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 June 30, 2004
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 July 30, 2004 was 5,742,037 shares.

BARRETT BUSINESS SERVICES, INC.

INDEX

Part I - Financial Information

Item 1. Financial Statements

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

<TABLE>
<CAPTION>

	June 30, 2004	December 31, 2003
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 5,374	$ 7,785
Marketable securities	4,337	--
Trade accounts receivable, net	27,952	18,481
Prepaid expenses and other	1,805	958
Deferred income taxes	3,057	2,196
Total current assets	42,525	29,420
Goodwill, net	21,738	18,749
Intangibles, net	35	13
Property and equipment, net	4,575	3,367
Restricted marketable securities and workers' compensation deposits	1,854	1,647
Deferred income taxes	833	1,041
Other assets	412	436
	$71,972	$54,673
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 348	$ 88
Income taxes payable	1,438	--
Accounts payable	470	727
Accrued payroll, payroll taxes and related benefits	21,471	13,881
Workers' compensation claims liabilities	6,185	3,886
Safety incentives liability	3,787	2,007
Other accrued liabilities	1,166	361
Total current liabilities	34,865	20,950
Long-term debt, net of current portion	1,515	400
Customer deposits	514	455
Long-term workers' compensation claims liabilities	1,020	1,031
Other long-term liabilities	--	45
Deferred gain on sale and leaseback	1,097	1,158
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value; 20,500 shares authorized, 5,738 and 5,701 shares issued and outstanding	62	62
Additional paid-in capital	3,171	2,903
Employee loan	(107)	(107)
Other comprehensive loss	(387)	--
Retained earnings	30,222	27,776
	32,961	30,634
	$71,972	$54,673

</TABLE>

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

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

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003
Revenues:		
Staffing services	$30,470	$23,046
Professional employer service fees	17,234	4,856
	47,704	27,902
Cost of revenues:		
Direct payroll costs	22,551	17,079
Payroll taxes and benefits	10,649	4,385
Workers' compensation	5,644	1,982
	38,844	23,446
Gross margin	8,860	4,456
Selling, general and administrative expenses	5,701	3,869
Depreciation and amortization	253	271
Income from operations	2,906	316
Other (expense) income:		
Interest expense	(23)	(83)
Interest income	61	15
	38	(68)
Income before provision for income taxes	2,944	248
Provision for income taxes	1,104	81
Net income	$ 1,840	$ 167
Basic earnings per share	$ .32	$ .03
Weighted average number of basic shares outstanding	5,716	5,708
Diluted earnings per share	$ .30	$ .03
Weighted average number of diluted shares outstanding	6,134	5,726

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

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

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Revenues:		
Staffing services	$ 55,524	$ 43,156
Professional employer service fees	32,790	8,143
	88,314	51,299

Cost of revenues:		
Direct payroll costs	40,871	31,877
Payroll taxes and benefits	22,180	8,190
Workers' compensation	9,680	3,407
	72,731	43,474
Gross margin	15,583	7,825
Selling, general and administrative expenses	11,233	7,465
Depreciation and amortization	495	551
Income (loss) from operations	3,855	(191)
Other (expense) income:		
Interest expense	(55)	(178)
Interest income	82	56
Other, net	32	48
	59	(74)
Income (loss) before provision for income taxes	3,914	(265)
Provision for (benefit from) income taxes	1,468	(89)
Net income (loss)	$ 2,446	$ (176)
Basic earnings (loss) per share	$ .43	$ (.03)
Weighted average number of basic shares outstanding	5,710	5,728
Diluted earnings (loss) per share	$ .40	$ (.03)
Weighted average number of diluted shares outstanding	6,138	5,728

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

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

<TABLE>
<CAPTION>

	Six Months Ended June 30,	
	2004	2003
<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	$ 2,446	$ (176)
Reconciliations of net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	495	551
Gain on sales of marketable securities	--	(48)
Gain recognized on sale and leaseback	(61)	--
Deferred income taxes	(653)	272
Changes in certain assets and liabilities:		
Income taxes receivable	--	1,923
Trade accounts receivable, net	(9,471)	(3,470)
Prepaid expenses and other	(847)	(853)
Income taxes payable	1,577	--
Accounts payable	(257)	(122)
Accrued payroll, payroll taxes and related benefits	7,590	3,332
Other accrued liabilities	805	282
Workers' compensation claims liabilities	2,288	(2,131)
Safety incentives liability	1,780	33
Customer deposits and other assets, net	83	125
Other long-term liabilities	(45)	(124)
Net cash provided by (used in) operating activities	5,730	(406)
Cash flows from investing activities:		
Cash paid for acquisition, including other direct costs	(3,044)	--

Proceeds from sale and leaseback of buildings	--	2,338
Purchase of marketable securities	(4,724)	-
Purchase of equipment, net of amounts purchased in acquisition	(1,670)	(90)
Proceeds from maturities of restricted marketable securities	1,155	3,389
Proceeds from sales of restricted marketable securities	--	2,272
Purchase of restricted marketable securities	(1,362)	(5,469)
Net cash (used in) provided by investing activities	(9,645)	2,440
Cash flows from financing activities:		
Proceeds from issuance of debt	1,475	--
Proceeds from credit-line borrowings	--	20,241
Payments on credit-line borrowings	--	(19,698)
Payments on long-term debt	(100)	(434)
Repurchase of common stock	--	(262)
Proceeds from exercise of stock options	129	-
Net cash provided by (used in) financing activities	1,504	(153)
Net (decrease) increase in cash and cash equivalents	(2,411)	1,881
Cash and cash equivalents, beginning of period	7,785	96
Cash and cash equivalents, end of period	$ 5,374	$ 1,977

</TABLE>

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

BARRETT BUSINESS SERVICES, INC.
Notes to Consolidated Financial Statements

Note 1 - Basis of Presentation of Interim Period Statements

The accompanying consolidated financial statements are unaudited and have been prepared by Barrett Business Services, Inc. ("Barrett" or 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 consolidated 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 consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 2003 Annual Report on Form 10-K at pages F1 - F26. 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.

During May 2004, the Company formed a wholly-owned subsidiary which acquired an aircraft. The subsidiary incurred debt of $1,475,000 to finance the purchase of the aircraft. The consolidated financial statements include the accounts of the subsidiary, after elimination of intercompany accounts and transactions.

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, Idaho, 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 - Significant Accounting Policies

Comprehensive Income (Loss)

Comprehensive income (loss) includes all changes in equity during a period except those that resulted from investments by or distributions to a company's stockholders. Other comprehensive income (loss) refers to revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income (loss), but excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity. Barrett's other comprehensive income (loss) is comprised of unrealized holding gains and losses on its publicly traded marketable securities, net of realized gains included in net income.

Note 3 - Acquisition

Effective January 1, 2004, the Company acquired certain assets of Skills Resource Training Center ("SRTC"), a staffing services company with nine offices in Central Washington, Eastern Oregon and Southern Idaho. The acquisition provides the Company with the opportunity to geographically expand and diversify its business, particularly in the agricultural, food packing and processing industries. The Company paid $3,000,000 in cash for the assets of SRTC and the selling shareholders' noncompete agreements and agreed to issue up to 135,731 shares of its common stock ("Earnout Shares"), with the actual number of Earnout Shares to be issued based upon the level of financial performance achieved by the SRTC offices during calendar 2004. The transaction resulted in $2,989,000 of goodwill (including $44,000 for acquisition-related costs), $40,000 of intangible assets and $15,000 of fixed assets. The Company's consolidated income statements for the three and six-month periods ended June 30, 2004 includes SRTC's results of operations since January 1, 2004.

Note 4 - 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:

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Weighted average number of basic shares outstanding	5,715,515	5,707,782	5,709,584	5,728,075
Stock option plan shares to be issued at prices ranging from $1.45 to $17.75 per share	614,407	553,439	604,396	--
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	(196,414)	(534,947)	(175,870)	--
Weighted average number of diluted shares outstanding	6,133,508	5,726,274	6,138,110	5,728,075

</TABLE>

As a result of the net loss reported for the six months ended June 30, 2003, potential common shares of 16,332 have been excluded from the calculation of diluted loss per share because their effect would be anti-dilutive.

Note 5 - Stock Incentive Plans

The Company's 2003 Stock Incentive Plan (the "2003 Plan"), which provides for stock-based awards to Company employees, non-employee directors and outside consultants or advisors, was approved by shareholders on May 14, 2003. No options have been issued to outside consultants or advisors. The number of shares of common stock reserved for issuance under the 2003 Plan is 400,000. No new grants of stock options may be made under the Company's 1993 Stock Incentive Plan (the "1993 Plan"). At June 30, 2004, there were option awards covering 386,423 shares outstanding under the 1993 Plan, which, to the extent they are terminated unexercised, will be carried over to the 2003 Plan as shares authorized to be issued under the 2003 Plan. Outstanding options under both plans 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. 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.

The following table summarizes options activity in 2004:

	Number of Options	Grant Prices
Outstanding at December 31, 2003	585,459	$ 1.45 to $17.75
Options granted	51,597	$13.23 to $13.91
Options exercised	(37,487)	$ 2.80 to $ 5.91
Options cancelled or expired	(10,750)	$ 3.02 to $13.23
Outstanding at June 30, 2004	588,819	$ 1.45 to $17.75
Exercisable at June 30, 2004	144,906	
Available for grant at June 30, 2004	218,070	

Note 6 - 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 2003 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 6 - Stock Option Compensation (Continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
(in thousands, except per share amounts)				
Net income (loss), as reported	$1,840	$ 167	$2,446	$ (176)
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	(53)	(40)	(98)	(78)
Net income (loss), pro forma	$1,787	$ 127	$2,348	$ (254)
Basic income (loss) per share, as reported	$ .32	$ .03	$ .43	$ (.03)
Basic income (loss) per share, pro forma	.31	.02	.41	(.04)
Diluted income (loss) per share, as reported	.30	.03	.40	(.03)
Diluted income (loss) per share, pro forma	.29	.02	.38	(.04)

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.

Note 7 - Subsequent Events

On August 2, 2004, subsequent to quarter end and pursuant to the approval of a majority of the Company's independent directors, the Company's President and Chief Executive Officer, William W. Sherertz, paid in full certain obligations owed to the Company by tendering to the Company for cancellation and retirement 8,095 shares of common stock valued at $16.835 per share. This transaction discharged Mr. Sherertz's obligations to the Company totaling $136,274, including an employee loan in the amount of $107,000 reflected on the Company's balance sheet at June 30, 2004.

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 Consolidated Statements of Operations for the three and six months ended June 30, 2004 and 2003.

	Percentage of Total Revenues			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues:				
Staffing services	63.9 %	82.6 %	62.9 %	84.1 %
Professional employer service fees	36.1	17.4	37.1	15.9
	100.0	100.0	100.0	100.0
Cost of revenues:				
Direct payroll costs	47.3	61.2	46.3	62.1
Payroll taxes and benefits	22.3	15.7	25.1	16.0
Workers' compensation	11.8	7.1	11.0	6.6
Total cost of revenues	81.4	84.0	82.4	84.7
Gross margin	18.6	16.0	17.6	15.3
Selling, general and administrative expenses	12.0	13.9	12.7	14.6
Depreciation and amortization	0.5	1.0	0.6	1.1
Income (loss) from operations	6.1	1.1	4.3	(0.4)
Other income (loss)	0.1	(0.2)	0.1	(0.1)
Pretax income (loss)	6.2	0.9	4.4	(0.5)
Provision for (benefit from) income taxes	2.3	0.3	1.6	(0.2)
Net income (loss)	3.9 %	0.6 %	2.8 %	(0.3)%

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.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Results of Operations (Continued)

(in thousands)	Unaudited Three Months Ended June 30, 2004	2003	Unaudited Six Months Ended June 30, 2004	2003
Revenues:				
Staffing services	$ 30,470	$23,046	$ 55,524	$43,156
Professional employer services	97,984	28,342	189,704	48,881
Total revenues	128,454	51,388	245,228	92,037
Cost of revenues:				
Direct payroll costs	102,390	40,565	195,757	72,615
Payroll taxes and benefits	10,648	4,385	22,179	8,190
Workers' compensation	6,556	1,982	11,709	3,407
Total cost of revenues	119,594	46,932	229,645	84,212
Gross margin	$ 8,860	$ 4,456	$ 15,583	$ 7,825

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

<TABLE>
<CAPTION>

Unaudited Three Months Ended June 30,

(in thousands)	Gross Revenue Reporting Method 2004	2003	Reclassification 2004	2003	Net Revenue Reporting Method 2004	2003
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues:						
Staffing services	$ 30,470	$23,046	$ --	$ --	$30,470	$23,046
Professional employer services	97,984	28,342	(80,750)	(23,486)	17,234	4,856
Total revenues	$128,454	$51,388	$(80,750)	$(23,486)	$47,704	$27,902
Cost of revenues:	$119,594	$46,932	$(80,750)	$(23,486)	$38,844	$23,446

</TABLE>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Results of Operations (Continued)

<TABLE>
<CAPTION>

Unaudited Six Months Ended June 30,

(in thousands)	Gross Revenue Reporting Method 2004	2003	Reclassification 2004	2003	Net Revenue Reporting Method 2004	2003
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues:						
Staffing services	$ 55,524	$43,156	$ --	$ --	$55,524	$43,156
Professional employer services	189,704	48,881	(156,914)	(40,738)	32,790	8,143

Total revenues	$245,228	$92,037	$(156,914)	$(40,738)	$88,314	$51,299
	========	=======	=========	========	=======	=======
Cost of revenues:	$229,645	$84,212	$(156,914)	$(40,738)	$72,731	$43,474
	========	=======	=========	========	=======	=======

</TABLE>

Three months ended June 30, 2004 and 2003

Net income for the second quarter of 2004 amounted to $1,840,000, an improvement of $1,673,000 over net income of $167,000 for the second quarter of 2003. The improvement for the second quarter of 2004 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 earnings per share for the second quarter of 2004 was $.30 compared to $.03 for the comparable 2003 period. The Company's improved operating results continue to reflect, in part, the competitive advantage of offering a broad array of human resource management services. This competitive advantage has enabled the Company to significantly increase its business opportunities in California. The Company expects this favorable trend to continue into the foreseeable future, particularly in California.

Revenues for the second quarter of 2004 totaled $47.7 million, an increase of approximately $19.8 million or 71.0% over the $27.9 million for the second quarter of 2003. The increase in revenues primarily reflects significant growth in the Company's PEO service fee revenue, combined with an increase in staffing services revenue.

PEO service fee revenue increased approximately $12.4 million or 253.1% primarily due to increased demand for the Company's broad array of competitively priced human resource management services that satisfy customers' needs. Management believes that the favorable trend in PEO revenues will continue for the foreseeable future.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Results of Operations (Continued)

Three months ended June 30, 2004 and 2003 (continued)

Staffing services revenue increased approximately $7.4 million or 32.2% primarily due to improved economic conditions for such services in the majority of areas in which the Company operates and to the Company's acquisition of SRTC effective January 1, 2004. Operations of SRTC accounted for approximately $6.0 million or 81.0% of the increase. Management expects demand for the Company's staffing services will continue to reflect overall economic conditions in its market areas.

Gross margin for the second quarter of 2004 totaled approximately $8.9 million, which represented an increase of $4.4 million or 97.8% over the second quarter of 2003, primarily due to the 71.0% increase in revenues. The gross margin percent increased from 16.0% of revenues for the second quarter of 2003 to 18.6% for the second quarter of 2004. 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, all expressed as a percent of revenues. The decline in direct payroll costs, as a percentage of revenues, from 61.2% for the second quarter of 2003 to 47.3% for the second quarter of 2004 reflects the shift in the relative 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, from 15.7% for the second quarter of 2003 to 22.3% for the second quarter of 2004, was due in part to higher statutory state unemployment tax rates in various states in which the Company operates as compared to the second quarter of 2003, as well as to the effect of significant growth in PEO services.

Workers' compensation expense for the second quarter of 2004 totaled $5.6 million, which compares to $2.0 million for the second quarter of 2003. The increase in workers' compensation expense was generally due to an increased provision for the future estimated costs of existing claims, as well as to the effect from increased business activity in California, where injury claims are more costly as compared to other states in which the Company operates.

Selling, general and administrative ("SG&A") expenses for the second quarter of 2004 amounted to approximately $5.7 million, an increase of $1.8 million or 46.2% over the second quarter of 2003. The increase over the second quarter of 2003 was primarily attributable to increases in branch management personnel and related expenses as a result of growth in the Company's PEO business and, to a lesser extent, the incremental SG&A expenses associated with the SRTC acquisition. SG&A expenses, as a percent of revenues, declined from

13.9% in the second quarter of 2003 to 12.0% in the second quarter of 2004.

Six months ended June 30, 2004 and 2003

Net income for the six months ended June 30, 2004 was $2,446,000, an improvement of $2,622,000 over a net loss of $176,000 for the first six months of 2003. The improvement for the first six months of 2004 was primarily due to increased gross margin dollars

as a result of significant growth in PEO business, partially offset by higher SG&A expenses. The diluted earnings per share for the first six months of 2004 was $.40 as compared to a diluted loss per share of $.03 for the same 2003 period. The Company's improved operating results for the first six months of 2004 over the same 2003 period reflect, in part, the same competitive advantage generated by its ability to offer a broad array of human resource management services.

Revenues for the six months ended June 30, 2004 totaled $88.3 million, an increase of approximately $37.0 million or 72.1% over the $51.3 million for the first six months of 2003. The increase in revenues primarily reflects significant growth in the Company's PEO service fee revenue, combined with an increase in staffing services revenue.

PEO service fee revenue increased approximately $24.7 million or 304.9% primarily due to increased demand for the Company's broad array of competitively priced human resource management services that satisfy customers' needs.

Staffing services revenue increased approximately $12.3 million or 28.5% primarily due to improved economic conditions for such services in the majority of areas in which the Company operates and to the Company's acquisition of SRTC effective January 1, 2004. Operations of SRTC accounted for approximately $9.0 million or 73.2% of the increase.

Gross margin for the six months ended June 30, 2004 totaled approximately $15.6 million, which represented an increase of $7.8 million or 99.1% over the similar period of 2003, primarily due to the 72.1% increase in revenues. The gross margin percent increased to 17.6% of revenues for the first six months of 2004, up from 15.3% for the similar period 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 expressed as a percent of revenues. The decline in direct payroll costs, as a percentage of revenues, from 62.1% for the first six months of 2003 to 46.3% for the first six months of 2004 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, from 16.0% for the first six months of 2003 to 25.1% for the first six months of 2004, was due in part to higher statutory state unemployment tax rates in various states in which the Company operates as compared to the first six months of 2003, as well as to the effect of significant growth in PEO services.

Workers' compensation expense for the six months ended June 30, 2004 totaled $9.7 million, which compares to $3.4 million for the first six months of 2003. The increase in workers' compensation expense was generally due to an increased provision for the future estimated costs of existing claims and to the effect from increased business activity in California, which has higher claim costs as compared to other states in which the Company operates.

SG&A expenses for the six months ended June 30, 2004 amounted to approximately $11.2 million, an increase of $3.8 million or 50.5% over the first six months of 2003. The increase over the first six months of 2003 was primarily attributable to increases in branch management personnel and related expenses as a result of growth in the Company's PEO business and, to a lesser extent, the incremental SG&A expenses associated with the SRTC acquisition. SG&A expenses, as a percent of net revenues, declined from 14.6% in the first six months of 2003 to 12.7% in the first six months of 2004.

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, demand and competition for the Company's services and the effect of acquisitions. 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 in the agriculture, food processing 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 and the estimated future costs of such claims. Adverse loss development of prior period claims during a subsequent quarter may also contribute to the volatility in the Company's estimated workers' compensation expense.

Liquidity and Capital Resources

The Company's cash position of $5,374,000 at June 30, 2004, decreased by $2,411,000 from December 31, 2003, which compares to an increase of $1,881,000 for the comparable period in 2003. The decrease in cash at June 30, 2004, as compared to December 31, 2003, was primarily due to excess cash used to purchase marketable securities of $4,724,000 for investment purposes, cash used for the acquisition of SRTC of $3,044,000, and an increase in trade accounts receivable, offset in part by increases in accrued payroll, payroll taxes and related benefits and increases in workers' compensation claim liabilities and safety incentives liabilities.

Liquidity and Capital Resources (Continued)

Net cash provided by operating activities for the six months ended June 30, 2004 amounted to $5,730,000, as compared to net cash used in operating activities of $406,000 for the comparable 2003 period. For the six months ended June 30, 2004, cash flow was provided by net income of $2,446,000, together with increases in accrued payroll and related benefits of $7,590,000 and increases in workers' compensation claims liabilities and safety incentives liabilities totaling $4,078,000, offset in part by an increase of $9,471,000 in trade accounts receivable.

Net cash used in investing activities totaled $9,645,000 for the six months ended June 30, 2004, compared to net cash provided by investing activities of $2,440,000 for the similar 2003 period. For the 2004 period, the principal uses of cash for investing activities were purchases of marketable securities for investment purposes of $4,724,000, the acquisition of SRTC and related costs totaling $3,044,000, purchases of equipment of $1,670,00 and $1,362,000 of net purchases of restricted marketable securities, offset in part by net proceeds totaling $1,155,000 from maturities of restricted marketable securities. The transactions related to restricted marketable securities were scheduled maturities and the related replacement of such securities held for workers' compensation surety deposit purposes. The Company presently has no material long-term capital commitments.

Net cash provided by financing activities for the six-month period ended June 30, 2004, was $1,504,000, compared to net cash used in financing activities of $153,000 for the similar 2003 period. For the 2004 period, the principal source of cash for financing activities was $1,475,000 of debt incurred in connection with the Company's purchase of an aircraft for use in management's frequent travel to California to oversee its growth in business.

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. As disclosed in Note 3 to the consolidated financial statements included in this report, the Company acquired certain assets of Skills Resource Training Center ("SRTC"), a staffing services company headquartered in Central Washington, effective January 1, 2004. As consideration for the acquisition, the Company paid $3,000,000 in cash and agreed to issue up to 135,731 shares of its common stock, with the actual number of shares to be issued based upon the level of financial performance achieved by the SRTC offices during calendar year 2004.

The Company entered into a new Credit Agreement (the "New Credit Agreement") with its principal bank effective March 31, 2004. The New Credit Agreement provides for a revolving credit facility of up to $6.0 million, which includes a subfeature under the line of credit for standby letters of credit for not more than $4.0 million. The interest rate on advances, if any, will be, at the Company's discretion, either (i) equal to the prime rate or (ii) LIBOR plus 1.50%. The New Credit Agreement expires July 1, 2005.

Liquidity and Capital Resources (Continued)

The revolving credit facility is collateralized by the Company's assets, including, without limitation, its accounts receivable, equipment, intellectual property and bank deposits, and may be prepaid at any time without penalty. Pursuant to the New Credit Agreement, the Company is required to maintain compliance with the following financial covenants: (1) a Current Ratio not less than 1.10 to 1.0 with "Current Ratio" defined as total current assets divided by total current liabilities; (2) Tangible Net Worth not less than $8 million, determined at each fiscal quarter end, with "Tangible Net Worth" defined as the aggregate of total stockholders' equity plus subordinated debt less any intangible assets; (3) Total Liabilities divided by Tangible Net Worth not greater than 5.00 to 1.0, determined at each fiscal quarter end, with "Total Liabilities" defined as the aggregate of current liabilities and non-current liabilities, less subordinated debt and the deferred gain on the Company's sale and leaseback transaction, and with "Tangible Net Worth" as defined above; and (4) net income after taxes not less than $1.00 on an annual basis, determined as of each fiscal year end, and pre-tax profit not less than $1.00 on a quarterly basis, determined as of each fiscal quarter end. The Company was in compliance with all covenants at June 30, 2004.

Management expects that current liquid assets, the funds anticipated to be generated from operations, and credit available under the New Credit 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.

Stock Repurchase Program

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 has approved seven increases in the total number of shares or dollars authorized to be repurchased under the program. As of August 12, 2004, the repurchase program had remaining authorized availability of $443,800 for the repurchase of additional shares. The Company made no share repurchases during the first six months of 2004. Since the inception of the repurchase program through August 12, 2004, the Company has repurchased 2,053,555 shares for an aggregate price of $9,187,200 and an average price of $4.47 per share. Management anticipates that the capital necessary to continue this program will be provided by existing cash balances, cash generated from operations 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

Forward-Looking Information (Continued)

services on gross margin, market conditions for workers' compensation coverage in California, 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 new customers and clients into the Company's operations, economic trends in the Company's service areas, material deviations from expected future workers' compensation claims experience, the effect of changes in the workers' compensation regulatory environment in one or more of the Company's primary markets, the availability of excess workers' compensation insurance on acceptable terms and conditions, 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 June 30, 2004, the Company had interest-bearing debt obligations of approximately $1.9 million, of which approximately $1.5 million bears interest at a variable rate and approximately $0.4 million at a fixed rate of interest. The variable rate debt is comprised of a $1.475 million note payable with a 10-year term, which bears interest at the three-month LIBOR rate plus 240 basis points. Based on the Company's overall interest exposure at June 30, 2004, a 100 basis point increase 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 June 30, 2004, the Company had not entered into any interest rate instruments to reduce its exposure to interest rate risk.

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

Item 4. Controls and Procedures (Continued)

the Registrant's disclosure controls and procedures as of June 30, 2004 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 June 30, 2004 that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Part II - Other Information

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its 2004 annual meeting of stockholders on May 12, 2004. The following directors were elected at the annual meeting:

	For	Withheld	Exception

Fores J. Beaudry	5,526,380	18,100	
Thomas J. Carley	5,526,380	18,100	
James B. Hicks, Ph.D.	5,526,380	18,100	
Anthony Meeker	5,526,380	18,100	
Nancy B. Sherertz	5,405,595	138,885	
William W. Sherertz	5,510,580	33,900	

Item 6. Exhibits and Reports on Form 8-K

(a) The exhibits filed with this Report 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 June 30, 2004.

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: August 12, 2004

/s/ Michael D. Mulholland

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

EXHIBIT INDEX

Exhibit

31.1 Certification of the Chief Executive Officer under Rule 13a-14(a).

31.2 Certification of the Chief Financial Officer under Rule 13a-14(a).

32 Certification pursuant to 18 U.S.C. Section 1350.

Certification of the Chief Executive Officer under Rule 13a-14(a)

EXHIBIT 31.1

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 consolidated 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, including its consolidated subsidiaries, is made known to us by others within those entities, 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: August 12, 2004

/s/ William W. Sherertz

William W. Sherertz
Chief Executive Officer

Certification of the Chief Financial Officer under Rule 13a-14(a)

EXHIBIT 31.2

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 consolidated 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, including its consolidated subsidiaries, is made known to us by others within those entities, 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: August 12, 2004

/s/ Michael D. Mulholland

Michael D. Mulholland
Chief Financial Officer

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Barrett Business Services, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. ss. 1350, 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	/s/ Michael D. Mulholland
William W. Sherertz	Michael D. Mulholland
Chief Executive Officer	Chief Financial Officer
August 12, 2004	August 12, 2004