

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

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FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

April 26, 2006

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

Maryland  
(State or other jurisdiction of incorporation)

0-21886  
(SEC File Number)

52-0812977  
(IRS Employer Identification No.)

8100 N.E. Parkway Drive, Suite 200  
Vancouver, Washington  
(Address of principal executive offices)

98662  
(Zip Code)

Registrant's telephone number, including area code:

(360) 828-0700

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On April 26, 2006, Barrett Business Services, Inc. (the "Company"), issued a press release announcing its financial results for the first quarter ended March 31, 2006, and limited financial guidance for the second quarter of 2006. A copy of the press release is furnished as Exhibit 99.1 to this report and incorporated by reference.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits: The following exhibit is furnished with this Form 8-K:

99.1 Press Release dated April 26, 2006.

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.**

Dated: April 26, 2006

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

**NEWS RELEASE**

For Immediate Release

Contact: William W. Sherertz  
President and  
Chief Executive Officer

Telephone: (360) 828-0700

BBSI  
ANNOUNCES FIRST QUARTER 2006 OPERATING RESULTS AND  
FINANCIAL GUIDANCE FOR 2Q06

VANCOUVER, WASHINGTON, April 26, 2006 — Barrett Business Services, Inc. (Nasdaq: BBSI) reported today net income of \$1,357,000 for the first quarter ended March 31, 2006, an improvement of \$426,000 or 45.8% over net income of \$931,000 for the first quarter of 2005. Diluted earnings per share for the 2006 first quarter were \$.12, as compared to diluted earnings per share of \$.10 for the same quarter a year ago.

Net revenues for the first quarter ended March 31, 2006 totaled \$58.3 million, an increase of approximately \$9.1 million or 18.5% over the \$49.2 million for the same quarter in 2005.

| (\$ in thousands, except per share amounts)  | (Unaudited)<br>First Quarter Ended<br>March 31, |           |
|--|---|-----------|
|  | 2006  | 2005      |
| <b>Results of Operations</b>                 |   |           |
| Revenues:                                    |   |           |
| Staffing services                            | \$ 26,661                                       | \$ 28,542 |
| Professional employer service fees           | 31,624  | 20,702    |
| Total revenues                               | 58,285  | 49,244    |
| Cost of revenues:                            |   |           |
| Direct payroll costs                         | 19,851  | 21,017    |
| Payroll taxes and benefits                   | 22,837  | 15,697    |
| Workers' compensation                        | 6,554   | 5,406     |
| Total cost of revenues                       | 49,242  | 42,120    |
| Gross margin                                 | 9,043   | 7,124     |
| Selling, general and administrative expenses | 7,220   | 5,470     |
| Depreciation and amortization                | 301   | 236       |
| Income from operations                       | 1,522   | 1,418     |
| Other income, net                            | 632   | 108       |
| Income before taxes                          | 2,154   | 1,526     |
| Provision for income taxes                   | 797   | 595       |
| Net income                                   | \$ 1,357  | \$ 931    |
| Basic earnings per share                     | \$ .12  | \$ .11    |
| Weighted average basic shares outstanding    | 11,076  | 8,645     |
| Diluted earnings per share                   | \$ .12  | \$ .10    |
| Weighted average diluted shares outstanding  | 11,661  | 9,352     |

We report our PEO revenues on a net basis because we are not the primary obligor for the services provided by our PEO clients to their customers. The gross revenues and cost of revenues information below, although not in accordance with generally accepted accounting principles (“GAAP”), is presented for comparison purposes and 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.

| (in thousands)                 | (Unaudited)<br>First Quarter<br>March 31, |           |
|--------------------------------|---|-----------|
|                                | 2006                                      | 2005      |
| Revenues:                      |   |           |
| Staffing services              | \$ 26,661                                 | \$ 28,542 |
| Professional employer services | 208,674                                   | 128,551   |
| Total revenues                 | 235,335                                   | 157,093   |
| Cost of revenues:              |   |           |
| Direct payroll costs           | 195,965                                   | 127,397   |
| Payroll taxes and benefits     | 22,837                                    | 15,697    |
| Workers' compensation          | 7,490                                     | 6,875     |
| Total cost of revenues         | 226,292                                   | 149,969   |
| Gross margin                   | \$ 9,043                                  | \$ 7,124  |

Gross revenues of \$235.3 million for the 2006 first quarter rose 49.8% over the comparable 2005 period.

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

For the first quarters ended March 31, 2006 and 2005 (in thousands):

| (in thousands)                 | (Unaudited)<br>Three Months Ended March 31, |            |                  |              |                                 |           |
|--------------------------------|---|------------|------------------|--------------|---------------------------------|-----------|
|                                | Gross Revenue<br>Reporting Method           |            | Reclassification |              | Net Revenue<br>Reporting Method |           |
|                                | 2006  | 2005       | 2006             | 2005         | 2006                            | 2005      |
| Revenues:                      |   |            |                  |              |                                 |           |
| Staffing services              | \$ 26,661                                   | \$ 28,542  | \$ —             | \$ —         | \$ 26,661                       | \$ 28,542 |
| Professional employer services | 208,674                                     | 128,551    | (177,050)        | (107,849)    | 31,624                          | 20,702    |
| Total revenues                 | \$ 235,335                                  | \$ 157,093 | \$ (177,050)     | \$ (107,849) | \$ 58,285                       | \$ 49,244 |
| Cost of revenues:              | \$ 226,292                                  | \$ 149,969 | \$ (177,050)     | \$ (107,849) | \$ 49,242                       | \$ 42,120 |

The following summarizes the unaudited consolidated balance sheets at March 31, 2006 and December 31, 2005.

|   |   | (Unaudited)       |                      |
|---|---|-------------------|----------------------|
|   |   | March 31,<br>2006 | December 31,<br>2005 |
| (in thousands)  |   |                   |                      |
|   | <u>Assets</u>                               |                   |                      |
| Current assets:   |   |                   |                      |
| Cash and cash equivalents   |   | \$ 59,357         | \$ 61,361            |
| Marketable securities   |   | 3,664             | 3,548                |
| Trade accounts receivable, net                                      |   | 29,353            | 26,328               |
| Prepaid expenses and other  |   | 4,755             | 2,514                |
| Deferred income taxes   |   | 6,175             | 5,864                |
| Workers' compensation receivables for insured claims                |   | 242               | 242                  |
| Total current assets  |   | 103,546           | 99,857               |
| Marketable securities   |   | 399               | 396                  |
| Goodwill, net   |   | 26,536            | 22,516               |
| Intangibles, net  |   | 96                | 5                    |
| Property, equipment and software, net                               |   | 13,538            | 13,071               |
| Restricted marketable securities and workers' compensation deposits |   | 2,133             | 2,041                |
| Deferred income taxes   |   | 141               | 341                  |
| Other assets  |   | 3,034             | 1,528                |
| Workers' compensation receivables for insured claims                |   | 4,496             | 4,546                |
|   |   | <u>\$ 153,919</u> | <u>\$ 144,301</u>    |
|   | <u>Liabilities and Stockholders' Equity</u> |                   |                      |
| Current liabilities:  |   |                   |                      |
| Accounts payable  |   | \$ 1,809          | \$ 1,366             |
| Accrued payroll, payroll taxes and related benefits                 |   | 33,733            | 28,650               |
| Other accrued liabilities   |   | 3,559             | 360                  |
| Workers' compensation claims liabilities                            |   | 5,399             | 5,729                |
| Workers' compensation claims liabilities for insured claims         |   | 242               | 242                  |
| Safety incentives liability   |   | 7,516             | 7,687                |
| Current portion of long-term debt                                   |   | 148               | 348                  |
| Total current liabilities   |   | 52,406            | 44,382               |
| Long-term debt, net of current portion                              |   | 1,057             | 1,094                |
| Customer deposits   |   | 782               | 663                  |
| Long-term workers' compensation claims liabilities                  |   | 8,114             | 8,532                |
| Long-term workers' compensation liabilities for insured claims      |   | 2,816             | 2,866                |
| Deferred gain on sale and leaseback                                 |   | 884               | 914                  |
| Stockholders' equity  |   | 87,860            | 85,850               |
|   |   | <u>\$ 153,919</u> | <u>\$ 144,301</u>    |

#### Outlook for Second Quarter 2006

The Company also disclosed today limited financial guidance with respect to its operating results for the second quarter ending June 30, 2006. The Company expects gross revenues for the second quarter of 2006 to range from \$250 million to \$255 million, an increase of approximately 37.5% over the second quarter of 2005, and anticipates diluted earnings per share for the second quarter of 2006 to range from \$.33 to \$.35 per share. Management expectations for diluted earnings per share for the second quarter of 2006 equate to increases over the second quarter of 2005 of approximately 36.9% in net income and approximately 9.7% in diluted earnings per share. The percentage increase in expected net income for the 2006 second quarter exceeds the percentage increase in expected diluted earnings per share due to the dilutive effect of the July 2005 follow-on equity offering. A reconciliation of estimated gross revenues to estimated GAAP net revenues for the second quarter of 2006 is not included because PEO revenues and cost of PEO revenues for the period are not reasonably estimable.

On April 27, 2006 at 9:00 a.m. Pacific Time, William W. Sherertz and Michael D. Mulholland will host an investor telephone conference call to discuss first quarter 2006 operating results. To participate in the call, dial (877) 356-3717. The call identification number is 8171396. The conference call will also be webcast live at [www.barrettbusiness.com](http://www.barrettbusiness.com). To access the webcast, click on the Investor Relations section of the Web site and select Webcast. A replay of the call will be available beginning April 27, 2006 at 12:00 p.m. and ending May 3, 2006. To listen to the recording, dial (800) 642-1687 and enter conference identification code 8171396.

BBSI provides human resource management solutions to large and small companies throughout many regions of the United States.

Statements in this release about future events or performance, including earnings expectations for the second quarter of 2006, are forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements. Factors that could affect future results include economic conditions in the Company's service areas, the effect of changes in the Company's mix of services on gross margin, the Company's ability to successfully integrate acquired businesses with its existing operations, future workers' compensation claims experience, the effect of changes in the workers' compensation regulatory environment in one or more of our primary markets, collectibility of accounts receivable, and the use of net proceeds of approximately \$33 million and other effects of the Company's recent follow-on equity offering, among others. Other important factors that may affect the Company's future prospects are described in the Company's 2005 Annual Report on Form 10-K. Although forward-looking statements help to provide complete information about the Company, readers should keep in mind that forward-looking statements may be less reliable than historical information. The Company undertakes no obligation to update or revise forward-looking statements in this release to reflect events or changes in circumstances that occur after the date of this release.

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