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, 2012

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	☐	Accelerated filer	☒
Non-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 30, 2012 was 6,991,481 shares.

Table of Contents

BARRETT BUSINESS SERVICES, INC.

INDEX

Table of Contents

Part I — Financial Information

Item 1. Financial Statements

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

	March 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 38,217	$ 49,571
Marketable securities	15,872	16,878
Trade accounts receivable, net	53,175	46,520
Income taxes receivable	4,033	4,133
Prepaid expenses and other	4,509	5,897
Deferred income taxes	7,458	5,958
Total current assets	123,264	128,957
Marketable securities	13,829	15,395
Property, equipment and software, net	15,380	15,007
Restricted marketable securities and workers' compensation deposits	9,885	9,923
Other assets	3,024	3,027
Workers' compensation receivables for insured losses and recoveries	2,720	2,968
Goodwill	47,820	47,820
	$215,922	$ 223,097
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,982	$ 1,639
Accrued payroll, payroll taxes and related benefits	68,889	52,340
Other accrued liabilities	767	300
Workers' compensation claims liabilities	18,627	18,718
Safety incentives liability	6,979	6,321
Total current liabilities	97,244	79,318
Long-term workers' compensation claims liabilities	32,294	30,596
Long-term workers' compensation claims liabilities for insured claims	1,873	1,879
Deferred income taxes	8,152	8,152
Mandatorily redeemable preferred stock, $.01 par value; 50 shares authorized; 35 and 0 shares issued and outstanding	34,800	0
Customer deposits and other long-term liabilities	1,484	1,497
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; 450 shares authorized; no shares issued and outstanding	0	0
Common stock, $.01 par value; 20,500 shares authorized, 6,991 and 9,871 shares issued and outstanding	70	99
Additional paid-in capital	0	20,943
Accumulated other comprehensive income (loss)	7	(34)
Retained earnings	39,998	80,647
	40,075	101,655
	$215,922	$ 223,097

The accompanying notes are an integral part of these financial statements

Table of Contents

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

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Revenues:		
Staffing services	$26,210	$28,332
Professional employer service fees	56,212	40,437
Total revenues	82,422	68,769
Cost of revenues:		
Direct payroll costs	19,652	21,448
Payroll taxes and benefits	42,992	31,763
Workers' compensation	13,221	9,960
Total cost of revenues	75,865	63,171
Gross margin	6,557	5,598
Selling, general and administrative expenses	9,762	8,827
Depreciation and amortization	348	335
Loss from operations	(3,553)	(3,564)
Other income:		
Life insurance proceeds	0	10,000
Investment income, net	222	355
Other	(7)	99
Other income	215	10,454
(Loss) income before income taxes	(3,338)	6,890
(Benefit from) provision for income taxes	(1,125)	1,344
Net (loss) income	$ (2,213)	$ 5,546
Basic (loss) earnings per common share	$ (.22)	$ .54
Weighted average number of basic common shares outstanding	9,875	10,201
Diluted (loss) earnings per common share	$ (.22)	$ .54
Weighted average number of diluted common shares outstanding	9,875	10,248

The accompanying notes are an integral part of these financial statements

Table of Contents

BARRETT BUSINESS SERVICES, INC.
Consolidated Statements of Comprehensive (Loss) Income
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2012	2011
Net (loss) income	$ (2,213)	$ 5,546
Unrealized gains on marketable securities, net of tax of $26 and $16 in 2012 and 2011, respectively	41	25
Comprehensive (loss) income	$ (2,172)	$ 5,571

The accompanying notes are an integral part of these financial statements

Table of Contents

BARRETT BUSINESS SERVICES, INC.
Consolidated Statements of Stockholders' Equity
Three Months Ended March 31, 2012 and 2011
(In thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total
	Shares	Amount				
Balance, December 31, 2010	10,202	$ 102	$ 25,164	$ (65)	$ 70,164	$ 95,365
Common stock issued on exercise of options	3	0	5	0	0	5
Stock option compensation expense, net of tax	0	0	55	0	0	55
Tax benefit of stock option exercises	0	0	13	0	0	13
Repurchase of common stock	(4)	0	(55)	0	0	(55)
Cash dividend on common stock	0	0	0	0	(919)	(919)
Unrealized holding gains on marketable securities, net of tax	0	0	0	25	0	25
Net income	0	0	0	0	5,546	5,546
Balance, March 31, 2011	10,201	102	25,182	(40)	74,791	100,035
Balance, December 31, 2011	9,871	99	20,943	(34)	80,647	101,655
Common stock issued on exercise of options	106	1	1,556	0	0	1,557
Stock option compensation expense, net of tax	0	0	140	0	0	140
Tax benefit of stock option exercises	0	0	225	0	0	225
Repurchase of common stock	(2,986)	(30)	(22,864)	0	(37,338)	(60,232)
Cash dividend on common stock	0	0	0	0	(1,098)	(1,098)
Unrealized holding gains on marketable securities, net of tax	0	0	0	41	0	41
Net loss	0	0	0	0	(2,213)	(2,213)
Balance, March 31, 2012	6,991	$ 70	$ 0	$ 7	$ 39,998	$ 40,075

The accompanying notes are an integral part of these financial statements

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

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Cash flows from operating activities:		
Net (loss) income	(2,213)	$ 5,546
Reconciliations of net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	348	335
Gains recognized on marketable securities	(1)	(100)
Gain recognized on sale and leaseback	(30)	(30)
Deferred income taxes	(1,474)	291
Share based compensation	140	55
Changes in certain assets and liabilities, net of amounts purchased in acquisitions:		
Trade accounts receivable, net	(6,655)	(17,178)
Income taxes receivable	100	0
Prepaid expenses and other	1,388	(1,521)
Accounts payable	343	(397)
Accrued payroll, payroll taxes and related benefits	16,549	23,559
Other accrued liabilities	467	45
Workers' compensation claims liabilities	1,849	560
Safety incentives liability	658	(84)
Customer deposits, long-term liabilities and other assets, net	19	42
Net cash provided by operating activities	11,488	11,123
Cash flows from investing activities:		
Purchase of property and equipment, net of amounts purchased in acquisitions	(720)	(199)
Proceeds from sales and maturities of marketable securities	16,034	3,586
Purchase of marketable securities	(13,446)	(16,490)
Proceeds from maturities of restricted marketable securities	2,722	1,919
Purchase of restricted marketable securities	(2,684)	(2,109)
Net cash provided by (used in) investing activities	1,906	(13,293)
Cash flows from financing activities:		
Proceeds from exercise of stock options	1,557	5
Dividends paid	(1,098)	(919)
Repurchase of common stock	(25,432)	(55)
Tax benefit of stock option exercises	225	13
Net cash used in financing activities	(24,748)	(956)
Net decrease in cash and cash equivalents	(11,354)	(3,126)
Cash and cash equivalents, beginning of period	49,571	30,924
Cash and cash equivalents, end of period	$ 38,217	$ 27,798
Supplemental schedule of noncash financing activities:		
Issuance of mandatorily redeemable preferred stock	$ 34,800	$ 0
	$ 34,800	$ 0

The accompanying notes are an integral part of these financial statements

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", the "Company", "our" or "we"), 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 2011 Annual Report on Form 10-K at pages F1 – F28. The results of operations for an interim period are not necessarily indicative of the results of operations for a full year.

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 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, 2012, 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.

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

Allowance for doubtful accounts

The Company had an allowance for doubtful accounts of $334,000 and $452,000 at March 31, 2012 and December 31, 2011, 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, Ecole Insurance Company ("Ecole"), in Arizona to provide workers' compensation coverage to our employees in Arizona.

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 Chartis, formerly known as American Insurance Group, Inc., between $5.0 million and $15.0 million per occurrence, except in Maryland, where coverage with Chartis is between $1.0 million and $25.0 million per occurrence, and in Colorado, where the coverage with Chartis 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 $52.8 million and $51.2 million at March 31, 2012 and December 31, 2011, 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 $1.9 million at March 31, 2012 and at December 31, 2011. 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.

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

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 $7.0 million at March 31, 2012 and $6.3 million at December 31, 2011 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.

Note 2 — Recent Accounting Pronouncements

In September 2011, the FASB issued ASU No. 2011-08, "Intangibles-Goodwill and Other (Topic 350) – Testing Goodwill for Impairment". ASU 2011-08 provides companies with a new option to determine whether or not it is necessary to apply the traditional two-step quantitative goodwill impairment test in ASC 350, Intangibles-Goodwill and Other. Under ASU 2011-08 a company is no longer required to calculate the fair value of a reporting unit unless it determines, on the basis of qualitative information, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. ASU 2011-08 is effective for periods beginning after December 15, 2011; however, early adoption is permitted. The Company adopted ASU 2011-08 beginning January 1, 2012. The adoption did not have a material impact on our consolidated financial statements.

Note 3 — Stock Repurchase

Effective March 28, 2012, the Company repurchased 2,485,929 shares of the Company's common stock held by the Estate of William W. Sherertz and 500,000 common shares held by Nancy Sherertz. Mr. Sherertz, a founder and former president and CEO of the Company, died January 20, 2011. Nancy Sherertz is also a founder of the Company. The common shares were repurchased at a price of $20 per share, representing total consideration of $59.7 million. The Company used a combination of $24.9 million in cash and issued 34,800 shares of Series A Nonconvertible, Non-Voting Redeemable Preferred Stock with a liquidation preference of $1,000 per share. Additionally, the Company incurred professional and legal fees totaling $514,000 related to the transaction. The preferred stock is entitled to receive cumulative preferential dividends at the rate of 5% per annum based upon the $1,000 liquidation preference with such rate increasing by 2% on each April 1 beginning April 1, 2013, until all of the outstanding preferred stock has been redeemed. The Company may pay the dividends in cash or in additional shares of preferred stock at its option. The Company may redeem all or a portion of the preferred stock at its option at any time at a price of $1,000 per share. The

Table of Contents

Note 3 — Stock Repurchase

preferred stock is subject to mandatory redemption five years from the original issue date. Due to the mandatory redemption provision the preferred stock is classified as a liability on the Company's Consolidated Balance Sheet.

Note 4 — 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 common share reflect the potential effects of the exercise of outstanding stock options. Basic and diluted common shares outstanding are summarized as follows:

	Three Months Ended March 31,	
	2012	2011
Weighted average number of basic common shares outstanding	9,874,857	10,200,892
Assumed exercise of stock options, net of shares assumed repurchased at average market price during the period using proceeds received upon exercise of options	0	46,884
Weighted average number of diluted common shares outstanding	9,874,857	10,247,776

As a result of the net loss reported for the three months ended March 31, 2012, 112,894 potential common shares have been excluded from the calculation of diluted loss per common share because their effect would be anti-dilutive.

Note 5 — Stock Incentive Plans and Stock-Based Compensation

The following table summarizes stock option activity in 2012 under the Company's 2009 Stock Incentive Plan:

	Number of Options	Exercise Price
Outstanding at December 31, 2011	671,294	$14.48
Options granted	7,500	$17.55
Options exercised	(106,847)	$14.57
Options cancelled or expired	0	
Outstanding at March 31, 2012	571,947	$14.51
Exercisable at March 31, 2012	213,372	$12.88
Available for grant at March 31, 2012	626,300	

During 2012, the Company granted 7,500 options at a fair value of $9.08 per share as determined under the Black-Scholes option-pricing model.

The following table presents information on stock options outstanding for the periods shown:

	Three Months Ended March 31,	
($ in thousands, except per share data)	2012	2011
Intrinsic value of options exercised in the period	$ 579	$ 34

	As of March 31,	
	2012	2011
Stock options:		
Aggregate intrinsic value	$ 1,467	$ 714
Weighted average contractual term of options	7.29 years	5.93 years

The aggregate intrinsic value of stock options represents the difference between the Company's closing stock price at the end of the period and the relevant exercise price multiplied by the number of options outstanding at the end of the period at each such price.

Table of Contents

Note 6 — Workers' Compensation

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

	Three Months Ended March 31,	
	2012	2011
Beginning balance		
Workers' compensation claims liabilities	$51,193	$39,301
Add: claims expense accrual:		
Current period	8,163	4,706
Prior periods	0	236
Total expense accrual	8,163	4,942
Less: claim payments related to:		
Current period	279	257
Prior periods	6,283	4,203
Total paid	6,562	4,460
Ending balance		
Workers' compensation claims liabilities	$52,794	$39,783
Incurred but not reported (IBNR)	$38,280	$29,124

Note 7 — 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.

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

Table of Contents

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

Note 7 — Fair Value Measurement (Continued)

In determining the fair value of our financial assets, the Company predominately uses the market approach. In determining the fair value of all its municipal bonds and corporate bonds classified as Level 2, the Company utilizes the non-binding quotes provided by our three investment brokers. We receive one non-binding broker quote for each financial asset as of the balance sheet date. To value the Level 2 assets, our investment brokers use proprietary multi-dimensional pricing models that include a variety of inputs, including quoted prices for identical or similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks and default rates that are observable at commonly quoted intervals. 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, 2012			December 31, 2011			
	Cost	Gross Unrealized Gains	Recorded Basis	Cost	Gross Unrealized Gains (Losses)	Recorded Basis	Fair Value Category
Current:							
Available-for-sale:							
Municipal bonds	$ 3,895	$ 10	$ 3,905	$ 5,804	$ 8	$ 5,812	2
Corporate bonds	11,961	6	11,967	11,070	(4)	11,066	2
	$15,856	$ 16	$15,872	$16,874	$ 4	$16,878	
Long term:							
Available-for-sale:							
Corporate bonds	$11,797	$ 11	$11,808	$14,971	$ (33)	$14,938	2
U.S. treasuries	1,560	1	1,561	0	0	0	1
Held-to-maturity:							
Corporate bonds	460	0	460	457	0	457	2
	$13,817	$ 12	$13,829	$15,428	$ (33)	$15,395	

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

Note 7 — 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, 2012			December 31, 2011			
	Cost	Gross Unrealized Gains	Recorded Basis	Cost	Gross Unrealized Gains (Losses)	Recorded Basis	Fair Value Category
Available-for-sale:							
Municipal bonds	$5,170	$ 23	$ 5,193	$5,580	$ 17	$ 5,597	2
Corporate bonds	591	3	594	148	(1)	147	2
U.S. treasuries	1,567	0	1,567	1,567	0	1,567	1
	$7,328	$ 26	$ 7,354	$7,295	$ 16	$ 7,311	

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

Overview

Barrett Business Services, Inc. ("Barrett", the "Company," "our" 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 businesses.

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.

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, 2012 and 2011.

	Percentage of Total Revenues Three Months Ended March 31,	
	2012	2011
Revenues:		
Staffing services	31.8%	41.2%
Professional employer service fees	68.2	58.8
Total revenues	100.0	100.0
Cost of revenues:		
Direct payroll costs	23.9	31.2
Payroll taxes and benefits	52.2	46.2
Workers' compensation	16.0	14.5
Total cost of revenues	92.1	91.9
Gross margin	7.9	8.1
Selling, general and administrative expenses	11.8	12.8
Depreciation and amortization	0.4	0.5
Loss from operations	(4.3)	(5.2)
Other income	0.3	15.2
(Loss) income before income taxes	(4.0)	10.0
(Benefit from) provision for income taxes	(1.3)	1.9
Net (loss) income	(2.7)%	8.1%

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.

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

Results of Operations (Continued)

- 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.
- 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.

(in thousands)	Unaudited Three Months Ended March 31, 2012	2011
Revenues:		
Staffing services	$ 26,210	$ 28,332
Professional employer services	405,851	302,734
Total revenues	432,061	331,066
Cost of revenues:		
Direct payroll costs	366,934	282,642
Payroll taxes and benefits	42,992	31,763
Workers' compensation	15,578	11,063
Total cost of revenues	425,504	325,468
Gross margin	$ 6,557	$ 5,598

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 2012	Gross Revenue Reporting Method 2011	Reclassification 2012	Reclassification 2011	Net Revenue Reporting Method 2012	Net Revenue Reporting Method 2011
Revenues:						
Staffing services	$ 26,210	$ 28,332	$ 0	$ 0	$26,210	$28,332
Professional employer services	405,851	302,734	($349,639)	(262,297)	56,212	40,437
Total revenues	$432,061	$331,066	($349,639)	$(262,297)	$82,422	$68,769
Cost of revenues	$425,504	$325,468	($349,639)	$(262,297)	$75,865	$63,171

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, 2012 and 2011

Net loss for the first quarter of 2012 amounted to $2.2 million, as compared to net income of $5.5 million for the first quarter of 2011. The first quarter of 2011 included $10.0 million of key man life insurance proceeds received following the passing of the Company's former president and CEO and the related benefit of a lower annual effective income tax rate. Diluted loss per share for the first quarter of 2012 was $.22 compared to diluted income per share of $.54 for the comparable 2011 period.

Revenues for the first quarter of 2012 totaled $82.4 million, an increase of approximately $13.7 million or 19.9%, which reflects an increase in the Company's PEO service fee revenue of $15.8 million or 39.0% and a small decline in staffing services revenue of $2.1 million or 7.5%. Our growth in PEO revenues continues to be primarily attributable to new customers as PEO business from new customers during the first quarter of 2012 more than tripled our lost PEO business from former customers. PEO revenues from continuing customers reflected a 9.8% increase compared to the first quarter of 2011 primarily resulting from an increase in employee headcount and a slight increase in hours worked. Staffing revenues decreased because lost business from former customers exceeded the business from new and continuing customers.

Gross margin for the first quarter of 2012 totaled approximately $6.6 million or an increase of $959,000 over the first quarter of 2011, primarily due to the 19.9% increase in revenues and a decline in direct payroll costs, partially offset by higher payroll taxes and benefits and workers' compensation expense, as a percentage of revenues.

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

Results of Operations (Continued)

Three months ended March 31, 2012 and 2011 (Continued)

The decrease in direct payroll costs, as a percentage of revenues, from 31.2% for the first quarter of 2011 to 23.9% for the first quarter of 2012 was primarily due to the increase in our mix of PEO services in the Company's customer base over the first quarter of 2011 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 2012 was 52.2% compared to 46.2% for the first quarter of 2011. 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 2011. 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, in terms of dollars and as a percentage of revenues, increased from $10.0 million or 14.5% in the first quarter of 2011 to $13.2 million or 16.0% in the first quarter of 2012. The percentage rate increase was primarily due to an increase in the provision for current year claim costs and higher insurance broker commissions as a result of increased worker's compensation insurance rates.

Selling, general and administrative ("SG&A") expenses for the first quarter of 2012 totaled approximately $9.8 million, an increase of $935,000 or 10.6% over the first quarter of 2011. The increase was primarily attributable to increases in management payroll and $460,000 of incremental legal and professional fees in connection with the response to requests for a special stockholders' meeting.

Other income for the first quarter of 2012 was $215,000 compared to other income of $10.5 million for the first quarter of 2011. Other income for the 2012 first quarter was primarily attributable to investment income earned on the Company's cash and marketable securities. The first quarter of 2011 included the $10.0 million of key man life insurance proceeds and a gain of approximately $102,000 on the sale of certain marketable securities.

The income tax rate for the 2012 first quarter was 33.7%. We expect the effective income tax rate for the balance of 2012 to remain at a similar rate to the 2012 first quarter income tax rate. The income tax rate for the 2011 first quarter was 19.5% which included a favorable benefit from the effect of a much lower annual effective tax rate attributable to the non-taxable $10.0 million life insurance proceeds.

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, 2012 decreased $11.4 million from December 31, 2011, which compares to a decrease of $3.1 million for the comparable period in 2011. The decrease in cash at March 31, 2012 as compared to December 31, 2011, was primarily due to the net loss of $2.2 million, $25.4 million used to repurchase common stock and a $6.7 million increase in accounts receivable, offset in part by increases in accrued payroll and taxes of $16.5 million, $2.6 million net sales of marketable securities and a $1.8 million increase in workers' compensation claims liabilities.

Net cash provided by operating activities for the three months ended March 31, 2012 amounted to $11.5 million compared to $11.1 million for the comparable 2011 period. For the three months ended March 31, 2012, cash flow was principally provided by increases in accrued payroll, payroll taxes and benefits of $16.5 million and a $1.8 million increase in workers' compensation claims liabilities, partially offset by the net loss of $2.2 million and an increase in accounts receivable of $6.7 million.

Net cash provided by investing activities for the three months ended March 31, 2012 was $1.9 million as compared to $13.3 million of net cash used in investing activities for the similar 2011 period. For the 2012 period, cash from investing activities was provided by the proceeds from the sales and maturities of marketable securities of $16.0 million and $2.7 million from the proceeds of restricted marketable securities, partially offset by the purchase of marketable securities totaling $13.4 million and the purchase of restricted marketable securities of $2.7 million. 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.

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, 2012 was $24.7 million as compared to $956,000 for the similar 2011 period. For the 2012 period, the primary uses of cash for financing activities were the repurchases of the Company's common stock totaling $25.4 million which included $514,000 of professional and legal fees and the payment of regular quarterly cash dividends totaling $1.1 million to holders of the Company's common stock, partially offset by $1.6 million proceeds from the exercise of stock options.

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 businesses, 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 was $6.7 million outstanding at March 31, 2012 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, 2012.

As disclosed in Note 3 to the Consolidated Financial Statements in this report, effective March 28, 2012, the Company repurchased 2,485,929 shares of the Company's common stock held by the Estate of William W. Sherertz and 500,000 common shares held by Nancy Sherertz. Mr. Sherertz, a founder and former president and CEO of the Company, died January 20, 2011. Nancy Sherertz is also a founder of the Company. The common shares were repurchased at a price of $20 per share, representing total consideration of $59.7 million. The Company used a combination of $24.9 million in cash and issued 34,800 shares of Series A Nonconvertible, Non-Voting Redeemable Preferred Stock with a liquidation preference of $1,000 per share. Additionally, the Company incurred professional and legal fees totaling $514,000 related to the transaction. The preferred stock is entitled to receive cumulative preferential dividends at the rate of 5% per annum based upon the $1,000 liquidation preference with such rate increasing by 2% on each April 1 beginning April 1, 2013, until all of the outstanding preferred stock has been redeemed. The Company may pay the dividends in cash or in additional shares of preferred stock at its option. The Company may redeem all or a portion of the preferred stock at its option at any time at a price of $1,000 per share. The preferred stock is subject to mandatory redemption five years from the original issue date. Due to the mandatory redemption provision the preferred stock is classified as a liability on the Company's Consolidated Balance Sheet. Although no assurances can be given, the Company currently plans to redeem the preferred stock in full before September 28, 2012, in which event no dividend would be payable. The Company is currently exploring potential sources of financing to fund the redemption.

Table of Contents

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

Liquidity and Capital Resources (Continued)

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.

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, redemption of the Company's preferred stock, 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 clients and attract new clients, the availability of financing or other sources of capital, 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 and 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, 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, 2012, the Company's investment portfolio consisted principally of approximately $24.8 million in corporate bonds, $18.3 million in tax-exempt money market funds, $9.1 million in tax-exempt municipal bonds and $3.1 million in U.S. treasuries. Based on the Company's overall interest exposure at March 31, 2012, 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, 2012 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' 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.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

Part II – Other Information

Item 1A. Risk Factors

In addition to the risk factors disclosed in Item 1A of our 2011 Annual Report on Form 10-K, the following risk factor should be considered in connection with our issuance of 34,800 shares of Series A Nonconvertible, Non-Voting Redeemable Preferred Stock (the "Series A Preferred Stock") on March 28, 2012.

We may be unable to refinance the Series A Preferred Stock as planned.

The Series A Preferred Stock issued on March 28, 2012, has a liquidation preference of $1,000 per share, or a total of $34,800,000. Holders of the Series A Preferred Stock are entitled to receive cumulative preferential dividends at the rate of 5% per annum based upon the $1,000 liquidation preference, with such rate scheduled to increase by 2% on each April 1 beginning April 1, 2013. To the extent the Series A Preferred Stock is redeemed before September 28, 2012, no dividend will be payable. The Series A Preferred Stock is subject to mandatory redemption five years after issuance. Although the Company is currently exploring sources of capital to fund a full redemption of the Series A Preferred Stock before September 28, 2012, there is no assurance that such financing will be available on terms acceptable to the Company or at all.

There have been no material changes in our risk factors from those disclosed in our 2011 Annual Report on Form 10-K.

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

The following table summarizes information related to common stock repurchases during the quarter ended March 31, 2012.

Month	Total Number of Common Shares Repurchased	Average Price Paid Per Common Share	Total Number of Common Shares Repurchased as Part of Publicly Announced Plan (1)	Maximum Number of Common Shares that May Yet Be Repurchased Under the Plan (1)
January	0	0	0	1,208,200
February	0	0	0	1,208,200
March	2,985,929 (2)	$ 20.00	0	1,208,200
Total	2,985,929		0	

(1) In November 2006, the Board adopted a stock repurchase program and authorized the repurchase of up to 500,000 common shares of the Company's common 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 common shares. In October 2008, the Board approved a second increase in the authorized common shares to be repurchased up to 3.0 million shares.

(2) In March 2012, the Company entered into privately-negotiated agreements to repurchase 2,485,929 common shares held by the Estate of William W. Sherertz and 500,000 common shares held by Nancy Sherertz, as disclosed in more detail in Note 3 to the Consolidated Financial Statements included in this report. The repurchases were completed on March 28, 2012.

Item 6. Exhibits

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

SIGNATURE

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

BARRETT BUSINESS SERVICES, INC.
(Registrant)

Date: May 9, 2012

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

[Table of Contents](#)

EXHIBIT INDEX

Exhibit	
3.1	Charter of Barrett Business Services, Inc., a Maryland corporation, as amended through March 27, 2012.
10.1	Stock Repurchase Agreement, dated as of March 9, 2012, by and among Barrett Business Services, Inc., Kimberly J. Jacobsen Sherertz in her capacities as Personal Representative of the Estate of William W. Sherertz and Trustee of the Barrett Share Trust under the Will of William W. Sherertz, and Kimberly J. Jacobsen Sherertz individually. Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed March 13, 2012.
10.2	Stock Repurchase Agreement, dated as of March 9, 2012, by and between Barrett Business Services, Inc. and Nancy Sherertz. Incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed March 13, 2012.
10.3	Form of Indemnification Agreement with each outside director of Barrett Business Services, Inc. Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed April 16, 2012.
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.
101.	INS XBRL Instance Document *
101.	SCH XBRL Taxonomy Extension Schema Document *
101.	CAL XBRL Taxonomy Extension Calculation Linkbase Document *
101.	DEF XBRL Taxonomy Extension Definition Linkbase Document *
101.	LAB XBRL Taxonomy Extension Label Linkbase Document *
101.	PRE XBRL Taxonomy Extension Presentation Linkbase Document *

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended and, otherwise are not subject to liability under those sections.

Exhibit 3.1

BARRETT BUSINESS SERVICES, INC.

AMENDED AND RESTATED CHARTER

as amended March 27, 2012

ARTICLE I

The name of this corporation (the "Corporation") is Barrett Business Services, Inc.

ARTICLE II

The purposes for which the Corporation is formed are:

(a) To engage generally in the business of supplying temporary and long-term employees to others.

(b) To engage in any other business deemed by it to be desirable to facilitate, directly or indirectly the business referred to above or to enhance the value of its property, business, or rights.

(c) To engage in any lawful activity for which a corporation may be formed under the Maryland General Corporation Law.

ARTICLE III

(a) The aggregate number of shares which the Corporation shall have authority to issue is 21,000,000 which shall be divided into classes as follows:

Title of Class	No. of Shares
Preferred Stock, $.01 par value per share	500,000
Common Stock, $.01 par value per share	20,500,000

When this amendment and restatement shall become effective and without the necessity of any further action of any kind, each previously issued and outstanding share of stock of the Corporation of the par value of ten dollars a share shall be reclassified and changed into and shall constitute 7,968.1274 shares of the Common Stock, $.01 par value, of the Corporation, provided that any resulting fraction of share shall be rounded to the nearest full share with fractions of .5 rounded up. There shall be transferred from surplus to stated capital on the Corporation's books at the time this amendment and restatement becomes effective an amount equal to the difference between the aggregate par value of the shares of Common Stock, $.01 par value, issued and outstanding immediately after such effective time and the aggregate par value of the shares of stock of the par value of ten dollars a share issued and outstanding immediately prior to such effective time.

(b) The preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms or conditions of redemption of each class of stock of the Corporation shall be as follows:

(1) Preferred Stock:

The Board of Directors of the Corporation (the "Board of Directors") may classify or reclassify any unissued Preferred Stock from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of such Preferred Stock. Without limiting the generality of the foregoing, the Board of Directors shall have authority to classify and reclassify any unissued Preferred Stock into as many series as the Board of Directors shall from time to time determine, and to issue the Preferred Stock in such series.

The description of shares of each series of Preferred Stock shall be set forth in resolutions adopted by the Board of Directors and in Articles Supplementary filed as required by law from time to time prior to the issuance of any shares of such series.

The Board of Directors is expressly authorized, prior to issuance, by adopting resolutions providing for the issuance of, or providing for a change in the number of, shares of any particular series of Preferred Stock and, if and to the extent from time to time required by law, by filing Articles Supplementary to set or change the number of shares to be included in each series of Preferred Stock and to set or change in any one or more respects the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms and conditions of redemption relating to the shares of each such series.

Notwithstanding the foregoing, the Board of Directors shall not be authorized to change the right of the Common Stock of the Corporation to vote one vote per share on all matters submitted for stockholder action.

(2) Common Stock:

Except for and subject to the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of the Preferred Stock or any series thereof, as may be granted pursuant to Section (b)(1) of this Article or except as may be provided by the laws of Maryland, the holders of the Common Stock shall have all other rights of stockholders including, without limitation, (i) voting rights on all corporate matters on the basis of one vote per share and the right to notices of meetings and other corporate actions, (ii) the right to receive dividends and other distributions when and as declared by the Board of Directors out of assets legally available therefor, and (iii) in the event of any liquidation, dissolution or winding up of the Corporation, the right to receive the assets available for distributions to stockholders.

(c) The Board of Directors may authorize the issuance or sale from time to time of shares of stock by the Corporation of any class, whether now or hereafter authorized, or securities convertible into shares of its stock of any class, whether now or hereafter authorized, for such consideration as the Board of Directors may deem advisable, subject to such restrictions or limitations, if any, as may be set forth in the Charter or bylaws of the Corporation.

(d) No holder of any shares of any class of stock or other security of the Corporation now or hereafter authorized shall have any preemptive right or be entitled as a matter of right as such holder to purchase, subscribe for or otherwise acquire any shares of any stock of the Corporation of any class now or hereafter authorized or any securities convertible into or exchangeable for any such shares, or any warrants or other instruments evidencing rights or options to subscribe for, purchase or otherwise acquire any such shares, whether such shares, securities, warrants or other instruments are now or hereafter authorized or issued or issued and thereafter reacquired by the Corporation, other than such, if any, as may be fixed from time to time by the Board of Directors in its discretion.

Series A Nonconvertible, Non-Voting Redeemable Preferred Stock

(1) Designation and Number. A series of Preferred Stock, designated the “Series A Nonconvertible, Non-Voting Redeemable Preferred Stock” (the “Series A Preferred Stock”), is hereby established. The number of shares of the Series A Preferred Stock shall be 50,000.

(2) Rank. The Series A Preferred Stock shall, with respect to rights to the payment of dividends and the distributions of assets upon the liquidation, dissolution, or winding up of the Corporation, rank (a) senior to all classes or series of Common Stock (as defined in the Charter) and any other class or series of stock of the Corporation if the holders of the Series A Preferred Stock are entitled to receive dividends or amounts distributable upon the liquidation, dissolution, or winding up of the Corporation or redemption in preference or priority to the holders of shares of such class or series (the “Junior Stock”); (b) on a parity with any class or series of stock of the Corporation if the holders of such class or series of stock and the Series A Preferred Stock are entitled to receive dividends and amounts distributable upon the liquidation, dissolution, or winding up of the Corporation or redemption in proportion to their respective amounts of accumulated, accrued, and unpaid dividends per share or liquidation preferences, without preference or priority of one over the other (the “Parity Stock”); and (c) junior to any class or series of stock of the Corporation if holders of such class or series are entitled to receive dividends and amounts distributable upon the liquidation, dissolution, or winding up of the Corporation or redemption in preference or priority to the holders of the Series A Preferred Stock (the “Senior Stock”).

(3) Dividends.

(a) Subject to the preferential rights of holders of any class or series of Senior Stock, holders of the outstanding shares of Series A Preferred Stock shall be entitled to receive, when and as authorized by the Board of Directors and declared by the Corporation, out of funds legally available for the payment of dividends, if applicable, cumulative preferential dividends at the rate of 5% per annum based on the $1,000 liquidation preference (as may be adjusted in accordance with Section 7) with such rate increasing by 2% on each April 1 beginning April 1, 2013, until all of the outstanding shares of Series A Preferred Stock are redeemed as provided in Section 5. Such dividends shall accrue from the first date on which any Series A Preferred Stock is issued (the “Original Issue Date”) and shall be payable semi-annually in arrears on or before March 31 and September 30 of each year (each a “Dividend Payment Date”); provided, however, that if any Dividend Payment Date is not a Business Day (as defined below), then the dividend which would otherwise have been payable on such Dividend Payment Date may be paid on the following Business Day with the same force and effect as if paid on such Dividend Payment Date. Any dividend payable on the Series A Preferred Stock for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30 day months. A “dividend period” shall mean, with respect to the first “dividend period,” the period from and including the Original Issue Date to and including the first Dividend Payment Date, and with respect to each subsequent “dividend period,” the period from, but excluding, a Dividend Payment Date to and including the next succeeding Dividend Payment Date or other date as of which accrued dividends are to be calculated.

(b) No dividends shall be declared or paid or funds set apart for the payment of dividends by the Corporation or other distributions on any Common Stock or other Junior Stock for any period (other than dividends or other distributions payable in shares of Common Stock or other Junior Stock or in options, warrants or rights to subscribe for or purchase any shares of Common Stock or other Junior Stock and which options, warrants or rights do not entitle the holder thereof to rights to dividends, amounts distributable upon the liquidation, dissolution, or winding up of the Corporation or redemption on parity with or senior to the Series A Preferred Stock), and no shares of Common Stock or other Junior Stock may be repurchased, redeemed or otherwise retired, nor may funds be set apart for such payment, repurchase, redemption or retirement, unless all accrued and unpaid dividends in respect of the Series A Preferred Stock have been paid or set apart for such payment on the Series A Preferred Stock for all prior dividend periods.

(c) Dividends shall be payable, at the sole option of the Corporation, either (i) in cash, (ii) by issuance of additional shares of Series A Preferred Stock (including fractional shares) having an aggregate Liquidation Preference equal to the amount of the dividend to be paid, or (iii) in any combination thereof. All dividends paid with respect to shares of Series A Preferred Stock, whether in cash or shares of Series A Preferred Stock, shall be made pro rata among the holders of Series A Preferred Stock based on the aggregate accrued but unpaid dividends on the shares held by each such holder. If and when any shares are issued under this Section 3(c) for the payment of accrued dividends, such shares shall be validly issued and outstanding and fully paid and nonassessable.

(d) No dividends on shares of Series A Preferred Stock shall be declared by the Corporation or paid or set apart for payment by the Corporation at such time as the terms and provisions of any existing written agreement between the Corporation and any other party, including any existing agreement relating to its indebtedness, (i) prohibit or impose any penalty on such declaration, payment or setting apart for payment or (ii) provide that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

(e) Notwithstanding the foregoing, dividends on the Series A Preferred Stock shall accumulate, whether or not the terms and provisions set forth in Section 3(d) hereof at any time prohibit the current payment of dividends, whether or not there are funds legally available for the payment of such dividends and whether or not dividends are declared.

(f) Notwithstanding the foregoing, no dividend will be declared or paid with respect to shares of the Series A Preferred Stock that are redeemed prior to the elapse of six months from the Original Issue Date (for avoidance of doubt, such date being September 28, 2012).

(g) For purposes of these Articles Supplementary, "Business Day" shall mean any day on which a bank doing business in the State of Washington is not permitted to be closed.

(4) Liquidation Preference.

(a) Upon any voluntary or involuntary liquidation, dissolution, or winding up of the Corporation, the holders of the Series A Preferred Stock then outstanding are entitled to be paid, or have the Corporation declare and set apart for payment, out of the assets of the Corporation legally available for distribution to its stockholders, before any distribution of assets is made to holders of any Junior Stock, a liquidation preference per share of Series A Preferred Stock equal to the sum of (i) $1,000.00 (as may be adjusted in accordance with Section 7) and (ii) all accrued and unpaid dividends (the "Liquidation Preference").

(b) In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Corporation are insufficient to pay the full amount of the Liquidation Preference on all outstanding shares of Series A Preferred Stock and all shares of Parity Stock, then the holders of the Series A Preferred Stock and all holders of such Parity Stock shall share ratably in any such distribution of assets in proportion to the full liquidation preference to which they would otherwise be respectively entitled.

(c) After payment of the full amount of the Liquidation Preference to which they are entitled, the holders of Series A Preferred Stock will have no right or claim to any of the remaining assets of the Corporation.

(d) Upon the Corporation's provision of written notice as to the effective date of any such liquidation, dissolution or winding up of the Corporation, accompanied by a check in the amount of the full Liquidation Preference to which each record holder of the Series A Preferred Stock is entitled, the Series A Preferred Stock shall no longer be deemed outstanding shares of stock of the Corporation and all rights of the holders of such shares will terminate. Such notice shall be given by first class mail, postage pre-paid, to each record holder of the Series A Preferred Stock at the respective mailing addresses of such holders as the same shall appear on the stock transfer records of the Corporation.

(e) In determining whether a distribution (other than upon voluntary or involuntary liquidation), by distribution, redemption or other acquisition of the Corporation's equity securities is permitted under Maryland law, no effect shall be given to amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights on dissolution are superior to those receiving the distribution.

(f) The consolidation or merger of the Corporation with or into any other business enterprise or of any other business enterprise with or into the Corporation, or the sale, lease or conveyance of all or substantially all of the assets or business of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

(5) Redemption.

(a) Mandatory Redemption. At the earlier of (such earlier date, the "Mandatory Redemption Date") (i) the fifth anniversary of the Original Issue Date, or (ii) a Change of Control (as defined below), the Corporation, to the extent that it has funds legally available therefor shall redeem all of the outstanding shares of the Series A Preferred Stock for cash at a redemption price per share of Series A Preferred Stock (the "Redemption Price") equal to $1,000.00 (as may be adjusted in accordance with Section 7) plus all accrued and unpaid dividends thereon up to and including the Mandatory Redemption Date.

A "Change of Control" means, after the Original Issue Date, in one or a series of related transactions:

(i) (A) the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of "beneficial ownership" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person or group shall be deemed to have beneficial ownership of all shares of voting stock that such person or group has the right to acquire regardless of when such right is first exercisable), directly or indirectly, of stock of the Corporation entitling that person to exercise more than 50% of the total voting power of all stock of the Corporation entitled to vote generally in the election of the Corporation's directors; and (B) following the closing of any transaction referred to in (A), neither the Corporation nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the New York Stock Exchange (the "NYSE"), the NYSE Amex Equities (the "NYSE Amex"), or the NASDAQ Stock Market ("NASDAQ"), or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or NASDAQ; or

(ii) the sale, lease or conveyance of all or substantially all of the assets or business of the Corporation.

(b) Optional Redemption. At any time before the Mandatory Redemption Date, the Corporation, at its option, may redeem shares of the Series A Preferred Stock, in whole or in part, for the Redemption Price. If less than all of the outstanding shares of Series A Preferred Stock are to be redeemed, the shares of Series A Preferred Stock to be redeemed may be selected by any equitable method determined by the Board provided that such method does not result in the creation of fractional shares.

(c) Procedure for Redemption.

(i) Upon the Corporation's written notice as to the effective date of the redemption, accompanied by payment in immediately available U.S. funds of the amount of the full Redemption Price through such effective date to which each record holder of shares of Series A Preferred Stock to be redeemed is entitled, shares of the Series A Preferred Stock shall be redeemed and shall no longer be outstanding shares of stock of the Corporation and all rights of the holders of such shares will terminate. Such notice shall be given by first class mail, postage pre-paid, to each record holder of the shares of Series A Preferred Stock to be redeemed at the respective mailing address of such holder as the same shall appear on the stock transfer records of the Corporation. No failure to give such notice or any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Series A Preferred Stock except as to the holder to whom notice was defective or not given.

(ii) In addition to any information required by law or by the applicable rules of any exchange upon which Series A Preferred Stock may be listed or admitted to trading, such notice shall state: (A) the redemption date; (B) the Redemption Price; (C) the place or places where the shares of Series A Preferred Stock are to be surrendered (if so required in the notice) for payment of the Redemption Price in immediately available U.S. funds (if not otherwise included with the notice); and (D) that dividends on the shares to be redeemed will cease to accrue on the redemption date if payment accompanies the notice or, if not, on the date funds are set aside for payment. If less than all of the shares of Series A Preferred Stock held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of shares of Series A Preferred Stock held by such holder to be redeemed.

(iii) If notice of redemption of any shares of Series A Preferred Stock has been given and if the funds necessary for such redemption have been set apart by the Corporation for the benefit of the holders of any shares of Series A Preferred Stock so called for redemption, then, from and after the date funds have been set apart for payment of the Redemption Price, dividends will cease to accrue on such shares of Series A Preferred Stock, such shares of Series A Preferred Stock shall no longer be outstanding and all rights of the holders of such shares will terminate, except the right to receive the Redemption Price therefor. If the Corporation shall so require and the notice of redemption shall so state, holders of Series A Preferred Stock to be redeemed shall surrender the certificates representing such Series A Preferred Stock, to the extent that such shares are certificated, at the place designated in such notice and, upon surrender in accordance with said notice of the certificates representing shares of Series A Preferred Stock so redeemed (properly endorsed or assigned for transfer, if the Corporation shall so require and the notice shall so state), such shares of Series A Preferred Stock shall be redeemed by the Corporation at the Redemption Price. In case less than all of the shares of Series A Preferred Stock represented by any such certificate are redeemed, a new certificate or certificates shall be issued representing the unredeemed shares of Series A Preferred Stock without cost to the holder thereof. In the event that the shares of Series A Preferred Stock to be redeemed are uncertificated, such shares shall be redeemed in accordance with the notice and no further action on the part of the holders of such shares shall be required.

(iv)

(A) The deposit of funds with a bank or trust company for the purpose of redeeming Series A Preferred Stock shall be irrevocable except that: the Corporation shall be entitled to receive from such bank or trust company the interest or other earnings, if any, earned on any money so deposited in trust, and the holders of any shares redeemed shall have no claim to such interest or other earnings; and

(B) Any balance of monies so deposited by the Corporation and unclaimed by the holders of the Series A Preferred Stock entitled thereto at the expiration of two years from the applicable redemption date shall be repaid, together with any interest or other earnings thereon, to the Corporation, and after any such repayment, the holders of the shares entitled to the funds so repaid to the Corporation shall look only to the Corporation for payment of the Redemption Price without interest or other earnings.

(6) Voting Rights. Holders of the Series A Preferred Stock will not have any voting rights, except that, so long as any shares of Series A Preferred Stock remain outstanding, the Corporation shall not, without the affirmative vote of the holders of at least 85% of the Series A Preferred Stock outstanding at the time voting as a separate class, (A) amend, alter or repeal the provisions of the Charter (by amendment, merger or otherwise) in such a way that would materially and adversely affect the powers, special rights, preferences, or privileges of the Series A Preferred Stock or the holders thereof, or (B) create or authorize the creation of (by amendment, merger, or otherwise) or issue or incur any obligation to issue any Series A Preferred Stock (other than as provided in Section 3(c)) or any Senior Stock or Parity Stock (or other securities, including notes, debentures or bonds, convertible into or exchangeable for Senior Stock or Parity Stock), which by their terms shall be redeemable at any time when any shares of Series A Preferred Stock are issued and outstanding.

(7) Adjustment for Stock Splits and Reverse Stock Splits. If outstanding shares of the Series A Preferred Stock shall be divided into a greater number of shares of Series A Preferred Stock or into other securities of the Corporation convertible into or exchangeable for shares of Series A Preferred Stock, then the Liquidation Price and Redemption Price, each as in effect immediately prior to such division, shall, simultaneously with the effectiveness of such division, be proportionately reduced. Conversely, if outstanding shares of the Series A Preferred Stock shall be combined into a smaller number of shares of Series A Preferred Stock or into other securities of the Corporation convertible into or exchangeable for shares of Series A Preferred Stock, then the Liquidation Preference and Redemption Price, each as in effect immediately prior to such combination, shall, simultaneously with the effectiveness of such combination be proportionately increased. Any adjustment to the Liquidation Preference or Redemption Price under this Section 7 shall become effective at the close of business on the date the subdivision or combination referred to herein becomes effective.

(8) Exclusion of Other Rights. The shares of Series A Preferred Stock are not convertible into or exchangeable for any other property or securities of the Corporation. The Series A Preferred Stock shall have no preemptive or subscription rights. The Series A Preferred Stock shall not have any preferences or other rights other than those specifically set forth herein.

ARTICLE IV

The number of directors constituting the Board of Directors shall be as fixed by the bylaws.

ARTICLE V

The Corporation shall indemnify each of its officers and directors to the fullest extent permissible under the Maryland General Corporation Law, as the same exists or may hereafter be amended, against all liabilities, losses, judgments, penalties, fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) incurred or suffered by such person by reason of or arising from the fact that such person is or was an officer or director of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, and such indemnification shall continue as to a person who has ceased to be a director, officer, partner, trustee, employee, or agent and shall inure to the benefit of his or her heirs, executors, and administrators. The Corporation may, by action of the Board of Directors, provide indemnification to employees and agents of the Corporation who are not officers or directors with the same scope and effect as the indemnification provided in this Article to officers and directors. The indemnification provided in this Article shall not be exclusive of any other rights, by indemnification or otherwise, to which any officer or director may be entitled under any statute, bylaw, agreement, resolution of stockholders or directors, or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office.

ARTICLE VI

Officers and directors of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for conduct in their capacities as officers and directors except to the extent that section 5-349 of the Courts and Judicial Proceedings Article of the Annotated Code of Maryland, as it now exists or may hereafter be amended, prohibits elimination or limitation of officer and director liability. No repeal or amendment of this Article or of section 5-349 of the Courts and Judicial Proceedings Article of the Annotated Code of Maryland shall adversely affect any right or protection of an officer or director for actions or omissions prior to the repeal or amendment.

ARTICLE VII

The power to adopt, alter and repeal the bylaws of the Corporation shall be vested solely in the Board of Directors.

ARTICLE VIII

The affirmative vote of a majority of all votes of all classes or any class of stock entitled to be cast on any matter required to be submitted for consideration by the stockholders of the Corporation including, without limitation, any proposed merger, consolidation, share exchange, transfer, Charter amendment, or dissolution required to be so submitted, shall constitute approval by the stockholders of such matter notwithstanding any provision of the Maryland General Corporation Law requiring a greater proportion of the votes of all classes or any class of stock on such matter.

Exhibit 31.1

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, 2012

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

Exhibit 31.2

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, 2012

/s/ James D. Miller
James D. Miller
Chief Financial Officer

Exhibit 32

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, 2012 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	/s/ James D. Miller
Michael L. Elich	James D. Miller
Chief Executive Officer	Chief Financial Officer
May 9, 2012	May 9, 2012

A signed original of this written statement 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.