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 March 31, 2005
Commission File No. 0-21886

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

Maryland (State or other jurisdiction of incorporation or organization)	52-0812977 (IRS Employer Identification No.)
4724 SW Macadam Avenue Portland, Oregon (Address of principal executive offices)	97239 (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 April 29, 2005 was 5,810,254 shares.

BARRETT BUSINESS SERVICES, INC.

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Part I - Financial Information

Item 1. Financial Statements

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

<TABLE>
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	March 31, 2005	December 31, 2004
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$20,667	$12,153
Marketable securities	4,584	4,630
Trade accounts receivable, net	31,264	23,840
Prepaid expenses and other	3,249	1,364
Deferred income taxes	4,910	4,100
Workers' compensation receivables for insured claims	213	213
Total current assets	64,887	46,300
Goodwill, net	22,516	22,516
Intangibles, net	20	25
Property and equipment, net	4,221	4,301
Restricted marketable securities and workers' compensation deposits	1,734	1,702
Deferred income taxes	459	582
Other assets	395	401
Workers' compensation receivables for insured claims	4,090	4,158
	$98,322	$79,985
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 348	$ 348
Income taxes payable	213	--
Accounts payable	774	994
Accrued payroll, payroll taxes and related benefits	31,246	17,427
Workers' compensation claims liabilities	5,530	4,946
Workers' compensation claims liabilities for insured claims	213	213
Safety incentives liability	5,618	4,807
Other accrued liabilities	2,013	414
Total current liabilities	45,955	29,149
Long-term debt, net of current portion	1,204	1,441
Customer deposits	635	608
Long-term workers' compensation claims liabilities	4,956	4,840
Long-term workers' compensation claims liabilities for insured claims	4,090	4,158
Deferred gain on sale and leaseback	1,006	1,036
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value; 20,500 shares authorized, 5,810 and 5,741 shares issued and outstanding	64	63
Additional paid-in capital	4,662	3,897
Other comprehensive loss	(328)	(354)
Retained earnings	36,078	35,147
	40,476	38,753
	$98,322	$79,985

</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 March 31, 2005	Three Months Ended March 31, 2004
Revenues:		
Staffing services	$28,542	$25,054
Professional employer service fees	20,702	15,556
	49,244	40,610
Cost of revenues:		
Direct payroll costs	21,017	18,320
Payroll taxes and benefits	15,697	11,531
Workers' compensation	4,930	4,036
	41,644	33,887
Gross margin	7,600	6,723
Selling, general and administrative expenses	5,946	5,532
Depreciation and amortization	236	242
Income from operations	1,418	949
Other income (expense):		
Interest expense	(27)	(32)
Interest income	147	21
Other, net	(12)	32
	108	21
Income before provision for income taxes	1,526	970
Provision for income taxes	595	364
Net income	$ 931	$ 606
Basic earnings per share	$ .16	$ .11
Weighted average number of basic shares outstanding	5,764	5,704
Diluted earnings per share	$ .15	$ .10
Weighted average number of diluted shares outstanding	6,234	6,196

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>
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	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Cash flows from operating activities:		
Net income	$ 931	$ 606
Reconciliations of net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	236	242
Losses recognized on marketable securities	72	--
Gain recognized on sale and leaseback	(30)	(30)
Deferred income taxes	(687)	132
Changes in certain assets and liabilities, net of amounts purchased in acquisitions:		
Trade accounts receivable, net	(7,424)	(6,335)
Prepaid expenses and other	(1,885)	(1,618)
Income taxes payable	213	227
Accounts payable	(220)	(88)
Accrued payroll, payroll taxes and related benefits	13,819	8,853
Other accrued liabilities	1,599	1,361
Workers' compensation claims liabilities	700	1,224
Safety incentives liability	811	954
Customer deposits and other assets, net	33	(12)
Other long-term liabilities	--	(45)
Net cash provided by operating activities	8,168	5,471
Cash flows from investing activities:		
Cash paid for acquisition, including other direct costs	--	(3,044)
Purchase of marketable securities	--	(3,907)
Purchase of equipment, net of amounts purchased in acquisition	(151)	(98)
Proceeds from maturities of restricted marketable securities	455	338
Purchase of restricted marketable securities	(487)	(417)
Net cash used in investing activities	(183)	(7,128)
Cash flows from financing activities:		
Proceeds from credit-line borrowings	700	--
Payments on credit-line borrowings	(700)	--
Payments on long-term debt	(237)	(88)
Proceeds from the exercise of stock options	325	22
Tax benefit of stock option exercises	441	--
Net cash provided by (used in) financing activities	529	(66)
Net increase (decrease) in cash and cash equivalents	8,514	(1,723)
Cash and cash equivalents, beginning of period	12,153	7,785
Cash and cash equivalents, end of period	$20,667	$ 6,062
Supplemental schedule of noncash investing activities:		
Acquisition of other businesses:		
Cost of acquisition in excess of fair market value of net assets acquired	--	$ 3,807
Tangible assets acquired	--	15
Less stock issued in connection with acquisition	--	(778)
Net cash paid for acquisition	$ --	$ 3,044

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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 2004 Annual Report on Form 10-K at pages F1 - F25. 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 California, Oregon, Washington, Idaho, 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.

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 2 - Recent Accounting Pronouncements

On December 16, 2004, the FASB issued SFAS 123(R), "Share-Based Payment," which is a revision of SFAS 123, "Accounting for Stock-Based Compensation." SFAS 123(R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and amends SFAS No. 95, "Statement of Cash Flows." Generally, the approach in SFAS 123(R) is similar to the approach described in SFAS 123, however, SFAS 123(R) requires all share-based

Note 2 - Recent Accounting Pronouncements (Continued)

payments to employees, including grants of employee stock options, to be expensed in the income statement over the requisite service period based on their grant-date fair values. Pro forma disclosure is no longer an alternative. SFAS 123(R) allows for either prospective or retrospective adoption and requires that the unvested portion of all outstanding awards upon adoption be recognized using the same fair value and attribution methodologies previously determined under SFAS 123. The Company is currently evaluating transition alternatives and valuation methodologies for future grants. As a result, proforma compensation expense, as described in Note 6, may not be indicative of future expense to be recognized under SFAS 123(R). SFAS 123(R) must be adopted no later than January 1, 2006 and the Company expects to adopt SFAS 123(R) by such date. The effect of adoption of SFAS 123(R) on the Company's financial position or results of operations has not yet been determined.

Note 3 - Acquisition

Effective January 1, 2004, the Company acquired certain assets of Skills Resource Training Center ("SRTC"), a staffing services company with offices in

Central Washington, Eastern Oregon and Southern Idaho. The acquisition provided 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. Certain contingencies remain unresolved, precluding a final calculation of the Earnout Shares. The Company has, however, recorded estimated total Earnout Shares of 52,800 with a value of $778,000 on its consolidated balance sheet as of December 31, 2004. The transaction resulted in $3,767,000 of goodwill, $40,000 of intangible assets and $15,000 of fixed assets. The Company's consolidated income statements 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:

Note 4 - Basic and Diluted Earnings Per Share (Continued)

<TABLE>
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	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
<S>	<C>	<C>
Weighted average number of basic shares outstanding	5,763,580	5,703,654
Acquisition earnout shares	52,800	52,800
Stock option plan shares to be issued at prices ranging from $1.45 to $17.75 per share	553,779	594,385
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	(135,782)	(155,328)
Weighted average number of diluted shares outstanding	6,234,377	6,195,511

</TABLE>

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 March 31, 2005, there were option awards covering 313,386 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 2005:

	Number of Options	Grant Prices
Outstanding at December 31, 2004	578,069	$1.45 to $ 17.75
Options granted	--	
Options exercised	(69,562)	$2.10 to $ 14.74

Options cancelled or expired	--	
Outstanding at March 31, 2005	508,507	$1.45 to $ 17.75
Exercisable at March 31, 2005	171,933	
Available for grant at March 31, 2005	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:

	Three Months Ended March 31,	
(in thousands, except per share amounts)	2005	2004
Net income, as reported	$ 931	$ 606
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	(50)	(45)
Net income, pro forma	$ 881	$ 561
Basic income per share, as reported	$ .16	$ .11
Basic income per share, pro forma	.15	.10
Diluted income per share, as reported	.15	.10
Diluted income per share, pro forma	.14	.09

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 Event - Stock Split

On April 15, 2005, the board of directors of the Company approved a 3-for-2 stock split, which will be effected by a stock dividend. The additional shares to be issued will be distributed on May 19, 2005 to stockholders of record at the close of business on April 29, 2005. On a split adjusted basis, diluted earnings per share for the 2005 first quarter would have been $.10, as compared to $.07 for the 2004 first quarter.

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 months ended March 31, 2005 and 2004.

	Percentage of Total Revenues	
	Three Months Ended March 31,	
	2005	2004
Revenues:		
Staffing services	58.0 %	61.7 %
Professional employer service fees	42.0	38.3
	100.0	100.0
Cost of revenues:		
Direct payroll costs	42.7	45.1
Payroll taxes and benefits	31.9	28.4
Workers' compensation	10.0	9.9
Total cost of revenues	84.6	83.4
Gross margin	15.4	16.6
Selling, general and administrative expenses	12.0	13.6
Depreciation and amortization	0.5	0.6
Income from operations	2.9	2.4
Other income (expense)	0.2	-
Pretax income	3.1	2.4
Provision for income taxes	1.2	0.9
Net income	1.9 %	1.5 %

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 March 31,	
	2005	2004
Revenues:		
Staffing services	$ 28,542	$ 25,054
Professional employer services	128,551	91,720
Total revenues	157,093	116,774
Cost of revenues:		
Direct payroll costs	127,397	93,367
Payroll taxes and benefits	15,697	11,531
Workers' compensation	6,399	5,153

Total cost of revenues	149,493	110,051
Gross margin	$ 7,600	$ 6,723

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

<TABLE>
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(in thousands)	Unaudited Three Months Ended March 31, Gross Revenue Reporting Method 2005	2004	Reclassification 2005	2004	Net Revenue Reporting Method 2005	2004
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues:						
Staffing services	$ 28,542	$ 25,054	$ --	$ --	$28,542	$25,054
Professional employer services	128,551	91,720	(107,849)	(76,164)	20,702	15,556
Total revenues	$157,093	$116,774	$(107,849)	$(76,164)	$49,244	$40,610
Cost of revenues:	$149,493	$110,051	$(107,849)	$(76,164)	$41,644	$33,887

</TABLE>

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

Results of Operations (Continued)

Three months ended March 31, 2005 and 2004

Net income for the first quarter of 2005 amounted to $931,000, an improvement of 53.6% or $325,000 over net income of $606,000 for the first quarter of 2004. The improvement for the first quarter of 2005 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. Diluted earnings per share for the first quarter of 2005 was $.15 compared to $.10 for the comparable 2004 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 through its PEO arrangements. 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 first quarter of 2005 totaled $49.2 million, an increase of approximately $8.6 million or 21.2%, which 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 $5.1 million or 32.7% 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.

Staffing services revenue increased approximately $3.5 million or 13.9% over the comparable 2004 quarter primarily due to improved economic conditions for such services in the majority of areas in which the Company operates. Management expects demand for the Company's staffing services will continue to reflect overall economic conditions in its market areas.

Gross margin for the first quarter of 2005 totaled approximately $7.6 million, which represented an increase of $0.9 million or 13.4% over the first quarter of 2004, primarily due to the 21.2% increase in revenues. The gross margin percent decreased from 16.6% of revenues for the first quarter of 2004 to 15.4% for the first quarter of 2005. The decrease in the gross margin percentage was due to higher payroll taxes and benefits and slightly higher workers' compensation expense, offset in part by lower direct payroll costs, all expressed as a percent of revenues. The increase in payroll taxes and benefits, as a percentage of revenues, from 28.4% for the first quarter of 2004 to 31.9% for the first quarter of 2005, was due to the effect of significant growth in PEO services and to slightly higher statutory state unemployment tax rates in various states in which the Company operates as compared to the first quarter of 2004. Workers' compensation expense for the first quarter of 2005 totaled $4.9 million, which compares to $4.0 million for the first quarter of 2004. 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. The decline in direct payroll costs, as a percentage of revenues, from 45.1% for the first quarter of 2004 to 42.7% for the first quarter of 2005 reflects the shift in the relative mix of services to the Company's customer base and the effect of each customer's unique mark-up percent.

Selling, general and administrative ("SG&A") expenses for the first quarter of 2005 amounted to approximately $5.9 million, an increase of $0.4 million or 7.3% over the first quarter of 2004. The increase over the first quarter of 2004 was primarily attributable to increases in branch management personnel and related expenses as a result of growth in the Company's PEO business. SG&A expenses, as a percent of revenues, declined from 13.6% in the first quarter of 2004 to 12.0% in the first quarter of 2005.

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 $20,667,000 at March 31, 2005, increased by $8,514,000 over December 31, 2004, which compares to a decrease of $1,723,000 for the comparable period in 2004. The increase in cash at March 31, 2005, as compared to December 31, 2004, was primarily due to net cash provided by operating activities.

Net cash provided by operating activities for the three months ended March 31, 2005 amounted to $8,168,000, as compared to net cash provided by operating activities of $5,471,000 for the comparable 2004 period. For the three months ended March 31, 2005, cash flow was provided by net income of $931,000, together with increases in accrued payroll and related benefits of $13,819,000 and other accrued liabilities of $1,599,000 and increases in

Liquidity and Capital Resources (Continued)

workers' compensation claims liabilities and safety incentives liabilities totaling 1,511,000, offset in part by increases of $7,424,000 in trade accounts receivable and $1,885,000 in prepaid expenses and other.

Net cash used in investing activities totaled $183,000 for the three months ended March 31, 2005, compared to net cash used in investing activities of $7,128,000 for the similar 2004 period. For the 2005 period, the principal uses of cash for investing activities were net purchases of restricted marketable securities of $455,000, purchases of equipment of $151,000, offset in part by net proceeds totaling $487,000 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 three-month period ended March 31, 2005 was $529,000 compared to net cash used in financing activities of $66,000 for the similar 2004 period. For the 2005 period, the principal source of cash from financing activities was $766,000 in proceeds from exercise of stock options and the related tax benefit of stock option exercises, partially offset by payments on long-term debt of $237,000.

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 4 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 state, 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. Certain contingencies remain unresolved, precluding a final calculation of shares to be issued. The Company has, however, recorded estimated total Earnout Shares of 52,800 with a value of $778,000 on its consolidated balance sheet as of December 31, 2004.

The Company entered into a new Credit Agreement (the "Credit Agreement") with its principal bank effective March 31, 2004. The 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 Credit Agreement expires July 1, 2005.

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 Credit Agreement, the Company is required to maintain compliance with the following financial covenants: (1) a Current Ratio not

Liquidity and Capital Resources (Continued)

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 March 31, 2005.

Management expects that current liquid assets, the funds anticipated to be generated from operations, and credit available under the 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. Management anticipates that the Company will renew its credit arrange-ments with its principal Bank on or before July 1, 2005 on terms and conditions which will be not less favorable than those of the current Credit Agreement.

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. From time to time, since inception, the board of directors has approved increases in the total number of shares or dollars authorized to be repurchased under the program. As of May 11, 2005, 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 three months of 2005. Since the inception of the repurchase program through May 11, 2005, 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 services on gross margin, the adequacy of the Company's workers' compensation reserves and

Forward-Looking Information (Continued)

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, economic trends in the Company's service areas, material deviations from expected future workers' compensation claims experience, collectibility of accounts receivable, 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 March 31, 2005, the Company had interest-bearing debt obligations of approximately $1.6 million, of which approximately $1.4 million bears interest at a variable rate and approximately $0.2 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 March 31, 2005, 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 March 31, 2005, the Company had not entered into any interest rate instruments to reduce its exposure to interest rate risk.

Item 4. Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company'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 Company's disclosure controls and procedures as of March 31, 2005 were effective in providing a reasonable level of assurance that information required to be disclosed by the Company 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.

Item 4. Controls and Procedures (Continued)

There were no changes in the Registrant's internal control over financial reporting that occurred during the quarter ended March 31, 2005 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

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

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: May 13, 2005

/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: May 13, 2005

/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: May 13, 2005

/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 March 31, 2005, 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
May 13, 2005	May 13, 2005