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, 1999
Commission File Number 0-21886

BARRETT BUSINESS SERVICES, INC.
(Exact name of registrant as specified in its charter)

Maryland	52-0812977
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4724 SW Macadam Avenue Portland, Oregon	97201
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

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

Common Stock, Par Value $.01 Per Share

(Title of class)

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

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

State the aggregate market value of the voting stock held by non-affiliates of the Registrant: $28,817,711 at February 29, 2000.

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 29, 2000
Common Stock, Par Value $.01 Per Share	7,458,998 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2000 Annual Meeting of Stockholders are hereby incorporated by reference into Part III of Form 10-K.

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PART I

ITEM 1. BUSINESS
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GENERAL

Barrett Business Services, Inc. ("Barrett" or the "Company"), was incorporated in the state of Maryland in 1965. Barrett is a leading human resource management company. The Company provides comprehensive outsourced solutions addressing the costs and complexities of a broad array of employment-related issues for businesses of all sizes. Employers are faced with increasing complexities in employment laws and regulations, employee benefits and administration, federal, state and local payroll tax compliance and mandatory workers' compensation coverage, as well as the recruitment and retention of quality employees. The Company believes that outsourcing the management of various employer and human resource responsibilities, which are typically considered non-core functions, enables organizations to focus on their core competencies, thereby improving operating efficiencies.

Barrett's range of services and expertise in human resource management encompasses five major categories: payroll processing, employee benefits and administration, workers' compensation coverage, aggressive risk management and workplace safety programs, and human resource administration, which includes functions such as recruiting, interviewing, drug testing, hiring, placement, training and regulatory compliance. These services are typically provided through a variety of contractual arrangements, as part of either a traditional staffing service or a professional employer organization ("PEO") service. Staffing services include on-demand or short-term staffing assignments, long-term or indefinite-term contract staffing, and comprehensive on-site personnel management responsibilities. In a PEO arrangement, the Company enters into a contract to become a co-employer of the client company's existing workforce and assumes responsibility for some or all of the human resource management responsibilities. The Company's target PEO clients typically have limited resources available to effectively manage these matters. The Company believes that its ability to offer clients a broad mix of staffing and PEO services differentiates it from its competitors and benefits its clients through (i) lower recruiting and personnel administration costs, (ii) decreases in payroll expenses due to lower workers' compensation and health insurance costs, (iii) improvements in workplace safety and employee benefits, (iv) lower employee turnover and (v) reductions in management resources expended in employment-related regulatory compliance. For 1999, Barrett's staffing services revenues represented 56.1% of total revenues, compared to 43.9% for PEO services revenues.

Barrett provides services to a diverse array of customers, including, among others, electronics manufacturers, various light-manufacturing industries, forest products and agriculture-based companies, transportation and shipping enterprises, food processing, telecommunications, public utilities, general contractors in numerous construction-related fields and various professional services firms. During 1999, the Company provided staffing services to approximately 6,800 customers. Although a majority of the Company's staffing customers are small to mid-sized businesses, during 1999 approximately 50 of the Company's customers each utilized Barrett employees in a number ranging from at least 200 employees to as many as 1,600 employees through various staffing services arrangements. In addition, Barrett had approximately 637 PEO clients at December 31, 1999, compared to 612 at December 31, 1998.

The Company operates through a network of 37 branch offices in Oregon, California, Washington, Maryland, Delaware, Idaho, Arizona, North Carolina and South Carolina. Barrett also has several smaller recruiting offices in its general market areas under the direction of a branch office.

OPERATING STRATEGIES

The Company's principal operating strategies are to: (i) provide a unique and efficient blend of staffing and PEO services, (ii) promote a decentralized and autonomous management philosophy and structure, (iii) leverage zone and branch level economies of scale, (iv) motivate employees through wealth sharing and (v) control workers' compensation costs through effective risk management.

GROWTH STRATEGIES

The Company's principal growth strategies are to: (i) expand through acquisitions of human resource-related businesses in new and existing geographic markets, (ii) utilize a zone management structure to strengthen and expand operations and (iii) enhance management information systems to support continued growth and to improve customer services.

RECENT ACQUISITIONS

On January 1, 1999, the Company acquired all of the outstanding common stock of Temporary Staffing Systems, Inc. ("TSS"), a staffing services company with eight branch offices in North Carolina and one in South Carolina. The Company paid $2,000,000 in cash and issued a note payable for $950,000 due January 31, 2000 (the "Note"), payment of which is contingent upon a minimum equity requirement for 1998 and certain financial performance criteria for 1999. The Company also paid $50,000 in cash for a noncompete agreement with the selling shareholder. TSS's revenues for the fiscal year ended March 29, 1998 were approximately $12.9 million (audited). The Company has provided notice to the former shareholder of TSS of the Company's intent to reduce the amount payable on the Note due to certain shortfalls. The parties have agreed to extend the due date of the Note until the former shareholder of TSS has completed a review of the proposed reductions as provided for in the Stock Purchase Agreement. See Note 17 of the Notes to Financial Statements following Item 14 of this report.

On February 15, 1999, the Company acquired certain assets of TPM Staffing Services, Inc. ("TPM"), a staffing services company with three offices in Southern California - Lake Forest, Santa Ana and Anaheim. The Company paid $1,200,000 in cash for the assets of TPM and the selling shareholder's noncompete agreement. TPM's revenues for the year ended December 31, 1998 were approximately $5.7 million (unaudited).

Effective May 31, 1999, the Company acquired certain assets of Temporary Skills Unlimited, Inc., d.b.a. TSU Staffing ("TSU"), a staffing services company with nine branch offices in Northern California. The Company paid $9,558,000 in cash and issued a note for $864,500, due one year from the date of acquisition. The Company also paid $100,000 for noncompete agreements. TSU's revenues for the year ended December 27, 1998 were approximately $25.0

million (audited).

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, or that any future acquisitions will have a positive effect on the Company's performance. Acquisitions involve a number of potential risks, including the diversion of management's attention to the assimilation of the operations and personnel of the acquired companies, exposure to workers' compensation and other costs in differing regulatory environments, adverse short-term effects on the Company's operating results, integration of management information systems and the amortization of acquired intangible assets.

THE COMPANY'S SERVICES

Overview of Services. Barrett's services are typically provided through a variety of contractual arrangements, as part of either a traditional staffing service or a PEO service. These contractual arrangements also provide a continuum of human resource management services. While some services are more frequently associated with Barrett's co-employer arrangements, the Company's expertise in such areas as safety services and personnel-related regulatory compliance may also be utilized by its staffing services customers through the Company's human resource management services. The Company's range of services and expertise in human resource management encompasses five major categories:

- Payroll Processing. For both the Company's staffing services and PEO employees, the Company performs all functions associated with payroll administration, including preparing and delivering paychecks, computing tax withholding and payroll deductions, handling garnishments, computing vacation and sick pay, and preparing W-2 forms and accounting reports through centralized operations at its headquarters in Portland, Oregon.

- Employee Benefits and Administration. As a result of its size, Barrett is able to offer employee benefits which are not available at an affordable cost to many of its customers, particularly those with fewer than 100 employees. These benefits include health care insurance, a 401(k) savings plan, a Section 125 cafeteria plan, life and disability insurance, claims administration and a nonqualified deferred compensation plan.

- Safety Services. Barrett offers safety services to both its staffing services and PEO customers in keeping with its corporate philosophy of "making the workplace safer." The Company has at least one risk manager available at each branch office to perform workplace safety assessments for each of its customers and to recommend actions to achieve safer operations. The Company's services include safety training and safety manuals for both workers and supervisors, job-site visits and meetings, improvements in workplace procedures and equipment to further reduce the risk of injury, compliance with OSHA requirements, environmental regulations, workplace regulation by the U.S. Department of Labor and state agencies and accident investigations. As discussed under "Self-Insured Workers' Compensation Program" below, the Company also pays safety incentives to its customers who achieve improvements in workplace safety.

- Workers' Compensation Coverage. Beginning in 1987, the Company obtained self-insured employer status for workers' compensation coverage in Oregon and is currently a qualified self-insured employer in many of the state and federal jurisdictions in which it operates. Through its third-party administrators, Barrett provides claims management services to its PEO customers. As discussed under "Self-Insured Workers' Compensation Program" below, the Company aggressively manages job injury claims, including identifying fraudulent claims and utilizing its staffing services to return workers to active employment earlier. As a result of its ability to manage workers' compensation costs, the Company is often able to reduce its clients' overall expenses arising out of job-related injuries and insurance.

- Human Resource Administration. Barrett offers its clients the opportunity to leverage the Company's experience in personnel-related regulatory compliance. For both its staffing services employees and PEO clients, the Company handles the burdens of advertising, recruitment, skills testing, evaluating job applications and references, drug screening, criminal and motor vehicle records reviews, hiring, and compliance with such

employment regulatory areas as immigration, the Americans with

Disabilities Act, and federal and state labor regulations.

Staffing Services. Barrett's staffing services include on-demand or short-term staffing assignments, contract staffing, long-term or indefinite-term on-site management and human resource administration. Short-term staffing involves employee demands caused by such factors as seasonality, fluctuations in 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. As more and more companies focus on effectively managing variable costs and reducing overhead, the use of employees on a short-term basis allows firms to utilize the "just-in-time" approach for their personnel needs, thereby converting a portion of their fixed personnel costs to a variable expense.

Contract staffing refers to the Company's responsibilities for the placement of employees for a period of more than three months or an indefinite period. This type of arrangement often involves outsourcing an entire department in a large corporation or providing the workforce for a large project.

In an on-site management arrangement, Barrett places an experienced manager on site at a customer's place of business. The manager is responsible for conducting all recruiting, screening, interviewing, testing, hiring and employee placement functions at the customer's facility for a long-term or indefinite period.

The Company's staffing services customers operate in a broad range of businesses, including forest products and agriculture-based companies, electronic manufacturers, transportation and shipping companies, food processors, professional firms and construction contractors. Such customers range in size from small local firms to companies with international operations, which use Barrett's services on a domestic basis. None of the Company's staffing services customers individually accounted for more than 5% of its total 1999 revenues.

In 1999, the light industrial sector generated approximately 72% of the Company's staffing services revenues, while clerical office staff accounted for 16% of such revenues and technical personnel represented the balance of 12%. Light industrial workers in the Company's employ perform such tasks as operation of machinery, manufacturing, loading and shipping, site preparation for special events, construction-site cleanup and janitorial services. Technical personnel include electronic parts assembly workers and designers and drafters of electronic parts.

Barrett emphasizes prompt, personalized service in assigning quality, trained, drug-free personnel at competitive rates to its staffing services customers. The Company uses internally developed computer databases of employee skills and availability at each of its branches to match customer needs with available qualified employees. The Company emphasizes the development of an understanding of the unique requirements of its clientele by its account managers. Customers are offered a "money-back" guarantee if dissatisfied with staffing employees placed by Barrett.

The Company utilizes a variety of methods to recruit its work force for staffing services, including among others, referrals by existing employees, newspaper advertising and marketing brochures distributed at colleges and vocational schools. The employee application process includes an interview, skills assessment test, reference verification and drug screening. The recruiting of qualified employees requires more effort when unemployment rates are low.

Barrett's staffing services employees are not under its direct control while placed at a customer's worksite. Barrett has not experienced any significant liability due to claims arising out of negligent acts or misconduct by its staffing services employees. The possibility exists, however, of claims being asserted against the Company which may exceed the Company's liability insurance coverage, with a resulting negative effect on the Company's financial condition.

PEO Services. 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 opportunity for small to mid-sized businesses to outsource these managerial burdens. The outsourcing of non-core business functions, such as human resource administration, enables small enterprises to devote their limited resources to their core competencies.

In a PEO services 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 human resource management responsibilities, including payroll and payroll taxes, employee benefits, health insurance, workers' compensation coverage, workplace safety programs, compliance with federal and state employment laws, labor and workplace regulatory requirements and related administrative responsibilities. Barrett also hires and fires its PEO employees, although the client company remains responsible for day-to-day assignments, supervision and training and, in most cases, recruiting.

The Company began offering PEO services to Oregon customers in 1990 and subsequently expanded these services to other states. The Company has entered into co-employer arrangements with a wide variety of clients, including companies involved in moving and shipping, professional firms, construction, retail, manufacturing and distribution businesses. PEO clients are typically small to mid-sized businesses with up to 100 employees. None of the Company's PEO clients individually accounted for more than 10% of its total annual revenues during 1999.

Prior to entering into a co-employer 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 introduces its workplace safety program and recommends improvements in procedures and equipment following a safety inspection of the customer's facilities which the potential client must agree to implement as part of the co-employer arrangement. Barrett also offers significant financial incentives to PEO clients to maintain a safe-work environment.

The Company's standard PEO services agreement provides for services for an indefinite term, until notice of termination is given by either party. The agreement permits cancellation by either party upon 30 days 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 form of 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. The Company also requires the PEO client to maintain comprehensive liability coverage in the amount of $1,000,000 for acts of its worksite employees. In addition, the Company has excess liability insurance coverage. Although no claims exceeding such policy limits have been paid by the Company to date, the possibility exists that claims for amounts in excess of sums available to the Company through indemnification or insurance may be asserted in the future, which could adversely affect the Company's profitability.

SALES AND MARKETING

The Company markets its services primarily through direct sales presentations by its branch office account managers. Barrett develops customer prospects through the utilization of state-of-the-art customer contact management software, which incorporates tailored databases of businesses purchased from a third-party vendor. The Company also obtains referrals from existing clients and other third parties, and places radio commercials and advertisements in various publications, including local newspapers, business magazines and the Yellow Pages.

BILLING

Through centralized operations at the Company's headquarters in Portland, Oregon, the Company prepares invoices weekly for its staffing services customers and following the end of each payroll period for PEO clients. Health insurance premiums are passed through to PEO clients. The Company requires a deposit from most of its PEO clients. Payment terms for all PEO clients are due on the invoice date by way of electronic funds transfer.

SELF-INSURED WORKERS' COMPENSATION PROGRAM

A principal service provided by Barrett to its customers, particularly its PEO clients, is workers' compensation coverage. As the employer of record, Barrett is responsible for complying with applicable statutory requirements for workers' compensation coverage. The Company's workplace safety services, also described under "Overview of Services," are closely tied to its approach to the management of workers' compensation risk.

Elements of Workers' Compensation System. State law (and, for certain types of employees, federal 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, Barrett became a self-insured employer for workers' compensation coverage in Oregon. The Company subsequently obtained self-insured employer status for workers' compensation in four additional states, Maryland, Washington, Delaware and California. In addition, in May 1995, the Company was granted self-insured employer status by the U.S. Department of Labor for longshore and harbor ("USL&H") workers' compensation coverage. Regulations governing self-insured employers in each jurisdiction 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.

Barrett also maintains excess workers' compensation insurance for single occurrences exceeding $350,000 (except for $500,000 for USL&H coverage) with statutory limits (i.e., in unlimited amounts) 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.

In addition, the Company maintains an insured large-deductible program which allows it to become insured for workers' compensation coverage in nearly all states where the extent of the Company's operations does not yet warrant the investment to become a self-insured employer.

Claims Management. Pursuant to its self-insured status, the Company's workers' compensation expense is tied directly to the incidence and severity of workplace injuries to its employees. Barrett seeks to contain its workers' compensation costs through an aggressive approach to claims management. The Company uses managed-care systems to reduce medical costs and keeps time-loss costs to a minimum by assigning injured workers, whenever possible, to short-term assignments which accommodate the workers' physical limitations. The Company believes that these assignments minimize both time actually lost from work and covered time-loss costs. Barrett has also engaged third-party administrators ("TPAs") 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. Barrett also maintains a mandatory corporate-wide pre-employment drug screening program and a mandatory post-injury drug test. The program is believed to have resulted in 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.

Elements of Self-Insurance Costs. The costs associated with the Company's self-insured workers' compensation program include case reserves for reported claims, an additional expense provision (referred to as the "IBNR reserve") for unanticipated increases in the cost of open injury claims (known as "adverse loss development") and for claims incurred in prior periods but not reported, fees payable to the Company's TPAs, additional claims administration expenses, administrative fees payable to state and federal workers' compensation regulatory agencies, premiums for excess workers' compensation insurance, legal fees 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. The state assessments are typically based on payroll amounts and, to a limited extent, the amount of permanent disability awards during the previous year. 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 PEO employees rises, although increases will only occur for any given PEO client if such client's claims costs are below agreed-upon amounts.

WORKERS' COMPENSATION CLAIMS EXPERIENCE AND RESERVES

The Company recognizes its liability for the ultimate payment of 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's TPA establishes a case reserve for the estimated amount of ultimate loss. The estimate reflects an informed judgment based on established case reserving practices and the experience and knowledge of the TPA 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. The adequacy of such case reserves depends on the professional judgment of each TPA to properly and comprehensively evaluate the economic consequences of each claim. Additionally, on an aggregate basis, the Company has established an additional expense reserve for both future adverse loss development in excess of initial case reserves on open claims and for claims incurred but not reported, referred to as the IBNR reserve.

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 in existing case reserves. 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. It is possible, however, that the Company's actual future

workers' compensation obligations may exceed the amount of its accrued liabilities, with a corresponding negative effect on future earnings, due to such factors as unanticipated adverse loss development of known claims, and the effect, if any, of claims incurred but not reported.

Approximately one-fifth of the Company's total payroll exposure is in relatively high-risk industries with respect to workplace injuries, including trucking, construction and certain warehousing activities. A failure to successfully manage the severity and frequency of workers' compensation injuries will have a negative impact on the Company. Management maintains clear guidelines for its branch managers, account managers, and loss control specialists directly tying their continued employment with the Company to their diligence in understanding and addressing the risks of accident or injury associated with the industries in which client companies operate and in monitoring the compliance by clients with workplace safety requirements. The Company has a policy of "zero tolerance" for avoidable workplace injuries.

MANAGEMENT INFORMATION SYSTEMS

The Company performs all functions associated with payroll administration through its internal management information system. Each branch office performs payroll data entry functions and maintains an independent database of employees and customers, as well as payroll and invoicing records. All processing functions are centralized at Barrett's corporate headquarters in Portland, Oregon. As the Company has previously reported, management initiated a project in mid-1997 to convert its information systems to new technologies which are expected to enable the Company to more effectively accommodate its anticipated growth. This hardware and software upgrade was completed and implemented on March 1, 2000. The Company estimates its total capital expenditures for this project to be approximately $4.3 million.

EMPLOYEES AND EMPLOYEE BENEFITS

At December 31, 1999, the Company had approximately 23,590 employees, including approximately 16,100 staffing services employees, approximately 7,100 PEO employees and approximately 390 managerial, sales and administrative employees. The number of employees at any given time may vary significantly due to business conditions at customer or client companies. During 1999, approximately 1% of the Company's employees were 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.

The Company's decentralized management structure relies heavily on its zone managers, each responsible for overseeing the operations of several branch offices. The Company believes that its zone managers possess the requisite business acumen and experience comparable to senior management of many of the Company's larger competitors. Accordingly, the efficiency of Barrett's operations is dependent upon its ability to attract and retain highly qualified, motivated individuals to serve as zone managers. This ability is also central to the Company's plans to expand through acquiring human resources related businesses in existing and new geographic areas. If the Company is unable to continue to recruit and retain individuals with the skills and experience required of zone managers, its operations may be adversely affected.

Benefits offered to Barrett's staffing services employees include group health insurance, a Section 125 cafeteria plan which permits employees to use pretax earnings to fund various services, including medical, dental and childcare, 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. In addition, the Company offers a nonqualified deferred compensation plan for highly compensated employees who are precluded from participation in the 401(k) plan. Employees subject to a co-employer arrangement 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. See "Regulatory and Legislative Issues--Employee Benefit Plans."

REGULATORY AND LEGISLATIVE ISSUES

Business Operations. The Company is subject to the laws and regulations of the jurisdictions within which it operates, including those governing self-insured employers under the workers' compensation systems in Oregon, Washington, Maryland, Delaware, California and the U.S. Department of Labor for USL&H workers. An Oregon PEO company, such as Barrett, is required to be licensed as a worker-leasing company by the Workers' Compensation Division of the Oregon Department of Consumer and Business Services. Temporary staffing companies are expressly exempt from the Oregon licensing requirement. Oregon PEO companies are also required to ensure that each PEO 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 PEO employees and other subject employees of a PEO client. Although compliance with these requirements imposes some additional financial risk on Barrett, particularly with respect to those clients who breach their payment obligation to the Company, such compliance has not had an adverse impact on Barrett's business to date.

Employee Benefit Plans. The Company's operations are affected by numerous federal and state laws relating to labor, tax and employment matters. By entering into a co-employer relationship with employees who are assigned to work at client locations (sometimes referred to as "worksite employees"), the Company assumes certain obligations and responsibilities of an employer under these federal and state laws. Because many of these federal and state laws were enacted prior to the development of nontraditional employment relationships, such as professional employer, temporary employment, and outsourcing arrangements, many of these laws do not specifically address the obligations and responsibilities of nontraditional employers. In addition, the definition of "employer" under these laws is not uniform.

As an employer, the Company is subject to all federal statutes and regulations governing its employer-employee relationships. Subject to the issues discussed below, the Company believes that its operations are in compliance in all material respects with all applicable federal statutes and regulations.

The Company offers various qualified employee benefit plans to its employees, including its worksite employees. These employee benefit plans include a savings plan (the "401(k) plan") under Section 401(k) of the Internal Revenue Code (the "Code"), a cafeteria plan under Code Section 125, a group health plan, a group life insurance plan, a group disability insurance plan and an employee assistance plan. In addition, the Company offers a nonqualified deferred compensation plan, which is available to highly compensated employees who are not eligible to participate in the Company's 401(k) plan. Generally, qualified employee benefit plans are subject to provisions of both the Code and the Employee Retirement Income Security Act of 1974 ("ERISA"). In order to qualify for favorable tax treatment under the Code, qualified plans must be established and maintained by an employer for the exclusive benefit of its employees. See Item 7 of this report for a discussion of issues regarding qualification of the Company's employee benefit plans arising out of participation by the Company's PEO employees.

COMPETITION

The staffing services and PEO businesses are characterized by rapid growth and intense competition. The staffing services market includes competitors of all sizes, including several, such as Manpower, Inc., Kelly Services, Inc., RemedyTemp, Inc., Westaff, Inc. and Interim Services, Inc., that are national in scope and have substantially greater financial, marketing and other resources than the Company. In addition to national companies, Barrett competes with numerous regional and local firms for both customers and employees. There are relatively few barriers to entry into the staffing services business. The principal competitive factors in the staffing services industry are price, the ability to provide qualified workers in a timely manner and the monitoring of job performance. The Company attributes its internal growth in staffing 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 and satisfy the needs of its customers with competent personnel.

Although there are believed to be at least 2,000 companies currently offering PEO services in the U.S., many of these potential competitors are located in states in which the Company presently does not operate. Barrett believes that there are approximately 60 firms offering PEO services in Oregon, but the Company has the largest presence in the state. During 1999, approximately 57% and 22% of the Company's PEO revenues were earned in Oregon and California, respectively.

The Company may face additional PEO competition in the future from new entrants to the field, including other staffing services companies, payroll processing companies and insurance companies. Certain PEO 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, such as

Administaff, Inc., Staff Leasing, Inc. and Paychex, Inc., among others. Competition in the PEO industry is based largely on price, although service and quality can also provide competitive advantages. Barrett believes that its growth in PEO services revenues is attributable to its ability to provide small and mid-sized companies with the opportunity to provide enhanced benefits to their employees while reducing their 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. A general market decrease in the level of workers' compensation insurance premiums may also decrease demand for PEO services.

ITEM 2. PROPERTIES

The Company provides staffing and PEO services through all 37 of its branch offices. The following table shows the number of branch offices located in each state in which the Company operates. The Company's California and Oregon offices accounted for 40% and 39%, respectively, of its total revenues in 1999. The Company also leases office space in other locations in its market areas which it uses to recruit and place employees.

State	Number of Branch Offices
Arizona	1
California	17
Idaho	2
Oregon	9
Washington	2
Maryland	2
Delaware	1
North Carolina	2
South Carolina	1

The Company's corporate headquarters are located in an office building in Portland, Oregon, with approximately 9,200 square feet of office space. The building is subject to a mortgage loan with a principal balance of approximately $491,000 at December 31, 1999.

The Company also owns another office building in Portland, Oregon, which houses its Portland/Bridgeport branch office. The building has approximately 7,000 square feet of office space.

Barrett leases office space for its other branch offices. At December 31, 1999, such leases had expiration dates ranging from less than one year to five years, with total minimum payments through 2004 of approximately $3,288,000.

ITEM 3. LEGAL PROCEEDINGS

There were no material legal proceedings pending against the Company at December 31, 1999, or during the period beginning with that date through March 28, 2000.

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 1999.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table identifies, as of February 29, 2000, each executive officer of the Company. Executive officers are elected annually and serve at the discretion of the Board of Directors.

<TABLE>

<S> Name	<C> Age	<C> Principal Positions and Business Experience	<C> Officer Since
William W. Sherertz	54	President; Chief Executive Officer; Director	1980
Michael D. Mulholland	48	Vice President-Finance and Secretary; Chief Financial Officer	1994
Gregory R. Vaughn	44	Vice President	1998

James D. Miller	36	Controller and Assistant Secretary; Principal Accounting Officer	1994

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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 Chairman of the Board of Directors.

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. Prior to Sprouse, Mr. Mulholland held senior management positions with Lamb-Weston, Inc., a food processing company from 1985 to 1988, and Keil, Inc., a regional retail company, from 1978 to 1985. Mr. Mulholland, a certified public accountant on inactive status, was also employed by Touche Ross & Co., now known as Deloitte & Touche LLP.

Gregory R. Vaughn joined the Company in July 1997 as Operations Manager. Mr. Vaughn was appointed Vice President in January 1998. Prior to joining Barrett, Mr. Vaughn was Chief Executive Officer of Insource America, Inc., a privately-held human resource management company headquartered in Portland, Oregon, since 1996. Mr. Vaughn has also held senior management positions with Sundial Time Systems, Inc. from 1995 to 1996 and Continental Information Systems, Inc. from 1990 to 1994. Previously, Mr. Vaughn was employed as a technology consultant by Price Waterhouse LLP.

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 on inactive status, was employed by Price Waterhouse LLP from 1987 to 1991.

PART II

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

The Company's common stock (the "Common Stock") trades on The Nasdaq Stock Market under the symbol "BBSI." At February 29, 2000, there were 68 stockholders of record and approximately 630 beneficial owners of the Common Stock. The Company has not declared or paid any cash dividends since the closing of its initial public offering of 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 Common Stock for each quarterly period during the last two fiscal years, as reported by The Nasdaq Stock Market:

1998	High	Low
First Quarter	$ 12.00	$ 10.25
Second Quarter	13.38	9.13
Third Quarter	10.88	7.88
Fourth Quarter	9.38	6.00

1999	High	Low
First Quarter	$ 9.06	$ 5.25
Second Quarter	9.25	5.88
Third Quarter	10.25	7.75
Fourth Quarter	8.38	5.50

ITEM 6. SELECTED FINANCIAL DATA
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The following selected financial data should be read in conjunction with the Company's financial statements and the accompanying notes listed in Item 14 of this report.

<TABLE>
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	Year Ended December 31				
	1999	1998	1997	1996	1995

(In thousands, except per share data)

Statement of Operations Data:					
Revenues:					
Staffing services	$ 194,991	$ 165,443	$ 177,263	$ 130,746	$ 113,437
Professional employer services	152,859	137,586	128,268	101,206	79,480
Total	347,850	303,029	305,531	231,952	192,917
Cost of revenues:					
Direct payroll costs	270,049	235,265	236,307	176,686	146,490
Payroll taxes and benefits	28,603	25,550	27,226	20,414	16,139
Workers' compensation	11,702	10,190	10,584	8,173	7,710
Total	310,354	271,005	274,117	205,273	170,339
Gross margin	37,496	32,024	31,414	26,679	22,578
Selling, general, and administrative expenses	26,551	23,481	24,011	18,534	15,496
Merger expenses	--	750	--	--	--
Amortization of intangibles	1,867	1,316	1,332	860	606
Income from operations	9,078	6,477	6,071	7,285	6,476
Other (expense) income:					
Interest expense	(634)	(173)	(247)	(122)	(154)
Interest income	357	441	362	554	400
Other, net	32	(1)	1	--	32
Total	(245)	267	116	432	278
Income before provision for income taxes	8,833	6,744	6,187	7,717	6,754
Provision for income taxes	3,684	2,923	2,342	2,749	2,566
Net income	$ 5,149	$ 3,821	$ 3,845	$ 4,968	$ 4,188
Basic net income per share	$ .68	$ .50	$ .50	$ .65	$ .57
Weighted average basic shares	7,581	7,664	7,646	7,602	7,358
Diluted net income per share	$ .68	$ .50	$ .49	$ .64	$ .55
Weighted average diluted shares	7,627	7,711	7,780	7,823	7,564

	As of December 31				
	1999	1998	1997	1996	

					1995
	(In thousands)				
Selected Balance Sheet Data:					
Working capital	$ 7,688	$ 13,272	$ 10,201	$ 11,489	$ 8,387
Total assets	70,740	52,770	50,815	44,063	32,450
Long-term debt, net of current portion	4,232	503	573	1,107	875
Stockholders' equity	37,329	33,702	30,231	25,629	20,139

</TABLE>

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

OVERVIEW

The Company's revenues consist of staffing services and professional employer organization ("PEO") services. Staffing services revenues consist of short-term staffing, contract staffing and on-site management. PEO services refer exclusively to co-employer contractual agreements with PEO clients. The Company's revenues represent all amounts billed to customers for direct payroll, related employment taxes, workers' compensation coverage and a service fee (equivalent to a mark-up percentage). The Company's Oregon and California offices accounted for approximately 79% of its total revenues in 1999. Consequently, weakness in economic conditions in these regions could have a material adverse effect on the Company's financial results.

The Company's cost of revenues is comprised of direct payroll costs, payroll taxes and employee benefits, workers' compensation and safety incentives. Direct payroll costs represent the gross payroll earned by employees based on salary or hourly wages. Payroll taxes and employee benefits consist of the employer's portion of Social Security and Medicare taxes, federal unemployment taxes, state unemployment taxes and employee reimbursements for materials, supplies and other expenses, which are paid by the customer. Workers' compensation expense consists primarily of the costs associated with the Company's self-insured workers' compensation program, such as claims reserves, claims administration fees, legal fees, state and federal administrative agency fees and reinsurance costs for catastrophic injuries. The Company also maintains a large-deductible workers' compensation insurance policy for employees working in states where the Company is not currently self-insured. Safety incentives represent cash incentives paid to certain PEO client companies for maintaining safe-work practices in order to minimize workplace injuries. The incentive is based on a percentage of annual payroll and is paid annually to customers who meet predetermined workers' compensation claims cost objectives.

The largest portion of workers' compensation expense is the cost of workplace injury claims. When an injury occurs and is reported to the Company, the Company's respective independent third-party claims administrator ("TPA") analyzes the details of the injury and develops a case reserve, which is the TPA's estimate of the cost of the claim based on similar injuries and its professional judgment. The Company then records, or accrues, an expense and a corresponding liability based upon the TPA's estimates for claims reserves. As cash payments are made by the Company's TPA against specific case reserves, the accrued liability is reduced by the corresponding payment amount. The TPA also reviews existing injury claims on an on-going basis and adjusts the case reserves as new or additional information for each claim becomes available. The Company has established additional reserves to provide for future unanticipated increases in expenses ("adverse loss development") of the claims reserves for open injury claims and for claims incurred but not reported related to prior and current periods. Management believes that the Company's internal claims reporting system minimizes the occurrence of unreported incurred claims.

Selling, general and administrative expenses represent both branch office and corporate-level operating expenses. Branch operating expenses consist primarily of branch office staff payroll and payroll related costs, advertising, rent, office supplies, depreciation and branch incentive compensation. Branch incentive compensation represents a combined 15% of branch pretax profits, of which 10% is paid to the branch manager and 5% is shared among the office staff. Corporate-level operating expenses consist primarily of executive and office staff payroll and payroll related costs, professional and legal fees, travel, depreciation, occupancy costs, information systems costs and executive and corporate staff incentive bonuses.

Amortization of intangibles consists primarily of the amortization of the costs of acquisitions in excess of the fair value of net assets acquired (goodwill). The Company uses a 15-year estimate as

the useful life of goodwill, as compared to the 40-year maximum permitted by generally accepted accounting principles, and amortizes such cost using the straight-line method. Other intangible assets, such as software costs, customer lists and covenants not to compete, are amortized using the straight-line method over their estimated useful lives, which range from two to 15 years.

FORWARD-LOOKING INFORMATION

Statements in this Item or in Item 1 of this report which are not historical in nature, including discussion of economic conditions in the Company's market areas, the potential for and effect of recent and future acquisitions, the effect of changes in the Company's mix of services on gross margin, the adequacy of the Company's workers' compensation reserves and allowance for doubtful accounts, the tax-qualified status of the Company's 401(k) savings plan and the availability of financing and working capital to meet the Company's funding requirements, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors with respect to the Company include difficulties associated with integrating acquired businesses and clients into the Company's operations, economic trends in the Company's service areas, uncertainties regarding government regulation of PEOs, including the possible adoption by the IRS of an unfavorable position as to the tax-qualified status of employee benefit plans maintained by PEOs, future workers' compensation claims experience, and the availability of and costs associated with potential sources of financing. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

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, 1999, 1998 and 1997, listed in Item 14 of this report. The Company's merger with Western Industrial Management, Inc. and a related company (together, "WIMI"), in June 1998 was accounted for as a pooling-of-interests and, accordingly, the Company's financial statements have been restated for prior periods to give effect to the merger. Certain 1998 and 1997 cost of revenue amounts have been reclassified to conform with the 1999 presentation. Such reclassifications had no impact on gross margin, net income or stockholders' equity. References to the Notes to Financial Statements appearing below are to the notes to the Company's financial statements listed in Item 14 of this report.

<TABLE>
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	Percentage of Total Revenues		
	Years Ended December 31,		
	1999	1998	1997
Revenues:			
Staffing services	56.1%	54.6%	58.0%
Professional employer services	43.9	45.4	42.0
Total revenues	100.0	100.0	100.0
Cost of revenues:			
Direct payroll costs	77.6	77.6	77.3
Payroll taxes and benefits	8.2	8.4	8.9
Workers' compensation	3.4	3.4	3.5
Total cost of revenues	89.2	89.4	89.7
Gross margin	10.8	10.6	10.3
Selling, general and administrative expenses	7.6	7.8	7.9
Merger expenses	-	0.2	-

Amortization of intangibles	0.5	0.4	0.4
Income from operations	2.7	2.2	2.0
Other(expense)income	(0.1)	0.1	-
Pretax income	2.6	2.3	2.0
Provision for income taxes	1.1	1.0	0.7
Net income	1.5%	1.3%	1.3%

</TABLE>

YEARS ENDED DECEMBER 31, 1999 AND 1998

Net income for 1999 amounted to $5,149,000, an increase of $1,328,000 or 34.8% over 1998 net income of $3,821,000. The increase in net income was attributable to a higher gross margin percent owing to lower payroll taxes and benefits, as well as lower selling, general and administrative expenses, expressed as a percentage of revenues. In addition, 1998 included $750,000 of merger expenses related to the Company's June 1998 pooling-of-interests merger with Western Industrial Management, Inc. Basic and diluted earnings per share for 1999 were $.68 as compared to $.50 for both basic and diluted earnings per share for 1998.

Revenues for 1999 totaled $347,850,000, an increase of approximately $44,821,000 or 14.8% over 1998 revenues of $303,029,000. The increase in total revenues was primarily due to the TSS, TPM and TSU acquisitions, which were consummated in the first half of 1999. The internal growth rate for revenues was 3.3% for 1999, although it improved to 11.5% for the fourth quarter of 1999.

Staffing services revenue increased $29,548,000 or 17.9%, while professional employer services revenue increased $15,273,000 or 11.1%, which resulted in an increase in the share of staffing services to 56.1% of total revenues for 1999, as compared to 54.6% for 1998. The increase in staffing services revenue for 1999 was primarily attributable to the three acquisitions made during 1999. The share of professional employer services revenues had a corresponding decrease from 45.4% of total revenues for 1998 to 43.9% for 1999.

Gross margin for 1999 totaled $37,496,000, which represented an increase of $5,472,000 or 17.1% over 1998. The gross margin percent increased from 10.6% of revenues for 1998 to 10.8% for 1999. The increase in the gross margin percentage was due to lower payroll taxes and benefits for 1999, primarily attributable to lower state unemployment tax rates in certain states in which the Company does business. The Company expects gross margin, as a percentage of revenues, to continue to be influenced by fluctuations in the mix between staffing and PEO services, as well as the adequacy of its estimates for workers' compensation liabilities, which may be negatively affected by unanticipated adverse loss development of claims reserves.

Selling, general and administrative ("SG&A") expenses consist of compensation and other expenses incident to the operation of the Company's headquarters and the branch offices and the marketing of its services. SG&A expenses (excluding the amortization of intangibles) for 1999 amounted to $26,551,000, an increase of $3,070,000 or 13.1% over 1998. SG&A expenses,

expressed as a percentage of revenues, decreased from 7.8% for 1998 to 7.6% for 1999. The increase in total SG&A dollars was primarily due to management payroll, advertising expense, rent expense and increased profit sharing and related taxes in connection with the 21 additional branch offices acquired in the TSS, TPM and TSU acquisitions.

Amortization of intangibles totaled $1,867,000 or 0.5% of revenues for 1999, which compares to $1,316,000 or 0.4% of revenues for 1998. The increased amortization expense was primarily due to the amortization of intangibles recognized in the 1999 acquisitions of TSS, TPM and TSU.

The Company's effective income tax rate for 1999 was 41.7%, as compared to 43.3% for 1998. The higher 1998 effective rate was primarily attributable to the nondeductibility of certain merger expenses.

The Company offers various qualified employee benefit plans to its employees, including its worksite employees. These qualified employee benefit plans include a savings plan (the "401(k) plan") under Section 401(k) of the Internal Revenue Code (the "Code"), a cafeteria plan under Code Section 125, a group health plan, a group life insurance plan, a group disability insurance plan and an employee assistance plan. Generally, qualified employee benefit plans are subject to provisions of both the Code and the Employee Retirement Income Security Act of 1974 ("ERISA"). In order to qualify for favorable tax treatment under the Code, qualified plans must be established and maintained by an employer for the exclusive benefit of its employees.

A definitive judicial interpretation of "employer" in the context of a PEO arrangement has not been established. The tax-exempt status of the Company's 401(k) plan and cafeteria plan is subject to continuing scrutiny and approval by the Internal Revenue Service (the "IRS") and depends upon the Company's ability to establish the Company's employer-employee relationship with PEO employees. The issue of whether the Company's tax-qualified benefit plans can legally include worksite employees under their coverage has not yet been resolved. If the worksite employees cannot be covered by the plans, then the exclusive benefit requirement imposed by the Code would not be met by the plans as currently administered and the plans could be disqualified.

The IRS has established a Market Segment Study Group regarding Employee Leasing for the stated purpose of examining whether PEOs, such as the Company, are the employers of worksite employees under the Code provisions applicable to employee benefit plans and are, therefore, able to offer to worksite employees benefit plans that qualify for favorable tax treatment. The IRS Study Group is reportedly also examining whether the owners of client companies are employees of PEO companies under Code provisions applicable to employee benefit plans. To the best of the Company's knowledge, the Market Segment Study Group has not issued a report.

A PEO company headquartered in Texas stated publicly over four years ago that the IRS National Office was being requested by the IRS Houston District to issue a Technical Advice Memorandum ("TAM") on the PEO worksite employee issue in connection with an ongoing audit of a plan of the Texas PEO company. The stated purpose of TAMs is to help IRS personnel in closing cases and to establish and maintain consistent holdings. The IRS's position is that TAMs are not precedential; that is, they are limited to the particular taxpayer involved and that taxpayer's set of facts.

The draft request for a TAM by the IRS Houston District reportedly stated its determination that the Texas PEO company's Code Section 401(k) plan should be disqualified for the reason, among others, that it covers worksite employees who are not employees of the PEO company.

The timing and nature of the issuance and contents of any TAM regarding the worksite employee issue or any report of the Market Segment Study Group regarding Employee Leasing is unknown at this time. There has also been public discussion for the past several years of the

possibility that the Treasury Department may propose some form of administrative relief or that Congress may provide legislative resolution or clarification regarding this issue.

In the event the tax exempt status of the Company's benefit plans were to be discontinued and the benefit plans were to be disqualified, such actions could have a material adverse effect on the Company's business, financial condition and results of operations. The Company is not presently able to predict the likelihood of disqualification nor the resulting range of loss, in light of the lack of public direction from the IRS or Congress.

YEARS ENDED DECEMBER 31, 1998 AND 1997

Net income for 1998 amounted to $3,821,000, a decrease of $24,000 or 0.6% from 1997 net income of $3,845,000. The small decrease in 1998 net income from 1997 was primarily due to $750,000 of merger expenses in connection with the WIMI transaction and a higher income tax rate, offset in part by the effect of a higher gross margin percent and lower SG&A expenses. Diluted net income per share for 1998 was $0.50 compared to $0.49 for 1997.

Revenues for 1998 totaled $303,029,000 which represented a decrease of $2,502,000 or 0.8% from 1997 revenues of $305,531,000. Staffing services revenue decreased $11,820,000 or 6.7%, while professional employer services revenue increased $9,318,000 or 7.3%, which resulted in a decrease in the share of staffing services to 54.6% of total revenues for 1998, as compared to 58.0% for 1997. The decline in staffing services revenue for 1998 was primarily attributable to two factors: (1) management's decision not to renew a business relationship with a large seasonal customer which was anticipated to provide an unacceptable profit margin and (2) a moderation in the demand for the Company's services by a limited number of large staffing customers that were affected by various economic conditions. The share of professional employer services revenues had a corresponding increase from 42.0% of total revenues for 1997 to 45.4% for 1998.

Gross margin for 1998 totaled $32,024,000, representing an increase of $610,000 or 1.9% over 1997. The gross margin rate of 10.6% of revenues represents a 30 basis point increase from 1997 due primarily to lower payroll taxes and benefits and workers' compensation expenses as a percentage of revenues, offset in part by higher direct payroll costs as a percentage of revenues. The decline in payroll taxes and benefits, in total dollars and as a percent of revenues, for 1998 was primarily due to lower state unemployment tax rates. The increase in direct payroll costs, as a percentage of revenues, was primarily attributable to the increased share of professional employer services business, where payroll costs typically represent a higher percentage of revenues as compared to staffing services.

Workers' compensation expense decreased from 3.5% of revenues for 1997 to 3.4% of revenues for 1998. The decrease in workers' compensation expense for 1998 was generally attributable to a lower incidence of injuries during 1998, as compared to 1997.

SG&A expenses (excluding the amortization of intangibles) for 1998 amounted to $23,481,000, a decrease of $530,000 or 2.2% from 1997. SG&A expenses expressed as a percentage of revenues also decreased from 7.9% for 1997 to 7.8% for 1998. The decrease in total SG&A expenses for 1998 from 1997 was primarily attributable to lower management payroll and bad debt expense. During the first quarter of 1998, management implemented specific performance criteria for all branch offices to align operating expenses more closely with growth in gross margin dollars rather than growth in revenues. For 1998, improvement in SG&A expense was achieved by reducing SG&A expenses as a percent of gross margin dollars from 76.4% in 1997 to 73.3% in 1998.

Amortization of intangibles totaled $1,316,000 for 1998 or 0.4% of revenues, which compares to $1,332,000 or 0.4% of revenues for 1997.

The Company's effective income tax rate for 1998 was 43.3%, as compared to 37.9% for 1997. The increase in the effective rate was primarily attributable to the nondeductibility of certain merger expenses and an increase in nondeductible amortization expense.

FLUCTUATIONS IN QUARTERLY OPERATING RESULTS

The Company has historically experienced significant fluctuations in its quarterly operating results and expects such fluctuations to continue in the future. The Company's operating results may fluctuate due to a number of factors such as seasonality, wage limits on payroll taxes, claims experience for workers' compensation, demand and competition for the Company's services and the effect of acquisitions. The Company's revenue levels fluctuate from quarter to quarter primarily due to the impact of seasonality on its staffing services business and on certain of its PEO clients in the agriculture and forest products-related industries. As a result, the Company may have greater revenues and net income in the third and fourth quarters of its fiscal year. Payroll taxes and benefits fluctuate with the level of direct payroll costs, but tend to represent a smaller percentage of revenues later in the Company's fiscal year as federal and state statutory wage limits for unemployment and social security taxes are exceeded by some employees. Workers' compensation expense varies with both the frequency and severity of workplace injury claims reported during a quarter, as well as adverse loss development of prior period claims during a subsequent quarter.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at December 31, 1999 decreased by $3,479,000 from December 31, 1998. The decrease in cash at December 31, 1999 was primarily due to cash used in investing activities of $15,437,000, principally in connection with three acquisitions made since January 1, 1999, offset in part by proceeds from operating activities of $3,433,000 and financing activities of $8,525,000 arising from the Company's bank term loan and borrowings on its unsecured credit line.

Net cash provided by operating activities for 1999 amounted to $3,433,000, as compared to $4,246,000 for 1998. For 1999, cash flow was primarily generated by net income and depreciation and amortization, coupled with an increase of $2,030,000 in accrued payroll and benefits, offset in part by an increase in accounts receivable of $5,568,000.

Net cash used in investing activities totaled $15,437,000 for 1999, as compared to $1,679,000 for 1998. For 1999, cash used in investing activities was primarily for the acquisitions of TSS, TPM and TSU totaling $13,157,000 and for capital expenditures of $2,024,000. Approximately $1,400,000 of the total capital expenditures was related to new computer hardware and software for the Company's new management information system, which was implemented on March 1, 2000. The Company presently has no material long-term capital commitments.

Net cash provided by financing activities for 1999 amounted to $8,525,000, which compares to $1,977,000 of net cash used in financing activities in 1998. For 1999, the primary source of cash provided by financing activities was an $8,000,000 term loan obtained from the Company's principal bank and $4,882,000 of net borrowings on the Company's credit line, offset in part by payments on long-term debt of $1,772,000 and common stock repurchases of $1,498,000. The term loan was obtained to provide financing for the TSU acquisition and, at December 31, 1999, had an outstanding principal balance of $6,444,000.

The Company renegotiated its loan agreement with its principal bank which provides for an unsecured revolving credit facility of $12.0 million and an $8.0 million 3-year term loan. This loan agreement, which expires May 31, 2000, also includes a subfeature for standby letters of credit in

connection with certain workers' compensation surety arrangements, as to which approximately $2.0 million was outstanding as of December 31, 1999. The Company had an outstanding balance of $4,882,000 on the revolving credit facility at December 31, 1999. See Note 7 of the Notes to Financial Statements. Effective December 31, 1999, the Company negotiated a minor modification to the quarterly financial covenants of its loan agreement with its principal bank. The Company requested that the minimum working capital requirement be replaced by a minimum current ratio. In exchange for this accommodation, the Company agreed to an increase in the trailing four-quarter EBITDA requirement. The Company was in compliance with the financial covenants in the loan agreement at December 31, 1999. Management expects that the funds anticipated to be generated from operations, together with the bank-provided credit facility and other potential sources of financing, will be sufficient in the aggregate to fund the Company's working capital needs for the foreseeable future.

On February 26, 1999, the Company's Board of Directors authorized a stock repurchase program to purchase up to 250,000 common shares from time to time in open market purchases. On November 10, 1999, the Company's Board of Directors authorized the repurchase of an additional 200,000 shares, thereby increasing the total number of common shares authorized for repurchase to 450,000. During 1999, the Company repurchased 219,000 shares at an aggregate price of $1,498,000. Management anticipates that the capital necessary to execute this program will be provided by existing cash balances and other available resources.

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.

YEAR 2000 READINESS

As the Company previously reported, its mission-critical legacy systems were believed to be Year 2000 compliant prior to December 31, 1999. Such compliance was achieved through minor reprogramming by internal staff at no incremental cost to the Company. The Company's non-mission critical systems were also brought into compliance in a timely fashion at a very minimal cost.

As discussed above in Part I, Item 1, "Management Information Systems," the Company implemented its new information system on March 1, 2000. The new information system project was initiated in mid-1997 to accommodate the anticipated growth of the Company and was unrelated to the Year 2000 compliance issue.

Subsequent to December 31, 1999, the Company has not experienced any significant problems with any of its internal information systems or any interruption of products or services from any vendors.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
- --

The Company's exposure to market risk for changes in interest rates primarily relates to the Company's short-term and long-term debt obligations. As of December 31, 1999, the Company had interest-bearing debt obligations of approximately $13.8 million, of which approximately $11.3 million bears interest at a variable rate and approximately $2.5 million at a fixed rate of interest. The variable rate debt is comprised of approximately $4.9 million outstanding under an unsecured revolving credit facility, which bears interest at the Federal Funds rate plus 1.25%. The Company also has an unsecured three-year term note with its principal bank, which bears interest at LIBOR plus 1.35%. Based on the Company's overall interest exposure at December 31, 1999, a 10 percent change in market interest rates would not have a material effect on the fair value of the Company's long-term debt or its results of operations. As of December 31, 1999, the Company had not entered into any interest rate instruments to reduce its exposure to interest rate risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
- --

The financial statements and notes thereto required by this item begin on page F-1 of this report, as listed in Item 14.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
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None.

PART III

ITEM 10. INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The information required by Item 10, Directors and Executive Officers of the Registrant, is incorporated herein by reference to the Company's definitive Proxy Statement for the 2000 Annual Meeting of Stockholders ("Proxy Statement"), under the headings "Election of Directors" and "Stock Ownership by Principal Stockholders and Management--Section 16(a) Beneficial Ownership Reporting Compliance" or appears under the heading "Executive Officers of the Registrant" on page 13 of this report. The information required by Item 11, Executive Compensation, is incorporated herein by reference to the Proxy Statement, under the headings "Executive Compensation" and "Election of Directors--Compensation Committee Interlocks and Insider Participation." The information required by Item 12, Security Ownership of Certain Beneficial Owners and Management, is incorporated herein by reference to the Proxy Statement, under the heading "Stock Ownership by Principal Stockholders and Management--Beneficial Ownership Table." The information required by Item 13, Certain Relationships and Related Transactions, is incorporated herein by reference to the Proxy Statement, under the heading "Election of Directors--Compensation Committee Interlocks and Insider Participation."

PART IV

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

FINANCIAL STATEMENTS AND SCHEDULES
The Financial Statements, together with the report thereon of PricewaterhouseCoopers LLP, are included on the pages indicated below:

	Page
Report of Independent Accountants	F-1
Balance Sheets - December 31, 1999 and 1998	F-2
Statements of Operations for the Years Ended December 31, 1999, 1998 and 1997	F-3
Statements of Redeemable Common Stock and Nonredeemable Stockholders' Equity - December 31, 1999, 1998 and 1997	F-4
Statements of Cash Flows for the Years Ended December 31, 1999, 1998 and 1997	F-5
Notes to Financial Statements	F-6

No schedules are required to be filed herewith.

REPORTS ON FORM 8-K
No reports on Form 8-K were filed during the quarter ended December 31, 1999.

EXHIBITS
Exhibits are listed in the Exhibit Index that follows the Financial Statements included in this report. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this report is listed under Item 10, "Executive Compensation Plans and Arrangements and Other Management Contracts" in the Exhibit Index.

SIGNATURES

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

BARRETT BUSINESS SERVICES, INC.
Registrant

Date: March 28, 2000 By: /s/ Michael D. Mulholland

Michael D. Mulholland
Vice President - Finance and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 28th day of March, 2000.

Principal Executive Officer and Director:

*WILLIAM W. SHERERTZ	President and Chief Executive Officer and Director

Principal Financial Officer:

/s/ Michael D. Mulholland Michael D. Mulholland	Vice President-Finance and Secretary

Principal Accounting Officer:

/s/ James D. Miller James D. Miller	Controller and Assistant Secretary

Other Directors:

* ROBERT R. AMES	Director
* HERBERT L. HOCHBERG	Director
* ANTHONY MEEKER	Director
* STANLEY G. RENECKER	Director
* NANCY B. SHERERTZ	Director

* By /s/ Michael D. Mulholland
Michael D. Mulholland
Attorney-in-Fact

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying balance sheets and the related statements of operations, of redeemable common stock and nonredeemable stockholder' equity and of cash flows present fairly, in all material respects, the financial position of Barrett Business Services, Inc. at December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company' 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 auditing standards generally accepted in the United States 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.

/s/ PricewaterhouseCoopers LLP

February 9, 2000

BARRETT BUSINESS SERVICES, INC.
BALANCE SHEETS
DECEMBER 31, 1999 AND 1998
(IN THOUSANDS, EXCEPT PAR VALUE)

<TABLE>

<S>	<C> 1999	<C> 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 550	$ 4,029
Trade accounts receivable, net	30,216	21,907
Prepaid expenses and other	1,219	1,103
Deferred tax assets (Note 12)	1,658	1,857

Total current assets	33,643	28,896
Intangibles, net (Note 4)	21,945	11,508
Property and equipment, net (Notes 5 and 8)	7,027	5,184
Restricted marketable securities and workers' compensation deposits (Note 6)	6,281	6,004
Deferred tax assets (Note 12)	712	552
Other assets	1,132	626
	$ 70,740	$ 52,770

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Notes payable (Note 2)	$ 865	$ -
Current portion of long-term debt (Note 8)	2,783	61
Line of credit (Note 7)	4,882	-
Income taxes payable (Note 12)	-	438
Accounts payable	1,356	948
Accrued payroll, payroll taxes and related benefits	11,437	9,246
Workers' compensation claim and safety incentive liabilities (Note 6)	4,219	4,417
Other accrued liabilities	413	514
Total current liabilities	25,955	15,624
Long-term debt, net of current portion (Note 8)	4,232	503
Customer deposits	815	829
Long-term workers' compensation claim liabilities (Note 6)	699	714
Other long-term liabilities (Note 2)	1,710	1,398
	33,411	19,068
Commitments and contingencies (Notes 9, 10, 15 and 17)		
Stockholders' equity:		
Common stock, $.01 par value; 20,500 shares authorized, 7,461 and 7,676 shares issued and outstanding (Notes 13 and 14)	75	77
Additional paid-in capital	9,889	11,409
Retained earnings	27,365	22,216
	37,329	33,702
	$ 70,740	$ 52,770

</TABLE>

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

BARRETT BUSINESS SERVICES, INC.
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<S> <C> <C> <C>

	1999	1998	1997
Revenues:			
Staffing services	$ 194,991	$ 165,443	$ 177,263
Professional employer services	152,859	137,586	128,268
	347,850	303,029	305,531
Cost of revenues:			
Direct payroll costs	270,049	235,265	236,307
Payroll taxes and benefits	28,603	25,550	27,226
Workers' compensation (Note 6)	11,702	10,190	10,584
	310,354	271,005	274,117
Gross margin	37,496	32,024	31,414
Selling, general and administrative expenses	26,551	23,481	24,011
Merger expenses	-	750	-
Amortization of intangibles (Note 4)	1,867	1,316	1,332
Income from operations	9,078	6,477	6,071
Other (expense) income:			
Interest expense	(634)	(173)	(247)
Interest income	357	441	362
Other, net	32	(1)	1

	(245)	267	116
Income before provision for income taxes	8,833	6,744	6,187
Provision for income taxes (Note 12)	3,684	2,923	2,342
Net income	$ 5,149	$ 3,821	$ 3,845
Basic earnings per share	$ .68	$ .50	$ .50
Weighted average number of basic shares outstanding	7,581	7,664	7,646
Diluted earnings per share	$ .68	$ .50	$ .49
Weighted average number of diluted shares outstanding	7,627	7,711	7,780

</TABLE>

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

BARRETT BUSINESS SERVICES, INC.
STATEMENTS OF REDEEMABLE COMMON STOCK AND NONREDEEMABLE STOCKHOLDERS' EQUITY
DECEMBER 31, 1999, 1998 AND 1997
(IN THOUSANDS)

<TABLE>

	Redeemable Common Stock		Nonredeemable Stockholders' Equity				
			Common Stock		Additional Paid-in	Retained	
	Shares	Amount	Shares	Amount	Capital	Earnings	Total
Balance, December 31, 1996	159	$ 2,825	7,520	$ 75	$ 11,004	$ 14,550	$ 25,629
Common stock issued on exercise of options and warrants	-	-	118	1	756	-	757
Redemption of redeemable common stock	(159)	(2,825)	-	-	-	-	-
Net income	-	-	-	-	-	3,845	3,845
Balance, December 31, 1997	-	-	7,638	76	11,760	18,395	30,231
Common stock issued on exercise of options and warrants	-	-	38	1	168	-	169
Distribution to dissenting shareholder in connection with merger (Note 2)	-	-	-	-	(519)	-	(519)
Net income	-	-	-	-	-	3,821	3,821
Balance, December 31, 1998	-	-	7,676	77	11,409	22,216	33,702
Common stock issued on exercise of options and warrants	-	-	9	-	34	-	34
Repurchase of common stock	-	-	(219)	(2)	(1,496)	-	(1,498)
Payment to shareholder	-	-	-	-	(58)	-	(58)
Common stock cancelled (Note 2)	-	-	(5)	-	-	-	-
Net income	-	-	-	-	-	5,149	5,149
Balance, December 31, 1999	-	$ -	7,461	$ 75	$ 9,889	$ 27,365	$ 37,329

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

</TABLE>

BARRETT BUSINESS SERVICES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997
(IN THOUSANDS)

<TABLE>

<S>	<C> 1999	<C> 1998	<C> 1997
Cash flows from operating activities:			
Net income	$ 5,149	$ 3,821	$ 3,845
Reconciliations of net income to net cash provided by operating activities:			
Depreciation and amortization	2,461	1,785	1,765
Deferred taxes	156	(323)	(727)
Changes in certain assets and liabilities, net of amounts purchased in acquisitions:			
Trade accounts receivable, net	(5,568)	(856)	(332)
Prepaid expenses and other	(57)	128	(179)
Income taxes payable	(438)	438	-
Accounts payable	261	(188)	73
Accrued payroll, payroll taxes and related benefits	2,030	(788)	2,180
Other accrued liabilities	(153)	100	(316)
Workers' compensation claim and safety incentive liabilities	(198)	204	958
Customer deposits, other liabilities and other assets, net	(522)	(443)	(16)
Other long-term liabilities	312	368	30
Net cash provided by operating activities	3,433	4,246	7,281
Cash flows from investing activities:			
Cash paid for acquisitions, including other direct costs	(13,157)	(693)	(2,227)
Purchase of property and equipment, net of amounts purchased in acquisitions	(2,024)	(1,077)	(1,497)
Proceeds from maturities of marketable securities	2,415	5,532	5,343
Purchase of marketable securities	(2,671)	(5,441)	(5,731)
Net cash used in investing activities	(15,437)	(1,679)	(4,112)
Cash flows from financing activities:			
Payment of credit line assumed in acquisition	(1,113)	-	(401)
Net proceeds from (payments on) credit-line borrowings	4,882	(887)	701
Proceeds from collection of note receivable	-	-	324
Proceeds from issuance of long-term debt	8,000	-	180
Payments on long-term debt	(1,722)	(740)	(89)
Distribution to dissenting shareholder	-	(519)	-
Payment to shareholder	(58)	-	-
Repurchase of common stock	(1,498)	-	-
Redemption of common stock	-	-	(2,825)
Proceeds from the exercise of stock options and warrants	34	169	757
Net cash provided by (used in) financing activities	8,525	(1,977)	(1,353)
Net (decrease) increase in cash and cash equivalents	(3,479)	590	1,816
Cash and cash equivalents, beginning of year	4,029	3,439	1,623
Cash and cash equivalents, end of year	$ 550	$ 4,029	$ 3,439
Supplemental schedule of noncash activities:			
Acquisition of other businesses:			
Cost of acquisitions in excess of fair market value of net assets acquired	$ 12,304	$ 683	$ 3,160
Tangible assets acquired	3,364	10	674
Liabilities assumed	1,646	-	1,607
Note payable issued in connection with acquisition	865	-	-

</TABLE>

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

BARRETT BUSINESS SERVICES, INC.

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 staffing and professional employer services to a diversified group of customers through a network of branch offices throughout Oregon, Washington, Idaho, California, Arizona, Maryland, Delaware, North Carolina and South Carolina. Approximately 79%, 81% and 85%, respectively, of the Company's revenues during 1999, 1998, and 1997 were attributable to its Oregon and California operations. On June 29, 1998, the Company merged with Western Industrial Management, Inc. and Catch 55, Inc. (collectively "WIMI"). The transaction was accounted for as a pooling-of-interests pursuant to Accounting Principles Board ("APB") Opinion No. 16 and, accordingly, the Company's financial statements have been restated for all prior periods to give effect to the merger, as more fully described in Note 2.

REVENUE RECOGNITION
The Company recognizes revenue as services are rendered by its workforce. Staffing services are engaged by customers to meet short-term and long-term personnel needs. Professional employer services are normally used by organizations to satisfy ongoing human resource management needs and typically involve contracts with a minimum term of one year, renewable annually, which cover all employees at a particular worksite.

CASH AND CASH EQUIVALENTS
The Company considers non-restricted 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 $335,000 and $262,000 at December 31, 1999 and 1998, respectively.

MARKETABLE SECURITIES
At December 31, 1999 and 1998, marketable securities consisted primarily of governmental debt instruments with maturities generally from 90 days to 30 years (see Note 6). Marketable securities have been categorized as held-to-maturity and, as a result, are stated at amortized cost. Realized gains and losses on sales of marketable securities are included in other (expense) income on the Company's statements of operations.

INTANGIBLES
Intangible assets consist primarily of identifiable intangible assets acquired and the cost of acquisition in excess of the fair value of net assets acquired (goodwill). Intangible assets acquired are recorded at their estimated fair value at the acquisition date.

The Company uses a 15-year estimate as the estimated economic useful life of goodwill. This life is based on an analysis of industry practice and the factors influencing the acquisition decision. Other intangible assets are amortized on the straight-line method over their estimated useful lives, ranging from 2 to 15 years. (See Note 4.)

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLES (CONTINUED)
The Company reviews for asset impairment when events or changes in circumstances indicate that the carrying amount of intangible assets may not be recoverable. To perform that review, the Company estimates the sum of expected future undiscounted net cash flows from the intangible assets. If the estimated net cash flows are less than the carrying amount of the intangible asset, the Company recognizes an impairment loss in an amount necessary to write down the intangible asset to a fair value as determined from expected future discounted cash flows. No write-down for impairment loss was recorded for the years ended December 31, 1999, 1998 and 1997.

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 DEPOSITS
The Company requires deposits from certain professional employer services customers to cover a portion of its accounts receivable due from such customers in the event of default of payment.

STATEMENTS OF CASH FLOWS
Interest paid during 1999, 1998 and 1997 did not materially differ from interest expense.

Income taxes paid by the Company in 1999, 1998 and 1997 totaled $4,181,000, $2,623,000 and $3,224,000, respectively.

NET INCOME PER SHARE
Basic earnings per share are computed based on the weighted average number of common shares outstanding for each year. Diluted earnings per share reflect the potential effects of the exercise of outstanding stock options and warrants.

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECLASSIFICATIONS
Certain prior year amounts have been reclassified to conform with the 1999 presentation. Such reclassifications had no impact on gross margin, net income or stockholders' equity.

ACCOUNTING ESTIMATES
The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

2. BUSINESS COMBINATIONS

HR ONLY
Effective February 1, 1997, the Company acquired D&L Personnel Department Specialists, Inc., dba HR Only, a staffing services company which specializes in human resource professionals, with offices in Los Angeles and Garden Grove, California. The Company paid $1,800,000 in cash for all of the outstanding common stock of HR Only and $1,200,000 in cash for noncompete agreements with certain individuals, of which $1,000,000 was deferred with simple interest at 5% per annum for five years and then to be paid ratably over the succeeding five-year period. The deferred portion of the noncompete agreement is presented on the balance sheet in other long-term liabilities. HR Only's revenues for the fiscal year ended January 31, 1997 were approximately $4.3 million (audited). The transaction was accounted for under the purchase method of accounting, which resulted in $3,027,000 of intangible assets, including $92,000 for acquisition-related costs, and $65,000 of net tangible assets.

TLC STAFFING
Effective April 13, 1997, the Company purchased certain assets of JRL Services, Inc., dba TLC Staffing, a provider of clerical staffing services located in Tucson, Arizona. TLC Staffing had revenues of approximately $800,000 (unaudited) for the year ended December 31, 1996. The Company paid $150,000 in cash for the assets, assumed an $18,000 office lease liability and incurred $4,000 in acquisition related costs. The transaction was accounted for under the purchase method of accounting, which resulted in $152,000 of intangible assets and $2,000 of fixed assets.

BOLT STAFFING
On April 13, 1998, the Company acquired certain assets of BOLT Staffing Services, Inc., a provider of staffing services located in Pocatello, Idaho. BOLT Staffing had revenues of approximately $2.4 million (unaudited) for the year ended December 31, 1997. The Company paid $675,000 in cash for the assets, assumed a $6,000 office lease liability and incurred approximately $18,000 in acquisition related costs. The transaction was accounted for under the purchase method of accounting, which resulted in $683,000 of intangible assets and $10,000 of fixed assets.

2. BUSINESS COMBINATIONS (CONTINUED)

TEMPORARY STAFFING SYSTEMS, INC.
Effective January 1, 1999, the Company acquired all of the outstanding common stock of Temporary Staffing Systems, Inc. ("TSS"), a staffing services company with eight branch offices in North Carolina and one in South Carolina. The Company paid $2,000,000 in cash and issued a note payable for $950,000 due January 31, 2000, payment of which is contingent upon a minimum equity requirement for 1998 and certain financial performance criteria for 1999. The note will be recorded when the contingencies are resolved (Note 17). The Company also paid $50,000 in cash for a noncompete agreement with the selling shareholder. TSS's revenues for the fiscal year ended March 29, 1998 were approximately $12.9 million (audited). The transaction has been accounted for under the purchase method of accounting. The effect of this transaction resulted in the recording of $1,255,000 of tangible assets, $393,000 of existing intangible assets, the assumption of $1,646,000 of liabilities and, to date, the recognition of an additional $2,099,000 of intangible assets, which includes $51,000 for acquisition-related costs.

TPM STAFFING SERVICES, INC.
Effective February 15, 1999, the Company acquired certain assets of TPM Staffing Services, Inc. ("TPM"), a staffing services company with three offices in southern California - Lake Forest, Santa Ana and Anaheim. The Company paid $1,125,000 in cash for the assets of TPM. The Company also paid $75,000 for noncompete agreements. TPM's revenues for the year ended December 31, 1998 were approximately $5.7 million (unaudited). The transaction was accounted for under the purchase method of accounting, which resulted in $1,190,000 of intangible assets, including $15,000 for acquisition-related costs, and $25,000 of fixed assets.

TEMPORARY SKILLS UNLIMITED, INC.
Effective May 31, 1999, the Company acquired certain assets of Temporary Skills Unlimited, Inc., dba TSU Staffing ("TSU"), a staffing services company with nine branch offices in northern California. The Company paid $9,558,000 in cash and issued a note for $864,500, due one year from the date of acquisition. The Company also paid $100,000 for noncompete agreements. TSU's revenues for the year ended December 27, 1998 were approximately $25.0 million (audited). The transaction was accounted for under the purchase method of accounting, which resulted in $8,622,000 of intangible assets, including $184,000 for acquisition-related costs, $1,797,000 of accounts receivable and $287,000 of fixed 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 summary presents the combined results of operations as if the TSS, TPM and TSU acquisitions had occurred at the beginning of 1998, after giving effect to certain adjustments for the

2. BUSINESS COMBINATIONS (CONTINUED)

PRO FORMA RESULTS OF OPERATIONS (UNAUDITED) (CONTINUED)
amortization of intangible assets, taxation and cost of capital. The other acquisitions made since January 1, 1998 are not included in the pro forma information as their effect is not material.

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	YEAR ENDED DECEMBER 31, 1999	1998
Revenue	$ 362,297	$ 347,429
Net income	$ 5,497	$ 4,611
Basic earnings per share	$ .73	$ .60
Diluted earnings per share	$ .72	$ .60

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 January 1, 1998, or of results which may occur in the future.

WESTERN INDUSTRIAL MANAGEMENT, INC.

On June 29, 1998, the Company completed a merger with WIMI, whereby WIMI was merged directly with and into Barrett. The transaction qualified as a tax-free merger and has been accounted for as a pooling-of-interests. As a result of the merger, the former shareholders of WIMI initially received a total of 894,642 shares of the Company's common stock, which included 10,497 shares issued in exchange for real property consisting of an office condominium in which WIMI's main office was located. A dissenting WIMI shareholder received cash in the amount of $519,095, based on the value of $11.375 per share of Barrett's common stock. The Acquisition and Merger Agreement provided for a holdback of 10% of the total consideration paid by Barrett pending the final determination of the required minimum net worth of WIMI as of June 28, 1998. As a consequence of this final determination, total consideration paid by Barrett was reduced in 1999 by $52,811, which resulted in the cancellation of 4,417 shares previously issued to certain WIMI shareholders and a reduction in cash paid to the dissenting WIMI shareholder of $2,563. WIMI was a privately-held staffing services company headquartered in San Bernardino, California.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

All of the Company's significant financial instruments are recognized in its balance sheet. Carrying values approximate fair market value of most financial assets and liabilities. The fair market value of certain financial instruments was estimated as follows:

- Marketable securities - Marketable securities primarily consist of U.S. Treasury bills and municipal bonds. The interest rates on the Company's marketable security investments approximate current market rates for these types of investments; therefore, the recorded value of the marketable securities approximates fair market value.

- Long-term debt - The interest rates on the Company's long-term debt approximate current market rates, based upon similar obligations with like maturities; therefore, the recorded value of long-term debt approximates the fair market value.

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of temporary cash investments, marketable securities and trade accounts receivable. The Company restricts investment of temporary cash investments and marketable securities to financial institutions with high credit ratings and to investments in governmental debt instruments. Credit risk on trade receivables is minimized as a result of the large and diverse nature of the Company's customer base. At December 31, 1999, the Company had significant concentrations of credit risk as follows:

- Marketable securities - $2,275,000 of marketable securities at December 31, 1999 consisted of Oregon State Housing & Community Service Bonds.

- Trade receivables - $1,930,000 of trade receivables were with two customers at December 31, 1999 (6% of trade receivables outstanding at December 31, 1999).

4. INTANGIBLES

Intangibles consist of the following (in thousands):

	1999	1998
Covenants not to compete	$ 3,709	$ 3,484
Goodwill	25,674	13,595
Customer lists	358	358
	29,741	17,437
Less accumulated amortization	7,796	5,929
	$ 21,945	$ 11,508

5. PROPERTY AND EQUIPMENT

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

	1999	1998
Office furniture and fixtures	$ 4,087	$ 3,066
Computer hardware and software	3,630	2,225
Buildings	1,474	1,463
	9,191	6,754
Less accumulated depreciation	2,472	1,878
	6,719	4,876
	308	308
	$ 7,027	$ 5,184

6. WORKERS' COMPENSATION CLAIM AND SAFETY INCENTIVE LIABILITIES

The Company is a self-insured employer with respect to workers' compensation coverage for all its employees working in Oregon, Maryland, Washington, Delaware, and selected parts of California. The Company also is self-insured for workers' compensation purposes as granted by the United States Department of Labor for longshore and harbor ("USL&H") workers' coverage.

The Company has provided $4,219,000 and $4,417,000 at December 31, 1999 and 1998, respectively, as an estimated liability for unsettled workers' compensation claims and safety incentive liabilities. The estimated liability for unsettled workers' compensation claims represents management's best estimate which includes, in part, an evaluation of information provided by the Company's third-party administrators 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, anticipated increases in case reserve estimates and additional claims administration expenses. The estimated liability for safety incentives represents management's best estimate for future amounts owed to PEO client companies as a result of maintaining workers' compensation claims costs below certain agreed-upon amounts, which are based on a percentage of payroll. 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 for its estimated liabilities 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 may be material to results of operations.

6. WORKERS' COMPENSATION CLAIM AND SAFETY INCENTIVE LIABILITIES (CONTINUED)

Liabilities incurred for work-related employee fatalities are recorded either at an agreed 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 in all states, except $500,000 per occurrence for USL&H exposure. The excess insurance provides unlimited coverage above the aforementioned exposures.

At December 31, 1999, the Company's long-term workers' compensation claim liabilities in the accompanying balance sheet include $699,000 for work-related catastrophic injuries and fatalities. The aggregate undiscounted pay-out amount of the catastrophic injuries and fatalities is $1,585,000. The actuarially determined pay-out periods to the beneficiaries range from 7 to 42 years. As a result, the five-year cash requirements related to these claims are immaterial.

The United States Department of Labor and the states of Oregon, Maryland, Washington, and California require the Company to maintain specified investment balances or other financial instruments, totaling $7,735,000 at December 31, 1999 and $7,651,000 at December 31, 1998, to cover potential claims losses. In partial satisfaction of these requirements, at December 31, 1999, the Company has provided letters of credit in the amount of $1,553,000 and surety bonds totaling $457,000. The investments are included in restricted marketable securities and workers' compensation deposits in the accompanying balance sheets.

7. CREDIT FACILITY

Effective May 31, 1999, the Company renewed its loan agreement (the "Agreement") with its principal bank, which provides for (a) an unsecured revolving credit facility for working capital purposes and standby letters of credit up to $12,000,000, (b) a term real estate loan (Note 8) and (c) a three-year term loan (Note 8) in the amount of $8,000,000. The Agreement expires on May 31, 2000. The interest rate options available on outstanding balances under the revolving credit facility include (i) prime rate, (ii) Federal Funds Rate plus 1.25% or (iii) LIBOR plus 1.25%. The interest rate options available under the three-year term loan include (i) prime rate or (ii) LIBOR plus 1.35%.

Terms and conditions of the Agreement include, among others, certain restrictive quarterly financial covenants relating to the Company's current ratio, earnings before interest, taxes, depreciation and amortization ("EBITDA"), and ratio of borrowed funds plus capitalized lease obligations to EBITDA. The Company was in compliance with all such covenants at December 31, 1999.

During the year ended December 31, 1999, the maximum balance outstanding under the revolving credit facility was $8,284,000, the average balance outstanding was $4,262,000, and the weighted average interest rate during the period was 6.8%. The weighted average interest rate during 1999 was calculated using daily weighted averages.

7. CREDIT FACILITY (CONTINUED)

The Company had an additional revolving credit facility which was paid off in 1998. Such prior credit facility was in connection with the WIMI merger.

8. LONG-TERM DEBT

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

<TABLE>

<S>	<C> 1999	<C> 1998
Term loan payable in monthly installments of $222,222 plus interest at LIBOR plus 1.35% through 2002 (Note 7)	$ 6,444	$ -
Mortgage note payable in monthly installments of $6,408, including interest at 7.40% per annum through 2003, with a principal payment of $325,000 due in 2003, secured by land and building (Note 7)	491	530
Note payable, assumed in acquisition, payable in monthly installments of $5,116, including interest at 8.25% per annum through 2001	64	-
Capitalized equipment leases, assumed in acquisition, with variable monthly installments, including interest at 11.5% per annum through 2000, secured by equipment	16	34
	7,015	564
Less portion due within one year	2,783	61
	$ 4,232	$ 503

Maturities on long-term debt are summarized as follows at December 31, 1999 (in thousands):

YEAR ENDING DECEMBER 31,	
2000	$ $2,783
2001	2,717
2002	1,160
2003	355
2004	-

$ 7,015
===========

</TABLE>

9. SAVINGS PLAN

The Company has a Section 401(k) employee savings plan for the benefit of its eligible employees. All employees 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 ("PEO") contract receive credit for prior employment with the PEO client for purposes of meeting savings plan service eligibility. The determination of Company contributions to the plan, if any, is subject to the sole discretion of the Company.

Participants' interests in Company contributions to the plan vest over a seven-year period. Company contributions to the plan were $125,000, $104,000 and $111,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

Recent attention has been placed by the Internal Revenue Service (the "IRS") and the staff leasing industry on Internal Revenue Code Section 401(k) plans sponsored by staff leasing companies. As such, the tax-exempt status of the Company's plan is subject to continuing scrutiny and approval by the IRS and to the Company's ability to support to the IRS the Company's employer-employee relationship with leased employees. In the event the tax-exempt status were to be discontinued and the plan were to be disqualified, the operations of the Company could be adversely affected. The Company has not recorded any provision for this potential contingency, as the Company and its legal counsel cannot presently estimate either the likelihood of disqualification or the resulting range of loss, if any.

10. COMMITMENTS

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

YEAR ENDING DECEMBER 31,	
2000	$ 1,656
2001	958
2002	501
2003	158
2004	15

	$ 3,288
	=========

Rent expense for the years ended December 31, 1999, 1998 and 1997 was approximately $1,780,000, $1,369,000 and $1,188,000, respectively.

11. RELATED PARTY TRANSACTIONS

During 1997, the Company recorded revenues of $4,047,000 and cost of revenues of $3,719,000 for providing services to a company of which a former director of the Company is president and majority stockholder. At December 31, 1997, Barrett had trade receivables from this company of $188,000.

On December 31, 1997, the Company borrowed $122,100 from a shareholder. The note bore interest at 10% per annum and was repaid in full on June 29, 1998. This was a transaction between WIMI and its former majority shareholder.

12. INCOME TAXES

The provisions for income taxes are as follows (in thousands):
<TABLE>

<S> <C> <C> <C>

	YEAR ENDED DECEMBER 31, 1999	1998	1997
Current:			
Federal	$ 2,796	$ 2,571	$ 2,566
State	732	675	503
	3,528	3,246	3,069
Deferred:			
Federal	135	(255)	(600)
State	21	(68)	(127)
	156	(323)	(727)
Total provision	$ 3,684	$ 2,923	$ 2,342

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

	1999	1998
Current:		
Workers' compensation claim and safety incentive liabilities	$ 1,368	$ 1,542
Allowance for doubtful accounts	130	102
Other accruals	160	213
	$ 1,658	$ 1,857
Noncurrent:		
Tax depreciation in excess of book depreciation	$ (94)	$ (101)
Workers' compensation claim liabilities	272	278
Amortization of intangibles	380	289
Deferred compensation	44	62
Other	110	24
	$ 712	$ 552

</TABLE>

12. INCOME TAXES (CONTINUED)

<TABLE>

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

<S> <C> <C> <C>

	Year ended December 31, 1999	1998	1997
Statutory federal tax rate	34.0 %	34.0 %	34.0 %
State taxes, net of federal benefit	5.6	6.1	3.5
Nondeductible expenses	0.8	3.4	-
Nondeductible amortization of intangibles	1.9	2.5	1.3
Federal tax-exempt interest income	(0.9)	(1.0)	(1.0)
Other, net	0.3	(1.7)	0.1
	41.7 %	43.3 %	37.9 %

</TABLE>

During 1997, the Company recognized a State of Oregon tax credit of approximately $121,000 related to the 1996 tax year.

13. STOCK INCENTIVE PLAN

The Company has a Stock Incentive Plan (the "Plan") which provides for stock-based awards to Company employees, non-employee directors and outside consultants or advisors. Effective May 14, 1997, the Company's stockholders approved an increase in the number of shares of common stock reserved for issuance under the Plan from 800,000 to 1,300,000.

The options generally become exercisable in four equal annual installments beginning one year after the date of grant, and expire ten years after the date of grant. Under the terms of the Plan, the exercise price of incentive stock options must not be less than the fair market value of the Company's stock on the date of grant.

In addition, certain of the Company's zone and branch management employees have elected to receive a portion of their quarterly cash bonus in the form of nonqualified deferred compensation stock options. Such options are awarded at a sixty percent discount from the then-fair market value of the Company's stock and are fully vested and immediately exercisable upon grant. During 1999, the Company awarded deferred compensation stock options for 38,613 shares at an average exercise price of $3.11 per share. During 1998, the Company awarded deferred compensation stock options for 51,417 shares at an average exercise price of $4.26 per share. No such stock options were awarded in 1997. Total fair value of options granted at 60% below market price was computed to be $231,941 and $422,743 for the years ended December 31, 1999 and 1998, respectively. In accordance with APB No. 25, the Company recognized compensation expense of $180,238 and $212,941 for the years ended December 31, 1999 and 1998, respectively, in connection with the issuance of these discounted options.

13. STOCK INCENTIVE PLAN (CONTINUED)

A summary of the status of the Company's stock options at December 31, 1999, 1998 and 1997, together with changes during the periods then ended, are presented below.

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 1996	491,998	$ 12.27
Options granted at market price	219,871	14.54
Options exercised	(77,375)	9.46
Options canceled or expired	(39,375)	13.87
Outstanding at December 31, 1997	595,119	13.50
Options granted at market price	217,601	10.91
Options granted below market price	51,417	4.26
Options exercised	(7,250)	5.91
Options canceled or expired	(71,592)	14.50
Outstanding at December 31, 1998	785,295	12.15
Options granted at market price	152,971	8.79
Options granted below market price	38,613	3.11
Options exercised	(9,059)	3.74
Options canceled or expired	(74,102)	13.60
Outstanding at December 31, 1999	893,718	11.16
Available for grant at December 31, 1999	188,848	

13. STOCK INCENTIVE PLAN (CONTINUED)

The Company applies APB Opinion No. 25 and related interpretations in accounting for the Plan. Accordingly, no compensation expense has been recognized for its stock option grants issued at market price. If compensation expense for the Company's stock-based compensation plan had been determined based on the fair market value at the grant date for awards under the Plan, consistent with the method of Statement of Financial Accounting Standards ("SFAS") No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

<TABLE>

<S>	<C> 1999	<C> 1998	<C> 1997
(in thousands, except per share amounts)			
Net income, as reported	$ 5,149	$ 3,821	$ 3,845
Net income, pro forma	4,265	3,117	3,364
Basic earnings per share, as reported	.68	.50	.50
Basic earnings per share, pro forma	.56	.41	.43
Diluted earnings per share, as reported	.68	.50	.49
Diluted earnings per share, pro forma	.56	.41	.42

The effects of applying SFAS No. 123 for providing pro forma disclosures for 1999, 1998 and 1997 are not likely to be representative of the effects on reported net income for future years, because options vest over several years and additional awards generally are made each year.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted-average assumptions used for grants in 1999, 1998 and 1997:

	1999	1998	1997
Expected volatility	46%	43%	42%
Risk free rate of return	5.75%	5.50%	6.25%
Expected dividend yield	0%	0%	0%
Expected life (years)	7.0	8.0	7.5

</TABLE>

Total fair value of options granted at market price was computed to be $768,863, $1,364,155 and $1,809,662 for the years ended December 31, 1999, 1998 and 1997, respectively. The weighted average value of all options granted in 1999, 1998 and 1997 was $5.22, $6.64 and $8.23, respectively.

13. STOCK INCENTIVE PLAN (CONTINUED)

The following table summarizes information about stock options outstanding at December 31, 1999:

<TABLE>

<S>	<C> OPTIONS OUTSTANDING	<C>	<C>	<C>	<C> OPTIONS EXERCISABLE	<C>
	Exercise price range	Number of shares	Weighted-average exercise price	Weighted-average remaining contractual life (years)	Exercisable at December 31, 1999	Weighted-average exercise price
	$ 2.80 - 5.23	101,345	$ 3.64	7.7	92,414	$ 3.57
	7.06 - 9.50	208,695	8.97	7.7	61,250	9.41
	10.13 - 12.50	277,419	11.09	7.9	111,999	11.27
	13.38 - 14.88	161,500	14.40	6.6	116,250	14.41
	15.00 - 17.94	144,759	16.11	5.9	127,921	16.02
		893,718			509,834	

</TABLE>

At December 31, 1999, 1998 and 1997, 509,834, 363,295 and 211,958 options were exercisable at weighted average exercise prices of $11.56, $11.97 and $12.02, respectively.

14. STOCK REPURCHASE PROGRAM

Effective February 26, 1999, the Company's Board of Directors authorized a stock repurchase program to purchase up to 250,000 common shares from time to time in open market purchases. On November 10, 1999, the Company's Board of Directors authorized the repurchase of an additional 200,000 shares, thereby increasing the total number of common shares authorized for repurchase to 450,000. During 1999, the Company repurchased 219,000 shares at an aggregate price of $1,498,000.

15. LITIGATION

The Company is subject to legal proceedings and claims, which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to currently pending or threatened actions is not expected to materially affect the financial position or results of operations of the Company.

16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(in thousands, except per share amounts and market price per share)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended December 31, 1997				
Revenues	$ 67,011	$ 75,660	$ 85,995	$ 76,865
Cost of revenues	60,296	67,686	77,258	68,877
Net income	823	1,254	976	792
Basic earnings per share	.11	.16	.13	.10
Diluted earnings per share	.10	.16	.13	.10
Common stock market prices:				
High	$ 19.00	$ 15.00	$ 17.50	$ 17.25
Low	12.75	11.50	13.63	11.00
Year ended December 31, 1998				
Revenues	$ 69,241	$ 76,651	$ 81,969	$ 75,168
Cost of revenues	62,467	68,524	73,002	67,012
Net income	387	600	1,599	1,235
Basic earnings per share	.05	.08	.21	.16
Diluted earnings per share	.05	.08	.21	.16
Common stock market prices:				
High	$ 12.00	$ 13.38	$ 10.88	$ 9.38
Low	10.25	9.13	7.88	6.00
Year ended December 31, 1999				
Revenues	$ 71,015	$ 84,707	$ 95,875	$ 96,253
Cost of revenues	63,700	75,565	84,927	86,159
Net income	740	1,216	1,835	1,359
Basic earnings per share	.10	.16	.24	.18
Diluted earnings per share	.10	.16	.24	.18
Common stock market prices:				
High	$ 9.06	$ 9.25	$ 10.25	$ 8.38
Low	5.25	5.88	7.75	5.50

17. SUBSEQUENT EVENT

Pursuant to the Stock Purchase Agreement (the "Agreement") between the Company and TSS (see Note 2), the Company has provided notice to the former shareholder of TSS of the Company's intent to reduce the amount payable on the $950,000 note due on January 31, 2000, as a consequence of certain shortfalls from TSS's minimum equity requirement for 1998 and financial performance criteria for 1999 EBITDA. As a consequence of the Company's notice to TSS's former shareholder, the parties have agreed to extend the due date of the note until TSS's former shareholder has completed a review of the Company's reductions against the note, as provided for in the Agreement.

EXHIBIT INDEX

2	Acquisition and Merger Agreement dated June 29, 1998, among the registrant, Western Industrial Management, Inc., Catch 55, Inc., and the other parties listed therein. Incorporated by reference to Exhibit 2 to the registrant's Current Report on Form 8-K filed July 13, 1998.
3.1	Charter of the registrant, as amended. Incorporated by reference to 1 Exhibit 3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994.
3.2	Bylaws of the registrant, as amended.Incorporated by reference to Exhibit 3.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1996.
4.1	Loan Agreement between the registrant and Wells Fargo Bank, N.A., dated May 31, 1998. Incorporated by reference to Exhibit 4.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.
4.2	Amendment, dated February 8, 1999, to Loan Agreement between the registrant and Wells Fargo Bank, N.A., dated May 31, 1998. Incorporated by reference to Exhibit 4.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1998.
4.3	Amendment, dated December 31, 1999, to Loan Agreement between the registrant and Wells Fargo Bank, N.A., dated May 31, 1998.
	The registrant has incurred other long-term indebtedness as to which the amount involved is less than 10 percent of the registrant's total assets. The registrant agrees to furnish copies of the instruments relating to such indebtedness to the Commission upon request.
10	Executive Compensation Plans and Arrangements and Other Management Contracts.
10.1	1993 Stock Incentive Plan of the registrant, as amended.
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).
10.3	Deferred Compensation Plan for Management Employees of the registrant. Incorporated by reference to Exhibit 10.3 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1997.
10.4	Employment Agreement between the registrant and Michael D. Mulholland, dated January 26, 1999. Incorporated by reference to Exhibit 10.4 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1998.
11	Statement of calculation of Basic and Diluted shares outstanding.
23	Consent of PricewaterhouseCoopers LLP, independent accountants.
24	Power of attorney of certain officers and directors.
27	Financial Data Schedule, fiscal year end 1999.

December 31, 1999

William W. Sherertz, President
BARRETT BUSINESS SERVICES, INC.
4724 SW Macadam Avenue
Portland, OR 97201

Dear Mr. Sherertz:

This letter amendment (this "Amendment") is to confirm the changes agreed upon between Wells Fargo Bank, National Association ("Bank") and BARRETT BUSINESS SERVICES, INC. ("Borrower") to the terms and conditions of that certain letter agreement between Bank and Borrower dated as of May 31, 1998, as amended from time to time (the "Agreement"). For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree that the Agreement shall be amended as follows to reflect said changes.

1. Paragraph V.8. is hereby deleted in its entirety, and the following substituted therefor:

> "8. Financial Condition. Maintain Borrower's financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):
>
> (a) Current Ratio as of the end of each fiscal quarter not at any time less than 1.15 to 1.0, with "Current Ratio" defined as total current assets divided by total current liabilities.
>
> (b) EBITDA not less than $10,000,000.00 as of each fiscal quarter end, on a trailing four-quarters basis including the current quarter then ended, with "EBITDA" defined as net profit before tax plus interest expense (net of capitalized interest expense), depreciation expense and amortization expense.
>
> (c) Funded Debt to EBITDA Ratio as of the end of each fiscal quarter not more than 2.25 to 1.0, with "Funded Debt" defined as all borrowed funds plus the amount of all capitalized lease obligations of Borrower."

2. Except as specifically provided herein, all terms and conditions of the Agreement remain in full force and effect, without waiver or modification. All terms defined in the Agreement shall have the same meaning when used herein. This Amendment and the Agreement shall be read together, as one document.

3. Borrower hereby remakes all representations and warranties contained in the Agreement and reaffirms all covenants set forth therein. Borrower further certifies that as of the date of Borrower's acknowledgment set forth below there exists no default or defined event of default under the Agreement or any promissory note or other contract, instrument or document executed in connection therewith, nor any condition, act or event which with the giving of notice or the passage of time or both would constitute such a default or defined event of default.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY 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 BANK TO BE ENFORCEABLE.

Your acknowledgment of this Amendment shall constitute acceptance of the foregoing terms and conditions.

Sincerely,

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: /s/ Julie Wilson

Julie Wilson
Vice President

Acknowledged and accepted as of 1/26/00:

BARRETT BUSINESS SERVICES, INC.

By: /s/ William W. Sherertz

William W. Sherertz
President

BARRETT BUSINESS SERVICES, INC.

AMENDED AND RESTATED
1993 STOCK INCENTIVE PLAN

Effective March 1, 1993

(as amended March 16, 2000)

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(continued)

BARRETT BUSINESS SERVICES, INC.
AMENDED AND RESTATED 1993 STOCK INCENTIVE PLAN

ARTICLE 1
ESTABLISHMENT AND PURPOSE

1.1 Establishment. Barrett Business Services, Inc. ("Corporation"), hereby establishes the Barrett Business Services, Inc., 1993 Stock Incentive Plan (the "Plan"), effective as of March 1, 1993, subject to shareholder approval as provided in Article 18. The Plan was previously amended effective March 8, 1994, and March 12, 1997, and is further amended and restated as set forth herein effective March 16, 2000, subject to shareholder approval as provided in Article 16.

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

ARTICLE 2
DEFINITIONS

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

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

"AWARD AGREEMENT" means an agreement as described in Section 6.4.

"BOARD" means the Board of Directors of Corporation.

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

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

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

"CONSULTANT" means any consultant or adviser to Corporation or a Subsidiary selected by the Committee, who is not an employee of Corporation or a Subsidiary.

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

"CORPORATION" means Barrett Business Services, Inc., a Maryland corporation, or any successor corporation.

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

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

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

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

"FAIR MARKET VALUE" means on any given date, the fair market value per share of the Common Stock determined as follows:

(a) If the Common Stock is traded on an established securities exchange, the mean between the reported high and low sale prices of Common Stock as reported for such day by the principal exchange on which Common Stock is traded (as determined by the Committee) or, if Common Stock was not traded on such date, on the next preceding day on which Common Stock was traded;

(b) If trading activity in Common Stock is reported in the NASDAQ National Market System, the mean between the reported high and low sale prices of Common Stock as reported for such day by the NASDAQ or, if Common Stock trades were not reported on such date, on the next preceding day on which Common Stock trades were reported by the NASDAQ;

(c) If trading activity in Common Stock is reported in the NASDAQ Bid and Asked Quotations, the mean between the bid price and asked price quote for such day as

reported by the NASDAQ or, if there are no such quotes for Common Stock for such date, on the next preceding day for which bid and asked price quotes for Common Stock were reported by NASDAQ; or

(d) If there is no market for Common Stock or if trading activities for Common Stock are not reported in one of the manners described above, the fair market value shall be as determined by the Committee.

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

"NON-EMPLOYEE BOARD DIRECTOR" means a member of the Board who is not an employee of Corporation or any Subsidiary.

"NON-EMPLOYEE SUBSIDIARY DIRECTOR" means a member of the board of directors of a Subsidiary who is neither an employee of Corporation or a Subsidiary nor a member of the Board.

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

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

"OTHER STOCK-BASED AWARD" means an Award as defined in Section 11.1.

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

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

"PERFORMANCE CYCLE" means a designated performance period pursuant to the provisions of Section 10.3 of the Plan.

"PERFORMANCE GOAL" means a designated performance objective pursuant to the provisions of Section 10.4 of the Plan.

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

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

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

"RESTRICTED SHARE" means an Award described in Section 9.1(a) of the Plan.

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

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

"RETIREMENT" means:

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

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

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

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

"SHARE" means a share of Common Stock.

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

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

"VEST" or "VESTED" means:

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

Continuing Restrictions);

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

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

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

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

ARTICLE 3
ADMINISTRATION

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

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

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

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

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

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

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

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

(f) Determine the option price, purchase price, base price, or similar feature for any Award; and

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

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

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

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

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

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

ARTICLE 4
DURATION OF THE PLAN AND SHARES SUBJECT TO THE PLAN

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

4.2 Shares Subject to the Plan. The shares which may be made subject to Awards under the Plan shall be Shares of Common Stock, which may be either authorized and unissued Shares or reacquired Shares. No fractional Shares shall be issued under the Plan. Subject to adjustment pursuant to Article 15, the maximum number of Shares for which Awards may be granted under the Plan shall be 1,550,000. If an Award under the Plan is canceled or expires for any reason prior to having been fully Vested or exercised by a Participant or is settled in cash in lieu of Shares or is exchanged for other Awards, all Shares covered by such Awards shall be made available for future Awards under the Plan.

ARTICLE 5
ELIGIBILITY

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

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

ARTICLE 6
AWARDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Unless the Committee specifically provides otherwise in the change in control provision for a specific Award Agreement, Awards shall become exercisable, become Vested, or become earned as of a change in control date only if, or to the extent, such acceleration in the exercisability, Vesting, or becoming earned of the Awards does not result in an "excess parachute payment" within the meaning of Section 280G(b) of the

Code. The Committee, in its discretion, may include change in control provisions in some Award Agreements and not in others, may include different change in control provisions in different Award Agreements, and may include change in control provisions for some Awards or some Participants and not for others.

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

(h) Payment of Purchase Price and Withholding. The Committee, in its discretion, may include in any Award Agreement a provision permitting the Participant to pay the purchase or option price, if any, for the Shares or other property issuable pursuant to the Award, or the Participant's federal, state, or local tax, or tax withholding, obligation with respect to such issuance in whole or in part by any one or more of the following:

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

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

(iii) By reducing the number of Shares or other property otherwise

Vested and issuable pursuant to the Award;

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 7
OPTIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.10 Limitation on Number of Shares Subject to Options. In no event may Options for more than 200,000 Shares be granted to any individual under the Plan during any calendar year.

ARTICLE 8
STOCK APPRECIATION RIGHTS

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

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

8.3 Exercise. A Stock Appreciation Right may be exercised by a Participant in accordance with procedures established by the Committee. The Committee may also provide

that a SAR shall be automatically exercised on one or more specified dates or upon the satisfaction of one or more specified conditions. In the case of SARs granted to Reporting Persons, exercise of the SAR shall be limited by the Committee to the extent required to comply with the applicable requirements of Rule 16b-3 under the Exchange Act.

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

8.5 Limitation on Number of Stock Appreciation Rights. In no event may more than 200,000 Stock Appreciation Rights be granted to any individual under the Plan during any calendar year.

ARTICLE 9
RESTRICTED AWARDS

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

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

(b) Restricted Units. A Restricted Unit is an Award of units (with each unit having a value equivalent to one Share) granted to a Participant subject to such terms and conditions as the Committee deems appropriate, and may include a requirement that the Participant forfeit such Restricted Units upon termination of Participant's employment (or service as a Non-Employee Subsidiary Director or a Consultant) for specified reasons within a specified period of time or upon other conditions, as set forth in the Award Agreement for such Restricted Units.

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

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

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

9.5 Settlement of Restricted Awards.

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

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

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

dividends issued with respect to Restricted Shares shall be treated as additional Shares covered by the grant of Restricted Shares and shall be subject to the same Restrictions.

ARTICLE 10
PERFORMANCE AWARDS

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

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

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

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

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

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

ARTICLE 11
OTHER STOCK BASED AND COMBINATION AWARDS

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

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

ARTICLE 12
DEFERRAL ELECTIONS

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

ARTICLE 13
DIVIDEND EQUIVALENTS

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

ARTICLE 14
NON-EMPLOYEE BOARD DIRECTORS

14.1 General. Awards shall be made to Non-Employee Board Directors only pursuant to this Article 14. All Non-Employee Board Directors shall receive Initial Director Options and

Annual Director Options. No person, including the members of the Board or the Committee, shall have any discretion as to the selection of eligible recipients or the determination of the type, amount, or terms of Awards pursuant to this

Article 14.

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

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

"ANNUAL MEETING DATE" means the date of Corporation's regular annual meeting of shareholders.

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

14.4 Initial Director Options.

(a) Grant of Initial Director Options. As of the Offering Date, each Non-Employee Board Director who is a member of the Board on the Offering Date shall be granted automatically an Initial Director Option to purchase 1,500 Shares.

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

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

14.5 Annual Director Options.

(a) Grant of Annual Director Options. As of each Annual Meeting Date, each Non-Employee Board Director whose term begins on or continues after that Annual Meeting Date shall be granted automatically an Annual Director Option to purchase 1,000 Shares.

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

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

ARTICLE 15
ADJUSTMENTS UPON CHANGES IN CAPITALIZATION, ETC.

15.1 Plan Does Not Restrict Corporation. The existence of the Plan and the Awards granted under the Plan shall not affect or restrict in any way the right or power of the Board or

the shareholders of Corporation to make or authorize any adjustment, recapitalization, reorganization, or other change in Corporation's capital structure or its business, any merger or consolidation of the Corporation, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting Corporation's capital stock or the rights thereof, the dissolution or liquidation of Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding.

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

ARTICLE 16
AMENDMENT AND TERMINATION

Without further approval of Corporation's shareholders, the Board may at any time terminate the Plan, or may amend it from time to time in such respects as the Board may deem advisable, except that the Board may not, without approval of the shareholders, make any amendment which would (i) materially increase the benefits accruing to Participants under the Plan, (ii) materially increase the aggregate number of shares of Common Stock which may be issued under the Plan (except for adjustments pursuant to Article 15 of the Plan), or (iii) materially modify the requirements as to eligibility for participation in the Plan. Without further shareholder approval, the Board may amend the Plan to take into account changes in applicable securities, federal income tax laws, and other applicable laws. Further, should the provisions of Rule 16b-3, or any successor rule, under the Exchange Act be amended, the Board, without further shareholder approval, may amend the Plan as necessary to comply with any modifications to such rule. The provisions of Article 14 may not be amended more than once every six months, other than to conform with changes in the Code or in Rule 16b-3 under the Exchange Act.

ARTICLE 17
MISCELLANEOUS

17.1 Tax Withholding. Corporation shall have the right to deduct from any settlement of any Award under the Plan, including the delivery or vesting of Shares, any federal, state, or local taxes of any kind required by law to be withheld with respect to such payments or to take such other action as may be necessary in the opinion of Corporation to satisfy all obligations for the payment of such taxes. The recipient of any payment or distribution under the Plan shall make arrangements satisfactory to Corporation for the satisfaction of any such withholding tax

obligations. Corporation shall not be required to make any such payment or distribution under the Plan until such obligations are satisfied.

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

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

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

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

17.6 Other Corporation Benefit and Compensation Programs. Payments and other benefits received by a Participant under an Award made pursuant to the Plan shall not be deemed a part of a Participant's regular, recurring compensation for purposes of the termination indemnity or severance pay law of any state or country and shall not be included in, nor have any effect on, the determination of benefits under any other employee benefit plan or similar arrangement provided by Corporation or a Subsidiary unless expressly so provided by such other plan or arrangements, or except where the Committee expressly determines that an Award or portion of an Award should be included to accurately reflect competitive compensation practices or to recognize that an Award has been made in lieu of a portion of cash compensation. Awards under the Plan may be made in combination with or in tandem with, or as alternatives to, grants,

awards, or payments under any other Corporation or Subsidiary plans, arrangements, or programs. The Plan notwithstanding, Corporation or any Subsidiary may adopt such other compensation programs and additional compensation arrangements as it deems necessary to attract, retain, and reward employees and directors for their service with Corporation and its Subsidiaries.

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

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

ARTICLE 18
SHAREHOLDER APPROVAL

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

BARRETT BUSINESS SERVICES, INC.
STATEMENT OF CALCULATION OF BASIC
AND DILUTED COMMON SHARES OUTSTANDING

<TABLE>

<S>	<C> Year Ended December 31, 1999
Weighted average number of basic shares outstanding	7,580,741
Stock option plan shares to be issued at prices ranging from $2.80 to $17.94 per share	877,916
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	(831,980)
Weighted average number of diluted shares outstanding	7,626,677

</TABLE>

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, 33-52871 and 333-33487) and in the Prospectus constituting part of the Registration Statements on Form S-3 (Nos. 333-24449 and 333-62041) of Barrett Business Services, Inc. of our report dated February 9, 2000.

PRICEWATERHOUSECOOPERS LLP

Portland, Oregon
March 27, 2000

POWER OF ATTORNEY

Each person whose signature appears below designates and appoints WILLIAM W. SHERERTZ and MICHAEL D. MULHOLLAND, and either of them, true and lawful attorneys-in-fact and agents, to sign the Annual Report on Form 10-K for the year ended December 31, 1999, of Barrett Business Services, Inc., a Maryland corporation, and to file said report, with all exhibits thereto, with the Securities and Exchange Commission under the Securities Exchange Act of 1934. Each person whose signature appears below also grants to these attorneys-in-fact and agents full power and authority to perform every act and execute any instruments that they deem necessary or desirable in connection with said report, as fully as he could do in person, hereby ratifying and confirming all that the attorneys-in-fact and agents or their substitutes may lawfully do or cause to be done.

IN WITNESS WHEREOF, this power of attorney has been executed by each of the undersigned as of this 28th day of March, 2000.

Signature	Title
/s/ William W. Sherertz William W. Sherertz	President and Chief Executive Officer and Director (Principal Executive Officer)
/s/ Michael D. Mulholland Michael D. Mulholland	Vice President-Finance and Secretary (Principal Financial Officer)
/s/ James D. Miller James D. Miller	Controller (Principal Accounting Officer)
/s/ Robert R. Ames Robert R. Ames	Director
/s/ Herbert L. Hochberg Herbert L. Hochberg	Director
/s/ Anthony Meeker Anthony Meeker	Director
/s/ Stanley G. Renecker Stanley G. Renecker	Director
/s/ Nancy B. Sherertz Nancy B. Sherertz	Director

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BARRETT BUSINESS SERVICES, INC.
FINANCIAL DATA SCHEDULE

This schedule contains summary financial information extracted from the Company's balance sheets and related statements of operations for the year ended December 31, 1999 and is qualified in its entirety by reference to such financial statements.
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