

BARRETT BUSINESS SERVICES INC
Form DEF 14A
April 23, 2003

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant
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Check the appropriate box:

- Preliminary Proxy Statement Confidential, for Use of
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- Section 240.14a-11(c)
- or Section 240.14a-12

Barrett Business Services, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

BARRETT BUSINESS SERVICES, INC.

April 21, 2003

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Barrett Business Services, Inc., to be held at 3:00 p.m. on Wednesday, May 14, 2003, at our executive offices located at 4724 S.W. Macadam Avenue, Portland, Oregon 97239.

Matters to be presented for action at the meeting include the election of directors, approval of the 2003 Stock Incentive Plan, and ratification of the selection of independent accountants.

We look forward to conversing with those of you who are able to attend the meeting in person. Whether or not you can attend, it is important that you sign, date, and return your proxy as soon as possible. If you do attend the meeting and wish to vote in person, you may withdraw your proxy and vote personally.

Sincerely,

/s/ William W. Sherertz
William W. Sherertz
President and Chief Executive Officer

BARRETT BUSINESS SERVICES, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
May 14, 2003

You are invited to attend the annual meeting of stockholders of Barrett Business Services, Inc., to be held at its executive offices at 4724 S.W. Macadam Avenue, Portland, Oregon 97239, on Wednesday, May 14, 2003, at 3:00 p.m., Pacific Time.

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Only stockholders of record at the close of business on March 31, 2003, will be entitled to vote at the meeting.

The meeting is being held to consider and act upon the following matters:

1. Election of directors.
2. Approval of the 2003 Stock Incentive Plan.
3. Approval of the appointment of PricewaterhouseCoopers LLP as independent accountants for the current fiscal year ending December 31, 2003.
4. Such other business as may properly come before the meeting or any adjournments thereof.

Please sign and date the accompanying proxy, and return it promptly in the enclosed postage-paid envelope to avoid the expense of further solicitation. If you attend the meeting, you may withdraw your proxy and vote your shares in person.

By Order of the Board of Directors

/s/ Michael D. Mulholland
Michael D. Mulholland
Secretary

Portland, Oregon
April 21, 2003

BARRETT BUSINESS SERVICES, INC.
4724 S.W. Macadam Avenue
Portland, Oregon 97239
(503) 220-0988

PROXY STATEMENT
2003 ANNUAL MEETING OF STOCKHOLDERS

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of Barrett Business Services, Inc. (the "Company"), to be voted at the annual meeting of stockholders to be held on May 14, 2003, and any adjournments thereof. The proxy statement and accompanying form of proxy were first mailed to stockholders on approximately April 21, 2003.

VOTING, REVOCATION AND SOLICITATION OF PROXIES

When a proxy in the accompanying form is properly executed and returned, the shares represented will be voted at the meeting in accordance with the instructions specified in the spaces provided in the proxy. If no instructions are specified, the shares will be voted FOR Items 1, 2, and 3 in the accompanying Notice of Annual Meeting of Stockholders.

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Stockholders may expressly abstain from voting on Item 2 or 3 by so indicating on the proxy. Abstentions and shares represented by duly executed and returned proxies of brokers or other nominees which are expressly not voted on Item 2 or 3 will have no effect on the required vote.

Any proxy given pursuant to this solicitation may be revoked by the person giving the proxy at any time prior to its exercise by written notice to the Secretary of the Company of such revocation, by a later-dated proxy received by the Company, or by attending the meeting and voting in person. The mailing address of the Company's principal executive offices is 4724 S.W. Macadam Avenue, Portland, Oregon 97239.

The solicitation of proxies will be made primarily by mail, but proxies may also be solicited personally or by telephone or facsimile by directors and officers of the Company without additional compensation for such services. Brokers and other persons holding shares in their names, or in the names of nominees, will be reimbursed for their reasonable expenses in forwarding soliciting materials to their principals and in obtaining authorization for the execution of proxies. All costs of solicitation of proxies will be borne by the Company.

OUTSTANDING VOTING SECURITIES

The close of business on March 31, 2003, has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting. On the record date, the Company had outstanding 5,711,035 shares of Common Stock, \$.01 par value ("Common Stock"), each share of which is entitled to one vote at the meeting. Common Stock is the only outstanding voting security of the Company.

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ELECTION OF DIRECTORS

The directors of the Company are elected at the annual meeting of stockholders in May to serve until the next annual meeting and until their successors are elected and qualified. The Company's Bylaws authorize the Board to set the number of positions on the Board within a range of three and nine; the Board has presently established the number of positions at six. Vacancies on the Board, including vacancies resulting from an increase in the number of positions, may be filled by the Board for a term ending with the next annual meeting of stockholders. On September 1, 2002, the Board elected Fores J. Beaudry to fill a vacant position.

All of the nominees for election as directors are members of the present Board. A nominee will be elected if the nominee receives a plurality of the votes cast by the shares entitled to vote in the election, provided that a quorum is present at the meeting. Unless authority to vote for a director or directors is withheld, the accompanying proxy will be voted FOR the election of the nominees named below. If for some unforeseen reason a nominee should become unavailable for election, the number of directors constituting the Board may be reduced prior to the annual meeting or the proxy may be voted for the election of such substitute nominee as may be designated by the Board.

Any recommendations as to nominees for election at the 2004 annual meeting should be submitted in writing by December 23, 2003, to the Secretary of the Company at its principal executive offices and should include the name, address, and qualifications of each proposed nominee.

The following table sets forth information with respect to each person nominated for election as a director, including their ages as of February 28, 2003, business experience during the past five years, and directorships in

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other corporations.

Name	Principal Occupation (1)	Age	Director Since
Fores J. Beaudry	Independent insurance agent and marketing consultant	58	2002
Thomas J. Carley	Private investor	44	2000
James B. Hicks, Ph.D.	Co-founder and Chief Technology Officer of Virogenomics, Inc., a biotechnology company	56	2001
Anthony Meeker	Managing Director of Victory Capital Management, Inc., Cleveland, Ohio, an investment management firm	63	1993
Nancy B. Sherertz	Private investor	53	1998
William W. Sherertz	President and Chief Executive Officer of the Company	57	1980

(1) During the past five years, the principal occupation and employment of each nominee has been as follows:

- (a) Mr. Beaudry is self-employed as an independent insurance agent and marketing consultant. He is also currently acting as the manager for the National Education Association's long term care plan in the state of Oregon.
- (b) Mr. Carley was President and Chief Financial Officer of Jensen Securities, a securities and investment banking firm in Portland, Oregon, for eight years until February 1998, when the company was sold to D.A. Davidson & Co. Thereafter, he was a research analyst covering technology companies and financial institutions at D.A. Davidson & Co. until December 1999.
- (c) Mr. Hicks is a co-founder and Chief Technology Officer at Virogenomics, Inc., a biotechnology company (formerly known as Activated Cell Systems, LLC), which is located in the Portland metropolitan area. He has also been a director of AVI BioPharma, Inc. since 1997. He

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continues to serve as a partner in TekSTART Consulting Group, where he has been providing consulting services to early stage technology companies regarding management and operational issues since 2000. From 1995 to 1999, he was co-founder and technical consultant for Sapient Health Network, and also served as Chief Executive Officer, Chief Scientist and a director of Hedral Therapeutics, Inc., a biotechnology company, from 1994 to 1998.

- (d) Mr. Meeker recently retired as a Managing Director of Victory Capital Management, Inc. (formerly known as Key Asset Management, Inc.) where he was employed from 1993 to 2003. From 1987 to 1993, he was Treasurer of the State of Oregon.
- (e) Ms. Sherertz was President and a director of the Company from 1975

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to March 1993.

(f) Mr. Sherertz also serves as Chairman of the Board of Directors.

Ms. Sherertz and Mr. Sherertz were married to each other until 1994.

DIRECTORS' MEETINGS AND STANDING COMMITTEES

The standing committees of the Board include an audit committee and a compensation committee. During 2002, the Board held five meetings, the audit committee held six meetings, and the compensation committee held two meetings. Each director attended more than 75 percent of the aggregate of the total number of meetings of the Board and the total number of meetings held by all committees of the Board on which he or she served during 2002, except Ms. Sherertz participated in 60 percent of the Board meetings and neither of the compensation committee meetings.

The audit committee reviews and pre-approves audit and legally-permitted non-audit services provided by the independent accountants, makes decisions concerning their engagement or discharge, and reviews with management and the independent accountants the results of their audit, the adequacy of internal accounting controls and the quality of financial reporting. The current members of the audit committee are Mr. Carley, chairman, and Messrs. Beaudry, Hicks and Meeker.

The compensation committee reviews the compensation of executive officers of the Company and makes recommendations to the Board regarding salary levels and other forms of compensation to be paid to executive officers, including decisions as to grants of options and other stock-based awards. The current members of the compensation committee are Mr. Meeker, chairman, Mr. Hicks, and Ms. Sherertz. Ms. Sherertz does not participate in the committee's deliberations regarding stock options.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the compensation committee of the Board during 2002 were James B. Hicks, Anthony Meeker, and Nancy B. Sherertz. Ms. Sherertz was President of the Company from 1975 to March 1993.

AUDIT COMMITTEE REPORT

The audit committee of the Board reports to the Board and is responsible for monitoring the integrity of the Company's financial statements, the compliance by the Company with legal and regulatory requirements relating to its status as a public company, and the independence and performance of the Company's independent accountants. The audit committee is presently comprised of four directors, each of whom meets the financial literacy and independence requirements specified in current National Association of Securities Dealers corporate governance standards. The audit committee's activities are governed by a written charter adopted by the Board, a copy of which was included with the Company's proxy statement for its 2001 annual meeting filed with the Securities and Exchange Commission and is available at www.sec.gov.

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In discharging its responsibilities, the Committee and its individual members have met with management and with the Company's independent accountants, PricewaterhouseCoopers LLP, to review their audit process and the Company's accounting functions. The Committee discussed and reviewed with the Company's independent accountants all matters that the independent accountants

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were required to communicate and discuss with the Committee under applicable auditing standards, including those described in Statement on Auditing Standards No. 61, as amended, regarding communications with audit committees. Committee members also discussed and reviewed the results of the independent accountants' examination of the financial statements, the quality and adequacy of the Company's internal controls, and issues relating to the accountants' independence. The Committee has obtained a formal written statement relating to independence consistent with Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees," and discussed with the accountants any relationships that may affect their objectivity and independence.

Based on its review and discussions with management and the Company's independent accountants, the audit committee recommended to the Board that the audited financial statements for the fiscal year ended December 31, 2002, be included in the Company's Annual Report on Form 10-K for filing with the Securities and Exchange Commission ("SEC").

AUDIT COMMITTEE

Thomas J. Carley, Chair
Fores J. Beaudry
James B. Hicks
Anthony Meeker

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STOCK OWNERSHIP BY PRINCIPAL STOCKHOLDERS AND MANAGEMENT

BENEFICIAL OWNERSHIP TABLE

The following table gives information regarding the beneficial ownership of Common Stock as of March 31, 2003, by each director and nominee for director and certain named executive officers and by all directors and executive officers of the Company as a group. In addition, it gives information about each person or group known to the Company to own beneficially more than 5 percent of the outstanding shares of Common Stock. Information as to beneficial stock ownership is based on data furnished by the persons concerning whom such information is given. Unless otherwise indicated, all shares listed as beneficially owned are held with sole voting and dispositive powers.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (2)	Percent of Class
Heartland Advisors, Inc. (1)	927,800 (3)	16.3%
Wynnefield Group (1)	519,400 (4)	9.1%
Dimension Fund Advisors, Inc. (1)	357,300 (5)	6.3%
Fores J. Beaudry	--	*
Thomas J. Carley	26,750 (6)	*
James B. Hicks, Ph.D.	750	*
Anthony Meeker	10,950	*
Michael D. Mulholland	7,052	*
Nancy B. Sherertz (1)	1,393,500 (7)	24.4%
William W. Sherertz (1)	1,999,957 (8)	34.9%
Gregory R. Vaughn	4,080	*
All directors and executive officers as a group (8 persons)	3,443,039	59.8%

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* Less than 1 percent of the outstanding shares of Common Stock.

- (1) The addresses of persons owning beneficially more than 5 percent of the outstanding Common Stock are as follows: Heartland Advisors, Inc., 789 North Water Street, Milwaukee, Wisconsin 53202; Wynnefield Group, 450 Seventh Avenue, Suite 509, New York, New York 10123; Dimension Fund Advisors, Inc., 1299 Ocean Avenue, 11th Floor, Santa Monica, CA 90401; Nancy B. Sherertz, 401 Goldsborough Street, Easton, Maryland 21601; and William W. Sherertz, 4724 S.W. Macadam Avenue, Portland, Oregon 97239.
- (2) Includes options to purchase Common Stock which are presently exercisable or will become exercisable by May 30, 2003, as follows: Mr. Carley, 750 shares; Mr. Hicks, 750 shares; Mr. Meeker, 10,500 shares; Mr. Mulholland, 7,052 shares; Ms. Sherertz, 3,500 shares; Mr. Sherertz, 24,219 shares; Mr. Vaughn, 4,080 shares; and all directors and executive officers as a group, 50,851 shares.
- (3) Heartland Advisors, Inc., a registered investment advisor, filed an amendment to Schedule 13G on February 12, 2003, reporting sole voting power as to 305,300 shares and sole dispositive power as to 927,800 shares. William J. Nasgovitz, President and principal shareholder of Heartland Advisors, Inc., also reported sole voting power as to 500,000 of the 927,800 shares reported as beneficially owned by Heartland Advisors, Inc., as a result of his position as an officer and director of Heartland Group, Inc., a registered investment company.
- (4) Wynnefield Group is a combination of Wynnefield Partners Small Cap Value, L.P., Wynnefield Small Cap Value Offshore Fund, Ltd., and Wynnefield Partners Small Cap Value, L.P. I. Although these entities are separate and distinct entities with different beneficial owners (whether designated

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as limited partners or stockholders), for the convenience of reporting their holdings they are referred to collectively as the "Wynnefield Group."

- (5) Dimension Fund Advisors, Inc., a registered investment advisor, filed an amendment to Schedule 13G on February 11, 2003, reporting sole voting and dispositive power as to 357,300 shares.
- (6) Includes 4,000 shares owned by Mr. Carley's wife.
- (7) Ms. Sherertz disclaims beneficial ownership of 3,310 shares held by her minor children.
- (8) Includes 41,300 shares held by his wife and his minor children, as to which he shares voting and dispositive powers.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16 of the Securities Exchange Act of 1934 ("Section 16") requires that reports of beneficial ownership of Common Stock and changes in such ownership be filed with the SEC by Section 16 "reporting persons," including directors, executive officers, and certain holders of more than 10 percent of the outstanding Common Stock. To the Company's knowledge, all Section 16 reporting requirements applicable to known reporting persons were complied

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with for transactions and stock holdings during 2002, except that Nancy B. Sherertz has not reported the receipt of a stock option to purchase 1,000 shares of Common Stock in May 2002.

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APPROVAL OF 2003 STOCK INCENTIVE PLAN

DESCRIPTION OF THE 2003 STOCK INCENTIVE PLAN

Effective March 1, 2003, the Board adopted, subject to stockholder approval, the Company's 2003 Stock Incentive Plan (the "2003 Plan") authorizing the issuance of up to 400,000 shares of Common Stock in connection with awards granted under the 2003 Plan, subject to adjustment for changes in capitalization. The 2003 Plan is intended to replace the Company's Second Amended and Restated 1993 Stock Incentive Plan (the "1993 Plan"), under which new grants of incentive stock options may not be made after March 1, 2003. A copy of the 2003 Plan is attached to this proxy statement as Appendix A.

At March 10, 2003, there were 788,815 shares available for future grants of awards and 520,195 shares subject to currently outstanding awards under the 1993 Plan. The 2003 Plan provides that shares subject to outstanding awards under the 1993 Plan that are cancelled, terminate, or otherwise expire will become available for grants of new awards under the 2003 Plan. No further awards will be granted under the 1993 Plan if the 2003 Plan is approved by stockholders, meaning that the 788,815 shares presently available under the 1993 Plan would no longer be available for issuance.

The 2003 Plan provides for the grant of stock options and other stock-based awards to the Company's employees, non-employee directors, and outside consultants or advisers. No awards have been allocated or granted under the 2003 Plan as of the date of this proxy statement, except non-employee director options as described below under "Available Awards Under the 2003 Stock Incentive Plan--Non-Employee Director Options. At March 31, 2003, approximately 40 employees and five non-employee directors were considered eligible to participate in the 2003 Plan. The closing sale price for the Common Stock reported on the SmallCap(TM) tier of The Nasdaq Stock Market on March 31, 2003, was \$3.27.

AVAILABLE AWARDS UNDER THE 2003 STOCK INCENTIVE PLAN

The 2003 Plan will be administered by the compensation committee of the Board. The types of awards that may be granted by the compensation committee under the 2003 Plan include:

Options. Options to purchase Common Stock may be incentive stock options meeting the requirements of Section 422 of the Internal Revenue Code of 1986 (the "Code"), or nonqualified options which are not eligible for such tax-favored treatment. Incentive stock options may expire not more than ten years from the date of grant. The 2003 Plan does not specify a maximum term for nonqualified options. The exercise price per share must be not less than 100 percent of the fair market value of a share of Common Stock on the date the option is granted for incentive stock options and not less than 75 percent of such fair market value for nonqualified options. The 2003 Plan also authorizes the issuance of nonqualified deferred compensation options with an exercise price of not less than \$.01 per share for the purpose of deferring a specified amount of income for a recipient. The award agreement relating to an option may, in the compensation committee's discretion, provide that if an option is exercised using previously-acquired shares in payment of the exercise price, the

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recipient shall automatically be granted a replacement option (a "reload option") for a number of shares equal to the number (or a portion of the number) of shares surrendered with an exercise price equal to the fair market value of the Common Stock on the date of grant. The Company may not grant options to purchase more than 200,000 shares to a single individual during any calendar year.

Stock Appreciation Rights ("SARs"). A recipient of SARs will receive upon exercise an amount equal to the excess (or specified portion thereof) of the fair market value of a share of Common Stock on the date of exercise over the base price, multiplied by the number of shares as to which the rights are exercised. The base price will be designated by the compensation committee in the award agreement and may be equal to, higher or lower than the fair market value of the Common Stock on

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the date of grant. Payment may be in cash, in shares of Common Stock, in the form of a deferred compensation option or in any other form approved by the compensation committee. SARs may be granted in connection with options or other awards or may be granted as independent awards.

Restricted Awards. Restricted awards may take the form of restricted shares or restricted units. Restricted shares are shares of Common Stock which are subject to such limitations as the compensation committee deems appropriate, including restrictions on sale or transfer. Restricted shares may be subject to forfeiture in the event the recipient terminates employment or service as a director or consultant during a specified period. Stock certificates representing restricted shares are issued in the name of the recipient but are held by the Company until the expiration of any restrictions. From the date of issuance of restricted shares, the recipient is entitled to the rights of a stockholder with respect to such shares, including voting and dividend rights.

Restricted units are awards of units equivalent in value to a share of Common Stock, which similarly may be subject to forfeiture if the recipient terminates employment or service as a director or consultant during a specified period. At the expiration of such period, payment is made with respect to restricted units in an amount equal to the value of the number of shares covered by the restricted units. Payment may be in cash or unrestricted shares of Common Stock or in any other form approved by the compensation committee.

Performance Awards. Performance awards are granted in units equivalent in value to a share of Common Stock. A performance award is subject to forfeiture if or to the extent the recipient fails to meet certain performance goals during a designated performance cycle. Performance awards earned by attaining performance goals are paid at the end of a performance cycle in cash or shares of Common Stock or in any other form approved by the compensation committee.

Other Stock-Based Awards. The compensation committee may grant other awards that involve payments or grants of shares of Common Stock or are measured by or in relation to shares of Common Stock. The 2003 Plan provides flexibility to design new types of stock-based or stock-related awards to attract and retain employees, directors and consultants in a competitive environment.

Non-Employee Director Options. Under the 2003 Plan, non-employee directors will receive annually as of each annual meeting date an option to purchase 1,000 shares of Common Stock at a price equal to the fair market value of a share on the annual meeting date. Directors may be granted other awards under the 2003 Plan in the discretion of the compensation committee.

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CALIFORNIA STOCK OPTION PLAN

The 2003 Plan includes a sub-plan known as the 2003 Stock Option Plan for California Residents (the "California Plan") for the purpose of option grants to employees, non-employee directors and consultants who reside in the state of California. The Company has adopted the California Plan as part of the 2003 Plan in order to comply with certain substantive requirements of California state securities law when making grants to residents of that state. No awards will be made to California residents except under the California Plan so long as the substantive requirements imposed by California law continue.

Under the 2003 Plan, the Company has set aside 100,000 of the 400,000 shares authorized for issuance under the 2003 Plan for options to be granted under the California Plan. The California Plan provides for options as described under "Available Awards Under the 2003 Stock Incentive Plan" above, and no other awards. The Board may in its discretion transfer shares from the California Plan back to the 2003 Plan from time to time.

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ADJUSTMENTS FOR CHANGES IN CAPITALIZATION

In the event of a change in capitalization, the compensation committee may make such proportionate adjustments in the aggregate number of shares for which awards may be granted under the 2003 Plan, the maximum number of shares which may be awarded to any participant, and the number of shares covered by, and the exercise or base price of, any outstanding awards, as the committee in its sole discretion may deem appropriate.

DURATION, TERMINATION AND AMENDMENT OF THE 2003 STOCK INCENTIVE PLAN

The 2003 Plan will remain in effect until awards have been granted covering all available shares under the 2003 Plan or the 2003 Plan is otherwise terminated by the Board. The Board may terminate the 2003 Plan at any time, but any such termination will not affect any outstanding awards. The Board may also amend the 2003 Plan from time to time, provided that no amendment may be made without stockholder approval if such approval is required by applicable rules and regulations of a stock exchange or registered securities association.

NEW PLAN BENEFITS

The 2003 Plan provides for automatic annual grants of options to purchase 1,000 shares of Common Stock to non-employee directors. No other options have presently been allocated to eligible participants under the 2003 Plan.

NEW PLAN BENEFITS TABLE 2003 STOCK INCENTIVE PLAN

Name and Position -----	Number of Shares -----
William B. Sherertz President and Chief Executive Officer	--
Michael D. Mulholland Vice President-Finance and Secretary; Chief Financial Officer	--
Gregory R. Vaughn	--

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Vice President

Executive Group	--
Non-Executive Director Group	5,000
Non-Executive Officer Employee Group	--

FEDERAL INCOME TAX CONSEQUENCES OF AWARDS

The 2003 Plan complies with certain requirements contained in Section 162(m) of the Code, which relates to the deductibility by the Company of certain executive compensation for federal income tax purposes. The maximum number of shares subject to options or stock appreciation rights ("SARs") which may be granted to any individual participant under the 2003 Plan during any calendar year may not exceed 200,000 shares.

The following discussion summarizes the principal anticipated federal income tax consequences of grants of stock options under the 2003 Plan to participants and to the Company.

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TAX CONSEQUENCES TO PARTICIPANTS

INCENTIVE STOCK OPTIONS. Incentive stock options under the 2003 Plan are intended to meet the requirements of Section 422 of the Code. No income results to a participant upon the grant of an incentive stock option or upon the issuance of shares when the option is exercised. The amount realized on the sale or taxable exchange of such shares in excess of the exercise price will be considered a capital gain, except that if such disposition occurs within one year after exercise of the option or two years after grant of the option, the participant will recognize compensation taxable at ordinary income tax rates measured by the amount by which the lesser of (a) the fair market value on the date of exercise or (b) the amount realized on the sale of the shares, exceeds the exercise price. For purposes of determining alternative minimum taxable income, an incentive stock option is treated as a nonqualified option.

NONQUALIFIED OPTIONS. No taxable income is recognized upon the grant of a nonqualified option. In connection with the exercise of a nonqualified option, a participant will generally realize compensation income (self-employment income for non-employee directors) measured by the difference between the exercise price and the fair market value of the shares acquired on the date of exercise. The participant's cost basis in the acquired shares is the fair market value of the shares on the exercise date. Any gain upon sale of the shares is capital gain.

PAYMENT OF EXERCISE PRICE IN SHARES. The compensation committee may permit participants to pay all or a portion of the exercise price using previously-acquired shares of Common Stock. If an option is exercised and payment is made in previously held shares, there is no taxable gain or loss to the participant other than any gain recognized as a result of exercise of the option, as described above.

TAX CONSEQUENCES TO THE COMPANY

To the extent participants qualify for capital gains treatment with respect to the sale of shares acquired pursuant to exercise of an incentive stock option, the Company will not be entitled to any tax deduction in connection with incentive stock options. In the case of nonqualified stock

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options, the Company will be entitled to receive a federal income tax deduction at the same time and in the same amount as the amount which is taxable to participants as ordinary income.

BOARD RECOMMENDATION AND VOTE REQUIRED

The Board recommends a vote FOR approval of the 2003 Plan. If a quorum is present at the annual meeting, the amendment will be approved upon the affirmative vote of a majority of the votes cast upon the proposal at the meeting.

APPROVAL OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS

The Board has selected PricewaterhouseCoopers llp as independent accountants to examine the financial statements of the Company for the fiscal year ending December 31, 2003. Although the appointment of accountants is not required to be submitted to a vote of the stockholders, the Board has decided to ask the stockholders to approve the appointment and recommends that you vote FOR approval. If a majority of the shares of Common Stock represented at the annual meeting are not voted to approve the appointment, the Board will reconsider the appointment.

PricewaterhouseCoopers llp were the Company's independent accountants for the year ended December 31, 2002. The Company expects representatives of PricewaterhouseCoopers llp to be present at the 2003 annual meeting of stockholders and to be available to respond to appropriate questions. The accountants will have the opportunity to make a statement at the annual meeting if they desire to do so.

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AUDIT FEES

The aggregate fees billed by PricewaterhouseCoopers LLP for professional services rendered for the audit of the Company's annual financial statements for the year ended December 31, 2002, and their review of the financial statements included in its quarterly reports on Form 10-Q for that fiscal year were approximately \$122,000.

FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES

During 2002, PricewaterhouseCoopers LLP did not provide any professional services to the Company with regard to financial information systems design and implementation.

ALL OTHER FEES

Fees billed for services provided to the Company by PricewaterhouseCoopers LLP during 2002, other than the services described above under "Audit Fees," were \$59,000. Such fees were for services rendered in connection with income tax consulting, planning and return preparation and various other consulting related to accounting matters. The audit committee of the Board has considered whether the provision of these services to the Company is compatible with maintaining the independence of the Company's independent public accountants.

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EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth for the years indicated the compensation awarded or paid to, or earned by, the Company's chief executive officer and the Company's other executive officers whose salary level and bonus in 2002 exceeded \$100,000.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards	All Other Compensation
		Salary (\$)	Bonus (\$)	Securities Underlying Options (#)	
William W. Sherertz President and Chief Executive Officer	2002	\$200,000	\$38,625 (1)	161,719	\$56,461 (2)
	2001	200,000	38,526 (1)	50,000	56,461 (2)
	2000	200,000	21,320	50,000 (3)	--
Michael D. Mulholland Vice President-Finance and Secretary; Chief Financial Officer	2002	\$185,000	\$ --	80,000	--
	2001	185,000	--	14,103	--
	2000	185,000	19,721	20,181 (3)	--
Gregory R. Vaughn Vice President	2002	\$150,000	\$ --	45,000	--
	2001	150,000	--	8,159	--
	2000	150,000	15,990	11,675 (3)	--

- (1) Represents a bonus intended to cover Mr. Sherertz's personal expenses related to the split-dollar life insurance plan that will not be recovered by the Company. See note 2 below.
- (2) Represents the actual dollar amount of an insurance premium paid by the Company as part of a split-dollar life insurance plan provided to Mr. Sherertz. Mr. Sherertz's living trust is obligated to repay to the Company all of the premiums that it has paid for this insurance policy from the death benefits collected on the policy or, if earlier, within 60 days after (x) termination of Mr. Sherertz's employment by the Company, other than by reason of death, or (y) the bankruptcy or dissolution of the Company.
- (3) Stock option award was voluntarily surrendered as of September 20, 2001, pursuant to a Company offer made to all optionees. See discussion below under "Report on Repricing of Options."

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STOCK OPTION DATA

The following table provides information as to options to purchase Common Stock granted under the 1993 Plan to the named executive officers during 2002.

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OPTION GRANTS IN LAST FISCAL YEAR

INDIVIDUAL GRANTS

Name	Number of Securities Underlying Options Granted(1) (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date	Grant Date Present Value (\$)(2)
William W. Sherertz	150,000 11,719(3)	40.7 % 3.2	\$3.30 4.00	8/19/12 10/14/12	\$220,500 17,227
Michael D. Mulholland	80,000	21.7	3.00	8/19/12	123,200
Gregory R. Vaughn	45,000	12.2	3.00	8/19/12	69,300

- (1) Options generally become exercisable cumulatively in four equal annual installments beginning one year after the date of grant; provided that the option will become exercisable in full upon the officer's death, disability or retirement, or in the event of a change in control of the Company. A change in control is defined in the option agreements to include (i) any occurrence which would be required to be reported as such by the proxy disclosure rules of the SEC, (ii) the acquisition by a person or group (other than the Company or one of its employee benefit plans) of 30 percent or more of the combined voting power of its voting securities, (iii) with certain exceptions, the existing directors' ceasing to constitute a majority of the Board, (iv) certain transactions involving the merger, sale, or transfer of a majority of the assets of the Company, or (v) approval by the stockholders of a plan of liquidation or dissolution of the Company. The options include a feature which entitles an optionee who tenders previously-acquired shares of Common Stock to pay all or part of the exercise price of the option, to be granted a replacement option (a "reload option") to purchase a number of shares equal to the number of shares tendered with an exercise price equal to the fair market value of the Common Stock on the date of grant. No SARs were granted by the Company during 2002.
- (2) The values shown have been calculated based on the Black-Scholes option pricing model and do not reflect the effect of restrictions on transferability or vesting. The values were calculated based on the following assumptions: (i) expectations regarding volatility of 58 percent were based on monthly stock price data for the Company; (ii) the risk-free rate of return (2.94 percent) was assumed to be the Treasury Bond rate whose maturity corresponds to the expected term (5.0 years) of the option granted; and (iii) no dividends on the Common Stock will be paid during the option term. The values which may ultimately be realized will depend on the market value of the Common Stock during the periods during which the options are exercisable, which may vary significantly from the assumptions underlying the Black-Scholes model.
- (3) Option granted pursuant to "reload" provision of Mr. Sherertz's stock award agreement. Option becomes fully exercisable six months from the date of grant.

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Information concerning exercises of stock options during 2002 and the value of unexercised options held by the named executive officers at December 31, 2002, is summarized in the table below.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES (1)

Name	Shares	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)		Value of Unexercised In-the-Money Options at Fiscal Year-End(2)	
	Acquired on Exercise (#)		(Exercisable/Unexercisable)	(Exercisable/Unexercisable)	(Exercisable/Unexercisable)	(Exercisable/Unexercisable)
William W. Sherertz	12,500	\$3,125	--	/ 199,219	\$0	/ \$0
Michael D. Mulholland	--	--	3,525	/ 90,578	0	/ 8,000
Gregory R. Vaughn	--	--	2,039	/ 51,120	0	/ 4,500

(1) The named executive officers did not hold any SARs at December 31, 2002.

(2) The values shown have been calculated based on the last reported sale price, \$3.10, of the Common Stock reported on the SmallCap(TM) tier of The Nasdaq Stock Market on or before December 31, 2002, and the per share exercise price of unexercised in-the-money options.

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REPORT ON REPRICING OF OPTIONS

The Company implemented a voluntary stock option surrender program in August 2001 for all option holders who held options with an exercise price of more than \$5.85 per share. The compensation committee implemented the program to restore the Company's ability to provide significant incentives for senior management and other key employees without materially increasing the potential dilutive effects of its option plan. The compensation committee believed the program would benefit all stockholders by restoring a material incentive to management and key employees.

Under the program, optionees were given a 30-day period to surrender options for cancellation. At the close of the offer period, September 20, 2001, stock options for a total of 797,229 shares were surrendered. The Company's executive officers participated in the program by surrendering stock options for cancellation covering shares as follows: Mr. Sherertz, 273,693 shares; Mr. Mulholland, 137,298 shares; and Mr. Vaughn, 76,538 shares.

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On August 20, 2002, the compensation committee awarded new option grants. At that time, the named executive officers were granted options to purchase shares of Common Stock as follows: Mr. Sherertz, 150,000 shares; Mr. Mulholland, 80,000 shares; and Mr. Vaughn, 45,000 shares. Mr. Sherertz's options may be exercised at a price of \$3.30 per share. Options granted to Mr. Mulholland and Mr. Vaughn may be exercised at a price of \$3.00 per share, the fair market value per share of Common Stock on the date of grant. The new options are subject to a new four-year vesting schedule.

The following table sets forth information concerning option repricings, as that term is used in the SEC's proxy disclosure rules, of options held by the Company's executive officers during the last 10 years. The only repricing of options undertaken by the Company in the last 10 years occurred in connection with the voluntary surrender program described above. The table provides information regarding options that were cancelled in the surrender program in 2001 and options that were granted in 2002 to replace them.

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10-YEAR OPTION/SAR REPRICINGS

Name -----	Date(1) -----	Number of Securities Underlying Cancelled Options (#) -----	Market Price of Stock at Time of Replacement -----	Exercise Prices of Cancelled Options -----	New Exercise Price(2) -----	Length of Original Option Term Remaining at Cancellation -----
William W. Sherertz, President and Chief Executive Officer	9-20-01	17,500	\$3.00	\$ 9.5000	\$3.30	2.41 ye
	9-20-01	7,000	\$3.00	\$ 8.7500	\$3.30	2.88 ye
	9-20-01	18,654	\$3.00	\$16.3625	\$3.30	3.99 ye
	9-20-01	51,346	\$3.00	\$14.8750	\$3.30	3.99 ye
	9-20-01	30,333	\$3.00	\$15.0000	\$3.30	4.82 ye
	9-20-01	25,000	\$3.00	\$14.1250	\$3.30	5.53 ye
	9-20-01	18,860	\$3.00	\$12.0625	\$3.30	6.10 ye
	9-20-01	25,000	\$3.00	\$12.0000	\$3.30	6.23 ye
	9-20-01	30,000	\$3.00	\$ 8.9375	\$3.30	7.38 ye
9-20-01	50,000	\$3.00	\$ 6.7500	\$3.30	8.39 ye	
Michael D. Mulholland, Vice President- Finance and Secretary; Chief Financial Officer	9-20-01	20,000	\$3.00	\$10.7500	\$3.00	2.90 ye
	9-20-01	10,000	\$3.00	\$14.8750	\$3.00	3.99 ye
	9-20-01	20,000	\$3.00	\$14.6250	\$3.00	4.13 ye
	9-20-01	18,500	\$3.00	\$15.0625	\$3.00	4.39 ye
	9-20-01	17,926	\$3.00	\$17.9375	\$3.00	5.36 ye
	9-20-01	5,000	\$3.00	\$12.0000	\$3.00	6.23 ye
	9-20-01	13,024	\$3.00	\$11.4375	\$3.00	6.39 ye
	9-20-01	12,667	\$3.00	\$ 8.9375	\$3.00	7.38 ye
	9-20-01	20,181	\$3.00	\$ 6.7500	\$3.00	8.39 ye
Gregory R. Vaughn, Vice President	9-20-01	50,000	\$3.00	\$14.69	\$3.00	5.79 ye
	9-20-01	7,535	\$3.00	\$11.44	\$3.00	6.39 ye
	9-20-01	7,328	\$3.00	\$ 8.94	\$3.00	7.38 ye
	9-20-01	11,675	\$3.00	\$ 6.75	\$3.00	8.39 ye

- (1) Represents date surrendered options were cancelled.
- (2) Represents exercise price of replacement options granted to named individuals, which was equal to the market price on the date of grant, except in the case of Mr. Sherertz whose option exercise price is equal to 110 percent of fair market value on the date of grant. The number of shares subject to replacement options and date of grant of such options are discussed in the narrative preceding the table.

COMPENSATION COMMITTEE

Anthony Meeker, Chair
 James B. Hicks, Ph.D.
 Nancy B. Sherertz

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EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes information regarding shares of the Company's Common Stock that may be issued upon exercise of options, warrants and rights under the Company's existing equity compensation plans and arrangements as of December 31, 2002. The only plan or arrangement under which equity compensation could be awarded at December 31, 2002, was the 1993 Plan, which was approved by stockholders. The information includes the number of shares covered by, and the weighted average exercise price of, outstanding options, warrants, and other rights, and the number of shares remaining available for future grants excluding the shares to be issued upon exercise of outstanding options, warrants, and other rights.

Plan Category	A. Number of securities to be issued upon exercise of outstanding options, warrants, and rights	B. Weighted-average exercise price of outstanding options, warrants, and rights	C. Number or securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column A)
Equity compensation plans approved by stockholders(1)	520,195	\$4.79	788,815
Equity compensation plans or arrangements not approved by stockholders	0	N/A	0
Total	520,195	\$4.79	788,815

- (1) If the 2003 Plan is approved by stockholders, future grants will be made only under the 2003 Plan. See "Approval of 2003 Stock Incentive Plan."

TRANSACTIONS WITH MANAGEMENT

In December 2001, pursuant to the approval of all disinterested outside

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directors, the Company agreed to loan Mr. Sherertz up to \$60,000 between December 2001 and June 2002 to assist Mr. Sherertz in meeting his debt service obligations on a loan from the Company's principal bank, which was secured by Mr. Sherertz's holdings of Common Stock and provided for quarterly payments of interest only. In the spring of 2002, with the approval of all disinterested outside directors, the Company agreed to extend its financial commitment to lend to Mr. Sherertz amounts equal to an additional two quarterly interest payments in July and September 2002. The Company's note receivable bears interest at the same rate as the rate charged to Mr. Sherertz by the bank (prime less 0.50 percent; 3.75 percent at March 31, 2003) and repayment by Mr. Sherertz to the Company is due upon demand. The outstanding balance of the loan by the Company at March 31, 2003, including accrued interest, was approximately \$110,000, which was the maximum amount outstanding under the loan since January 1, 2002. In accordance with applicable law, no new loans will be made to Mr. Sherertz under this or any other arrangement.

Prior to May 1, 2002, the Company recorded revenues of \$138,000 and cost of revenues of \$132,000 for providing services to a company owned by Mr. Sherertz. Effective May 1, 2002, this company was sold to an unrelated third party.

During 2001, pursuant to the approval of all disinterested outside directors, the Company entered into a split dollar life insurance agreement with Mr. Sherertz's personal trust. Terms of the agreement provide that, upon Mr. Sherertz's death, the Company will recoup from his trust all insurance premiums paid by the Company. During 2002, the Company paid annual life insurance premiums of approximately \$56,000. In addition, during 2002, the Company paid a cash bonus of approximately

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\$39,000 to Mr. Sherertz in connection with his personal expenses related to the split dollar life insurance program.

Beginning in October 2001, the Company has rented Mr. Sherertz's personal residence in LaQuinta, California, for marketing, customer relations, and business meeting purposes. The seasonal rental rates were established by a local real estate broker who handles similar properties in the LaQuinta area. The Company made payments to Mr. Sherertz in the aggregate amount of \$97,000 in 2002 for rental of the property.

DIRECTORS' COMPENSATION

Under the standard arrangement in effect at the end of 2002, directors (other than directors who are full-time employees of the Company, who do not receive directors' fees) are entitled to receive a fee of \$500 for each Board meeting attended and each meeting of a committee of the Board attended other than a committee meeting held on the same day as a Board meeting.

A nonqualified option for 1,000 shares of Common Stock is granted automatically to each non-employee director whose term begins on or continues after the date of each annual meeting of stockholders at an exercise price equal to the fair market value of the Common Stock on the date of the meeting. Accordingly, on May 15, 2002, each then non-employee director received an option for 1,000 shares at an exercise price of \$3.875 per share.

Payment of the exercise price of options granted to non-employee directors may be in cash or in previously-acquired shares of Common Stock. Each option includes a reload option feature to the extent that previously-acquired shares are used to pay the exercise price. Non-employee director options (other than reload options) become exercisable in four equal annual installments beginning

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one year after the date of grant. Reload options become exercisable six months following the date of grant. All options granted to a non-employee director will be exercisable in full upon the director's death, disability or retirement, or in the event of a change in control of the Company. The option term will expire three months following the date upon which the holder ceases to be a director other than by reason of death, disability or retirement; in the event of death or disability, the option will expire one year thereafter, while non-employee director options will expire five years after retirement.

EMPLOYMENT AGREEMENT

Effective January 26, 1999, the Company entered into an employment agreement with Michael D. Mulholland, Vice President-Finance and Secretary of the Company. The agreement provides for a term of not less than two years as of each anniversary date of the agreement and is subject to automatic extension for an additional year annually unless either party notifies the other of an election to terminate the agreement by December 27 of the prior year. In the event of a change in control of the Company, the agreement will be renewed automatically for a two-year period beginning with the day immediately preceding the change in control. The employment agreement provides for an annual salary of not less than \$155,000, subject to annual review by the Board, together with other compensation and benefits provided for in the Company's compensation policy for executive officers adopted in 1995.

Pursuant to the employment agreement, if Mr. Mulholland's employment is terminated by the Company following a change in control of the Company other than by reason of death or disability or for cause, or by Mr. Mulholland within 90 days following a change in duties related to a change in control of the Company, he will be entitled to receive a lump sum payment of an amount equal to two times his then-current annual base salary, subject to reduction to the extent that such amount would be subject to the excise tax imposed on benefits that constitute excess parachute payments under Section 280G of the Internal Revenue Code of 1986, as amended.

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A change in control of the Company for purposes of the employment agreement is defined as summarized in the notes to the first table under "Stock Option Data" above, except for a business combination transaction in which the Company becomes a privately-held company and William W. Sherertz continues as President and Chief Executive Officer. A change in duties includes a significant change in the nature or scope of Mr. Mulholland's position, responsibilities, authorities or duties, a significant diminution in his eligibility to participate in compensation plans or benefits, a change in the location of his employment by more than 30 miles, or a significant violation of the Company's obligations under the agreement.

REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

The compensation committee of the Board acts as an independent resource to the Board in recommending executive salary levels and analyzing other proposed forms of executive compensation and was composed of three outside directors during 2002. The Committee, except for Ms. Sherertz, also provides disinterested administration of the Company's 1993 Stock Incentive Plan.

The committee's goal is to serve the interests of the Company's stockholders by enabling the Company to attract, motivate, and retain the caliber of management expertise necessary for the successful implementation of the Company's strategic goals.

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The Company's overall approach to executive compensation is based on a philosophy that combines a goal-driven annual cash compensation package with equity incentives designed to build stock ownership among key employees. These two key principles serve to align executives effectively with stockholder interests by focusing management on financial goals necessary to enhance stockholder value, as well as long-term growth, by strongly encouraging significant ownership in the Company's stock.

SALARIES. Base salaries for the Company's executive officers are initially determined by evaluating the responsibilities of the position and the experience of the individual, and by reference to the competitive marketplace for management talent. Annual salary adjustments are determined by evaluating the competitive marketplace, the performance of the Company, the performance of the executive, particularly with respect to the individual's specific contribution to the Company's success, and any increased responsibilities assumed by the executive.

ANNUAL CASH INCENTIVE BONUSES. The compensation committee has implemented a policy to guide its compensation decisions with respect to the executive officers of the Company below the level of president. It is the committee's belief that the stewardship provided by the executive officers is best measured by the Company's return on equity. Accordingly, target amounts for annual awards of cash incentive bonuses for 2002 were based upon a formula with reference to the Company's return on stockholders' equity for the year ended December 31, 2002, and the executive's total salary for the year. No bonuses were paid under the program for 2002 because the targeted level of return on equity was not reached.

LONG-TERM INCENTIVE COMPENSATION. The Company strives to align executive officer financial interests with long-term stockholder value. See "Option Grants in Last Fiscal Year" above for details of options granted to the named executive officers in 2001. See also "Report on Repricing of Options" relating to the details of and reasons for a voluntary option surrender program implemented in August 2002.

CHIEF EXECUTIVE OFFICER COMPENSATION. In view of the Company's financial performance for 2002, it was the recommendation of the Company's president, William W. Sherertz, to the compensation committee that his salary level remain unchanged for 2002. It was Mr. Sherertz's further recommendation that his incentive compensation continue to be tied to the long-term enhancement of

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stockholder value. It was the decision of the compensation committee to accept Mr. Sherertz's recommendations in view of the fact that Mr. Sherertz is a significant stockholder in the Company and, to the extent his performance as chief executive officer results in an increase in the value of the Company's stock, all stockholders, including him, share the benefits.

In 2001, a split-dollar life insurance arrangement was approved for Mr. Sherertz. Upon termination of the policy, the Company will be repaid an amount equal to the premiums previously paid by the Company. It is the compensation committee's position that, in view of Mr. Sherertz's relatively large stockholdings in the Company, a split dollar life insurance arrangement is in the best interests of all stockholders.

COMPENSATION COMMITTEE

Anthony Meeker, Chair
James B. Hicks, Ph.D.

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Nancy B. Sherertz

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STOCK PERFORMANCE GRAPH

The following graph shows the cumulative total return at the dates indicated for the period from December 31, 1997, until December 31, 2002, for the Common Stock, the Standard & Poor's 500 Stock Index (the "S&P 500"), and for a group of the Company's peers in the staffing industry. The staffing industry peer group (the "2002 Peer Group") is comprised of the same eight companies included in the peer group used to prepare the performance graph set forth in the Company's proxy statement for its annual meeting in May 2002, C D I Corp., Kelly Services, Inc., Manpower Inc., RemedyTemp, Inc., Robert Half International Inc., SOS Staffing Services, Inc., TeamStaff, Inc., and Westaff, Inc.

The following graph has been prepared assuming that \$100 was invested on December 31, 1997, in the Common Stock, the S&P 500, and the 2002 Peer Group and that dividends are reinvested. In accordance with the SEC's proxy rules, the stockholder return for each company in the 2002 Peer Group index has been weighted on the basis of market capitalization as of the beginning of each annual period shown. The stock price performance reflected in the graph may not be indicative of future price performance.

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COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURNS
Performance Graph for
Barrett Business Services, Inc.

Produced on 04/03/2003 including data to 12/31/2002

[GRAPHIC OMITTED]

LEGEND

Symbol	CRSP Total Return Index for:	12/1997	12/1998	12/1999	1
	Barrett Business Services, Inc.	100.0	72.3	56.4	
	S&P 500 Stocks	100.0	129.0	156.3	
	Self-Determined Peer Group	100.0	87.9	81.7	

Companies in the Self-Determined Peer Group

C D I CORP	KELLY SERVICES INC
MANPOWER INC WIS	REMEDYTEMP INC
ROBERT HALF INTERNATIONAL INC	SOS STAFFING SERVICES INC
TEAMSTAFF INC	WESTAFF INC

Notes:

- A. The lines represent monthly index levels derived from compounded daily returns that include all dividends.
- B. The indexes are reweighted daily, using the market capitalization

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on the previous trading day.

C. If the monthly interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.

D. The index level for all series was set to \$100.0 on 12/31/1996.

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OTHER MATTERS

Management knows of no matters to be brought before the annual meeting other than the election of directors and ratification of the selection of accountants. However, if any other business properly comes before the meeting, the persons named in the accompanying form of proxy will vote or refrain from voting thereon in accordance with their judgment pursuant to the discretionary authority given them in the proxy.

STOCKHOLDER PROPOSALS FOR ANNUAL MEETING IN 2004

Stockholder proposals submitted for inclusion in the proxy materials for the annual meeting of stockholders to be held in 2004 must be received by the Company by December 23, 2003. Any such proposal should comply with the SEC's rules governing stockholder proposals submitted for inclusion in proxy materials. Proposals should be addressed to Michael D. Mulholland, Secretary, Barrett Business Services, Inc., 4724 S.W. Macadam Avenue, Portland, Oregon 97239.

For any proposal that is not submitted for inclusion in next year's proxy materials, but instead is sought to be presented directly at the 2004 annual meeting of stockholders, management will be able to vote proxies in its discretion if the Company: (1) receives notice of the proposal before the close of business on March 7, 2004, and advises stockholders in the 2004 proxy materials about the nature of the matter and how management intends to vote on such matter; or (2) has not received notice of the proposal by the close of business on March 7, 2004. Notices of intention to present proposals at the 2004 annual meeting should be forwarded to the address listed above.

April 21, 2003

BARRETT BUSINESS SERVICES, INC.

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Appendix A

BARRETT BUSINESS SERVICES, INC. 2003 STOCK INCENTIVE PLAN

Article 1

ESTABLISHMENT AND PURPOSE

1.1 ESTABLISHMENT. Barrett Business Services, Inc. ("Corporation"), hereby establishes the Barrett Business Services, Inc., 2003 Stock Incentive Plan (the "Plan"), effective as of March 1, 2003 (the "Effective Date"), subject to

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shareholder approval as provided in Article 18.

1.2 PURPOSE. The purpose of the Plan is to promote and advance the interests of Corporation and its shareholders by enabling Corporation to attract, retain, and reward key employees, directors, and outside consultants of Corporation and its subsidiaries. It is also intended to strengthen the mutuality of interests between such employees, directors, and consultants and Corporation's shareholders. The Plan is designed to serve these purposes by offering stock options and other equity-based incentive awards, thereby providing a proprietary interest in pursuing the long-term growth, profitability, and financial success of Corporation.

1.3 PRIOR PLANS. The Plan will be separate from the Barrett Business Services, Inc. 1993 Stock Incentive Plan and related Barrett Business Services, Inc. Stock Option Plan for California Residents (the "Prior Plans"). The adoption of the Plan will neither affect nor be affected by the continued existence of the Prior Plans except that:

(a) After the effective date of the Plan, no further Awards will be granted under the Prior Plans; and

(b) The number of Shares which may be made subject to Awards under the Plan will be adjusted from time to time pursuant to Section 4.2 to reflect cancellation, termination, or expiration of stock options previously granted under the Prior Plans.

Article 2 DEFINITIONS

2.1 DEFINED TERMS. For purposes of the Plan, the following terms have the meanings set forth below:

"ANNUAL DIRECTOR OPTIONS" means Options granted to Non-Employee Board Directors pursuant to Article 14 of the Plan.

"AWARD" means an award or grant made to a Participant of Options, Stock Appreciation Rights, Restricted Awards, Performance Awards, or Other Stock-Based Awards pursuant to the Plan.

"AWARD AGREEMENT" means an agreement as described in Section 6.4.

"BOARD" means the Board of Directors of Corporation.

"CALIFORNIA OPTION" means any Option granted to a California resident under the California Plan.

"CALIFORNIA PLAN" means the Barrett Business Services, Inc. 2003 Stock Option Plan for California Residents, attached hereto as Exhibit A as it may be amended from time to time.

"CALIFORNIA SECURITIES LAWS" means the California Corporate Securities Law of 1968, as amended, and rules and regulations adopted under such law.

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

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"COMMITTEE" means the committee appointed by the Board to administer the Plan as provided in Article 3 of the Plan.

"COMMON STOCK" means the \$.01 par value Common Stock of Corporation.

"CONSULTANT" means any consultant or adviser to Corporation or a Subsidiary selected by the Committee, who is not an employee of Corporation or a Subsidiary.

"CONTINUING RESTRICTION" means a Restriction contained in Sections 6.5(g), 6.5(i), 17.4, 17.5, and 17.7 of the Plan and any other Restrictions expressly designated by the Committee in an Award Agreement as a Continuing Restriction.

"CORPORATION" means Barrett Business Services, Inc., a Maryland corporation, or any successor corporation.

"DEFERRED COMPENSATION OPTION" means a Nonqualified Option granted in lieu of a specified amount of other compensation pursuant to Section 7.8 of the Plan.

"DISABILITY" means the condition of being permanently "disabled" within the meaning of Section 22(e)(3) of the Code, namely being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. However, the Committee may change the foregoing definition of "Disability" or may adopt a different definition for purposes of specific Awards.

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

"FAIR MARKET VALUE" means, on any given day, the fair market value per share of the Common Stock determined as follows:

(a) If the Common Stock is traded on an established securities exchange, the mean between the reported high and low sale prices of Common Stock as reported for such day by the principal exchange on which Common Stock is traded (as determined by the Committee) or, if Common Stock was not traded on such day, on the next preceding day on which Common Stock was traded;

(b) If trading activity in Common Stock is reported on The Nasdaq Stock Market, the mean between the reported high and low sale prices of Common Stock as reported for such day by Nasdaq or, if Common Stock trades were not reported on such day, on the next preceding day on which Common Stock trades were reported by Nasdaq;

(c) If trading activity in Common Stock is reported on the OTC Bulletin Board, the mean between the bid price and asked price quote for such day as reported on the OTC Bulletin Board or, if there are no such quotes for Common Stock for such day, on the next preceding day for which bid and asked price quotes for Common Stock were reported on the OTC Bulletin Board; or

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(d) If there is no market for Common Stock or if trading activities for Common Stock are not reported in one of the manners described above, the fair market value will be as determined by the Committee.

"INCENTIVE STOCK OPTION" or "ISO" means any Option granted pursuant to the Plan that is intended to be and is specifically designated in its Award Agreement as an "incentive stock option" within the meaning of Section 422 of the Code.

"NON-EMPLOYEE BOARD DIRECTOR" means a member of the Board who is not an employee of Corporation or any Subsidiary.

"NON-EMPLOYEE SUBSIDIARY DIRECTOR" means a member of the board of directors of a Subsidiary who is neither an employee of Corporation or a Subsidiary nor a member of the Board.

"NONQUALIFIED OPTION" or "NQO" means any Option, including a Deferred Compensation Option, granted pursuant to the Plan that is not an Incentive Stock Option.

"OPTION" means an ISO, an NQO, a Deferred Compensation Option, or an Annual Director Option.

"OTHER STOCK-BASED AWARD" means an Award as defined in Section 11.1.

"PARTICIPANT" means an employee of Corporation or a Subsidiary, a Consultant, a Non-Employee Board Director, or a Non-Employee Subsidiary Director who is granted an Award under the Plan.

"PERFORMANCE AWARD" means an Award granted pursuant to the provisions of Article 10 of the Plan, the Vesting of which is contingent on performance attainment.

"PERFORMANCE CYCLE" means a designated performance period pursuant to the provisions of Section 10.3 of the Plan.

"PERFORMANCE GOAL" means a designated performance objective pursuant to the provisions of Section 10.4 of the Plan.

"PLAN" means this Barrett Business Services, Inc., 2003 Stock Incentive Plan, as set forth herein and as it may be amended from time to time.

"REPORTING PERSON" means a Participant who is subject to the reporting requirements of Section 16(a) of the Exchange Act.

"RESTRICTED AWARD" means a Restricted Share or a Restricted Unit granted pursuant to Article 9 of the Plan.

"RESTRICTED SHARE" means an Award described in Section 9.1(a) of the Plan.

"RESTRICTED UNIT" means an Award of units representing Shares described in Section 9.1(b) of the Plan.

"RESTRICTION" means a provision in the Plan or in an Award Agreement which limits the exercisability or transferability, or which governs the forfeiture, of an Award or the Shares, cash, or other property payable pursuant to an Award.

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"RETIREMENT" means:

(a) For Participants who are employees, retirement from active employment with Corporation and its Subsidiaries on or after age 65, or such earlier retirement date as approved by the Committee for purposes of the Plan;

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(b) For Participants who are Non-Employee Board Directors or Non-Employee Subsidiary Directors, retirement from the applicable board of directors after attaining the maximum age (if any) specified in the articles of incorporation or bylaws of the applicable corporation; or

(c) For Participants who are Consultants, termination of service as a Consultant after attaining a retirement age specified by the Committee for purposes of an Award to such Consultant.

However, the Committee may change the foregoing definition of "Retirement" or may adopt a different definition for purposes of specific Awards.

"SHARE" means a share of Common Stock.

"STOCK APPRECIATION RIGHT" or "SAR" means an Award to benefit from the appreciation of Common Stock granted pursuant to the provisions of Article 8 of the Plan. "Subsidiary" means a "subsidiary corporation" of Corporation, within the meaning of Section 425 of the Code, namely any corporation in which Corporation directly or indirectly controls 50 percent or more of the total combined voting power of all classes of stock having voting power.

"VEST," "VESTING," or "VESTED" means:

(a) In the case of an Award that requires exercise, to be or to become immediately and fully exercisable and free of all Restrictions (other than Continuing Restrictions);

(b) In the case of an Award that is subject to forfeiture, to be or to become nonforfeitable, freely transferable, and free of all Restrictions (other than Continuing Restrictions);

(c) In the case of an Award that is required to be earned by attaining specified Performance Goals, to be or to become earned and nonforfeitable, freely transferable, and free of all Restrictions (other than Continuing Restrictions); or

(d) In the case of any other Award as to which payment is not dependent solely upon the exercise of a right, election, or option, to be or to become immediately payable and free of all Restrictions (except Continuing Restrictions).

2.2 GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine or feminine terminology used in the Plan also includes the opposite gender; and the definition of any term in Section 2.1 in the singular also includes the plural, and vice versa.

Article 3
ADMINISTRATION

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3.1 General. The Plan will be administered by a Committee composed as described in Section 3.2

3.2 Composition of the Committee. The Committee will be appointed by the Board and will consist of not less than a sufficient number of Non-Employee Board Directors so as to qualify the Committee to administer the Plan as contemplated by Section 162(m)(4)(C) of the Code and Rule 16b-3 under the Exchange Act. The Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, however caused, will be filled by the Board. In the event that the Committee ceases to satisfy the requirements of Section 162(m)(4)(C) or Rule 16b-3, the Board will reconstitute the Committee as necessary to satisfy such requirements.

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3.3 Authority of the Committee. The Committee has full power and authority (subject to such orders or resolutions as may be issued or adopted from time to time by the Board) to administer the Plan in its sole discretion, including the authority to:

- (a) Construe and interpret the Plan and any Award Agreement;
- (b) Promulgate, amend, and rescind rules and procedures relating to the implementation of the Plan;
- (c) Select the employees, Non-Employee Board Directors, Non-Employee Subsidiary Directors, and Consultants who will be granted Awards;
- (d) Determine the number and types of Awards to be granted to each such Participant;
- (e) Determine the number of Shares, or Share equivalents, to be subject to each Award;
- (f) Determine the option price, purchase price, base price, or similar feature for any Award; and
- (g) Determine all the terms and conditions of all Award Agreements, consistent with the requirements of the Plan.

Decisions of the Committee, or any delegate as permitted by the Plan, will be final, conclusive, and binding on all Participants.

3.4 ACTION BY THE COMMITTEE. A majority of the members of the Committee will constitute a quorum for the transaction of business. Action approved by a majority of the members present at any meeting at which a quorum is present, or action in writing by all of the members of the Committee, will be the valid acts of the Committee.

3.5 DELEGATION. Notwithstanding the foregoing, the Committee may delegate to one or more officers of Corporation the authority to determine the recipients, types, amounts, and terms of Awards granted to Participants who are not Reporting Persons.

3.6 LIABILITY OF COMMITTEE MEMBERS. No member of the Committee will be liable for any action or determination made in good faith with respect to the Plan, any Award, or any Participant.

3.7 COSTS OF PLAN. The costs and expenses of administering the Plan will be borne by Corporation.

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Article 4

DURATION OF THE PLAN AND SHARES SUBJECT TO THE PLAN

4.1 DURATION OF THE PLAN. The Plan is effective March 1, 2003, subject to approval by Corporation's shareholders as provided in Article 18. The Plan will remain in effect until Awards have been granted covering all the available Shares or the Plan is otherwise terminated by the Board. Termination of the Plan will not affect outstanding Awards.

4.2 SHARES SUBJECT TO THE PLAN. The shares which may be made subject to Awards under the Plan are Shares of Common Stock, which may be either authorized and unissued Shares or reacquired Shares. No fractional Shares may be issued under the Plan. Subject to adjustment pursuant to Article 15, the maximum number of Shares for which Awards may be granted under the Plan is 400,000, of which 100,000 Shares are reserved for issuance to California residents pursuant to the California Plan. If an Award under the Plan (or any option previously granted under the Prior Plans) is canceled or expires for any reason prior to having been fully Vested or exercised by a Participant or is settled in cash in lieu of Shares or is exchanged for other Awards, all Shares covered by such Awards will be added back into the number of Shares available for future Awards under the Plan or the

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California Plan, as the case may be. In addition, the Committee may from time to time in its discretion transfer shares from the California Plan to the Plan.

4.3 GRANTS TO CALIFORNIA RESIDENTS. So long as (a) the Awards and the Shares subject to Awards must be registered under the California Securities Laws; and (b) the California Securities Laws continue to impose substantive requirements on stock plans comparable to those found under Section 25102(o) and related regulations of the California Securities Laws, no Awards may be made to a Participant who resides in the state of California except pursuant to the California Plan.

Article 5 ELIGIBILITY

5.1 EMPLOYEES, CONSULTANTS, AND NON-EMPLOYEE SUBSIDIARY DIRECTORS. Officers and other key employees of Corporation and its Subsidiaries (including employees who may also be directors of Corporation or a Subsidiary), Consultants, and Non-Employee Subsidiary Directors who, in the Committee's judgment, are or will be contributors to the long-term success of Corporation are eligible to receive Awards under the Plan.

5.2 NON-EMPLOYEE BOARD DIRECTORS. All Non-Employee Board Directors are eligible to receive Annual Director Options pursuant to Article 14 of the Plan and such other Awards, if any, as the Committee determines from time to time.

Article 6

AWARDS

6.1 Types of Awards. The types of Awards that may be granted under the Plan are:

- (a) Options governed by Article 7 of the Plan;
- (b) Stock Appreciation Rights governed by Article 8 of the Plan;

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- (c) Restricted Awards governed by Article 9 of the Plan;
- (d) Performance Awards governed by Article 10 of the Plan;
- (e) Other Stock-Based Awards or combination awards governed by Article 11 of the Plan; and
- (f) Annual Director Options governed by Article 14 of the Plan.

In the discretion of the Committee, any Award (other than an Annual Director Option) may be granted alone, in addition to, or in tandem with other Awards under the Plan.

6.2 GENERAL. Subject to the limitations of the Plan, the Committee may cause Corporation to grant Awards to such Participants, at such times, of such types, in such amounts, for such periods, with such option prices, purchase prices, or base prices, and subject to such terms, conditions, limitations, and restrictions as the Committee, in its discretion, deems appropriate. Awards may be granted as additional compensation to a Participant or in lieu of other compensation to such Participant. A Participant may receive more than one Award and more than one type of Award under the Plan.

6.3 NONUNIFORM DETERMINATIONS. The Committee's determinations under the Plan or under one or more Award Agreements, including, without limitation, (a) the selection of Participants to receive Awards, (b) the type, form, amount, and timing of Awards, (c) the terms of specific Award Agreements, and (d) elections and determinations made by the Committee with respect to exercise or payments of Awards, need not be uniform and may be made by the Committee selectively among Participants and Awards, whether or not Participants are similarly situated.

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6.4 AWARD AGREEMENTS. Each Award will be evidenced by a written Award Agreement between Corporation and the Participant. Award Agreements may, subject to the provisions of the Plan, contain any provision approved by the Committee.

6.5 PROVISIONS GOVERNING ALL AWARDS. All Awards are subject to the following provisions:

(a) ALTERNATIVE AWARDS. If any Awards are designated in their Award Agreements as alternative to each other, the exercise of all or part of one Award will automatically cause an immediate equal (or pro rata) corresponding termination of the other alternative Award or Awards.

(b) RIGHTS AS SHAREHOLDERS. No Participant will have any rights of a shareholder with respect to Shares subject to an Award until such Shares are issued in the name of the Participant.

(c) EMPLOYMENT RIGHTS. Neither the adoption of the Plan nor the granting of any Award confers on any person the right to continued employment with Corporation or any Subsidiary or the right to remain as a director of or a Consultant to Corporation or any Subsidiary, as the case may be, nor does it interfere in any way with the right of Corporation or a Subsidiary to terminate such person's employment or to remove such person as a Consultant or as a director at any time for any reason, with or without cause.

(d) RESTRICTION ON TRANSFER. Unless otherwise expressly provided in

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an individual Award Agreement, each Award (other than Restricted Shares after they Vest) will not be transferable other than by will or the laws of descent and distribution and will be exercisable (if exercise is required), during the lifetime of the Participant, only by the Participant or, in the event the Participant becomes legally incompetent, by the Participant's guardian or legal representative. Notwithstanding the foregoing, the Committee, in its discretion, may provide in any Award Agreement that the Award:

- o May be freely transferred;
- o May be freely transferred to a class of transferees specified in the Award Agreement; or
- o May be transferred, but only subject to any terms and conditions specified in the Award Agreement (including, without limitation, a condition that an Award may only be transferred without payment of consideration).

Furthermore, notwithstanding the foregoing, any Award may be surrendered to Corporation pursuant to Section 6.5(h) in connection with the payment of the purchase or option price of another Award or the payment of the Participant's federal, state, or local tax withholding obligation with respect to the exercise or payment of another Award.

(e) Termination of Employment. The terms and conditions under which an Award may be exercised, if at all, after a Participant's termination of employment or service as a Non-Employee Board Director, Non-Employee Subsidiary Director, or Consultant will be determined by the Committee and specified in the applicable Award Agreement.

(f) Change in Control. The Committee, in its discretion, may provide in any Award Agreement that:

(i) In the event of a change in control of Corporation (as the Committee may define such term in the Award Agreement), each outstanding Award will become immediately Vested to the full extent not previously Vested. Any such acceleration of Award Vesting must comply with applicable regulatory requirements and any Participant will be entitled to decline the accelerated Vesting of all or any portion of his or her Award, if he or she determines that such acceleration may result in adverse tax consequences to him or her; and

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(ii) In the event the Board approves a proposal for: (i) merger, exchange or consolidation in which Corporation is not the resulting or surviving corporation (or in which Corporation is the resulting or surviving corporation but becomes a subsidiary of another corporation); (ii) transfer of all or substantially all the assets of Corporation; (iii) sale of 30 percent or more of the combined voting power of Corporation's voting securities; or (iv) the dissolution or liquidation of Corporation (each, a "Transaction"), the Committee will notify Participants in writing of the proposed Transaction (the "Proposal Notice") at least 30 days prior to the effective date of the proposed Transaction. The Committee may, in its sole discretion, and to the extent possible under the structure of the Transaction, select one of the following alternatives for treating outstanding Awards under the Plan:

(A) The Committee may provide that outstanding Awards will be converted into or replaced by Awards of a similar type in the stock of the surviving or acquiring corporation in the Transaction. The amount and type of securities subject to and the exercise price (if applicable) of the replacement or converted Awards will be determined by the Committee based on the exchange ratio, if any, used in determining shares of the surviving corporation to be issued to holders of Shares of Corporation. If there is no exchange ratio in the Transaction, the Committee will, in making its determination, take into account the relative values of the companies involved in the Transaction and such other factors as the Committee deems relevant. Such replacement or converted Awards will continue to Vest over the period (and at the same rate) as the Awards which the replacement or converted Awards replaced, unless determined otherwise by the Committee;

(B) The Committee may provide a 30-day period prior to the consummation of the Transaction during which all outstanding Awards will tentatively become fully Vested, and upon consummation of such Transaction, all outstanding and unexercised Awards will immediately terminate. If the Committee elects to provide such 30-day period for the exercise of Awards, the Proposal Notice must so state. Participants, by written notice to Corporation, may exercise their Awards and, in so exercising the Awards, may condition such exercise upon, and provide that such exercise will become effective immediately prior to, the consummation of the Transaction, in which event Participants need not make payment for any Common Stock to be purchased upon exercise of an Award until five days after written notice by Corporation to the Participants that the Transaction has been consummated (the "Transaction Notice"). If the Transaction is consummated, each Award, to the extent not previously exercised prior to the consummation of the Transaction, will terminate and cease being exercisable as of the effective date of such consummation. If the Transaction is abandoned, (1) all outstanding Awards not exercised will continue to be Vested and exercisable, to the extent such Awards were Vested and exercisable prior to the date of the Proposal Notice, and (2) to the extent that any Awards not exercised prior to such abandonment have become Vested and exercisable solely by operation of this Section 6.5(f)(ii), such Vesting and exercisability will be deemed annulled, and the Vesting and exercisability provisions otherwise in effect will be reinstated, as of the date of such abandonment; or

(C) The Committee may provide that outstanding Awards that are not fully Vested will become fully Vested subject to Corporation's right to pay each Participant a cash amount (determined by the Committee and based on the amount, if any, being received by Corporation's shareholders in the Transaction) in exchange for cancellation of the applicable Award.

Unless the Committee specifically provides otherwise in the change in control provision for a specific Award Agreement, Awards will become Vested as of a change in control date only if, or to

the extent, such acceleration in the Vesting of the Awards does not result in an "excess parachute payment" within the meaning of Section 280G(b) of the Code. The Committee, in its discretion, may include change in control provisions in some Award Agreements and not in others, may include different change in control provisions in different Award Agreements, and may include change in control provisions for some Awards or some Participants and not for others.

(g) Conditioning or Accelerating Benefits. The Committee, in its discretion, may include in any Award Agreement a provision conditioning or accelerating the Vesting of an Award or the receipt of benefits pursuant to an Award, either automatically or in the discretion of the Committee, upon the occurrence of specified events, including without limitation, a change in control of Corporation (subject to the foregoing paragraph (f)), a sale of all or substantially all of the property and assets of Corporation, or an event of the type described in Article 15 of this Plan.

(h) Payment of Purchase Price and Withholding. The Committee, in its discretion, may include in any Award Agreement a provision permitting the Participant to pay the purchase or option price, if any, for the Shares or other property issuable pursuant to the Award, or the Participant's federal, state, or local tax withholding obligation with respect to such issuance in whole or in part by any one or more of the following methods; provided, however, that the availability of any one or more methods of payment may be suspended from time to time if the Committee determines that the use of such payment method would result in adverse financial accounting treatment for Corporation:

(i) By delivering previously owned Shares (including Restricted Shares, whether or not Vested);

(ii) By surrendering other outstanding Vested Awards under the Plan denominated in Shares or in Share equivalent units;

(iii) By reducing the number of Shares or other property otherwise Vested and issuable pursuant to the Award;

(iv) Unless specifically prohibited by any applicable statute or rule, including, without limitation, the provisions of the Sarbanes-Oxley Act of 2002, by delivering to Corporation a promissory note payable on such terms and over such period as the Committee may determine;

(v) By delivery (in a form approved by the Committee) of an irrevocable direction to a securities broker acceptable to the Committee (subject to the provisions of the Sarbanes-Oxley Act of 2002 and any other applicable statute or rule):

(A) To sell Shares subject to the Award and to deliver all or a part of the sales proceeds to Corporation in payment of all or a part of the option or purchase price and taxes or withholding taxes attributable to the issuance; or

(B) To pledge Shares subject to the Award to the broker as security for a loan and to deliver all or a part of the loan proceeds to Corporation in payment of all or a part of the option or purchase price and taxes or withholding taxes attributable to the issuance; or

(vi) In any combination of the foregoing or in any other form

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approved by the Committee.

If Restricted Shares are surrendered in full or partial payment of the purchase or option price of Shares issuable under an Award, a corresponding number of the Shares issued upon exercise of the Award will be Restricted Shares subject to the same Restrictions as the surrendered Restricted Shares. Shares withheld or surrendered as described above will be valued based on their Fair Market Value on the date of the transaction. Any Shares withheld or surrendered with respect to a

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Reporting Person will be subject to such additional conditions and limitations as the Committee may impose to comply with the requirements of the Exchange Act.

(i) Reporting Persons. With respect to all Awards granted to Reporting Persons:

(i) Awards requiring exercise will not be exercisable until at least six months after the date the Award was granted, except in the case of the death or Disability of the Participant; and

(ii) Shares issued pursuant to any other Award may not be sold by the Participant for at least six months after acquisition, except in the case of the death or Disability of the Participant; provided, however, that (unless an Award Agreement provides otherwise) the limitation of this Section 6.5(i) will apply only if or to the extent required by Rule 16b-3 under the Exchange Act. Award Agreements for Awards to Reporting Persons must also comply with any future restrictions imposed by such Rule 16b-3.

(j) Service Periods. At the time of granting Awards, the Committee may specify, by resolution or in the Award Agreement, the period or periods of service performed or to be performed by the Participant in connection with the grant of the Award.

Article 7 OPTIONS

7.1 TYPES OF OPTIONS. Options granted under the Plan may be in the form of Incentive Stock Options or Nonqualified Options (including Deferred Compensation Options and Annual Director Options). The grant of each Option and the Award Agreement governing each Option will identify the Option as an ISO or an NQO. In the event the Code is amended to provide for tax-favored forms of stock options other than or in addition to Incentive Stock Options, the Committee may grant Options under the Plan meeting the requirements of such forms of options.

7.2 GENERAL. All Options will be subject to the terms and conditions set forth in Article 6 and this Article 7 and Award Agreements governing Options may contain such additional terms and conditions, not inconsistent with the express provisions of the Plan, as the Committee deems desirable; provided, however, that California Options will be governed by the California Plan.

7.3 OPTION PRICE. Each Award Agreement for Options will state the option exercise price per Share of Common Stock purchasable under the Option, which may not be less than:

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(a) \$.01 per share in the case of a Deferred Compensation Option;

(b) 75 percent of the Fair Market Value of a Share on the date of grant for all other Nonqualified Options (except Annual Director Options); or

(c) 100 percent of the Fair Market Value of a Share on the date of grant for all Incentive Stock Options.

7.4 OPTION TERM. The Award Agreement for each Option will specify the term of each Option, which may be unlimited or may have a specified period during which the Option may be exercised, as determined by the Committee.

7.5 TIME OF EXERCISE. The Award Agreement for each Option will specify, as determined by the Committee:

(a) The time or times when the Option becomes exercisable and whether the Option becomes exercisable in full or in graduated amounts based on: (i) continuation of employment over a period specified in the Award Agreement, (ii) satisfaction of performance goals or criteria specified in the Award Agreement, or (iii) a combination of continuation of employment and satisfaction of performance goals or criteria;

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(b) Such other terms, conditions, and restrictions as to when the Option may be exercised as determined by the Committee; and

(c) The extent, if any, to which the Option will remain exercisable after the Participant ceases to be an employee, Consultant, or director of Corporation or a Subsidiary.

An Award Agreement for an Option may, in the discretion of the Committee, provide whether, and to what extent, the time when an Option becomes exercisable may be accelerated or otherwise modified (i) in the event of the death, Disability, or Retirement of the Participant, or (ii) upon the occurrence of a change in control of Corporation. The Committee may, at any time in its discretion, accelerate the time when all or any portion of an outstanding Option becomes exercisable.

7.6 SPECIAL RULES FOR INCENTIVE STOCK OPTIONS. In the case of an Option designated as an Incentive Stock Option, the terms of the Option and the Award Agreement will conform with the statutory and regulatory requirements specified pursuant to Section 422 of the Code, as in effect on the date such ISO is granted. ISOs may be granted only to employees of Corporation or a Subsidiary. ISOs may not be granted under the Plan after ten years following the date specified in Section 4.1, unless the ten-year limitation of Section 422(b)(2) of the Code is removed or extended.

7.7 RESTRICTED SHARES. In the discretion of the Committee, the Shares issuable upon exercise of an Option may be Restricted Shares if so provided in the Award Agreement for the Option.

7.8 DEFERRED COMPENSATION OPTIONS. The Committee may, in its discretion, grant Deferred Compensation Options with an option price less than Fair Market Value to provide a means for deferral to future dates of compensation otherwise payable to a Participant. The option price will be determined by the Committee subject to Section 7.3(a) of the Plan. The number of Shares subject to a Deferred Compensation Option will be determined by the Committee, in its discretion, by dividing the amount of compensation to be deferred by the difference between the

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Fair Market Value of a Share on the date of grant and the option price of the Deferred Compensation Option. Amounts of compensation deferred with Deferred Compensation Options may include amounts payable under Awards granted under the Plan or under any other compensation program or arrangement of Corporation as permitted by the Committee. The Committee may grant Deferred Compensation Options only if it reasonably determines that the recipient of such an Option is not likely to be deemed to be in constructive receipt for income tax purposes of the income being deferred.

7.9 RELOAD OPTIONS. The Committee, in its discretion, may provide in an Award Agreement for an Option that in the event all or a portion of the Option is exercised by the Participant using previously acquired Shares, the Participant will automatically be granted (subject to the available pool of Shares subject to grants of Awards as specified in Section 4.2 of the Plan) a replacement Option (with an option price equal to the Fair Market Value of a Share on the date of such exercise) for a number of Shares equal to (or equal to a portion of) the number of shares surrendered upon exercise of the Option. Such reload Option features may be subject to such terms and conditions as the Committee determines, including, without limitation, a condition that the Participant retain the Shares issued upon exercise of the Option for a specified period of time.

7.10 LIMITATION ON NUMBER OF SHARES SUBJECT TO OPTIONS. In no event may Options for more than 200,000 Shares be granted to any individual under the Plan during any calendar year.

Article 8 STOCK APPRECIATION RIGHTS

8.1 GENERAL. Stock Appreciation Rights are subject to the terms and conditions set forth in Article 6 and this Article 8 and Award Agreements governing Stock Appreciation Rights may contain such additional terms and conditions, not inconsistent with the express terms of the Plan, as the Committee deems desirable.

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8.2 NATURE OF STOCK APPRECIATION RIGHT. A Stock Appreciation Right is an Award entitling a Participant to receive an amount equal to the excess (or, if the Committee determines at the time of grant, a portion of the excess) of the Fair Market Value of a Share of Common Stock on the date of exercise of the SAR over the base price, as described below, on the date of grant of the SAR, multiplied by the number of Shares with respect to which the SAR is being exercised. The base price will be designated by the Committee in the Award Agreement for the SAR and may be the Fair Market Value of a Share on the grant date of the SAR or such other higher or lower price as the Committee determines.

8.3 EXERCISE. A Stock Appreciation Right may be exercised by a Participant in accordance with procedures established by the Committee. The Committee may also provide that a SAR will be automatically exercised on one or more specified dates or upon the satisfaction of one or more specified conditions. In the case of SARs granted to Reporting Persons, exercise of the SARs will be limited by the Committee to the extent required to comply with the applicable requirements of Rule 16b-3 under the Exchange Act.

8.4 FORM OF PAYMENT. Payment upon exercise of a Stock Appreciation Right may be made in cash, in installments, in Shares, by issuance of a Deferred Compensation Option, or in any combination of the foregoing, or in any other form as the Committee may determine.

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8.5 LIMITATION ON NUMBER OF STOCK APPRECIATION RIGHTS. In no event may more than 200,000 Stock Appreciation Rights be granted to any individual under the Plan during any calendar year.

Article 9 RESTRICTED AWARDS

9.1 TYPES OF RESTRICTED AWARDS. Restricted Awards granted under the Plan may be in the form of either Restricted Shares or Restricted Units.

(a) RESTRICTED SHARES. A Restricted Share is an Award of Shares transferred to a Participant subject to such terms and conditions as the Committee deems appropriate, including, without limitation, restrictions on the sale, assignment, transfer, or other disposition of such Restricted Shares and may include a requirement that the Participant forfeit such Restricted Shares back to Corporation upon termination of Participant's employment (or service as a Non-Employee Board Director, Non-Employee Subsidiary Director, or Consultant) for specified reasons within a specified period of time or upon other conditions, as set forth in the Award Agreement for such Restricted Shares. Each Participant receiving a Restricted Share will be issued a stock certificate in respect of such Shares, registered in the name of such Participant, and will execute a stock power in blank with respect to the Shares evidenced by such certificate. The certificate evidencing such Restricted Shares and the stock power will be held in custody by Corporation until the Restrictions have lapsed.

(b) RESTRICTED UNITS. A Restricted Unit is an Award of units (with each unit having a value equivalent to one Share) granted to a Participant subject to such terms and conditions as the Committee deems appropriate, and may include a requirement that the Participant forfeit such Restricted Units upon termination of Participant's employment (or service as a Non-Employee Board Director, Non-Employee Subsidiary Director, or Consultant) for specified reasons within a specified period of time or upon other conditions, as set forth in the Award Agreement for such Restricted Units.

9.2 GENERAL. Restricted Awards are subject to the terms and conditions of Article 6 and this Article 9 and Award Agreements governing Restricted Awards may contain such additional terms and conditions, not inconsistent with the express provisions of the Plan, as the Committee deems desirable.

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9.3 RESTRICTION PERIOD. Award Agreements for Restricted Awards will provide that Restricted Awards, and the Shares subject to Restricted Awards, may not be transferred, and may provide that, in order for a Participant to Vest in such Restricted Awards, the Participant must remain in the employment (or remain as a Non-Employee Board Director, Non-Employee Subsidiary Director, or Consultant) of Corporation or its Subsidiaries, subject to relief for reasons specified in the Award Agreement, for a period commencing on the grant date of the Award and ending on such later date or dates as the Committee may designate at the time of the Award (the "Restriction Period"). During the Restriction Period, a Participant may not sell, assign, transfer, pledge, encumber, or otherwise dispose of Shares received under or governed by a Restricted Award grant. The Committee, in its sole discretion, may provide for the lapse of restrictions in installments during the Restriction Period. Upon expiration of the applicable Restriction Period (or lapse of Restrictions during the Restriction Period where the Restrictions lapse in installments) the Participant will be entitled to settlement of the Restricted Award or portion thereof, as

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the case may be. Although Restricted Awards will usually Vest based on continued employment (or service as a Non-Employee Board Director, Non-Employee Subsidiary Director, or Consultant) and Performance Awards under Article 10 will usually Vest based on attainment of Performance Goals, the Committee, in its discretion, may condition Vesting of Restricted Awards on attainment of Performance Goals as well as continued employment (or service as a Non-Employee Board Director, Non-Employee Subsidiary Director, or Consultant). In such case, the Restriction Period for such a Restricted Award must include the period prior to satisfaction of the Performance Goals.

9.4 FORFEITURE. If a Participant ceases to be an employee (or Consultant, Non-Employee Board Director, or Non-Employee Subsidiary Director) of Corporation or a Subsidiary during the Restriction Period for any reason other than reasons which may be specified in an Award Agreement (such as death, Disability, or Retirement) the Award Agreement may require that all non-Vested Restricted Awards previously granted to the Participant be forfeited and returned to Corporation.

9.5 SETTLEMENT OF RESTRICTED AWARDS.

(a) RESTRICTED SHARES. Upon Vesting of a Restricted Share Award, the legend on such Shares will be removed, the Participant's stock power will be returned and the Shares will no longer be Restricted Shares. The Committee may also, in its discretion, permit a Participant to receive, in lieu of unrestricted Shares at the conclusion of the Restriction Period, payment in cash, in installments, or by issuance of a Deferred Compensation Option equal to the Fair Market Value of the Restricted Shares as of the date the Restrictions lapse.

(b) RESTRICTED UNITS. Upon Vesting of a Restricted Unit Award, a Participant is entitled to receive payment for Restricted Units in an amount equal to the aggregate Fair Market Value of the Shares covered by such Restricted Units at the expiration of the Applicable Restriction Period. Payment in settlement of a Restricted Unit will be made as soon as practicable following the conclusion of the applicable Restriction Period in cash, in installments, in Shares equal to the number of Restricted Units, by issuance of a Deferred Compensation Option, or in any other manner or combination of such methods as the Committee, in its sole discretion, determines.

9.6 RIGHTS AS A SHAREHOLDER. A Participant has, with respect to unforfeited Shares received under a grant of Restricted Shares, all the rights of a shareholder of Corporation, including the right to vote the shares, and the right to receive any cash dividends. Stock dividends issued with respect to Restricted Shares will be treated as additional Shares covered by the grant of Restricted Shares and will be subject to the same Restrictions.

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Article 10 PERFORMANCE AWARDS

10.1 GENERAL. Performance Awards are subject to the terms and conditions set forth in Article 6 and this Article 10 and Award Agreements governing Performance Awards may contain such other terms and conditions not inconsistent with the express provisions of the Plan, as the Committee deems desirable.

10.2 NATURE OF PERFORMANCE AWARDS. A Performance Award is an Award of units (with each unit having a value equivalent to one Share) granted to a

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Participant subject to such terms and conditions as the Committee deems appropriate, including, without limitation, the requirement that the Participant forfeit such Performance Award or a portion thereof in the event specified performance criteria are not met within a designated period of time.

10.3 PERFORMANCE CYCLES. For each Performance Award, the Committee will designate a performance period (the "Performance Cycle") with a duration to be determined by the Committee in its discretion within which specified Performance Goals are to be attained. There may be several Performance Cycles in existence at any one time and the duration of Performance Cycles may differ from each other.

10.4 PERFORMANCE GOALS. The Committee will establish Performance Goals for each Performance Cycle on the basis of such criteria and to accomplish such objectives as the Committee may from time to time select. Performance Goals may be based on (i) performance criteria for Corporation, a Subsidiary, or an operating group, (ii) a Participant's individual performance, or (iii) a combination of both. Performance Goals may include objective and subjective criteria. During any Performance Cycle, the Committee may adjust the Performance Goals for such Performance Cycle as it deems equitable in recognition of unusual or nonrecurring events affecting Corporation, changes in applicable tax laws or accounting principles, or such other factors as the Committee may determine.

10.5 DETERMINATION OF AWARDS. As soon as practicable after the end of a Performance Cycle, the Committee will determine the extent to which Performance Awards have been earned on the basis of performance in relation to the established Performance Goals.

10.6 TIMING AND FORM OF PAYMENT. Settlement of earned Performance Awards will be made to the Participant as soon as practicable after the expiration of the Performance Cycle and the Committee's determination under Section 10.5, in the form of cash, installments, Shares, Deferred Compensation Options, or any combination of the foregoing or in any other form as the Committee determines.

ARTICLE 11 OTHER STOCK-BASED AND COMBINATION AWARDS

11.1 OTHER STOCK-BASED AWARDS. The Committee may grant other Awards under the Plan pursuant to which Shares are or may in the future be acquired, or Awards denominated in or measured by Share equivalent units, including Awards valued using measures other than the market value of Shares. Other Stock-Based Awards are not restricted to any specific form or structure and may include, without limitation, Share purchase warrants, other rights to acquire Shares, and securities convertible into or redeemable for Shares. Such Other Stock-Based Awards may be granted either alone, in addition to, or in tandem with, any other type of Award granted under the Plan.

11.2 COMBINATION AWARDS. The Committee may also grant Awards under the Plan in tandem or combination with other Awards or in exchange of Awards, or in tandem or combination with, or as alternatives to, grants or rights under any other employee plan of Corporation, including the plan of any acquired entity. No action authorized by this section will reduce the amount of any existing benefits or change the terms and conditions thereof without the Participant's consent.

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ARTICLE 12 DEFERRAL ELECTIONS

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The Committee may permit a Participant to elect to defer receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise, earn out, or Vesting of an Award made under the Plan. If any such election is permitted, the Committee will establish rules and procedures for such payment deferrals, including, but not limited to: (a) payment or crediting of reasonable interest or other growth or earnings factor on such deferred amounts credited in cash, (b) the payment or crediting of dividend equivalents in respect of deferrals credited in Share equivalent units, or (c) granting of Deferred Compensation Options.

ARTICLE 13 DIVIDEND EQUIVALENTS

Any Awards may, at the discretion of the Committee, earn dividend equivalents. In respect of any such Award which is outstanding on a dividend record date for Common Stock, the Participant may be credited with an amount equal to the amount of cash or stock dividends that would have been paid on the Shares covered by such Award, had such covered Shares been issued and outstanding on such dividend record date. The Committee will establish such rules and procedures governing the crediting of dividend equivalents, including the timing, form of payment, and payment contingencies of such dividend equivalents, as it deems appropriate or necessary.

ARTICLE 14 Annual DIRECTOR Options

14.1 GENERAL. All Non-Employee Board Directors will receive Annual Director Options pursuant to this Article 14.

14.2 ELIGIBILITY. The persons eligible to receive Awards pursuant to this Article 14 are all Non-Employee Board Directors of Corporation.

14.3 DEFINITIONS. For purposes of this Article 14, "Annual Meeting Date" means the date of Corporation's regular annual meeting of shareholders.

14.4 ANNUAL DIRECTOR OPTIONS.

(a) GRANT OF ANNUAL DIRECTOR OPTIONS. As of each Annual Meeting Date, each Non-Employee Board Director whose term begins on or continues after that Annual Meeting Date will be granted automatically an Annual Director Option to purchase 1,000 Shares.

(b) OPTION PRICE. The option exercise price for each Annual Director Option will be equal to the Fair Market Value of a Share as of the Annual Meeting Date.

(c) TERMS OF ANNUAL DIRECTOR OPTIONS. Each Annual Director Option will have the terms and conditions specified in the form of Award Agreement attached to this Plan as Exhibit B; provided, however, that if such Option is a California Option, it will be issued pursuant to the California Plan.

ARTICLE 15 ADJUSTMENTS UPON CHANGES IN CAPITALIZATION, ETC.

15.1 PLAN DOES NOT RESTRICT CORPORATION. The existence of the Plan and the Awards granted under the Plan will not affect or restrict in any way the right or power of the Board or the shareholders of Corporation to make or authorize any adjustment, recapitalization, reorganization, or other change in Corporation's capital structure or its business, any merger or consolidation of

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the Corporation, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting

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Corporation's capital stock or the rights thereof, the dissolution or liquidation of Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding.

15.2 ADJUSTMENTS BY THE COMMITTEE. In the event of any change in capitalization affecting the Common Stock of Corporation, such as a stock dividend, stock split, recapitalization, merger, consolidation, split-up, combination or exchange of shares or other form of reorganization, or any other change affecting the Common Stock, such proportionate adjustments, if any, as the Committee, in its sole discretion, may deem appropriate to reflect such change, will be made with respect to the aggregate number of Shares for which Awards in respect thereof may be granted under the Plan, the maximum number of Shares which may be sold or awarded to any Participant, the number of Shares covered by each outstanding Award, and the base price or purchase price per Share in respect of outstanding Awards. The Committee may also make such adjustments in the number of Shares covered by, and price or other value of, any outstanding Awards in the event of a spin-off or other distribution (other than normal cash dividends), of Corporation assets to shareholders.

ARTICLE 16 AMENDMENT AND TERMINATION

The Board may amend, suspend, or terminate the Plan or any portion of the Plan at any time, provided that no amendment may be made without shareholder approval if such approval is required by applicable law or the requirements of an applicable stock exchange or registered securities association.

ARTICLE 17 MISCELLANEOUS

17.1 TAX WITHHOLDING. Corporation has the right to deduct from any settlement of any Award under the Plan, including the delivery or Vesting of Shares or Awards, any federal, state, or local taxes of any kind required by law to be withheld with respect to such payments or to take such other action as may be necessary in the opinion of Corporation to satisfy all obligations for the payment of such taxes. The recipient of any payment or distribution under the Plan has the obligation to make arrangements satisfactory to Corporation for the satisfaction of any such tax withholding obligations. Corporation will not be required to make any such payment or distribution under the Plan until such obligations are satisfied.

17.2 UNFUNDED PLAN. The Plan will be unfunded and Corporation will not be required to segregate any assets that may at any time be represented by Awards under the Plan. Any liability of Corporation to any person with respect to any Award under the Plan will be based solely upon any contractual obligations that may be effected pursuant to the Plan. No such obligation of Corporation will be deemed to be secured by any pledge of, or other encumbrance on, any property of Corporation.

17.3 PAYMENTS TO TRUST. The Committee is authorized to cause to be established a trust agreement or several trust agreements whereunder the Committee may make payments of amounts due or to become due to Participants in the Plan.

17.4 ANNULMENT OF AWARDS. Any Award Agreement may provide that the grant of an Award payable in cash is revocable until cash is paid in settlement

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thereof or that grant of an Award payable in Shares is revocable until the Participant becomes entitled to the certificate in settlement thereof. In the event the employment (or service as a Non-Employee Board Director, Non-Employee Subsidiary Director, or Consultant) of a Participant is terminated for cause (as defined below), any Award which is revocable will be annulled as of the date of such termination for cause. For the purpose of this Section 17.4, the term "for cause" has the meaning set forth in the Participant's employment agreement, if any, or otherwise means any discharge (or removal) for material or flagrant violation of

the policies and procedures of Corporation or for other performance or conduct which is materially detrimental to the best interests of Corporation, as determined by the Committee.

17.5 ENGAGING IN COMPETITION WITH CORPORATION. Any Award Agreement may provide that, if a Participant terminates employment (or service as a Non-Employee Board Director, Non-Employee Subsidiary Director, or Consultant) with Corporation or a Subsidiary for any reason whatsoever, and within a period of time (as specified in the Award Agreement) after the date thereof accepts employment with any competitor of (or otherwise engages in competition with) Corporation, the Committee, in its sole discretion, may require such Participant to return to Corporation the economic value of any Award that is realized or obtained (measured at the date of exercise, Vesting, or payment) by such Participant at any time during the period beginning on the date that is six months prior to the date of such Participant's termination of employment (or service as a Non-Employee Board Director, Non-Employee Subsidiary Director, or Consultant) with Corporation.

17.6 OTHER CORPORATION BENEFIT AND COMPENSATION PROGRAMS. Payments and other benefits received by a Participant under an Award made pursuant to the Plan are not to be deemed a part of a Participant's regular, recurring compensation for purposes of the termination indemnity or severance pay law of any state or country and will not be included in, or have any effect on, the determination of benefits under any other employee benefit plan or similar arrangement provided by Corporation or a Subsidiary unless expressly so provided by such other plan or arrangements, or except where the Committee expressly determines that an Award or portion of an Award should be included to accurately reflect competitive compensation practices or to recognize that an Award has been made in lieu of a portion of cash compensation. Awards under the Plan may be made in combination with or in tandem with, or as alternatives to, grants, awards, or payments under any other Corporation or Subsidiary plans, arrangements, or programs. The Plan notwithstanding, Corporation or any Subsidiary may adopt such other compensation programs and additional compensation arrangements as it deems necessary to attract, retain, and reward employees and directors for their service with Corporation and its Subsidiaries.

17.7 SECURITIES LAW RESTRICTIONS. No Shares may be issued under the Plan unless counsel for Corporation is satisfied that such issuance will be in compliance with applicable federal and state securities laws. Certificates for Shares delivered under the Plan may be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange or registered securities association upon which the Common Stock is then listed or quoted, and any applicable federal or state securities laws. The Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

17.8 GOVERNING LAW. Except with respect to references to the Code or federal securities laws, the Plan and all actions taken thereunder will be

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governed by and construed in accordance with the laws of the state of Maryland.

ARTICLE 18 SHAREHOLDER APPROVAL

The adoption of the Plan and the grant of Awards under the Plan are expressly subject to the approval of the Plan by Corporation's shareholders holding a majority of Corporation's outstanding Shares.

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Exhibit A

BARRETT BUSINESS SERVICES, INC. 2003 STOCK OPTION PLAN For California Residents

ARTICLE 1 ESTABLISHMENT AND PURPOSE

Barrett Business Services, Inc. ("Corporation") hereby establishes this 2003 Stock Option Plan for California residents (the "California Plan"). The purpose of the California Plan is to promote and advance the interests of Corporation and its shareholders by enabling Corporation to attract, retain, and reward key employees, directors, and outside consultants of Corporation and its subsidiaries who reside in the state of California. It is also intended to strengthen the mutuality of interests between such employees, directors, and consultants and Corporation's shareholders. The California Plan is designed to serve these purposes by offering stock options, thereby providing a proprietary interest in pursuing the long-term growth, profitability, and financial success of Corporation. In addition to the foregoing, the California Plan is designed to comply with regulations under California law applicable to the grant of stock options.

All options under the California Plan will be governed by the terms and conditions of this plan and a written Award Agreement containing such additional terms and conditions as are deemed desirable by the Committee and are not inconsistent with the terms of the California Plan.

ARTICLE 2 DEFINITIONS

2.1 Defined Terms. For purposes of the California Plan, the following terms have the meanings set forth below:

"ANNUAL DIRECTOR OPTIONS" means Options granted to Non-Employee Board Directors pursuant to Article 6 of the California Plan.

"AWARD AGREEMENT" means an agreement as described in Section 6.4.

"BOARD" means the Board of Directors of Corporation.

"CALIFORNIA OPTION" means any Option granted to a California resident.

"CALIFORNIA PLAN" means this Barrett Business Services, Inc. 2003 Stock Option Plan For California Residents, as set forth herein and as it may be amended from time to time.

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

"COMMITTEE" means the committee appointed by the Board to administer the California Plan as provided in Article 3.

"COMMON STOCK" means the \$.01 par value common stock of Corporation.

"CONSULTANT" means any consultant or adviser to Corporation or a Subsidiary selected by the Committee, who is not an employee of Corporation or a Subsidiary.

"DISABILITY" means the condition of being permanently "disabled" within the meaning of Section 22(e)(3) of the Code, namely being unable to engage in any substantial gainful activity by

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reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. However, the Committee may change the foregoing definition of "Disability" or may adopt a different definition for purposes of specific Awards.

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

"FAIR MARKET VALUE" means, on any given day, the fair market value per share of the Common Stock determined as follows:

(a) If the Common Stock is traded on an established securities exchange, the mean between the reported high and low sale prices of Common Stock as reported for such day by the principal exchange on which Common Stock is traded (as determined by the Committee) or, if Common Stock was not traded on such day, on the next preceding day on which Common Stock was traded;

(b) If trading activity in Common Stock is reported on The Nasdaq Stock Market, the mean between the reported high and low sale prices of Common Stock as reported for such day by Nasdaq or, if Common Stock trades were not reported on such day, on the next preceding day on which Common Stock trades were reported by Nasdaq;

(c) If trading activity in Common Stock is reported on the OTC Bulletin Board, the mean between the bid price and asked price quote for such day as reported on the OTC Bulletin Board or, if there are no such quotes for Common Stock for such day, on the next preceding day for which bid and asked price quotes for Common Stock were reported on the OTC Bulletin Board; or

(d) If there is no market for Common Stock or if trading activities for Common Stock are not reported in one of the manners described above, the fair market value will be as determined by the Committee.

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"INCENTIVE STOCK OPTION" or "ISO" means any Option granted pursuant to the California Plan that is intended to be and is specifically designated in its Award Agreement as an "incentive stock option" within the meaning of Section 422 of the Code.

"NON-EMPLOYEE DIRECTOR" means a member of the Board or the board of directors of a Subsidiary who is not an employee of either Corporation or a Subsidiary.

"NON-EMPLOYEE BOARD DIRECTOR" means a Non-Employee Director who is a member of the Board.

"NON-EMPLOYEE SUBSIDIARY DIRECTOR" means a Non-Employee Director who is a member of the board of directors of a Subsidiary and who is not also a member of the Board.

"NONQUALIFIED OPTION" or "NQO" means any Option, including a Deferred Compensation Option, granted pursuant to the California Plan that is not an Incentive Stock Option.

"OPTION" means an ISO, an NQO, a Deferred Compensation Option, or an Annual Director Option.

"PARTICIPANT" means an employee or a Consultant of Corporation or a Subsidiary or a Non-Employee Director, who is granted an Option under the California Plan.

"REPORTING PERSON" means a Participant who is subject to the reporting requirements of Section 16(a) of the Exchange Act.

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"RETIREMENT" means:

(a) For Participants who are employees, retirement from active employment with Corporation and its Subsidiaries on or after age 65, or such earlier retirement date as approved by the Committee for purposes of the California Plan;

(b) For Participants who are Non-Employee Directors, retirement from the applicable board of directors after attaining the maximum age (if any) specified in the articles of incorporation or bylaws of the applicable corporation; or

(c) For Participants who are Consultants, termination of service as a Consultant after attaining a retirement age specified by the Committee in the Award Agreement for an Option to such Consultant.

However, the Committee may change the foregoing definition of "Retirement" or may adopt a different definition for purposes of specific Option grants.

"SHARE" means a share of Common Stock.

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

"VEST," "VESTING" or "VESTED" means to be or to become immediately and fully exercisable.

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2.2 GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine or feminine terminology used in the California Plan also includes the opposite gender; and the definition of any term in Section 2.1 in the singular also includes the plural, and vice versa.

ARTICLE 3 ADMINISTRATIVE MATTERS

3.1 GENERAL. The California Plan will be administered by a Committee composed as described in Section 3.2.

3.2 COMPOSITION OF THE COMMITTEE. The Committee will be appointed by the Board and will consist of not less than a sufficient number of Non-Employee Directors so as to qualify the Committee to administer the California Plan as contemplated by Section 162(m)(4)(C) of the Code and Rule 16b-3 under the Exchange Act. The Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, however caused, will be filled by the Board. In the event that the Committee ceases to satisfy the requirements of Section 162(m)(4)(C) or Rule 16b-3, the Board will reconstitute the Committee as necessary to satisfy such requirements.

3.3 AUTHORITY OF THE COMMITTEE. The Committee has full power and authority (subject to such orders or resolutions as may be issued or adopted from time to time by the Board) to administer the California Plan in its sole discretion, including the authority to:

(a) Construe and interpret the California Plan and any Award Agreement;

(b) Promulgate, amend, and rescind rules and procedures relating to the implementation of the California Plan;

(c) Select the employees, Non-Employee Directors, and Consultants who will be granted Options;

(d) Determine the number of Shares to be subject to each Option and the exercise price; and

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(e) Determine all the terms and conditions of all Award Agreements, consistent with the requirements of the California Plan.

Decisions of the Committee, or any delegate as permitted by the California Plan, will be final, conclusive, and binding on all Participants.

3.4 ACTION BY THE COMMITTEE. A majority of the members of the Committee constitutes a quorum for the transaction of business. Action approved by a majority of the members present at any meeting at which a quorum is present, or action in writing by all of the members of the Committee, will be the valid acts of the Committee. 3.5 Delegation. Notwithstanding the foregoing, the Committee may delegate to one or more officers of Corporation the authority to determine the recipients, amounts, and terms of Options granted to Participants who are not Reporting Persons.

3.6 LIABILITY OF COMMITTEE MEMBERS. No member of the Committee will be liable for any action or determination made in good faith with respect to the California Plan, any Option grant, or any Participant.

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3.7 COSTS OF CALIFORNIA PLAN. The costs and expenses of administering the California Plan will be borne by Corporation.

3.8 DURATION OF THE CALIFORNIA PLAN. The California Plan will remain in effect until the earlier of (i) the date Options have been granted covering all the available Shares under the California Plan, (ii) the date which is ten years from the date the plan is adopted or the date the plan is approved by security holders, whichever is earlier, or (iii) the date the plan is otherwise terminated by the Board. Termination of the California Plan will not affect outstanding Options.

3.9 SHARES SUBJECT TO THE CALIFORNIA PLAN. The shares which may be made subject to Options under the California Plan will be Shares of Common Stock, which may be either authorized and unissued Shares or reacquired Shares. No fractional Shares will be issued under the California Plan. Subject to adjustment pursuant to Section 8.8, the maximum number of Shares for which Options may be granted under the California Plan is 100,000. If Options under the California Plan are canceled or expire for any reason prior to having been fully exercised by a Participant or are settled in cash in lieu of Shares, all Shares covered by such Options will be made available for future Options under the California Plan. Notwithstanding the foregoing, at no time will the total number of Shares issuable upon exercise of all outstanding Options granted under this California Plan or Corporation's 2003 Stock Incentive Plan, together with the total number of Shares granted under any other stock option, stock incentive, stock bonus or similar plan or agreement of Corporation, exceed 30 percent of the then outstanding Shares of Corporation.

3.10 INFORMATION TO EMPLOYEES. Each recipient of an Option will receive a copy of annual financial statements of Corporation within 90 days of the close of the Corporation's fiscal year unless such Participant's duties with Corporation assure that he or she has access to such information or equivalent information.

ARTICLE 4 ELIGIBILITY

4.1 EMPLOYEES, CONSULTANTS, AND NON-EMPLOYEE SUBSIDIARY DIRECTORS. Officers and other key employees of Corporation and its Subsidiaries (including employees who may also be directors of Corporation or a Subsidiary), Consultants, and Non-Employee Subsidiary Directors who, in the Committee's judgment, are or will be contributors to the long-term success of Corporation are eligible to receive Options under the California Plan.

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4.2 NON-EMPLOYEE BOARD DIRECTORS. All Non-Employee Board Directors are eligible to receive Annual Director Options pursuant to Article 6 of the California Plan and such other Options, if any, as the Committee determines from time to time.

ARTICLE 5 OPTIONS

5.1 OPTIONS. Options granted under the California Plan may be in the form of Incentive Stock Options or Nonqualified Options. The grant of each Option and the Award Agreement governing each Option will identify the Option as an ISO or an NQO. In the event the Code is amended to provide for tax-favored forms of stock options other than or in addition to Incentive Stock Options, the

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Committee may grant Options under the California Plan meeting the requirements of such forms of options, provided such Options are otherwise in accordance with California law.

5.2 GENERAL. Options will be subject to the terms and conditions set forth in this Article 4 and Article 5 and Award Agreements governing Options may contain such additional terms and conditions, not inconsistent with the express provisions of the California Plan, as the Committee deems desirable.

5.3 OPTION PRICE. Each Award Agreement for a California Option will provide for an option exercise price per Share purchasable under the Option, which will not be less than: (a) 85 percent of the Fair Market Value of a Share on the date of grant for all Nonqualified Options, or (b) 100 percent of the Fair Market Value of a Share on the date of grant for all Incentive Stock Options or Annual Director Options; provided, however, that the price will be not less than 110 percent of the Fair Market Value of a Share if the Option is granted to a person who owns Shares possessing more than 10 percent of the total combined voting power of all classes of stock of Corporation.

5.4 OPTION TERM. The Award Agreement for each California Option will specify, as determined by the Committee, the term of the Option and the period within which the option must be exercised, which may not exceed 120 months.

5.5 TIME OF EXERCISE. The Award Agreement for each California Option will specify, as determined by the Committee:

(a) The time or times when the Option will become exercisable and whether the Option will become exercisable in full or in graduated amounts based on continuation of employment over a period specified in the Award Agreement; provided, however, that if an Option is granted to an employee who is not an officer or director of Corporation, that option must vest at a rate of at least 20 percent per year over five years from the date the Option is granted;

(b) Such other terms, conditions, and restrictions as to when an Option may be exercised consistent with the foregoing; and

(c) The extent to which the Option will remain exercisable after a Participant ceases to be an employee, Consultant, or director of Corporation or a Subsidiary, provided that if a Participant is terminated other than for cause (as defined by applicable law, an employment contract, or the Award Agreement), the Option will remain exercisable (to the extent such Option is exercisable on the date of termination) after the Participant ceases to be an employee, Consultant, or director of Corporation or a Subsidiary for a period of: (1) at least six months from the date of termination if termination was caused by death or Disability, or (2) at least 30 days from the date of termination if termination was caused by other than death or Disability.

The Committee may, at any time in its discretion, accelerate the time when all or any portion of an outstanding California Option becomes exercisable.

5.6 SPECIAL RULES FOR INCENTIVE STOCK OPTIONS. In the case of a California Option designated as an Incentive Stock Option, the terms of the Option and the Award Agreement will conform with the

statutory and regulatory requirements specified pursuant to Section 422 of the

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Code, as in effect on the date such ISO is granted. ISOs may be granted only to employees of Corporation or a Subsidiary. ISOs may not be granted under this California Plan after ten years following the adoption of this California Plan.

5.7 RELOAD OPTIONS. The Committee, in its discretion, may provide in an Award Agreement for a California Option that, in the event all or a portion of the Option is exercised by the Participant using previously acquired Shares, the Participant will automatically be granted (subject to the available pool of Shares subject to grants of California Options) a replacement Option (with an option price equal to the Fair Market Value of a Share on the date of such exercise) for a number of Shares equal to (or equal to a portion of) the number of Shares surrendered upon exercise of the Option. Such reload Option features may be subject to such terms and conditions as the Committee determines (and as are consistent with the terms of this California Plan), including, without limitation, a condition that the Participant retain the Shares issued upon exercise of the Option for a specified period of time.

5.8 LIMITATION ON NUMBER OF SHARES SUBJECT TO OPTIONS. In no event may Options for more than 25,000 Shares be granted to any individual under the California Plan during any calendar year.

ARTICLE 6 ANNUAL DIRECTOR OPTIONS

6.1 GENERAL. Annual Director Options will be granted under this Article 6.

6.2 ELIGIBILITY. The persons eligible to receive Annual Director Options pursuant to this Article 6 are all Non-Employee Board Directors of Corporation who reside in California.

6.3 DEFINITIONS. For purposes of this Article 6, "Annual Meeting Date" means the date of Corporation's regular annual meeting of shareholders.

6.4 Annual Director Options.

(a) Grant of Annual Director Options. As of each Annual Meeting Date, each Non-Employee Board Director whose term begins on or continues after that Annual Meeting Date will be granted automatically an Annual Director Option to purchase 1,000 Shares.

(b) Option Price. The option exercise price for each Annual Director Option will be equal to the Fair Market Value of a Share as of the Annual Meeting Date.

(c) Terms of Annual Director Options. Except as otherwise specifically provided in this Article 6, each Annual Director Option will be subject to the same terms and conditions as other Options granted under the California Plan.

ARTICLE 7 ADDITIONAL PROVISIONS

7.1 NONUNIFORM DETERMINATIONS. The Committee's determinations under the California Plan or under one or more Award Agreements, including, without limitation, (a) the selection of Participants, (b) the type, form, amount, and timing of grants, (c) the terms of specific Award Agreements, and (d) elections and determinations made by the Committee with respect to exercise, need not be uniform and may be made by the Committee selectively among Participants, whether or not Participants are similarly situated.

7.2 AWARD AGREEMENTS. Each Option will be evidenced by a written

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Award Agreement between Corporation and the Participant. Award Agreements may, subject to the provisions of the California Plan, contain any provision approved by the Committee.

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7.3 PROVISIONS GOVERNING ALL GRANTS. All grants will be subject to the following provisions:

(a) RIGHTS AS SHAREHOLDERS. No Participant will have any rights of a shareholder with respect to Shares subject to an Option until such Shares are issued in the name of the Participant.

(b) EMPLOYMENT RIGHTS. Neither the adoption of the California Plan nor the granting of any Option will confer on any person the right to continued employment with Corporation or any Subsidiary or the right to remain as a director of or a Consultant to Corporation or any Subsidiary, as the case may be, nor will it interfere in any way with the right of Corporation or a Subsidiary to terminate such person's employment or to remove such person as a Consultant or as a director at any time for any reason, with or without cause.

(c) RESTRICTION ON TRANSFER. Unless otherwise expressly provided in an individual Award Agreement, each Option will not be transferable other than by will or the laws of descent and distribution and will be exercisable, during the lifetime of the Participant, only by the Participant or, in the event the Participant becomes legally incompetent, by the Participant's guardian or legal representative. Notwithstanding the foregoing, any Option may be surrendered to Corporation pursuant to Section 7.36.5(g) in connection with the payment of the purchase or option price of another Option or the payment of the Participant's federal, state, or local tax withholding obligation with respect to the exercise or payment of another Option.

(d) Change in Control. The Committee, in its discretion, may provide in any Award Agreement that:

(i) In the event of a change in control of Corporation (as the Committee may define such term in the Award Agreement), each outstanding Option will become immediately Vested to the full extent not previously Vested. Any such acceleration of Option Vesting must comply with applicable regulatory requirements and any Participant will be entitled to decline the accelerated Vesting of all or any of his or her Options, if he or she determines that such acceleration may result in adverse tax consequences to him or her; and

(ii) In the event the Board approves a proposal for: (i) merger, exchange or consolidation in which Corporation is not the resulting or surviving corporation (or in which Corporation is the resulting or surviving corporation but becomes a subsidiary of another corporation); (ii) transfer of all or substantially all the assets of Corporation; (iii) sale of 30 percent or more of the combined voting power of Corporation's voting securities; or (iv) the dissolution or liquidation of Corporation (each, a "Transaction"), the Committee will notify Participants in writing of the proposed Transaction (the "Proposal Notice") at least 30 days prior to the effective date of the proposed Transaction. The Committee may, in its sole discretion, and to the extent possible under the structure of the Transaction, select one of the following alternatives for treating outstanding Options under the California Plan:

(1) The Committee may provide that outstanding Options will be converted into or replaced by Options for the stock of the surviving or acquiring corporation in the Transaction. The amount and type of securities subject to and the exercise price of the replacement or converted Options will be determined by the Committee and based on the exchange ratio, if any, used in determining shares of the surviving corporation to be issued to holders of shares of Corporation. If there is no exchange ratio in the Transaction, the Committee will, in making its determination, take into account the relative values of the companies involved in the Transaction and such other factors as the Committee deems relevant. Such replacement or converted Options will continue to Vest over the period (and at the same rate) as the Options which the replacement or converted Options replaced, unless determined otherwise by the Committee; or

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(2) The Committee may provide a 30-day period prior to the consummation of the Transaction during which all outstanding Options will tentatively become fully Vested, and upon consummation of such Transaction, all outstanding and unexercised Options will immediately terminate. If the Committee elects to provide such 30-day period for the exercise of Options, the Proposal Notice must so state. Participants, by written notice to Corporation, may exercise their Options and, in so exercising the Options, may condition such exercise upon, and provide that such exercise will become effective immediately prior to, the consummation of the Transaction, in which event Participants need not make payment for any Common Stock to be purchased upon exercise of Options until five days after written notice by Corporation to Participants that the Transaction has been consummated (the "Transaction Notice"). If the Transaction is consummated, each Option, to the extent not previously exercised prior to the consummation of the Transaction, will terminate and cease being exercisable as of the effective date of such consummation. If the Transaction is abandoned, (1) all outstanding Options not exercised will continue to be Vested and exercisable, to the extent such Options were Vested and exercisable prior to the date of the Proposal Notice, and (2) to the extent that any Options not exercised prior to such abandonment have become Vested and exercisable solely by operation of this Section 7.3(d)(ii), such Vesting and exercisability will be deemed annulled, and the Vesting and exercisability provisions otherwise in effect will be reinstated, as of the date of such abandonment.

(3) The Committee may provide that outstanding Options that are not fully Vested will become fully Vested subject to Corporation's right to pay each Participant a cash amount (determined by the Committee and based on the amount, if any, being received by Corporation's shareholders in the Transaction) in exchange for cancellation of the applicable Option.

Unless the Committee specifically provides otherwise in the change of control provision for a specific Award Agreement, Options will become Vested as of a change in control date only if, or to the extent, such acceleration in Vesting of the Options does not result in an "excess parachute payment" within the meaning of Section 280G(b) of the Code.

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The Committee, in its discretion, may include change in control provisions in some Award Agreements and not in others, may include different change in control provisions in different Award Agreements, and may include change in control provisions for some Options or some Participants and not for others.

(e) Payment of Purchase Price and Withholding. The Committee, in its discretion, may include in any Award Agreement a provision permitting the Participant to pay the option price, if any, for Shares or the Participant's federal, state, or local tax withholding obligation with respect to such issuance in whole or in part by any one or more of the following; provided, however, that the availability of any one or more methods of payment may be suspended from time to time if the Committee determines that the use of such payment method would result in adverse financial accounting treatment for Corporation:

(i) By delivering previously owned Shares;

(ii) By surrendering other outstanding Vested Options;

(iii) By reducing the number of Shares issuable pursuant to the Option;

(iv) Unless specifically prohibited by any applicable statute or rule, including, without limitation, the provisions of the Sarbanes-Oxley Act of 2002, by delivering to Corporation a promissory note payable on such terms and over such period as the Committee may determine;

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(v) By delivery (in a form approved by the Committee) of an irrevocable direction to a securities broker acceptable to the Committee (subject to the provisions of the Sarbanes-Oxley Act of 2002 and any other applicable statute or rule):

(1) To sell Shares subject to the Option and to deliver all or a part of the sales proceeds to Corporation in payment of all or a part of the option price and taxes or withholding taxes attributable to the issuance; or

(2) To pledge Shares subject to the Option to the broker as security for a loan and to deliver all or a part of the loan proceeds to Corporation in payment of all or a part of the option price and taxes or withholding taxes attributable to the issuance; or

(vi) In any combination of the foregoing or in any other form approved by the Committee.

Shares withheld or surrendered as described above will be valued based on their Fair Market Value on the date of the transaction. Any Shares withheld or surrendered with respect to a Reporting Person will be subject to such additional conditions and limitations as the Committee may impose to comply with the requirements of the Exchange Act.

ARTICLE 8 MISCELLANEOUS

8.1 AMENDMENT AND TERMINATION. The Board may amend, suspend, or

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terminate the California Plan or any portion of the California Plan at any time, provided that no amendment may be made without shareholder approval if such approval is required by applicable law or the requirements of an applicable stock exchange or registered securities association.

8.2 TAX WITHHOLDING. Corporation has the right to deduct from any settlement of any Option granted under the California Plan any federal, state, or local taxes of any kind required by law to be withheld or to take such other action as may be necessary in the opinion of Corporation to satisfy all obligations for the payment of such taxes. The recipient of an Option under the California Plan has the obligation to make arrangements satisfactory to Corporation for the satisfaction of any such tax withholding obligations. Corporation will not be required to make any such payment or distribution under the California Plan until such obligations are satisfied.

8.3 UNFUNDED PLAN. The California Plan will be unfunded and Corporation will not be required to segregate any assets that may at any time be represented by Options under the California Plan. Any liability of Corporation to any person with respect to any Options under the California Plan will be based solely upon any contractual obligations that may be effected pursuant to the California Plan. No such obligation of Corporation will be deemed to be secured by any pledge of, or other encumbrance on, any property of Corporation.

8.4 ANNULMENT OF OPTIONS. Any Award Agreement may provide that the grant of an Option is revocable until the Participant becomes entitled to the certificate therefor. In the event the employment (or service as a Non-Employee Director or a Consultant) of a Participant is terminated for cause (as defined below), any Option which is revocable will be annulled as of the date of such termination for cause. For the purpose of this Section 17.4, the term "for cause" has the meaning set forth in the Participant's employment agreement or applicable law, if any, or otherwise means any discharge (or removal) for material or flagrant violation of the policies and procedures of Corporation or for other performance or conduct which is materially detrimental to the best interests of Corporation, as determined by the Committee.

8.5 ENGAGING IN COMPETITION WITH CORPORATION. Any Award Agreement may provide that, if a Participant terminates employment (or service as a Non-Employee Director or a Consultant) with

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Corporation or a Subsidiary for any reason whatsoever, and within a period of time (as specified in the Award Agreement) after the date thereof accepts employment with any competitor of (or otherwise engages in competition with) Corporation, the Committee, in its sole discretion, may require such Participant to return to Corporation the economic value of any Option that is realized or obtained (measured at the date of exercise) by such Participant at any time during the period beginning on the date that is six months prior to the date of such Participant's termination of employment (or service as a Non-Employee Director or a Consultant) with Corporation.

8.6 OTHER CORPORATION BENEFIT AND COMPENSATION PROGRAMS. Benefits received by a Participant under an Award Agreement will not be deemed a part of a Participant's regular, recurring compensation for purposes of the termination indemnity or severance pay law of any state or country and will not be included in, or have any effect on, the determination of benefits under any other employee benefit plan or similar arrangement provided by Corporation or a Subsidiary. Corporation or any Subsidiary may adopt such other compensation programs and additional compensation arrangements as it deems necessary to

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attract, retain, and reward employees and directors for their service with Corporation and its Subsidiaries.

8.7 SECURITIES LAW RESTRICTIONS. No Shares will be issued under the California Plan unless counsel for Corporation is satisfied that such issuance will be in compliance with applicable federal and state securities laws. Certificates for Shares delivered under the California Plan may be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange or registered securities association upon which the Common Stock is then listed or quoted, and any applicable federal or state securities laws. The Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

8.8 ADJUSTMENTS BY THE COMMITTEE. In the event of any change in capitalization affecting the Common Stock of Corporation, such as a stock dividend, stock split, recapitalization, merger, consolidation, split-up, combination or exchange of shares or other form of reorganization, or any other change affecting the Common Stock, the Committee, in its sole discretion, will make such proportionate adjustments to the aggregate number of Shares for which Options in respect thereof may be granted under the California Plan as the Committee deems appropriate to reflect such change. The Committee may also make such adjustments in the number of Shares covered by, and price or other value of, any outstanding Options in the event of a spin-off or other distribution (other than normal cash dividends) of Corporation assets to shareholders.

8.9 GOVERNING LAW. Except with respect to references to the Code, federal securities laws, or California law, the California Plan and all actions taken thereunder will be governed by and construed in accordance with the laws of the state of Maryland.

8.10 SHAREHOLDER APPROVAL. The adoption of the California Plan and the grant of Options under the California Plan are expressly subject to the approval of the California Plan by Corporation's shareholders holding a majority of Corporation's outstanding Shares.

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PROXY

BARRETT BUSINESS SERVICES, INC.
2003 Annual Meeting of Stockholders
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints William W. Sherertz and Anthony Meeker as proxies, each with power to act alone and with power of substitution, and hereby authorizes them to represent and to vote all the shares of common stock of Barrett Business Services, Inc., which the undersigned may be entitled to vote at the Annual Meeting of Stockholders to be held on Wednesday, May 14, 2003, at 3:00 p.m., or at any adjournment thereof.

(Continued and to be signed on reverse)

/FOLD AND DETACH HERE/

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1. ELECTION OF DIRECTORS:	FOR all nominees listed	WITHHOLD AUTHORITY
Fores J. Beaudry	below (except as marked	to vote for all nominees
Thomas J. Carley	to the contrary below)	listed below
James B. Hicks, Ph.D.	/ /	/ /
Anthony Meeker		
Nancy B. Sherertz		
William W. Sherertz		

(INSTRUCTION: To withhold authority to vote for any individual nominee, write that nominee's name in the space provided below)

	FOR	AGAINST	ABSTAIN
2. PROPOSAL TO APPROVE THE 2003 STOCK INCENTIVE PLAN.	/ /	/ /	/ /
3. PROPOSAL TO APPROVE THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP as independent accountants for the fiscal year ending December 31, 2003.	/ /	/ /	/ /
4. In their discretion, upon any other matter which may properly come before the meeting.			

The shares represented by this proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, this proxy will be voted FOR Items 1, 2 and 3. If any other matters properly come before the meeting, the persons named as proxies will vote in accordance with their best judgment.

The undersigned acknowledge receipt of the 2003 Notice of Annual Meeting and accompanying Proxy Statement and revokes all prior proxies for said meeting.

Please sign exactly as your name appears hereon. If the shares are jointly held, each joint owner named should sign. When signing as attorney, personal representative, administrator, or other fiduciary, please give full title. If a corporation, please sign in full corporate name by authorized officer. If a partnership, please sign in partnership name by authorized person.

Please Mark, Sign, Date and Return the Proxy Card Promptly Using the Enclosed Envelope.

Signature(s) _____ Date: _____,
2003

/ FOLD AND DETACH HERE /