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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2001
Commission File No. 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)

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 [   ]

Number of shares of Common Stock, $.01 par value, outstanding at October 31, 2001 was 6,006,298 shares.

BARRETT BUSINESS SERVICES, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BARRETT BUSINESS SERVICES, INC.
Balance Sheets
(Unaudited)
(In thousands, except per share amounts)

	September 30, 2001	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 784	$ 516
Trade accounts receivable, net	17,771	20,660
Prepaid expenses and other	1,312	1,222
Deferred tax assets	2,511	2,702
Total current assets	22,378	25,100
Intangibles, net	19,374	20,982
Property and equipment, net	6,335	7,177
Restricted marketable securities and workers' compensation deposits	4,142	4,254
Unrestricted marketable securities	1,286	1,386
Deferred tax assets	1,110	839
Other assets	1,418	1,374
	$ 56,043	$ 61,112
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 873	$ 2,939
Line of credit	3,615	2,628
Accounts payable	774	1,013
Accrued payroll, payroll taxes and related benefits	8,208	7,893
Workers' compensation claims and safety incentive liabilities	5,080	5,274
Other accrued liabilities	496	1,622
Total current liabilities	19,046	21,369
Long-term debt, net of current portion	360	1,508
Customer deposits	531	614
Long-term workers' compensation claims liabilities	669	682
Other long-term liabilities	2,158	2,022
	22,764	26,195
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value; 20,500 shares authorized, 6,063 and 6,451 shares issued and outstanding	61	64
Additional paid-in capital	3,905	5,387
Retained earnings	29,313	29,466
	33,279	34,917
	$ 56,043	$ 61,112

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

BARRETT BUSINESS SERVICES, INC.
Statements of Operations
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000

Revenues:		
<S>	<C>	<C>
Staffing services	$ 33,538	$ 49,881
Professional employer services	24,744	30,863
	58,282	80,744
Cost of revenues:		
Direct payroll costs	45,271	62,865
Payroll taxes and benefits	4,611	6,564
Workers' compensation	2,426	3,401
	52,308	72,830
Gross margin	5,974	7,914
Selling, general and administrative expenses	4,741	6,128
Depreciation and amortization	818	820
Income from operations	415	966
Other (expense) income:		
Interest expense	(87)	(210)
Interest income	72	86
Other, net	-	2
	(15)	(122)
Income before provision for income taxes	400	844
Provision for income taxes	158	344
Net income	$ 242	$ 500
Basic earnings per share	$ .04	$ .07
Weighted average number of basic shares outstanding	6,152	7,236
Diluted earnings per share	$ .04	$ .07
Weighted average number of diluted shares outstanding	6,180	7,276

</TABLE>

BARRETT BUSINESS SERVICES, INC.
Statements of Operations
(Unaudited)
(In thousands, except per share amounts)

<TABLE>

	Nine Months Ended September 30,	
	2001	2000
Revenues:		
<S>	<C>	<C>
Staffing services	$ 94,759	$ 149,346
Professional employer services	71,227	105,022
	165,986	254,368
Cost of revenues:		
Direct payroll costs	128,654	198,024
Payroll taxes and benefits	13,794	21,788
Workers' compensation	7,044	9,261
	149,492	229,073
Gross margin	16,494	25,295
Selling, general and administrative expenses	14,269	19,077
Depreciation and amortization	2,469	2,373
(Loss) income from operations	(244)	3,845
Other (expense) income:		
Interest expense	(295)	(669)
Interest income	226	258

Other, net	46	6
	(23)	(405)
(Loss) income before provision for income taxes	(267)	3,440
(Benefit from) provision for income taxes	(114)	1,402
Net (loss) income	$ (153)	$ 2,038
Basic (loss) earnings per share	$ (.02)	$ .28
Weighted average number of basic shares outstanding	6,268	7,371
Diluted (loss) earnings per share	$ (.02)	$ .27
Weighted average number of diluted shares outstanding	6,268	7,415

</TABLE>

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

BARRETT BUSINESS SERVICES, INC.
Statements of Cash Flows
(Unaudited)
(In thousands)

<TABLE>

	Nine Months Ended September 30,	
	2001	2000
Cash flows from operating activities:		
<S>	<C>	<C>
Net (loss) income	$ (153)	$ 2,038
Reconciliations of net (loss) income to cash from operations:		
Depreciation and amortization	2,469	2,373
Gain on sale of property	(46)	-
Changes in certain assets and liabilities:		
Trade accounts receivable, net	2,889	4,249
Prepaid expenses and other	(90)	366
Deferred tax assets	(80)	(1,323)
Accounts payable	(239)	(283)
Accrued payroll, payroll taxes and related benefits	315	(1,271)
Workers' compensation claims and safety incentive liabilities	(194)	499
Income taxes payable	-	268
Other accrued liabilities	(1,126)	686
Customer deposits and long-term workers' compensation liabilities and other assets, net	(140)	(429)
Other long-term liabilities	136	239
Net cash provided by operating activities	3,741	7,412
Cash flows from investing activities:		
Cash paid for acquisitions, including other direct costs	-	(67)
Proceeds from sale of property	266	-
Purchase of fixed assets	(239)	(1,100)
Proceeds from maturities of marketable securities	272	992
Purchase of marketable securities	(60)	(670)
Net cash provided by (used in) investing activities	239	(845)
Cash flows from financing activities:		
Net proceeds from (payments on) credit-line borrowings	987	(1,967)
Payments on long-term debt	(3,214)	(1,859)
Payment of notes payable	-	(865)
Repurchase of common stock	(1,485)	(2,103)
Proceeds from exercise of stock options	-	28
Net cash used in financing activities	(3,712)	(6,766)

Net increase (decrease) in cash and cash equivalents	268	(199)
Cash and cash equivalents, beginning of period	516	550
Cash and cash equivalents, end of period	$ 784	$ 351

</TABLE>

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

BARRETT BUSINESS SERVICES, INC.
Notes to Financial Statements

Note 1 - Basis of Presentation Of Interim Period Statements:

The accompanying financial statements are unaudited and have been prepared by Barrett Business Services, Inc. (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures typically included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods presented. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from such estimates and assumptions. The financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 2000 Annual Report on Form 10-K at pages F1 - F20. The results of operations for an interim period are not necessarily indicative of the results of operations for a full year.

Note 2 - Recent Accounting Pronouncements:

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 141 ("SFAS 141") "Business Combinations" and No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets." The Company's adoption date for SFAS 141 is immediate and the anticipated adoption date for SFAS 142 is January 1, 2002. With respect to SFAS 142, the Company will perform a goodwill impairment test as of the adoption date as required. Thereafter, the Company will perform a goodwill impairment test annually and whenever events or circumstances occur indicating that goodwill might be impaired. Amortization of goodwill, including goodwill recorded in past business combinations, will cease. The Company has not yet determined what the impact from SFAS 142 will be on its results of operations and financial position.

Note 3 - Provision For Income Taxes:

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

	September 30, 2001	December 31, 2000
Gross deferred tax assets:		
<S>	<C>	<C>
Workers' compensation claims and safety incentive liabilities	$ 2,200	$ 2,206
Allowance for doubtful accounts	101	205
Amortization of intangibles	605	519
Deferred compensation	438	408
Other	372	289
	3,716	3,627
Gross deferred tax liabilities:		
Tax depreciation in excess of book depreciation	(95)	(86)
Net deferred tax assets	$ 3,621	$ 3,541

</TABLE>

Note 3 - Provision For Income Taxes (Continued):

The (benefit from) provision for income taxes for the nine months ended September 30, 2001 and 2000 is as follows (in thousands):

	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Current:		
Federal	$ (2)	$ 2,109
State	(1)	616
	(3)	2,725
Deferred:		
Federal	(88)	(1,091)
State	(23)	(232)
	(111)	(1,323)
(Benefit from) provision for income taxes	$ (114)	$ 1,402

Note 4 - Stock Incentive Plan:

The Company has a Stock Incentive Plan (the "Plan") which provides for stock-based awards to the Company's employees, directors and outside consultants or advisers. The number of shares of common stock reserved for issuance under the Plan is 1,550,000.

The following table summarizes options granted under the Plan in 2001:

Outstanding at December 31, 2000	955,662	$1.93	to	$17.94
Options granted	97,373	$1.45	to	$3.87
Options exercised	-			
Options voluntarily surrendered	(797,229)	$6.00	to	$17.94
Options canceled or expired	(13,600)	$6.50	to	$8.91
Outstanding at September 30, 2001	242,206	$1.45	to	$17.75
Exercisable at September 30, 2001	135,319			
Available for grant at September 30, 2001	1,083,360			

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

Note 4 - Stock Incentive Plan (Continued):

On August 22, 2001, the Company offered to all optionees who held options with an exercise price of more than $5.85 per share (covering a total of 812,329 shares), the opportunity to voluntarily return for cancellation without payment any stock option award with an exercise price above that price. At the close of the offer period on September 20, 2001, stock options for a total of 797,229 shares were voluntarily surrendered for cancellation. The Compensation Committee of the Company's board of directors may consider whether or not to grant stock-based awards under the Plan to optionees who surrendered stock options during the above offer period after March 21, 2002.

Certain of the Company's zone and branch management employees elect to receive a portion of their quarterly cash profit sharing distribution 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. Such discounts are recorded as compensation expense within selling, general and administrative expenses. The amount of the grantee's deferred compensation (discount from fair market value) is subject to market risk. During the first nine months of 2001, the Company awarded deferred compensation stock options for 7,811 shares at an exercise price of $1.45 per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth the percentages of total revenues represented by selected items in the Company's Statements of Operations for the three and nine months ended September 30, 2001 and 2000.

	Percentage of Total Revenues			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Revenues:				
Staffing services	57.5 %	61.8 %	57.1 %	58.7 %
Professional employer services	42.5	38.2	42.9	41.3
	100.0	100.0	100.0	100.0
Cost of revenues:				
Direct payroll costs	77.7	77.9	77.5	77.9
Payroll taxes and benefits	7.9	8.1	8.3	8.6
Workers' compensation	4.2	4.2	4.3	3.6
Total cost of revenues	89.8	90.2	90.1	90.1
Gross margin	10.2	9.8	9.9	9.9
Selling, general and administrative expenses	8.1	7.6	8.6	7.5
Depreciation and amortization	1.4	1.0	1.5	0.9
Income (loss) from operations	0.7	1.2	(0.2)	1.5
Other expense	-	(0.2)	-	(0.2)
Income (loss) before provision for income taxes	0.7	1.0	(0.2)	1.3
Provision for (benefit from) income taxes	0.3	0.4	(0.1)	0.5
Net income (loss)	0.4 %	0.6 %	(0.1) %	0.8 %

Three Months Ended September 30, 2001 and 2000

Net income for the third quarter of 2001 was $242,000, a decline of $258,000 from net income of $500,000 for the third quarter of 2000. The decline for the third quarter of 2001 was attributable to lower gross margin dollars as a result of a 27.8% decrease in revenue, offset in part by a 22.6% reduction in selling, general and administrative expenses. Basic and diluted earnings per share for the third quarter of 2001 were $.04 as compared to basic and diluted earnings per share of $.07 for the third quarter of 2000. Cash flow per share (defined as net income plus depreciation and amortization divided by weighted average diluted shares outstanding) for the 2001 third quarter totaled $.17 as compared to $.18 for the 2000 third quarter.

Results of Operations (Continued)

Revenues for the third quarter of 2001 totaled approximately $58.3 million, a decrease of approximately $22.4 million or 27.8% from the third quarter of 2000. The decrease in revenues reflects the general softening of business conditions in the Company's market areas, particularly in the Company's Northern California operations, which accounted for approximately 42% of the decline in total revenues. The Company's Northern California operations have been adversely affected by the significant downturn in the "high-tech" industry and related sectors.

Staffing services revenue decreased approximately $16.3 million or 32.8% primarily due to a decline in demand for personnel in the majority of areas in which the Company does business. Professional employer ("PEO") services revenue decreased approximately $6.1 million or 19.8%, which was primarily due to a 30.3% decline in the Company's Oregon operations resulting from a softening in demand from existing customers, coupled with management's decision to discontinue the Company's business relationship with customers who generated insufficient margins. The larger decline in staffing services revenue resulted in a decrease in the share of staffing services from 61.8% of total revenues for the third quarter of 2000 to 57.5% for the third quarter of 2001. The share of revenues for PEO services had a corresponding increase from 38.2% of total revenues for the third quarter of 2000 to 42.5% for the third quarter of 2001.

Gross margin for the third quarter of 2001 totaled approximately $6.0 million, which represented a decrease of $1.9 million or 24.5% from the third quarter of 2000 primarily resulting from the 27.8% decline in revenues experienced in the third quarter of 2001. The gross margin percent increased from 9.8% of revenues for the third quarter of 2000 to 10.2% for the third quarter of 2001. The increase in the gross margin percentage was due to lower direct payroll costs, lower payroll taxes and benefits and slightly lower workers' compensation expense, as a percentage of revenues. The decrease in direct payroll costs, as a percentage of revenues, for the third quarter of 2001 was primarily due to substantial decreases in contract staffing and on-site management, which generally have a lower mark-up rate (and thus higher direct payroll costs as a percentage of revenues) relative to other services provided by the Company, and to a lesser extent to higher mark-up rates charged by the Company for its services. The decline in payroll taxes and benefits, as a percentage of revenues for the third quarter of 2001, was primarily due to a reduction in state unemployment tax rates in various states in which the Company operates as compared to the third quarter of 2000. Workers' compensation expense for the third quarter of 2001 totaled $2.4 million or 4.2% of revenues, which compares to $3.4 million or 4.2% of revenues for the third quarter of 2000.

Selling, general and administrative ("SG&A") expenses for the 2001 third quarter amounted to approximately $4.7 million, a decrease of $1.4 million or 22.6% from the comparable period in 2000. SG&A expenses, expressed as a percentage of revenues, increased from 7.6% for the third quarter of 2000 to 8.1% for the third quarter of 2001. The decrease in total dollars from 2000 was primarily attributable to branch office reductions in management personnel and related expenses as a result of the downturn in business.

Results of Operations (Continued)

Depreciation and amortization totaled $818,000 or 1.4% of revenues for the third quarter of 2001, as compared to $820,000 or 1.0% of revenues for the same period in 2000. The expense level remained similar in terms of total dollars primarily due to a low level of capital expenditures since the third quarter of 2000.

Other expense totaled $15,000 for the third quarter of 2001, which compares to $122,000 of other expense for the third quarter of 2000. The decrease in other expense was primarily attributable to a reduction in net interest expense of $123,000 due to lower debt levels during the third quarter of 2001 as compared to the same quarter of 2000.

The Company offers various qualified employee benefit plans to its employees, including its worksite employees. These qualified employee benefit plans include a savings plan under Section 401(k) of the Internal Revenue Code (the "Code"), a cafeteria plan under Code Section 125, a group health plan, a group life insurance plan, a group disability insurance plan and an employee assistance plan. Generally, qualified employee benefit plans are subject to provisions of both the Code and the Employee Retirement Income Security Act ("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. 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. Reference is made to pages 18-19 of the Company's 2000 Annual Report on Form 10-K for a more detailed discussion of this issue.

Nine Months Ended September 30, 2001 and 2000

Net loss for the nine months ended September 30, 2001 was $153,000, a decline of $2,191,000 from net income of $2,038,000 for the same period in 2000. The decrease in net income was attributable to lower gross margin dollars primarily resulting from a 34.7% decrease in revenues, partially offset by a 25.2% reduction in SG&A expenses and a 94.3% reduction in other expenses. Basic and diluted loss per share for the first nine months of 2001 were $.02 as compared to basic and diluted earnings per share of $.28 and $.27, respectively, for the same period of 2000. Cash flow per share (defined as net income plus depreciation and amortization divided by weighted average diluted shares outstanding) for the nine months ended September 30, 2001 totaled $.37 as compared to $.59 for the similar 2000 period.

Revenues for the nine months ended September 30, 2001 totaled approximately $166.0 million, a decrease of approximately $88.4 million or 34.7% from the similar period in 2000. The decrease in total revenues was primarily due to the continued softening of business conditions in the Company's market areas, particularly in the Company's Northern California operations, which accounted for approximately 48.0% of the decline in total revenues for the first nine months of 2001.

Gross margin for the nine months ended September 30, 2001 totaled approximately $16.5 million, which represented a decrease of $8.8 million or 34.8% from the similar period of 2000. The gross margin percent of 9.9% of revenues for the nine-month period of 2001 remained constant with the same period of 2000 as decreases in direct payroll costs and payroll taxes and benefits were offset by higher workers' compensation expense, as a percentage of

Results of Operations (Continued)

revenues. The decrease in direct payroll costs, as a percentage of revenues, was attributable to decreases in contract staffing and on-site management, of which payroll generally represents a higher percentage of revenues, and to a lesser extent to increases in the rates the Company charges for its services. The decrease in payroll taxes and benefits for the nine-month period of 2001 was primarily attributable to lower state unemployment tax rates in various states in which the Company operates as compared to the nine-month period of 2000. Workers' compensation expense for the nine months ended September 30, 2001 totaled $7.0 million or 4.3% of revenues, which compares to $9.3 million or 3.6% of revenues for the similar period of 2000. The increase in the percentage of revenues for the 2001 period was primarily due to higher estimates for the cost of claims, as the number of claims declined compared to the same period in 2000.

SG&A expenses for the nine months ended September 30, 2001 amounted to approximately $14.3 million, a decrease of $4.8 million or 25.2% from the similar period of 2000. SG&A expenses, expressed as a percentage of revenues, increased from 7.5% for the nine-month period of 2000 to 8.6% for the same period of 2001. The decrease in total SG&A dollars was primarily due to reductions in branch management personnel and related expenses as a result of the downturn in business.

Depreciation and amortization totaled $2.5 million or 1.5% of revenues for the nine months ended September 30, 2001, which compares to $2.4 million or 0.9% of revenues for the same period of 2000. The increased expense was primarily due to recognizing a full nine months of expense during 2001 as a result of the March 1, 2000 implementation of the Company's new information system.

Other expense totaled $23,000 for the nine-month period ended September 30, 2001, which compares to $405,000 or 0.2% of revenues for the comparable 2000 period. The decrease in expense was primarily due to a reduction in net interest expense attributable to lower debt levels during the first nine months of 2001 as compared to the similar period of 2000.

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 of $784,000 at September 30, 2001 increased by $268,000 over December 31, 2000, which compares to a decrease of $199,000 for the comparable period in 2000. The increase in cash at September 30, 2001, as compared to December 31, 2000, was primarily attributable to cash provided by operating activities, offset in part by payments on long-term debt and repurchases of the Company's common stock.

Net cash provided by operating activities for the nine months ended September 30, 2001 amounted to $3,741,000, as compared to $7,412,000 for the comparable 2000 period. For the 2001 period, cash flow was generated by a $2,889,000 decrease in trade accounts receivable, together with depreciation and amortization, offset in part by decreases in other accrued liabilities and accounts payable.

Net cash provided by investing activities totaled $239,000 for the nine months ended September 30, 2001, as compared to $845,000 net cash used in investing activities for the similar 2000 period. For the 2001 period, the principal source of cash provided by investing activities was from net proceeds of $272,000 from maturities of marketable securities and $266,000 of proceeds associated with the sale of a Company-owned office condominium, offset in part by purchases of office equipment. The Company presently has no material long-term capital commitments.

Net cash used in financing activities for the nine-month period ended September 30, 2001 was $3,712,000, compared to $6,766,000 net cash used in financing activities for the similar 2000 period. For the 2001 period, the principal use of cash for financing activities was $3,214,000 of payments made on long-term debt, primarily related to the $8,000,000 three-year term loan in connection with the Company's 1999 acquisition of Temporary Skills Unlimited, Inc., and $1,485,000 used to repurchase the Company's common stock.

The Company's business strategy continues to focus on growth through the expansion of operations at existing offices, together with the selective acquisition of additional personnel-related businesses, both in its existing markets and other strategic geographic areas. The Company periodically explores proposals for various acquisition opportunities, but there can be no assurance that any additional transactions will be consummated.

The Company maintains a credit arrangement with its principal bank which provides for (1) borrowings on a revolving credit facility up to the lesser of (i) $13.0 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. This facility, which expires July 1, 2002, includes a subfeature for standby letters of credit in connection with certain workers' compensation surety arrangements, as to which approximately $3.9 million were outstanding as of September 30, 2001. Manage-ment 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.

Liquidity and Capital Resources (Continued)

In February 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 has approved six increases in the total number of shares or dollars authorized to be repurchased under the program. As of November 7, 2001, the repurchase program had authorized availability of $865,000 for the repurchase of additional shares. During the first nine months of 2001, the Company repurchased 388,000 shares at an aggregate price of $1,485,000. Since the inception of the repurchase program through November 7, 2001, the Company has repurchased 1,681,800 shares for an aggregate price of $7,766,000. Management anticipates that the capital necessary to continue 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.

Forward-Looking Information

Statements in 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.

ITEM 3. 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 September 30, 2001, the Company had interest-bearing debt obligations of approximately $6.0 million, of which approximately $4.4 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 $3.6 million outstanding under a secured revolving credit facility, which bears interest at the prime rate less 1.70%. The Company also has a secured term note due May 31, 2002, with its principal bank, which bears interest at LIBOR plus 1.35%. Based on the Company's overall interest exposure at September 30, 2001, 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 September 30, 2001, the Company had not entered into any interest rate instruments to reduce its exposure to interest rate risk.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) The exhibits filed herewith are listed in the Exhibit Index following the signature page of this report.

(b) No Current Reports on Form 8-K were filed by the Registrant during the quarter ended September 30, 2001.

SIGNATURES

Pursuant to the requirements 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: November 9, 2001

By: /s/ Michael D. Mulholland

Michael D. Mulholland
Vice President - Finance
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit

11. Statement of Calculation of Basic and Diluted Common Shares Outstanding

EXHIBIT 11

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

	Three Months Ended September 30, 2001
Weighted average number of basic shares outstanding	6,152,175
Stock option plan shares to be issued at prices ranging from $1.45 to $17.94 per share	907,553
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	(879,988)
Weighted average number of diluted shares outstanding	6,179,740