

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
SEC Accession No. [0000892917-94-000059](#)

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FILER

BARRETT BUSINESS SERVICES INC

CIK: **902791** | IRS No.: **520812977** | State of Incorporation: **MD** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **033-61804** | Film No.: **94527953**
SIC: **7363** Help supply services

Business Address
4724 S W MACADAM AVE
PORTLAND OR 97201
5032200988

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 1994

Commission File No. 0-21886

BARRETT BUSINESS SERVICES, INC.

(Exact name of registrant as specified in its charter)

Maryland

52-0812977

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

4724 SW Macadam Avenue
Portland, Oregon

97201

(Address of principal executive offices)

(Zip Code)

(503) 220-0988

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No []

Number of shares of Common Stock, \$.01 par value at March 31, 1994: 3,164,000 shares.

BARRETT BUSINESS SERVICES, INC.

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BARRETT BUSINESS SERVICES, INC.

BALANCE SHEET

<TABLE>

<CAPTION>

Mar. 31, Dec. 31,

	1994	1993
	-----	-----
	Unaudited	
	(In thousands)	
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$2,658	\$1,127
Marketable securities	---	6,374
Accounts receivable, net	7,757	4,954
Prepaid expenses and other	452	145
Deferred tax asset (Note 3)	827	894
	-----	-----
Total current assets	11,694	13,494
Intangibles, net	4,953	294
Property and equipment, net	1,990	1,876
Restricted marketable securities and workers' compensation deposits	2,796	2,728
Other assets	43	33
	-----	-----
	\$21,476	\$18,425
	=====	=====

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY

<S>	<C>	<C>
Current liabilities:		
Current portion of long-term debt	\$ 27	\$123
Income taxes payable (Note 3)	277	79
Accounts payable	166	91
Accrued payroll and related benefits	5,337	3,223
Accrued workers' compensation claims	2,268	2,434
Customer safety incentives payable	598	527
	-----	-----
Total current liabilities	8,673	6,477
Long-term debt, net of current portion	933	946
Customer deposits	554	522
	-----	-----
	10,160	7,945
Stockholders' equity:		
Common stock	32	32
Additional paid-in capital	8,697	8,469
Retained earnings	2,587	1,979
	-----	-----
	11,316	10,480
	-----	-----
	\$21,476	\$18,425
	=====	=====

The accompanying notes are an integral part of this financial statement.

</TABLE>

BARRETT BUSINESS SERVICES, INC.

STATEMENT OF OPERATIONS

<TABLE>

<CAPTION>

	Unaudited	
	Three Months Ended	
	March 31,	
	1994	1993
	-----	-----
	(In thousands, except per share amounts)	
<S>	<C>	<C>
Revenues:		
Temporary services	\$11,761	\$ 8,214
Staff leasing services	15,306	12,321
	-----	-----
	27,067	20,535
	-----	-----
Cost of revenues:		
Direct payroll costs	20,396	15,421
Payroll taxes and benefits	2,566	2,103
Workers' compensation	884	836
Safety incentives	250	141
	-----	-----
	24,096	18,501
	-----	-----
Gross margin	2,971	2,034
Selling, general and administrative expenses	1,955	1,398
Provision for doubtful accounts	29	---
Amortization of intangibles	67	103
	-----	-----
Income from operations	920	533
Other income (expense):		
Interest expense	(27)	(10)
Interest income	55	---
Other, net	31	115
	-----	-----
	59	105
	-----	-----
Income before provision for income taxes	979	638
Provision for income taxes (Note 3)	371	---
	-----	-----
Net income	\$ 608	\$638
	=====	=====

Pro forma data (Note 3):

Income before provision for income taxes	\$ 979	\$ 638
Provision for income taxes	371	249
	-----	-----
Net income	\$ 608	\$389
	=====	=====
Primary earnings per share (Note 5)	\$0.19	\$0.19
	=====	=====
Primary weighted average number of common and common stock equivalent shares outstanding	3,271,000	3,271,000
	=====	=====

The accompanying notes are an integral part of this financial statement.

</TABLE>

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BARRETT BUSINESS SERVICES, INC.

STATEMENT OF CASH FLOWS

<TABLE>

<CAPTION>

	Unaudited	

	Three Months Ended	
	March 31,	
	1994	1993
	----	----
	(In thousands)	
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 608	\$ 638
Reconciliation of net income to cash from operations:		
Depreciation and amortization	110	135
Gain on sales of securities	---	(108)
Provision for doubtful accounts	29	---
Changes in certain assets and liabilities:		
Marketable securities	2,244	---
Accounts receivable	(2,832)	(760)
Prepaid expenses and other	(307)	(75)
Deferred tax asset	67	---
Accounts payable	75	12
Accrued payroll and benefits	2,114	1,110
Accrued workers' compensation claims	(166)	91
Customer safety incentives payable	71	(23)
Due to stockholder	---	(98)
Income taxes payable	198	---
Customer deposits and other, net	22	(207)

Net cash provided by operating activities	2,233	715
Cash flows from investing activities:		
Increase in intangibles through acquisitions	(4,498)	(10)
Purchases of fixed assets	(157)	(36)
Proceeds from sales of marketable securities	4,062	161
Purchases of marketable securities	---	(53)
Net cash (used for) provided by investing activities	(593)	62
Cash flows from financing activities:		
Distributions to stockholders	---	(398)
Proceeds from debt issued	---	38
Payments on long-term debt	(109)	(42)
Stock issuance costs	---	(154)
Net cash used for financing activities	(109)	(556)
Net increase in cash and cash equivalents	1,531	221
Cash and cash equivalents, beginning of period	1,127	12
Cash and cash equivalents, end of period	\$2,658	\$ 233
Supplemental non-cash disclosure:		
Issuance of common stock to acquire intangibles	\$228	\$ ---

The accompanying notes are an integral part of this financial statement.
</TABLE>

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BARRETT BUSINESS SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION OF INTERIM PERIOD STATEMENTS:

The accompanying financial statements are unaudited and have been prepared by Barrett Business Services, Inc. ("Company") pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures typically included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim

periods presented. The financial statements should be read in conjunction with the audited financial statements and notes thereto included in 1993 Form 10-K filed with the Securities and Exchange Commission. The results of operations for an interim period are not necessarily indicative of the results of operations for a full year.

NOTE 2 - ACQUISITIONS:

On February 27, 1994, the Company purchased substantially all of the assets of Personnel Management Consulting, Inc., a company engaged in the temporary services business in Maryland and Delaware. Of the \$270,000 purchase price, the Company paid \$42,000 in cash and issued 12,000 shares of its common stock with a fair market value of \$228,000 at date of purchase. The acquisition was accounted for under the purchase method of accounting resulting in approximately \$241,000 of intangible assets and \$29,000 in fixed assets.

On March 7, 1994, the Company purchased certain assets of Golden West Temporary Services (Golden West), a company in the temporary services business with offices in Santa Clara, San Jose, Fremont, and Mount View, California. The purchase price of \$4,514,000 was paid from working capital. The Company accounted for the acquisition under the purchase method of accounting resulting in approximately \$4,425,000 of intangible assets and \$89,000 of fixed assets. Additionally, the Company retained the services of Golden West's chief executive officer to assist in the transition of the business for the first sixty (60) days following the acquisition.

Intangible assets related to the acquisitions are being amortized over their estimated useful lives of fifteen years.

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NOTE 3 - PROVISION FOR INCOME TAXES AND PRO FORMA PROVISION FOR INCOME TAXES:

Effective April 30, 1993, the Company terminated its S Corporation status. A pro forma provision for income taxes that would have been recorded if the Company had been a C Corporation for all periods presented is provided for comparative purposes.

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

<TABLE>

<CAPTION>

	Mar. 31, 1994	Dec. 31, 1993
	-----	-----
<S>	<C>	<C>
Accrued workers' compensation claim liabilities	\$882	\$949

Allowance for doubtful accounts.	20	10
Tax depreciation in excess of book depreciation(75) (65)		
	----	----
Less accumulated depreciation.	\$ 827	\$894
	====	====

</TABLE>

The provision for income taxes for the three months ended March 31, 1994, is as follows (in thousands):

<TABLE>

<CAPTION>

Pro Forma
Three Months Three Months
Ended Ended
Mar. 31, Mar. 31,
1994 1993
=====

<S>

Current:

Federal.	\$ 251	\$ 202
State.	53	40
	---	---
	304	242
	---	---

Deferred:

Federal.	56	6
State.	11	1
	---	---
	67	7
	---	---

Provision for income taxes	\$ 371	\$ 249
	===	===

<C>

<C>

</TABLE>

NOTE 4 - STOCK INCENTIVE PLAN:

As of March 1, 1993, the Company adopted a stock incentive plan ("Plan") which provides for stock-based awards to the Company's employees, directors and outside consultants or advisers. As of April 20, 1994, the Company increased the number of shares of common stock reserved for issuance under the plan from 250,000 to 400,000. An award of 2,000 restricted shares was granted under the Plan in June 1993.

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The following table summarizes options granted under the Plan in 1994:

<TABLE>

<CAPTION>

<S>

<C> <C>

Shares Range of Prices

Outstanding at December 31, 1993 380,250 \$7.00 to \$9.375

Options granted	104,750	\$ 19.00
Options exercised	---	
Options canceled or expired	---	

Outstanding at March 31, 1994 185,000

=====
Available for grant at
March 31, 1994 63,000
=====

</TABLE>

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

NOTE 5 - NET INCOME PER SHARE:

Net income per share is computed based on the weighted average number of common stock and common stock equivalent shares outstanding during the period.

RESULTS OF OPERATIONS

The following table sets forth the percentages of total revenues represented by selected items in the Company's statement of operations for the three months ended March 31, 1994 and 1993.

<TABLE>

<CAPTION>

	Percentage of Total Revenues	

	Three Months Ended	
	Mar. 31,	

	1994	1993
	----	----
<S>	<C>	<C>
Temporary services revenues.	43.4%	40.0%
Staff leasing services revenues	56.6	60.0
Direct payroll costs	75.3	75.1
Payroll taxes and benefits .	9.5	10.2
Workers' compensation. . . .	3.3	4.1
Safety incentives.9	.7
Gross margin	11.0	9.9
Selling, general and administrative expenses (Including provision for doubtful accounts and amortization of intangibles)	7.6	7.3
Income from operations . . .	3.4	2.6
Other income2	.5
Pretax income.	3.6	3.1
Provision for income taxes .	1.4	-.-
Net income	2.2	3.1
Pro forma provision for income taxes	1.4	1.2
Pro forma net income	2.2	1.9

</TABLE>

THREE MONTHS ENDED MARCH 31, 1994 AND 1993

TEMPORARY AND STAFF LEASING SERVICES REVENUES. Total revenues increased \$6,532,000 (31.8%) to \$27,067,000 for the first quarter of 1994, compared to the comparable period of the prior year. The increase in total revenues was attributable to growth in temporary service revenues and staff leasing services revenues of \$3,547,000 (43.2%) and \$2,985,000 (24.2%), respectively.

Approximately 55% of the increase in temporary services revenues was due to the acquisition of two temporary services businesses, and the balance to the Company's ongoing internal sales program. The acquired companies had total revenues of approximately \$25,000,000 during 1993.

The increase in staff leasing services revenues in the first quarter of 1994, compared to 1993, is primarily attributable to the addition of new clients in Oregon. The company markets its staff leasing services through its Oregon and Maryland branches using its branch office sales staff. The Company also obtains

referrals from existing clients and other third parties, and places advertisements in the Yellow Pages.

PAYROLL COSTS, PAYROLL TAXES, AND BENEFITS. Payroll costs, payroll taxes, and benefits for the Company's temporary services and staff leasing services employees increased by \$5,438,000 (31.0%) in the first quarter of 1994 compared to the same period in 1993, primarily as a result of growth in the number of employees. As a percentage of revenues, such costs decreased from 85.3% in the first quarter of 1993 to 84.8% in the 1993 period, reflecting a decrease in the Company's statutory payroll taxes for 1994.

WORKERS' COMPENSATION AND SAFETY INCENTIVES EXPENSE. The Company has been a self-insured employer for workers' compensation coverage in Oregon since August 1987 and became self-insured in Maryland in November 1993. Workers' compensation expense currently includes the cost of self-insurance for the Company's employees in Oregon and Maryland, and third party insurance coverage for such employees in California and Washington. As a percentage of revenues, workers' compensation expense decreased from 4.1% in 1993 to 3.3% in 1994, due primarily to better performance of the Company's self-insured workers' compensation program in the first quarter of 1994 compared to the same period in 1993. The Company's self-insured workers' compensation expense is tied directly to the incidents and severity of workplace injuries to its employees. Significant elements affecting the performance of the self-insured workers' compensation program include the regulatory climate surrounding workers' compensation, the Company's workplace safety program, and the claims management efforts of the Company and its third party administrators.

In April 1994 the Company incurred a self-insured workers' compensation fatality claim in Oregon. The estimated present value of the future benefits payable to the beneficiary of the fatally injured employee is expected to be at least \$350,000.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses (including the provision for doubtful accounts and the amortization of intangibles) primarily consists of compensation and other expenses incident to the operation of the Company's headquarters and branch offices in marketing of its services. As a percentage of total revenues, selling, general and administrative expenses increased from 7.3% during 1993 to 7.6% during 1994, due primarily to the shift of the Company's business toward temporary services through the acquisition of two temporary services businesses. Temporary services have higher overhead requirements as compared to staff leasing services.

PROVISION AND PRO FORMA PROVISION FOR INCOME TAXES. The Company was exempt from taxation as an S corporation until its S corporation election was terminated on April 30, 1993. The pro forma effective tax rate of 39.0% is effective tax rate that would have been recorded if the Company had been a C corporation for the first quarter of 1993. The effective tax rate for the first quarter of 1994 was 37.9%.

SEASONAL FLUCTUATIONS

The Company's revenues historically have been subject to some seasonal fluctuation, particularly in its temporary services business. Demand for the Company's temporary employees and its payroll requirements (and associated mark-ups) for certain of its staff leasing clients decline during the year-end holiday season and periods of bad weather. Correspondingly, demand for temporary services and the operations of some staff leasing clients, particularly agricultural and forest products-based companies, increase during the second and third quarters. Since 1990, staff leasing revenues have represented a significant portion of total revenues and this has diminished the effect of seasonal fluctuations since staff leasing clients are engaged in a wide range of industries with varying seasonal demands.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations and met its liquidity needs primarily from cash flow from operations of \$2,233,000 and \$715,000 during the first three months of 1994 and 1993, respectively. The principal uses of funds during 1994 was for the acquisition of two temporary services businesses and the repayment of a note payable, in the amount of \$103,000, to the estate of the former majority stockholder.

In February 1994, the Company acquired the assets of Personnel Management and Consulting, Inc. ("PMC"), a Maryland corporation, for \$270,000, of which \$42,000 was paid in cash and \$228,000 was paid in the form of 12,000 shares of common stock in the Company. PMC had unaudited revenues of approximately \$800,000 for the year ended December 31, 1993, primarily from sales of temporary services provided through three branch offices, one in each of Salisbury and Easton, Maryland; and Seaford, Delaware.

In March 1994, the Company acquired the assets of Golden West Temporary Services ("Golden West"), a California corporation, for \$4,514,000 in cash from working capital. Golden West had total revenues of \$24,533,000 for the year ended December 31, 1993, from the sales of temporary services provided through four branch offices, one in each of San Jose, Santa Clara, Mountain View and Fremont, California.

The Company has an unsecured bank line of credit for a maximum amount of \$2,000,000, expiring subject to renewal on May 31, 1994. Outstanding balances against the line of credit accrue interest at the bank's prime rate. The highest borrowing against the line during 1994 and 1993 was \$60,158 and \$1,189,000, respectively. The average balance outstanding against the line for the three months ended March 31, 1994 was \$668, compared to \$5,444 during 1993. There was a zero balance outstanding under the credit line at March 31, 1994, and 1993. The line of credit agreement contains certain covenants and restrictions that were amended on March 29, 1994. Under the amended agreement, the Company is required to maintain (i) a ratio of total liabilities to tangible net worth of not more than 2.0 to 1.0, (ii) positive quarterly net income before taxes, (iii) tangible net worth of at least \$6,000,000, and (iv) a zero outstanding balance against the line for a minimum of sixty (60) consecutive days during each year. The Company is also prohibited from pledging any of its assets other than existing mortgages on its real property.

The Company hopes to expand its self-insured workers' compensation and staff leasing program to Washington during the second quarter of 1994 and to California before the end of 1994. If self-insured status is obtained, the required surety deposits for these two states are expected to total at least \$2,500,000 to be paid from cash or other funding sources, potentially including letters of credit from the Company's lender and surety bonds from providers of third party insurance.

A key part of the Company's business strategy is continued growth through the expansion of operations at existing offices and the acquisition of additional personnel related businesses, both in its existing markets and other geographic areas. The Company actively explores proposals for various acquisition opportunities on an ongoing basis, but there can be no assurance that any additional transactions will be consummated. The Company believes that available credit lines, other sources of financing, and anticipated funds to be generated from operations will be sufficient in the aggregate to provide funds for expansion and its working capital needs for the foreseeable future.

INFLATION

Inflation generally has not been a significant factor in the Company's operations during the periods discussed above. The Company has taken into account the impact of escalating medical and other costs in establishing reserves for future expenses for self-insured workers' compensation claims in Oregon and Maryland.

Part II. Other Information

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its 1994 annual meeting of stockholders on April 20, 1994. The following directors were elected at the annual meeting to serve until the next annual meeting:

<TABLE>

<CAPTION>

	FOR	WITHHELD	ABSTENTION AND BROKER NON-VOTES
	---	-----	-----
<S>	<C>		<C>
Robert R. Ames	2,626,246	10,300	
Jeffrey L. Beaudoin	2,626,246	10,300	
Anthony Meeker	2,625,746	10,800	
Stanley G. Renecker	2,626,246	10,300	
William W. Sherertz	2,636,246	300	
Jack D. Williamson, Jr.	2,636,246	300	

</TABLE>

Other matters presented for action at the annual meeting were approved by the following vote:

<TABLE>

<CAPTION>

	FOR	WITHHELD	BROKER ABSTENTIONS	NON-VOTES
	---	-----	-----	-----
<S>	<C>	<C>	<C>	
Approval of amendment to the Company's 1993 Stock Incentive Plan	2,541,933	690	93,923	
Approval of the appoint- ment of Price Waterhouse as independent auditors	2,626,401	110,118	27	

</TABLE>

Item 6. Exhibits and Reports on Form 8-K

- (a) The exhibits filed herewith are listed in the Exhibit Index following the signature page of this report.
- (b) No reports on Form 8-K were filed by the Company during the quarter ended March 31, 1994.

SIGNATURES

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

BARRETT BUSINESS SERVICES, INC.
(Registrant)

Date: May 12, 1994

By: /s/ William W. Sherertz
William W. Sherertz
President
(Principal Executive Officer)

Date: May 12, 1994

By: /s/ Jack D. Williamson, Jr.
Jack D. Williamson, Jr.
Vice President and Treasurer
(Principal Financial and
Accounting Officer)

EXHIBIT INDEX

Exhibit

- - - - -

- 4 First Amendment to Loan Agreement Between
the Registrant and First Interstate Bank
of Oregon, N.A., dated March 29, 1994

- 11 Statement Showing Calculation of Average
Common Shares Outstanding

EXHIBIT 4

FIRST AMENDMENT TO LOAN AGREEMENT

THIS AMENDMENT TO LOAN AGREEMENT, made and entered into as of the 29th day of March, 1994, by and between FIRST INTERSTATE BANK OF OREGON, N.A. (hereinafter referred to as "Bank"), and BARRETT BUSINESS SERVICES, INC. (hereinafter referred to as "Borrower").

RECITALS:

The parties entered into a loan agreement dated as of August 12, 1993 (as amended from time to time the "Agreement"), and the parties now desire to amend the Agreement as hereinafter provided. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Agreement.

NOW, THEREFORE, the parties mutually agree as follows:

1. Section 6(c) of the Agreement is hereby amended and restate as follows:

"(c) Borrower shall not permit tangible net worth to be less than Six Million and No/100 Dollars (\$6,000,000.00) at the end of each fiscal quarter, or permit the ratio of total liabilities (excluding deferred income taxes) to tangible net worth to exceed 2.0 to 1.0. For purposes of this Agreement, "tangible net worth" shall mean the gross book value of Borrower's assets (exclusive of goodwill, patents, trademarks, trade names, organization expense, treasury stock, unamortized debt discount and expense, deferred research and development costs, deferred marketing expenses and other like intangibles) less (a) reserves applicable thereto and (b) all liabilities (including accrued and deferred income taxes), other than indebtedness subordinated, in a manner satisfactory to Bank, to Borrower's indebtedness to Bank. Except as otherwise provided in this paragraph, all computations required hereby shall be made on a consolidated basis in accordance with generally accepted accounting principles consistently applied."

2. Except as herein amended, each and all of the terms and provisions of the Agreement shall be and remain in full

force and effect during the term thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to the Agreement, in duplicate, as of the date first hereinabove written.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY THE BANK AFTER OCTOBER 3, 1989, CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY THE BANK TO BE ENFORCEABLE.

Borrower hereby acknowledges receipt of a copy of this Amendment.

BARRETT BUSINESS SERVICES, INC.

FIRST INTERSTATE BANK OF
OREGON, N.A.

By /s/ Jack D. Williamson, Jr.
Title Secretary/Treasurer

By /s/ Larry C. Ellis
Title AVP

EXHIBIT 11

BARRETT BUSINESS SERVICES, INC.
 STATEMENT SHOWING CALCULATION OF AVERAGE
 COMMON SHARES OUTSTANDING

EXHIBIT 11

<TABLE>
 <CAPTION>

	Three Months Ended Mar. 31, 1994	Three Months Ended Mar. 31, 1993
<S>	<C>	<C>
Primary Earnings Per Share:		
Weighted average number of shares	3,157,200	2,000,000
Stock option plan shares to be issued at prices \$7.00, \$9.75, and \$19.00 per share	129,133	---
Warrant issues at a price of \$8.40 per share	100,000	---
Less: Assumed purchase at average market price during the period using proceeds received upon exercise of options and purchase of stock, and using tax benefits of compensation due to premature dispositions (114,955)	---	---
Total Primary Shares	3,271,378	2,000,000
	=====	=====
Fully Diluted Earnings Per Share:		
Weighted average number of shares	3,157,200	2,000,000
Stock option plan shares to be issued at a price of \$7.00 per share	129,133	---
Warrant issues at a price of \$8.40 per share	100,000	---
Less: Assumed purchase at the higher of ending or average market price during the period using proceeds received upon exercise of options and purchase of stock, and using tax benefits of compensation due to pre- mature dispositions (88,406)	---	---
Total Diluted Shares	3,297,927	2,000,000
	=====	=====

Note: As the effect of common stock equivalents upon the weighted average common stock earnings per share calculation is greater than 3%, earnings per share are based on the weighted average number of common stock and common stock equivalents outstanding during the period.

</TABLE>