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, 2003
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	97239
(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 [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

Number of shares of common stock, $.01 par value, outstanding at October 31, 2003 was 5,638,380 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)

<TABLE>
<CAPTION>

	September 30, 2003	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 450	$ 96
Income taxes receivable	-	1,923
Trade accounts receivable, net	18,449	11,357
Prepaid expenses and other	1,749	1,040
Deferred income taxes	1,658	2,111
Total current assets	22,306	16,527
Goodwill, net	18,749	18,749
Intangibles, net	23	59
Property and equipment, net	3,465	5,167
Restricted marketable securities and workers' compensation deposits	4,063	4,286
Deferred income taxes	1,114	1,445
Other assets	482	1,064
	$ 50,202	$ 47,297
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 88	$ 434
Line of credit	-	3,513
Accounts payable	781	834
Accrued payroll, payroll taxes and related benefits	12,933	4,897
Workers' compensation claims liabilities	1,749	3,903
Safety incentives payable	681	406
Other accrued liabilities	326	305
Current portion of deferred gain on sale and leaseback	122	-
Total current liabilities	16,680	14,292
Long-term debt, net of current portion	400	488
Customer deposits	447	443
Long-term workers' compensation claims liabilities	2,476	2,492
Other long-term liabilities	27	797
Long-term deferred gain on sale and leaseback	1,066	-
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock, $.01 par value; 20,500 shares authorized, 5,638 and 5,751 shares issued and outstanding	56	57
Additional paid-in capital	2,699	3,144
Employee loan	(107)	(107)
Retained earnings	26,458	25,691
	29,106	28,785
	$ 50,202	$ 47,297

</TABLE>

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)

<TABLE>
<CAPTION>

	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002
Revenues:		
Staffing services	$ 26,727	$ 26,935
Professional employer service fees	8,046	3,155
	34,773	30,090
Cost of revenues:		
Direct payroll costs	19,740	20,032
Payroll taxes and benefits	6,181	3,627
Workers' compensation	2,501	2,058
	28,422	25,717
Gross margin	6,351	4,373
Selling, general and administrative expenses	4,582	3,984
Depreciation and amortization	256	282
Income from operations	1,513	107
Other (expense) income:		
Interest expense	(55)	(91)
Interest income	13	50
Other, net	(20)	27
	(62)	(14)
Income before provision for income taxes	1,451	93
Provision for income taxes	508	37
Net income	$ 943	$ 56
Basic income per share	$ .17	$ .01
Weighted average number of basic shares outstanding	5,645	5,804
Diluted income per share	$ .16	$ .01
Weighted average number of diluted shares outstanding	5,927	5,816

</TABLE>

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)

<TABLE>
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	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Revenues:		
Staffing services	$ 69,883	$ 74,189
Professional employer services	16,189	9,405
	86,072	83,594
Cost of revenues:		
Direct payroll costs	51,617	54,841
Payroll taxes and benefits	14,371	10,839
Workers' compensation	5,908	5,402
	71,896	71,082
Gross margin	14,176	12,512
Selling, general and administrative expenses	12,047	12,255
Depreciation and amortization	807	882
Income (loss) from operations	1,322	(625)
Other (expense) income:		
Interest expense	(233)	(188)
Interest income	69	173
Other, net	28	21
	(136)	6
Income (loss) before provision for income taxes	1,186	(619)
Provision for (benefit from) income taxes	419	(259)
Net income (loss)	$ 767	$ (360)
Basic income (loss) per share	$ .13	$ (.06)
Weighted average number of basic shares outstanding	5,700	5,810
Diluted income (loss) per share	$ .13	$ (.06)
Weighted average number of diluted shares outstanding	5,805	5,810

</TABLE>

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

BARRETT BUSINESS SERVICES, INC.

Statements of Cash Flows
(Unaudited)
(In thousands)

<TABLE>
<CAPTION>

	Nine Months Ended September 30,	
	2003	2002
Cash flows from operating activities:		
<S>	<C>	<C>
Net income (loss)	$ 767	$ (360)
Reconciliations of net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	807	882
Gain on sales of marketable securities	(48)	(24)
Gain recognized on sale and leaseback	(31)	-
Deferred income taxes	784	262
Changes in certain assets and liabilities:		
Income taxes receivable	1,923	-
Trade accounts receivable, net	(7,092)	966
Prepaid expenses and other	(709)	(160)
Accounts payable	(53)	(45)
Accrued payroll, payroll taxes and related benefits	8,036	727
Other accrued liabilities	21	63
Workers' compensation claims liabilities	(2,170)	(2,910)
Safety incentives payable	275	73
Customer deposits and other assets, net	586	51
Other long-term liabilities	(770)	(160)
Net cash provided by (used in) operating activities	2,326	(635)
Cash flows from investing activities:		
Proceeds from sale and leaseback of buildings	2,338	-
Purchase of equipment	(188)	(99)
Proceeds from maturities of marketable securities	4,361	2,708
Proceeds from sales of marketable securities	2,272	807
Purchase of marketable securities	(6,362)	(2,384)
Net cash provided by investing activities	2,421	1,032
Cash flows from financing activities:		
Proceeds from credit-line borrowings	38,750	37,954
Payments on credit-line borrowings	(42,263)	(37,802)
Payments on long-term debt	(434)	(696)
Payment to shareholder	-	(28)
Loan to employee	-	(78)
Repurchase of common stock	(446)	(183)
Proceeds from exercise of stock options	-	14
Net cash used in financing activities	(4,393)	(819)
Net increase (decrease) in cash and cash equivalents	354	(422)
Cash and cash equivalents, beginning of period	96	1,142
Cash and cash equivalents, end of period	$ 450	$ 720

</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 ("GAAP") 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 2002 Annual Report on Form 10-K at pages F1 - F24. The results of operations for an interim period are not necessarily indicative of the results of operations for a full year. Certain prior year amounts have been reclassified to conform with the current year presentation. Such reclassifications had no impact on gross margin, net income or stockholders' equity.

Barrett, a Maryland corporation, is engaged in providing both staffing and professional employer services to a diversified group of customers through a network of branch offices throughout Oregon, Washington, California, Arizona, Maryland, Delaware and North Carolina. Staffing services are engaged by customers to meet short-term and long-term personnel needs. Professional employer services ("PEO") 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.

Note 2 - Recent Accounting Pronouncements:

In April 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 149 ("SFAS 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003. Management believes that the adoption of this statement will not have a material impact on its results of operations or financial position.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 requires that an issuer classify a financial instrument that is within its scope as a liability if that financial instrument embodies an obligation to the issuer. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is

BARRETT BUSINESS SERVICES, INC.
Notes to Financial Statements (Continued)

Note 2 - Recent Accounting Pronouncements (Continued):

effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. Management believes that the adoption of this statement will not have a material impact on its results of operations or financial position.

Note 3 - Basic and Diluted Earnings Per Share:

Basic earnings per share are computed based on the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential effects of the exercise of outstanding stock options. Basic and diluted shares outstanding are summarized as follows:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Weighted average number of basic shares outstanding	5,644,946	5,803,647	5,700,366	5,810,075
Stock option plan shares to be issued at prices ranging from $1.45 to $17.75 per share	643,379	401,098	572,308	-
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	(360,995)	(388,745)	(467,292)	-
Weighted average number of diluted shares outstanding	5,927,330	5,816,000	5,805,382	5,810,075

</TABLE>

As a result of the net loss reported for the nine months ended September 30, 2002, potential common shares of 18,636 have been excluded from the calculation of diluted loss per share because their effect would be anti-dilutive.

Note 4 - Stock Incentive Plans:

The Company's 2003 Stock Incentive Plan (the "Plan"), which was approved by shareholders on May 14, 2003, provides for stock-based awards to Company employees, directors and outside consultants or advisers. The number of shares of common stock reserved for issuance under the Plan is 400,000. New grants of incentive stock options could not be made after March 1, 2003 under the Company's 1993 Stock Incentive Plan. At March 10, 2003

Note 4 - Stock Incentive Plans (Continued):

there were option awards covering 520,095 shares outstanding under the 1993 Plan, which upon termination, unexercised, are carried over to the 2003 Plan as shares authorized to be issued under the 2003 Plan.

The following table summarizes options activity in 2003:

<TABLE>
<CAPTION>

	Number of Options	Grant Prices		
Outstanding at December 31, 2002	520,195	$ 1.45	to	$17.75
Options granted	152,000	$ 3.02	to	$3.07
Options exercised	-			
Options canceled or expired	(28,816)	$ 3.50	to	$7.06

Outstanding at September 30, 2003	643,379	$ 1.45 to $17.75
Exercisable at September 30, 2003	172,497	
Available for grant at September 30, 2003	276,716	

</TABLE>

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

Note 5 - Stock Option Compensation

The Company applies APB Opinion No. 25 and related interpretations in accounting for its stock incentive 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 the 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 SFAS No. 123, "Accounting for Stock-Based Compensation", the Company's net loss and loss per share would have been adjusted to the pro forma amounts indicated below:

Note 5 - Stock Option Compensation (Continued)

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
Net income (loss), as reported	$ 943	$ 56	$ 767	$ (360)
Add back compensation expense recognized under APB No. 25	-	-	-	-
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(47)	(42)	(125)	(126)
Net income (loss), pro forma	$ 896	$ 14	$ 642	$ (486)
Basic income (loss) per share, as reported	$ .17	$ .01	$ .13	$ (.06)
Basic income (loss) per share, pro forma	.16	-	.11	(.08)
Diluted income (loss) per share, as reported	.16	.01	.13	(.06)
Diluted income (loss) per share, pro forma	.15	-	.11	(.08)

</TABLE>

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

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, 2003 and 2002.

	Percentage of Total Revenues			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues:				
Staffing services	76.9 %	89.5 %	81.2 %	88.7 %
Professional employer service fees	23.1	10.5	18.8	11.3
	100.0	100.0	100.0	100.0
Cost of revenues:				
Direct payroll costs	56.7	66.6	60.0	65.6
Payroll taxes and benefits	17.8	12.1	16.7	13.0
Workers' compensation	7.2	6.8	6.8	6.4
Total cost of revenues	81.7	85.5	83.5	85.0
Gross margin	18.3	14.5	16.5	15.0
Selling, general and administrative expenses	13.2	13.3	14.0	14.7
Depreciation and amortization	0.7	0.9	0.9	1.0
Income (loss) from operations	4.4	0.3	1.6	(0.7)
Other (expense) income	(0.2)	-	(0.2)	-
Pretax income (loss)	4.2	0.3	1.4	(0.7)
Provision for (benefit from) income taxes	1.5	0.1	0.5	(0.3)
Net income (loss)	2.7 %	0.2 %	0.9 %	(0.4)%

The Company changed its reporting of PEO revenues from a gross basis to a net basis in 2002 because it was determined that the Company was not the primary obligor for the services provided by employees pursuant to its PEO contracts with its customers. Gross revenue information, although not in accordance with GAAP, is presented below because

management believes such information is more informative as to the level of the Company's business activity and more useful in managing its operations.

<TABLE>
<CAPTION>

Unaudited Unaudited

(in thousands)	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Revenues:				
<S>	<C>	<C>	<C>	<C>
Staffing services	$ 26,727	$ 26,935	$ 69,883	$ 74,189
Professional employer services	46,886	18,710	95,767	55,269
Total revenues	73,613	45,645	165,650	129,458
Cost of revenues:				
Direct payroll costs	58,580	35,587	131,195	100,705
Payroll taxes and benefits	6,181	3,627	14,371	10,839
Workers' compensation	2,501	2,058	5,908	5,402
Total cost of revenues	67,262	41,272	151,474	116,946
Gross margin	$ 6,351	$ 4,373	$ 14,176	$ 12,512

</TABLE>

A reconciliation of non-GAAP gross PEO revenues to net PEO revenues is as follows:

<TABLE>
<CAPTION>

(in thousands)	Unaudited Three Months Ended September 30, Gross Revenue Reporting Method 2003	Gross Revenue Reporting Method 2002	Reclassification 2003	Reclassification 2002	Net Revenue Reporting Method 2003	Net Revenue Reporting Method 2002
Revenues:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Staffing services	$ 26,727	$ 26,935	$ -	$ -	$ 26,727	$ 26,935
Professional employer services	46,886	18,710	(38,840)	(15,555)	8,046	3,155
Total revenues	$ 73,613	$ 45,645	$(38,840)	$(15,555)	$ 34,773	$30,090
Cost of revenues:						
Direct payroll costs	$ 58,580	$ 35,587	$(38,840)	$(15,555)	$ 19,740	$ 20,032

</TABLE>

Results of Operations (Continued)

<TABLE>
<CAPTION>

Unaudited Nine Months Ended September 30,

Gross Revenue   Net Revenue

(in thousands)	Reporting Method		Reclassification		Reporting Method	
	2003	2002	2003	2002	2003	2002
Revenues:						
Staffing services	$ 69,883	$ 74,189	$ -	$ -	$ 69,883	$ 74,189
Professional employer services	95,767	55,269	(79,578)	(45,864)	16,189	9,405
Total revenues	$165,650	$129,458	$(79,578)	$(45,864)	$ 86,072	$ 83,594
Cost of revenues:						
Direct payroll costs	$131,195	$100,705	$(79,578)	$(45,864)	$ 51,617	$ 54,841

</TABLE>

Three months ended September 30, 2003 and 2002

Net income for the third quarter of 2003 was $943,000, an improvement of $887,000 over net income of $56,000 for the third quarter of 2002. The improvement for the third quarter of 2003 was primarily due to higher gross margin dollars as a result of significant growth in professional employer ("PEO") services business, partially offset by higher selling, general and administrative expenses. The diluted income per share for the third quarter of 2003 was $.16.

Revenues for the third quarter of 2003 totaled $34.8 million, an increase of approximately $4.7 million or 15.6% over the $30.1 million for the same quarter in 2002. The increase in revenues primarily reflects the significant growth in the Company's PEO service fee revenue, partially offset by a slight decline in staffing services revenue.

PEO service fee revenue increased approximately $4.9 million or 155.0% primarily due to strong growth in California attributable to the business opportunities available to the Company as a qualified self-insured employer for workers' compensation coverage owing to the adverse market conditions for workers' compensation insurance. Staffing services revenue decreased approximately $0.2 million or 0.8% primarily due to continued soft economic conditions for such services in the majority of areas in which the Company operates. Management expects growth in demand for its PEO services to continue in the foreseeable future.

Gross margin for the third quarter of 2003 totaled approximately $6.4 million, which represented an increase of $2.0 million or 45.2% over the third quarter of 2002 primarily due to the 15.6% increase in revenues. The gross margin percent increased from 14.5% of revenues for the third quarter of 2002 to 18.3% for the third quarter of 2003. The increase in the gross

margin percentage was due to lower direct payroll costs, offset in part by higher payroll taxes and benefits and higher workers' compensation expense. The decline in direct payroll costs, as a percentage of revenues, for the third quarter of 2003 reflects the current mix of services to the Company's customer base and the effect of their unique mark-up percent. The increase in payroll taxes and benefits, as a percentage of revenues, for the third quarter of 2003 was due in part to higher statutory state unemployment tax rates in various states in which the Company operates as compared to the third quarter of 2002, as well as to the effect of significant growth in PEO services.

Workers' compensation expense for the third quarter of 2003 totaled $2.5 million, which compares to $2.1 million for the third quarter of 2002. The increase in workers' compensation expense was generally due to an increased provision for the future estimated costs of claims due to the increase in business activity.

Selling, general and administrative ("SG&A") expenses for the 2003 third quarter amounted to approximately $4.6 million, an increase of $598,000 or 15.0% over the comparable period in 2002. The increase over 2002 was primarily attributable to higher profit sharing and related taxes and to an increase in risk management personnel and related expenses. SG&A expenses, as a percent of net revenues, declined slightly in the 2003 third quarter as compared to the same period a year ago.

Nine months ended September 30, 2003 and 2002

Net income for the nine months ended September 30, 2003 was $767,000, an improvement of $1.1 million over a net loss of $360,000 for the first nine months of 2002. The improvement for the nine-month period of 2003 was primarily due to higher gross margin dollars and lower SG&A expenses, offset in part by an increase in other expense. The diluted income per share for the first nine months of 2003 was $.13 as compared to a diluted loss per share of $.06 for the comparable 2002 period.

Revenues for the nine months ended September 30, 2003 totaled approximately $86.1 million, an increase of approximately $2.5 million or 3.0% over the first nine months of 2002. The increase in revenues primarily reflects continued growth of the Company's PEO service fee revenues, offset in part by continued weak overall economic conditions, which have a corresponding effect on the demand for the Company's staffing services. PEO service fee revenue increased approximately $6.8 million or 72.1% primarily due to strong growth in California owing to market conditions for workers' compensation insurance. Staffing services revenue decreased approximately $4.3 million or 5.8% primarily due to a decline in demand for such services owing to soft economic conditions in the majority of areas in which the Company operates.

Gross margin for the nine months ended September 30, 2003 totaled approximately $14.2 million, which represented an increase of $1.7 million or 13.3% over the similar period of 2002 primarily due to the 3.0% increase in revenues coupled with an increase in the gross margin percentage from 15.0% to 16.5% of revenues. The decrease in direct payroll costs, as a percentage of revenues, for the nine-month period of 2003 reflects the current mix of services to the Company's customer base and the effect of their unique mark-up percent. The increase in payroll taxes and benefits, as a percentage of revenues, for the nine-month period of 2003, was principally due to higher statutory state unemployment tax rates in various states in which the Company operates as compared to the same period of 2002 and to the effect of significant growth in PEO services. Workers' compensation expense for the nine months ended September 30, 2003 totaled $5.9 million, which compares to $5.4 million for the same period of 2002. The increase in workers' compensation expense was primarily attributable to an increased provision for the future estimated cost of claims due to the increase in business activity.

SG&A expenses for the nine months ended September 30, 2003 amounted to approximately $12.0 million, a decrease of $208,000 or 1.7% from the comparable period in 2002. The decrease in expense from 2002 was primarily attributable to reductions in branch office management personnel and related expenses, offset in part by higher profit sharing and related taxes and additional risk management personnel.

Depreciation and amortization totaled $807,000 or 0.9% of revenues for the nine months ended September 30, 2003, as compared to $882,000 or 1.0% of revenues for the same period in 2002. The depreciation and amortization expense level remained comparable to 2002 amounts due to the Company's current low level of capital expenditures.

Other expense totaled $136,000 for the nine-month period ended September 30 2003, which compares to $6,000 of other income for the comparable 2002 period. The increase in expense was primarily due to an increase in interest expense attributable to higher debt levels and loan fees during the 2003 period, as well as to a decline in interest income as a result of lower interest yields on the Company's investments during the 2003 period.

Factors Affecting Quarterly 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 statutory payroll taxes, claims experience for workers' compensation and demand and competition for the Company's services. The Company's revenue levels may fluctuate from quarter to quarter primarily due to the impact of seasonality on its staffing services business and on certain of its PEO clients. 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

Factors Affecting Quarterly Results (Continued)

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 $450,000 at September 30, 2003 increased by $354,000 over December 31, 2002, which compares to a decline of $422,000 for the comparable period in 2002. The increase in cash at September 30, 2003, as compared to December 31, 2002, was primarily generated from the proceeds of a sale and leaseback of two Company-owned office buildings, the receipt of the Company's 2002 income tax refund and an increase in accrued payroll, payroll taxes and related benefits, offset in part by payments on workers' compensation claims liabilities, net payments on the credit-line and an increase in trade accounts receivable.

Net cash provided by operating activities for the nine months ended September 30, 2003 amounted to $2,326,000, as compared to $635,000 of net cash used in operating activities for the comparable 2002 period. For the nine months ended September 30, 2003, cash flow was provided by a $1,923,000 decrease in income taxes receivable as a result of the receipt of the 2002 federal income tax refund and an increase in accrued payroll and related benefits of $8,036,000, offset in part by payments on workers' compensation claims of $2,170,000 coupled with an increase of $7,092,000 in trade accounts receivable.

Net cash provided by investing activities totaled $2,421,000 for the nine months ended September 30, 2003, as compared to $1,032,000 for the similar 2002 period. For the 2003 period, the principal source of cash provided by investing activities was from $2,338,000 of proceeds from the sale and leaseback of two office buildings and from net proceeds totaling $6,633,000 from maturities and sales of marketable securities, offset in part by $6,362,000 of net purchases of marketable securities. These transactions generally represent scheduled maturities and the replacement of such securities held for workers' compensation surety deposit purposes. The Company presently has no material long-term capital commitments.

Net cash used in financing activities for the nine-month period ended September 30, 2003, was $4,393,000, compared to $819,000 for the similar 2002 period. For the 2003 period, the principal use of cash for financing activities was for $3,513,000 of net payments made on the Company's revolving credit line, $446,000 used to repurchase the Company's common stock pursuant to its repurchase program, and $434,000 of payments made on long-term debt.

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 markets. The Company periodically evaluates proposals for various acquisition opportunities, but there can be no assurance that any additional transactions will be consummated.

Liquidity and Capital Resources (Continued)

The Company entered into a second amendment to the Amended and Restated Credit Agreement (the "Agreement") with its principal bank effective April 30, 2003. The Agreement provides for a revolving credit facility of up to $8.0 million, which includes a subfeature under the line of credit for standby letters of credit for not more than $5.0 million and a term loan in the original amount of $693,750 bearing interest at an annual rate of 7.4%, as to which the outstanding principal balance was paid in full as of June 30, 2003.

Under the terms of the Agreement, the Company's total outstanding borrowings, to a maximum of $8.0 million, may not at any time exceed an aggregate of (i) 85% of the Company's eligible billed accounts receivable, plus (ii) 65% of the Company's eligible unbilled accounts receivable (not to exceed $1.5 million). Subsequent to the quarter ended September 30, 2003, the bank reduced the interest rate on advances from an annual rate of prime rate plus two percent to prime plus one percent. The Agreement expires March 31, 2004.

Effective July 22, 2003, the Company entered into a fourth amendment to the Agreement with its principal bank, whereby the bank agreed to allow the Company to invest in equity securities of publicly-traded companies believed to offer strategic value or benefit to the Company, in amounts not to exceed an aggregate of $200,000 plus any investment gains (net of any losses) thereon.

The revolving credit facility is collateralized by the Company's assets, including, without limitation, its accounts receivable, equipment, intellectual property, real property and bank deposits, and may be prepaid at any time without penalty. Pursuant to the Agreement, as amended, the Company is currently required to maintain compliance with the following financial covenants: (1) a Current Ratio not less than 1.15 to 1.0 from and after June 30, 2003, with "Current Ratio" defined as total current assets divided by total current liabilities: (2) EBITDA not less than $250,000 as of the quarter ending September 30, 2003, and not less than $1,500,000 as of the quarter ending December 31, 2003 and thereafter, measured on a trailing four-quarter basis, with "EBITDA" defined as net profit before taxes, interest expense (net of capitalized interest expense), depreciation expense and amortization expense; (3) Funded Debt to EBITDA Ratio not more than 4.0 to 1.0 as of September 30, 2003 and not more than 2.25 to 1.0 as of December 31, 2003 and thereafter, with "Funded Debt" defined as all borrowed funds plus the amount of all capitalized lease obligations of the Company and "Funded Debt to EBITDA Ratio" defined as Funded Debt divided by EBITDA; and (4) EBITDA Coverage Ratio not less than 1.0 to 1.0 as of September 30, 2003 and not less than 1.75 to 1.0 as of December 31, 2003, with "EBITDA Coverage Ratio" defined as EBITDA divided by the aggregate of total interest expense plus the prior period current maturity of long-term debt and the prior period current maturity of subordinated debt. As of September 30, 2003, the Company had approximately $7.1 million available under its $8 million credit facility and was in compliance with all loan covenants.

Effective June 30, 2003, the Company completed a sale and leaseback transaction involving two office buildings owned by the Company. The sale and leaseback transaction provided net cash proceeds of approximately $2.0 million (after the June 30, 2003 payment of the outstanding mortgage balance). The net proceeds from the transaction were applied to the outstanding balance on the Company's credit facility, effective July 1, 2003.

In mid-July 2003, the state of California's Department of Self-Insurance Plans released for cancellation the Company's $4.0 million letter of credit, which served as its security deposit for the Company's self-insured workers' compensation program. As a participant in the State's new alternative security program, the Company paid to the State an annual fee of approximately $234,000, which was determined by several factors, including the amount of a future security deposit and the Company's overall credit rating.

Management expects that the funds generated from future operations, together with available credit under the Agreement and other potential sources of financing, will be sufficient in the aggregate to fund the Company's working capital needs for the foreseeable future.

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 seven increases in the total number of shares or dollars authorized to be repurchased under the program. As of November 10, 2003, the repurchase program had remaining authorized availability of $443,800 for the repurchase of additional shares. During the first nine months of 2003, the Company repurchased 112,655 shares at an aggregate price of $446,000. Since the inception of the repurchase program through November 10, 2003, the Company has repurchased 2,053,555 shares for an aggregate price of $9,187,200. 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 and effect on revenue growth, 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 Company's sources of working capital and expected use of credit, including its ability to pay the balance on its line of credit, the adequacy of the Company's workers' compensation reserves and allowance for doubtful accounts, the effectiveness of the Company's management information systems, 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 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,

Forward-Looking Information (Continued)

economic trends in the Company's service areas, material deviations from expected future workers' compensation claims experience, the carrying values of deferred income tax assets and goodwill, which may be affected by the Company's future operating results, the availability of capital or letters of credit necessary to meet state-mandated surety deposit requirements for maintaining the Company's status as a qualified self-insured employer for workers' compensation coverage, 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, 2003, the Company had interest-bearing debt obligations of approximately $0.5 million, which bears interest at a fixed rate. Based on the Company's overall interest exposure at September 30, 2003, 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, 2003, the Company had not entered into any interest rate instruments to reduce its exposure to interest rate risk.

BARRETT BUSINESS SERVICES, INC.

Item 4. Controls and Procedures

The Registrant carried out an evaluation, under the supervision and with the participation of the Registrant's management, including the Registrant's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Registrant's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Registrant's disclosure controls and procedures as of September 30, 2003 were effective in providing a reasonable level of assurance that information required to be disclosed by the Registrant in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no changes in the Registrant's internal control over financial reporting that occurred during the quarter ended September 30, 2003 that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

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, 2003.

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 12, 2003

/s/ Michael D. Mulholland

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

EXHIBIT INDEX

Exhibit

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William W. Sherertz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Barrett Business Services, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant is made known to us by others within the Company, particularly during the period in which this quarterly report is being prepared;

   (b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 12, 2003

/s/ William W. Sherertz

William W. Sherertz
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael D. Mulholland, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Barrett Business Services, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant is made known to us by others within the Company, particularly during the period in which this quarterly report is being prepared;

   (b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 12, 2003

/s/ Michael D. Mulholland

Michael D. Mulholland
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Barrett Business Services, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William W. Sherertz, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William W. Sherertz
- -----------------------
William W. Sherertz
Chief Executive Officer
November 12, 2003

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Barrett Business Services, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael D. Mulholland, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael D. Mulholland
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Michael D. Mulholland
Chief Financial Officer
November 12, 2003