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

Form 10-K/A

Amendment No. 1 to

-X- Annual Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

For the fiscal year ended December 31, 1997
Commission File Number 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)	(I.R.S. Employer Identification No.)

4724 SW Macadam Avenue Portland, Oregon	97201
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (503) 220-0988
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, Par Value $.01 Per Share
(Title of class)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ---

State the aggregate market value of the voting stock held by non-affiliates of the Registrant: $53,155,434 at February 27, 1998

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:

Class	Outstanding at February 27, 1998
Common Stock, Par Value $.01 Per Share	6,743,563 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 1998 Annual Meeting of Stockholders are hereby incorporated by reference into Part III of Form 10-K.

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AMENDMENT NO. 1 TO
1997 ANNUAL REPORT ON FORM 10-K
BARRETT BUSINESS SERVICES, INC.
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Note: Items 6, 7 and 8 of Part II and Item 14, Financial Statements and Exhibits 11, 27.1, 27.3 and 27.4 to this report have been amended to reflect the restatement of the registrant's financial statements for the years ended December 31, 1993 through 1997, giving effect to the registrant's merger with a staffing services company on June 29, 1998.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the Company's financial statements and the accompanying notes listed in Item 14 of this report.

<TABLE>

	Year Ended December 31				
	1997	1996	1995	1994	1993
	(In thousands, except per share data)				
Statement of Operations Data:					
Revenues:					
<S>	<C>	<C>	<C>	<C>	<C>
Staffing services..................	$177,263	$130,746	$113,437	$ 83,344	$ 44,562
Professional employer services......	128,268	101,206	79,480	68,571	57,950
Total..........................	305,531	231,952	192,917	151,915	102,512
Cost of revenues:					
Direct payroll costs................	236,307	176,686	146,490	114,493	77,358
Payroll taxes and benefits..........	27,226	20,414	16,139	12,888	9,629
Workers' compensation..............	9,075	6,641	6,729	5,758	4,591
Safety incentives..................	1,509	1,532	981	1,103	598
Total..........................	274,117	205,273	170,339	134,242	92,176
Gross margin..........................	31,414	26,679	22,578	17,673	10,336
Selling, general, and administrative expenses............................	24,011	18,534	15,496	11,695	6,680
Amortization of intangibles............	1,332	860	606	472	412
Income from operations.................	6,071	7,285	6,476	5,506	3,244
Other (expense) income:					
Interest expense....................	(247)	(122)	(154)	(231)	(109)
Interest income.....................	362	554	400	224	161
Other, net..........................	1	--	32	78	133
Total..........................	116	432	278	71	185
Income before provision for income taxes..................................	6,187	7,717	6,754	5,577	3,429
Provision for income taxes(1)..........	2,342	2,749	2,566	2,117	437
Net income.....................	$3,845	$4,968	$ 4,188	$ 3,460	$ 2,992
Basic net income per share.............	$ .50	$ .65	$ .57	$ .48	
Weighted average basic shares..........	7,646	7,602	7,358	7,217	
Diluted net income per share...........	$ .49	$ .64	$ .55	$ .46	
Weighted average diluted shares.........	7,780	7,823	7,564	7,475	
Unaudited pro forma data(1)(2):					
Net income.....................					$ 2,105
Basic net income per share.............					$ .34
Weighted average basic shares..........					6,144
Diluted net income per share...........					$ .34
Weighted average diluted shares.........					6,213

	As of December 31				
	1997	1996	1995	1994	1993
	(In thousands)				
Selected Balance Sheet Data:					
Working capital.........................	$10,392	$11,489	$ 8,387	$ 4,738	$ 6,951
Total assets............................	50,815	44,063	32,450	25,552	19,290
Long-term debt, net of current portion..	573	1,107	875	908	1,097
Stockholders' equity....................	30,231	25,629	20,139	14,490	10,489

</TABLE>

(1) Effective July 1, 1987, the Company elected to be treated as a corporation subject to taxation under Subchapter S of the Internal Revenue Code, pursuant to which the earnings of the Company were attributable to the Company's stockholders rather than to the Company. The Company terminated its election on April 30, 1993, and recognized a cumulative net deferred tax asset of $505,000. The amounts shown reflect a pro forma tax provision as if the Company had been a Subchapter C corporation subject to income taxes for all periods presented.

(2) All share and per share amounts have been restated to reflect the 2-for-1 stock split effective May 23, 1994.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company's revenues consist of staffing services and professional employer organization ("PEO") services. Staffing services revenues consist of short-term staffing, contract staffing and on-site management. PEO services refer exclusively to co-employer contractual agreements with PEO clients. The Company's revenues represent all amounts billed to customers for direct payroll, related employment taxes, workers' compensation coverage and a service fee (equivalent to a mark-up percentage). The Company's Oregon branches accounted for approximately 49% of its total revenues in 1997, and an additional 39% was derived from its branches in California and Washington. Consequently, weakness in economic conditions on the West Coast could have a material adverse effect on the Company's financial results.

The Company's cost of revenues is comprised of direct payroll costs, payroll taxes and employee benefits, workers' compensation and safety incentives. Direct payroll costs represent the gross payroll earned by employees based on salary or hourly wages. Payroll taxes and employee benefits consist of the employer's portion of Social Security and Medicare taxes, federal unemployment taxes, state unemployment taxes and employee reimbursements for materials, supplies and other expenses, which are paid by the customer. Workers' compensation expense consists primarily of the costs associated with the Company's self-insured workers' compensation program, such as claims reserves, claims administration fees, legal fees, state and federal administrative agency fees and reinsurance costs for catastrophic injuries. The Company also maintains a large-deductible workers' compensation insurance policy for employees working in states where the Company is not currently self-insured. Safety incentives represent cash incentives paid to certain PEO client companies as a reward for maintaining safe-work practices in order to minimize workplace injuries. The incentive is based on a percentage of annual payroll and is paid annually to customers who meet predetermined loss parameters.

The largest portion of workers' compensation expense is the cost of workplace injury claims. When an injury occurs and is reported to the Company, the Company's respective independent third-party claims administrator ("TPA") analyzes the details of the injury and develops a case reserve, which is the TPA's estimate of the cost of the claim based on similar injuries and its professional judgment. The Company then records, or accrues, an expense and a corresponding liability based upon the TPA's estimates for claims reserves. As cash payments are made by the Company's TPA against specific case reserves, the accrued liability is reduced by the corresponding payment amount. The TPA also reviews existing injury claims on an on-going basis and adjusts the case reserves as new or additional information for each claim becomes available. The Company has established an additional IBNR reserve to provide for future unanticipated increases in expenses ("adverse loss development") of the claims reserves for open injury claims and for claims incurred but not reported related to prior and current periods. Management believes that the Company's internal claims reporting system minimizes the occurrence of unreported incurred claims.

Selling, general and administrative expenses represent both branch and corporate operating expenses. Branch operating expenses consist primarily of branch office staff payroll and payroll related costs, advertising, rent, office supplies, depreciation and branch incentive compensation. Branch incentive compensation represents a combined 15% of branch pre-tax profits, of which 10% is paid to the branch manager and 5% is shared among the office staff. Corporate operating expenses consist primarily of executive and office staff payroll and payroll related costs, professional and legal fees, travel, depreciation, occupancy costs, information systems costs and executive and corporate staff incentive bonuses.

Amortization of intangibles consists primarily of the amortization of the costs of acquisitions in excess of the fair value of net assets acquired (goodwill). The Company uses a 15-year estimate as

the useful life of goodwill, as compared to the 40-year maximum permitted by generally accepted accounting principles, and amortizes such cost using the straight-line method. Other intangible assets, such as customer lists and covenants not to compete, are amortized using the straight-line method over their estimated useful lives, which range from two to 15 years.

FORWARD-LOOKING INFORMATION

Statements in this Item or in Item 1 of 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 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.

RESULTS OF OPERATIONS

The following table sets forth the percentages of total revenues represented by selected items in the Company's Statements of Operations for the years ended December 31, 1997, 1996 and 1995, listed in Item 14 of this report. Certain 1996 and 1995 revenue and cost of revenue amounts have been reclassified to conform with the 1997 presentation. Such reclassifications had no impact on gross margin, net income or stockholders' equity. References to the Notes to Financial Statements appearing below are to the notes to the Company's financial statements listed in Item 14 of this report.

<TABLE>

	Percentage of Total Revenues		
	Years Ended December 31,		
	1997	1996	1995
Revenues:			
<S>	<C>	<C>	<C>
Staffing services..	58.0%	56.4%	58.8%
Professional employer services.....................................	42.0	43.6	41.2
Total revenues..	100.0	100.0	100.0
Cost of revenues:			
Direct payroll costs...	77.3	76.1	75.9
Payroll taxes and benefits...	8.9	8.8	8.4
Workers' compensation..	3.0	2.9	3.5
Safety incentives..	0.5	0.7	0.5

Total cost of revenues	89.7	88.5	88.3
Gross margin	10.3	11.5	11.7
Selling, general and administrative expenses	7.9	8.0	8.0
Amortization of intangibles	0.4	0.4	0.3
Income from operations	2.0	3.1	3.4
Other income (expense)	-	0.2	0.1
Pretax income	2.0	3.3	3.5
Provision for income taxes	0.7	1.2	1.3
Net income	1.3%	2.1%	2.2%

</TABLE>

YEARS ENDED DECEMBER 31, 1997 AND 1996

Net income for 1997 amounted to $3,845,000, a decrease of $1,123,000 or 22.6% from 1996 net income of $4,968,000. The decrease in 1997 net income from 1996 was primarily due to a lower

gross margin percentage, which resulted primarily from increased payroll costs as a percentage of revenues, offset in part by lower income taxes as a percentage of revenues. Diluted net income per share for 1997 was $0.49 compared to $0.64 for 1996.

Total 1997 revenues were $305,531,000, which represented an increase of $73,579,000 or 31.7% over 1996 revenues of $231,952,000. The increase in revenues over 1996 was primarily due to a 1997 internal growth rate of 23.2%, combined with the effect from a full year of operations for five 1996 acquisitions, as well as from two acquisitions in the first half of 1997. Staffing services revenues increased 35.6% over 1996 primarily as a result of the growth in large contract staffing and on-site management services and the effect of a full year of operations for the 1996 acquisitions. Professional employer (staff leasing) services revenues increased 26.7% over 1996 due to the effect from a full year of operations for the 1996 acquisitions. Revenues from staffing services, as a percent of total revenues, increased in 1997 to 58.0% as compared to 56.4% of total revenues in 1996.

During 1997, the Company closed its branch offices in Seattle, Washington and Phoenix, Arizona. Management relocated the Seattle operations to Tacoma, Washington in connection with a new customer base in the south Puget Sound area. The Phoenix office, which opened during the third quarter of 1996 and represented the Company's first office in Arizona, transferred its business to the expanding operations of the Company's Tucson, Arizona office.

Gross margin for 1997 totaled $31,414,000, representing an increase of $4,735,000 or 17.7% over 1996. The gross margin rate of 10.3% of revenues represents a 120 basis point decline from 1996 due primarily to increases in direct payroll costs as a percentage of revenues. Direct payroll costs as a percentage of revenues increased primarily as a result of increased business activity in contract staffing and on-site management arrangements. The Company expects gross margin, as a percentage of revenues, to continue to be influenced by increases or decreases in contract staffing and on-site management arrangements, as well as by the adequacy of its estimates for workers' compensation liabilities, which may be negatively affected by unanticipated adverse loss development of claims reserves.

The increase in direct payroll costs as a percentage of revenues from 76.1% for 1996 to 77.3% for 1997 was primarily attributable to increased business activity in contract staffing and on-site management arrangements, which are typically higher volume, lower margin accounts.

Workers' compensation expense increased from 2.9% of revenues for 1996 to 3.0% of revenues for 1997. The increase in the total number of injury claims for 1997 over 1996 was due in large part to a new policy implemented in 1997 which records "first aid" type claims. Such claims totaled 276 for 1997 and were not recorded in 1996. The increase in workers' compensation expense for 1997 was generally attributable to a moderately higher incidence of injuries during 1997, as compared to 1996, and management's decision to (i) continue to increase the Company's accrual for future adverse loss development of open claims and (ii) build an accrual for potential future catastrophic workers' compensation claims.

The following table summarizes certain indicators of experience regarding the Company's self-insured workers' compensation program by quarter for 1997 and 1996.

Self-Insured Workers' Compensation Profile

	No. of Self-Insured Injury Claims		Total Self-Insured Workers' Comp Expense (in thousands)		Total Self-Insured Workers' Comp Expense as a % of Total Payroll	
	1997	1996	1997	1996	1997	1996
Q1	321	193	$1,855	$ 770	3.9%	2.4%
Q2	419	312	1,973	1,213	3.7	3.1
Q3	578	401	2,237	2,161	3.6	4.7
Q4	476	422	2,081	1,794	3.8	3.9
For the Year	1,794	1,328	$8,146	$5,938	3.7	3.6

Selling, general and administrative expenses consist of compensation and other expenses incident to the operation of the Company's headquarters and branch offices and marketing of its services. Selling, general and administrative ("SG&A") expenses (excluding the amortization of intangibles) for 1997 amounted to $24,011,000, an increase of $5,477,000 or 29.6% over 1996. Selling, general and administrative expenses expressed as a percentage of revenues decreased from 8.0% for 1996 to 7.9% for 1997. The increase in total SG&A dollars for 1997 over 1996 was primarily attributable to incremental branch office expenses as a result of the four acquisitions since October 1, 1996, the opening of four new offices in 1996 and early 1997, the addition of experienced personnel at several offices to expand the Company's managerial resources and an approximately $700,000 increase in bad debt expense. Two customers accounted for over one-half of the increase in bad debt expense. Management believes that the Company's allowance for doubtful accounts of $575,000 is adequate at December 31, 1997. There can be no assurance, however, that future experience with respect to the Company's ability to collect accounts receivable will not be adverse.

Amortization of intangibles totaled $1,332,000 for 1997 or 0.4% of revenues, which compares to $860,000 or 0.4% of revenues for 1996. The increased amortization expense for 1997 was primarily attributable to amortization arising from the four acquisitions made since October 1, 1996.

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 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.

A definitive judicial interpretation of "employer" in the context of a PEO arrangement has not been established. The tax-exempt status of the Company's 401(k) plan and cafeteria plan is subject to continuing scrutiny and approval by the Internal Revenue Service (the "IRS") and depends upon the Company's ability to establish the Company's employer-employee relationship with PEO employees. The issue of whether the Company's tax-qualified benefit plans can legitimately include worksite employees under their coverage has not yet been resolved. If the worksite employees cannot be covered by the plans, then the exclusive benefit requirement imposed by the Code would not be met by the plans as currently administered and the plans could be disqualified.

The IRS has established a Market Segment Study Group regarding Employee Leasing for the stated purpose of examining whether PEOs, such as the Company, are the employers of worksite employees under the Code provisions applicable to employee benefit plans and are, therefore, able to offer to worksite employees benefit plans that qualify for favorable tax treatment. The IRS Study Group is reportedly also examining whether the owners of client companies are employees of PEO companies under Code provisions applicable to employee benefit plans. To the best of the Company's knowledge, the Market Segment Study Group has not issued a report.

A PEO company headquartered in Texas has stated publicly that the IRS

National Office is being requested by the IRS Houston District to issue a Technical Advice Memorandum ("TAM") on the PEO worksite employee issue in connection with an ongoing audit of a plan of the Texas PEO company. The stated purpose of TAMs is to help IRS personnel in closing cases and to establish and maintain consistent holdings. The IRS's position is that TAMs are not precedential; that is, they are limited to the particular taxpayer involved and that taxpayer's set of facts. The draft request for a TAM by the IRS Houston District reportedly states its determination that the Texas PEO company's Code Section 401(k) plan should be disqualified for the reason, among others, that it covers worksite employees who are not employees of the PEO company.

The timing and nature of the issuance and contents of any TAM regarding the worksite employee issue or any report of the Market Segment Study Group regarding Employee Leasing is unknown at this time. There has also been public discussion of the possibility that the Treasury Department may propose some form of administrative relief or that Congress may provide legislative resolution or clarification regarding this issue.

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. The Company is not presently able to predict the likelihood of disqualification nor the resulting range of loss, in light of the lack of public direction from the IRS or Congress.

YEARS ENDED DECEMBER 31, 1996 AND 1995

Net income for 1996 amounted to $4,968,000, an increase of $780,000 or 18.6% over 1995 net income of $4,188,000. The increase in 1996 net income from 1995 was primarily due to continued growth in revenues and gross margin, which was offset in part by increased selling, general and administrative expenses. Diluted net income per share for 1996 was $0.64 compared to $0.55 for 1995.

Total 1996 revenues were $231,952,000, which represented an increase of $39,035,000 or 20.2% over 1995 revenues of $192,917,000. The increase in revenues over 1995 was primarily due to a 1996 internal growth rate of 11.7%, coupled with the acquisition of five staffing and PEO businesses during 1996. Professional employer (staff leasing) services revenues increased 27.3% over 1995 due to the growth in the number of new PEO clients, primarily in Oregon and California. The growth in 1996 PEO services revenues was a result of internal sales efforts, together with the acquisitions made during 1996. Revenues from staffing services, as a percent of total revenues, declined in 1996 to 56.4% as compared to 58.8% of total revenues in 1995, despite a 15.3% growth rate over 1995.

Gross margin for 1996 totaled $26,679,000, representing an increase of $4,101,000 or 18.2% over 1995. The gross margin rate of 11.5% of revenues for 1996 represented a 20 basis point decrease from 1995 due to slight increases in direct payroll costs and payroll taxes and benefits, offset in part by a decrease in workers' compensation expense as a percentage of total revenues.

Workers' compensation expense, both in terms of total dollars and as a percent of total payroll dollars, improved in 1996 to $6,641,000 or 2.9% of revenues, compared to $6,729,000 or 3.5 % of revenues in 1995. The decrease in the 1996 expense was primarily the result of lower severity for 1996 claims, coupled with a slightly lower incidence of injuries compared to 1995.

Selling, general and administrative expenses (excluding the amortization of intangibles) amounted to $18,534,000 or 8.0% of revenues for 1996, as compared to $15,496,000 or 8.0% of revenues for 1995. The increase in total dollars for 1996, as compared to 1995, was primarily due to additional branch office staff resulting from the five acquisitions consummated during 1996.

Amortization of intangibles totaled $860,000 for 1996, or 0.4% of revenues, which compared to $606,000 or 0.3% of revenues for 1995. The increased amortization expense for 1996 over 1995 was primarily attributable to the five acquisitions during 1996.

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 experience 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 on 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, as well as adverse loss development of prior period claims during a subsequent quarter.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position of $3,439,000 at December 31, 1997 increased $1,816,000 from December 31, 1996. The increase was primarily due to $7,281,000 provided by operations and $757,000 provided by the exercise of stock options and warrants, offset by $2,227,000 used for acquisitions, $1,497,000 used for the purchase of property and equipment and $2,825,000 used for the repurchase of common stock (see discussion below).

Net cash provided by operating activities for 1997 amounted to $7,281,000 as compared to $2,238,000 for 1996. For 1997, cash flow was primarily generated by net income together with increases of $2,180,000 in accrued payroll and benefits and $900,000 in accrued workers' compensation claim liabilities. The $1,030,000 increase in other long-term liabilities includes the $1,000,000 deferred noncompete agreement arising from the acquisition of HR Only and is reflected in the supplemental schedule of noncash activities within the "liabilities assumed" caption.

Net cash used in investing activities totaled $4,112,000 for 1997, as compared to $3,935,000 for 1996. During 1997, the Company paid $2,227,000 in cash in connection with the HR Only and TLC Staffing acquisitions and had capital expenditures of $1,497,000. Approximately $1.0 million of the total capital expenditures was related to new computer hardware and software for the Company's new management information system, which will address all concerns related to the "Year 2000 issue," as discussed in Item 1 under "Management Information System." During 1996, the Company paid $1,519,000 in cash in connection with five acquisitions, incurred $1,390,000 in capital expenditures and had net purchases of $1,026,000 of restricted marketable securities to satisfy various state and federal self-insured workers' compensation surety deposit requirements. At March 30, 1998, the Company had no material long-term capital commitments.

Net cash used in financing activities for 1997 totaled $1,353,000, which compares to $204,000 net cash provided by financing activities for 1996. For 1997, the principal use of cash used in financing activities arose from the Company's obligation to redeem 159,154 shares of its common stock at a value of $2,824,984 pursuant to a Plan and Agreement of Reorganization between StaffAmerica, Inc. and the Company. The cash used for this stock redemption was offset in part by net proceeds from the exercise of stock options and warrants totaling $757,000 and net proceeds from credit-line borrowings of $701,000. As of March 30, 1998, an underwriter continued to hold warrants to purchase 30,000 shares of common stock at $4.20 per share issued in connection with the Company's 1993 initial public offering of its common stock.

The Company has an unsecured $4.0 million revolving credit facility with its principal bank and $2.1 million for standby letters of credit in connection with certain workers' compensation surety arrangements. There was no outstanding balance on the revolving credit facility at December 31, 1997. See Note 7 of the Notes to Financial Statements. Management believes that the credit facility and other potential sources of financing, together with anticipated funds generated from operations, 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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and notes thereto required by this item begin on page F-1 of this report, as listed in Item 14.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

FINANCIAL STATEMENTS AND SCHEDULES

The Financial Statements, together with the report thereon of PricewaterhouseCoopers LLP, are included on the pages indicated below:

There are no schedules required to be filed herewith.

REPORTS ON FORM 8-K
No reports on Form 8-K were filed during the quarter ended December 31, 1997.

EXHIBITS
Exhibits are listed in the Exhibit Index that follows the Financial Statements included in this report. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this report is listed under Item 10, "Executive Compensation Plans and Arrangements and Other Management Contracts" in the Exhibit Index.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BARRETT BUSINESS SERVICES, INC.
Registrant

Date: August 20, 1998 By: /s/ Michael D. Mulholland
Michael D. Mulholland
Vice President-Finance and Secretary
(Principal Financial Officer)

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of
Barrett Business Services, Inc.

In our opinion, the accompanying balance sheets and the related statements of operations, of redeemable common stock and nonredeemable stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Barrett Business Services, Inc. at December 31, 1997 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

Portland, Oregon
August 20, 1998

BARRETT BUSINESS SERVICES, INC.
BALANCE SHEETS
DECEMBER 31, 1997 AND 1996
<TABLE>
- ---

(in thousands, except par value)	1997	1996
ASSETS		
Current assets:		
<S>	<C>	<C>
Cash and cash equivalents	$ 3,439	$ 1,623
Trade accounts receivable, net	21,051	20,173
Note receivable (Note 2)	-	324
Prepaid expenses and other	1,231	1,009
Deferred tax assets (Note 12)	2,086	1,359
Total current assets	27,807	24,488
Intangibles, net (Note 4)	12,133	10,305
Property and equipment, net (Notes 5 and 8)	4,574	3,436
Restricted marketable securities and workers' compensation deposits (Note 6)	6,095	5,707
Other assets	206	127
	$ 50,815	$ 44,063
LIABILITIES, REDEEMABLE COMMON STOCK AND NONREDEEMABLE STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 8)	$ 731	$ 51
Line of credit payable (Note 7)	887	186
Accounts payable	1,136	1,054
Accrued payroll, payroll taxes and related benefits	10,034	7,847
Accrued workers' compensation claim liabilities (Note 6)	3,140	2,240
Customer safety incentives payable	1,073	1,015
Other accrued liabilities	414	606
Total current liabilities	17,415	12,999
Long-term debt, net of current portion (Note 8)	573	1,107
Customer deposits	934	890
Long-term workers' compensation liabilities (Note 6)	632	613
Other long-term liabilities	1,030	-
	20,584	15,609
Commitments and contingencies (Notes 9, 10 and 15)		
Redeemable common stock, $.01 par value; 159 shares issued and outstanding at December 31, 1996 (Note 13)	-	2,825
Nonredeemable stockholders' equity:		
Common stock, $.01 par value; 20,500 shares authorized, 7,638 and 7,520 shares issued and outstanding (Notes 13 and 14)	76	75
Additional paid-in capital	11,760	11,004
Retained earnings	18,395	14,550
	30,231	25,629
	$ 50,815	$ 44,063

</TABLE>

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

BARRETT BUSINESS SERVICES, INC.
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
<TABLE>

(in thousands, except per share amounts)	1997	1996	1995
Revenues:			
<S>	<C>	<C>	<C>
Staffing services	$ 177,263	$ 130,746	$ 113,437
Professional employer services	128,268	101,206	79,480
	305,531	231,952	192,917
Cost of revenues:			
Direct payroll costs	236,307	176,686	146,490
Payroll taxes and benefits	27,226	20,414	16,139
Workers' compensation (Note 6)	9,075	6,641	6,729
Safety incentives	1,509	1,532	981

	1997	1996	1995
	274,117	205,273	170,339
Gross margin	31,414	26,679	22,578
Selling, general and administrative expenses	24,011	18,534	15,496
Amortization of intangibles (Note 4)	1,332	860	606
Income from operations	6,071	7,285	6,476
Other (expense) income:			
Interest expense	(247)	(122)	(154)
Interest income	362	554	400
Other, net	1	-	32
	116	432	278
Income before provision for income taxes	6,187	7,717	6,754
Provision for income taxes (Note 12)	2,342	2,749	2,566
Net income	$ 3,845	$ 4,968	$ 4,188
Basic earnings per share	$ .50	$ .65	$ .57
Weighted average number of basic shares outstanding	7,646	7,602	7,358
Diluted earnings per share	$ .49	$ .64	$ .55
Weighted average number of diluted shares outstanding	7,780	7,823	7,564

</TABLE>

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

BARRETT BUSINESS SERVICES, INC.
STATEMENTS OF REDEEMABLE COMMON STOCK AND
NONREDEEMABLE STOCKHOLDERS' EQUITY
DECEMBER 31, 1997, 1996 AND 1995

<TABLE>

	REDEEMABLE COMMON STOCK		NONREDEEMABLE STOCKHOLDERS' EQUITY				
(in thousands)	SHARES	AMOUNT	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1994	-	$ -	7,252	$ 73	$ 9,023	$ 5,394	$ 14,490
Common stock issued for acquisitions			67	1	910		911
Common stock issued on exercise of options and warrants			124	1	549		550
Net income						4,188	4,188
Contribution of common stock (Note 11)			(7)				-
Balance, December 31, 1995	-	-	7,436	75	10,482	9,582	20,139

Common stock issued for acquisitions	159	2,825	20		380		380
Common stock issued on exercise of options, net			54		112		112
Net income						4,968	4,968
Contribution of capital			10		30		30
Balance, December 31, 1996	159	2,825	7,520	75	11,004	14,550	25,629
Common stock issued on exercise of options and warrants, net			118	1	756		757
Repurchase of redeemable common stock	(159)	(2,825)					-
Net income						3,845	3,845
Balance, December 31, 1997	-	$ -	7,638	$ 76	$ 11,760	$ 18,395	$ 30,231

</TABLE>

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

BARRETT BUSINESS SERVICES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

<TABLE>

(in thousands)	1997	1996	1995
Cash flows from operating activities:			
Net income	$ 3,845	$ 4,968	$ 4,188
Reconciliations of net income to net cash provided by operating activities:			
Depreciation and amortization	1,765	1,189	881
Gain on sales of marketable securities	-	-	(42)
Deferred taxes	(727)	(422)	(23)
Changes in certain assets and liabilities, net of amounts purchased in acquisitions:			
Trade accounts receivable, net	(332)	(5,824)	(3,850)
Prepaid expenses and other	(179)	(513)	103
Accounts payable	73	125	429
Accrued payroll, payroll taxes and related benefits	2,180	1,903	887
Other accrued liabilities	(316)	606	(1)
Accrued workers' compensation claim liabilities	900	148	183
Customer safety incentives payable	58	239	(29)
Customer deposits, other liabilities and other assets, net	(16)	(181)	(24)
Other long-term liabilities	30	-	-
Net cash provided by operating activities	7,281	2,238	2,702
Cash flows from investing activities:			
Cash paid for acquisitions, including other direct costs	(2,227)	(1,519)	(1,199)
Purchases of fixed assets, net of amounts purchased in acquisitions	(1,497)	(1,390)	(410)
Proceeds from maturities of marketable securities	5,343	7,025	1,862
Purchases of marketable securities	(5,731)	(8,051)	(2,305)
Net cash used in investing activities	(4,112)	(3,935)	(2,052)
Cash flows from financing activities:			
Payment of credit line assumed in acquisition	(401)	-	-
Net proceeds from (payments on) credit line			

borrowings	701	(188)	(172)
Note receivable	324	-	-
Proceeds from issuance of long-term debt	180	284	-
Payments on long-term debt	(89)	(34)	(31)
Repurchase of common stock	(2,825)	-	-
Contribution of capital	-	30	-
Proceeds from the exercise of stock options and warrants	757	112	550
Net cash (used in) provided by financing activities	(1,353)	204	347
Net increase (decrease) in cash and cash equivalents	1,816	(1,493)	997
Cash and cash equivalents, beginning of year	1,623	3,116	2,119
Cash and cash equivalents, end of year	$ 3,439	$ 1,623	$ 3,116
Supplemental schedule of noncash activities:			
Acquisition of other businesses:			
Cost of acquisitions in excess of fair market value of net assets acquired	$ 3,160	$ 4,337	$ 2,080
Tangible assets acquired	674	494	30
Liabilities assumed	1,607	107	-
Common stock issued in connection with acquisitions	-	3,205	911

</TABLE>

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

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Barrett Business Services, Inc. ("Barrett" or the "Company"), a Maryland corporation, is engaged in providing staffing and professional employer services to a diversified group of customers through a network of branch offices throughout Oregon, Washington, Idaho, California, Arizona, Maryland, Delaware and Michigan. Approximately 49%, 61% and 63%, respectively, of the Company's revenues during 1997, 1996 and 1995 were attributable to its Oregon operations. On June 29, 1998, the Company acquired Western Industrial Management, Inc. and Catch 55, Inc. (collectively "WIMI"). The acquisition was accounted for as a pooling-of-interests pursuant to Accounting Principles Board ("APB") 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.

REVENUE RECOGNITION

The Company recognizes revenue as the services are rendered by its work force. Staffing services are engaged by customers to meet short-term and long-term personnel needs. Professional employer services 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.

CASH AND CASH EQUIVALENTS

The Company considers nonrestricted short-term investments which are highly liquid, readily convertible into cash, and have original maturities of less than three months to be cash equivalents for purposes of the statements of cash flows.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company had an allowance for doubtful accounts of $575,000 and $25,000 at December 31, 1997 and 1996, respectively.

MARKETABLE SECURITIES

At December 31, 1997 and 1996, marketable securities consisted primarily of governmental debt instruments with maturities generally from 90 days to 30 years (see Note 6). Marketable equity and debt securities have been categorized as held-to-maturity and, as a result, are stated at amortized cost. Realized gains and losses on sales of marketable securities are included in other (expense) income on the Company's statements of operations.

INTANGIBLES

Intangible assets consist primarily of identifiable intangible assets acquired and the cost of acquisition in excess of the fair value of net assets acquired ("goodwill"). Intangible assets acquired are recorded at their estimated fair value at the acquisition date.

The Company uses a 15-year estimate as the useful life of goodwill. This life is based on an analysis of industry practice and the factors influencing the acquisition decision. Other intangible assets are amortized on the straight-line method over their estimated useful lives, ranging from 2 to 15 years. (See Note 4.)

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1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLES (CONTINUED)
The Company reviews for asset impairment at the end of each quarter or more frequently when events or changes in circumstances indicate that the carrying amount of intangible assets may not be recoverable. To perform that review, the Company estimates the sum of expected future undiscounted net cash flows from the intangible assets. If the estimated net cash flows are less than the carrying amount of the intangible asset, the Company recognizes an impairment loss in an amount necessary to write down the intangible asset to a fair value as determined from expected future discounted cash flows. No write-down for impairment loss was recorded for the years ended December 31, 1997, 1996 and 1995.

PROPERTY AND EQUIPMENT
Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to operating expense as incurred, and expenditures for additions and betterments are capitalized. The cost of assets sold or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is reflected in the statements of operations.

Depreciation of property and equipment is calculated using either straight-line or accelerated methods over estimated useful lives which range from 3 years to 31.5 years.

CUSTOMER SAFETY INCENTIVES PAYABLE
Safety incentives are paid annually to professional employer services clients if the cost of workers' compensation claims is less than agreed upon amounts; amounts paid are based on a percentage of payroll. The Company accrues the amounts payable under this program on a monthly basis.

CUSTOMER DEPOSITS
The Company requires deposits from certain professional employer services customers to cover a portion of its accounts receivable due from such customers in event of default of payment.

STATEMENTS OF CASH FLOWS
The Company has recorded the following non-cash transactions:

During 1995, the President and Chief Executive Officer of the Company contributed 7,400 shares of common stock of the Company with a then-fair market value of $111,000 to the Company in settlement of a personal guarantee of a receivable from an insolvent customer (see Note 11).

Interest paid during 1997, 1996, and 1995 did not materially differ from interest expense.

Income taxes paid by the Company in 1997, 1996 and 1995 totaled $3,223,920, $2,953,317 and $2,543,700, respectively.

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1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. All prior years have been restated to reflect the adoption of SFAS No. 128. Basic earnings per share are computed based on the weighted average number of common shares outstanding for each year. Diluted earnings per share

reflect the potential effects of the exercise of outstanding stock options and warrants.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the 1997 presentation. Such reclassifications have no impact on net income or stockholders' equity.

ACCOUNTING ESTIMATES

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results may differ from those estimates.

2. ACQUISITIONS

MID-DEL EMPLOYMENT SERVICE, INC.; SUSSEX EMPLOYMENT SERVICES, INC.; PPI (PRESTIGE PERSONNEL) - SALISBURY, INC.; AND DEL-MAR-VA NURSES-ON-CALL INC.

On July 17, 1995, the Company purchased certain assets of Mid-Del Employment Service, Inc.; Sussex Employment Services, Inc.; PPI (Prestige Personnel) - Salisbury, Inc.; and Del-Mar-Va Nurses-On-Call Inc. (collectively, "the Maryland and Delaware companies"). These companies were engaged in the temporary staffing business in eastern Maryland and Delaware. The all-cash purchase price of $969,000 (inclusive of acquisition-related costs of $19,000) was accounted for under the purchase method of accounting, which resulted in $944,000 of intangible assets and $25,000 of fixed assets.

STREGE & ASSOCIATES, INC.

Effective December 11, 1995, the Company purchased certain assets of Strege & Associates, Inc., a company specializing in providing highly skilled tradesmen to various industries for maintenance and supplemental labor purposes in Portland, Oregon. Of the $1,141,000 purchase price (inclusive of acquisition-related costs of $4,000), the Company paid $230,000 in cash and issued 67,443 shares of its common stock with a then-fair market value of $911,000. The acquisition was accounted for under the purchase method of accounting, which resulted in $1,136,000 of intangible assets and $5,000 of fixed assets.

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2. ACQUISITIONS (CONTINUED)

STAFFAMERICA, INC.

On April 1, 1996, the Company acquired certain assets and the business of StaffAmerica, Inc., pursuant to a Plan and Agreement of Reorganization. StaffAmerica provides both temporary staffing and staff leasing services through its two offices located in Goleta and Oxnard, California. In 1995, StaffAmerica had revenues of approximately $6.7 million. In exchange for the StaffAmerica assets and business operations, the Company issued 157,464 shares of its common stock valued at $2,795,000, assumed a StaffAmerica liability of $50,000 for customer deposits, issued to each of the two owners of StaffAmerica 845 shares of Company common stock for their covenants not to compete, and incurred $102,000 in acquisition-related costs. The acquisition was accounted for under the purchase method of accounting, which resulted in $2,597,000 of intangible assets, a promissory note receivable of $324,000 from the seller, and $56,000 in fixed assets. The $324,000 promissory note was repaid to the Company during 1997.

On April 11, 1997, pursuant to the Plan and Agreement of Reorganization between StaffAmerica, Inc. and the Company, the Company repurchased from StaffAmerica and its two shareholders all 159,154 shares of common stock previously issued by the Company as consideration for the acquisition, for a total of $2,824,984 or $17.75 per share. Upon completion of the share repurchase, the Company canceled the shares of common stock.

JOBWORKS AGENCY, INC.

On April 8, 1996, the Company acquired certain assets and the business of JobWorks Agency, Inc. (JobWorks) by way of a Plan and Agreement of Reorganization. JobWorks provided both temporary staffing and staff leasing services through its two offices located in Hood River and The Dalles, Oregon. JobWorks had revenues of approximately $1.2 million (unaudited) in 1995. The Company issued 20,446 shares of its common stock with a then-fair value of $380,000 for the assets and business of JobWorks, assumed a customer deposit liability of $2,000, and incurred $14,000 in acquisition-related costs. The Company paid $20,000 in cash for the selling shareholder's agreement of noncompetition. The acquisition was accounted for under the purchase method of accounting, which resulted in $324,000 of intangible assets, $72,000 in accounts receivable, and $20,000 in fixed assets.

CASCADE TECHNICAL STAFFING
Effective August 26, 1996, the Company acquired certain assets of Cascade Technical Staffing (Cascade). Cascade provided technical and light industrial staffing services primarily in the electronics industry through its Beaverton, Oregon office. Cascade had revenues of approximately $3.5 million (unaudited) in 1995. The Company paid $550,000 in cash for the assets and incurred $6,000 in acquisition-related costs. The acquisition was accounted for under the purchase method of accounting, which resulted in $536,000 of intangible assets and $20,000 of fixed assets.

CALIFORNIA EMPLOYER SERVICES, INC.
Effective November 4, 1996, the Company purchased the staff leasing division of California Employer Services, Inc. (CES), an Orange County, California staffing services company. The CES division had revenues of approximately $10.5 million (unaudited) for the fiscal year ended September 30, 1996. The Company paid $624,000 in cash for the division, assumed a customer deposit liability of $36,000, and incurred $25,000 in acquisition-related costs. The transaction was accounted for under the purchase method of accounting, which resulted in $685,000 of intangible assets.

2. ACQUISITIONS (CONTINUED)

PROFESSIONAL PERSONNEL, INC.
Effective November 25, 1996, the Company purchased certain assets of Professional Personnel, Inc. (PPI), a provider of staff leasing services located in Downey, California. PPI had revenues of approximately $2.4 million (unaudited) for the year ended September 30, 1996. The Company paid $176,000 in cash for certain assets, assumed a customer deposit liability of $19,000, and incurred $2,000 in acquisition-related costs. The transaction was accounted for under the purchase method of accounting, which resulted in $195,000 of intangible assets and $2,000 of fixed assets.

HR ONLY
Effective February 1, 1997, the Company acquired D&L Personnel Department Specialists, Inc., dba HR Only, a staffing services company which specializes in human resource professionals, with offices in Los Angeles and Garden Grove, California. The Company paid $1,800,000 in cash for all of the outstanding common stock of HR Only and $1,200,000 in cash for noncompete agreements with certain individuals, of which $1,000,000 was deferred with simple interest at 5% per annum for five years and then be paid ratably over the succeeding five-year period. The deferred portion of the noncompete agreement is presented on the balance sheet in other long-term liabilities. HR Only's revenues for the fiscal year ended January 31, 1997 were approximately $4.3 million. The transaction was accounted for under the purchase method of accounting, which resulted in $3,027,000 of intangible assets, including $92,000 for acquisition-related costs, and $65,000 of net tangible assets.

TLC STAFFING
Effective April 13, 1997, the Company purchased certain assets of JRL Services, Inc., dba TLC Staffing, a provider of clerical staffing services located in Tucson, Arizona. TLC Staffing had revenues of approximately $800,000 (unaudited) for the year ended December 31, 1996. The Company paid $150,000 in cash for the assets, assumed an $18,000 office lease liability and incurred $4,000 in acquisition related costs. The transaction was accounted for under the purchase method of accounting, which resulted in $152,000 of intangible assets and $2,000 of fixed assets.

PRO FORMA RESULTS OF OPERATIONS (UNAUDITED)
The operating results of each of the above acquisitions are included in the Company's results of operations from the respective date of acquisition. The following unaudited summary presents the combined results of operations as if the StaffAmerica, Cascade Technical Staffing, California Employer Services, and HR Only acquisitions had occurred at the beginning of 1996, after giving effect to certain adjustments for the amortization of intangible assets, taxation and cost of capital. The other acquisitions made since January 1, 1996 are not included in the pro forma information as their effect is not material.

(in thousands, except per share amounts)	YEAR ENDED DECEMBER 31, 1997	1996
Revenue	$ 305,889	$ 250,306
Net income	$ 3,848	$ 5,216
Basic earnings per share	$ .50	$ .68
Diluted earnings per share	$ .49	$ .66

2. ACQUISITIONS (CONTINUED)

The unaudited pro forma results above have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisitions been made as of that date, or of results which may occur in the future.

On June 29, 1998, the Company completed a merger with WIMI, whereby WIMI was merged directly into Barrett. 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 the value of $11.375 per share of Barrett's common stock. WIMI was a privately-held staffing services company headquartered in San Bernardino, California.

Separate results of operations of the periods prior to the merger with the Company are as follows:

(in thousands)	YEAR ENDED DECEMBER 31, 1997	1996	1995
Revenues:			
Barrett	$ 281,006	$ 213,926	$ 178,516
WIMI	24,525	18,026	14,401
Combined	$ 305,531	$ 231,952	$ 192,917
Net income (loss):			
Barrett	$ 3,825	$ 5,036	$ 4,118
WIMI	20	(68)	70
Combined	$ 3,845	$ 4,968	$ 4,188
Other changes in redeemable common stock and nonredeemable stockholders' equity:			
Barrett	$ (2,068)	$ 3,317	$ 1,461
WIMI	-	30	-
Combined	$ (2,068)	$ 3,347	$ 1,461

3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

All of the Company's significant financial instruments are recognized in its balance sheet. Carrying values approximate fair market value of most financial assets and liabilities. The fair market value of certain financial instruments was estimated as follows:

- Marketable securities - Marketable securities primarily consist of U.S. Treasury bills and municipal bonds. The interest rates on the Company's marketable security investments approximate current market rates for these types of investments; therefore, the recorded value of the marketable securities approximates fair market value.

- Long-term debt - The interest rates on the Company's long-term debt approximate current market rates, based upon similar obligations with like maturities; therefore, the recorded value of long-term debt approximates the fair market value.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK (CONTINUED)

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of temporary cash investments, marketable securities, and trade accounts receivable. The Company restricts investment of temporary cash investments and marketable securities to financial institutions with high credit ratings and to investments in governmental debt instruments. Credit risk on trade receivables is minimized as a result of the large and diverse nature of the Company's customer base. At December 31, 1997, the Company had significant concentrations of credit risk as follows:

- Marketable securities - $2,155,000 of marketable securities at December 31, 1997 consisted of Oregon State Housing & Community Service Bonds.

- Trade receivables - $2,500,000 of trade receivables were with two customers at December 31, 1997 (13% of trade receivables outstanding at December 31, 1997).

4. INTANGIBLES

Intangibles consist of the following (in thousands):

<TABLE>

<S>	1997 <C>	1996 <C>
Covenants not to compete	$ 3,469	$ 2,249
Goodwill	12,925	10,985
Customer lists	358	358
	16,752	13,592
Less accumulated amortization	4,619	3,287
	$ 12,133	$ 10,305

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands):

	1997	1996
Office furniture and fixtures	$ 2,899	$ 2,375
Computer hardware and software	1,820	786
Buildings	1,441	1,423
Vehicles	55	60
	6,215	4,644
Less accumulated depreciation	1,949	1,516
	4,266	3,128
Land	308	308
	$ 4,574	$ 3,436

</TABLE>

6. ACCRUED WORKERS' COMPENSATION CLAIM LIABILITIES

In August 1987, the Company became a self-insured employer with respect to workers' compensation coverage for all its employees working or living in Oregon. The Company also became a self-insured employer for workers' compensation coverage in the states of Maryland effective November 1993, Washington effective July 1994, Delaware effective January 1995, and California effective March 1995. Effective May 1995, the Company also became self-insured for workers' compensation purposes by the United States Department of Labor for longshore and harbor ("USL&H") workers' coverage.

The Company has provided $3,772,000 and $2,853,000 at December 31, 1997 and 1996, respectively, as an estimated liability for unsettled workers' compensation claims. This estimated liability represents management's best estimate which includes, in part, an evaluation of information provided by the Company's third-party administrators and its independent actuary. Included in the claims liabilities are case reserve estimates for reported losses, plus additional amounts based on projections for incurred but not reported claims, anticipated increases in case reserve estimates and additional claims administration expenses. These estimates are continually reviewed and adjustments to liabilities are reflected in current operations as they become known. The Company believes that the difference between amounts recorded for its estimated liability and the possible range of costs of settling related claims is not material to results of operations; nevertheless, it is reasonably possible that adjustments required in future periods may be material to results of operations.

The United States Department of Labor and the States of Oregon, Maryland, Washington and California require the Company to maintain specified investment balances or other financial instruments, totaling $7,698,000 at December 31, 1997 and $7,151,000 at December 31, 1996, to cover potential claims losses. In partial satisfaction of these requirements, at December 31, 1997, the Company has provided letters of credit in the amount of $2,096,000 and surety bonds totaling $457,000. The investments are included in restricted marketable securities and workers' compensation deposits in the accompanying balance sheets.

Liabilities incurred for work-related employee fatalities are recorded either at an agreed lump-sum settlement amount or the net present value of future fixed and determinable payments over the actuarially determined remaining life of the beneficiary, discounted at a rate that approximates a long-term, high-quality corporate bond rate. The Company has obtained excess workers' compensation insurance to limit its self-insurance exposure to $350,000 per occurrence in all states, except for $300,000 in Maryland and $500,000 per occurrence for USL&H exposure. The excess insurance provides unlimited coverage above the aforementioned exposures. At December 31, 1997, the Company has recorded $632,000 for work-related catastrophic injuries and fatalities in long-term workers' compensation liabilities in the accompanying balance sheets.

The aggregate undiscounted pay-out amount for the catastrophic injuries and fatalities is $1,570,000. The actuarially determined pay-out periods to the beneficiaries range from nine years to 44 years. As a result, the five-year cash requirements related to these claims are immaterial.

The workers' compensation expense in the accompanying statements of operations consists of $8,099,000, $5,799,000 and $5,802,000 for self-insurance expense for 1997, 1996 and 1995, respectively. Premiums in the insured states were $976,000, $842,000 and $927,000 for 1997, 1996 and 1995, respectively.

7. CREDIT FACILITY

Effective May 30, 1997, the Company renegotiated its loan agreement (the "Agreement") with a major bank, which provides for (a) an unsecured revolving credit facility for working capital purposes, (b) a term real estate loan (Note 8) and (c) standby letters of credit totaling $2,096,000, in connection with certain workers' compensation surety arrangements. The

Agreement expires on May 31, 1998 and currently permits total borrowings of up to $4,000,000 under the revolving credit facility. The interest rates available on outstanding balances under the revolving credit facility include Prime Rate, Federal Funds Rate plus 1.75%, or Adjusted Eurodollar Rate plus 1.25%. Under the loan agreement, the Company is required to maintain a zero outstanding balance against the revolving credit facility for a minimum of 30 consecutive days during each year. The pledging of any of the Company's assets, other than existing mortgages on its real property, is limited to a pro rata basis with any other lender.

During the year ended December 31, 1997, the maximum balance outstanding under the revolving credit facility was $3,556,000, the average balance outstanding was $1,412,000, and the weighted average interest rate during the period was 7.3%. The weighted average interest rate during 1997 was calculated using daily weighted averages. There were no borrowings on the revolving credit facility during 1996.

The Company has an additional revolving credit facility. Total borrowings outstanding at December 31, 1997 and 1996 were $887,000 and $186,000, respectively. This credit facility was paid off in 1998.

8. LONG-TERM DEBT

Long-term debt consists of the following:

<TABLE>

	1997	1996
	(IN THOUSANDS)	
<S>	<C>	<C>
Loan from shareholder, interest at 10% per annum due in 1998 (See Note 11)	$ 122	$ -
Mortgage note payable in monthly installments of $2,784, including interest at 11% per annum through 1998, with a principal payment of $269,485 due in 1998, secured by land and building	273	276
Mortgage note payable in monthly installments of $6,730, including interest at 8.15% per annum through 2003, with a principal payment of $366,900 due in 2003, secured by land and building (Note 7)	566	598
Mortgage note payable, including interest at 10% per annum due in 1998, secured by land and building	210	210
Capitalized lease equipment with variable monthly installments, including interest at 11.5% per annum through 2000, secured by equipment	75	74
Other	58	-
	1,304	1,158
Less portion due within one year	731	51
	$ 573	$ 1,107

</TABLE>

8. LONG-TERM DEBT (CONTINUED)

Maturities on long-term debt are summarized as follows at December 31, 1997 (in thousands):

YEAR ENDING DECEMBER 31,	
1998	$ 731
1999	57
2000	60
2001	51
2002	49
Thereafter	356
	$ 1,304

9. SAVINGS PLAN

On April 1, 1990, the Company established a Section 401(k) employee savings plan for the benefit of its eligible employees. All employees 21 years of age or older become eligible to participate in the savings plan upon completion of 1,000 hours of service in any consecutive 12-month period following the initial date of employment. Employees covered under a co-employer (PEO) contract receive credit for prior employment with the PEO client for purposes of meeting savings plan service eligibility. The determination of Company contributions to the plan, if any, is subject to the sole discretion of the Company. Participants' interests in Company contributions to the plan vest over a seven-year period. Company contributions to the plan were $111,000, $134,000 and $142,000 for the years ended December 31, 1997, 1996 and 1995, respectively.

Recent attention has been placed by the Internal Revenue Service (the "IRS") and the staff leasing industry on IRC Section 401(k) plans sponsored by staff leasing companies. As such, the tax-exempt status of the Company's plan is subject to continuing scrutiny and approval by the IRS and to the Company's ability to support to the IRS the Company's employer-employee relationship with leased employees. In the event the tax-exempt status were to be discontinued and the plan were to be disqualified, the operations of the Company could be adversely affected. The Company has not recorded any provision for this potential contingency, as the Company and its legal counsel cannot presently estimate either the likelihood of disqualification or the resulting range of loss, if any.

10. COMMITMENTS

LEASE COMMITMENTS

The Company leases its branch offices under operating lease agreements which require minimum annual payments as follows (in thousands):

YEAR ENDING DECEMBER 31,	
1998	$ 920
1999	701
2000	455
2001	229
2002	81
	$ 2,386

Rent expense for the years ended December 31, 1997, 1996 and 1995 was approximately $1,188,000, $848,000 and $680,000, respectively.

11. RELATED PARTY TRANSACTIONS

During 1997, 1996 and 1995, the Company recorded revenues of $4,047,000, $4,086,000 and $3,753,000, respectively, and cost of revenues of $3,719,000, $3,768,000 and $3,408,000, respectively, for providing services to a company of which a then director of the Company was president and majority stockholder. At December 31, 1997 and 1996, Barrett had trade receivables from this company of $188,000 and $126,000, respectively.

At December 31, 1993, the President and Chief Executive Officer of the Company, pursuant to the approval of a majority of the disinterested outside directors, agreed to personally guarantee, at no cost to the Company, the repayment of a $111,000 receivable from an unrelated, insolvent customer. During 1995, pursuant to this agreement, the Company exercised its right to the personal guarantee provided by the Company's Chief Executive Officer. Accordingly, the Chief Executive Officer surrendered to the Company 7,400 shares of common stock of Barrett Business Services, Inc., with a then-fair market value of $111,000 or $15.00 per share, in satisfaction of the guarantee. The Company subsequently retired the shares and the par value of the shares was reclassified to additional paid-in capital. The uncollectible account was included in the Company's provisions for doubtful accounts during 1993 and 1994.

On December 31, 1997, the Company took a loan from a shareholder in the amount of $122,100. The note bears interest at 10% per annum and is due in 1998.

12. INCOME TAXES

The provisions for income taxes are as follows (in thousands):

	YEAR ENDED DECEMBER 31, 1997	1996	1995
Current:			
Federal	$ 2,566	$ 2,692	$ 2,114
State	503	479	475
	3,069	3,171	2,589
Deferred:			
Federal	(600)	(348)	(19)
State	(127)	(74)	(4)
	(727)	(422)	(23)
Total provision	$ 2,342	$ 2,749	$ 2,566

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

	1997	1996
Accrued workers' compensation claim liabilities	$ 1,469	$ 1,113
Allowance for doubtful accounts	236	10
Tax depreciation in excess of book depreciation	(165)	(154)
Safety incentives	276	281
Amortization of intangibles	110	29
State unemployment tax accrual	160	80
	$ 2,086	$ 1,359

The effective tax rate differed from the U.S. statutory federal tax rate due to the following:

	YEAR ENDED DECEMBER 31, 1997	1996	1995
Statutory federal tax rate	34.0%	34.0%	34.0%
State taxes, net of federal benefit	3.5	3.5	4.6
Nondeductible amortization of intangibles	1.3	.1	.1
Federal tax-exempt interest income	(1.0)	(1.4)	(1.3)
Other, net	.1	(.6)	.6
	37.9%	35.6%	38.0%

During 1997, the Company recognized a State of Oregon tax credit of approximately $121,000 related to the 1996 tax year. During 1996, the Company recognized a State of Oregon surplus tax refund of approximately $145,000 related to tax years 1993 through 1995.

13. REDEEMABLE COMMON STOCK AND NONREDEEMABLE STOCKHOLDERS' EQUITY

REDEEMABLE COMMON STOCK
As part of the 1996 acquisition of StaffAmerica discussed in Note 2, the Company granted "put rights" to certain shareholders that required the Company to redeem 159,154 shares of its common stock at a redemption price of $17.75 per share for a total of $2,824,984 on April 11, 1997.

At December 31, 1996, the shares of common stock subject to the "put rights" are presented in the accompanying balance sheets as redeemable common stock. Such shares were recorded at their fair market value as of the date of acquisition. Such fair market value equaled the maximum redemption amount.

14. STOCK INCENTIVE PLAN

As of March 1, 1993, the Company adopted the 1993 Stock Incentive Plan (the "Plan") which provides for stock-based awards to the Company's employees, non-employee directors, and outside consultants or advisors. Effective May 14, 1997, the Company's stockholders approved an increase in the number of shares of common stock reserved for issuance under the Plan from 800,000 to 1,300,000.

The options 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. Under the terms of the Plan, the exercise price of the options must be not less than the fair market value of the Company's stock on the date of grant. The number of options and the price per share have been restated to reflect the 2-for-1 stock split effective May 23, 1994.

In connection with its initial public offering in 1993, the Company issued 200,000 warrants to its underwriters and related parties for the purchase of shares of the Company's common stock exercisable in whole at any time or in part from time to time commencing June 11, 1994 at $4.20 per share, after giving effect to the 2-for-1 stock split. A total of 170,000 warrants have been exercised through December 31, 1997 for proceeds of $714,000. The remaining unexercised warrants expire on June 10, 1998.

14. STOCK INCENTIVE PLAN (CONTINUED)

A summary of the status of the Company's stock option plan at December 31, 1997, 1996 and 1995, together with changes during the periods then ended, is presented below.

<TABLE>

	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 1994	306,575	$ 7.36
Options granted at market price	151,500	14.31
Options granted above market price	70,000	16.36
Options exercised	(13,950)	6.19
Options canceled or expired	(17,500)	7.52
Outstanding at December 31, 1995	496,625	10.78
Options granted at market price	137,498	16.63
Options exercised	(83,625)	6.77
Options canceled or expired	(58,500)	17.70
Outstanding at December 31, 1996	491,998	12.27
Options granted at market price	219,871	14.54
Options exercised	(77,375)	9.46
Options canceled or expired	(39,375)	13.87
Outstanding at December 31, 1997	595,119	13.50
Available for grant at December 31, 1997	503,756	

</TABLE>

The Company applies APB Opinion 25 and related interpretations in accounting for the Plan. Accordingly, no compensation expense has been recognized for its stock option grants. Had compensation expense for the Company's stock-based compensation plan been determined based on the fair market value at the grant date for awards under the Plan, consistent with the method of Statement of Financial Accounting Standards No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

<TABLE>

(in thousands, except per share amounts)	1997	1996	1995
<S>	<C>	<C>	<C>
Net income, as reported	$ 3,845	$ 4,968	$ 4,188
Net income, pro forma	3,364	4,596	3,927
Basic earnings per share, as reported	.50	.65	.57
Basic earnings per share, pro forma	.43	.59	.53
Diluted earnings per share, as reported	.49	.64	.55
Diluted earnings per share, pro forma	.42	.58	.51

</TABLE>

14. STOCK INCENTIVE PLAN (CONTINUED)

The effects of applying SFAS No. 123 for providing pro forma disclosures for 1997, 1996 and 1995 are not likely to be representative of the effects on reported net income for future years, because options vest over several years and additional awards generally are made each year.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted-average assumptions used for grants in 1997, 1996 and 1995:

<TABLE>

	1997	1996	1995
<S>	<C>	<C>	<C>
Expected volatility	42%	41%	41%
Risk free rate of return	6.25%	6.10%	6.10%
Expected dividend yield	0%	0%	0%
Expected life (years)	7.5	7.0	7.0

</TABLE>

Total fair value of options granted at market price was computed to be $1,809,662, $1,227,834 and $1,165,925 for the years ended December 31, 1997, 1996 and 1995, respectively. Total fair value of options granted at 110% above market price was computed to be $531,300 for the year ended December 31, 1995. Such options were granted to the chief executive officer in 1995. The weighted average value of options granted in 1997, 1996 and 1995 was $8.23, $8.93 and $5.26, respectively.

The following table summarizes information about stock options outstanding at December 31, 1997:

<TABLE>

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
EXERCISE PRICE RANGE	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	EXERCISABLE AT DECEMBER 31, 1997	WEIGHTED AVERAGE EXERCISE PRICE

<S>	<C>	<C>	<C>	<C>	<C>
$ 3.50	33,000	$ 3.50	5.4	33,000	$ 3.50
8.75 - 9.50	66,250	9.42	6.1	35,750	9.35
10.75 - 12.07	83,860	11.69	8.8	20,000	11.00
13.37 - 14.88	202,000	14.39	8.4	49,500	14.40
15.00 - 18.69	210,009	16.22	6.7	73,708	15.80

</TABLE>

At December 31, 1997, 1996 and 1995, 211,958, 126,500 and 82,875 were exercisable at weighted average exercise prices of $12.02, $10.80 and $7.04, respectively.

15. LITIGATION

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to currently pending or threatened actions is not expected to materially affect the financial position or results of operations of the Company.

16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

<TABLE>

<S>	FIRST QUARTER <C>	SECOND QUARTER <C>	THIRD QUARTER <C>	FOURTH QUARTER <C>
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
Year ended December 31, 1995				
Revenues	$ 42,152	$ 47,841	$ 53,286	$ 49,638
Cost of revenues	38,294	42,417	46,404	43,224
Net income	361	1,056	1,530	1,241
Basic earnings per share	.05	.14	.21	.17
Diluted earnings per share	.05	.14	.20	.16
Year ended December 31, 1996				
Revenues	46,502	55,902	64,694	64,854
Cost of revenues	40,987	49,146	57,438	57,702
Net income	816	1,287	1,639	1,226
Basic earnings per share	.11	.17	.21	.16
Diluted earnings per share	.11	.16	.21	.16
Year ended December 31, 1997				
Revenues	67,011	75,660	85,995	76,865
Cost of revenues	60,296	67,686	77,258	68,877
Net income	823	1,254	976	792
Basic earnings per share	.11	.16	.13	.10
Diluted earnings per share	.10	.16	.13	.10

</TABLE>

EXHIBIT INDEX

2 Acquisition and Merger Agreement dated June 29, 1998, among the registrant, Western Industrial Management, Inc., Catch 55, Inc., and the other parties listed therein. Incorporated by reference to Exhibit 2 to the registrant's Current Report on Form 8-K dated June 29, 1998.

3.1 Charter of the registrant, as amended. Incorporated by reference to Exhibit 3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994.

3.2 Bylaws of the registrant, as amended. Incorporated by reference to Exhibit 3.2 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1996.

4.1 Loan Agreement between the registrant and Wells Fargo Bank, N.A., dated May 30, 1997. Incorporated by reference to Exhibit 4.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997.

The registrant has incurred other long-term indebtedness as to which the amount involved is less than 10 percent of the registrant's total assets. The registrant agrees to furnish copies of the instruments relating to such indebtedness to the Commission upon request.

10 Executive Compensation Plans and Arrangements and Other Management Contracts.

10.1 1993 Stock Incentive Plan of the registrant as amended. Incorporated by reference to Exhibit 10.1 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1996.

10.2 Form of Indemnification Agreement with each director of the registrant. Incorporated by reference to Exhibit 10.8 to the registrant's Registration Statement on Form S-1 (No. 33-61804).

10.3* Deferred Compensation Plan for Management Employees of the registrant.

11 Statement of calculation of Basic and Diluted shares outstanding.

23 Consent of PricewaterhouseCoopers LLP, independent accountants.

24* Power of attorney of certain officers and directors.

27.1 Restated Financial Data Schedule, fiscal year end 1997.

27.2* Financial Data Schedules, fiscal year ends 1995 and 1996 and Qtrs. 1, 2 and 3 of 1996.

27.3 Restated Financial Data Schedules, Qtrs. 1, 2 and 3 of 1997.

27.4 Restated Financial Data Schedules, fiscal year ends 1995 and 1996.

* Previously filed

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

	Year Ended Dec. 31, 1997
Weighted average number of basic shares outstanding	7,645,523
Stock option plan shares to be issued at prices ranging from $3.50 to $18.00 per share	532,615
Warrant issues at a price of $4.20 per share	47,308
Less: Assumed purchase at average market price during the period using proceeds received upon exercise of options and purchase of stock, and using tax benefits of compensation due to premature dispositions	(445,327)
Weighted average number of diluted shares outstanding	7,780,119

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-71792, 33-55117, 33-52871 and 333-33487) and in the Prospecti constituting part of the Registration Statements on Form S-3 (Nos. 33-62979, 333-07751 and 333-24449) of Barrett Business Services, Inc. of our report dated August 20, 1998 appearing on page F-1 of this Form 10-K/A.

/s/ PRICEWATERHOUSECOOPERS LLP

Portland, Oregon
August 20, 1998

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This schedule contains summary financial information extracted from the Company's balance sheets and related statements of operations for the period ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.
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