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 September 30, 1999

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 reports), 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 October 29, 1999 was 7,476,898 shares.

BARRETT BUSINESS SERVICES, INC.

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PART I - Financial Information

Item 1. Financial Statements

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

	September 30, 1999	December 31, 1998
Assets		
Current assets:		
Cash and cash equivalents	$ -	$ 4,029
Trade accounts receivable, net	33,223	21,907
Prepaid expenses and other	2,002	1,103
Deferred tax assets (Note 3)	1,629	1,857
Total current assets	36,854	28,896
Intangibles, net	22,625	11,508
Property and equipment, net	6,481	5,184
Restricted marketable securities and workers' compensation deposits	6,431	6,004
Deferred tax assets (Note 3)	733	552
Other assets	1,150	626
	$74,274	$52,770
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable	$ 865	$ -
Current portion of long-term debt	2,783	61
Line of credit payable	2,972	-
Income taxes payable (Note 3)	200	438
Accounts payable	1,362	948
Accrued payroll, payroll taxes and related benefits	16,755	9,246
Accrued workers' compensation claims liabilities	2,700	3,244
Customer safety incentives payable	1,135	1,173
Other accrued liabilities	512	514
Total current liabilities	29,284	15,624
Long-term debt, net of current portion	4,941	503
Customer deposits	787	829
Long-term workers' compensation liabilities	703	714
Other long-term liabilities	1,791	1,398
	37,506	19,068
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value; 20,500 shares authorized, 7,581 and 7,676 shares issued and outstanding, respectively	76	77
Additional paid-in capital	10,686	11,409
Retained earnings	26,006	22,216
	36,768	33,702
	$74,274	$52,770

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)

	Three Months Ended September 30,	
	1999	1998
Revenues:		
Staffing services	$56,434	$44,199
Professional employer services	39,441	37,770
	95,875	81,969
Cost of revenues:		
Direct payroll costs	74,285	63,768
Payroll taxes and benefits	7,620	6,587
Workers' compensation	2,578	2,201
Safety incentives	444	446
	84,927	73,002
Gross margin	10,948	8,967
Selling, general and administrative expenses	7,116	5,826
Amortization of intangibles	532	322
Income from operations	3,300	2,819
Other income (expense):		
Interest expense	(247)	(30)
Interest income	82	97
Other, net	27	1
	(138)	68
Income before provision for income taxes	3,162	2,887
Provision for income taxes (Note 3)	1,327	1,288
Net income	$ 1,835	$ 1,599
Basic earnings per share	$ .24	$ .21
Weighted average number of basic shares outstanding	7,581	7,675
Diluted earnings per share	$ .24	$ .21
Weighted average number of diluted shares outstanding	7,634	7,714

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)

	Nine Months Ended September 30,	
	1999	1998
Revenues:		
Staffing services	$139,848	$127,289
Professional employer services	111,749	100,572
	251,597	227,861
Cost of revenues:		
Direct payroll costs	195,025	176,783

Payroll taxes and benefits	21,013	19,656
Workers' compensation	6,992	6,408
Safety incentives	1,165	1,146
	224,195	203,993
Gross margin	27,402	23,868
Selling, general and administrative expenses	19,376	17,677
Merger expenses	-	750
Amortization of intangibles	1,339	1,004
Income from operations	6,687	4,437
Other income (expense):		
Interest expense	(376)	(147)
Interest income	266	322
Other, net	30	3
	(80)	178
Income before provision for income taxes	6,607	4,615
Provision for income taxes (Note 3)	2,817	2,029
Net income	$ 3,790	$ 2,586
Basic earnings per share	$ .50	$ .34
Weighted average number of basic shares outstanding	7,609	7,660
Diluted earnings per share	$ .50	$ .34
Weighted average number of diluted shares outstanding	7,655	7,710

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

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

	Nine Months Ended September 30,	
	1999	1998
Cash flows from operating activities:		
Net income	$ 3,790	$ 2,586
Reconciliation of net income to cash from operations:		
Depreciation and amortization	1,784	1,349
Changes in certain assets and liabilities, net of assets acquired and liabilities assumed:		
Trade accounts receivable, net	(8,575)	(3,039)
Prepaid expenses and other	(840)	(962)
Deferred tax assets	155	(214)
Accounts payable	267	(652)
Accrued payroll, payroll taxes and related benefits	7,348	3,739
Accrued workers' compensation claims liabilities	(544)	276
Customer safety incentives payable	(38)	125
Income taxes payable	(238)	516
Other accrued liabilities	(206)	83
Customer deposits and long-term workers' compensation liabilities and other assets	(555)	(72)
Other long-term liabilities	393	168
Net cash provided by operating activities	2,741	3,903

Cash flows from investing activities:		
Cash paid for acquisitions, including other direct costs (Note 2)	(14,022)	(687)
Purchases of fixed assets, net of amounts purchased in acquisitions	(1,329)	(846)
Proceeds from maturities of marketable securities	2,325	5,458
Purchases of marketable securities	(2,731)	(5,190)
Net cash used in investing activities	(15,757)	(1,265)
Cash flows from financing activities:		
Payment of credit-line assumed in acquisition	(1,113)	-
Payment of note payable assumed in acquisition	(55)	-
Net proceeds from (payments on) credit-line borrowings	2,972	(887)
Proceeds from issuance of notes payable	1,105	-
Payments on notes payable	(240)	-
Proceeds from issuance of long-term debt	8,000	-
Payments on long-term debt	(958)	(461)
Payment to dissenting shareholder	-	(519)
Payment to shareholder	(58)	-
Repurchase of common stock	(700)	-
Proceeds from exercise of stock options and warrants	34	168
Net cash provided by (used in) financing activities	8,987	(1,699)
Net (decrease) increase in cash and cash equivalents	(4,029)	939
Cash and cash equivalents, beginning of period	4,029	3,439
Cash and cash equivalents, end of period	$ -	$ 4,378
Supplemental schedule of noncash activities:		
Acquisition of other businesses:		
Cost of acquisitions in excess of fair market value of net assets acquired	$12,456	$ 677
Tangible assets acquired	3,364	10
Liabilities assumed	1,798	-

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:

The accompanying financial statements are unaudited and have been prepared by Barrett Business Services, Inc. (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures typically included in financial statements prepared in accordance with 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 1998 Annual Report on Form 10-K at pages F1-F22. 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 1999 presentation. Such reclassifications had no impact on gross margin, net income or stockholders' equity.

NOTE 2 - ACQUISITIONS:

Effective January 1, 1999, the Company acquired all of the outstanding common stock of Temporary Staffing Systems, Inc. ("TSS"), a staffing services company with eight branch offices in North Carolina and one in South Carolina. The Company paid $2,000,000 in cash and issued a note payable for $950,000 due January 31, 2000, payment of which is contingent upon a minimum equity requirement for 1998 and certain financial performance criteria for 1999. The Company also paid $50,000 in cash for a noncompete agreement with the selling shareholder. TSS's revenues for the fiscal year ended March 29, 1998 were approximately $12.9 million (audited). The transaction, subject to the resolution of the above contingencies, has been accounted for under the purchase method of accounting. The effect of this transaction resulted in the recording of $1,255,000 of tangible assets, $393,000 of existing intangible assets, the assumption of $1,798,000 of liabilities and, to date, the recognition of an additional $2,251,000 of intangible assets, which includes $51,000 for acquisition-related costs.

Effective February 15, 1999, the Company acquired certain assets of TPM Staffing Services, Inc. ("TPM"), a staffing services company with three offices in southern California - Lake Forest, Santa Ana and Anaheim. The Company paid $1,125,000 in cash for the assets of TPM. The Company also paid $75,000 for noncompete agreements. TPM's revenues for the year ended December 31, 1998 were approximately $5.7 million (unaudited). The transaction was accounted for under the purchase method of accounting, which resulted in $1,190,000 of intangible assets, including $15,000 for acquisition-related costs, and $25,000 of fixed assets.

Effective May 31, 1999, the Company acquired certain assets of Temporary Skills Unlimited, Inc., dba TSU Staffing ("TSU"), a staffing services company with nine branch offices in northern California. The Company paid $10,422,000 in cash for certain assets of TSU, of which $864,500 was deferred for one year from the date of acquisition. The Company also paid $100,000 for noncompete agreements. TSU's revenues for the year ended December 27, 1998 were approximately $25.0 million (audited). The transaction was accounted for under the purchase method of accounting, which resulted in $8,622,000 of intangible assets, including $184,000 for acquisition-related costs, $1,797,000 of accounts receivable and $287,000 of fixed assets.

NOTE 3 - PROVISION FOR INCOME TAXES:

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

	September 30, 1999	December 31, 1998
Current:		
Accrued workers' compensation claims liabilities	$ 897	$1,232
Allowance for doubtful accounts	101	102
Safety incentives	442	310
Other accruals	189	213
	$1,629	$1,857
Noncurrent:		
Tax depreciation in excess of book depreciation	$ (78)	$ (101)
Accrued workers' compensation claims liabilities	273	278
Book amortization of intangibles in excess of tax amortization	368	289
Deferred compensation	44	62
NOL carryforward	92	-
Other	34	24
	$ 733	$ 552

The provision for income taxes for the nine months ended September 30, 1999 and 1998, is as follows (in thousands):

	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 1998
Current:		
Federal	$2,090	$1,847
State	562	396
	2,652	2,243
Deferred:		
Federal	139	(188)
State	26	(26)
	165	(214)
Provision for income taxes	$2,817	$2,029

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NOTE 4 - 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 1999:

Outstanding at December 31, 1998	785,295	$ 3.39 to $18.00
Options granted	181,737	$ 2.80 to $8.94
Options exercised	(9,059)	$ 3.50 to $5.23
Options canceled or expired	(74,002)	
Outstanding at September 30, 1999	883,971	$ 2.80 to $17.94
Exercisable at September 30, 1999	486,337	
Available for grant at September 30, 1999	198,595	

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

Certain of the Company's zone and branch management employees had previously elected to receive a portion of their quarterly cash bonus in the form of nonqualified deferred compensation stock options. Such options are awarded at a sixty percent discount from the then-fair market value of the Company's stock and are fully vested and immediately exercisable upon grant. The amount of the grantee's deferred compensation (discount from fair market value) is subject to market risk. During the first nine months of 1999, the Company awarded deferred compensation stock options for 28,866 shares at exercise prices ranging from $2.80 to $3.58 per share.

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

Results of Operations

The following table sets forth the percentages of total revenues represented by selected items in the Company's Statements of Operations for the three and nine-month periods ended September 30, 1999 and 1998.

	Percentage of Total Revenues			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Revenues:				
Staffing services	58.9%	53.9%	55.6%	55.9%
Professional employer services	41.1	46.1	44.4	44.1
Total revenues	100.0	100.0	100.0	100.0
Cost of revenues:				
Direct payroll costs	77.5	77.8	77.5	77.6
Payroll taxes and benefits	7.9	8.1	8.3	8.6
Workers' compensation	2.7	2.7	2.8	2.8
Safety incentives	0.5	0.5	0.5	0.5
Total cost of revenues	88.6	89.1	89.1	89.5
Gross margin	11.4	10.9	10.9	10.5
Selling, general and administrative expenses	7.4	7.1	7.7	7.8
Merger expenses	-	-	-	0.3
Amortization of intangibles	0.6	0.4	0.5	0.5

Income from operations	3.4	3.4	2.7	1.9
Other income (expense)	(0.1)	0.1	(0.1)	0.1
Pretax income	3.3	3.5	2.6	2.0
Provision for income taxes	1.4	1.5	1.1	0.9
Net income	1.9%	2.0%	1.5%	1.1%

Three months ended September 30, 1999 and 1998

Net income for the third quarter of 1999 was $1,835,000, an increase of $236,000 or 14.8% over the third quarter of 1998. The increase in net income for 1999 was attributable to a higher gross margin percent owing primarily to lower direct payroll costs and lower payroll taxes and benefits, expressed as a percentage of revenues, offset in part by higher selling, general and administrative expenses. Basic and diluted earnings per share for the third quarter of 1999 were $.24 as compared to $.21 for both basic and diluted earnings per share for the third quarter of 1998.

Revenues for the third quarter of 1999 totaled approximately $95.9 million, an increase of approximately $13.9 million or 17.0% over the third quarter of 1998. The quarter-over-quarter internal

growth rate of revenues was 1.7%. The percentage increase in total revenues exceeded the internal growth rate of revenues primarily due to the TSS acquisition effective January 1, 1999, the TPM acquisition effective February 15, 1999 and the TSU acquisition effective May 31, 1999.

Staffing services revenue increased $12.2 million or 27.7% and professional employer ("PEO") services revenue increased approximately $1.7 million or 4.4%, which resulted in an increase in the share of staffing services from 53.9% of total revenues for the third quarter of 1998 to 58.9% for the third quarter of 1999. The share of PEO services had a corresponding decrease from 46.1% of total revenues for the third quarter of 1998 to 41.1% for the third quarter of 1999.

Gross margin for the third quarter of 1999 totaled approximately $10.9 million, which represented an increase of $2.0 million or 22.1% over the third quarter of 1998. The gross margin percent increased from 10.9% of revenues for the third quarter of 1998 to 11.4% for the third quarter of 1999. The increase in the gross margin percentage was due to lower direct payroll costs and payroll taxes and benefits as a percentage of revenues. The decrease in direct payroll costs was primarily attributable to the increased share of revenues for staffing services which typically provide higher markups resulting in reduced payroll costs as a percentage of revenues. The decrease in payroll taxes and benefits for the third quarter of 1999 was primarily attributable to lower state unemployment tax rates in some of the states in which the Company does business. Workers' compensation expense for the third quarter of 1999 totaled $2.6 million or 2.7% of revenues, which is comparable to the $2.2 million or 2.7% of revenues for the third quarter of 1998.

Selling, general and administrative ("SG&A") expenses for the third quarter of 1999 amounted to approximately $7.1 million, an increase of $1.3 million or 22.1% over the third quarter of 1998. SG&A expenses, expressed as a percentage of revenues, increased from 7.1% for the third quarter of 1998 to 7.4% for the third quarter of 1999. The increase in SG&A expenses was primarily due to increased management payroll, advertising expense and rent expense in connection with the 21 additional branch offices acquired in the TSS, TPM and TSU acquisitions.

Amortization of intangibles totaled $532,000 or 0.6% of revenues for the third quarter of 1999, which compares to $322,000 or 0.4% of revenues for the third quarter of 1998. The increased amortization expense was primarily due to the amortization of intangibles recognized in the TSS, TPM and TSU acquisitions, which were consummated in the first five months of 1999.

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 1998 Annual Report on Form 10-K for a more detailed discussion of this issue.

Nine Months Ended September 30, 1999 and 1998

Net income for the nine months ended September 30, 1999 was $3,790,000, an increase of $1,204,000 or 46.6% over the same period in 1998. The increase in net income was attributable to a higher gross margin percent owing primarily to lower payroll taxes and benefits and slightly lower direct payroll costs, expressed as a percentage of revenues. Additionally, the 1998 nine-month period included $750,000 of merger expenses related to the Company's June 1998 pooling-of-interests merger with Western Industrial Management, Inc. Basic and diluted earnings per share for the nine-month period of 1999 were $.50 as compared to $.34 for both basic and diluted earnings per share for the similar period of 1998.

Revenues for the nine months ended September 30, 1999 totaled approximately $251.6 million, an increase of approximately $23.7 million or 10.4% over the similar period of 1998. The increase in total revenues was primarily due to the TSS, TPM and TSU acquisitions, which were consummated in 1999.

Gross margin for the nine months ended September 30, 1999 totaled approximately $27.4 million, which represented an increase of $3.5 million or 14.8% over the similar period of 1998. The gross margin percent increased from 10.5% of revenues for the nine-month period of 1998 to 10.9% for the same period of 1999. The increase in the gross margin percentage was due to lower payroll taxes and benefits and slightly lower direct payroll costs. The decrease in payroll taxes and benefits for the nine-month period of 1999 was primarily attributable to lower state unemployment tax rates in certain states in which the Company does business.

Selling, general and administrative ("SG&A") expenses for the nine months ended September 30, 1999 amounted to approximately $19.4 million, an increase of $1.7 million or 9.6% over the similar period of 1998. SG&A expenses, expressed as a percentage of revenues, decreased from 7.8% for the nine-month period of 1998 to 7.7% for the same period of 1999. The increase in total SG&A dollars was primarily due to management payroll, advertising expense, rent expense and increased profit sharing and related taxes in connection with the 21 additional branch offices acquired in the TSS, TPM and TSU acquisitions.

Amortization of intangibles totaled $1.3 million or 0.5% of revenues for the nine months ended September 30, 1999, which compares to $1.0 million or 0.5% of revenues for the same period of 1998. The increased amortization expense in dollars was primarily due to the amortization of intangibles recognized in the 1999 acquisitions of TSS, TPM and TSU.

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 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 at September 30, 1999 decreased by $4,029,000 from December 31, 1998. The decrease in cash at September 30, 1999 was primarily due to cash used in connection with three acquisitions made since January 1, 1999 and open-market share repurchase activity, offset in part by proceeds from operating activities, the Company's bank term loan and borrowings on its unsecured credit line.

Net cash provided by operating activities for the nine months ended September 30, 1999 amounted to $2,741,000 as compared to $3,903,000 for the comparable 1998 period. For the 1999 period, cash flow was primarily generated by net income coupled with an increase of $7,348,000 in accrued payroll and benefits, offset in part by an increase in accounts receivable of $8,575,000.

Net cash used in investing activities totaled $15,757,000 for the nine-month period ended September 30, 1999, as compared to $1,265,000 for the similar 1998 period. For the 1999 period, cash used in investing activities was primarily for the acquisitions of TSS, TPM and TSU. The Company presently has no material long-term capital commitments.

Net cash provided by financing activities for the nine months ended September 30, 1999 amounted to $8,987,000, which compares to $1,699,000 of net cash used in financing activities for the same period in 1998. For the 1999 period, the primary source of cash provided by financing activities was an $8,000,000 term loan obtained from the Company's principal bank and $2,972,000 of net borrowings on the Company's credit line. The term loan was obtained to provide financing for the TSU acquisition, and, at September 30, 1999, had an outstanding principal balance of $7.1 million.

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, the Company has completed three acquisitions in 1999. 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.

The Company maintains a credit arrangement with its principal bank which provides an unsecured revolving credit facility of $12.0 million. This facility, which expires May 31, 2000, includes a subfeature for standby letters of credit in connection with certain workers' compensation surety arrangements, as to which approximately $2.0 million was outstanding as of September 30, 1999. 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.

On November 11, 1999, the Company announced that its board of directors had authorized the repurchase of up to an additional 200,000 common shares under the Company's stock repurchase program from time to time in open-market purchases. This action increases the total number of common shares authorized for repurchase from 250,000 to 450,000. From the inception of the Company's stock repurchase program on February 26, 1999 through October 22, 1999, the Company repurchased 203,200 shares at an aggregate price of approximately $1.4 million. Management anticipates that the capital necessary to execute this program will be provided by cash generated from operating activities.

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.

Year 2000 Readiness

The Company has developed a Year 2000 ("Y2K") plan to assess its internal operational readiness, as well as compliance by the Company's key vendors. Management's plan is focused on evaluating the readiness of the Company's mission critical applications software, operating systems software, hardware, communications, third-party interfaces, facilities (typically non-information technology systems) and key vendors. This evaluation process involves four phases: (1) identification of risks, (2) assessment of risks, (3) development of remediation and contingency plans, and (4) testing and implementation.

Management believes that the mission-critical corporate and branch-level legacy payroll processing systems are currently Y2K compliant. Such compliance was achieved through minor reprogramming by internal staff at no incremental cost to the Company. Management believes that the Company's financial reporting systems are also currently Y2K compliant.

As the Company has previously reported, management initiated a project in mid-1997 to convert its information systems to new technologies which are expected to enable the Company to more effectively accommodate its anticipated growth. This upgrade is anticipated to be completed during the fourth quarter of 1999, and management believes that this new system is Y2K compliant for the mission-critical application of payroll processing. The Company has incurred capital expenditures of $3.0 million through September 30, 1999, for this project and expects to incur another $0.8 million prior to completion. In summary, the Company believes that its mission-critical business systems are Y2K compliant in all material respects.

The Company's assessment of the risks associated with non-mission critical systems has been completed and remediation activities have commenced. Management expects the costs to remediate these systems to be minimal. Management has not yet identified any reasonably likely worst case scenarios or determined the extent of contingency planning that may be required. As part of its assessment, the Company is relying on assurances from key vendors that their products and services will be Y2K compliant. To date, no significant compliance issues have been identified with third parties.

The risks associated with the Y2K problem are pervasive and complex, can be difficult to identify and to address, and can result in material adverse consequences to the Company. Some problems may not be identified or corrected in time to prevent material adverse consequences to the Company. Also, the Company's business may be adversely affected by events outside its control, such as disruptions to services provided by utilities, banks or transportation or telecommunications networks.

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, the timely resolution of the Y2K issue by the Company and its customers and vendors, 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.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

The Company's exposure to market risk for changes in interest rates primarily relates to the Company's short-term and long-term debt obligations. As of September 30, 1999, the Company had interest-bearing debt obligations of approximately $12.6 million, of which approximately $10.1 million bears interest at a variable rate and approximately $2.5 million at a fixed rate of interest. The variable rate debt is comprised of approximately $3.0 million outstanding under an unsecured revolving credit facility, which bears interest at the federal funds rate plus 125 basis points. The Company also has an unsecured three-year term note with its principal bank, which bears interest at LIBOR plus 135 basis points. Based on the Company's overall interest exposure at September 30, 1999, a 10 percent change in market interest rates would not have a material effect on the fair value of the Company's long-term debt or its results of operations. As of September 30, 1999, the Company had not entered into any interest rate instruments to reduce its exposure to interest rate risk.

Part II - Other Information

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) No Current Reports on Form 8-K were filed by the Registrant during the quarter ended September 30, 1999.

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: November 12, 1999

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

EXHIBIT INDEX

EXHIBIT	
11	Statement of Calculation of Average Common Shares Outstanding
27	Financial Data Schedule

EXHIBIT 11

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

	Three Months Ended September 30, 1999
Weighted average number of basic shares outstanding	7,581,311
Stock option plan shares to be issued at prices ranging from $2.80 to $17.94 per share	882,827
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	(829,996)
Weighted average number of diluted shares outstanding	7,634,142

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