
Fully Diluted Earnings Per Share:		
Weighted average number of shares	6,349,861	6,333,378
Stock option plan shares to be issued at prices of ranging from \$3.500 to \$13.563 per share	311,830	320,013
Warrant issues at a price of \$4.20 per share	200,000	200,000
Less: Assumed purchase at the higher of ending or average market price during the period using proceeds received upon exercise of options and purchase of stock, and using tax benefits of compensation due to premature dispositions	(230,251) -----	(219,256) -----
Total Diluted Shares	6,631,440 =====	6,634,135 =====

EXHIBIT 23

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-71792, 33-55117 and 33-52871) of Barrett Business Services, Inc. of our report dated February 6, 1995 appearing on page 21 of this Annual Report on Form 10-K.

PRICE WATERHOUSE LLP

Portland, Oregon
March 29, 1995

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This schedule contains summary financial information extracted from the company's balance sheets and related statements of operations for the period ended December 31, 1994 and is qualified in its entirety by reference to such financial statements.

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