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, 1998

Commission File No. 0-21886

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

Maryland	52-0812977
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
4724 SW Macadam Avenue Portland, Oregon	97201
(Address of principal executive offices)	(Zip Code)

(503) 220-0988

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X]   No [   ]

Number of shares of Common Stock, $.01 par value outstanding at July 31, 1998 was 7,675,456 shares.

BARRETT BUSINESS SERVICES, INC.

INDEX

<TABLE>

</TABLE>

PART I - Financial Information

Item 1. Financial Statements

BARRETT BUSINESS SERVICES, INC.
Balance Sheets
(Unaudited)
(In thousands)

<TABLE>

	June 30, 1998	December 31, 1997
Assets		
Current assets:		
Cash and cash equivalents	$ 1,076	$ 3,439
Trade accounts receivable, net	23,946	21,051
Prepaid expenses and other	1,808	1,231
Deferred tax assets (Note 4)	2,281	2,086
Total current assets	29,111	27,807
Intangibles, net	12,130	12,133
Property and equipment, net	4,968	4,574
Restricted marketable securities and workers' compensation deposits	5,857	6,095
Other assets	386	206
	$52,452	$50,815
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 488	$ 731
Line of credit payable	252	887
Income taxes payable (Note 4)	48	-
Accounts payable	688	1,136
Accrued payroll, payroll taxes and related benefits	11,613	10,034
Accrued workers' compensation claims liabilities	3,260	3,140
Customer safety incentives payable	1,125	1,073
Other accrued liabilities	821	414
Total current liabilities	18,295	17,415
Long-term debt, net of current portion	550	573
Customer deposits	898	934
Long-term workers' compensation liabilities	722	632
Other long-term liabilities	1,120	1,030
	21,585	20,584
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value; 20,500 shares authorized, 7,676 and 7,638 shares issued and outstanding, respectively	77	76
Additional paid-in capital	11,408	11,760
Retained earnings	19,382	18,395
	30,867	30,231
	$52,452	$50,815

</TABLE>

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

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

<TABLE>

	Three Months Ended June 30, 1998	Three Months Ended June 30, 1997
Revenues:		
Staffing services	$42,786	$43,387
Professional employer services	33,865	32,273
	76,651	75,660
Cost of revenues:		
Direct payroll costs	59,348	58,349
Payroll taxes and benefits	6,629	6,781
Workers' compensation	2,211	2,175
Safety incentives	336	381
	68,524	67,686
Gross margin	8,127	7,974
Selling, general and administrative expenses	6,035	5,641
Merger expenses (Note 3)	750	-
Amortization of intangibles	329	285
Income from operations	1,013	2,048
Other income (expense):		
Interest expense	(60)	(62)
Interest income	100	87
Other, net	1	-
	41	25
Income before provision for income taxes	1,054	2,073
Provision for income taxes (Note 4)	454	819
Net income	$ 600	$ 1,254
Basic earnings per share (Note 6)	$ .08	$ .16
Weighted average number of basic shares outstanding	7,666	7,630
Diluted earnings per share (Note 6)	$ .08	$ .16
Weighted average number of diluted shares outstanding	7,722	7,727

</TABLE>

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

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

<TABLE>

	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Revenues:		
<S>	<C>	<C>
Staffing services	$ 83,090	$ 80,136
Professional employer services	62,802	62,535
	145,892	142,671
Cost of revenues:		
Direct payroll costs	113,015	109,787
Payroll taxes and benefits	13,069	13,265
Workers' compensation	4,207	4,226
Safety incentives	700	704
	130,991	127,982
Gross margin	14,901	14,689
Selling, general and administrative expenses	11,851	10,750
Merger expenses (Note 3)	750	-
Amortization of intangibles	682	612
Income from operations	1,618	3,327
Other income (expense):		
Interest expense	(117)	(107)
Interest income	225	190
Other, net	2	-
	110	83
Income before provision for income taxes	1,728	3,410
Provision for income taxes (Note 4)	741	1,333
Net income	$ 987	$ 2,077
Basic earnings per share (Note 6)	$ .13	$ .27
Weighted average number of basic shares outstanding	7,652	7,663
Diluted earnings per share (Note 6)	$ .13	$ .27
Weighted average number of diluted shares outstanding	7,707	7,809

</TABLE>

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

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

<TABLE>

	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Cash flows from operating activities:		
<S>	<C>	<C>
Net income	$ 987	$ 2,077
Reconciliation of net income to cash from operations:		

Depreciation and amortization	905	815
Changes in certain assets and liabilities, net of assets acquired and liabilities assumed:		
Trade accounts receivable, net	(2,895)	(3,185)
Note receivable	-	324
Prepaid expenses and other	(577)	(588)
Deferred tax asset	(195)	(194)
Accounts payable	(448)	(80)
Accrued payroll, payroll taxes and related benefits	1,579	3,108
Accrued workers' compensation claims liabilities	120	248
Customer safety incentives payable	52	(10)
Income taxes payable	48	222
Other accrued liabilities	227	(171)
Customer deposits and long-term workers' compensation liabilities	54	44
Other long-term liabilities	90	14
Net cash (used in) provided by operating activities	(53)	2,624
Cash flows from investing activities:		
Cash paid for acquisitions, including other direct costs (Note 2)	(680)	(2,246)
Purchases of fixed assets, net of amounts purchased in acquisitions	(616)	(644)
Proceeds from maturities of marketable securities	3,766	3,782
Purchases of marketable securities	(3,528)	(4,149)
Net cash used in investing activities	(1,058)	(3,257)
Cash flows from financing activities:		
Payment of credit-line assumed in acquisition	-	(401)
Net (payments on) proceeds from credit-line borrowings	(635)	1,907
Payments on long-term debt	(266)	(43)
Payment to dissenting shareholder	(519)	-
Repurchase of common stock	-	(2,825)
Proceeds from exercise of stock options and warrants	168	757
Net cash used in financing activities	(1,252)	(605)
Net decrease in cash and cash equivalents	(2,363)	(1,238)
Cash and cash equivalents, beginning of period	3,439	1,623
Cash and cash equivalents, end of period	$ 1,076	$ 385
Supplemental schedule of noncash activities:		
Acquisition of other businesses:		
Cost of acquisitions in excess of fair market value of net assets acquired	$ 670	$ 3,179
Tangible assets acquired	10	674
Liabilities assumed	-	1,607
Common stock issued in connection with acquisitions	-	-

</TABLE>

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

BARRETT BUSINESS SERVICES, INC.
Notes to Financial Statements

NOTE 1 - BASIS OF PRESENTATION OF INTERIM PERIOD STATEMENTS:

On June 29, 1998, Barrett Business Services, Inc. (the "Company") completed its merger with Western Industrial Management, Inc., and with a related company, Catch 55, Inc., (together, "WIMI"). The transaction was accounted for as a pooling-of-interests pursuant to Accounting Principles Board Opinion No. 16, and accordingly, the Company's financial statements have been restated for all prior periods to give effect to the merger, as more fully described in Note 2. The accompanying financial statements are unaudited and have been prepared by management 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 generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods presented. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from such estimates and assumptions. The financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 1997 Annual Report on Form 10-K at pages F1-F21. As of the date of filing of the Company's 1998 second quarter report on Form 10-Q, the Company's restated 1997 annual financial statements to reflect the merger with WIMI had not been filed with the Securities and Exchange Commission. 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 1998 presentation. Such reclassifications had no impact on gross margin, net income or stockholders' equity.

NOTE 2 - ACQUISITIONS:

On April 13, 1998, the Company acquired certain assets of BOLT Staffing Service, Inc., a provider of staffing services located in Pocatello, Idaho. BOLT Staffing had revenues of approximately $2.4 million (unaudited) for the year ended December

31, 1997. The Company paid $675,000 in cash for the assets, assumed a $6,000 office lease liability and incurred approximately $5,000 in acquisition related costs. The transaction was accounted for under the purchase method of accounting, which resulted in $670,000 of intangible assets and $10,000 of fixed assets.

On June 29, 1998, the Company consummated its acquisition of WIMI pursuant to a stock-for-stock merger. The transaction qualified as a tax-free merger and has been accounted for as a pooling-of-interests. As a result of the merger, the former shareholders of WIMI received a total of 894,642 shares of the Company's common stock, which included 10,497 shares issued in exchange for real property consisting of an office condominium in which WIMI's main office is located. A dissenting WIMI shareholder received cash in the amount of $519,095, based on a value of $11.375 per share of Barrett's common stock. The Company also paid certain professional fees owed by WIMI in connection with the transaction totaling approximately $425,000. WIMI was a privately-held staffing services company headquartered in San Bernardino, California, with 1997 revenues of approximately $24.5 million (unaudited).

Operating results of Barrett and WIMI, individually, prior to giving effect to the pooling and of the combined companies for the second quarter and six-month periods ended June 30, 1998 were as follows:

<TABLE>

($ in thousands)	Second Quarter Ended June 30, 1998	Six Months Ended June 30, 1998
Barrett:		
<S>	<C>	<C>
Revenues	$ 68,570	$ 131,335
Gross margin	6,966	12,767
Gross margin percent	10.2%	9.7%
Net income	935	1,258
WIMI:		
Revenues	8,081	14,557
Gross margin	1,161	2,134
Gross margin percent	14.4%	14.7%
Net income	115	179
Combined:		
Revenues	76,651	145,892
Gross margin	8,127	14,901
Gross margin percent	10.6%	10.2%
Merger expenses, net of income tax benefit of $300	450	450
Net income	$ 600	$ 987

</TABLE>

NOTE 3 - MERGER EXPENSES:

In connection with the merger with WIMI, the Company recorded in the second quarter ended June 30, 1998 a one-time charge for merger-related expenses of $750,000 ($450,000 after taxes, or $.06 per share on a diluted basis).

Merger expenses consisted primarily of professional fees, such as legal, accounting, business broker fees and other related charges. The primary components of the charge were as follows (in thousands):

	Second Quarter Ended June 30,1998
Professional fees	
WIMI	$ 425
Barrett	285
Other fees and expenses	40

	$ 750
	===

NOTE 4 - PROVISION FOR INCOME TAXES:

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

<TABLE>

	June 30, 1998	December 31, 1997
<S>	<C>	<C>
Accrued workers' compensation claims liabilities	$1,549	$1,469
Allowance for doubtful accounts	265	236
Tax depreciation in excess of book depreciation	(159)	(165)
Safety incentives	315	276
Book amortization of intangibles in excess of tax amortization	151	110
State unemployment tax accrual	160	160
	-----	-----
	$2,281	$2,086
	=====	=====

</TABLE>

The provision for income taxes for the six months ended June 30, 1998 and 1997, is as follows (in thousands):

<TABLE>

	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Current:		
<S>	<C>	<C>
Federal	$ 765	$ 1,236
State	171	291
	----	-----
	936	1,527
Deferred:`		
Federal	(172)	(159)
State	(23)	(35)
	----	-----
	(195)	(194)
	----	-----
Provision for income taxes	$ 741	$ 1,333
	====	=====

</TABLE>

NOTE 5 - STOCK INCENTIVE PLAN:

In 1993, the Company adopted a stock incentive plan (the "Plan") which provides for stock-based awards to the Company's employees, directors and outside consultants or advisers. The number of shares of common stock reserved for issuance under the Plan is 1,300,000.

The following table summarizes options granted under the Plan in 1998:

Outstanding at December 31, 1997	595,119	$ 3.50 to $18.00
Options granted	253,493	$ 4.40 to $12.00
Options exercised	(7,250)	$ 3.50 to $11.50
Options canceled or expired	(71,592)	$11.44 to $17.94

Outstanding at June 30, 1998	769,770	$ 3.50 to $18.00
	=======	
Exercisable at June 30, 1998	291,770	
	=======	
Available for grant at June 30, 1998	321,855	
	=======	

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

NOTE 6 - NET INCOME PER SHARE:

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share," for the year ended December 31, 1997. SFAS No. 128 requires disclosure of basic and diluted earnings per share. The 1997 period has been restated to reflect the adoption of SFAS No. 128 and to give effect to the WIMI merger (Note 2), which was accounted for as a pooling-of-interests pursuant to Accounting Principles Board Opinion No. 16. 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 and warrants.

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

Results of Operations
- ---------------------

As more fully described above in Notes 1 and 2 to the Company's financial statements, the financial statements have been restated for all prior periods to give effect to the merger with WIMI. The following table sets forth the percentages of total revenues represented by selected items in the Company's Statements of Operations for the three and six-month periods ended June 30, 1998 and 1997.

<TABLE>

	Percentage of Total Revenues			
	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Revenues:				
<S>	<C>	<C>	<C>	<C>
Staffing services	55.8%	57.3%	57.0%	56.2%
Professional employer services	44.2	42.7	43.0	43.8
	-----	-----	-----	-----
Total revenues	100.0	100.0	100.0	100.0
	-----	-----	-----	-----
Cost of revenues:				
Direct payroll costs	77.4	77.1	77.4	77.0
Payroll taxes and benefits	8.7	9.0	9.0	9.3
Workers' compensation	2.9	2.9	2.9	3.0
Safety incentives	0.4	0.5	0.5	0.4
	-----	-----	-----	-----
Total cost of revenues	89.4	89.5	89.8	89.7
	-----	-----	-----	-----
Gross margin	10.6	10.5	10.2	10.3
Selling, general and administrative expenses	7.9	7.4	8.1	7.6
Merger expenses	1.0	-	0.5	-

Amortization of intangibles	0.4	0.4	0.5	0.4
Income from operations	1.3	2.7	1.1	2.3
Other income (expense)	0.1	-	0.1	0.1
Pretax income	1.4	2.7	1.2	2.4
Provision for income taxes	0.6	1.1	0.5	0.9
Net income	0.8	1.6	0.7	1.5

</TABLE>

Three months ended June 30, 1998 and 1997

Net income for the 1998 second quarter, before a one-time charge for merger-related expenses and the effect of the June 29, 1998 merger, was $935,000, a decrease of $319,000 or 25.4% from the pre-merger operating results for the comparable 1997 period. The decline in net income was attributable to a 10 basis point decline in gross margin percent and higher selling, general and administrative expenses. Diluted earnings per share for the second quarter of 1998, before a one-time charge for merger-related

expenses and the effect of the merger, were $.14, as compared to $.18 per diluted share for 1997.

Net income for the 1998 second quarter, after a one-time charge for merger-related expenses of $750,000 ($450,000 after tax or $.06 per diluted share) and the effect of the merger, was $600,000 or $.08 per diluted share, as compared to net income of $1,254,000 or $.16 per diluted share for the comparable 1997 period. The decrease in 1998 net income from 1997 was due to the one-time charge for merger-related expenses of $750,000, together with higher selling, general and administrative expenses, offset in part by a slightly higher gross margin, both in terms of a percentage of revenues and total dollars.

Revenues for the second quarter of 1998 totaled approximately $76.7 million, an increase of approximately $1.0 million or 1.3% over the second quarter of 1997. Without the effect of the merger, revenues for the 1998 second quarter were $68.6 million, as compared to 69.6 million for the 1997 second quarter, a decrease of $1.0 million or 1.4%.

Staffing services revenue decreased approximately $0.6 million or 1.4%, while professional employer services revenue increased approximately $1.6 million or 4.9%, which resulted in a decrease in the mix of staffing services to 55.8% of total revenues for the second quarter of 1998, as compared to 57.3% for the second quarter of 1997. The mix of professional employer services revenues had a corresponding increase from 42.7% for the second quarter of 1997 to 44.2% for the second quarter of 1998.

Gross margin for the second quarter of 1998 totaled approximately $8.1 million, which represented an increase of approximately $0.2 million or 1.9% over the second quarter of 1997. The gross margin percent increased 10 basis points to 10.6% of revenues for the second quarter of 1998, as compared to 10.5% for the same period of 1997. The increase in the gross margin percentage was due to slightly lower payroll taxes and benefits, offset in part by slightly higher direct payroll costs, both in terms of total dollars and as a percentage of revenues.

Workers' compensation expense for both the second quarter of 1998 and 1997 was comparable at $2.2 million and 2.9% of revenues. Management believes it has continued to increase the Company's accruals for future adverse loss development of open claims.

Selling, general and administrative ("SG&A") expenses for the 1998 second quarter amounted to approximately $6.0 million, an

increase of $0.4 million or 7.0% over the comparable period in 1997. The increase in total dollars was due primarily to higher management payroll, profit sharing, bad debt expense and maintenance expenses. SG&A expenses also increased from 7.4% of revenues for the second quarter of 1997 to 7.9% of revenues for the second quarter of 1998. During the first quarter of 1998, management implemented specific performance criteria for all branch offices to align operating expenses more closely with growth in gross margin dollars rather than growth in revenues. For the second quarter of 1998, excluding the effect of the merger, improvement in SG&A expense management was achieved by (1) reducing SG&A expenses to 7.5% of revenues, as compared to 8.0% of revenues for the first quarter of 1998, (2) reducing SG&A expenses as a percent of gross margin dollars from 86.6% in the 1998 first quarter to 74.2% in the 1998 second quarter and (3) reducing the quarter-over-comparable quarter growth rate of SG&A expenses from 11.2% (1Q98 vs. 1Q97) to 6.4% (2Q98 vs. 2Q97).

Amortization of intangibles totaled $329,000, or 0.4% of revenues for the second quarter of 1998, which compares to $285,000 or 0.4% of revenues for the same period in 1997. The increased amortization expense was primarily attributable to the Company's April 13, 1998 acquisition of BOLT Staffing Service.

The Company offers various qualified employee benefit plans to its employees, including its worksite employees. These qualified employee benefit plans include a savings plan (the "401(k) plan") under Section 401(k) of the Internal Revenue Code (the "Code"), a cafeteria plan under Code Section 125, a group health plan, a group life insurance plan, a group disability insurance plan and an employee assistance plan. Generally, qualified employee benefit plans are subject to provisions of both the Code and the Employee Retirement Income Security Act ("ERISA"). In order to qualify for favorable tax treatment under the Code, qualified plans must be established and maintained by an employer for the exclusive benefit of its employees. In the event the tax exempt status of the Company's benefit plans were to be discontinued and the benefit plans were to be disqualified, such actions could have a material adverse effect on the Company's business, financial condition and results of operations. Reference is made to pages 19-20 of the Company's 1997 Annual Report on Form 10-K for a more detailed discussion of this issue.

Six Months Ended June 30, 1998 and 1997

Net income for the six months ended June 30, 1998 was $987,000, a decrease of $1,090,000 or 52.5% from the same period in

1997. The decrease in net income was primarily due to a one-time charge for merger-related expenses of $750,000 ($450,000 after tax or $.06 per diluted share) and a $1.1 million increase in SG&A expenses, which also increased as a percent of revenues from 7.6% for the 1997 six-month period to 8.1% for the comparable 1998 period. Basic and diluted earnings per share for the 1998 six-month period were $.13, as compared to $.27 for both basic and diluted earnings per share for the same 1997 period.

Revenues for the six months ended June 30, 1998 totaled approximately $145.9 million, an increase of approximately $3.2 million or 2.3% over the comparable period of 1997.

Gross margin for the six months ended June 30, 1998 totaled approximately $14.9 million, which represented an increase of $0.2 million or 1.4% over the same period of 1997. The gross margin percent decreased to 10.2% of revenues for the first six months of 1998, as compared to 10.3% for the same period of 1997. The decline in the gross margin percentage was due to higher direct payroll costs both in terms of total dollars and as a percentage of revenues, offset in part by slightly lower payroll taxes and benefits and workers' compensation expenses, both in terms of total dollars and as a percentage of revenues.

SG&A expenses for the six months ended June 30, 1998 amounted to approximately $11.9 million, an increase of $1.1 million or 10.2% over the comparable period in 1997. These expenses also increased from 7.6% of revenues for the 1997 period to 8.1% of revenues for the comparable 1998 period. The increase in total dollars was primarily attributable to increased expenses for management payroll, profit sharing, bad debt expense and maintenance expenses.

Amortization of intangibles totaled $682,000 or .5% of revenues for the six-month period ended June 30, 1998, which compares to $612,000 for the same period in 1997. The increased amortization expense was attributable to the April 1998 acquisition of BOLT Staffing Service.

Fluctuations in Quarterly Operating 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 payroll taxes, claims expense for workers' compensation, demand and competition for the Company's

services, and the effect of acquisitions. The Company's revenue levels fluctuate from quarter to quarter primarily due to the impact of seasonality in its staffing services business and on certain of its PEO clients in the agriculture and forest products related industries. As a result, the Company may have greater revenues and net income in the third and fourth quarters of its fiscal year. Payroll taxes and benefits fluctuate with the level of direct payroll costs but may tend to represent a smaller percentage of revenues 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 or subsequent quarters.

Liquidity and Capital Resources

The Company's cash position of $1,076,000 at June 30, 1998 decreased by $2,363,000 from December 31, 1997. The decrease was primarily due to cash used in financing activities for repayment of bank credit-line borrowings and payment to a dissenting shareholder of WIMI in the merger, as well as cash used in investing activities related to the BOLT Staffing acquisition and fixed asset additions.

Net cash used in operating activities for the six months ended June 30, 1998 amounted to $53,000, as compared to cash provided by operating activities of $2,624,000 for the comparable 1997 period. For the 1998 period, cash flow generated by net income, depreciation and amortization expenses, together with an increase of $1,579,000 in accrued payroll and benefits, was offset by a $2,895,000 increase in trade accounts receivable, a $577,000 increase in prepaid expenses and a $448,000 decrease in accounts payable.

Net cash used in investing activities totaled $1,058,000 for the six months ended June 30, 1998, as compared to $3,257,000 for the similar 1997 period. For the 1998 period, the principal use of cash for investing activities was the acquisition of BOLT Staffing Service, capitalized software-implementation costs and computer equipment. The Company presently has no material long-term capital commitments.

Net cash used in financing activities for the six-month period ended June 30, 1998 was $1,252,000, which compares to net cash used in financing activities of $605,000 for the comparable 1997 period. For the 1998 period, the principal use of cash for financing activities was for repayments of credit-line borrowings and for

payment to a dissenting WIMI shareholder in connection with the WIMI merger.

The Company's business strategy continues to focus on growth through the acquisition of additional personnel-related businesses, both in its existing markets and other strategic geographic areas, together with the expansion of operations at existing offices. As disclosed in Note 2 to the financial statements included herein, during April 1998, the Company purchased a staffing services company located in Pocatello, Idaho, for $675,000 in cash. As also disclosed in Note 2, the Company completed a stock-for-stock merger with WIMI in June 1998. The Company actively explores proposals for various acquisition opportunities on an ongoing basis, but there can be no assurance that any additional transactions will be consummated.

Management recently renewed the Company's credit arrangement with its principal bank on terms and conditions which were generally more favorable than the prior agreement. The amount of the credit facility, which remained unchanged, primarily includes an unsecured $4.0 million revolving credit facility and $1.6 million for previously existing standby letters of credit in connection with certain workers' compensation surety arrangements. Management expects that the funds anticipated to be generated from operations, together with the credit facility and other potential sources of financing, will be sufficient in the aggregate to fund the Company's working capital needs for the foreseeable future.

Inflation

Inflation generally has not been a significant factor in the Company's operations during the periods discussed above. The Company has taken into account the impact of escalating medical and other costs in establishing reserves for future expenses for self-insured workers' compensation claims.

Forward-Looking Information

Statements in this report which are not historical in nature, including discussion of economic conditions in the Company's market areas, the potential for and effect of future acquisitions, the effect of changes in the Company's mix of services on gross margin, the adequacy of the Company's workers' compensation reserves and allowance for doubtful accounts, the tax-qualified status of the Company's 401(k) savings plan, and the availability of financing and working capital to meet the Company's funding requirements, are forward-looking statements within the meaning of the Private

Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors with respect to the Company include difficulties associated with integrating acquired businesses and clients into the Company's operations, economic trends in the Company's service areas, uncertainties regarding government regulation of Professional Employer Organizations ("PEOs"), including the possible adoption by the IRS of an unfavorable position as to the tax-qualified status of employee benefit plans maintained by PEOs, future workers' compensation claims experience, and the availability of and costs associated with potential sources of financing. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Part II - Other Information

Item 2. Changes in Securities and Use of Proceeds

On June 29, 1998, the Company issued 894,642 shares of common stock in connection with the acquisition of Western Industrial Management, Inc., and a related entity, Catch 55, Inc., in a stock-for-stock merger. The shares issued included 10,497 shares issued in exchange for real property consisting of an office condominium. The shares were issued to two of the shareholders of the acquired entities; a third shareholder dissented from the transaction and received cash. The transaction was valued by the parties at approximately $10.7 million, including the $519,095 cash payment to the dissenting shareholder. The Company relied on the exemption from registration provided by Section 4(2) of the Securities Act of 1933 with respect to the issuance and sale of such shares.

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

The Company held its 1998 annual meeting of stockholders on May 13, 1998. The following directors were elected at the annual meeting:

<TABLE>

<S>	FOR <C>	WITHHELD <C>	ABSTENTIONS AND BROKER NON-VOTES
Robert R. Ames	6,497,405	29,922	
Herbert L. Hochberg	6,477,905	49,422	
Anthony Meeker	6,490,605	36,722	
Stanley G. Renecker	6,490,705	36,622	
Nancy B. Sherertz	6,347,741	179,586	
William W. Sherertz	6,490,291	37,036	

</TABLE>

The other matter presented for action at the annual meeting was approved by the following vote:

<TABLE>

<S>	FOR <C>	AGAINST <C>	ABSTENTIONS AND BROKER NON-VOTES <C>
Approval of the appointment of Price Waterhouse LLP as independent accountants	6,518,499	789	8,039

</TABLE>

Item 6. Exhibits and Reports on Form 8-K

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

(b) Reports on Form 8-K

Subsequent to quarter end, on July 13, 1998, the Company filed a Current Report on Form 8-K dated June 29, 1998, to report that the Company had completed its acquisition of Western Industrial Management, Inc., and of a related company, Catch 55, Inc. (together, "WIMI"), pursuant to a stock-for-stock merger. The transaction qualified as a tax-free merger and was accounted for as a pooling-of-interests. As a result of the merger, the former shareholders of WIMI received a total of 894,642 shares of the Company's common stock, which included 10,497 shares issued in exchange for real property consisting of an office condominium in which WIMI's main office is located. A dissenting WIMI shareholder received cash in the amount of $519,095, based on a value of $11.375 per share of Barrett's common stock. The Company also paid certain professional fees owed by WIMI in connection with the transaction totaling approximately $425,000. WIMI, a privately-held staffing services company headquartered in San Bernardino, California, had 1997 revenues of approximately $24.5 million (unaudited).

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 13, 1998

By:/s/ Michael D. Mulholland
Michael D. Mulholland
Vice President-Finance
(Principal Financial Officer)

EXHIBIT INDEX

EXHIBIT	
4.1	Loan agreement between the Registrant and Wells Fargo Bank, N.A. dated May 31, 1998.
11	Statement of Calculation of Average Common Shares Outstanding
27	Financial Data Schedule

Portland RCBO
1300 S.W. Fifth Ave. T-13
Portland, OR 97201

May 31, 1998

Barrett Business Services, Inc.
4724 SW Macadam Avenue
Portland, OR 97201

Dear Sir:

This letter is to confirm that Wells Fargo Bank, National Association ("Bank"), subject to all terms and conditions contained herein, has agreed to make available to Barrett Business Services, Inc. ("Borrower") the following described credit accommodations (each, a "Credit" and collectively, the "Credits"):

1. A revolving line of credit under which Bank will make advances to Borrower from time to time up to and including May 31, 1999, not to exceed at any time the maximum principal amount of Five Million Six Hundred Fifty Thousand Dollars ($5,650,000.00) ("Line of Credit"), the proceeds of which shall be used for working capital requirements.

2. A term loan in the original principal amount of Six Hundred Ninety-three Thousand Seven Hundred Fifty Dollars ($693,750.00) ("Term Loan"), on which the outstanding principal balance as of the date hereof is $550,985.16. Subject to the terms and conditions of this letter, Bank hereby confirms that the Term Loan remains in full force and effect.

I. CREDIT TERMS:

1. LINE OF CREDIT:

(a) Line of Credit Note. Borrower's obligation to repay advances under the Line of Credit shall be evidenced by a promissory note substantially in the form of Exhibit A attached hereto ("Line of Credit Note"), all terms of which are incorporated herein by this reference.

(b) Letter of Credit Subfeature. As a subfeature under the Line of Credit, Bank agrees from time to time during the term thereof to issue standby letters of credit for the account of Borrower (each, a "Letter of Credit" and collectively, "Letters of Credit"); provided however, that the form and substance of each Letter of Credit shall be subject to approval by Bank, in its sole discretion; and provided further, that the aggregate undrawn amount of all outstanding Letters of Credit shall not at any time exceed Five Million Six Hundred Fifty Thousand Dollars ($5,650,000.00). Each Letter of Credit shall be issued for a term not to exceed 365 days, as designated by Borrower; provided however, that no Letter of Credit shall have an expiration date more than ninety (90) days beyond the maturity date of the Line of Credit. The undrawn amount of all Letters of Credit shall be reserved under the Line of Credit and shall not be available for borrowings thereunder. Each Letter of Credit shall be subject to the additional terms and conditions of the Letter of Credit Agreement and related documents, if any, required by Bank in connection with the issuance thereof. Each draft paid by Bank under a Letter of Credit shall be deemed an advance under the Line of Credit and shall be repaid by Borrower in accordance with the terms and conditions of this letter applicable to such advances; provided however, that if advances under the Line of Credit are not available, for any reason, at the time any draft is paid by Bank, then Borrower shall immediately pay to Bank the full amount of such draft, together with interest thereon from the date such amount is paid by Bank to the date such amount is fully repaid by Borrower, at the rate of interest applicable to advances under the Line of Credit. In such event Borrower agrees that Bank, in its sole discretion, may debit any demand deposit account maintained by Borrower with Bank for the amount of any such draft.

(c) Borrowing and Repayment. Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Line of Credit Note; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, as set forth above. Notwithstanding the foregoing, Borrower shall maintain a zero balance on advances under the Line of Credit for a period of at least 30 consecutive days during each fiscal year.

2. TERM LOAN:

(a) Term Note. Borrower's obligation to repay the Term Loan is evidenced by a promissory note substantially in the form of Exhibit B attached hereto ("Term Note"), all terms of which are incorporated herein by this reference. Any reference in the Term Note to any prior loan agreement between Bank and Borrower shall be deemed a reference to this letter.

(b) Repayment. The principal and interest on the Term Loan shall continue to be repaid in accordance with the provisions of the Term Note.

(c) Prepayment. Borrower may prepay principal on the Term Loan solely in accordance with the provisions of the Term Note.

3. COLLATERAL:

As security for all indebtedness of Borrower to Bank under the Term Loan, Borrower hereby grants to Bank a lien of not less than first priority on that certain real property located at 4724 SW Macadam Avenue, Portland, OR.

All of the foregoing shall be evidenced by and subject to the terms of such security agreements, financing statements, deeds of trust and other documents as Bank shall reasonably require, all in form and substance satisfactory to Bank. Borrower shall reimburse Bank immediately upon demand for all costs and expenses incurred by Bank in connection with any of the foregoing security, including without limitation, filing and recording fees and costs of appraisals, audits and title insurance.

II. INTEREST/FEES:

1. Interest. The outstanding principal balance of the Line of Credit and the Term Loan shall bear interest at the rates of interest set forth in the Line of Credit Note and the Term Note.

a. Computation and Payment. Interest on the Line of Credit shall be computed on the basis of a 360-day year, actual days elapsed. Interest on the Term Loan shall be computed on the basis of a 366-day year, actual days elapsed. Interest shall be payable at the times and place set forth in the Line of Credit Note and the Term Note.

2. Unused Commitment Fee. Borrower shall pay to Bank a fee equal to one-eighth percent (0.125%) per annum (computed on the basis of a 360-day year, actual days elapsed) on the average daily unused amount of the Line of Credit, which fee shall be calculated on a quarterly basis by Bank and shall be due and payable by Borrower in arrears on the last day of each March, June, September and December.

3. Letter of Credit Fees. Borrower shall pay to Bank fees upon the issuance of each Letter of Credit, upon the payment or negotiation by Bank of each draft under any Letter of Credit and upon the occurrence of any other activity with respect to any Letter of Credit (including without limitation, the transfer, amendment or cancellation of any Letter of Credit) determined in accordance with Bank's standard fees and charges then in effect for such activity, but at any event not more than 90 basis points.

4. Collection of Payments. Borrower authorizes Bank to collect all principal, interest and fees due under each Credit by charging Borrower's demand deposit account number 4159-583848 with Bank, or any other demand deposit account maintained by Borrower with Bank, for the full amount thereof. Should there be insufficient funds in any such demand deposit account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by Borrower.

III. REPRESENTATIONS AND WARRANTIES:

Borrower makes the following representations and warranties to Bank, which representations and warranties shall survive the execution of this letter and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank subject to this letter.

1. Legal Status. Borrower is a corporation, duly organized and existing and in good standing under the laws of the state of Maryland, and is qualified or licensed to do business in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could have a material adverse effect on Borrower.

2. Authorization and Validity. This letter, the Line of Credit Note, the Term Note, and each other document, contract or instrument deemed necessary by Bank to evidence any extension of credit to Borrower pursuant to the terms and conditions hereof, or now or at any time hereafter required by or delivered to Bank in connection with this letter (collectively, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same, enforceable in accordance with their respective terms.

3. No Violation. The execution, delivery and performance by Borrower of each of the Loan Documents do not violate any provision of any law or

regulation, or contravene any provision of the Articles of Incorporation or By-Laws of Borrower, or result in a breach of or constitute a default under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower may be bound.

4. Litigation. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could have a material adverse effect on the financial condition or operation of Borrower other than those disclosed by Borrower to Bank in writing prior to the date hereof.

5. Correctness of Financial Statement. The financial statement of Borrower dated March 31, 1998, a true copy of which has been delivered by Borrower to Bank prior to the date hereof, (a) is complete and correct and presents fairly the financial condition of Borrower, (b) discloses all liabilities of Borrower that are required to be reflected or reserved against under generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) has been prepared in accordance with generally accepted accounting principles consistently applied. Since the date of such financial statement there has been no material adverse change in the condition or operation of

Borrower, nor has Borrower mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or as otherwise permitted by Bank in writing.

6. Income Tax Returns. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year.

7. No Subordination. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in right of payment of any of Borrower's obligations subject to this letter to any other obligation of Borrower.

8. Permits, Franchises. Borrower possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and all rights to trademarks, trade names, patents and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law.

9. ERISA. To the best of Borrower's knowledge, Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Borrower has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a "Plan"); no Reportable Event, as defined in ERISA, has occurred and is continuing with respect to any Plan initiated by Borrower; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under generally accepted accounting principles.

10. Other Obligations. Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

11. Environmental Matters. Except as disclosed by Borrower to Bank in writing prior to the date hereof, Borrower is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

12. Real Property Collateral. Except as disclosed by Borrower to Bank in writing prior to the date hereof, with respect to any real property collateral required hereby:

(a) All taxes, governmental assessments, insurance premiums, and water, sewer and municipal charges, and rents (if any) which previously became due and owing in respect thereof have been paid as of the date hereof.

(b) There are no construction or similar liens or claims which have been filed for work, labor or material (and no rights are outstanding that under law could give rise to any such lien) which affect all or any interest in any such real property and which are or may be prior to or equal to the lien thereon in favor of Bank.

(c) None of the improvements which were included for purpose of determining the appraised value of any such real property lies outside of the boundaries and/or building restriction lines thereof, and no improvements on adjoining properties materially encroach upon any such real property.

(d) There is no pending, or to the best of Borrower's knowledge threatened, proceeding for the total or partial condemnation of all or any portion of any such real property, and all such real property is in good repair and free and clear of any damage that would materially and adversely affect the value thereof as security and/or the intended use thereof.

IV. CONDITIONS:

1. Conditions of Initial Extension of Credit. The obligation of Bank to grant any of the Credits is subject to fulfillment to Bank's satisfaction of all of the following conditions:

(a) Documentation. Bank shall have received each of the Loan Documents, duly executed and in form and substance satisfactory to Bank.

(b) Financial Condition. There shall have been no material adverse change, as determined by Bank, in the financial condition or business of Borrower, nor any material decline, as determined by Bank, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower.

(c) Insurance. Borrower shall have delivered to Bank evidence of insurance coverage on all Borrower's property, in form, substance, amounts, covering risks and issued by companies satisfactory to Bank, and where required by Bank, with loss payable endorsements in favor of Bank, including without limitation, policies of fire and extended coverage insurance covering all real property collateral required hereby, with replacement cost and mortgagee loss payable endorsements, and such policies of insurance against specific hazards affecting any such real property as may be required by governmental regulation or Bank.

(d) Appraisals. Bank shall have obtained, at Borrower's cost, an appraisal of all real property collateral required hereby, and all improvements thereon, issued by an appraiser acceptable to Bank and in form, substance and reflecting values satisfactory to Bank, in its discretion.

(e) Title Insurance. Bank shall have received an ALTA Policy of Title Insurance, with such endorsements as Bank may require, issued by a company and in form and substance satisfactory to Bank, in such amount as Bank shall require, insuring Bank's lien on the real property collateral required hereby to be of first priority, subject only to such exceptions as Bank shall approve in its discretion, with all costs thereof to be paid by Borrower.

2. Conditions of Each Extension of Credit. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction of each of the following conditions:

(a) Compliance. The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this letter and on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date, and on each such date, no default hereunder, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such a default, shall have occurred and be continuing or shall exist.

(b) Documentation. Bank shall have received all additional documents which may be required in connection with such extension of credit.

V. COVENANTS:

Borrower covenants that so long Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall, unless Bank otherwise consents in writing:

1. Punctual Payment. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein.

2. Accounting Records. Maintain adequate books and records in

accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time, to inspect, audit and examine such books and records, to make copies of the same and inspect the properties of Borrower.

3. Financial Statements. Provide to Bank all of the following, in form and detail satisfactory to Bank:

(a) not later than 95 days after and as of the end of each fiscal year, an audited financial statement of Borrower, prepared by an independent certified public accountant acceptable to Bank, to include balance sheet, income statement, statement of cash flow, and source and application of funds statement, and a copy of Borrower's Form 10-K report filed with the Securities and Exchange Commission;

(b) not later than 50 days after and as of the end of each fiscal quarter, a copy of Borrower's Form 10-Q report filed with the Securities and Exchange Commission;

(c) from time to time such other information as Bank may reasonably request, including without limitation, copies of rent rolls and other information with respect to any real property collateral required hereby.

4. Compliance. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; and comply with the provisions of all documents pursuant to which Borrower is organized and/or which govern Borrower's continued existence and with the requirements of all laws, rules, regulations and orders of a governmental agency applicable to Borrower and/or its business.

5. Insurance. Maintain and keep in force insurance of the types and in amounts customarily carried in lines of business similar to that of Borrower, including but not limited to fire, extended coverage, public liability, flood, property damage and workers' compensation, with all such insurance carried with companies and in amounts satisfactory to Bank, and deliver to Bank from time to time at Bank's request schedules setting forth all insurance then in effect.

6. Facilities. Keep all properties useful or necessary to Borrower's business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

7. Taxes and Other Liabilities. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except (a) such as Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower has made provision, to Bank's satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

8. Financial Condition. Maintain Borrower's financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

Total Liabilities divided by Net Worth not at any time greater than 1.5 to 1.0, with "Total Liabilities" defined as the aggregate of current liabilities and non-current liabilities, and with "Net Worth" defined as the aggregate of assets minus liabilities.

9. Merger, Consolidation, Transfer of Assets. Not merge into or consolidate with any other entity; nor make any substantial change in the nature of Borrower's business as conducted as of the date hereof; nor acquire all or substantially all of the assets of any other entity in any transaction involving $20,000,000.00 or more without the prior written approval of Bank, which approval shall not be unreasonably withheld; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrower's assets except in the ordinary course of its business.

10. Guaranties. Not guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any assets of Borrower as security for, any liabilities or obligations of any other person or entity, except any of the foregoing in favor of Bank.

11. Loans, Advances, Investments. Not make any loans or advances to or investments in any person or entity, except any of the foregoing existing as of, and disclosed to Bank prior to, the date hereof, or any loans or advances or investments made in the normal course, such as short term advances to employees or investments of excess cash.

12. Pledge of Accounts. Borrower shall give Bank at least fifteen (15)

days prior notice of any intent by Borrower to pledge, grant or permit to exist a security interest in, or lien upon, any of its accounts, general intangibles that constitute payment of rights, and other rights to payment, (the foregoing, together with the proceeds thereof being, collectively, "Receivables Collateral") in favor of any party other than Bank (an "Other Lender"). Borrower agrees that in such event, Borrower shall grant to Bank a security interest and lien in the Receivables Collateral to secure all of Borrower's obligations to Bank under the Line of Credit, and Bank and any such Other Lender's rights and interests in and to the Receivables Collateral shall be of equal priority, with each of Bank and such Other Lender to share the Receivables Collateral on a pro-rata basis, based on the maximum principal amount of, respectively the loan from the Other Lender and the maximum principal amount of the Line of Credit. Further, in such event, borrower agrees to execute, and any such pledge of receivables collateral to an Other Lender would be made subject to the execution by such other lender of, appropriate documents to effectuate the foregoing.

13. Year 2000 Compliance. Perform all acts reasonably necessary to ensure that (a) Borrower and any business in which Borrower holds a substantial interest, and (b) all customers, suppliers and vendors that are material to Borrower's business, become Year 2000 Compliant in a timely manner. Such acts shall include, without limitation, performing a comprehensive review and assessment of all of Borrower's systems and adopting a detailed plan, with itemized budget, for the remediation, monitoring and testing of such systems. As used herein, "Year 2000 Compliant" shall mean, in regard to any entity, that all software, hardware, firmware, equipment, goods or systems utilized by or material to the business operations or financial condition of such entity, will properly perform date sensitive functions before, during and after the year 2000. Borrower shall, immediately upon request, provide to Bank such certifications or other evidence of Borrower's compliance with the terms hereof as Bank may from time to time require.

VI. DEFAULT, REMEDIES:

1. Default, Remedies. Upon the violation of any term or condition of any of the Loan Documents, or upon the occurrence of any default or defined event of default under any of the Loan Documents: (a) all indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are expressly waived by Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any of the Credits and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of any such breach or default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

2. No Waiver. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

VII. MISCELLANEOUS:

1. Notices. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this letter must be in writing delivered to each party at its address first set forth above, or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

2. Costs, Expenses and Attorneys' Fees. Borrower shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in connection with (a) the

negotiation and preparation of this letter and the other Loan Documents, Bank's continued administration hereof and thereof, and the preparation of amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to any Borrower or any other person or entity.

3. Successors, Assignment. This letter shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or transfer its interest hereunder without Bank's prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents. In connection therewith Bank may disclose all documents and information which Bank now has or hereafter may acquire relating to any of the Credits, Borrower or its business, or any collateral required hereunder.

4. Entire Agreement; Amendment. This letter and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to the Credits and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This letter may be amended or modified only in writing signed by each party hereto.

5. No Third Party Beneficiaries. This letter is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this letter or any other of the Loan Documents to which it is not a party.

6. Severability of Provisions. If any provision of this letter shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this letter.

7. Governing Law. This letter shall be governed by and construed in accordance with the laws of the State of Oregon.

8. Arbitration.

(a) Arbitration. Upon the demand of any party, any Dispute shall be resolved by binding arbitration (except as set forth in (e) below) in accordance with the terms of this letter. A "Dispute" shall mean any action, dispute, claim or controversy of any kind, whether in contract or tort, statutory or common law, legal or equitable, now existing or hereafter arising under or in connection with, or in any way pertaining to, any of the Loan Documents, or any past, present or future extensions of credit and other activities, transactions or obligations of any kind related directly or indirectly to any of the Loan Documents, including without limitation, any of the foregoing arising in connection with the exercise of any self-help, ancillary or other remedies pursuant to any of the Loan Documents. Any party may by summary proceedings bring an action in court to compel arbitration of a Dispute. Any party who fails or refuses to submit to arbitration following a lawful demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any Dispute.

(b) Governing Rules. Arbitration proceedings shall be administered by the American Arbitration Association ("AAA") or such other administrator as the parties shall mutually agree upon in accordance with the AAA Commercial Arbitration Rules. All Disputes submitted to arbitration shall be resolved in accordance with the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the Loan Documents. The arbitration shall be conducted at a location in Oregon selected by the AAA or other administrator. If there is any inconsistency between the terms hereof and any such rules, the terms and procedures set forth herein shall control. All statutes of limitation applicable to any Dispute shall apply to any arbitration proceeding. All discovery activities shall be expressly limited to matters directly relevant to the Dispute being arbitrated. Judgment upon any award rendered in an arbitration may be entered in any court having jurisdiction; provided however, that nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. ss.91 or any similar applicable state law.

(c) No Waiver; Provisional Remedies, Self-Help and Foreclosure. No provision hereof shall limit the right of any party to exercise self-help remedies such as setoff, foreclosure against or sale of any real or personal property collateral or security, or to obtain provisional or ancillary remedies, including without limitation injunctive relief, sequestration, attachment, garnishment or the appointment of a receiver, from a court of competent jurisdiction before, after or during the pendency of any arbitration or other proceeding. The exercise of any such remedy shall not waive the right of any party to compel arbitration hereunder.

(d) Arbitrator Qualifications and Powers; Awards. Arbitrators must be active members of the Oregon State Bar or retired judges of the state or federal judiciary of Oregon, with expertise in the substantive law applicable to the subject matter of the Dispute. Arbitrators are empowered to resolve Disputes by summary rulings in response to motions filed prior to the final arbitration hearing. Arbitrators (i) shall resolve all Disputes in accordance with the substantive law of the state of Oregon, (ii) may grant any remedy or relief that a court of the state of Oregon could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award, and (iii) shall have the power to award recovery of all costs and fees, to impose sanctions and to take such other actions as they deem necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the Oregon Rules of Civil Procedure or other applicable law. Any Dispute in which the amount in controversy is $5,000,000 or less shall be decided by a single arbitrator who shall not render an award of greater than $5,000,000 (including damages, costs, fees

and expenses). By submission to a single arbitrator, each party expressly waives any right or claim to recover more than $5,000,000. Any Dispute in which the amount in controversy exceeds $5,000,000 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations.

(e) Judicial Review. Notwithstanding anything herein to the contrary, in any arbitration in which the amount in controversy exceeds $25,000,000, the arbitrators shall be required to make specific, written findings of fact and conclusions of law. In such arbitrations (i) the arbitrators shall not have the power to make any award which is not supported by substantial evidence or which is based on legal error, (ii) an award shall not be binding upon the parties unless the findings of fact are supported by substantial evidence and the conclusions of law are not erroneous under the substantive law of the state of Oregon, and (iii) the parties shall have in addition to the grounds referred to in the Federal Arbitration Act for vacating, modifying or correcting an award the right to judicial review of (A) whether the findings of fact rendered by the arbitrators are supported by substantial evidence, and (B) whether the conclusions of law are erroneous under the substantive law of the state of Oregon. Judgment confirming an award in such a proceeding may be entered only if a court determines the award is supported by substantial evidence and not based on legal error under the substantive law of the state of Oregon.

(f) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the Dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business, by applicable law or regulation, or to the extent necessary to exercise any judicial review rights set forth herein. If more than one agreement for arbitration by or between the parties potentially applies to a Dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the Dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY BANK AFTER OCTOBER 3, 1989 CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY BANK TO BE ENFORCEABLE.

Your acknowledgment of this letter shall constitute acceptance of the foregoing terms and conditions. Bank's commitment to extend any credit to Borrower pursuant to the terms of this letter shall terminate on June 19, 1998, unless this letter is acknowledged by Borrower and returned to Bank on or before that date.

Sincerely,

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: /s/ Marlene Roberts
Marlene Roberts
Vice President

Acknowledged and accepted as of 6-1-98:

BARRETT BUSINESS SERVICES, INC.

By: /s/ Michael D. Mulholland

Title: VP-Finance

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

<TABLE>

	Three Months Ended June 30, 1998
<S>	<C>
Weighted average number of basic shares outstanding	7,666,230
Stock option plan shares to be issued at prices ranging from $3.50 to $18.00 per share	709,000
Warrants issued at a price of $4.20 per share	8,571
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	(661,654)
Weighted average number of diluted shares outstanding	7,722,147

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
This schedule contains summary financial information extracted from the Company's balance sheets and related statements of operations for the period ended June 30, 1998 and is qualified in its entirety by reference to such financial statements.
</LEGEND>
<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	DEC-31-1998
<PERIOD-START>	JAN-01-1998
<PERIOD-END>	JUN-30-1998
<CASH>	1,076
<SECURITIES>	0
<RECEIVABLES>	23,946
<ALLOWANCES>	0
<INVENTORY>	0
<CURRENT-ASSETS>	29,111
<PP&E>	4,968
<DEPRECIATION>	0
<TOTAL-ASSETS>	52,452
<CURRENT-LIABILITIES>	18,295
<BONDS>	550
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	77
<OTHER-SE>	30,790
<TOTAL-LIABILITY-AND-EQUITY>	52,452
<SALES>	0
<TOTAL-REVENUES>	145,892
<CGS>	0
<TOTAL-COSTS>	130,991
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	117
<INCOME-PRETAX>	1,728
<INCOME-TAX>	741
<INCOME-CONTINUING>	987
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	987
<EPS-PRIMARY>	.13
<EPS-DILUTED>	.13

</TABLE>