

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2011

Commission File No. 0-21886

BARRETT BUSINESS SERVICES, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

52-0812977
(IRS Employer
Identification No.)

8100 NE Parkway Drive, Suite 200
Vancouver, Washington
(Address of principal executive offices)

98662
(Zip Code)

(360) 828-0700
(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of common stock, \$.01 par value, outstanding at April 29, 2011 was 10,201,072 shares.

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Part I - Financial Information

Item 1. Financial Statements

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

	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 27,798	\$ 30,924
Marketable securities	34,629	24,511
Trade accounts receivable, net	54,774	37,596
Income taxes receivable	2,356	2,356
Prepaid expenses and other	3,319	1,798
Deferred income taxes	5,795	6,101
Total current assets	128,671	103,286
Marketable securities	8,848	5,921
Property, equipment and software, net	14,903	15,037
Restricted marketable securities and workers' compensation deposits	9,001	8,811
Other assets	3,095	3,094
Workers' compensation receivables for insured losses and recoveries	3,837	3,915
Goodwill	47,820	47,820
	<u>\$216,175</u>	<u>\$ 187,884</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 567	\$ 964
Accrued payroll, payroll taxes and related benefits	61,084	37,525
Other accrued liabilities	487	442
Workers' compensation claims liabilities	14,696	14,768
Safety incentives liability	4,940	5,024
Total current liabilities	81,774	58,723
Long-term workers' compensation claims liabilities	22,423	21,847
Long-term workers' compensation claims liabilities for insured claims	2,664	2,686
Deferred income taxes	7,841	7,841
Customer deposits and other long-term liabilities	1,438	1,422
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 500 shares authorized; no shares issued and outstanding	—	—
Common stock, \$.01 par value; 20,500 shares authorized, 10,201 and 10,202 shares issued and outstanding	102	102
Additional paid-in capital	25,182	25,164
Accumulated other comprehensive loss	(40)	(65)
Retained earnings	74,791	70,164
	<u>100,035</u>	<u>95,365</u>
	<u>\$216,175</u>	<u>\$ 187,884</u>

The accompanying notes are an integral part of these financial statements

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

	Three Months Ended	
	March 31,	
	2011	2010
		As Restated, See Note 1 to Consolidated Financial Statements
Revenues:		
Staffing services	\$28,332	\$ 27,062
Professional employer service fees	40,437	31,198
Total revenues	68,769	58,260
Cost of revenues:		
Direct payroll costs	21,448	20,436
Payroll taxes and benefits	31,763	24,628
Workers' compensation	9,960	7,831
Total cost of revenues	63,171	52,895
Gross margin	5,598	5,365
Selling, general and administrative expenses	8,827	8,224
Depreciation and amortization	335	377
Loss from operations	(3,564)	(3,236)
Other income:		
Life insurance proceeds	10,000	—
Investment income, net	355	184
Other	99	101
Other income	10,454	285
Income (loss) before income taxes	6,890	(2,951)
Provision for (benefit from) income taxes	1,344	(1,248)
Net income (loss)	\$ 5,546	\$ (1,703)
Basic earnings (loss) per share	\$.54	\$ (.16)
Weighted average number of basic shares outstanding	10,201	10,466
Diluted earnings (loss) per share	\$.54	\$ (.16)
Weighted average number of diluted shares outstanding	10,248	10,466

The accompanying notes are an integral part of these financial statements

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

	Three Months Ended March 31,	
	2011	2010 As Restated, See Note 1 to Consolidated Financial Statements
Cash flows from operating activities:		
Net income (loss)	\$ 5,546	\$ (1,703)
Reconciliations of net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	335	377
Gains recognized on marketable securities	(100)	(102)
Gain recognized on sale and leaseback	(30)	(30)
Deferred income taxes	291	(1,192)
Share based compensation	55	32
Changes in certain assets and liabilities, net of amounts purchased in acquisitions:		
Trade accounts receivable, net	(17,178)	(11,447)
Income taxes receivable	—	357
Prepaid expenses and other	(1,521)	(1,571)
Accounts payable	(397)	(623)
Accrued payroll, payroll taxes and related benefits	23,559	16,012
Other accrued liabilities	45	(60)
Workers' compensation claims liabilities	560	999
Safety incentives liability	(84)	(278)
Customer deposits, long-term liabilities and other assets, net	42	10
Net cash provided by operating activities	<u>11,123</u>	<u>781</u>
Cash flows from investing activities:		
Cash paid for acquisitions	—	(375)
Purchase of property and equipment, net of amounts purchased in acquisitions	(199)	(484)
Proceeds from sales and maturities of marketable securities	3,586	399
Purchase of marketable securities	(16,490)	(5,078)
Proceeds from maturities of restricted marketable securities	1,919	1,409
Purchase of restricted marketable securities	(2,109)	(4,327)
Net cash used in investing activities	<u>(13,293)</u>	<u>(8,456)</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	5	—
Dividends paid	(919)	(837)
Repurchase of common stock	(55)	(65)
Tax benefit of stock option exercises	13	—
Net cash used in financing activities	<u>(956)</u>	<u>(902)</u>
Net decrease in cash and cash equivalents	(3,126)	(8,577)
Cash and cash equivalents, beginning of period	30,924	36,671
Cash and cash equivalents, end of period	<u>\$ 27,798</u>	<u>\$ 28,094</u>
Supplemental schedule of noncash investing activities:		
Acquisitions of other businesses:		
Cost of acquisitions in excess of fair value of net assets acquired	\$ —	\$ 357
Intangible assets acquired	—	15
Tangible assets acquired	—	3
Net cash paid for acquisitions	<u>\$ —</u>	<u>\$ 375</u>

The accompanying notes are an integral part of these financial statements

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BARRETT BUSINESS SERVICES, INC.
Notes to Consolidated Financial Statements (Unaudited)

Note 1 - Basis of Presentation of Interim Period Statements

The accompanying consolidated financial statements are unaudited and have been prepared by Barrett Business Services, Inc. ("Barrett", "BBSI" or the "Company"), pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures typically included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods presented. The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from such estimates and assumptions. The consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 2010 Annual Report on Form 10-K at pages F1 – F32. The results of operations for an interim period are not necessarily indicative of the results of operations for a full year.

Effective January 5, 2010, the Company formed a wholly owned insurance company, Ecolé Insurance Company ("Ecolé"). Ecolé is a fully licensed insurance company holding a certificate of authority from the Arizona Department of Insurance. Ecolé provides workers' compensation coverage to the Company's employees working in Arizona for claims occurring on or after March 1, 2010. The cost to capitalize the insurance company was approximately \$6.1 million and is included in restricted marketable securities and workers' compensation deposits in the consolidated balance sheet.

Restatement of prior period

As described in Note 2 of the Consolidated Financial Statements in Item 15 in the Company's 2010 Annual Report on Form 10-K, the Company restated its consolidated financial statements to correct an error related to legal expenses incurred for the administration of workers' compensation claims by Associated Insurance Company for Excess ("AICE"), the Company's captive insurance subsidiary formed January 1, 2007. The Company's historical accounting method for legal expenses incurred for claims administration had been to recognize the expenses in the period incurred. The Company's captive insurance subsidiary is subject to industry specific authoritative accounting guidance that requires the insurance subsidiary to include an estimate for such legal fees in its workers' compensation claims liabilities. Therefore, the Company's method of recording legal fees in the period incurred for claims administration was determined to be an error. As a result, the Company has presented its consolidated financial statements for the three months ended March 31, 2010, as restated to reflect the correction of this error. The Company also determined to make a conforming change to its accounting method for legal expenses incurred for the administration of workers' compensation claims that arose prior to the formation of AICE. The impact of the correction of the error and change in accounting method for the three months ended March 31, 2010, which has been reflected throughout the consolidated financial statements and accompanying notes, is as follows:

(in thousands, except per share amounts)

	Consolidated Statement of Operations for the Three Months Ended March 31, 2010				
	As Previously Reported	Correction of an Error	Change in Accounting Policy	Net Adjustment	Restated
Cost of revenues	\$ 52,883	\$ 198	\$ (186)	\$ 12	\$52,895
Benefit from income taxes	(1,253)	91	(86)	5	(1,248)
Net loss	(1,686)	(289)	272	(17)	(1,703)
Basic loss per share	(0.16)	(0.03)	0.03	—	(0.16)
Diluted loss per share	(0.16)	(0.03)	0.03	—	(0.16)

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Notes to Consolidated Financial Statements (Unaudited) (Continued)**Note 1 - Basis of Presentation of Interim Period Statements (Continued)****Restatement of prior period (Continued)**

(in thousands)	Consolidated Statement of Cash Flows for the Three Months Ended March 31, 2010				
	As Previously Reported	Correction of an Error	Change in Accounting Policy	Net Adjustment	Restated
Net loss	\$ (1,686)	\$ (289)	\$ 272	\$ (17)	\$(1,703)
Reconciliations of net loss to cash provided by operating activities:					
Deferred income taxes	(1,253)	30	31	61	(1,192)
Income taxes receivable	413	(93)	37	(56)	357
Workers' compensation claims liabilities	987	198	(186)	12	999
Net cash provided by operating activities	781	—	—	—	781

Revenue recognition

We recognize revenue as services are rendered by our workforce. Staffing services are engaged by customers to meet short-term and long-term personnel needs. Professional employer organization ("PEO") services are normally used by organizations to satisfy ongoing human resource management needs and typically involve contracts with a minimum term of one year, which cover all employees at a particular work site. Our PEO contracts are renewable on an annual basis and typically require 30 days' written notice to cancel or terminate the contract by either party. Our PEO contracts provide for immediate termination upon any default of the client regardless of when notice is given. We report PEO revenues in accordance with the current accounting guidance for revenue recognition, which requires us to report such revenues on a net basis because we are not the primary obligor for the services provided by our PEO clients to their customers pursuant to our PEO contracts. Consequently, our PEO service fee revenues represent the gross margin generated from our PEO services after deducting the amounts invoiced to PEO customers for direct payroll expenses such as salaries, wages, health insurance and employee out-of-pocket expenses incurred incidental to employment and safety incentives. These amounts are also excluded from cost of revenues. PEO service fees also include amounts invoiced to our clients for employer payroll-related taxes and workers' compensation coverage.

Marketable securities

As of March 31, 2011, the Company's marketable securities consisted of tax-exempt municipal securities, corporate bonds and U.S. treasuries. The Company classifies municipal securities, U.S. treasuries, and certain of its corporate bonds as available for sale; they are reported at fair value with unrealized gains and losses, net of taxes, shown as a component of accumulated other comprehensive income (loss) in stockholders' equity. In the event a loss is determined to be other-than-temporary, the loss will be recognized in the statement of operations. Certain of the Company's corporate bonds are classified as held-to-maturity and are reported at amortized cost.

Allowance for doubtful accounts

The Company had an allowance for doubtful accounts of \$463,000 and \$374,000 at March 31, 2011 and December 31, 2010, respectively. The Company must make estimates of the collectibility of accounts receivable. Management analyzes historical bad debts, customer concentrations, customer creditworthiness, current economic conditions and changes in customers' payment trends when evaluating the adequacy of the allowance for doubtful accounts. The Company deems an account balance uncollectible only after it has pursued all available assets of the customer and, where applicable, the assets of the personal guarantor.

Workers' compensation claims

The Company is a self-insured employer with respect to workers' compensation coverage for all of its employees (including employees subject to PEO contracts) working in California, Oregon, Maryland, Delaware and Colorado. In the state of Washington, state law allows only the Company's staffing services and internal management employees to be covered under the Company's self-insured workers' compensation program. Additionally, effective January 5, 2010, we formed a wholly owned, fully licensed insurance company in Arizona to provide workers' compensation coverage to our employees in Arizona.

Note 1 - Basis of Presentation of Interim Period Statements (Continued)

Workers' compensation claims (Continued)

To manage our financial exposure, in the event of catastrophic injuries or fatalities, we maintain excess workers' compensation insurance through our wholly owned captive insurance company, Associated Insurance Company for Excess ("AICE"), with a per occurrence retention of \$5.0 million, except in Maryland and Colorado, where our per occurrence retention is \$1.0 million and \$500,000, respectively. AICE maintains excess workers' compensation insurance coverage with American Insurance Group, Inc. ("AIG") between \$5.0 million and \$15.0 million per occurrence, except in Maryland, where coverage with AIG is between \$1.0 million and \$25.0 million per occurrence, and in Colorado, where the coverage with AIG is between \$500,000 and statutory limits per occurrence. We continue to evaluate the financial capacity of our insurers to assess the recoverability of the related insurer receivables.

The Company has provided a total of \$39.8 million and \$39.3 million at March 31, 2011 and December 31, 2010, respectively, as an estimated future liability for unsettled workers' compensation claims liabilities. Included in the foregoing liabilities are insured claims that will be paid by the Company's former excess workers' compensation insurer and for which the Company has reported a receivable from the insurer for the insured claims liability. Insured claims totaled \$2.7 million at March 31, 2011 and December 31, 2010. The estimated liability for unsettled workers' compensation claims represents management's best estimate based upon an actuarial valuation provided by a third party 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 and anticipated increases in case reserve estimates. Also included in these estimates are amounts for unallocated loss adjustment expenses, including legal costs. These estimates are continually reviewed and adjustments to liabilities are reflected in current operating results as they become known.

Safety incentives liability

Safety incentives represent cash incentives paid to certain PEO client companies for maintaining safe-work practices in order to minimize workplace injuries, thereby meeting agreed-upon loss objectives. The Company has provided \$4.9 million at March 31, 2011 and \$5.0 million at December 31, 2010 as an estimate of the liability for unpaid safety incentives. The incentive is based on a percentage of annual payroll and is paid annually to customers who meet predetermined workers' compensation claims cost objectives. Safety incentive payments are made only after closure of all workers' compensation claims incurred during the customer's contract period. The liability is estimated and accrued each month based upon the incentive earned less the then-current amount of the customer's estimated workers' compensation claims reserves as established by the Company's internal and third-party claims administrators, and the expected payout as determined by historical incentive payment trends. Safety incentive expense is netted against PEO services revenue in our consolidated statements of operations.

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity during a period except those that resulted from investments by or distributions to a company's stockholders. Comprehensive income (loss) totaled \$5.6 million and \$(1.6) million for the three months ended March 31, 2011 and 2010, respectively. Other comprehensive income (loss) refers to revenues, expenses, gains and losses that under GAAP are included in comprehensive income (loss), but are excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity. The Company's other comprehensive income (loss) is comprised of unrealized holding gains and losses on its publicly traded marketable securities designated as "available-for-sale", net of realized gains or losses included in net income.

BARRETT BUSINESS SERVICES, INC.
Notes to Consolidated Financial Statements (Unaudited) (Continued)

Note 2 - Basic and Diluted Earnings Per Share

Basic earnings per share are computed based on the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential effects of the exercise of outstanding stock options. Basic and diluted shares outstanding are summarized as follows:

	Three Months Ended	
	March 31,	
	2011	2010
Weighted average number of basic shares outstanding	10,200,892	10,465,662
Assumed exercise of stock options, net of shares assumed repurchased at average market price during the period using proceeds received upon exercise of options	46,884	—
Weighted average number of diluted shares outstanding	<u>10,247,776</u>	<u>10,465,662</u>

As a result of the net loss reported for the three months ended March 31, 2010, 28,282 potential common shares have been excluded from the calculation of diluted loss per share because their effect would be anti-dilutive.

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BARRETT BUSINESS SERVICES, INC.
Notes to Consolidated Financial Statements (Unaudited) (Continued)

Note 3 - Workers' Compensation

The following table summarizes the aggregate workers' compensation reserve activity (in thousands):

	Three Months Ended	
	March 31,	
	2011	2010
		As Restated, See Note 1 to Consolidated Financial Statements
Beginning balance		
Workers' compensation claims liabilities	\$39,301	\$ 35,957
Add: claims expense accrual:		
Current period	4,706	3,901
Prior periods	236	147
Total expense accrual	<u>4,942</u>	<u>4,048</u>
Less: claim payments related to:		
Current period	257	187
Prior periods	<u>4,203</u>	<u>3,052</u>
Total paid	<u>4,460</u>	<u>3,239</u>
Ending balance		
Workers' compensation claims liabilities	<u>\$39,783</u>	<u>\$ 36,766</u>
Incurred but not reported (IBNR)	<u>\$29,124</u>	<u>\$ 25,850</u>

Note 4 - Fair Value Measurement

The Company has determined that its marketable securities should be presented at their fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Factors used in determining the fair value of our financial assets and liabilities are summarized into three broad categories:

- Level 1 - quoted prices in active markets for identical securities;
- Level 2 - other significant observable inputs, including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.; and
- Level 3 - significant unobservable inputs, including our own assumptions in determining fair value.

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BARRETT BUSINESS SERVICES, INC.
Notes to Consolidated Financial Statements (Unaudited) (Continued)

Note 4 - Fair Value Measurement (Continued)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The Company has determined that its U.S. treasuries component of its marketable securities fall into the Level 1 category. The Company has also determined that its municipal bonds and corporate bonds components fall into the Level 2 category. There were no assets or liabilities where Level 3 valuation techniques were used and there were no assets and liabilities measured at fair value on a non-recurring basis.

Marketable securities consist of the following investments (in thousands):

	March 31, 2011			December 31, 2010			Fair Value Category
	Cost	Gross Unrealized Gains (Losses)	Recorded Basis	Cost	Gross Unrealized Gains (Losses)	Recorded Basis	
Current:							
Trading:							
Equity securities	\$ —	\$ —	\$ —	\$ 349	\$ 21	\$ 370	1
Available-for-sale:							
Municipal bonds	10,939	1	10,940	22,997	(32)	22,965	2
Corporate bonds	23,683	6	23,689	861	15	876	2
Variable rate demand notes	—	—	—	300	—	300	2
	<u>\$34,622</u>	<u>\$ 7</u>	<u>\$34,629</u>	<u>\$24,507</u>	<u>\$ 4</u>	<u>\$24,511</u>	
Long term:							
Available-for-sale:							
Corporate bonds	\$ 8,394	\$ 5	\$ 8,399	\$ 5,513	\$ (39)	\$ 5,474	2
Held-to-maturity:							
Corporate bonds	449	—	449	447	—	447	2
	<u>\$ 8,843</u>	<u>\$ 5</u>	<u>\$ 8,848</u>	<u>\$ 5,960</u>	<u>\$ (39)</u>	<u>\$ 5,921</u>	

During the first quarter ended March 31, 2011, the Company realized a \$102,000 gain on the sale of certain equity securities.

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BARRETT BUSINESS SERVICES, INC.
Notes to Consolidated Financial Statements (Unaudited) (Continued)

Note 4 - Fair Value Measurement (Continued)

The Company's restricted marketable securities component of restricted marketable securities and workers' compensation deposits consists of the following (in thousands):

	March 31, 2011			December 31, 2010			Fair Value Category
	Cost	Gross Unrealized Gains (Losses)	Recorded Basis	Cost	Gross Unrealized Gains (Losses)	Recorded Basis	
Available-for-sale:							
Municipal bonds	\$5,455	\$ 25	\$ 5,480	\$5,147	\$ —	\$ 5,147	2
Corporate bonds	46	—	46	323	—	323	2
U.S. treasuries	1,567	—	1,567	1,567	—	1,567	1
	<u>\$7,068</u>	<u>\$ 25</u>	<u>\$ 7,093</u>	<u>\$7,037</u>	<u>\$ —</u>	<u>\$ 7,037</u>	

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

Overview

Barrett Business Services, Inc. ("Barrett", the "Company" or "we"), a Maryland corporation, offers a comprehensive range of human resource management services to help small and medium-sized businesses manage the increasing costs and complexities of a broad array of employment-related issues. The Company's principal services, professional employer organization ("PEO") services and staffing services, assist its clients in leveraging their investment in human capital. The Company believes that the combination of these two principal services enables it to provide clients with a unique blend of services not offered by the Company's competition. Barrett's platform of outsourced human resource management services is built upon expertise in payroll processing, employee benefits and administration, workers' compensation coverage, effective risk management and workplace safety programs, and human resource administration.

To provide PEO services to a client, the Company enters into a contract to become a co-employer of the client's existing workforce and Barrett assumes responsibility for some or all of the client's human resource management responsibilities. PEO 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. Staffing services include on-demand or short-term staffing assignments, long-term or indefinite-term contract staffing and comprehensive on-site management. The Company's staffing services also include direct placement services, which involve fee-based search efforts for specific employee candidates at the request of PEO clients, staffing customers or other companies.

The Company's ability to offer clients a broad mix of services allows Barrett to effectively become the human resource department and a strategic business partner for its clients. The Company believes its approach to human resource management services is designed to positively affect its clients' business results by:

- allowing clients to focus on core business activities instead of human resource matters;
- increasing clients' productivity by improving employee satisfaction and generating greater employee retention;
- reducing overall payroll expenses due to lower workers' compensation and health insurance costs; and
- assisting clients in complying with complex and evolving human resource-related regulatory and tax issues.

The Company serves a growing and diverse client base of small and medium-sized businesses in a wide variety of industries through a network of branch offices in California, Oregon, Washington, Idaho, Arizona, Utah, Colorado, Maryland, Delaware and North Carolina. Barrett also has several smaller recruiting offices in its general market areas, which are under the direction of a branch office.

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

Results of Operations

The following table sets forth percentages of total revenues represented by selected items in the Company's Consolidated Statements of Operations for the three months ended March 31, 2011 and 2010.

	Percentage of Total Revenues Three Months Ended March 31,	
	2011	2010 As Restated, See Note 1 to Consolidated Financial Statements
Revenues:		
Staffing services	41.2%	46.5%
Professional employer service fees	58.8	53.5
Total revenues	100.0	100.0
Cost of revenues:		
Direct payroll costs	31.2	35.1
Payroll taxes and benefits	46.2	42.3
Workers' compensation	14.5	13.4
Total cost of revenues	91.9	90.8
Gross margin	8.1	9.2
Selling, general and administrative expenses	12.8	14.1
Depreciation and amortization	0.5	0.6
Loss from operations	(5.2)	(5.5)
Other income	15.2	0.5
Income (loss) before income taxes	10.0	(5.0)
Provision for (benefit from) income taxes	1.9	(2.1)
Net income (loss)	8.1%	(2.9)%

We report PEO revenues on a net basis because we are not the primary obligor for the services provided by our PEO clients to their customers pursuant to our PEO contracts. The presentation of revenues on a net basis and the relative contributions of staffing and PEO revenues can create volatility in our gross margin percentage. The general impact of fluctuations in our revenue mix is described below.

- A relative increase in staffing revenues will typically result in a lower gross margin percentage. Staffing revenues are presented at gross with the related direct costs reported in cost of sales. While staffing relationships typically have higher margins than PEO relationships, an increase in staffing revenues and related costs presented at gross dilutes the impact of the net PEO revenue on gross margin percentage.

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

Results of Operations (Continued)

- A relative increase in PEO revenue will result in a higher gross margin percentage. Improvement in gross margin percentage occurs because incremental PEO revenue dollars are reported as revenue net of all related direct costs.

We present for comparison purposes the gross revenues and cost of revenues information set forth in the table below. Although not in accordance with GAAP, management believes this information is more informative as to the level of our business activity and more illustrative of how we manage our operations, including the preparation of our internal operating forecasts, because it presents our PEO services on a basis comparable to our staffing services.

<u>(in thousands)</u>	Unaudited Three Months Ended March 31,	
	<u>2011</u>	<u>2010</u> As Restated, See Note 1 to Consolidated Financial Statements
Revenues:		
Staffing services	\$ 28,332	\$ 27,062
Professional employer services	302,734	235,495
Total revenues	331,066	262,557
Cost of revenues:		
Direct payroll costs	282,642	223,547
Payroll taxes and benefits	31,763	24,628
Workers' compensation	11,063	9,017
Total cost of revenues	325,468	257,192
Gross margin	\$ 5,598	\$ 5,365

[Table of Contents](#)**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**Results of Operations (Continued)

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

(in thousands)	Unaudited Three Months Ended March 31,					
	Gross Revenue Reporting Method		Reclassification		Net Revenue Reporting Method	
	2011	2010	2011	2010	2011	2010 As Restated, See Note 1 to Consolidated Financial Statements
Revenues:						
Staffing services	\$ 28,332	\$ 27,062	\$ —	\$ —	\$28,332	\$ 27,062
Professional employer services	<u>302,734</u>	<u>235,495</u>	<u>(262,297)</u>	<u>(204,297)</u>	<u>40,437</u>	<u>31,198</u>
Total revenues	<u>\$331,066</u>	<u>\$262,557</u>	<u>\$(262,297)</u>	<u>\$(204,297)</u>	<u>\$68,769</u>	<u>\$ 58,260</u>
Cost of revenues	<u>\$325,468</u>	<u>\$257,192</u>	<u>\$(262,297)</u>	<u>\$(204,297)</u>	<u>\$63,171</u>	<u>\$ 52,895</u>

The amount of the reclassification is comprised of direct payroll costs and safety incentives attributable to our PEO client companies.

Three months ended March 31, 2011 and 2010

Net income for the first quarter of 2011 amounted to \$5.5 million, an improvement of \$7.2 million over the net loss of \$1.7 million for the first quarter of 2010. The improvement for the first quarter of 2011 was primarily due to \$10.0 million of proceeds from a key man life insurance policy the Company carried on William W. Sherertz, the Company's President and Chief Executive Officer, who passed away January 20, 2011, as well as an 18.0% increase in revenues. Diluted earnings per share for the first quarter of 2011 was \$.54 compared to diluted loss per share of \$.16 for the comparable 2010 period.

Revenues for the first quarter of 2011 totaled \$68.8 million, an increase of approximately \$10.5 million or 18.0%, which reflects an increase in the Company's PEO service fee revenue of \$9.2 million or 29.6% and a small increase in staffing services revenue of \$1.3 million or 4.7%. Our growth in PEO revenues continues to be primarily attributable to new customers as PEO business from new customers during the first quarter of 2011 approximately tripled our lost PEO business compared to the first quarter of 2010 from former customers. PEO revenues from continuing customers reflected a 6.4% increase on a quarter over quarter basis. Staffing revenues increased slightly as a result of an increased demand for our staffing services from existing customers. Our new staffing business during the quarter approximately offset the loss of business from former customers. The decline in economic activity and associated reductions in employment levels in the Company's market areas in late 2008 and 2009 continue to impact our existing client base, resulting in ongoing pressure on demand for the Company's staffing services.

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

Results of Operations (Continued)

Three months ended March 31, 2011 and 2010 (Continued)

Gross margin for the first quarter of 2011 totaled approximately \$5.6 million or an increase of \$233,000 over the first quarter of 2010, primarily due to the 18.0% increase in revenues and a decline in direct payroll costs, partially offset by higher payroll taxes and benefits, as a percentage of revenues.

The decrease in direct payroll costs, as a percentage of revenues, from 35.1% for the first quarter of 2010 to 31.2% for the first quarter of 2011 was primarily due to the increase in our mix of PEO services in the Company's customer base over the first quarter of 2010 and the effect of each customer's unique mark-up percent.

Payroll taxes and benefits, as a percentage of revenues, for the first quarter of 2011 was 46.2% compared to 42.3% for the first quarter of 2010. The percentage rate increase was largely due to the effect of significant growth in PEO services, where payroll taxes and benefits are presented at gross cost whereas the related direct payroll costs are netted against PEO services revenue and to higher effective state unemployment tax rates in various states in which the Company operates as compared to the first quarter of 2010. Management expects the trend in payroll taxes and benefits, as a percentage of revenues, to continue to increase as a result of continued growth in PEO services on a quarter over quarter basis.

Workers' compensation expense, as a percentage of revenues, increased from 13.4% in the first quarter of 2010 to 14.5% in the first quarter of 2011. Workers' compensation expense for the first quarter of 2011 totaled \$10.0 million, compared to \$7.8 million for the first quarter of 2010. The increase in dollars was primarily due to an increase in the number of injury claims incurred during the 2011 first quarter.

Selling, general and administrative ("SG&A") expenses for the first quarter of 2011 totaled approximately \$8.8 million, an increase of \$603,000 or 7.3% over the first quarter of 2010. The increase was primarily attributable to increases in branch management payroll, travel and costs associated with the leadership transition.

Other income for the first quarter of 2011 was \$10.5 million compared to other income of \$285,000 for the first quarter of 2010. The first quarter of 2011 included the \$10.0 million of life insurance proceeds, higher investment income and a \$102,000 gain on the sale of certain marketable securities.

The income tax rate for the 2011 first quarter was 19.5% which included a favorable benefit from the effect of the non-taxable \$10.0 million life insurance proceeds. We expect the effective income tax rate for the balance of 2011 to remain at a rate similar to the 2011 first quarter income tax rate. The income tax rate for the 2010 first quarter was 42.2%. The 2010 first quarter included an additional benefit primarily from a reduction to a deferred tax asset allowance as sales of certain closed-end bond funds during the first quarter of 2010 allowed the Company to apply current year capital losses to 2009 capital gains.

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

Factors Affecting Quarterly Results

The Company has historically experienced significant fluctuations in its quarterly operating results and expects such fluctuations to continue in the future. The Company's operating results may fluctuate due to a number of factors such as seasonality, wage limits on statutory payroll taxes, claims experience for workers' compensation, demand and competition for the Company's services and the effect of acquisitions. The Company's revenue levels may fluctuate from quarter to quarter primarily due to the impact of seasonality on its staffing services business and on certain of its PEO clients in the agriculture, food processing and construction-related industries. As a result, the Company may have greater revenues and net income in the third quarter of its fiscal year. Revenue levels in the fourth quarter may be affected by many customers' practice of operating on holiday-shortened schedules. Payroll taxes and benefits fluctuate with the level of direct payroll costs, but tend to represent a smaller percentage of revenues and direct payroll later in the Company's fiscal year as federal and state statutory wage limits for unemployment and social security taxes are exceeded on a per employee basis. Workers' compensation expense varies with both the frequency and severity of workplace injury claims reported during a quarter and the estimated future costs of such claims. Adverse loss development of prior period claims during a subsequent quarter may also contribute to the volatility in the Company's estimated workers' compensation expense.

Liquidity and Capital Resources

The Company's cash position for the three months ended March 31, 2011 decreased \$3.1 million from December 31, 2010, which compares to a decrease of \$8.6 million for the comparable period in 2010. The decrease in cash at March 31, 2011 as compared to December 31, 2010, was primarily due to net purchases of marketable securities of \$12.9 million and \$919,000 used to pay cash dividends, offset in part by the receipt of \$10.0 million in life insurance proceeds.

Net cash provided by operating activities for the three months ended March 31, 2011 amounted to \$11.1 million compared to \$781,000 of net cash provided by operations for the comparable 2010 period. For the three months ended March 31, 2011, cash flow was principally provided by net income of \$5.5 million and increases in accrued payroll, payroll taxes and benefits of \$23.6 million, partially offset by an increase in accounts receivable of \$17.2 million.

Net cash used in investing activities for the three months ended March 31, 2011 was \$13.3 million as compared to \$8.5 million of net cash used in investing activities for the similar 2010 period. For the 2011 period, cash from investing activities was principally used for the purchase of marketable securities totaling \$16.5 million and the net purchases of restricted marketable securities of \$2.1 million, partially offset by the proceeds from the sales and maturities of marketable securities of \$3.6 million and \$1.9 million from the proceeds of restricted marketable securities. The transactions related to restricted marketable securities were scheduled maturities and the replacement of such securities held for workers' compensation surety deposit purposes. The Company presently has no material long-term capital commitments.

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

Liquidity and Capital Resources (Continued)

Net cash used in financing activities for the three months ended March 31, 2011 and 2010 was \$956,000 and \$902,000, respectively. For the 2011 period, the principal use of cash for financing activities was the payment of regular quarterly cash dividends totaling \$919,000 to holders of the Company's common stock.

The Company's business strategy continues to focus on growth through the expansion of operations at existing offices, together with the selective acquisition of additional personnel-related business, both in its existing markets and other strategic geographic markets. The Company periodically evaluates proposals for various acquisition opportunities, but there can be no assurance that any additional transactions will be consummated.

The Company is a party to a Standby Letter of Credit Agreement dated as of June 30, 2009 (the "Credit Agreement") with its principal bank. The Credit Agreement provides for standby letters of credit as to which there were \$6.7 million outstanding at March 31, 2011 in connection with various surety deposit requirements for workers' compensation purposes.

Pursuant to the Credit Agreement, the Company is required to maintain compliance with the following covenants: (1) to maintain net income after taxes not less than \$1.00 (one dollar) on an annual basis, determined as of each fiscal year end; (2) to maintain liquid assets (defined as unencumbered cash, cash equivalents, and publicly traded and quoted marketable securities) having an aggregate fair market value at all times not less than \$10.0 million, determined as of the end of each fiscal quarter; and (3) to not borrow or permit to exist indebtedness (other than from or to the bank), or mortgage, pledge, grant, or permit to exist a security interest in, or a lien upon, all or any portion of the Company's assets now owned or hereafter acquired, except for purchase money indebtedness (and related security interests) which does not at any time exceed \$500,000. The Company was in compliance with all financial covenants at March 31, 2011.

Management expects that current liquid assets and the funds anticipated to be generated from operations will be sufficient in the aggregate to fund the Company's working capital needs for the next twelve months.

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.

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

Forward-Looking Information

Statements in this report which are not historical in nature, including discussion of economic conditions in the Company's market areas and effect on revenue levels, the potential for and effect of past and future acquisitions, the effect of changes in the Company's mix of services on gross margin, the adequacy of the Company's workers' compensation reserves and the effect of changes in estimate of its claims liabilities, the adequacy of the Company's allowance for doubtful accounts, the effect of the Company's formation and operation of two wholly owned, fully licensed captive insurance subsidiaries and becoming self-insured for certain business risks, the financial viability of the Company's excess insurance carriers, the effectiveness of the Company's management information systems, payment of future dividends, and the availability of financing and working capital to meet the Company's funding requirements, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors with respect to the Company include the ability to retain current customers and attract new customers, difficulties associated with integrating acquired businesses and clients into the Company's operations, economic trends in the Company's service areas, material deviations from expected future workers' compensation claims experience, the effect of changes in the workers' compensation regulatory environment in one or more of the Company's primary markets, collectibility of accounts receivable, the carrying values of deferred income tax assets and goodwill, which may be affected by the Company's future operating results, the availability of capital or letters of credit necessary to meet state-mandated surety deposit requirements for maintaining the Company's status as a qualified self-insured employer for workers' compensation coverage, and the use of \$71.3 million in cash and marketable securities, among others. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to market risk for changes in interest rates primarily relates to its investment portfolio of liquid assets. As of March 31, 2011, the Company's investment portfolio consisted principally of approximately \$19.6 million in tax-exempt money market funds, \$16.4 million in tax-exempt municipal bonds with an average maturity of 164 days, and approximately \$32.6 million in corporate bonds. Based on the Company's overall interest exposure at March 31, 2011, a 100 basis point increase in market interest rates would not have a material effect on the fair value of the Company's investment portfolio of liquid assets or its results of operations because of the predominantly short maturities of the securities within the investment portfolio.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of March 31, 2011 the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based on the evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

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Item 4. Controls and Procedures (Continued)

Previously Reported Material Weakness in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. In connection with management's assessment of our internal control over financial reporting, we had identified a material weakness in our internal control over financial reporting as of December 31, 2010 as described below.

Previously Reported Material Weakness: The Company did not have effective controls to provide assurance as to the appropriate selection and implementation of accounting methods with respect to accounting for its legal fees incurred by its captive insurance subsidiary for the administration of workers' compensation claims. This material weakness resulted in the adjustment of workers' compensation claims liabilities, deferred taxes, workers' compensation expense (which is a component of cost of revenues), and income tax expense. The restatement of certain periods of the Company's consolidated financial statements is included in our Annual Report on Form 10-K for the year ended December 31, 2010.

As a result of the material weakness in internal control over financial reporting described above, management concluded that the Company's internal control over financial reporting was not effective as of December 31, 2010 based on the criteria in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

For additional information regarding the restatements of certain of the Company's historical financial results and the material weakness identified by management, see "Item 9A. Controls and Procedures" in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed on April 1, 2011 with the Securities and Exchange Commission.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting, except for the remediation steps to address the material weakness in its internal control over financial reporting described above. Specifically, the following steps are being implemented:

- Management has formalized the Company's process for reviewing, approving and updating its accounting policies.
- Management has formalized the Company's process for reviewing and establishing appropriate accounting policies when forming a new subsidiary; and
- Management has implemented steps to improve the industry specific accounting knowledge of the Company's accounting personnel.

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Item 4. Controls and Procedures (Continued)

Changes in Internal Control Over Financial Reporting (Continued)

Under the direction of the Audit Committee, management will continue to review and make any changes it deems necessary to the overall design of the Company's internal control over financial reporting, including implementing improvements in policies and procedures.

We are committed to a strong internal control environment, and believe that, when fully implemented, these remediation actions will represent significant improvements in the Company's accounting function. The Company anticipates that it will complete its testing of the additional internal control processes designed to remediate this material weakness during the balance of 2011. We will continue to assess the effectiveness of our remediation efforts in connection with management's future evaluations of internal control over financial reporting.

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Part II – Other Information

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in our 2010 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes information related to stock repurchases during the quarter ended March 31, 2011.

<u>Month</u>	<u>Total Number of Shares Repurchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Repurchased as Part of Publicly Announced Plan (1)</u>	<u>Maximum Number of Shares that May Yet Be Repurchased Under the Plan (1)</u>
January	4,000	\$ 13.87	4,000	1,543,600
February	—	—	—	1,543,600
March	—	—	—	1,543,600
Total	<u>4,000</u>		<u>4,000</u>	

- (1) In November 2006, the Board adopted a stock repurchase program and authorized the repurchase of up to 500,000 shares of the Company's stock from time to time in open market purchases. In November 2007, the Board approved an increase in the authorized shares to be repurchased up to 1.0 million shares. In October 2008, the Board approved a second increase in the authorized shares to be repurchased up to 3.0 million shares.

Item 6. Exhibits

The exhibits filed with this report are listed in the Exhibit Index following the signature page of this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 9, 2011

BARRETT BUSINESS SERVICES, INC.
(Registrant)

/s/ James D. Miller
James D. Miller
Vice President-Finance, Treasurer and Secretary
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit

- 3.1 Bylaws of the Registrant, as amended, effective May 19, 2011.
- 10.1 Form of Incentive Stock Option Award Agreement under the Registrant's 2009 Stock Incentive Plan (the "2009 Plan").
- 10.2 Form of Employee Nonqualified Stock Option Award Agreement under the 2009 Plan.
- 10.3 Form of Non-Employee Director Nonqualified Stock Option Award Agreement under the 2009 Plan.
- 10.4 Change in Control Employment Agreement between the Registrant and Michael L. Elich, dated April 12, 2011.
- 10.5 Change in Control Employment Agreement between the Registrant and Gregory R. Vaughn, dated April 12, 2011.
- 10.6 Change in Control Employment Agreement between the Registrant and James D. Miller, dated April 12, 2011.
- 31.1 Certification of the Chief Executive Officer under Rule 13a-14(a).
- 31.2 Certification of the Chief Financial Officer under Rule 13a-14(a).
- 32 Certification pursuant to 18 U.S.C. Section 1350.

BYLAWS OF BARRETT BUSINESS SERVICES, INC.
As Amended Through May 19, 2011

ARTICLE I STOCKHOLDERS

Section 1.1 Annual Meeting. The Annual Meeting of the stockholders shall be held during the third week of May of each year on the date and time or at such other date and time in May of each year as the board of directors may establish, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. The board of directors shall timely establish the annual meeting date and time in conjunction with the notice of meeting requirements of Section 1.4, of these Bylaws.

Section 1.2 Special Meetings. Special meetings of the stockholders, for any purpose or purposes, may be called by the president or by the board of directors, and shall be called by the secretary upon written request by stockholders entitled to cast 25 percent of all votes entitled to be cast at the meeting stating the purpose of the meeting and the matters proposed to be acted upon at the meeting and upon payment by such stockholders to the corporation of the costs of the notice of the meeting. Notwithstanding the foregoing, a special meeting need not be called by the secretary to consider any matter which is substantially the same as a matter voted on at any special meeting of the stockholders held during the preceding 12 months unless requested by stockholders entitled to cast a majority of all votes entitled to be cast at the meeting.

Section 1.3 Place of Meeting. The place of meeting for all annual and special meetings of the stockholders shall be such place within the United States as shall be determined by the board of directors. In the absence of any such determination, all meetings of stockholders shall be held at the principal office of the corporation in the state of Washington.

Section 1.4 Notice of Meeting; Waiver. Written or printed notice stating the place, day, and hour of the meeting and, in case of a special meeting or if otherwise required by law, the purpose or purposes for which the meeting is called, shall be given by the secretary not earlier than 90 nor less than 10 days before the date of the meeting, either personally or by mail, to each stockholder of record entitled to vote at or to receive notice of such meeting. If given personally, such notice shall be effective when delivered to the stockholder or when left at the stockholder's residence or usual place of business. If given by mail, such notice shall be effective when deposited in the United States mail, addressed to the stockholder at his or her address as shown in the corporation's current record of stockholders, with postage thereon prepaid. A stockholder entitled to notice of a meeting waives such notice if he or she is present at the meeting in person or by proxy. A written waiver of notice of a meeting signed by a stockholder entitled to such notice, whether before or after the time stated therein, which is filed with the records of stockholders meetings, shall be equivalent to the giving of such notice. A meeting of stockholders convened on the date for which it was called may be adjourned from time to time without further notice to a date not more than 120 days after the original record date for the meeting.

Section 1.5 Quorum; Manner of Acting. The presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting shall constitute a quorum. If a quorum is present, a majority of all the votes cast at the meeting is sufficient to approve any matter which properly comes before the meeting unless the vote of a greater proportion of all the votes cast or voting by classes is required by the Maryland General Corporation Law or the charter.

Section 1.6 Proxies. At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his or her duly authorized attorney-in-fact. Such proxy shall be filed with the secretary of the corporation before or at the time of the meeting. No proxy shall be valid after 11 months from the date of its execution unless otherwise expressly provided in the proxy.

Section 1.7 Voting of Shares. Each outstanding share of the corporation's common stock shall be entitled to one vote upon each matter submitted to a vote at a meeting of the stockholders except that shares owned, directly or indirectly, by another corporation in which the corporation owns, directly or indirectly, shares entitled to cast a majority of all the votes entitled to be cast by all shares of such other corporation shall not be voted at any meeting or counted in determining the total number of outstanding shares at any given time.

Section 1.8 Acceptance of Votes. If the name signed on a vote, consent, waiver, or proxy appointment corresponds to the name of a stockholder, the corporation shall be entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the stockholder.

If the name signed on a vote, consent, waiver, or proxy appointment does not correspond to the name of its stockholder, the corporation shall nevertheless be entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the stockholder if:

- a. The stockholder is a corporation, and the name signed purports to be that of the president, a vice-president, or a proxy appointed by either of them or by another person appointed under a bylaw or resolution of the board of directors of such stockholder, a certified copy of which is presented to the corporation.
- b. The stockholder is an entity, other than a corporation, and the name signed purports to be that of an officer or agent of the entity.
- c. The name signed purports to be that of an administrator, executor, guardian, or conservator representing the stockholder.
- d. The name signed purports to be that of a receiver or trustee in bankruptcy of the stockholder.
- e. The name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the stockholder.
- f. Two or more persons are the stockholder whether as fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, and the name signed purports to be the name of at least one of the co-owners.

The corporation shall be entitled to reject a vote, consent, waiver, or proxy if the secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the stockholder.

Section 1.9 Action Without Meeting. Any action required or permitted by the Maryland General Corporation Law to be taken at a meeting of the stockholders may be taken without a meeting if there are filed with the records of stockholders meetings a consent in writing which sets forth the action so taken signed by each stockholder entitled to vote on the matter and a written waiver of any right to dissent signed by each stockholder entitled to notice of the meeting but not entitled to vote at the meeting.

Section 1.10 Advance Notice by Stockholders of Nominations and Proposals of Business.

a. Nominations of persons for election to the board of directors and proposals of business to be transacted by the stockholders may be made at an Annual Meeting of stockholders, (or in the case of election of directors, at a special meeting of stockholders held in lieu of an Annual Meeting under Section 1.2 of these Bylaws) (1) pursuant to the corporation's proxy materials with respect to such meeting, (2) by or at the direction of the board of directors or (3) by any stockholder at the time of the giving of the notice required in subsection (b) of this Section 10, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this Section 1.10. The foregoing clause (3) shall be the exclusive means for a stockholder to make nominations or propose business (other than matters included in the corporation's proxy materials pursuant to Rule 14a-8 or Rule 14a-11 under the Securities Exchange Act of 1934 (the "Exchange Act")) at an Annual Meeting of stockholders.

b. In order to assure that stockholders and the corporation have a reasonable opportunity to consider nominations and other business proposed to be brought before a meeting of stockholders and to allow for full information to be distributed to stockholders, a stockholder properly may bring nominations or other business before an annual meeting of stockholders pursuant to clause (3) of subsection a above, only if (i) the stockholder has given timely notice thereof in writing to the secretary of the corporation, and (ii) any such business is a proper matter for stockholder action under the Maryland General Corporation Law. To be timely, a stockholder's notice shall be received by the secretary at the principal executive offices of the corporation not less than 90 or more than 120 days prior to the one-year anniversary of the date on which the corporation first mailed its proxy materials for the preceding year's Annual Meeting of stockholders; provided, however, that, subject to the last sentence of this subsection b, if the meeting is convened more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's Annual Meeting, or if no Annual Meeting was held in the preceding year, notice by the stockholder to be timely must be received not later than the close of business on the later of (i) the 90th day before such Annual Meeting or (ii) the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall an adjournment or postponement of an Annual Meeting for which notice has been given commence a new time period for the giving of a stockholder's notice.

c. Such stockholder's notice shall set forth:

(i) if such notice pertains to the nomination of directors, as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominee as a director in an election contest, or is otherwise required, pursuant to Regulation 14A under the Exchange Act, and such person's written consent to serve as a director if elected;

(ii) as to any business that the stockholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest of such stockholder in such business; and

(iii) as to (A) the stockholder giving the notice and (B) each beneficial owner of shares of the corporation on whose behalf the nomination or proposal is made (each, a "party"):

(1) the name and address of each such party;

(2) (A) the number of shares of the corporation that are owned, directly or indirectly, beneficially and of record by each such party, (B) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, hedging transactions, and borrowed or loaned shares, regardless of whether settled in shares or cash) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder or beneficial owner, the effect or intent of which is to mitigate loss, manage risk or benefit from changes in the share price of the corporation's capital stock, or increase or decrease the voting power of the stockholder or beneficial owner with respect to shares of stock of the corporation, including the notional number of shares that are the subject of such agreement, arrangement or understanding, (C) a description of any proxy, contract, arrangement, understanding, or relationship pursuant to which any such party has a right to vote, directly or indirectly, any shares of the corporation, (D) a description of any agreement, arrangement or understanding (whether or not in writing) between or among such stockholder or beneficial owner and any other person relating to acquiring, holding, voting or disposing of any shares of the corporation, including the number of shares that are the subject of such agreement, arrangement or understanding, (which information shall be supplemented by such stockholder or such beneficial owner, as the case may be, not later than ten (10) days after the record date for the meeting to disclose such ownership as of the record date); and

(3) any other information relating to each such party that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or the election of directors in a contested election pursuant to Section 14 of the Exchange Act.

d. Except as provided in subsection g below, a person shall not be eligible for election or re-election as a director at an Annual Meeting unless (i) the person is nominated by a stockholder in accordance with this Section 1.10 or (ii) the person is nominated by or at the direction of the board of directors. Except as provided in subsection g below, only such business shall be conducted at an Annual Meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.10. The chair of the meeting shall have the power and the duty to determine whether a nomination or any business proposed to be brought before the meeting has been made in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defectively proposed business or nomination shall not be presented for stockholder action at the meeting and shall be disregarded. Notwithstanding the foregoing provisions of this Section 1.10, if the stockholder (or a qualified representative of the stockholder) proposing a nominee for director or business to be conducted at a meeting does not appear at the meeting of stockholders of the corporation to present such nomination or business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the corporation.

e. For purposes of this Section 1.10, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to the Exchange Act.

f. Notwithstanding the foregoing provisions of this Section 1.10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 1.10.

g. Nothing in this Section 10 shall be deemed to affect any rights of stockholders to request (i) inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) inclusion of nominees in the corporation's proxy statement pursuant to Rule 14a-11 under the Exchange Act. Subject to Rule 14a-8 and Rule 14a-11 under the Exchange Act, nothing in these Bylaws shall be construed to permit any stockholder, or give any stockholder the right, to include or have disseminated or described in the corporation's proxy statement any nomination of a director or directors or any other business proposal.

ARTICLE II BOARD OF DIRECTORS

Section 2.1 General Powers. The business and affairs of the corporation shall be managed under the direction of its board of directors.

Section 2.2 Number, Tenure, and Qualifications. The board of directors shall consist of not more than nine persons and not less than three persons, the exact number within such specified limits to be fixed from time to time by resolution of a majority of the entire board, provided that so long as there are less than three stockholders the number of directors may be fixed at less than three but not less than the number of stockholders. Each director shall hold office until the next annual meeting of the stockholders and until his or her successor shall have been elected and qualified unless sooner removed from office as hereinafter provided. Directors need not be residents of the state of Maryland or stockholders of the corporation.

Section 2.3 Regular Meetings. A regular meeting of the board of directors shall be held without other notice than this bylaw immediately after, and at the same place as, the annual meeting of stockholders. The board of directors may provide by resolution the time and place, either within or without the state of Maryland, for the holding of additional regular meetings without other notice than such resolution.

Section 2.4 Special Meetings. Special meetings of the board of directors may be called by or at the request of the president or any two directors. The person or persons authorized to call special meetings of the board of directors may fix any place, either within or without the state of Maryland, as the place for holding any special meeting of the board of directors called by them.

Section 2.5 Notice; Waiver. Notice of the date, time, and place of any special meeting shall be given at least 24 hours prior thereto by written notice delivered personally or given by facsimile transmission, e-mail, or other form of electronic transmission, or by mail or private carrier, to each director at his or her business address, facsimile number, or e-mail address, as applicable.

Such notice shall be deemed effective at the earliest of the following: (a) when received, (b) when transmitted by facsimile, e-mail, or other form of electronic transmission, (c) three days after its deposit in the United States mail, as evidenced by the postmark, if mailed postpaid and correctly addressed, and (d) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed or sent by or on behalf of the director. A director's attendance at, or participation in, a meeting shall constitute a waiver of notice of such meeting, except where a director at the beginning of the meeting, or promptly upon the director's arrival, objects to holding of the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to action taken at the meeting. A written waiver, or waiver by e-mail or other form of electronic transmission, of notice of a meeting signed by a director entitled to such notice, whether before or after the time stated therein, which specifies the meeting for which notice is waived and which is filed with the records of the meeting shall be equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.

Section 2.6 Quorum. A majority of the number of directors fixed from time to time pursuant to Section 2.2 shall constitute a quorum for the transaction of business at any meeting of the board of directors, but, if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 2.7 Manner of Acting. The action of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

Section 2.8 Vacancies. Any vacancy occurring in the board of directors, except a vacancy resulting from an increase in the number of directors, may be filled by the affirmative vote of a majority of the remaining directors, whether or not sufficient to constitute a quorum. A vacancy resulting from an increase in the number of directors may be filled by the affirmative vote of a majority of the entire board of directors.

Section 2.9 Presumption of Assent. A director who is present at a meeting of the board of directors when corporate action is taken shall be presumed to have assented to the action taken unless the director announces his or her dissent at the meeting and (a) the director's dissent is entered in the minutes of the meeting; or (b) the director files his or her written dissent with the secretary of the meeting before its adjournment; or (c) the director forwards his or her written dissent within 24 hours after the meeting is adjourned, by registered or certified mail, to the secretary of the meeting or of the corporation. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 2.10 Removal of Directors. All or any number of the directors may be removed by the stockholders with or without cause at a meeting expressly called for that purpose by the affirmative vote of a majority of all votes entitled to be cast for the election of directors. The notice of such meeting shall state that the purpose or one of the purposes of the meeting is the removal of the director or directors.

Section 2.11 Compensation. By resolution of the board of directors, each director may be paid an annual fee as director and, in addition thereto, a fixed sum for attendance at each meeting of the board of directors and executive committee or other committees and his expenses, if any, of attendance at any such meeting. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

Section 2.12 Action Without Meeting. Any action required or permitted by the Maryland General Corporation Law to be taken at a meeting of the board of directors may be taken without a meeting if a consent in writing which sets forth the action so taken is signed by each member of the board of directors and filed with the minutes of proceedings of the board of directors.

Section 2.13 Meetings By Telephone. Meetings of the board of directors may be held by means of conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time, and such participation shall constitute presence in person at the meeting.

Section 2.14 Chairman and Vice Chairman. The board of directors shall appoint from among its members a chairman and a vice chairman who shall serve at the pleasure of the board of directors. The chairman, or in his absence the vice chairman, shall preside at the meetings of the board of directors.

ARTICLE III EXECUTIVE COMMITTEE AND OTHER COMMITTEES

Section 3.1 Appointment. The board of directors may appoint from among its members an executive committee to consist of a chairman and one or more other directors. The appointment of such committee, the delegation of authority to it or action by it under that authority shall not constitute of itself compliance by any director not a member of the committee with the standard provided in the Maryland General Corporation Law for the performance of duties by directors.

Section 3.2 Authority. The executive committee, when the board of directors is not in session, shall have and may exercise all the authority of the board of directors except to the extent, if any, that such authority shall be limited by the resolution appointing the executive committee and except also that neither the executive committee nor any other committee of the board of directors appointed pursuant to Section 3.9 shall have the authority to (a) authorize dividends on stock, except as permitted under the Maryland General Corporation Law; (b) issue stock, except as provided in Section 3.10; (c) recommend to the stockholders any action which requires stockholder approval; (d) amend the bylaws; or (e) approve a merger or share exchange which does not require stockholder approval.

Section 3.3 Tenure. Each member of the executive committee shall hold office until the next regular annual meeting of the board of directors following his or her appointment and until his or her successor is appointed as a member of the executive committee.

Section 3.4 Meetings; Notice; Waiver. Regular meetings of the executive committee or any other committee of the board of directors appointed pursuant to Section 3.9 may be held without notice at such times and places as the committee may fix from time to time by resolution. Special meetings of the executive committee or any such other committee may be called by any member thereof upon not less than 24 hours' notice stating the place, date and hour of the meeting. The provisions of Section 2.5 shall apply to the method for giving notice of special meetings of the executive committee or any such other committee and to the waiver of notice of any such meetings. The notice of a meeting of the executive committee or any such other committee need not state the business proposed to be transacted at the meeting.

Section 3.5 Quorum; Manner of Acting. A majority of the members of the executive committee or any such other committee shall constitute a quorum for the transaction of business at any meeting thereof, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

Section 3.6 Vacancies. Any vacancy in the executive committee or any such other committee may be filled by the board of directors.

Section 3.7 Resignations and Removal. Any member of the executive committee or any such other committee may be removed at any time with or without cause by the board of directors. Any member of the executive committee or any such other committee may resign as a member of the committee at any time by giving written notice to the chairman of the board or secretary of the corporation, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.8 Procedure. The chairman of the executive committee shall be the presiding officer of the executive committee. The executive committee and any such other committee shall fix its own rules of procedure which shall not be inconsistent with these bylaws. The committee shall keep regular minutes of its proceedings and report the same to the board of directors for its information at the meeting thereof held next after the proceedings shall have been taken.

Section 3.9 Appointment of Other Committees of the Board of Directors. The board of directors may from time to time create any other committee or committees of the board of directors and appoint members of the board of directors to serve thereon. Each member of any such committee shall hold office until the next regular annual meeting of the board of directors following his or her appointment and until his or her successor is appointed as a member of such committee. Each committee shall have one or more members and, to the extent specified by the board of directors, may exercise the powers of the board subject to the limitations set forth in Section 3.2.

Section 3.10 Issuance of Stock. If the board of directors has given general authorization for the issuance of stock providing for or establishing a method or procedure for determining the maximum number of shares to be issued, a committee of the board of directors, in accordance with that general authorization or any stock option plan or other plan or program adopted by the board of directors, may authorize or fix the terms of stock subject to classification or reclassification and the terms on which any stock may be issued, including all terms and conditions required or permitted to be established or authorized by the board of directors under the Maryland General Corporation Law.

Section 3.11 Action Without a Meeting. Any action that may be taken by the executive committee or any such other committee at a meeting may be taken without a meeting if a consent in writing which sets forth the action so taken is signed by each member of the committee and filed with the minutes of proceedings of the committee.

Section 3.12 Meetings By Telephone. Meetings of any committee of the board of directors may be held by means of conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time, and such participation shall constitute presence in person at the meeting.

ARTICLE IV OFFICERS

Section 4.1 Number. The officers of the corporation shall be a president, a secretary and a treasurer, each of whom shall be elected by the board of directors. The board of directors may elect one or more vice presidents (the number thereof to be determined by the board of directors) and such other officers and assistant officers as may be deemed necessary.

Section 4.2 Election and Term of Office. The officers of the corporation shall be elected annually at the first meeting of the board of directors held after each annual meeting of the stockholders. A person may hold more than one office but may not serve concurrently as both president and vice president of the corporation. Each officer shall hold office until his or her successor shall have been duly elected, or until his or her death, or until he or she shall resign or shall have been removed in the manner hereinafter provided.

Section 4.3 Removal. The board of directors may remove any officer at any time. The election of an officer shall not of itself create contract rights, and the resignation or removal of an officer shall not affect the contract rights, if any, of the corporation or the officer.

Section 4.4 Vacancies. A vacancy in any office because of death, resignation, removal, or otherwise may be filled by the board of directors for the unexpired portion of the term.

Section 4.5 President. The president shall be the chief executive officer of the corporation and, subject to the control of the board of directors, shall in general supervise and control all the business and affairs of the corporation. He or she shall preside at all meetings of the stockholders and, in the absence of the chairman or vice chairman, at all meetings of the board of directors. He or she may sign, with the secretary or any other proper officer of the corporation thereunto authorized by the board of directors, certificates for shares of stock of the corporation and any deeds, mortgages, bonds, contracts, or other instruments which the board of directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors, or by these bylaws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed; and in general he or she shall perform all duties incident to the office of president and such other duties as may be prescribed by the board of directors from time to time.

Section 4.6 Vice Presidents. In the absence of the president, or in the event of his or her death, inability, or refusal to act, the vice president (or, in the event there be more than one vice president, the vice presidents in the order designated at the time of their election, or, in the absence of any designation, then in the order of their election) shall perform the duties of the president and, when so acting, shall have all the powers of and be subject to all the restrictions upon the president. Any vice president may sign, with the secretary or an assistant secretary, certificates for shares of stock of the corporation; and shall perform such other duties as from time to time may be assigned to him or her by the president or by the board of directors.

Section 4.7 Secretary. The secretary shall (a) keep the minutes of the stockholders' and of the board of directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (c) be custodian of the corporate records and responsible for the authentication of such records; (d) keep or cause to be kept a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholder; (e) sign, with the president or a vice president, certificates for shares of stock of the corporation, the issuance of which shall have been authorized by the board of directors; (f) have general charge of the stock transfer books of the corporation; and (g) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him or her by the president or by the board of directors.

Section 4.8 Treasurer. If required by the board of directors, the treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the board of directors shall determine. He or she shall (a) have charge and custody of and be responsible for all funds and securities of the corporation, receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of ARTICLE V of these bylaws; and (b) in general perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him or her by the president or by the board of directors.

Section 4.9 Assistant Secretaries and Assistant Treasurers. The assistant secretaries, when authorized by the board of directors, may sign, with the president or a vice president, certificates for shares of stock of the corporation, the issuance of which shall have been authorized by the board of directors. The assistant treasurers shall, respectively, if required by the board of directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the board of directors shall determine. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or the treasurer, respectively, or by the president or the board of directors.

Section 4.10 Salaries. The salaries of the officers shall be fixed from time to time by the board of directors and no officer shall be prevented from receiving such salary by reason of the fact that he or she is also a director of the corporation.

ARTICLE V CONTRACTS, LOANS, CHECKS, AND DEPOSITS

Section 5.1 Contracts. The board of directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation; and such authority may be general or confined to specific instances.

Section 5.2 Loans. No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the board of directors. Such authority may be general or confined to specific instances.

Section 5.3 Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents, of the corporation and in such manner as shall from time to time be determined by resolution of the board of directors.

Section 5.4 Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as selected by the officer or officers authorized by the board of directors to make such selection.

ARTICLE VI CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 6.1 Certificates for Shares. The shares of the corporation's stock may be certificated or uncertificated, as provided under the Maryland Corporations and Associations Code. All uncertificated shares shall be evidenced by a book entry system administered by the corporation's transfer agent pursuant to procedures, terms, and conditions as the corporation and the transfer agent shall adopt from time to time. The board of directors shall designate the class or classes of the corporation's securities that may be represented by uncertificated shares. Upon the issuance or transfer of uncertificated shares, the corporation shall cause the stockholder to be sent a written statement containing the information that is required for certificated shares under Maryland law relating to the share's class, restrictions on alienability and other designations. Certificated shares shall be signed manually by the president or a vice president and by the secretary or an assistant secretary and may be sealed with the corporate seal or a facsimile thereof. The signatures of such officers on a certificate may be facsimiles if the certificate is countersigned by a transfer agent, or registered by a registrar, other than the corporation itself or an employee of the corporation. All certificates for shares of stock shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be canceled and no new certificates for shares or uncertificated shares shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, stolen, destroyed, or mutilated certificate a new certificate may be issued therefor on such terms and indemnity to the corporation as the board of directors may prescribe.

Section 6.2 Transfer of Shares. Transfer of shares of stock of the corporation shall be made only on the stock transfer books of the corporation by the holder of record thereof or by his or her legal representative, who shall furnish proper evidence of authority to transfer, or by his or her attorney thereunto authorized by power of attorney duly executed and filed with the secretary of the corporation, and on surrender for the cancellation of the certificate, if any, for such shares. The person in whose name shares of stock stand on the books of the corporation shall be deemed by the corporation to be the owner thereof for all purposes.

ARTICLE VII AMENDMENTS

The bylaws may be adopted, altered, or repealed solely by the board of directors.

**AWARD AGREEMENT
Under The
Barrett Business Services, Inc.
2009 Stock Incentive Plan**

INCENTIVE STOCK OPTION

Corporation: **BARRETT BUSINESS SERVICES, INC.**
8100 N.E. Parkway Drive, Suite 200
Vancouver, Washington 98662

Participant: _____

Date: _____, 20__

Corporation maintains the Barrett Business Services, Inc., 2009 Stock Incentive Plan (the "Plan").

This Award Agreement evidences the grant of an Incentive Stock Option (the "Option") to Participant.

The parties agree as follows:

1. Defined Terms

When used in this Agreement, the following terms have the meaning specified below:

(a) "**Acquiring Person**" means any person or related person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Securities Exchange Act of 1934 (the "Exchange Act"), as such Section and Rule are in effect as of the Grant Date; provided, however, that the term Acquiring Person shall not include (i) Corporation or any of its Subsidiaries, (ii) any employee benefit plan of Corporation or any of its Subsidiaries, (iii) any entity holding voting capital stock of Corporation for or pursuant to the terms of any such employee benefit plan, or (iv) any person or group solely because such person or group has voting power with respect to capital stock of Corporation arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act.

(b) "**Change in Control**" means:

(i) A change in control of Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the Grant Date pursuant to the Exchange Act; provided that, without limitation, such a change in control shall be deemed to have occurred at such time as any Acquiring Person hereafter becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of Voting Securities; or

(ii) During any period of 12 consecutive calendar months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election, by Corporation shareholders of each new director was approved by a vote of at least a majority of the directors then in office who were directors at the beginning of the period; or

(iii) There shall be consummated (i) any consolidation or merger of Corporation in which Corporation is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of Corporation in which the holders of Voting Securities immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of Corporation; or

(iv) Approval by the shareholders of Corporation of any plan or proposal for the liquidation or dissolution of Corporation.

(c) "**Change in Control Date**" means the first date following the Grant Date on which a Change in Control has occurred.

(d) "**Employer**" means Corporation or a Subsidiary of Corporation.

(e) "**Grant Date**" means the date the Option is granted, which is reflected as the date of this Agreement.

(f) "**Voting Securities**" means Corporation's issued and outstanding securities ordinarily having the right to vote at elections for director.

Capitalized terms not otherwise defined in this Agreement have the meanings given them in the Plan.

2. Grant of Option

Subject to the terms and conditions of this Agreement and the Plan, Corporation grants to Participant the Option to purchase _____ Shares of Corporation's common stock at \$____ per share. *[100 percent of the Fair Market Value of a Share on the date of the grant]*

3. Terms of Option

The Option is subject to all the provisions of the Plan and to the following terms and conditions:

3.1 Term. The term of the Option is ten years from the Grant Date and will automatically terminate on_____, 20___, to the extent not exercised, unless terminated earlier in accordance with this Agreement.

3.2 Time of Exercise. Unless the Option is otherwise terminated or the time of its exercisability is accelerated in accordance with this Agreement, the Option may be exercised from time to time to purchase Shares up to the following limits (based on years after the Grant Date and including any Shares previously purchased pursuant to the Option):

- (a) During the first year - none;
- (b) During the second year - up to 12.5 percent of the total Shares;
- (c) During the third year - up to 25 percent of the total Shares;
- (d) During the fourth year - up to 37.5 percent of the total Shares;
- (e) During the fifth year - up to 50 percent of the total Shares;
- (f) During the sixth year - up to 62.5 percent of the total Shares;
- (g) During the seventh year - up to 75 percent of the total Shares;
- (h) During the eighth year - up to 87.5 percent of the total Shares; and
- (i) After the eighth year - 100 percent.

3.3 Employment Requirement. Except as otherwise provided in subsection 3.4 of this Agreement, the Option may not be exercised unless Participant is employed by an Employer continuously for at least one year following the Grant Date, unless employment is terminated by death, Disability, or Retirement. For purposes of this Agreement, "employment" includes periods of illness or other leaves of absence authorized by the Employer. If Participant ceases to be an active employee, the Option will remain exercisable, to the extent the Option had become exercisable on or before the termination date, and the right to exercise the Option will expire at the end of the following periods:

<u>After Termination On Account Of</u>	<u>Period</u>
Death	1 year
Retirement	3 months
Disability	1 year
Any other reason	3 months

3.4 Acceleration of Exercisability. Notwithstanding the schedule provided in subsection 3.2, the Option will become fully exercisable (unless Participant chooses to decline accelerated Vesting of all or any portion of the Option) upon the occurrence of either:

- (a) Participant's death or termination of employment by reason of Disability or Retirement; or

(b) A Change in Control Date.

3.5 Method of Exercise. The Option, or any portion thereof, may be exercised, to the extent it has become exercisable pursuant to this Agreement, by delivery of written notice to Corporation stating the number of Shares, form of payment, and proposed date of closing.

3.6 Other Documents. Participant will be required to furnish to Corporation before closing such other documents or representations as Corporation may require to assure compliance with applicable laws and regulations.

3.7 Payment. The exercise price for the Shares purchased upon exercise of the Option must be paid in full at or before closing by one or a combination of the following:

(a) Payment in cash;

(b) Delivery of previously acquired Shares having a Fair Market Value equal to the exercise price; or

(c) Delivery (in a form approved by the Committee) of an irrevocable direction to a securities broker acceptable to the Committee:

(i) To sell Shares subject to the Option and to deliver all or a part of the sales proceeds to Corporation in payment of all or a part of the exercise price and withholding taxes due; or

(ii) To pledge Shares subject to the Option to the broker as security for a loan and to deliver all or a part of the loan proceeds to Corporation in payment of all or a part of the exercise price and withholding taxes due.

3.8 Previously Acquired Shares. Delivery of previously acquired Shares in full or partial payment for the exercise of the Option will be subject to the following conditions:

(a) The Shares tendered must be in good delivery form;

(b) The Fair Market Value of the Shares tendered, together with the amount of cash, if any, tendered must equal or exceed the exercise price of the Option;

(c) Any Shares remaining after satisfying the payment for the Option will be reissued in the same manner as the Shares tendered; and

(d) No fractional Shares will be issued and cash will not be paid to the Participant for any fractional Share value not used to satisfy the Option exercise price.

4. Tax Reimbursement

In the event any withholding or similar tax liability is imposed on Corporation in connection with or with respect to any exercise of the Option or the disposition by Participant of the Shares acquired upon exercise of the Option, Participant agrees to pay to Corporation an amount sufficient to provide for such tax liability.

5. Conditions Precedent

Corporation will use its best efforts to obtain approval of the Plan and this Option by any state or federal agency or authority that Corporation determines has jurisdiction. If Corporation determines that any required approval cannot be obtained, this Option will terminate on notice to the Participant to that effect. Without limiting the foregoing, Corporation will not be required to issue any Shares upon exercise of the Option, or any portion thereof, until Corporation has taken any action required to comply with all applicable federal and state securities laws.

6. Termination for Cause; Competition

6.1 Annulment of Awards. The grant of the Option governed by this Agreement is revocable until Participant becomes entitled to a certificate for Shares in settlement thereof. In the event the employment of Participant is terminated for cause (as defined below), any portion of the Option which is revocable will be annulled as of the date of such termination for cause. For the purpose of this Section 6.1, the term “for cause” will have the meaning set forth in Participant’s employment agreement, if any, or otherwise means any discharge (or removal) for material or flagrant violation of the policies and procedures of the Employer or for other performance or conduct which is materially detrimental to the best interests of Corporation, as determined by the Committee.

6.2 Engaging in Competition With Corporation. If Participant terminates employment with an Employer for any reason whatsoever, and within 18 months after the date thereof accepts employment with any competitor of (or otherwise engages in competition with) Corporation, the Committee, in its sole discretion, may require Participant to return to Corporation the economic value of this Option that is realized or obtained (measured at the date of exercise) by Participant at any time during the period beginning on the date that is six months prior to the date of Participant’s termination of employment with an Employer.

7. Successorship

Subject to restrictions on transferability set forth in the Plan, this Agreement will be binding upon and benefit the parties, their successors and assigns.

8. Notices

Any notices under this Option must be in writing and will be effective when actually delivered personally or, if mailed, when deposited as registered or certified mail directed to the address of Corporation’s records or to such other address as a party may certify by notice to the other party.

9. Arbitration

Any dispute or claim that arises out of or that relates to this Agreement or to the interpretation, breach, or enforcement of this Agreement, must be resolved by mandatory arbitration in accordance with the then effective arbitration rules of Arbitration Service of Portland, Inc., and any judgment upon the award rendered pursuant to such arbitration may be entered in any court having jurisdiction thereof.

10. Attorney Fees

In the event of any suit or action or arbitration proceeding to enforce or interpret any provision of this Agreement (or which is based on this Agreement), the prevailing party will be entitled to recover, in addition to other costs, reasonable attorney fees in connection with such suit, action, arbitration, and in any appeal. The determination of who is the prevailing party and the amount of reasonable attorney fees to be paid to the prevailing party will be decided by the arbitrator or arbitrators (with respect to attorney fees incurred prior to and during the arbitration proceedings) and by the court or courts, including any appellate courts, in which the matter is tried, heard, or decided, including the court which hears any exceptions made to an arbitration award submitted to it for confirmation as a judgment (with respect to attorney fees incurred in such confirmation proceedings).

BARRETT BUSINESS SERVICES, INC.

By _____

Name _____

Its _____

Participant

**AWARD AGREEMENT
Under The
Barrett Business Services, Inc.
2009 Stock Incentive Plan**

EMPLOYEE NONQUALIFIED STOCK OPTION

Corporation: **BARRETT BUSINESS SERVICES, INC.**
8100 N.E. Parkway Drive, Suite 200
Vancouver, Washington 98662

Participant: _____

Date: _____, 20__

Corporation maintains the Barrett Business Services, Inc., 2009 Stock Incentive Plan (the "Plan").

This Award Agreement evidences the grant of a Nonqualified Option (the "Option") to Participant.

The parties agree as follows:

1. Defined Terms

When used in this Agreement, the following terms have the meaning specified below:

(a) "**Acquiring Person**" means any person or related person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Securities Exchange Act of 1934 (the "Exchange Act"), as such Section and Rule are in effect as of the Grant Date; provided, however, that the term Acquiring Person shall not include (i) Corporation or any of its Subsidiaries, (ii) any employee benefit plan of Corporation or any of its Subsidiaries, (iii) any entity holding voting capital stock of Corporation for or pursuant to the terms of any such employee benefit plan, or (iv) any person or group solely because such person or group has voting power with respect to capital stock of Corporation arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act.

(b) "**Change in Control**" means:

(i) A change in control of Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the Grant Date pursuant to the Exchange Act; provided that, without limitation, such a change in control shall be deemed to have occurred at such time as any Acquiring Person hereafter becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of Voting Securities; or

(ii) During any period of 12 consecutive calendar months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election, by Corporation shareholders of each new director was approved by a vote of at least a majority of the directors then in office who were directors at the beginning of the period; or

(iii) There shall be consummated (1) any consolidation or merger of Corporation in which Corporation is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of Corporation in which the holders of Voting Securities immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (2) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of Corporation; or

(iv) Approval by the shareholders of Corporation of any plan or proposal for the liquidation or dissolution of Corporation.

(c) "**Change in Control Date**" means the first date following the Grant Date on which a Change in Control has occurred.

(d) "**Employer**" means Corporation or a Subsidiary of Corporation.

(e) "**Grant Date**" means the date the Option is granted, which is reflected as the date of this Agreement.

(f) "**Voting Securities**" means Corporation's issued and outstanding securities ordinarily having the right to vote at elections for director.

Capitalized terms not otherwise defined in this Agreement have the meanings given them in the Plan.

2. Grant of Option

Subject to the terms and conditions of this Agreement and the Plan, Corporation grants to Participant the Option to purchase _____ Shares of Corporation's common stock at \$____ per share. *[100 percent of the Fair Market Value of a Share on the date of grant]*

3. Terms of Option

The Option is subject to all the provisions of the Plan and to the following terms and conditions:

3.1 Term. The term of the Option is ten years from the Grant Date and will automatically terminate on_____, 20___, to the extent not exercised, unless terminated earlier in accordance with this Agreement.

3.2 Time of Exercise. Unless the Option is otherwise terminated or the time of its exercisability is accelerated in accordance with this Agreement, the Option may be exercised from time to time to purchase Shares up to the following limits (based on years after the Grant Date and including any Shares previously purchased pursuant to the Option):

- (a) During the first year - none;
- (b) During the second year - up to 12.5 percent of the total Shares;
- (c) During the third year - up to 25 percent of the total Shares;
- (d) During the fourth year - up to 37.5 percent of the total Shares;
- (e) During the fifth year - up to 50 percent of the total Shares;
- (f) During the sixth year - up to 62.5 percent of the total Shares;
- (g) During the seventh year - up to 75 percent of the total Shares;
- (h) During the eighth year - up to 87.5 percent of the total Shares; and
- (i) After the eighth year -100 percent.

3.3 Employment Requirement. Except as otherwise provided in subsection 3.4 of this Agreement, the Option may not be exercised unless Participant is employed by an Employer continuously for at least one year following the Grant Date, unless employment is terminated by death, Disability, or Retirement. For purposes of this Agreement, "employment" includes periods of illness or other leaves of absence authorized by the Employer. If Participant ceases to be an active employee, the right to exercise the Option, to the extent the Option had become exercisable on or before the termination date, will expire at the end of the following periods:

<u>After Termination On Account Of</u>	<u>Period</u>
Death	1 year
Retirement	3 months
Disability	1 year
Any other reason	3 months

3.4 Acceleration of Exercisability. Notwithstanding the schedule provided in subsection 3.2, the Option will become fully exercisable (unless Participant chooses to decline accelerated Vesting of all or any portion of the Option) upon the occurrence of either:

- (a) Participant's death or termination of employment by reason of Disability or Retirement; or

(b) A Change in Control Date.

3.5 Method of Exercise. The Option, or any portion thereof, may be exercised, to the extent it has become exercisable pursuant to this Agreement, by delivery of written notice to Corporation stating the number of Shares, form of payment, and proposed date of closing.

3.6 Other Documents. Participant will be required to furnish to Corporation before closing such other documents or representations as Corporation may require to assure compliance with applicable laws and regulations.

3.7 Payment. The exercise price for the Shares purchased upon exercise of the Option must be paid in full at or before closing by one or a combination of the following:

(a) Payment in cash;

(b) Delivery of previously acquired Shares having a Fair Market Value equal to the exercise price;

(c) Withholding of Shares issuable to Participant upon exercise of the Option, with a Fair Market Value on the date of delivery equal to the aggregate purchase price of the Shares as to which the Option is exercised; or

(d) Delivery (in a form approved by the Committee) of an irrevocable direction to a securities broker acceptable to the Committee:

(i) To sell Shares subject to the Option and to deliver all or a part of the sales proceeds to Corporation in payment of all or a part of the exercise price and withholding taxes due; or

(ii) To pledge Shares subject to the Option to the broker as security for a loan and to deliver all or a part of the loan proceeds to Corporation in payment of all or a part of the exercise price and withholding taxes due.

3.8 Previously Acquired Shares. Delivery of previously acquired Shares in full or partial payment for the exercise of the Option will be subject to the following conditions:

(a) The Shares tendered must be in good delivery form;

(b) The Fair Market Value of the Shares tendered, together with the amount of cash, if any, tendered must equal or exceed the exercise price of the Option;

(c) Any Shares remaining after satisfying the payment for the Option will be reissued in the same manner as the Shares tendered; and

(d) No fractional Shares will be issued and cash will not be paid to the Participant for any fractional Share value not used to satisfy the Option exercise price.

4. Tax Withholding and Reimbursement

Corporation is authorized to withhold from Participant's other compensation any withholding and payroll taxes imposed on Corporation in connection with or with respect to the exercise or other settlement of the Option (the "Payroll Taxes"). In the event Participant is no longer an employee of an Employer at the time of exercise or there is insufficient other income from which to withhold Payroll Taxes, Participant agrees to pay Corporation an amount sufficient to provide for payment of all Payroll Taxes. Such payment may be in cash, in Shares owned by Participant, duly endorsed for transfer, with a Fair Market Value equal to the sums required to be withheld, in Shares issuable to Participant upon exercise of the Option with a Fair Market Value equal to the sums required to be withheld, or in any combination of the foregoing methods of payment.

5. Conditions Precedent

Corporation will use its best efforts to obtain approval of the Plan and this Option by any state or federal agency or authority that Corporation determines has jurisdiction. If Corporation determines that any required approval cannot be obtained, this Option will terminate on notice to the Participant to that effect. Without limiting the foregoing, Corporation will not be required to issue any Shares upon exercise of the Option, or any portion thereof, until Corporation has taken any action required to comply with all applicable federal and state securities laws.

6. Termination for Cause; Competition

6.1 Annulment of Awards. The grant of the Option governed by this Agreement is revocable until Participant becomes entitled to a certificate for Shares in settlement thereof. In the event the employment of Participant is terminated for cause (as defined below), any portion of the Option which is revocable will be annulled as of the date of such termination for cause. For the purpose of this Section 6.1, the term "for cause" will have the meaning set forth in Participant's employment agreement, if any, or otherwise means any discharge (or removal) for material or flagrant violation of the policies and procedures of the Employer or for other performance or conduct which is materially detrimental to the best interests of Corporation, as determined by the Committee.

6.2 Engaging in Competition With Corporation. If Participant terminates employment with an Employer for any reason whatsoever, and within 18 months after the date thereof accepts employment with any competitor of (or otherwise engages in competition with) Corporation, the Committee, in its sole discretion, may require Participant to return to Corporation the economic value of this Option that is realized or obtained (measured at the date of exercise) by Participant at any time during the period beginning on the date that is six months prior to the date of Participant's termination of employment with an Employer.

7. Successorship

Subject to restrictions on transferability set forth in the Plan, this Agreement will be binding upon and benefit the parties, their successors and assigns.

8. Notices

Any notices under this Option must be in writing and will be effective when actually delivered personally or, if mailed, when deposited as registered or certified mail directed to the address of Corporation's records or to such other address as a party may certify by notice to the other party.

9. Arbitration

Any dispute or claim that arises out of or that relates to this Agreement or to the interpretation, breach, or enforcement of this Agreement, must be resolved by mandatory arbitration in accordance with the then effective arbitration rules of Arbitration Service of Portland, Inc., and any judgment upon the award rendered pursuant to such arbitration may be entered in any court having jurisdiction thereof.

10. Attorney Fees

In the event of any suit or action or arbitration proceeding to enforce or interpret any provision of this Agreement (or which is based on this Agreement), the prevailing party will be entitled to recover, in addition to other costs, reasonable attorney fees in connection with such suit, action, arbitration, and in any appeal. The determination of who is the prevailing party and the amount of reasonable attorney fees to be paid to the prevailing party will be decided by the arbitrator or arbitrators (with respect to attorney fees incurred prior to and during the arbitration proceedings) and by the court or courts, including any appellate courts, in which the matter is tried, heard, or decided, including the court which hears any exceptions made to an arbitration award submitted to it for confirmation as a judgment (with respect to attorney fees incurred in such confirmation proceedings).

BARRETT BUSINESS SERVICES, INC.

By _____
Name _____
Its _____

Participant

**AWARD AGREEMENT
Under The
Barrett Business Services, Inc.
2009 Stock Incentive Plan**

NON-EMPLOYEE DIRECTOR NONQUALIFIED STOCK OPTION

Corporation: **BARRETT BUSINESS SERVICES, INC.**
8100 N.E. Parkway Drive, Suite 200
Vancouver, Washington 98662

Participant: _____

Date: _____, 20__

Corporation maintains the Barrett Business Services, Inc., 2009 Stock Incentive Plan (the "Plan").

This Award Agreement evidences the grant of a Nonqualified Option (the "Option") to Participant.

The parties agree as follows:

1. Defined Terms

When used in this Agreement, the following terms have the meaning specified below:

(a) "**Acquiring Person**" means any person or related person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Securities Exchange Act of 1934 (the "Exchange Act"), as such Section and Rule are in effect as of the Grant Date; provided, however, that the term Acquiring Person shall not include (i) Corporation or any of its Subsidiaries, (ii) any employee benefit plan of Corporation or any of its Subsidiaries, (iii) any entity holding voting capital stock of Corporation for or pursuant to the terms of any such employee benefit plan, or (iv) any person or group solely because such person or group has voting power with respect to capital stock of Corporation arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act.

(b) "**Change in Control**" means:

(i) A change in control of Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the Grant Date pursuant to the Exchange Act; provided that, without limitation, such a change in control shall be deemed to have occurred at such time as any Acquiring Person hereafter becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of Voting Securities; or

(ii) During any period of 12 consecutive calendar months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election, by Corporation shareholders of each new director was approved by a vote of at least a majority of the directors then in office who were directors at the beginning of the period; or

(iii) There shall be consummated (1) any consolidation or merger of Corporation in which Corporation is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of Corporation in which the holders of Voting Securities immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (2) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of Corporation; or

(iv) Approval by the shareholders of Corporation of any plan or proposal for the liquidation or dissolution of Corporation.

(c) "**Change in Control Date**" means the first date following the Grant Date on which a Change in Control has occurred.

(d) "**Grant Date**" means the date the Option is granted, which is reflected as the date of this Agreement.

(e) "**Retirement**" means ceasing to be a member of the Board for any reason (other than by removal) after service on the Board for at least 10 years.

(f) "**Voting Securities**" means Corporation's issued and outstanding securities ordinarily having the right to vote at elections for director.

Capitalized terms not otherwise defined in this Agreement have the meanings given them in the Plan.

2. Grant of Option

Subject to the terms and conditions of this Agreement and the Plan, Corporation grants to Participant the Option to purchase _____ Shares of Corporation's common stock at \$____ per share [*100 percent of the Fair Market Value of a Share on the date of grant*].

3. Terms of Option

The Option is subject to all the provisions of the Plan and to the following terms and conditions:

3.1 Term. The term of the Option is ten years from the Grant Date and will automatically terminate on_____, 20___, to the extent not exercised, unless terminated earlier in accordance with this Agreement.

3.2 Time of Exercise. Unless the Option is otherwise terminated or the time of its exercisability is accelerated in accordance with this Agreement, the Option may be exercised from time to time to purchase Shares up to the following limits (based on years after the Grant Date and including any Shares previously purchased pursuant to the Option):

- (a) During the first year - none;
- (b) During the second year - up to 12.5 percent of the total Shares;
- (c) During the third year - up to 25 percent of the total Shares;
- (d) During the fourth year - up to 37.5 percent of the total Shares;
- (e) During the fifth year - up to 50 percent of the total Shares;
- (f) During the sixth year - up to 62.5 percent of the total Shares;
- (g) During the seventh year - up to 75 percent of the total Shares;
- (h) During the eighth year - up to 87.5 percent of the total Shares; and
- (i) After the eighth year - 100 percent.

3.3 Continuation as Director. If Participant ceases to be a member of the Board for any reason, the right to exercise the Option, to the extent the Option had become exercisable on or before the termination date, will expire at the end of the following periods:

<u>After Termination On Account of</u>	<u>Period</u>
Death	1 year
Retirement	5 years
Disability	1 year
Any other reason	3 months

3.4 Acceleration of Exercisability. Notwithstanding the schedule provided in subsection 3.2, the Option will become fully exercisable upon the occurrence of either:

- (a) Participant's death or withdrawal from the Board by reason of Disability or Retirement; or
- (b) A Change in Control Date.

3.5 Method of Exercise. The Option, or any portion thereof, may be exercised, to the extent it has become exercisable pursuant to this Agreement, by delivery of written notice to Corporation stating the number of Shares, form of payment, and proposed date of closing.

3.6 Other Documents. Participant will be required to furnish to Corporation before closing such other documents or representations as Corporation may require to assure compliance with applicable laws and regulations.

3.7 Payment. The exercise price for the Shares purchased upon exercise of the Option must be paid in full at or before closing by one or a combination of the following:

- (a) Payment in cash;
- (b) Delivery of previously acquired Shares having a Fair Market Value equal to the exercise price;
- (c) Withholding of Shares issuable to Participant upon exercise of the Option, with a Fair Market Value on the date of delivery equal to the aggregate purchase price of the Shares as to which the Option is exercised; or
- (d) Delivery (in a form approved by the Committee) of an irrevocable direction to a securities broker acceptable to the Committee:
 - (i) To sell Shares subject to the Option and to deliver all or a part of the sales proceeds to Corporation in payment of all or a part of the exercise price; or
 - (ii) To pledge Shares subject to the Option to the broker as security for a loan and to deliver all or a part of the loan proceeds to Corporation in payment of all or a part of the exercise price.

3.8 Previously Acquired Shares. Delivery of previously acquired Shares in full or partial payment for the exercise of the Option will be subject to the following conditions:

- (a) The Shares tendered must be in good delivery form;
- (b) The Fair Market Value of the Shares tendered, together with the amount of cash, if any, tendered must equal or exceed the exercise price of the Option;
- (c) Any Shares remaining after satisfying the payment for the Option will be reissued in the same manner as the Shares tendered; and
- (d) No fractional Shares will be issued and cash will not be paid to the Participant for any fractional Share value not used to satisfy the Option exercise price.

4. Tax Reimbursement

In the event any withholding or similar tax liability is imposed on Corporation in connection with or with respect to any exercise of the Option, Participant agrees to pay to Corporation an amount sufficient to provide for such tax liability.

5. Conditions Precedent

Corporation will use its best efforts to obtain approval of the Plan and this Option by any state or federal agency or authority that Corporation determines has jurisdiction. If Corporation determines that any required approval cannot be obtained, this Option will terminate on notice to Participant to that effect. Without limiting the foregoing, Corporation will not be required to issue any Shares upon exercise of the Option, or any portion thereof, until Corporation has taken any action required to comply with all applicable federal and state securities laws.

6. Successorship

Subject to restrictions on transferability set forth in the Plan, this Agreement will be binding upon and benefit the parties, their successors and assigns.

7. Notices

Any notices under this Option must be in writing and will be effective when actually delivered personally or, if mailed, when deposited as registered or certified mail directed to the address of Corporation's records or to such other address as a party may certify by notice to the other party.

8. Arbitration

Any dispute or claim that arises out of or that relates to this Agreement or to the interpretation, breach, or enforcement of this Agreement, must be resolved by mandatory arbitration in accordance with the then effective arbitration rules of Arbitration Service of Portland, Inc., and any judgment upon the award rendered pursuant to such arbitration may be entered in any court having jurisdiction thereof.

9. Attorney Fees

In the event of any suit or action or arbitration proceeding to enforce or interpret any provision of this Agreement (or which is based on this Agreement), the prevailing party will be entitled to recover, in addition to other costs, reasonable attorney fees in connection with such suit, action, arbitration, and in any appeal. The determination of who is the prevailing party and the amount of reasonable attorney fees to be paid to the prevailing party will be decided by the arbitrator or arbitrators (with respect to attorney fees incurred prior to and during the arbitration proceedings) and by the court or courts, including any appellate courts, in which the matter is tried, heard, or decided, including the court which hears any exceptions made to an arbitration award submitted to it for confirmation as a judgment (with respect to attorney fees incurred in such confirmation proceedings).

BARRETT BUSINESS SERVICES, INC.

By _____
Name _____
Its _____

Participant

**CHANGE IN CONTROL
EMPLOYMENT AGREEMENT**

THIS CHANGE IN CONTROL EMPLOYMENT AGREEMENT ("Agreement"), dated April 12, 2011, is by and between BARRETT BUSINESS SERVICES, INC., a Maryland corporation ("Corporation"), and Michael L. Elich ("Executive").

The Board of Directors of Corporation (the "Board"), has determined that it is in the best interests of Corporation and its stockholders to assure that Corporation will have the continued dedication of Executive, notwithstanding the possibility, threat or occurrence of a Change in Control (as defined below) of Corporation. The Board believes it is imperative to diminish the inevitable distraction of Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change in Control and to encourage Executive's full attention and dedication to Corporation currently and in the event of any threatened or pending Change in Control, and to provide Executive with compensation and benefits arrangements upon a Change in Control which ensure that the compensation and benefits expectations of Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused Corporation to enter into this Agreement.

Corporation and Executive agree as follows:

1. **TERM.**

This Agreement commences on the date of this Agreement and will continue in effect until December 31, 2013; provided, however, that commencing on January 1, 2013, and each subsequent January 1, the term of this Agreement will automatically be extended for one additional calendar year unless at least 90 days prior to such January 1, Corporation or Executive will have given notice that this Agreement will not be extended; and provided, further, that if a Change in Control occurs while this Agreement is in effect, this Agreement will automatically be extended for a period of one calendar year beyond the calendar year in which the Change in Control occurs.

This Agreement will terminate on the earliest of:

(a) Executive's Separation from Service other than within 12 months following a Change in Control, provided, however, that if it is reasonably demonstrated by Executive that such Separation from Service (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or anticipation of a Change in Control, then such Separation from Service will be deemed to have occurred immediately following a Change in Control;

(b) Corporation's satisfaction of its obligations under this Agreement; or

(c) this Agreement is otherwise terminated in accordance with the terms and conditions set forth herein.

2. **DEFINITIONS.**

2.1 **Defined Terms.** For purposes of this Agreement, the following terms have the meanings set forth below:

(a) **“Acquiring Person”** means any person or related person or related persons which constitute a “group” for purposes of Section 13(d) and Rule 13d-5 under the Exchange Act, as such Section and Rule are in effect as of the date of this Agreement; provided, however, that the term Acquiring Person shall not include (i) Corporation or any of its Subsidiaries, (ii) any employee benefit plan of Corporation or any of its Subsidiaries, (iii) any entity holding voting capital stock of Corporation for or pursuant to the terms of any such employee benefit plan, or (iv) any person or group solely because such person or group has voting power with respect to capital stock of Corporation arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act.

(b) **“Cause”** means: (i) Executive’s willful failure to comply with any of the material and lawful policies or standards of Corporation; (ii) Executive’s material breach of Section 6 (“Confidential Information”) of this Agreement; (iii) Executive’s willful and material failure to perform the duties of his position with Corporation; (iv) embezzlement, theft, larceny, fraud, or other material acts of dishonesty by Executive; or (v) Executive’s conviction of or entry of a plea of guilty or nolo contendere to a felony; provided that Cause will not include any actions or circumstances constituting Cause under (i) or (iii) above if Executive cures such actions or circumstances within 30 days of written notice from Corporation setting forth the actions or circumstances constituting Cause.

(c) **“Change in Control”** means:

(i) A change in control of Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the date of this Agreement pursuant to the Exchange Act; provided that, without limitation, such a change in control shall be deemed to have occurred at such time as any Acquiring Person hereafter becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of Voting Securities; or

(ii) During any period of 12 consecutive calendar months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election, by Corporation’s stockholders of each new director was approved by a vote of at least a majority of the directors then in office who were directors at the beginning of the period; or

(iii) There shall be consummated (1) any consolidation or merger of Corporation in which Corporation is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of Corporation in which the holders of Voting Securities immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (2) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of Corporation; or

(iv) Approval by the stockholders of Corporation of any plan or proposal for the liquidation or dissolution of Corporation.

(d) “**Code**” means the Internal Revenue Code of 1986, as amended and in effect from time to time, or any successor thereto, together with rules, regulations, and interpretations promulgated thereunder. Where the context so requires, any reference to a particular Code section will be construed to refer to the successor provision to such Code section.

(e) “**Disability**” means the condition of being permanently “disabled” within the meaning of Code Section 22(e)(3), namely, being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

(f) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended and in effect from time to time, or any successor statute. Where the context so requires, any reference to a particular section of the Exchange Act, or to any rule promulgated under the Exchange Act, will be construed to refer to successor provisions to such section or rule.

(g) “**Good Reason**” means:

(i) a material adverse change in the nature or scope of Executive’s authority, duties, or responsibilities as an executive of Corporation, so as to be inconsistent with Executive’s circumstances immediately prior to the Change in Control;

(ii) a material diminution of the authority, duties, or responsibilities of the individual(s) to whom Executive is required to report as in effect immediately prior to the Change in Control, including a requirement that Executive (A) report to a corporate officer or employee instead of reporting directly to the Board of Corporation or its successor, or (B) report to a successor Board of which fewer than half of the members were directors of the Company immediately prior to the Change in Control;

(iii) a material diminution in Executive’s base compensation (Annual Base Salary or Target Bonus) as in effect immediately prior to the Change in Control;

(iv) a material change in the location of Executive’s principal place of employment by more than 50 miles from Executive’s principal place of employment immediately prior to the Change in Control;

(v) failure by Corporation to obtain from any successor the assent to this Agreement contemplated by Section 7.11(c) of this Agreement; or

(vi) significant violation of any of Corporation’s material duties or obligations under this Agreement.

Good Reason will only be deemed to have occurred if: (i) within 90 days after the initial existence of the circumstances constituting Good Reason, Executive provides Corporation with a written notice describing such circumstances, (ii) Corporation fails to cure the circumstances within 30 days after Corporation receives Executive's notice, and (iii) Executive Separates from Service with Corporation and all the members of Corporation's controlled group within 90 days of the date of Executive's written notice.

(h) "**Other Payment**" means any payment or benefit payable to Executive in connection with a Change in Control pursuant to any plan, arrangement, or agreement (other than this Agreement) with Corporation, a person whose actions result in such Change in Control, or any person affiliated with Corporation or such person.

(i) "**Separation from Service**" or "**Separate(s) from Service**" means "separation from service" as defined and interpreted in Treasury Regulation 1.409A-1(h) or in subsequent regulations or other guidance issued by the Internal Revenue Service.

(j) "**Subsidiary**" means a "subsidiary corporation" of Corporation, within the meaning of Section 425 of the Code, namely any corporation in which Corporation directly or indirectly controls 50 percent or more of the total combined voting power of all classes of stock having voting power.

(k) "**Total Payments**" means all payments or benefits payable to Executive in connection with a Change in Control, including payments pursuant to this Agreement and any Other Payments pursuant to any other plan, agreement, or arrangement with Corporation, a person whose actions result in the Change in Control, or any person affiliated with Corporation or such person.

(l) "**Voting Securities**" means Corporation's issued and outstanding securities ordinarily having the right to vote at elections for director.

2.2 **Gender and Number.** Except where otherwise indicated by the context, any masculine or feminine terminology used in this Agreement also includes the opposite gender; and the definition of any term in the singular also includes the plural, and vice versa.

3. **TERMS OF EMPLOYMENT.**

3.1 **Position and Duties.** Corporation will continue to employ Executive in the positions of President and Chief Executive Officer, and Executive agrees to be employed by Corporation in the positions of President and Chief Executive Officer, in accordance with the terms and conditions of this Agreement. Executive will have such duties as are customarily associated with such positions, and such other duties as may be assigned to him from time to time by the Board.

3.2 **Outside Activities.** Executive will at all times, faithfully and to the best of his ability, perform all of the duties that may be required of him pursuant to this Agreement. Executive will devote his entire working time, attention and energies to the performance of his duties hereunder and will not, during the term of this Agreement, be engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage; provided, however, that nothing in this Agreement will preclude Executive from devoting time during reasonable periods required for:

(a) serving, in accordance with Corporation's policies and with the prior approval of the Board, as a director or member of a committee of any company or organization involving no actual or potential conflict of interest with Corporation;

(b) delivering lectures and fulfilling speaking engagements;

(c) investing his personal assets in businesses in which his participation is solely that of an investor; provided, however, that such activities do not materially affect or interfere with the performance of Executive's duties and obligations to Corporation.

It is expressly understood and agreed that to the extent that any such activities have been conducted by Executive prior to the date of this Agreement, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the date of this Agreement will not be deemed to interfere with the performance of Executive's responsibilities to Corporation.

3.3 **Salary.** As compensation for services under this Agreement, Corporation will pay to Executive a base salary of \$300,000 per year ("Annual Base Salary"), in accordance with Corporation's standard payroll practices for its executive management employees as such practices may be revised from time to time, less all amounts required by law or authorized by Executive to be withheld or deducted. Executive's base salary may be adjusted by the Board or its Compensation Committee from time to time.

3.4 **Bonus.** In addition to Annual Base Salary, Executive will be awarded a target annual cash bonus ("Target Bonus").

3.5 **Benefits.** To the extent otherwise eligible, Executive will be entitled to receive or participate in any additional benefits, including without limitation group health insurance plans, retirement plans, and medical reimbursement plans, which Corporation may from time to time make available to its executive management employees, in accordance with the terms of the applicable plan or policy. Corporation will reimburse Executive for reasonable out-of-pocket expenses that Executive incurs in connection with the performance of his duties in accordance with the same reimbursement policies that generally apply to Corporation's executive management employees. Corporation may change or discontinue such additional benefits at any time in its sole discretion.

4. **COMPENSATION ON SEPARATION FOLLOWING CHANGE IN CONTROL.**

4.1 **Good Reason; Other Than for Cause, Death or Disability.** If Executive Separates from Service within 12 months after a Change in Control on account of (i) involuntary Separation from Service other than for Cause, death, or Disability due to the independent exercise of the unilateral authority of Corporation, or (ii) voluntary Separation from Service by Executive for Good Reason: Corporation shall pay to Executive promptly within 30 days from the date of Separation from Service (and in no event later than March 15 of the calendar year after the year in which the date of Separation from Service occurred), in a lump sum in cash, the amount equal to the product of (1) three and (2) the sum of (x) Executive's Annual Base Salary and (y) the Target Bonus, in each case as in effect on the date that the Change in Control occurred.

4.2 **No Obligation.** Corporation will have no obligation to make any payment or offer any benefits to Executive on Separation from Service under this Agreement except as explicitly set forth in Section 4.1.

5. **PARACHUTE PAYMENTS.**

5.1 **Reduction for Excess Parachute Payments.** In the event that any portion of the Total Payments payable to Executive in connection with his Separation from Service would constitute an "excess parachute payment" within the meaning of Code Section 280G(b) that, but for this Section, would be subject to the excise tax imposed on so-called excess parachute payments pursuant to Code Section 4999 (an "Excise Tax"), then the payments otherwise payable under this Agreement will be reduced to the largest amount payable to Executive which would result in no portion of the Total Payments being subject to the Excise Tax.

5.2 **Application.** For purposes of this Section:

(a) No portion of the Total Payments, the receipt or enjoyment of which Executive has effectively waived in writing prior to the date of payment, will be taken into account;

(b) No portion of the Total Payments will be taken into account which, in the opinion of tax counsel selected by Corporation and reasonably acceptable to Executive ("Tax Counsel"), does not constitute a "parachute payment" within the meaning of Code Section 280G;

(c) If Executive and Corporation disagree whether any payment will result in an Excise Tax, the matter will be conclusively resolved by an opinion of Tax Counsel;

(d) The value of any noncash benefit or any deferred payment or benefit included in the Total Payments, and whether or not all or a portion of any payment or benefit is a "parachute payment" for purposes of this Section, will be determined by Corporation's independent accountants in accordance with the principles of Sections 280G(d)(3) and (4) of the Internal Revenue Code.

5.3 **Effect on Other Agreements.** In the event that any other agreement, plan, or arrangement provides for Other Payments (an "Other Agreement"), Corporation and Executive agree that the Other Payment governed by such Other Agreement will be subject to the reduction in payments under Section 5.1. To the extent possible, Corporation and Executive agree that reductions in benefits under any plan, program, or arrangement of Corporation will be reduced (only to the extent described in Section 5.1) in the following order of priority:

(a) Cash payments under this Agreement;

(b) Any cash payments under any Other Agreement; and

(c) The acceleration in the exercisability or vesting of any stock option or other stock related award granted by Corporation.

6. **CONFIDENTIAL INFORMATION.**

Executive shall hold in a fiduciary capacity for the benefit of Corporation all secret or confidential information, knowledge or data relating to Corporation or any of its affiliated companies, and their respective businesses, which shall have been obtained by Executive during Executive's employment by Corporation or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by Executive or representatives of Executive in violation of this Agreement). After termination of Executive's employment with Corporation, Executive shall not, without the prior written consent of Corporation or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than Corporation and those designated by it. In no event shall an asserted violation of the provisions of this Section 6 constitute a basis for deferring or withholding any amounts otherwise payable to Executive under this Agreement.

7. **MISCELLANEOUS.**

7.1 **Arbitration.** Any claim arising out of or related to this Agreement will be resolved exclusively by arbitration, which, unless the parties agree otherwise in writing, will be administered by and in accordance with the rules of the Arbitration Service of Portland, Inc. The place of arbitration will be Multnomah County, Oregon, unless otherwise agreed by the parties. The award rendered by the arbitrator will be final and binding, and judgment may be entered on the award in any court having jurisdiction. The parties may endeavor to resolve disputes by mediation at any time as they may agree, provided, however, that resolution of disputes by mediation is not required prior to initiating resolution of disputes by arbitration. Notwithstanding anything to the contrary in this paragraph, Corporation may seek equitable relief in any court having jurisdiction with respect to a breach of Section 6 ("Confidential Information"). Any demand for arbitration must be delivered in writing to the other party within a reasonable time after the claim or dispute has arisen; provided, however, that in no event may such demand be made after the date when institution of legal or equitable proceedings based on such claim or dispute would be barred by the applicable statute of limitations.

7.2 **At-Will Employment.** Executive and Corporation acknowledge that Executive is and will be an at-will employee of Corporation and nothing in this Agreement will limit the right of Corporation or Executive to terminate Executive's employment at any time for any reason or for no reason, subject to the provisions of this Agreement describing the compensation payable, if any, in connection with such a termination of employment.

7.3 **Captions.** All captions are solely for convenience of the parties and will not affect the meaning or interpretation of this Agreement.

7.4 **Entire Agreement.** The entire agreement between the parties with respect to the subject matter hereof is contained in this Agreement, and it supersedes and replaces all other agreements pertaining to Executive's employment by Corporation; provided, however, that this Agreement does not supersede or invalidate other agreements and understandings between the parties relating to fringe benefit plans provided to Executive, equity awards made to Executive, or noncompetition agreements. There are no promises or representations made on behalf of Corporation to induce Executive to enter into this Agreement which are not set forth herein.

7.5 **Exemption from Code Section 409A.** This Agreement is intended to be exempt from the requirements of Section 409A of the Code by reason of all payments under this Agreement being “short-term deferrals” within the meaning of Treasury Regulation Section 1.409A-1(b)(4). All provisions of this Agreement shall be interpreted in a manner consistent with preserving this exemption. Notwithstanding the foregoing, to the extent the “short-term deferral” exemption is not available, if Executive is a “specified employee” as such term is defined in Treasury Regulation Section 1.409A-1(j), payments under this Agreement that are subject to Code Section 409A will not be made, or commenced, until the expiration of six months following the date of Executive’s Separation from Service. In no event will Corporation be liable for any tax, interest, or penalties that may be imposed on Executive by Code Section 409A or any damages for failing to comply with Code Section 409A.

7.6 **Governing Law.** This Agreement will be governed, construed, and enforced in accordance with the laws of the State of Washington, without reference to principles of conflicts of law.

7.7 **Modification.** No amendment, modification or discharge of this Agreement will be valid or enforceable unless it is in writing and signed by Corporation and Executive or their respective successors and legal representatives.

7.8 **Notices.** Notices under this Agreement must be in writing and will be deemed given when delivered in person, one business day after being sent by overnight courier, or four business days after being mailed by certified mail. Notices to Corporation must be addressed to Barrett Business Services, Inc., Attention: Chairman of the Board, at Corporation’s headquarters address. Notices to Executive are to be sent to the last address Executive has provided from time to time to Corporation’s human resources department. Either party may change its address for notices by giving notice of the change to the other party.

7.9 **Severability.** The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

7.10 **Source of Payments.** This Agreement will be unfunded. Any payments provided for under this Agreement will be made from the general assets of Corporation.

7.11 **Successors.**

(a) This Agreement is personal to Executive and without the prior written consent of Corporation shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive’s legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon Corporation and its successors and assigns.

(c) Corporation will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Corporation to assume expressly and agree to perform this Agreement in the same manner and to the same extent that Corporation would be required to perform it if no such succession had taken place. As used in this Agreement, "Corporation" shall mean Corporation as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

7.12 **Waiver.** Executive's or Corporation's failure to insist upon strict compliance with any provision of this Agreement, or the failure to assert any right Executive or Corporation may have hereunder, will not be deemed to be a waiver of such provision or right or any other provision of or right under this Agreement.

7.13 **Withholding.** Corporation may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first herein written.

Corporation:
BARRETT BUSINESS SERVICES, INC.

Executive:

By: /s/ Anthony C. Meeker
Name: Anthony C. Meeker
Title: Chairman of the Board
Date: 4/14/2011

/s/ Michael L. Elich
Michael L. Elich

**CHANGE IN CONTROL
EMPLOYMENT AGREEMENT**

THIS CHANGE IN CONTROL EMPLOYMENT AGREEMENT ("Agreement"), dated April 12, 2011, is by and between BARRETT BUSINESS SERVICES, INC., a Maryland corporation ("Corporation"), and Gregory R. Vaughn ("Executive").

The Board of Directors of Corporation (the "Board"), has determined that it is in the best interests of Corporation and its stockholders to assure that Corporation will have the continued dedication of Executive, notwithstanding the possibility, threat or occurrence of a Change in Control (as defined below) of Corporation. The Board believes it is imperative to diminish the inevitable distraction of Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change in Control and to encourage Executive's full attention and dedication to Corporation currently and in the event of any threatened or pending Change in Control, and to provide Executive with compensation and benefits arrangements upon a Change in Control which ensure that the compensation and benefits expectations of Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused Corporation to enter into this Agreement.

Corporation and Executive agree as follows:

1. TERM.

This Agreement commences on the date of this Agreement and will continue in effect until December 31, 2013; provided, however, that commencing on January 1, 2013, and each subsequent January 1, the term of this Agreement will automatically be extended for one additional calendar year unless at least 90 days prior to such January 1, Corporation or Executive will have given notice that this Agreement will not be extended; and provided, further, that if a Change in Control occurs while this Agreement is in effect, this Agreement will automatically be extended for a period of one calendar year beyond the calendar year in which the Change in Control occurs.

This Agreement will terminate on the earliest of:

(a) Executive's Separation from Service other than within 12 months following a Change in Control, provided, however, that if it is reasonably demonstrated by Executive that such Separation from Service (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or anticipation of a Change in Control, then such Separation from Service will be deemed to have occurred immediately following a Change in Control;

(b) Corporation's satisfaction of its obligations under this Agreement; or

(c) this Agreement is otherwise terminated in accordance with the terms and conditions set forth herein.

2. **DEFINITIONS.**

2.1 **Defined Terms.** For purposes of this Agreement, the following terms have the meanings set forth below:

(a) “**Acquiring Person**” means any person or related person or related persons which constitute a “group” for purposes of Section 13(d) and Rule 13d-5 under the Exchange Act, as such Section and Rule are in effect as of the date of this Agreement; provided, however, that the term Acquiring Person shall not include (i) Corporation or any of its Subsidiaries, (ii) any employee benefit plan of Corporation or any of its Subsidiaries, (iii) any entity holding voting capital stock of Corporation for or pursuant to the terms of any such employee benefit plan, or (iv) any person or group solely because such person or group has voting power with respect to capital stock of Corporation arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act.

(b) “**Cause**” means: (i) Executive’s willful failure to comply with any of the material and lawful policies or standards of Corporation; (ii) Executive’s material breach of Section 6 (“Confidential Information”) of this Agreement; (iii) Executive’s willful and material failure to perform the duties of his position with Corporation; (iv) embezzlement, theft, larceny, fraud, or other material acts of dishonesty by Executive; or (v) Executive’s conviction of or entry of a plea of guilty or nolo contendere to a felony; provided that Cause will not include any actions or circumstances constituting Cause under (i) or (iii) above if Executive cures such actions or circumstances within 30 days of written notice from Corporation setting forth the actions or circumstances constituting Cause.

(c) “**Change in Control**” means:

(i) A change in control of Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the date of this Agreement pursuant to the Exchange Act; provided that, without limitation, such a change in control shall be deemed to have occurred at such time as any Acquiring Person hereafter becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of Voting Securities; or

(ii) During any period of 12 consecutive calendar months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election, by Corporation’s stockholders of each new director was approved by a vote of at least a majority of the directors then in office who were directors at the beginning of the period; or

(iii) There shall be consummated (1) any consolidation or merger of Corporation in which Corporation is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of Corporation in which the holders of Voting Securities immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (2) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of Corporation; or

(iv) Approval by the stockholders of Corporation of any plan or proposal for the liquidation or dissolution of Corporation.

(d) “**Code**” means the Internal Revenue Code of 1986, as amended and in effect from time to time, or any successor thereto, together with rules, regulations, and interpretations promulgated thereunder. Where the context so requires, any reference to a particular Code section will be construed to refer to the successor provision to such Code section.

(e) “**Disability**” means the condition of being permanently “disabled” within the meaning of Code Section 22(e)(3), namely, being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

(f) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended and in effect from time to time, or any successor statute. Where the context so requires, any reference to a particular section of the Exchange Act, or to any rule promulgated under the Exchange Act, will be construed to refer to successor provisions to such section or rule.

(g) “**Good Reason**” means:

(i) a material adverse change in the nature or scope of Executive’s authority, duties, or responsibilities as an executive of Corporation, so as to be inconsistent with Executive’s circumstances immediately prior to the Change in Control;

(ii) a material diminution of the authority, duties, or responsibilities of the individual(s) to whom Executive is required to report as in effect immediately prior to the Change in Control, including: (x) if Executive reports to Michael L. Elich, Mr. Elich’s ceasing to be President and Chief Executive Officer of the Company (or its successor) for reasons other than Cause, death or disability; or (y) if Executive reports to the Board, a requirement that Executive (A) report to a corporate officer or employee instead of reporting directly to the Board of Corporation or its successor or (B) report to a successor Board of which fewer than half of the members were directors of the Company immediately prior to the Change in Control;

(iii) a material diminution in Executive’s base compensation (Annual Base Salary or Target Bonus) as in effect immediately prior to the Change in Control;

(iv) a material change in the location of Executive’s principal place of employment by more than 50 miles from Executive’s principal place of employment immediately prior to the Change in Control;

(v) failure by Corporation to obtain from any successor the assent to this Agreement contemplated by Section 7.11(c) of this Agreement; or

(vi) significant violation of any of Corporation's material duties or obligations under this Agreement.

Good Reason will only be deemed to have occurred if: (i) within 90 days after the initial existence of the circumstances constituting Good Reason, Executive provides Corporation with a written notice describing such circumstances, (ii) Corporation fails to cure the circumstances within 30 days after Corporation receives Executive's notice, and (iii) Executive Separates from Service with Corporation and all the members of Corporation's controlled group within 90 days of the date of Executive's written notice.

(h) "**Other Payment**" means any payment or benefit payable to Executive in connection with a Change in Control pursuant to any plan, arrangement, or agreement (other than this Agreement) with Corporation, a person whose actions result in such Change in Control, or any person affiliated with Corporation or such person.

(i) "**Separation from Service**" or "**Separate(s) from Service**" means "separation from service" as defined and interpreted in Treasury Regulation 1.409A-1(h) or in subsequent regulations or other guidance issued by the Internal Revenue Service.

(j) "**Subsidiary**" means a "subsidiary corporation" of Corporation, within the meaning of Section 425 of the Code, namely any corporation in which Corporation directly or indirectly controls 50 percent or more of the total combined voting power of all classes of stock having voting power.

(k) "**Total Payments**" means all payments or benefits payable to Executive in connection with a Change in Control, including payments pursuant to this Agreement and any Other Payments pursuant to any other plan, agreement, or arrangement with Corporation, a person whose actions result in the Change in Control, or any person affiliated with Corporation or such person.

(l) "**Voting Securities**" means Corporation's issued and outstanding securities ordinarily having the right to vote at elections for director.

2.2 Gender and Number. Except where otherwise indicated by the context, any masculine or feminine terminology used in this Agreement also includes the opposite gender; and the definition of any term in the singular also includes the plural, and vice versa.

3. **TERMS OF EMPLOYMENT.**

3.1 **Position and Duties.** Corporation will continue to employ Executive in the position of Vice President, and Executive agrees to be employed by Corporation in the position of Vice President, in accordance with the terms and conditions of this Agreement. Executive will have such duties as are customarily associated with such position, and such other duties as may be assigned to him from time to time by the Board.

3.2 **Outside Activities.** Executive will at all times, faithfully and to the best of his ability, perform all of the duties that may be required of him pursuant to this Agreement. Executive will devote his entire working time, attention and energies to the performance of his duties hereunder and will not, during the term of this Agreement, be engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage; provided, however, that nothing in this Agreement will preclude Executive from devoting time during reasonable periods required for:

(a) serving, in accordance with Corporation's policies and with the prior approval of the Board, as a director or member of a committee of any company or organization involving no actual or potential conflict of interest with Corporation;

(b) delivering lectures and fulfilling speaking engagements;

(c) investing his personal assets in businesses in which his participation is solely that of an investor; provided, however, that such activities do not materially affect or interfere with the performance of Executive's duties and obligations to Corporation.

It is expressly understood and agreed that to the extent that any such activities have been conducted by Executive prior to the date of this Agreement, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the date of this Agreement will not be deemed to interfere with the performance of Executive's responsibilities to Corporation.

3.3 **Salary.** As compensation for services under this Agreement, Corporation will pay to Executive a base salary of \$250,000 per year ("Annual Base Salary"), in accordance with Corporation's standard payroll practices for its executive management employees as such practices may be revised from time to time, less all amounts required by law or authorized by Executive to be withheld or deducted. Executive's base salary may be adjusted by the Board or its Compensation Committee from time to time.

3.4 **Bonus.** In addition to Annual Base Salary, Executive will be awarded a target annual cash bonus ("Target Bonus").

3.5 **Benefits.** To the extent otherwise eligible, Executive will be entitled to receive or participate in any additional benefits, including without limitation group health insurance plans, retirement plans, and medical reimbursement plans, which Corporation may from time to time make available to its executive management employees, in accordance with the terms of the applicable plan or policy. Corporation will reimburse Executive for reasonable out-of-pocket expenses that Executive incurs in connection with the performance of his duties in accordance with the same reimbursement policies that generally apply to Corporation's executive management employees. Corporation may change or discontinue such additional benefits at any time in its sole discretion.

4. **COMPENSATION ON SEPARATION FOLLOWING CHANGE IN CONTROL.**

4.1 **Good Reason; Other Than for Cause, Death or Disability.** If Executive Separates from Service within 12 months after a Change in Control on account of (i) involuntary Separation from Service other than for Cause, death, or Disability due to the independent exercise of the unilateral authority of Corporation, or (ii) voluntary Separation from Service by Executive for Good Reason: Corporation shall pay to Executive promptly within 30 days from the date of Separation from Service (and in no event later than March 15 of the calendar year after the year in which the date of Separation from Service occurred), in a lump sum in cash, the amount equal to the product of (1) three and (2) the sum of (x) Executive's Annual Base Salary and (y) the Target Bonus, in each case as in effect on the date that the Change in Control occurred.

4.2 **No Obligation.** Corporation will have no obligation to make any payment or offer any benefits to Executive on Separation from Service under this Agreement except as explicitly set forth in Section 4.1.

5. **PARACHUTE PAYMENTS.**

5.1 **Reduction for Excess Parachute Payments.** In the event that any portion of the Total Payments payable to Executive in connection with his Separation from Service would constitute an "excess parachute payment" within the meaning of Code Section 280G(b) that, but for this Section, would be subject to the excise tax imposed on so-called excess parachute payments pursuant to Code Section 4999 (an "Excise Tax"), then the payments otherwise payable under this Agreement will be reduced to the largest amount payable to Executive which would result in no portion of the Total Payments being subject to the Excise Tax.

5.2 **Application.** For purposes of this Section:

(a) No portion of the Total Payments, the receipt or enjoyment of which Executive has effectively waived in writing prior to the date of payment, will be taken into account;

(b) No portion of the Total Payments will be taken into account which, in the opinion of tax counsel selected by Corporation and reasonably acceptable to Executive ("Tax Counsel"), does not constitute a "parachute payment" within the meaning of Code Section 280G;

(c) If Executive and Corporation disagree whether any payment will result in an Excise Tax, the matter will be conclusively resolved by an opinion of Tax Counsel;

(d) The value of any noncash benefit or any deferred payment or benefit included in the Total Payments, and whether or not all or a portion of any payment or benefit is a "parachute payment" for purposes of this Section, will be determined by Corporation's independent accountants in accordance with the principles of Sections 280G(d)(3) and (4) of the Internal Revenue Code.

5.3 **Effect on Other Agreements.** In the event that any other agreement, plan, or arrangement provides for Other Payments (an "Other Agreement"), Corporation and Executive agree that the Other Payment governed by such Other Agreement will be subject to the reduction in payments under Section 5.1. To the extent possible, Corporation and Executive agree that reductions in benefits under any plan, program, or arrangement of Corporation will be reduced (only to the extent described in Section 5.1) in the following order of priority:

(a) Cash payments under this Agreement;

(b) Any cash payments under any Other Agreement; and

(c) The acceleration in the exercisability or vesting of any stock option or other stock related award granted by Corporation.

6. **CONFIDENTIAL INFORMATION.**

Executive shall hold in a fiduciary capacity for the benefit of Corporation all secret or confidential information, knowledge or data relating to Corporation or any of its affiliated companies, and their respective businesses, which shall have been obtained by Executive during Executive's employment by Corporation or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by Executive or representatives of Executive in violation of this Agreement). After termination of Executive's employment with Corporation, Executive shall not, without the prior written consent of Corporation or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than Corporation and those designated by it. In no event shall an asserted violation of the provisions of this Section 6 constitute a basis for deferring or withholding any amounts otherwise payable to Executive under this Agreement.

7. **MISCELLANEOUS.**

7.1 **Arbitration.** Any claim arising out of or related to this Agreement will be resolved exclusively by arbitration, which, unless the parties agree otherwise in writing, will be administered by and in accordance with the rules of the Arbitration Service of Portland, Inc. The place of arbitration will be Multnomah County, Oregon, unless otherwise agreed by the parties. The award rendered by the arbitrator will be final and binding, and judgment may be entered on the award in any court having jurisdiction. The parties may endeavor to resolve disputes by mediation at any time as they may agree, provided, however, that resolution of disputes by mediation is not required prior to initiating resolution of disputes by arbitration. Notwithstanding anything to the contrary in this paragraph, Corporation may seek equitable relief in any court having jurisdiction with respect to a breach of Section 6 ("Confidential Information"). Any demand for arbitration must be delivered in writing to the other party within a reasonable time after the claim or dispute has arisen; provided, however, that in no event may such demand be made after the date when institution of legal or equitable proceedings based on such claim or dispute would be barred by the applicable statute of limitations.

7.2 **At-Will Employment.** Executive and Corporation acknowledge that Executive is and will be an at-will employee of Corporation and nothing in this Agreement will limit the right of Corporation or Executive to terminate Executive's employment at any time for any reason or for no reason, subject to the provisions of this Agreement describing the compensation payable, if any, in connection with such a termination of employment.

7.3 **Captions.** All captions are solely for convenience of the parties and will not affect the meaning or interpretation of this Agreement.

7.4 **Entire Agreement.** The entire agreement between the parties with respect to the subject matter hereof is contained in this Agreement, and it supersedes and replaces all other agreements pertaining to Executive's employment by Corporation; provided, however, that this Agreement does not supersede or invalidate other agreements and understandings between the parties relating to fringe benefit plans provided to Executive, equity awards made to Executive, or noncompetition agreements. There are no promises or representations made on behalf of Corporation to induce Executive to enter into this Agreement which are not set forth herein.

7.5 **Exemption from Code Section 409A.** This Agreement is intended to be exempt from the requirements of Section 409A of the Code by reason of all payments under this Agreement being "short-term deferrals" within the meaning of Treasury Regulation Section 1.409A-1(b)(4). All provisions of this Agreement shall be interpreted in a manner consistent with preserving this exemption. Notwithstanding the foregoing, to the extent the "short-term deferral" exemption is not available, if Executive is a "specified employee" as such term is defined in Treasury Regulation Section 1.409A-1(i), payments under this Agreement that are subject to Code Section 409A will not be made, or commenced, until the expiration of six months following the date of Executive's Separation from Service. In no event will Corporation be liable for any tax, interest, or penalties that may be imposed on Executive by Code Section 409A or any damages for failing to comply with Code Section 409A.

7.6 **Governing Law.** This Agreement will be governed, construed, and enforced in accordance with the laws of the State of Washington, without reference to principles of conflicts of law.

7.7 **Modification.** No amendment, modification or discharge of this Agreement will be valid or enforceable unless it is in writing and signed by Corporation and Executive or their respective successors and legal representatives.

7.8 **Notices.** Notices under this Agreement must be in writing and will be deemed given when delivered in person, one business day after being sent by overnight courier, or four business days after being mailed by certified mail. Notices to Corporation must be addressed to Barrett Business Services, Inc., Attention: Chairman of the Board, at Corporation's headquarters address. Notices to Executive are to be sent to the last address Executive has provided from time to time to Corporation's human resources department. Either party may change its address for notices by giving notice of the change to the other party.

7.9 **Severability.** The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

7.10 **Source of Payments.** This Agreement will be unfunded. Any payments provided for under this Agreement will be made from the general assets of Corporation.

7.11 **Successors.**

(a) This Agreement is personal to Executive and without the prior written consent of Corporation shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon Corporation and its successors and assigns.

(c) Corporation will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Corporation to assume expressly and agree to perform this Agreement in the same manner and to the same extent that Corporation would be required to perform it if no such succession had taken place. As used in this Agreement, "Corporation" shall mean Corporation as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

7.12 **Waiver.** Executive's or Corporation's failure to insist upon strict compliance with any provision of this Agreement, or the failure to assert any right Executive or Corporation may have hereunder, will not be deemed to be a waiver of such provision or right or any other provision of or right under this Agreement.

7.13 **Withholding.** Corporation may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first herein written.

Corporation:

BARRETT BUSINESS SERVICES, INC.

By: /s/ Anthony C. Meeker
Name: Anthony C. Meeker
Title: Chairman of the Board
Date: 4/14/2011

Executive:

/s/ Gregory R. Vaughn
Gregory R. Vaughn

**CHANGE IN CONTROL
EMPLOYMENT AGREEMENT**

THIS CHANGE IN CONTROL EMPLOYMENT AGREEMENT ("Agreement"), dated April 12, 2011, is by and between BARRETT BUSINESS SERVICES, INC., a Maryland corporation ("Corporation"), and James D. Miller ("Executive").

The Board of Directors of Corporation (the "Board"), has determined that it is in the best interests of Corporation and its stockholders to assure that Corporation will have the continued dedication of Executive, notwithstanding the possibility, threat or occurrence of a Change in Control (as defined below) of Corporation. The Board believes it is imperative to diminish the inevitable distraction of Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change in Control and to encourage Executive's full attention and dedication to Corporation currently and in the event of any threatened or pending Change in Control, and to provide Executive with compensation and benefits arrangements upon a Change in Control which ensure that the compensation and benefits expectations of Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused Corporation to enter into this Agreement.

Corporation and Executive agree as follows:

1. **TERM.**

This Agreement commences on the date of this Agreement and will continue in effect until December 31, 2013; provided, however, that commencing on January 1, 2013, and each subsequent January 1, the term of this Agreement will automatically be extended for one additional calendar year unless at least 90 days prior to such January 1, Corporation or Executive will have given notice that this Agreement will not be extended; and provided, further, that if a Change in Control occurs while this Agreement is in effect, this Agreement will automatically be extended for a period of one calendar year beyond the calendar year in which the Change in Control occurs.

This Agreement will terminate on the earliest of:

(a) Executive's Separation from Service other than within 12 months following a Change in Control, provided, however, that if it is reasonably demonstrated by Executive that such Separation from Service (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or anticipation of a Change in Control, then such Separation from Service will be deemed to have occurred immediately following a Change in Control;

(b) Corporation's satisfaction of its obligations under this Agreement; or

(c) this Agreement is otherwise terminated in accordance with the terms and conditions set forth herein.

2. **DEFINITIONS.**

2.1 **Defined Terms.** For purposes of this Agreement, the following terms have the meanings set forth below:

(a) “**Acquiring Person**” means any person or related person or related persons which constitute a “group” for purposes of Section 13(d) and Rule 13d-5 under the Exchange Act, as such Section and Rule are in effect as of the date of this Agreement; provided, however, that the term Acquiring Person shall not include (i) Corporation or any of its Subsidiaries, (ii) any employee benefit plan of Corporation or any of its Subsidiaries, (iii) any entity holding voting capital stock of Corporation for or pursuant to the terms of any such employee benefit plan, or (iv) any person or group solely because such person or group has voting power with respect to capital stock of Corporation arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act.

(b) “**Cause**” means: (i) Executive’s willful failure to comply with any of the material and lawful policies or standards of Corporation; (ii) Executive’s material breach of Section 6 (“Confidential Information”) of this Agreement; (iii) Executive’s willful and material failure to perform the duties of his position with Corporation; (iv) embezzlement, theft, larceny, fraud, or other material acts of dishonesty by Executive; or (v) Executive’s conviction of or entry of a plea of guilty or nolo contendere to a felony; provided that Cause will not include any actions or circumstances constituting Cause under (i) or (iii) above if Executive cures such actions or circumstances within 30 days of written notice from Corporation setting forth the actions or circumstances constituting Cause.

(c) “**Change in Control**” means:

(i) A change in control of Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the date of this Agreement pursuant to the Exchange Act; provided that, without limitation, such a change in control shall be deemed to have occurred at such time as any Acquiring Person hereafter becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of Voting Securities; or

(ii) During any period of 12 consecutive calendar months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election, by Corporation’s stockholders of each new director was approved by a vote of at least a majority of the directors then in office who were directors at the beginning of the period; or

(iii) There shall be consummated (1) any consolidation or merger of Corporation in which Corporation is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of Corporation in which the holders of Voting Securities immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (2) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of Corporation; or

(iv) Approval by the stockholders of Corporation of any plan or proposal for the liquidation or dissolution of Corporation.

(d) “**Code**” means the Internal Revenue Code of 1986, as amended and in effect from time to time, or any successor thereto, together with rules, regulations, and interpretations promulgated thereunder. Where the context so requires, any reference to a particular Code section will be construed to refer to the successor provision to such Code section.

(e) “**Disability**” means the condition of being permanently “disabled” within the meaning of Code Section 22(e)(3), namely, being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

(f) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended and in effect from time to time, or any successor statute. Where the context so requires, any reference to a particular section of the Exchange Act, or to any rule promulgated under the Exchange Act, will be construed to refer to successor provisions to such section or rule.

(g) “**Good Reason**” means:

(i) a material adverse change in the nature or scope of Executive’s authority, duties, or responsibilities as an executive of Corporation, so as to be inconsistent with Executive’s circumstances immediately prior to the Change in Control;

(ii) a material diminution of the authority, duties, or responsibilities of the individual(s) to whom Executive is required to report as in effect immediately prior to the Change in Control, including: (x) if Executive reports to Michael L. Elich, Mr. Elich’s ceasing to be President and Chief Executive Officer of the Company (or its successor) for reasons other than Cause, death or disability; or (y) if Executive reports to the Board, a requirement that Executive (A) report to a corporate officer or employee instead of reporting directly to the Board of Corporation or its successor or (B) report to a successor Board of which fewer than half of the members were directors of the Company immediately prior to the Change in Control;

(iii) a material diminution in Executive’s base compensation (Annual Base Salary or Target Bonus) as in effect immediately prior to the Change in Control;

(iv) a material change in the location of Executive’s principal place of employment by more than 50 miles from Executive’s principal place of employment immediately prior to the Change in Control;

(v) failure by Corporation to obtain from any successor the assent to this Agreement contemplated by Section 7.11(c) of this Agreement; or

(vi) significant violation of any of Corporation's material duties or obligations under this Agreement.

Good Reason will only be deemed to have occurred if: (i) within 90 days after the initial existence of the circumstances constituting Good Reason, Executive provides Corporation with a written notice describing such circumstances, (ii) Corporation fails to cure the circumstances within 30 days after Corporation receives Executive's notice, and (iii) Executive Separates from Service with Corporation and all the members of Corporation's controlled group within 90 days of the date of Executive's written notice.

(h) "**Other Payment**" means any payment or benefit payable to Executive in connection with a Change in Control pursuant to any plan, arrangement, or agreement (other than this Agreement) with Corporation, a person whose actions result in such Change in Control, or any person affiliated with Corporation or such person.

(i) "**Separation from Service**" or "**Separate(s) from Service**" means "separation from service" as defined and interpreted in Treasury Regulation 1.409A-1(h) or in subsequent regulations or other guidance issued by the Internal Revenue Service.

(j) "**Subsidiary**" means a "subsidiary corporation" of Corporation, within the meaning of Section 425 of the Code, namely any corporation in which Corporation directly or indirectly controls 50 percent or more of the total combined voting power of all classes of stock having voting power.

(k) "**Total Payments**" means all payments or benefits payable to Executive in connection with a Change in Control, including payments pursuant to this Agreement and any Other Payments pursuant to any other plan, agreement, or arrangement with Corporation, a person whose actions result in the Change in Control, or any person affiliated with Corporation or such person.

(l) "**Voting Securities**" means Corporation's issued and outstanding securities ordinarily having the right to vote at elections for director.

2.2 Gender and Number. Except where otherwise indicated by the context, any masculine or feminine terminology used in this Agreement also includes the opposite gender; and the definition of any term in the singular also includes the plural, and vice versa.

3. **TERMS OF EMPLOYMENT.**

3.1 **Position and Duties.** Corporation will continue to employ Executive in the position of Vice President-Finance, and Executive agrees to be employed by Corporation in the position of Vice President-Finance, in accordance with the terms and conditions of this Agreement. Executive will have such duties as are customarily associated with such position, and such other duties as may be assigned to him from time to time by the Board.

3.2 **Outside Activities.** Executive will at all times, faithfully and to the best of his ability, perform all of the duties that may be required of him pursuant to this Agreement. Executive will devote his entire working time, attention and energies to the performance of his duties hereunder and will not, during the term of this Agreement, be engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage; provided, however, that nothing in this Agreement will preclude Executive from devoting time during reasonable periods required for:

(a) serving, in accordance with Corporation's policies and with the prior approval of the Board, as a director or member of a committee of any company or organization involving no actual or potential conflict of interest with Corporation;

(b) delivering lectures and fulfilling speaking engagements;

(c) investing his personal assets in businesses in which his participation is solely that of an investor; provided, however, that such activities do not materially affect or interfere with the performance of Executive's duties and obligations to Corporation.

It is expressly understood and agreed that to the extent that any such activities have been conducted by Executive prior to the date of this Agreement, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the date of this Agreement will not be deemed to interfere with the performance of Executive's responsibilities to Corporation.

3.3 **Salary.** As compensation for services under this Agreement, Corporation will pay to Executive a base salary of \$225,000 per year ("Annual Base Salary"), in accordance with Corporation's standard payroll practices for its executive management employees as such practices may be revised from time to time, less all amounts required by law or authorized by Executive to be withheld or deducted. Executive's base salary may be adjusted by the Board or its Compensation Committee from time to time.

3.4 **Bonus.** In addition to Annual Base Salary, Executive will be awarded a target annual cash bonus ("Target Bonus").

3.5 **Benefits.** To the extent otherwise eligible, Executive will be entitled to receive or participate in any additional benefits, including without limitation group health insurance plans, retirement plans, and medical reimbursement plans, which Corporation may from time to time make available to its executive management employees, in accordance with the terms of the applicable plan or policy. Corporation will reimburse Executive for reasonable out-of-pocket expenses that Executive incurs in connection with the performance of his duties in accordance with the same reimbursement policies that generally apply to Corporation's executive management employees. Corporation may change or discontinue such additional benefits at any time in its sole discretion.

4. **COMPENSATION ON SEPARATION FOLLOWING CHANGE IN CONTROL.**

4.1 **Good Reason; Other Than for Cause, Death or Disability.** If Executive Separates from Service within 12 months after a Change in Control on account of (i) involuntary Separation from Service other than for Cause, death, or Disability due to the independent exercise of the unilateral authority of Corporation, or (ii) voluntary Separation from Service by Executive for Good Reason: Corporation shall pay to Executive promptly within 30 days from the date of Separation from Service (and in no event later than March 15 of the calendar year after the year in which the date of Separation from Service occurred), in a lump sum in cash, the amount equal to the product of (1) three and (2) the sum of (x) Executive's Annual Base Salary and (y) the Target Bonus, in each case as in effect on the date that the Change in Control occurred.

4.2 **No Obligation.** Corporation will have no obligation to make any payment or offer any benefits to Executive on Separation from Service under this Agreement except as explicitly set forth in Section 4.1.

5. **PARACHUTE PAYMENTS.**

5.1 **Reduction for Excess Parachute Payments.** In the event that any portion of the Total Payments payable to Executive in connection with his Separation from Service would constitute an "excess parachute payment" within the meaning of Code Section 280G(b) that, but for this Section, would be subject to the excise tax imposed on so-called excess parachute payments pursuant to Code Section 4999 (an "Excise Tax"), then the payments otherwise payable under this Agreement will be reduced to the largest amount payable to Executive which would result in no portion of the Total Payments being subject to the Excise Tax.

5.2 **Application.** For purposes of this Section:

(a) No portion of the Total Payments, the receipt or enjoyment of which Executive has effectively waived in writing prior to the date of payment, will be taken into account;

(b) No portion of the Total Payments will be taken into account which, in the opinion of tax counsel selected by Corporation and reasonably acceptable to Executive ("Tax Counsel"), does not constitute a "parachute payment" within the meaning of Code Section 280G;

(c) If Executive and Corporation disagree whether any payment will result in an Excise Tax, the matter will be conclusively resolved by an opinion of Tax Counsel;

(d) The value of any noncash benefit or any deferred payment or benefit included in the Total Payments, and whether or not all or a portion of any payment or benefit is a "parachute payment" for purposes of this Section, will be determined by Corporation's independent accountants in accordance with the principles of Sections 280G(d)(3) and (4) of the Internal Revenue Code.

5.3 **Effect on Other Agreements.** In the event that any other agreement, plan, or arrangement provides for Other Payments (an "Other Agreement"), Corporation and Executive agree that the Other Payment governed by such Other Agreement will be subject to the reduction in payments under Section 5.1. To the extent possible, Corporation and Executive agree that reductions in benefits under any plan, program, or arrangement of Corporation will be reduced (only to the extent described in Section 5.1) in the following order of priority:

(a) Cash payments under this Agreement;

(b) Any cash payments under any Other Agreement; and

(c) The acceleration in the exercisability or vesting of any stock option or other stock related award granted by Corporation.

6. **CONFIDENTIAL INFORMATION.**

Executive shall hold in a fiduciary capacity for the benefit of Corporation all secret or confidential information, knowledge or data relating to Corporation or any of its affiliated companies, and their respective businesses, which shall have been obtained by Executive during Executive's employment by Corporation or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by Executive or representatives of Executive in violation of this Agreement). After termination of Executive's employment with Corporation, Executive shall not, without the prior written consent of Corporation or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than Corporation and those designated by it. In no event shall an asserted violation of the provisions of this Section 6 constitute a basis for deferring or withholding any amounts otherwise payable to Executive under this Agreement.

7. **MISCELLANEOUS.**

7.1 **Arbitration.** Any claim arising out of or related to this Agreement will be resolved exclusively by arbitration, which, unless the parties agree otherwise in writing, will be administered by and in accordance with the rules of the Arbitration Service of Portland, Inc. The place of arbitration will be Multnomah County, Oregon, unless otherwise agreed by the parties. The award rendered by the arbitrator will be final and binding, and judgment may be entered on the award in any court having jurisdiction. The parties may endeavor to resolve disputes by mediation at any time as they may agree, provided, however, that resolution of disputes by mediation is not required prior to initiating resolution of disputes by arbitration. Notwithstanding anything to the contrary in this paragraph, Corporation may seek equitable relief in any court having jurisdiction with respect to a breach of Section 6 ("Confidential Information"). Any demand for arbitration must be delivered in writing to the other party within a reasonable time after the claim or dispute has arisen; provided, however, that in no event may such demand be made after the date when institution of legal or equitable proceedings based on such claim or dispute would be barred by the applicable statute of limitations.

7.2 **At-Will Employment.** Executive and Corporation acknowledge that Executive is and will be an at-will employee of Corporation and nothing in this Agreement will limit the right of Corporation or Executive to terminate Executive's employment at any time for any reason or for no reason, subject to the provisions of this Agreement describing the compensation payable, if any, in connection with such a termination of employment.

7.3 **Captions.** All captions are solely for convenience of the parties and will not affect the meaning or interpretation of this Agreement.

7.4 **Entire Agreement.** The entire agreement between the parties with respect to the subject matter hereof is contained in this Agreement, and it supersedes and replaces all other agreements pertaining to Executive's employment by Corporation; provided, however, that this Agreement does not supersede or invalidate other agreements and understandings between the parties relating to fringe benefit plans provided to Executive, equity awards made to Executive, or noncompetition agreements. There are no promises or representations made on behalf of Corporation to induce Executive to enter into this Agreement which are not set forth herein.

7.5 **Exemption from Code Section 409A.** This Agreement is intended to be exempt from the requirements of Section 409A of the Code by reason of all payments under this Agreement being "short-term deferrals" within the meaning of Treasury Regulation Section 1.409A-1(b)(4). All provisions of this Agreement shall be interpreted in a manner consistent with preserving this exemption. Notwithstanding the foregoing, to the extent the "short-term deferral" exemption is not available, if Executive is a "specified employee" as such term is defined in Treasury Regulation Section 1.409A-1(i), payments under this Agreement that are subject to Code Section 409A will not be made, or commenced, until the expiration of six months following the date of Executive's Separation from Service. In no event will Corporation be liable for any tax, interest, or penalties that may be imposed on Executive by Code Section 409A or any damages for failing to comply with Code Section 409A.

7.6 **Governing Law.** This Agreement will be governed, construed, and enforced in accordance with the laws of the State of Washington, without reference to principles of conflicts of law.

7.7 **Modification.** No amendment, modification or discharge of this Agreement will be valid or enforceable unless it is in writing and signed by Corporation and Executive or their respective successors and legal representatives.

7.8 **Notices.** Notices under this Agreement must be in writing and will be deemed given when delivered in person, one business day after being sent by overnight courier, or four business days after being mailed by certified mail. Notices to Corporation must be addressed to Barrett Business Services, Inc., Attention: Chairman of the Board, at Corporation's headquarters address. Notices to Executive are to be sent to the last address Executive has provided from time to time to Corporation's human resources department. Either party may change its address for notices by giving notice of the change to the other party.

7.9 **Severability.** The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

7.10 **Source of Payments.** This Agreement will be unfunded. Any payments provided for under this Agreement will be made from the general assets of Corporation.

7.11 **Successors.**

(a) This Agreement is personal to Executive and without the prior written consent of Corporation shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon Corporation and its successors and assigns.

(c) Corporation will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Corporation to assume expressly and agree to perform this Agreement in the same manner and to the same extent that Corporation would be required to perform it if no such succession had taken place. As used in this Agreement, "Corporation" shall mean Corporation as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

7.12 **Waiver.** Executive's or Corporation's failure to insist upon strict compliance with any provision of this Agreement, or the failure to assert any right Executive or Corporation may have hereunder, will not be deemed to be a waiver of such provision or right or any other provision of or right under this Agreement.

7.13 **Withholding.** Corporation may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first herein written.

Corporation:
BARRETT BUSINESS SERVICES, INC.

Executive:

By: /s/ Anthony C. Meeker
Name: Anthony C. Meeker
Title: Chairman of the Board
Date: 4/14/2011

/s/ James D. Miller
James D. Miller

Certification of the Chief Executive Officer under Rule 13a-14(a)

I, Michael L. Elich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Barrett Business Services, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most-recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 9, 2011

/s/ Michael L. Elich
Michael L. Elich
Chief Executive Officer

Certification of the Chief Financial Officer under Rule 13a-14(a)

I, James D. Miller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Barrett Business Services, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most-recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 9, 2011

/s/ James D. Miller

James D. Miller
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Barrett Business Services, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. § 1350, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael L. Elich

Michael L. Elich
Chief Executive Officer
May 9, 2011

/s/ James D. Miller

James D. Miller
Chief Financial Officer
May 9, 2011

A signed original of this written statement required by Section 906 has been provided to Barrett Business Services, Inc. and will be retained by Barrett Business Services, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.