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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000
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)	(IRS Employer Identification No.)
4724 SW Macadam Avenue Portland, Oregon	97201
(Address of principal executive offices)	(Zip Code)

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

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: $11,143,264 at February 28, 2001 (based on a market price as of February 12, 2001).

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

Class	Outstanding at February 28, 2001
Common Stock, Par Value $.01 Per Share	6,427,898 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2001 Annual Meeting of Stockholders are hereby incorporated by reference into Part III of Form 10-K.

BARRETT BUSINESS SERVICES, INC.
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PART I

ITEM 1. BUSINESS

GENERAL

Barrett Business Services, Inc. ("Barrett" or the "Company"), was incorporated in the state of Maryland in 1965. Barrett 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, effective 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 2000, Barrett's staffing services revenues represented 58.5% of total revenues, compared to 41.5% 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 2000, the Company provided staffing services to approximately 4,600 customers, down from 6,800 in 1999. Although a majority of the Company's staffing customers are small to mid-sized businesses, during 2000 approximately 45 of the Company's customers each utilized Barrett employees in a number ranging from at least 200 employees to as many as 1,000 employees through various staffing services arrangements. In addition, Barrett had approximately 465 PEO clients at December 31, 2000, compared to 637 at December 31, 1999. The decrease in the number of PEO customers at December 31, 2000 was primarily due to the Company's decision in mid-2000 to discontinue doing business with customers who were not providing adequate profit margins or represented unacceptable levels of risk associated with credit or workplace safety.

The Company operates through a network of 27 branch offices in Oregon, California, Washington, Maryland, Delaware, Idaho, Arizona and North 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 effective human resource management services through a unique and efficient blend of staffing and PEO arrangements, (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) utilize a zone management structure to strengthen and expand operations, (ii) enhance management information systems to support continued growth and to improve customer services and (iii) expand through acquisitions of human resource-related businesses in new and existing geographic markets.

ACQUISITIONS

The Company reviews acquisition opportunities on an ongoing basis. While growth through acquisition has been 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 typically 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 fixed 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 2000 revenues.

In 2000, the light industrial sector generated approximately 73% of the Company's staffing services revenues, while clerical office staff accounted for 17% of such revenues and technical personnel represented the balance of 10%. 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. In mid-2000, the Company implemented a new, comprehensive pre-employment screening test to further ensure that applicants are appropriately qualified for employment.

Barrett's staffing services employees are not under its direct control while working at a customer's business. 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 resource 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 has the right to hire and fire 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 5% of its total annual revenues during 2000.

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 work-site 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. Payment terms for most PEO clients are due on the invoice date.

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.

Through December 31, 2000, Barrett maintained 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. As a self-insured employer, 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 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 review annually 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. Total capital expenditures for this project were approximately 4.5 million.

EMPLOYEES AND EMPLOYEE BENEFITS

At December 31, 2000, the Company had approximately 13,425 employees, including approximately 8,800 staffing services employees, approximately 4,400 PEO employees and approximately 225 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 2000, less than 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 "work-site 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 work-site 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 and a group disability insurance 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. and RemedyTemp, 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 2000, approximately 61% and 33% 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 27 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 44% and 37%, respectively, of its total revenues in 2000. 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	9
Idaho	2
Oregon	9
Washington	1
Maryland	3
Delaware	1
North 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 $442,000 at December 31, 2000.

The Company also owns two other office buildings, one in Portland, Oregon with approximately 7,000 square feet of office space, which houses its

Portland/Bridgeport branch office, and the second, a small office condominium in San Bernardino, California, which is currently offered for sale.

Barrett leases office space for its other branch offices. At December 31, 2000, such leases had expiration dates ranging from less than one year to five years, with total minimum payments through 2005 of approximately $2,956,000.

ITEM 3. LEGAL PROCEEDINGS

There were no material legal proceedings pending against the Company at December 31, 2000, or during the period beginning with that date through March 23, 2001.

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 2000.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table identifies, as of February 28, 2001, each executive officer of the Company. Executive officers are elected annually and serve at the discretion of the Board of Directors.

Name	Age	Principal Positions and Business Experience	Officer Since
William W. Sherertz	55	President; Chief Executive Officer; Director	1980
Michael D. Mulholland	49	Vice President-Finance and Secretary; Chief Financial Officer	1994
Gregory R. Vaughn	45	Vice President	1998
James D. Miller	37	Controller and Assistant Secretary; Principal Accounting Officer	1994

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. ("Sprouse"), 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, now known as PricewaterhouseCoopers 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, now known as PricewaterhouseCoopers 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 28, 2001, there were 66 stockholders of record and approximately 466 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:

	High	Low
1999		
First Quarter	$ 9.06	$ 5.25
Second Quarter	9.25	5.88
Third Quarter	10.25	7.75
Fourth Quarter	8.38	5.50
2000		
First Quarter	$ 7.63	$ 5.00
Second Quarter	7.50	5.00
Third Quarter	6.44	5.00
Fourth Quarter	5.25	2.50

ITEM 6. SELECTED FINANCIAL DATA

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

<TABLE>

	Year Ended December 31,				
	2000	1999	1998	1997	1996
	(In thousands, except per share data)				
Statement of operations Data:					
Revenues:					
<S>	<C>	<C>	<C>	<C>	<C>
Staffing services	$188,500	$194,991	$165,443	$177,263	$130,746
Professional employer services	133,966	152,859	137,586	128,268	101,206
Total	322,466	347,850	303,029	305,531	231,952
Cost of revenues:					
Direct payroll costs	251,015	270,049	235,265	236,307	176,686
Payroll taxes and benefits	27,007	28,603	25,550	27,226	20,414
Workers' compensation	12,639	11,702	10,190	10,584	8,173
Total	290,661	310,354	271,005	274,117	205,273
Gross margin	31,805	37,496	32,024	31,414	26,679
Selling, general and administrative expenses	24,583	25,957	23,012	23,573	18,205
Merger expenses	-	-	750	-	-
Depreciation and amortization	3,192	2,461	1,785	1,770	1,189
Income from operations	4,030	9,078	6,477	6,071	7,285
Other (expense) income:					
Interest expense	(830)	(634)	(173)	(247)	(122)
Interest income	341	357	441	362	554
Other, net	6	32	(1)	1	-
Total	(483)	(245)	267	116	432
Income before provision for income taxes	3,547	8,833	6,744	6,187	7,717
Provision for income taxes	1,446	3,684	2,923	2,342	2,749
Net income	$ 2,101	$ 5,149	$ 3,821	$ 3,845	$ 4,968
Basic earnings per share	$ 0.29	$ 0.68	$ 0.50	$ 0.50	$ 0.65
Weighted average number of basic shares outstanding	7,237	7,581	7,664	7,646	7,602
Diluted earnings per share	$ 0.29	$ 0.68	$ 0.50	$ 0.49	$ 0.64
Weighted average number of diluted shares outstanding	7,277	7,627	7,711	7,780	7,823

Selected balance sheet data:					
Working capital	$ 3,731	$ 7,688	$13,272	$10,201	$11,489
Total assets	61,112	70,740	52,770	50,815	44,063
Long-term debt, net of current portion	1,508	4,232	503	573	1,107
Stockholders' equity	34,917	37,329	33,702	30,231	25,629

</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 invoiced 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 81% of its total revenues in 2000. 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 and workers' compensation, which includes 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, a component of workers' compensation, 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 effectiveness of the Company's management information systems, 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, the effect of power shortages in California and the Pacific Northwest on the Company's customers, 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, 2000, 1999 and 1998, 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 1999 and 1998 amounts have been reclassified to conform with the 2000 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>

	Percentage of Total Revenues		
	Years Ended December 31,		
	2000	1999	1998
Revenues:			
<S>	<C>	<C>	<C>
Staffing services	58.5 %	56.1 %	54.6%
Professional employer services	41.5	43.9	45.4
Total	100.0	100.0	100.0
Cost of revenues:			
Direct payroll costs	77.8	77.6	77.6
Payroll taxes and benefits	8.4	8.2	8.4
Workers' compensation	3.9	3.4	3.4
Total	90.1	89.2	89.4
Gross margin	9.9	10.8	10.6
Selling, general and administrative expenses	7.6	7.5	7.6
Merger expenses	-	-	0.2
Depreciation and amortization	1.0	0.6	0.6
Income from operations	1.3	2.7	2.2
Other (expense) income	(0.2)	(0.1)	0.1
Pretax income	1.1	2.6	2.3
Provision for income taxes	0.4	1.1	1.0
Net income	0.7 %	1.5 %	1.3%

</TABLE>

YEARS ENDED DECEMBER 31, 2000 AND 1999

Net income for 2000 amounted to $2,101,000, a decrease of $3,048,000 or 59.2% from 1999 net income of $5,149,000. The decrease in net income was primarily attributable to a lower gross margin percent as a result of higher workers' compensation expense and slightly higher direct payroll costs and payroll taxes and benefits, expressed as a percentage of revenues, coupled with higher depreciation and amortization and interest expense. Basic and diluted earnings per share for 2000 were $.29 as compared to $.68 for both basic and diluted earnings per share for 1999.

Revenues for 2000 totaled $322,466,000, a decrease of approximately $25,384,000 or 7.3% from 1999 revenues of $347,850,000. The decrease in total revenues was primarily due to the shortage of available qualified personnel in a low unemployment economy, to management's decision to discontinue services to certain customers due to unacceptable profit margins or risks associated with credit or workplace safety and to a softening in demand for the Company's services in the fourth quarter of 2000 owing to general economic conditions.

Staffing services revenue decreased $6,491,000 or 3.3%, while professional employer services revenue decreased $18,893,000 or 12.4%, which resulted in an increase in the share of staffing services to 58.5% of total revenues for 2000, as compared to 56.1% for 1999. The decrease in staffing services revenue for 2000 was primarily attributable to a shortage in supply of qualified people and to general economic conditions in the fourth quarter of 2000. The share of professional employer services revenues had a corresponding decrease from 43.9% of total revenues for 1999 to 41.5% for 2000. The decrease in professional employer services for 2000 was primarily due to the Company's decision to terminate several marginally profitable or higher risk customers.

Gross margin for 2000 totaled $31,805,000, which represented a decrease of $5,691,000 or 15.2% from 1999. The gross margin percent decreased from 10.8% of revenues for 1999 to 9.9% for 2000. The decrease in the gross margin percentage was due to higher workers' compensation expenses and slightly higher direct payroll costs and payroll taxes and benefits. The increase in workers' compensation expense, in total dollars and as a percentage of revenues, was primarily due to an increase in the average cost per claim. The increase in

direct payroll costs, as a percentage of revenues, was attributable to increases in contract staffing and on-site management, of which payroll costs generally represent a higher percentage of revenues. The increase in payroll taxes and benefits for 2000 was primarily attributable to increased direct payroll in California, which has a higher state unemployment tax rate as compared to other states in which the Company operates. 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, including the mix within the staffing segment, 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 for 2000 amounted to $24,583,000, a decrease of $1,374,000 or 5.3% from 1999. SG&A expenses, expressed as a percentage of revenues, increased from 7.5% for 1999 to 7.6% for 2000. The decrease in total SG&A dollars was primarily due to decreases in management payroll and related payroll tax expense, and profit sharing and related taxes.

Depreciation and amortization totaled $3,192,000 or 1.0% of revenues for 2000, which compares to $2,461,000 or 0.6% of revenues for 1999. The increased depreciation and amortization expense was primarily due to a full year of amortization in 2000 compared to seven months of amortization in 1999 of intangibles recognized in the mid-1999 acquisition of TSU Staffing and to increased depreciation and amortization expense arising from the March 1, 2000 implementation of the Company's new information system.

Other expense totaled $483,000 or 0.2% of revenues for 2000, which compares to $245,000 or 0.1% of revenues for 1999. The increase in expense was primarily due to higher net interest expense related to new debt incurred to finance the 1999 acquisition of TSU Staffing.

The Company's effective income tax rate for 2000 was 40.8%, as compared to 41.7% for 1999. The lower 2000 effective rate was primarily attributable to increased federal tax credits earned by the Company.

The Company offers various qualified employee benefit plans to its employees, including its work-site 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, and a group disability insurance 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 work-site employees under their coverage has not yet been resolved. If the work-site 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 work-site employees under the Code provisions applicable to employee benefit plans and are, therefore, able to offer to work-site 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 five 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 work-site 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 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 work-site employees who are not employees of the PEO company.

The timing and nature of the issuance and contents of any TAM regarding the work-site 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, 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 transaction 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 three acquisitions, which were consummated in the first half of 1999. (Refer to Note 2 of the Notes to Financial Statements.) The internal growth rate for revenues was 3.3% for 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 1999 acquisitions. 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.

SG&A expenses for 1999 amounted to $25,957,000, an increase of $2,945,000 or 12.8% over 1998. SG&A expenses, expressed as a percentage of revenues, decreased from 7.6% for 1998 to 7.5% for 1999. The increase in total SG&A dollars was primarily due to higher management payroll, advertising expense, rent expense and increased profit sharing and related taxes in connection with the additional offices acquired in the TSS, TPM and TSU acquisitions.

Depreciation and amortization totaled $2,461,000 or 0.6% of revenues for 1999, which compares to $1,785,000 or 0.6% 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.

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 and direct payroll 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, 2000 decreased by $34,000 from December 31, 1999. The slight decrease in cash at December 31, 2000 was primarily due to cash used in financing activities of $10,200,000, principally in connection with common stock repurchases, payments on long term debt and net payments on credit-line borrowings and cash used in investing activities of $1,738,000, offset in part by cash provided by operating activities of $11,904,000.

Net cash provided by operating activities for 2000 amounted to $11,904,000, as compared to $3,433,000 for 1999. For 2000, cash flow was primarily generated by net income and depreciation and amortization, coupled with a decrease in accounts receivable of $9,556,000, offset in part by a decrease of $3,544,000 in accrued payroll and benefits.

Net cash used in investing activities totaled $1,738,000 for 2000, as compared to $15,437,000 for 1999. For 2000, the principal use of cash for investing activities was for capital expenditures of $1,257,000 primarily related to new computer hardware and software for the Company's new management information system, which was implemented on March 1, 2000.

Additionally, during 2000, the Company paid $1,122,000 representing the final contingent payment and acquisition costs related to the TSS acquisition. 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. The Company presently has no material long-term capital commitments.

Net cash used in financing activities for 2000 amounted to $10,200,000, which compares to $8,525,000 of net cash provided by financing activities in 1999. For 2000, the principal use of cash for financing activities was for common stock repurchases totaling $4,541,000, scheduled payments on long-term debt of $2,568,000 and net repayments on the Company's credit-line totaling $2,254,000. 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 $1,722,000 and common stock repurchases of $1,498,000. The term loan was obtained to provide financing for the TSU acquisition and, at December 31, 2000, had an outstanding principal balance of $4,000,000.

The Company renewed its loan agreement (the "Agreement") with its principal bank in May 2000, which provided for an unsecured revolving credit facility of $15.0 million and an $8.0 million 3-year term loan. This Agreement, which expires May 31, 2001, also includes a subfeature for standby letters of credit in connection with certain workers' compensation surety arrangements, as to which approximately $2.6 million were outstanding as of December 31, 2000. The Company had an outstanding balance of $2,628,000 on the revolving credit facility at December 31, 2000. (See Note 7 of the Notes to Financial Statements.) Effective September 30, 2000, the Company negotiated an accommodation to reduce the restrictiveness of one of the quarterly financial covenants and, in consideration, agreed to the imposition of an additional financial covenant. As a result of a financial covenant violation as of December 31, 2000, the Company, subsequent to year end, renegotiated with its bank several material amendments to the provisions of the Agreement in consideration for the banks' agreement to waive the covenant violation. Effective, March 12, 2001, the principal terms and conditions of the Agreement, as amended, include (1) a reduction in the total amount available under the revolving credit facility from $15 million to the lesser of (i) $13 million or (ii) 65 percent of total trade accounts receivable at the end of any fiscal quarter, and (2) a security interest in all trade accounts receivable. Due to the bank's secured position, the bank agreed to reduce the restrictiveness of certain financial covenants. It is management's belief that these new terms and conditions will not be restrictive in the Company's normal course of operation. As a result of the bank-provided waiver, the Company was in compliance with the financial covenants of the Agreement, as amended, at December 31, 2000. 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. Although the Agreement, as amended, expires on May 31, 2001, management expects this arrangement to be renewed with its current principal bank on terms and conditions which will not be materially less favorable to the Company than the present terms. If, however, the terms and conditions for renewal are unacceptable to the Company, management will seek the most favorable terms available in the market.

During 1999, the Company's Board of Directors authorized a stock repurchase program to repurchase common shares from time to time in open market purchases. Since inception, the Board of Directors have approved four increases in the total number of shares or dollars authorized to be repurchased under the program. The repurchase program currently provides $1,584,000 to be used for the repurchase of additional shares at December 31, 2000. During 2000, the Company repurchased 1,017,300 shares at an aggregate price of $4,541,000. 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.

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, 2000, the Company had interest-bearing debt obligations of approximately $8.2 million, of which approximately $6.6 million bears interest at a variable rate and approximately $1.6 million at a fixed rate of interest. The variable rate debt is comprised of approximately $2.6 million outstanding under a revolving credit facility, which bears interest at the Federal Funds rate plus 1.25% and effective March 12, 2001, such revolving credit facility bears interest at prime less 1.70%. 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, 2000, 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, 2000, 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

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 12 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:

No schedules are required to be filed herewith.

REPORTS ON FORM 8-K
No Current Reports on Form 8-K were filed during the quarter ended December 31, 2000.

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, 2001

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, 2001.

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
* THOMAS J. CARLEY	Director
* RICHARD W. GODARD	Director
* ANTHONY MEEKER	Director
* NANCY B. SHERERTZ	Director

* By /s/ Michael D. Mulholland

Michael D. Mulholland
Attorney-in-Fact

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying balance sheets and the related statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Barrett Business Services, Inc. (the Company) at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP

Portland, Oregon
February 6, 2001, except for the second paragraph of Note 7, as to which the date is March 12, 2001.

BARRETT BUSINESS SERVICES, INC.
Balance Sheets
December 31, 2000 and 1999
(In Thousands, Except Par Value)

	2000	1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 516	$ 550
Trade accounts receivable, net	20,660	30,216
Prepaid expenses and other	1,222	1,219
Deferred tax assets	2,702	1,658
Total current assets	25,100	33,643
Intangibles, net	20,982	21,945
Property and equipment, net	7,177	7,027
Restricted marketable securities and workers' compensation deposits	4,254	6,281
Unrestricted marketable securities	1,386	-
Deferred tax assets	839	712
Other assets	1,374	1,132
	$61,112	$70,740

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ -	$ 865
Current portion of long-term debt	2,939	2,783
Line of credit	2,628	4,882
Accounts payable	1,013	1,356
Accrued payroll, payroll taxes and related benefits	7,893	11,437
Workers' compensation claims and safety incentive liabilities	5,274	4,219
Other accrued liabilities	1,622	413
Total current liabilities	21,369	25,955
Long-term debt, net of current portion	1,508	4,232
Customer deposits	614	815
Long-term workers' compensation claims liabilities	682	699
Other long-term liabilities	2,022	1,710
	26,195	33,411
Commitments and contingencies (Notes 9, 10 and 14)		
Stockholders' equity:		
Common stock, $.01 par value; 20,500 shares authorized, 6,451 and 7,461 shares issued and outstanding	64	75
Additional paid-in capital	5,387	9,889
Retained earnings	29,466	27,365
	34,917	37,329
	$61,112	$70,740

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

BARRETT BUSINESS SERVICES, INC.
Statements of Operations
Years Ended December 31, 2000, 1999 and 1998
(In Thousands, Except Per Share Amounts)

	2000	1999	1998
Revenues:			
Staffing services	$ 188,500	$194,991	$165,443
Professional employer services	133,966	152,859	137,586
	322,466	347,850	303,029
Cost of revenues:			
Direct payroll costs	251,015	270,049	235,265
Payroll taxes and benefits	27,007	28,603	25,550
Workers' compensation	12,639	11,702	10,190
	290,661	310,354	271,005
Gross margin	31,805	37,496	32,024
Selling, general and administrative expenses	24,583	25,957	23,012
Merger expenses	-	-	750
Depreciation and amortization	3,192	2,461	1,785
Income from operations	4,030	9,078	6,477
Other (expense) income:			
Interest expense	(830)	(634)	(173)
Interest income	341	357	441
Other, net	6	32	(1)
	(483)	(245)	267
Income before provision for income taxes	3,547	8,833	6,744
Provision for income taxes	1,446	3,684	2,923
Net income	$ 2,101	$ 5,149	$ 3,821

Basic earnings per share	$ .29	$ .68	$ .50
Weighted average number of basic shares outstanding	7,237	7,581	7,664
Diluted earnings per share	$ .29	$ .68	$ .50
Weighted average number of diluted shares outstanding	7,277	7,627	7,711

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

BARRETT BUSINESS SERVICES, INC.
Statements of Stockholders' Equity
December 31, 2000, 1999 and 1998
(In Thousands)

<TABLE>

	Common Stock		Additional		
	Shares	Amount	Paid-in Capital	Retained Earnings	Total
<S>	<C>	<C>	<C>	<C>	<C>
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	-	-	(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	(5)	-	-	-	-
Net income	-	-	-	5,149	5,149
Balance, December 31, 1999	7,461	75	9,889	27,365	37,329
Common stock issued on exercise of options and warrants	7	-	28	-	28
Repurchase of common stock	(1,017)	(11)	(4,530)	-	(4,541)
Net income	-	-	-	2,101	2,101
Balance, December 31, 2000	6,451	$ 64	$ 5,387	$ 29,466	$ 34,917

</TABLE>

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

BARRETT BUSINESS SERVICES, INC.
Statements of Cash Flows
Years Ended December 31, 2000, 1999 and 1998
(In Thousands)

	2000	1999	1998
Cash flows from operating activities:			
Net income	$2,101	$5,149	$3,821
Reconciliations of net income to net cash provided by operating activities:			
Depreciation and amortization	3,192	2,461	1,785
Deferred taxes	(1,171)	156	(323)
Changes in certain assets and liabilities, net of amounts purchased in acquisitions:			
Trade accounts receivable, net	9,556	(5,568)	(856)
Prepaid expenses and other	(3)	(57)	128
Income taxes payable	-	(438)	438
Accounts payable	(343)	261	(188)

Accrued payroll, payroll taxes and related benefits	(3,544)	2,030	(788)
Other accrued liabilities	1,209	(153)	100
Workers' compensation claims and safety incentive liabilities	1,038	(198)	204
Customer deposits, other liabilities and other assets, net	(443)	(522)	(443)
Other long-term liabilities	312	312	368
Net cash provided by operating activities	11,904	3,433	4,246
Cash flows from investing activities:			
Cash paid for acquisitions, including other direct costs	(1,122)	(13,157)	(693)
Purchase of property and equipment, net of amounts purchased in acquisitions	(1,257)	(2,024)	(1,077)
Proceeds from maturities of marketable securities	1,329	2,415	5,532
Purchase of marketable securities	(688)	(2,671)	(5,441)
Net cash used in investing activities	(1,738)	(15,437)	(1,679)
Cash flows from financing activities:			
Payment of credit line assumed in acquisition	-	(1,113)	-
Net (payments on) proceeds from credit-line borrowings	(2,254)	4,882	(887)
Proceeds from issuance of long-term debt	-	8,000	-
Payments on long-term debt	(2,568)	(1,722)	(740)
Payment of notes payable	(865)	-	-
Distribution to dissenting shareholder	-	-	(519)
Payment to shareholder	-	(58)	-
Repurchase of common stock	(4,541)	(1,498)	-
Proceeds from the exercise of stock options and warrants	28	34	169
Net cash (used in) provided by financing activities	(10,200)	8,525	(1,977)
Net (decrease) increase in cash and cash equivalents	(34)	(3,479)	590
Cash and cash equivalents, beginning of year	550	4,029	3,439
Cash and cash equivalents, end of year	$ 516	$ 550	$4,029
Supplemental schedule of noncash activities:			
Acquisition of other businesses:			
Cost of acquisitions in excess of fair market value of net assets acquired	$1,122	$12,304	$ 683
Tangible assets acquired	-	3,364	10
Liabilities assumed	-	1,646	-
Note payable issued in connection with acquisition	-	865	-

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

BARRETT BUSINESS SERVICES, INC.
Notes to Financial Statements

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Barrett Business Services, Inc. ("Barrett" or the "Company"), a Maryland corporation, is engaged in providing 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 and North Carolina. Approximately 81%, 79% and 81%, respectively, of the Company's revenues during 2000, 1999 and 1998 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 work site.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," ("SAB 101"), and further amended it to defer the effective date. This pronouncement summarizes certain of the SEC staff's views on applying generally accepted accounting principles to revenue recognition. The Company was required to adopt the provisions of SAB 101 no later than December 31, 2000. The adoption of SAB 101 has had no effect on the Company's financial statements.

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 $528,000 and $335,000 at December 31, 2000 and 1999, respectively.

MARKETABLE SECURITIES
At December 31, 2000 and 1999, marketable securities consisted primarily of governmental debt instruments with maturities generally from 90 days to 28 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 acquisitions 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.

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

INTANGIBLES (CONTINUED)
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.)

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, 2000, 1999 and 1998.

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 2000, 1999 and 1998 did not materially differ from interest expense.

Income taxes paid by the Company in 2000, 1999 and 1998 totaled $2,331,000, $4,181,000 and $2,623,000, 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.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the 2000 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 accounting principles generally accepted in the United States of America requires management to make

ACCOUNTING ESTIMATES (CONTINUED)

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.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") has issued Statement of Financial Accounting Standard ("SFAS") No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." This statement amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" to be effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS No. 133 requires that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. The Company believes that the effect of adoption of SFAS No. 133 will not have a material effect on the Company's financial statements.

The FASB has issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No. 133." This statement amends SFAS No. 133 for specified transactions. SFAS No. 138 was effective concurrently with SFAS No. 133, if SFAS No. 133 was not adopted prior to June 15, 2000. If SFAS No. 133 was adopted prior to June 15, 2000, SFAS No. 138 is effective for quarters beginning after June 15, 2000. The Company believes that the effect of adoption of SFAS No. 138 will not have a material effect on the Company's financial statements.

2. BUSINESS COMBINATIONS

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.

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 agreed to make an additional payment 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. During 2000, as a result of the aforementioned minimum equity requirement and certain financial performance criteria, the Company paid additional consideration aggregating $960,000.

TEMPORARY STAFFING SYSTEMS, INC. (CONTINUED)

TSS's revenues for transaction was 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 the recognition of an additional $3,221,000 of intangible assets, which includes $86,000 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. 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 TPM and TSU acquisitions had occurred at the beginning of 1999, after giving effect to certain adjustments for the amortization of intangible assets, taxation and cost of capital.

(in thousands, except per share amounts)	Year ended December 31, 1999
Revenue	$ 362,297
Net income	$ 5,497
Basic earnings per share	$ .73
Diluted earnings per share	$ .72

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, 1999, or of results which may occur in the future.

2. BUSINESS COMBINATIONS (CONTINUED)

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 was 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, 2000, the Company had significant concentrations of credit risk as follows:

- Marketable securities - $2,148,000 of marketable securities at December 31, 2000 consisted of Oregon State Housing & Community Service Bonds.

- Trade receivables - $2,155,000 of trade receivables were with two customers at December 31, 2000 (10% of trade receivables outstanding at December 31, 2000).

4. INTANGIBLES

Intangibles consist of the following (in thousands):

	2000	1999
Covenants not to compete	$ 3,709	$ 3,709
Goodwill	26,796	25,674
Customer lists	358	358
	30,863	29,741
Less accumulated amortization	9,881	7,796
	$20,982	$21,945

5. PROPERTY AND EQUIPMENT

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

	2000	1999
Office furniture and fixtures	$ 4,465	$ 4,087
Computer hardware and software	4,451	3,630
Buildings	1,474	1,474
	10,390	9,191
Less accumulated depreciation	3,521	2,472
	6,869	6,719
Land	308	308
	$ 7,177	$ 7,027

6. WORKERS' COMPENSATION CLAIMS 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 $5,274,000 and $4,219,000 at December 31, 2000 and 1999, 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 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 operating results 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.

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, 2000, the Company's long-term workers' compensation claim liabilities in the accompanying balance sheet include $682,000 for work-related catastrophic injuries and fatalities. The aggregate undiscounted pay-out amount of the catastrophic injuries and fatalities is $1,515,000. The actuarially determined pay-out periods to the beneficiaries range from 6 to 41 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 $6,241,000 at December 31, 2000 and $7,735,000 at December 31, 1999, to cover potential claims losses. In partial satisfaction of these requirements, at December 31, 2000, the Company has provided standby letters of credit in the amount of $1,952,000 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, 2000, the Company renewed its loan agreement (the "Agreement") with its principal bank, which provided for (a) an unsecured revolving credit facility for working capital purposes and standby letters of credit up to $15,000,000, (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 Agree-ment expires on May 31, 2001. The interest rate options available on outstanding balances under the revolving credit facility at December 31, 2000, included (i) prime rate, (ii) Federal Funds Rate plus 1.25% or (iii) LIBOR plus 1.00%. The interest rate options available under the three-year term loan include (i) prime rate or (ii) LIBOR plus 1.35%.

7. CREDIT FACILITY (CONTINUED)

Terms and conditions of the Agreement included, among others, certain restrictive quarterly financial covenants relating to the Company's current ratio, earnings before interest, taxes, depreciation and amortization ("EBITDA"), a ratio of borrowed funds plus capitalized lease obligations to EBITDA and an EBITDA coverage ratio. Effective September 30, 2000, the Company negotiated an accommodation to reduce the restrictiveness of one quarterly financial covenant and, in consideration, agreed to the imposition of an additional financial covenant. As a result of a financial covenant violation as of December 31, 2000, the Company, subsequent to year end, renegotiated with its bank several amendments to the provisions of the Agreement in exchange for the bank's agreement to waive the covenant violation. Effective March 12, 2001, the principal terms and conditions of the Agreement, as amended, include a reduction in the total amount available under the revolving credit facility from $15 million to the lesser of (i) $13 million or (ii) 65 percent of total trade accounts receivable at the end of any fiscal quarter, a security interest in all trade accounts receivable, and the conversion of an interest rate option from Federal Funds Rate plus 1.25% to prime rate less 1.70%, which management believes should not be materially adverse to the Company. Due to the bank's secured position, the bank agreed to reduce the restrictiveness of certain financial covenants. As a result of the bank-provided waiver, the Company was in compliance with all financial covenants as of December 31, 2000.

During the year ended December 31, 2000, the maximum balance outstanding under the revolving credit facility was $8,754,000, the average balance outstanding was $3,404,000, and the weighted average interest rate during the period was 7.70%. The weighted average interest rate during 2000 was calculated using daily weighted averages.

8. LONG-TERM DEBT

Long-term debt consists of the following:

	2000	1999
	(in thousands)	
Term loan payable in monthly installments of $222,222 plus interest at LIBOR plus 1.35% through 2002 (Note 7)	$4,000	$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)	442	491
Note payable, assumed in acquisition, payable in monthly installments of $5,116, including interest at 8.25% per annum through 2001	5	64
Capitalized equipment leases, assumed in acquisition, with variable monthly installments, including interest at 11.5% per annum through 2000, secured by equipment	-	16
	4,447	7,015
Less portion due within one year	2,939	2,783
	$1,508	$4,232

8. LONG-TERM DEBT (CONTINUED)

Maturities on long-term debt are summarized as follows at December 31, 2000 (in thousands):

Year ending December 31,	
2001	$ 2,939
2002	1,160
2003	348
2004	-
2005	-
	$ 4,447

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, before participants' forfeitures, were $102,000, $125,000 and $104,000 for the years ended December 31, 2000, 1999 and 1998, 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,	
2001	$ 1,515
2002	964
2003	307
2004	88
2005	82
	$ 2,956

Rent expense for the years ended December 31, 2000, 1999 and 1998 was approximately $1,871,000, $1,780,000 and $1,369,000, respectively.

11. INCOME TAXES

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

	Year ended December 31, 2000	1999	1998
Current:			
Federal	$ 2,019	$ 2,796	$ 2,571
State	598	732	675
	2,617	3,528	3,246
Deferred:			
Federal	(965)	135	(255)
State	(206)	21	(68)
	(1,171)	156	(323)
Total provision	$ 1,446	$ 3,684	$ 2,923

11. INCOME TAXES (CONTINUED)

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

	2000	1999
Gross deferred tax assets:		
Workers' compensation claims and safety incentive libilities	$ 2,206	$ 1,640
Allowance for doubtful accounts	205	130
Amortization of intangibles	519	380
Deferred compensation	408	167
Other	289	147
	3,627	2,464
Gross deferred tax liabilities:		
Tax depreciation in excess of book depreciation	(86)	(94)
Net deferred tax assets	$ 3,541	$ 2,370

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

	Year ended December 31, 2000	1999	1998
Statutory federal tax rate	34.0 %	34.0 %	34.0%
State taxes, net of federal benefit	7.2	5.6	6.1
Nondeductible expenses	1.6	0.8	3.4
Nondeductible amortization of intangibles	5.0	1.9	2.5
Federal tax-exempt interest income	(2.3)	(0.9)	(1.0)

Federal tax credits	(4.0)	(1.4)	-
Other, net	(0.7)	1.7	(1.7)
	40.8 %	41.7 %	43.3%

12. 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. Since inception, the Company's stockholders have approved two increases in the total number of shares of common stock reserved for issuance under the Plan. Currently, the total shares of common stock reserved for issuance under the Plan is 1,550,000.

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 2000, the Company awarded deferred compensation stock options for 25,466 shares at an average exercise price of $2.22 per share. 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. In accordance with Accounting Principles Board ("APB") Opinion No. 25, the Company recognized compensation expense of $85,000, $180,000 and $213,000 for the years ended December 31, 2000, 1999 and 1998, respectively, in connection with the issuance of these discounted options.

A summary of the status of the Company's stock options at December 31, 2000, 1999 and 1998, together with changes during the periods then ended, are presented below.

	Number of options	Weighted average exercise price
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
Options granted at market price	171,056	6.57
Options granted below market price	25,466	2.22
Options exercised	(7,000)	4.01
Options canceled or expired	(127,578)	9.03
Outstanding at December 31, 2000	955,662	10.44
Available for grant at December 31, 2000	369,904	

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 because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant. 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:

(in thousands, except per share amounts)	2000	1999	1998
Net income, as reported	$2,101	$5,149	$3,821
Net income, pro forma	1,332	4,265	3,117
Basic earnings per share, as reported	.29	.68	.50
Basic earnings per share, pro forma	.18	.56	.41
Diluted earnings per share, as reported	.29	.68	.50
Diluted earnings per share, pro forma	.18	.56	.41

The effects of applying SFAS No. 123 for providing pro forma disclosures for 2000, 1999 and 1998 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 2000, 1999 and 1998:

	2000	1999	1998
Expected volatility	50%	46%	43%
Risk free rate of return	6.20%	5.75%	5.50%
Expected dividend yield	0%	0%	0%
Expected life (years)	7.0	7.0	8.0

Total fair value of options granted at market price was computed to be $673,921, $768,863 and $1,364,155 for the years ended December 31, 2000, 1999 and 1998, respectively. Total fair value of options granted at 60% below market price was computed to be approximately $111,000, $232,000 and $423,000 for the years ended December 31, 2000, 1999 and 1998 respectively. The weighted average value of all options granted in 2000, 1999 and 1998 was $3.94, $5.22 and $6.64, respectively.

The following table summarizes information about stock options outstanding at December 31, 2000:

	Options outstanding			Options exercisable	
Exercise price range	Number of shares	Weighted-average exercise price	Weighted-average remaining contractual life (years)	Exercisable at December 31 2000	Weighted-average exercise price
$ 1.93 - 6.00	128,833	$ 3.68	7.7	109,733	$ 3.30
6.50 - 9.50	298,151	7.88	7.7	90,360	9.18
10.13 - 12.50	225,419	11.29	6.8	143,139	11.36
13.38 - 14.88	159,500	14.40	5.6	137,750	14.40
15.00 - 17.94	143,759	16.10	5.0	138,027	16.05
	955,662			619,009	

At December 31, 2000, 1999 and 1998, 619,009, 509,834 and 363,295 options were exercisable at weighted average exercise prices of $11.33, $11.56 and $11.97, respectively.

In March 2000, the FASB issued FASB Interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation - an Interpretation of APB Opinion No. 25" which provides interpretive guidance on several implementation issues related to APB Opinion No. 25 "Accounting for Stock Issued to Employees." FIN 44 was effective July 1, 2000, but certain conclusions must be applied earlier. The adoption of FIN 44 had no effect on the Company's financial statements.

13. STOCK REPURCHASE PROGRAM

During 1999, the Company's Board of Directors authorized a stock repurchase program to purchase common shares from time to time in open market purchases. Since inception, the Board has approved four increases in the total number of shares or dollars authorized to be repurchased under the program. The repurchase program currently allows for $1,584,000 to be used for the repurchase of additional shares as of December 31, 2000. During 2000, the Company repurchased 1,017,300 shares at an aggregate price of $4,541,000. During 1999, the Company repurchased 219,000 shares at an aggregate price of $1,498,000.

14. 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.

15. 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, 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
Year ended December 31, 2000				
Revenues	$ 87,122	$ 86,502	$ 80,744	$ 68,098
Cost of revenues	78,519	77,724	72,830	61,588
Net income	744	794	500	63
Basic earnings per share	.10	.11	.07	.01
Diluted earnings per share	.10	.11	.07	.01
Common stock market prices:				
High	$ 7.63	$ 7.50	$ 6.44	$ 5.25
Low	5.00	5.00	5.00	2.50

EXHIBIT INDEX

3.1 Charter of the registrant, as amended. Incorporated by reference to 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, 2000. Incorporated by reference to Exhibit 4.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.

4.2 Amendment, dated September 30, 2000, to Loan Agreement between the Registrant and Wells Fargo Bank, N.A., dated May 31, 2000. Incorporated by reference on Exhibit 4.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.

4.3 Amendment, dated March 12, 2001, to Loan Agreement between the Registrant and Wells Fargo Bank, N.A., dated May 31, 2000.

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.

10.0 Executive Compensation Plans and Arrangements and Other Management Contracts.

10.1 1993 Stock Incentive Plan of the registrant, as amended. Incorporated by reference to Exhibit 10.1 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1999.

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.

March 12, 2001

BARRETT BUSINESS SERVICES, INC.
4724 SW Macadam Avenue
Portland, OR 97201

Dear Mike:

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, 2000, 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. The Agreement is hereby amended by deleting "Fifteen Million Dollars ($15,000,000.00)" as the maximum principal amount available under the Line of Credit, and by substituting for said amount "Thirteen Million Dollars ($13,000,000.00)," with such change to be effective upon the execution and delivery to Bank of a promissory note substantially in the form of Exhibit A attached hereto (which promissory note shall replace and be deemed the Line of Credit Note defined in and made pursuant to the Agreement) and all other contracts, instruments and documents required by Bank to evidence such change.

2. Paragraph I.4 is hereby amended by adding thereto the following, as the first subparagraph thereof:

"As security for all indebtedness of Borrower to Bank under the Line of Credit, Borrower hereby grants to Bank a lien of not less than first priority in all its rights to payment from customers and accounts receivable arising from services rendered or to be rendered, whether or not the same has been earned by performance, all rights under any contracts it has or may have with its customers, all its general intangibles directly associated with only the foregoing, and proceeds of all of the foregoing."

3. Paragraph V.9 is hereby deleted in its entirety, and the following substituted therefor:

"9. 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 1.10 to 1.0, with "Current Ratio" defined as total current assets divided by total current liabilities.

(b) EBITDA not less than $5,750,000.00 as of each fiscal quarter end, determined on a trailing four quarters basis including the current quarter then ended, with "EBITDA" defined as net income before tax plus interest expense (net of capitalized

interest expense), depreciation expense and amortization expense for the trailing four quarters, including the current quarter then ended.

(c) Funded Debt to EBITDA Ratio not more than 2.25 to 1.0 as of each fiscal quarter end, with "Funded Debt" defined as all borrowed funds plus the amount of all capitalized lease obligations of Borrower, "EBITDA" as defined above, and "Funded Debt to EBITDA Ratio" defined as Funded Debt divided by EBITDA.

(d) EBITDA Coverage Ratio not less than 1.50 to 1.0 as of each fiscal quarter end, with "EBITDA" as defined above, and with "EBITDA Coverage Ratio" defined as EBITDA divided by the aggregate of (i) total interest expense for the trailing four quarters, including the current quarter then ended, plus (ii) scheduled principal payments on long-term debt for the trailing four quarters, including the current quarter then ended.

(e) Outstanding Line Liabilities not greater than sixty-five percent (65%) of Borrower's trade accounts receivable as of each fiscal quarter end, with "Outstanding Line Liabilities" defined as outstanding borrowings under the Line of Credit plus the face amount of outstanding Letters of Credit ."

4. Paragraph V.10 is hereby deleted in its entirety, and the following substituted therefor:

"10. Other Indebtedness. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except (a) the liabilities of Borrower to Bank, (b) any other liabilities of Borrower existing as of, and disclosed to Bank prior to, the date hereof, (c) unsecured liabilities of Borrower to sellers of companies acquired by Borrower, the total of which shall not exceed an aggregate of $3,500,000.00, and (d) purchase money indebtedness for equipment or real estate."

5. Paragraph V.14 is hereby deleted in its entirety, and the following substituted therefor:

"14. Pledge of Assets. Not mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired, except (a) any of the foregoing in favor of Bank or which are existing as of, and disclosed to Bank in writing prior to, the date hereof, (b) purchase money security interests securing purchase money indebtedness permitted hereunder, and (c) other security interests for the purchase or lease of tangible assets securing an aggregate principal amount not to exceed $25,000.00."

6. 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.

7. 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 March 20, 2001:

BARRETT BUSINESS SERVICES, INC.

By: /s/ Michael D. Mulholland

Michael D. Mulholland
Vice President-Finance

REVOLVING LINE OF CREDIT NOTE

$13,000,000.00 Portland, Oregon

March 12, 2001

FOR VALUE RECEIVED, the undersigned BARRETT BUSINESS SYSTEMS, INC. ("Borrower") promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") at its office at 1300 S. W. Fifth Avenue, T-13, Portland, Oregon, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of Thirteen Million Dollars ($13,000,000.00), or so much thereof as may be advanced and be outstanding, with interest thereon, to be computed on each advance from the date of its disbursement as set forth herein.

DEFINITIONS:

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

(a) "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in Oregon are authorized or required by law to close.

(b) "Fixed Rate Term" means a period commencing on a Business Day and continuing for one (1), two (2), or three (3) months, as designated by Borrower, during which all or a portion of the outstanding principal balance of this Note bears interest determined in relation to LIBOR; provided however, that no Fixed Rate Term may be selected for a principal amount less than Five Hundred Thousand Dollars ($500,000.00); and provided further, that no Fixed Rate Term shall extend beyond the scheduled maturity date hereof. If any Fixed Rate Term would end on a day which is not a Business Day, then such Fixed Rate Term shall be extended to the next succeeding Business Day.

(c) "LIBOR" means the rate per annum (rounded upward, if necessary, to the nearest whole 1/8 of 1%) and determined pursuant to the following formula:

$$\text{LIBOR} = \frac{\text{Base LIBOR}}{100\% - \text{LIBOR Reserve Percentage}}$$

(i) "Base LIBOR" means the rate per annum for United States dollar deposits quoted by Bank as the Inter-Bank Market Offered Rate, with the understanding that such rate is quoted by Bank for the purpose of calculating effective rates of interest for loans making reference thereto, on the first day of a Fixed Rate Term for delivery of funds on said date for a period of time approximately equal to the number of days in such Fixed Rate Term and in an amount approximately equal to the principal amount to which such Fixed Rate Term applies. Borrower understands and agrees that Bank may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Bank in its discretion deems appropriate including, but not limited to, the rate offered for U.S. dollar deposits on the London Inter-Bank Market.

(ii) "LIBOR Reserve Percentage" means the reserve percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency

Liabilities" (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Bank for expected changes in such reserve percentage during the applicable Fixed Rate Term.

(d) "Prime Rate" means at any time the rate of interest most recently announced within Bank at its principal office as its Prime Rate, with the understanding that the Prime Rate is one of Bank's base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, and is evidenced by the recording thereof after its announcement in such internal publication or publications as Bank may designate.

INTEREST:

(a) Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) either (i) at a fluctuating rate per annum one and seven-tenths percent (1.7%) below the Prime Rate in effect from time to time, or (ii) at a fixed rate per annum determined by Bank to be one percent (1%) above LIBOR in effect on the first day of the applicable Fixed Rate Term. When interest is determined in relation to the Prime Rate, each change in the rate of interest hereunder shall become effective on the date each Prime Rate change is announced within Bank. With respect to each LIBOR selection hereunder, Bank is hereby authorized to note the date, principal amount, interest rate and Fixed Rate Term applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted.

(b) Selection of Interest Rate Options. At any time any portion of this

Note bears interest determined in relation to LIBOR, it may be continued by Borrower at the end of the Fixed Rate Term applicable thereto so that all or a portion thereof bears interest determined in relation to the Prime Rate or to LIBOR for a new Fixed Rate Term designated by Borrower. At any time any portion of this Note bears interest determined in relation to the Prime Rate, Borrower may convert all or a portion thereof so that it bears interest determined in relation to LIBOR for a Fixed Rate Term designated by Borrower. At such time as Borrower requests an advance hereunder or wishes to select a LIBOR option for all or a portion of the outstanding principal balance hereof, and at the end of each Fixed Rate Term, Borrower shall give Bank notice specifying: (i) the interest rate option selected by Borrower; (ii) the principal amount subject thereto; and (iii) for each LIBOR selection, the length of the applicable Fixed Rate Term. Any such notice may be given by telephone (or such other electronic method as Bank may permit) so long as, with respect to each LIBOR selection, (A) if requested by Bank, Borrower provides to Bank written confirmation thereof not later than three (3) Business Days after such notice is given, and (B) such notice is given to Bank prior to 10:00 a.m. on the first day of the Fixed Rate Term, or at a later time during any Business Day if Bank, at it's sole option but without obligation to do so, accepts Borrower's notice and quotes a fixed rate to Borrower. If Borrower does not immediately accept a fixed rate when quoted by Bank, the quoted rate shall expire and any subsequent LIBOR request from Borrower shall be subject to a redetermination by Bank of the applicable fixed rate. If no specific designation of interest is made at the time any advance is requested hereunder or at the end of any Fixed Rate Term, Borrower shall be deemed to have made a Prime Rate interest selection for such advance or the principal amount to which such Fixed Rate Term applied.

(c) Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (i) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any

manner to LIBOR, and (ii) future, supplemental, emergency or other changes in the LIBOR Reserve Percentage, assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to LIBOR to the extent they are not included in the calculation of LIBOR. In determining which of the foregoing are attributable to any LIBOR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower.

(d) Payment of Interest. Interest accrued on this Note shall be payable on the first day of each month, commencing April 1, 2001.

(e) Default Interest. From and after the maturity date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, the outstanding principal balance of this Note shall bear interest until paid in full at an increased rate per annum (computed on the basis of a 360-day year, actual days elapsed) equal to four percent (4%) above the rate of interest from time to time applicable to this Note.

BORROWING AND REPAYMENT:

(a) Borrowing and Repayment. Borrower may from time to time during the term of this Note borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions of this Note and of any document executed in connection with or governing this Note; provided however, that the total outstanding borrowings under this Note shall not at any time exceed the principal amount stated above. The unpaid principal balance of this obligation at any time shall be the total amounts advanced hereunder by the holder hereof less the amount of principal payments made hereon by or for any Borrower, which balance may be endorsed hereon from time to time by the holder. The outstanding principal balance of this Note shall be due and payable in full on May 31, 2001.

(b) Advances. Advances hereunder, to the total amount of the principal sum stated above, may be made by the holder at the oral or written request of (i) William W. Sherertz, Jr. or Michael D. Mulholland, any one acting alone, who are authorized to request advances and direct the disposition of any advances until written notice of the revocation of such authority is received by the holder at the office designated above, or (ii) any person, with respect to advances deposited to the credit of any deposit account of any Borrower, which advances, when so deposited, shall be conclusively presumed to have been made to or for the benefit of each Borrower regardless of the fact that persons other than those authorized to request advances may have authority to draw against such account. The holder shall have no obligation to determine whether any person requesting an advance is or has been authorized by any Borrower.

(c) Application of Payments. Each payment made on this Note shall be credited first, to any interest then due and second, to the outstanding principal balance hereof. All payments credited to principal shall be applied first, to the outstanding principal balance of this Note which bears interest determined in relation to the Prime Rate, if any, and second, to the outstanding principal balance of this Note which bears interest determined in relation to LIBOR, with such payments applied to the oldest Fixed Rate Term first.

PREPAYMENT:

(a) Prime Rate. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to the Prime Rate at any time, in any amount and without penalty.

(b) LIBOR. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to LIBOR at any time and in the minimum amount of One Hundred Thousand Dollars ($100,000.00); provided however, that if the outstanding principal balance of such portion of this Note is less than said amount, the minimum prepayment amount shall be the entire outstanding principal balance thereof. In consideration of Bank providing this prepayment option to Borrower, or if any such portion of this Note shall become due and payable at any time prior to the last day of the Fixed Rate Term applicable thereto by acceleration or otherwise, Borrower shall pay to Bank immediately upon demand a fee which is the sum of the discounted monthly differences for each month from the month of prepayment through the month in which such Fixed Rate Term matures, calculated as follows for each such month:

(i) Determine the amount of interest which would have accrued each month on the amount prepaid at the interest rate applicable to such amount had it remained outstanding until the last day of the Fixed Rate Term applicable thereto.

(ii) Subtract from the amount determined in (i) above the amount of interest which would have accrued for the same month on the amount prepaid for the remaining term of such Fixed Rate Term at LIBOR in effect on the date of prepayment for new loans made for such term and in a principal amount equal to the amount prepaid.

(iii) If the result obtained in (ii) for any month is greater than zero, discount that difference by LIBOR used in (ii) above.

Each Borrower acknowledges that prepayment of such amount may result in Bank incurring additional costs, expenses and/or liabilities, and that it is difficult to ascertain the full extent of such costs, expenses and/or liabilities. Each Borrower, therefore, agrees to pay the above-described prepayment fee and agrees that said amount represents a reasonable estimate of the prepayment costs, expenses and/or liabilities of Bank. If Borrower fails to pay any prepayment fee when due, the amount of such prepayment fee shall thereafter bear interest until paid at a rate per annum two percent (2%) above the Prime Rate in effect from time to time (computed on the basis of a 360-day year, actual days elapsed). Each change in the rate of interest on any such past due prepayment fee shall become effective on the date each Prime Rate change is announced within Bank.

EVENTS OF DEFAULT:

The occurrence of any of the following shall constitute an "Event of Default" under this Note:

(a) The failure to pay any principal, interest, fees or other charges when due hereunder or under any contract, instrument or document executed in connection with this Note.

(b) The filing of a petition by or against any Borrower, any guarantor of this Note or any general partner or joint venturer in any Borrower which is a partnership or a joint venture (with each such guarantor, general partner and/or joint venturer referred to herein as a "Third Party Obligor") under any provisions of the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time, or under any similar or other law relating to bankruptcy, insolvency, reorganization or other relief for debtors; the appointment of a receiver, trustee, custodian or liquidator of or for any part of the assets or property of any Borrower or Third Party Obligor; any Borrower or Third Party Obligor becomes insolvent, makes a general assignment for the benefit of creditors or is generally not paying its debts as they become due; or any attachment or like levy on any property of any Borrower or Third Party Obligor.

(c) The death or incapacity of any individual Borrower or Third Party Obligor, or the dissolution or liquidation of any Borrower or Third Party

Obligor which is a corporation, partnership, joint venture or other type of entity.

(d) Any default in the payment or performance of any obligation, or any defined event of default, under any provisions of any contract, instrument or document pursuant to which any Borrower or Third Party Obligor has incurred any obligation for borrowed money, any purchase obligation, or any other liability of any kind to any person or entity, including the holder; provided, however, that any cure period applicable to such default has expired, and with respect to a default under any obligation to any person or entity other than Bank, the amount of the debts or other liabilities in default exceeds $2,000,000.00 in the aggregate.

(e) Any financial statement provided by any Borrower or Third Party Obligor to Bank proves to be incorrect, false or misleading in any material respect.

(f) Any sale or transfer of all or a substantial or material part of the assets of any Borrower or Third Party Obligor other than in the ordinary course of its business.

(g) Any violation or breach of any provision of, or any defined event of default under, any addendum to this Note or any loan agreement, guaranty, security agreement, deed of trust, mortgage or other document executed in connection with or securing this Note, which, if such violation or breach is curable, in not cured within the earlier to occur of (i) 30 days after the occurrence thereof or (ii) any applicable cure period expressly provided in such document.

MISCELLANEOUS:

(a) Remedies. Upon the occurrence of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by each Borrower, and the obligation, if any, of the holder to extend any further credit hereunder shall immediately cease and terminate. Each Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of the holder's in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder's rights and/or the collection of any amounts which become due to the holder under this Note, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the

foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to any Borrower or any other person or entity.

(b) <u>Obligations Joint and Several</u>. Should more than one person or entity sign this Note as a Borrower, the obligations of each such Borrower shall be joint and several.

(c) <u>Governing Law</u>. This Note shall be governed by and construed in accordance with the laws of the State of Oregon.

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.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above.

BARRETT BUSINESS SERVICES, INC.

By: /s/ Michael D. Mulholland
Michael D. Mulholland
Vice President-Finance

CONTINUING SECURITY AGREEMENT:
RIGHTS TO PAYMENT

1. GRANT OF SECURITY INTEREST. For valuable consideration, the undersigned BARRETT BUSINESS SERVICES, INC. ("Debtor"), hereby grants and transfers to WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") a security interest in all its rights to payment from customers and accounts receivable arising from services rendered or to be rendered, whether or not the same has been earned by performance, all rights under any contracts it has or may have with its customers, and all its general intangibles directly associated with only the foregoing (collectively called "Collateral"), now existing or at any time hereafter and prior to the termination hereof arising, together with whatever is receivable or received when any of the Collateral or proceeds thereof are sold, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, including without limitation, all rights to payment with respect to any cause of action affecting or relating to any of the foregoing (hereinafter called "Proceeds").

2. OBLIGATIONS SECURED. The obligations secured hereby are the payment and performance of: (a) all present and future Indebtedness of Debtor to Bank; (b) all obligations of Debtor and rights of Bank under this Agreement; and (c) all present and future obligations of Debtor to Bank of other kinds. The word "Indebtedness" is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of Debtor, or any of them, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, and whether Debtor may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable.

3. TERMINATION. This Agreement will terminate upon the performance of all obligations of Debtor to Bank, including without limitation, the payment of all Indebtedness of Debtor to Bank, and the termination of all commitments of Bank to extend credit to Debtor, existing at the time Bank receives written notice from Debtor of the termination of this Agreement.

4. OBLIGATIONS OF BANK. Bank has no obligation to make any loans hereunder. Any money received by Bank in respect of the Collateral may be deposited, at Bank's option, into a non-interest bearing account over which Debtor shall have no control, and the same shall, for all purposes, be deemed Collateral hereunder.

5. REPRESENTATIONS AND WARRANTIES. Debtor represents and warrants to Bank that: (a) Debtor is the owner and has possession or control of the Collateral and Proceeds; (b) Debtor has the right to grant a security interest in the Collateral and Proceeds; (c) all Collateral and Proceeds are genuine, free from liens, adverse claims, setoffs, default, prepayment, defenses and conditions precedent of any kind or character, except the lien created hereby or as otherwise agreed to by Bank, or as heretofore disclosed by Debtor to Bank, in writing; (d) all statements contained herein and, where applicable, in the Collateral are true and complete in all material respects; (e) no financing statement covering any of the Collateral or Proceeds, and naming any secured party other than Bank, is on file in any public office; (f) all persons appearing to be obligated on Collateral and Proceeds

have authority and capacity to contract and are bound as they appear to be; and (g) all Collateral and Proceeds comply with all applicable laws concerning form, content and manner of preparation and execution, including where applicable Federal Reserve Regulation Z and any State consumer credit laws.

6. COVENANTS OF DEBTOR

(a) Debtor agrees in general: (i) to pay Indebtedness secured hereby when due; (ii) to indemnify Bank against all losses, claims, demands, liabilities and expenses of every kind caused by property subject hereto; (iii) to pay all costs and expenses, including reasonable attorneys' fees, incurred by Bank in the perfection and preservation of the Collateral or Bank's interest therein and/or the realization, enforcement and exercise of Bank's rights, powers and remedies hereunder; (iv) to permit Bank to exercise its powers; (v) to execute and deliver such documents as Bank deems necessary to create, perfect and continue the security interests contemplated hereby; and (vi) not to change its chief place of business or the places where Debtor keeps any of the Collateral or Debtor's records concerning the Collateral and Proceeds without first giving Bank written notice of the address to which Debtor is moving same.

(b) Debtor agrees with regard to the Collateral and Proceeds, unless Bank agrees otherwise in writing: (i) where applicable, to insure the Collateral with Bank as loss payee, in form, substance and amounts, under agreements, against risks and liabilities, and with insurance companies satisfactory to Bank; (ii) not to permit any lien on the Collateral or Proceeds, except in favor of Bank; (iii) not to sell, hypothecate or otherwise dispose of, nor permit the transfer by operation of law of, any of the Collateral or Proceeds or any interest therein; (iv) to keep, in accordance with generally accepted accounting principles, complete and accurate records regarding all Collateral and Proceeds, and to permit Bank to inspect the same and make copies thereof at any reasonable time; (v) if requested by Bank, to receive and use reasonable diligence to collect Proceeds, in trust and as the property of Bank, and to immediately endorse as appropriate and deliver such Proceeds to Bank daily in the exact form in which they are received together with a collection report in form satisfactory to Bank; (vi) not to commingle Collateral or Proceeds, or collections thereunder, with other property (except that prior to any Event of Default hereunder Debtor shall be permitted to deposit collections in its general bank accounts; (vii) to give only normal allowances and credits and to advise Bank thereof immediately in writing if they affect any Collateral or Proceeds in any material respect; (viii) from time to time, when requested by Bank, to prepare and deliver a schedule of all Collateral and Proceeds subject to this Agreement and to assign in writing and deliver to Bank all related contracts, documents and other evidences thereof; (ix) in the event Bank elects to receive payments of Collateral or Proceeds hereunder, to pay all expenses incurred by Bank in connection therewith, including expenses of accounting, correspondence, collection efforts, reporting to account or contract debtors, filing, recording, record keeping and expenses incidental thereto; and (x) to provide any service and do any other acts which may be necessary to keep all Collateral and Proceeds free and clear of all defenses, rights of offset and counterclaims.

7. POWERS OF BANK. Debtor appoints Bank its true attorney in fact to perform any of the following powers, which are coupled with an interest, are irrevocable until termination of this Agreement and may be exercised from time to time by Bank's officers and employees, or any of them, whether or not Debtor is in default: (a) to perform any obligation of Debtor hereunder in Debtor's name or otherwise; (b) to give notice to account debtors or others of Bank's rights in the Collateral and Proceeds, to enforce the same and make extension agreements with respect thereto; (c) to release persons liable on Collateral or Proceeds and to

give receipts and acquittances and compromise disputes in connection therewith; (d) to release security; (e) to resort to security in any order; (f) to prepare, execute, file, record or deliver notes, assignments, schedules, designation statements, financing statements, continuation statements, termination statements, statements of assignment, applications for registration or like papers to perfect, preserve or release Bank's interest in the Collateral and Proceeds; (g) to receive, open and read mail addressed to Debtor; (h) to take cash, instruments for the payment of money and other property to which Bank is entitled; (i) to verify facts concerning the Collateral and Proceeds by inquiry of obligors thereon, or otherwise, in its own name or a fictitious name; (j) to endorse, collect, deliver and receive payment under instruments for the payment of money constituting or relating to Proceeds; (k) to prepare, adjust, execute, deliver and receive payment under insurance claims directly related to Collateral, and to collect and receive payment of and endorse any instrument in payment of loss or returned premiums or any other insurance refund or return directly related to Collateral, and to apply such amounts received by Bank, at Bank's sole option, toward repayment of the Indebtedness; (l) to exercise all rights, powers and remedies which Debtor would have, but for this Agreement, with respect to all Collateral and Proceeds subject hereto; and (m) to do all acts and things and execute all documents in the name of Debtor or otherwise, deemed by Bank as necessary, proper and convenient in connection with the preservation, perfection or enforcement of its rights hereunder.

8. PAYMENT OF PREMIUMS, TAXES, CHARGES, LIENS AND ASSESSMENTS. Debtor agrees to pay, prior to delinquency, all insurance premiums, taxes, charges, liens and assessments against the Collateral, if applicable, and Proceeds, and upon the failure of Debtor to do so, Bank at its option may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same. Any such payments made by Bank shall be obligations of Debtor to Bank, due and payable immediately upon demand, together with interest at a rate determined in accordance with the provisions of Section 15 hereof, and shall be secured by the Collateral and Proceeds, subject to all terms and conditions of this Agreement.

9. EVENTS OF DEFAULT. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement: (a) any default in the payment or performance of any obligation, or any defined event of default, under (i) any contract or instrument evidencing any Indebtedness, or (ii) any other agreement between any Debtor and Bank, including without limitation any loan agreement, relating to or executed in connection with any Indebtedness; (b) any representation or warranty made by any Debtor herein shall prove to be incorrect, false or misleading in any material respect when made; (c) any Debtor shall fail to observe or perform any obligation or agreement contained herein; (d) any attachment or like levy on any property of any Debtor; and (e) Bank, in good faith, believes any or all of the Collateral and/or Proceeds to be in danger of misuse, dissipation, commingling, loss, theft, damage or destruction, or otherwise in jeopardy or unsatisfactory in character or value.

10. REMEDIES. Upon the occurrence of any Event of Default, Bank shall have the right to declare immediately due and payable all or any Indebtedness secured hereby and to terminate any commitments to make loans or otherwise

extend credit to Debtor. Bank shall have all other rights, powers, privileges and remedies granted to a secured party upon default under the Oregon Uniform Commercial Code or otherwise provided by law, including without limitation, the right to contact all persons obligated to Debtor on any Collateral or Proceeds and to instruct such persons to deliver all Collateral and/or Proceeds directly to Bank. All rights, powers, privileges and remedies of Bank shall be cumulative. No delay, failure or discontinuance of Bank in exercising any right, power, privilege or remedy hereunder shall affect

or operate as a waiver of such right, power, privilege or remedy; nor shall any single or partial exercise of any such right, power, privilege or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power, privilege or remedy. Any waiver, permit, consent or approval of any kind by Bank of any default hereunder, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing. It is agreed that public or private sales, for cash or on credit, to a wholesaler or retailer or investor, or user of property of the types subject to this Agreement, or public auction, are all commercially reasonable since differences in the sales prices generally realized in the different kinds of sales are ordinarily offset by the differences in the costs and credit risks of such sales. While an Event of Default exists: (a) Debtor will deliver to Bank from time to time, as requested by Bank, current lists of all Collateral and Proceeds; (b) Debtor will not dispose of any of the Collateral or Proceeds except on terms approved by Bank; and (c) at Bank's request, Debtor will assemble and deliver all Collateral and Proceeds, and books and records pertaining thereto, to Bank at a reasonably convenient place designated by Bank.

11. DISPOSITION OF COLLATERAL AND PROCEEDS. Upon the transfer of all or any part of the Indebtedness, Bank may transfer all or any part of the Collateral or Proceeds and shall be fully discharged thereafter from all liability and responsibility with respect to any of the foregoing so transferred, and the transferee shall be vested with all rights and powers of Bank hereunder with respect to any of the foregoing so transferred; but with respect to any Collateral or Proceeds not so transferred, Bank shall retain all rights, powers, privileges and remedies herein given. Any proceeds of any disposition of any of the Collateral or Proceeds, or any part thereof, may be applied by Bank to the payment of expenses incurred by Bank in connection with the foregoing, including reasonable attorneys' fees, and the balance of such proceeds may be applied by Bank toward the payment of the Indebtedness in such order of application as Bank may from time to time elect.

12. STATUTE OF LIMITATIONS. Until all Indebtedness shall have been paid in full and all commitments by Bank to extend credit to Debtor have been terminated, the power of sale and all other rights, powers, privileges and remedies granted to Bank hereunder shall continue to exist and may be exercised by Bank at any time and from time to time irrespective of the fact that the Indebtedness or any part thereof may have become barred by any statute of limitations, or that the personal liability of Debtor may have ceased, unless such liability shall have ceased due to the payment in full of all Indebtedness secured hereunder.

13. MISCELLANEOUS. (a) The obligations of Debtor are joint and several; (b) Debtor hereby waives any right (i) to require Bank to make any presentment or demand, or give any notice of nonpayment or nonperformance, protest, notice of protest or notice of dishonor hereunder, (ii) to direct the application of payments or security for any Indebtedness of Debtor, or indebtedness of customers of Debtor, or (iii) to require proceedings against others or to require exhaustion of security; and (c) Debtor hereby consents to extensions, forbearances or alterations of the terms of Indebtedness, the release or substitution of security, and the release of any guarantors; provided however, that in each instance, Bank believes in good faith that the action in question is commercially reasonable in that it does not unreasonably increase the risk of nonpayment of the Indebtedness to which the action applies. Until all Indebtedness shall have been paid in full, no Debtor shall have any right of subrogation or contribution, and each Debtor hereby waives any benefit of or right to participate in any of the Collateral or Proceeds or any other security now or hereafter held by Bank.

14. NOTICES. All notices, requests and demands required under this Agreement must be in writing, addressed to Bank at the address specified in any other loan documents entered into between Debtor and Bank and to Debtor at the address of its chief executive office (or personal residence, if applicable) specified below or to such other address as any party may designate by written notice to each other party, and shall be deemed to have been given or made as follows: (a) if personally delivered, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

15. COSTS, EXPENSES AND ATTORNEYS' FEES. Debtor shall pay to Bank

immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in exercising any right, power, privilege or remedy conferred by this Agreement or in the enforcement thereof, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Debtor or in any way affecting any of the Collateral or Bank's ability to exercise any of its rights or remedies with respect thereto. All of the foregoing shall be paid by Debtor with interest from the date of demand until paid in full at a rate per annum equal to the greater of ten percent (10%) or Bank's Prime Rate in effect from time to time.

16. SUCCESSORS; ASSIGNS; AMENDMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties, and may be amended or modified only in writing signed by Bank and Debtor.

17. OBLIGATIONS OF MARRIED PERSONS. Any married person who signs this Agreement as Debtor hereby expressly agrees that recourse may be had against his or her separate property for all his or her Indebtedness to Bank secured by the Collateral and Proceeds under this Agreement.

18. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or any remaining provisions of this Agreement.

19. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon.

Debtor warrants that its chief executive office (or personal residence, if applicable) is located at the following address: 4724 S.W. Macadam Avenue, Portland Oregon 97201.

IN WITNESS WHEREOF, this Agreement has been duly executed as of March 12, 2001.

BARRETT BUSINESS SERVICES, INC.

By: /s/ Michael D. Mulholland

Michael D. Mulholland
Vice President-Finance

EXHIBIT 11

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

	Year Ended December 31, 2000
Weighted average number of basic shares outstanding	7,237,262
Stock option plan shares to be issued at prices ranging from $1.93 to $17.94 per share	985,797
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	(946,200)
Weighted average number of diluted shares outstanding	7,276,859

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 33-71792, 33-55117, 33-52871, 333-33487 and 333-50522) and in the Prospectus constituting part of the Registration Statement on Form S-3 (Nos. 333-24449 and 333-62041) of Barrett Business Services, Inc. of our report dated February 6, 2001, except for the second paragraph of Note 7, as to which the date is March 12, 2001, relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP
PRICEWATERHOUSECOOPERS LLP

Portland, Oregon
March 30, 2001

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, 2000, 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 16th day of March, 2001.

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 A. Ames - ------------------------ Robert R. Ames	Director
/s/Thomas J. Carley - ------------------------ Thomas J. Carley	Director
/s/ Richard W. Godard - ------------------------ Richard W. Godard	Director
/s/ Anthony Meeker - ------------------------ Anthony Meeker	Director
/s/ Nancy B. Sherertz - ------------------------ Nancy B. Sherertz	Director