

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2024
Commission File Number 0-21886

BARRETT BUSINESS SERVICES, INC.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)
8100 NE Parkway Drive, Suite 200
Vancouver, Washington
(Address of principal executive offices)

52-0812977
(IRS Employer
Identification No.)

98662
(Zip Code)

(360) 828-0700

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value \$0.01 Per Share	BBSI	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

State the aggregate market value of the common equity held by non-affiliates of the registrant: \$825,395,030 at June 30, 2024

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

Class
Common Stock, Par Value \$.01 Per Share

Outstanding at February 14, 2025
25,833,116 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2025 Annual Meeting of Stockholders are hereby incorporated by reference in Part III of Form 10-K.

BARRETT BUSINESS SERVICES, INC.
2024 ANNUAL REPORT ON FORM 10-K
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PART I

Item 1. BUSINESS

General

Company Background

Barrett Business Services, Inc. (“BBSI,” the “Company,” “our” or “we”), is a leading provider of business management solutions for small and mid-sized companies. The Company has developed a management platform that integrates a knowledge-based approach from the management consulting industry with tools from the human resource outsourcing industry. This platform, through the effective leveraging of human capital, helps our business owner clients run their businesses more effectively. We believe this platform, delivered through a decentralized organizational structure, differentiates BBSI from our competitors. BBSI was incorporated in Maryland in 1965.

Certain statements below contain forward-looking information that is subject to risks and uncertainties. See “Forward-Looking Information” in Item 7 of Part II of this report and “Risk Factors” in Item 1A of Part I of this report.

Common Stock Split

On June 4, 2024, we amended our Charter to increase the number of authorized shares of common stock from 20,500,000 shares to 82,000,000 shares, and our Board of Directors declared a four-for-one split of the Company’s common stock effected in the form of a stock dividend (the “2024 Stock Split”). Each stockholder of record at the close of business on June 14, 2024 received a dividend of three additional shares of common stock for each then-held share, distributed after close of trading on June 21, 2024. All share and per share amounts presented herein have been retroactively adjusted to reflect the impact of the 2024 Stock Split. The shares of common stock retain a par value of \$0.01 per share. Accordingly, an amount equal to the par value of the increased shares resulting from the stock split was reclassified from additional paid-in capital to common stock.

Business Strategy

Our strategy is to align local operations teams with the mission of small and mid-sized business owners, driving value to their business. To do so, BBSI:

- partners with business owners to leverage their investment in human capital through a high-touch, results-oriented approach;
- brings predictability to each client organization through a three-tiered management platform; and
- enables business owners to focus on their core business by reducing organizational complexity and maximizing productivity.

Business Organization

We operate a decentralized delivery model using operationally-focused business teams, typically located within 50 miles of our client companies. These teams are led by experienced business generalists and include senior level professionals with expertise in human resources, organizational development, risk mitigation and workplace safety, recruiting, employee benefits, and various types of administration, including payroll. These teams are responsible for growth and profitability of their operations, and for providing strategic leadership, guidance and expert consultation to our client companies. The decentralized structure fosters autonomous decision-making in which business teams deliver plans that closely align with the objectives of each business owner client.

Services Overview

BBSI’s core purpose is to advocate for business owners, particularly in the small and mid-sized business segment. Our evolution from an entrepreneurially run company to a professionally managed organization

has helped to form our view that all businesses experience inflection points at key stages of growth. The insights gained through our own growth, along with the trends we see in working with more than 8,100 companies each day, define our approach to guiding business owners through the challenges associated with being an employer. BBSI's business teams align with each business owner client through a structured three-tiered progression. In doing so, business teams focus on the objectives of each business owner and deliver planning, guidance and resources in support of those objectives.

Tier 1: Tactical Alignment

The first stage focuses on the mutual setting of expectations and is essential to a successful client relationship. It begins with a process of assessment and discovery in which the business owner's business objectives, attitudes, and culture are aligned with BBSI's processes, controls and culture. This stage includes an implementation process, which addresses the administrative components of employment.

Tier 2: Dynamic Relationship

The second stage of the relationship emphasizes organizational development as a means of achieving each client's business objectives. There is a focus on process improvement, development of best practices, supervisor training and leadership development.

Tier 3: Strategic Counsel

With an emphasis on advocacy on behalf of the business owner, the third stage of the relationship is more strategic and forward-looking with a goal of cultivating an environment in which all efforts are directed by the mission and long-term objectives of the business owner.

In addition to serving as a resource and guide, BBSI can provide workers' compensation coverage as a means of meeting statutory requirements and protecting our clients from employment-related injury claims. Through our third-party administrators, we provide claims management services for our clients. We work to manage and reduce job injury claims, identify fraudulent claims and structure optimal work programs, including modified duty.

In 2023, BBSI began offering additional employee benefit programs to our clients. The new benefit programs available to clients include medical, dental and vision plans, flexible spending accounts and health savings accounts, life insurance and voluntary accident coverage, critical illness and disability coverage, among others. These additional employee benefit programs are offered through fully insured arrangements with third-party carriers and are designed to provide strategic value to our clients through access to best-in-class plans and service.

Categories of Services

We report financial results in two categories of services: Professional Employer Services ("PEO") and Staffing. See Item 7 of Part II of this Report for information regarding the percentages of total net revenues provided by our PEO and staffing services for each of the last three fiscal years, and our consolidated financial statements in Item 8 of Part II of this Report for information regarding revenues, net income and total assets in our single reportable segment.

PEO

We enter into a client services agreement to establish a co-employment relationship with each client company, assuming responsibility for payroll, payroll taxes, workers' compensation (if elected) and benefits coverage (if elected) and certain other administrative functions for the client's existing workforce. We provide our PEO clients access to human resource advisors, retirement plans, a learning management system and our web-based technology platform, myBBSI.

We refer to employees of our PEO clients as worksite employees (“WSEs”). The client maintains physical care, custody and control of the WSEs, including the authority to hire and terminate employees. During 2024, we supported in excess of 8,100 PEO clients with total average WSEs of 129,577.

Staffing and Recruiting

Our staffing services include on-demand or short-term staffing assignments, contract staffing, direct placement (including for PEO and non-PEO clients), and long-term or indefinite-term on-site management. On-site management employees are BBSI management employees who are based on the client-site and whose jobs are to assist BBSI staffing employees. Our recruiting experts maintain a deep network of professionals from which we source candidates. Through an assessment process, we gain an understanding of the short and long-term needs of our clients, allowing us to identify and source the right talent for each position. We then conduct a rigorous screening process to help ensure a successful hire.

Clients and Client Contracts

Our PEO business is typically characterized by long-term relationships that result in recurring revenue. The terms and conditions applicable to our client relationships are set forth in a client services agreement, which typically provides for an initial term of one year with renewal for additional one-year periods, but generally permits cancellation by either party upon 30 days’ written notice. In addition, in most cases we may terminate the agreement at any time for certain breaches of contract, including nonpayment or failure to follow our workplace safety recommendations.

The PEO client services agreement also provides for indemnification by the client against losses arising out of any default by the client under the agreement, including failure to comply with any employment-related, health and safety, or immigration laws or regulations. Our client service agreement requires that clients enter a co-employment arrangement and maintain comprehensive liability coverage in the amount of \$1.0 million for acts of their employees. It is nevertheless possible that claims not satisfied or covered through indemnification or insurance may be asserted against us, which could adversely affect our results of operations.

We have PEO client services agreements with customers in a diverse array of industries, including, among others, construction, manufacturing, transportation and warehousing, waste management and remediation services, retail, leisure and hospitality and wholesale trade. None of our clients individually represented more than 1% of our total revenues in 2024.

Market Opportunity

As a PEO that aligns with the mission of business owners by providing resources and guidance to small and mid-size businesses, BBSI believes its growth is driven by the desire of business owners to focus on mission-critical functions, reduce complexity associated with the employment function, mitigate costs and maximize their investment in human capital. Our integrated management platform has enabled us to capitalize on these needs within the small to mid-size business sector.

The small and mid-sized business segment is particularly attractive because:

- it is large, continues to offer significant growth opportunity and remains underserved by professional services companies;
- it typically has fewer in-house resources than larger businesses and, as a result, is generally more dependent on external resources;
- we generally experience a relatively high client retention rate and lower client acquisition costs within this market segment; and
- we have found that small to mid-sized businesses are responsive to quality of service when selecting a PEO or staffing services provider.

Competition

The business environment in which we operate is characterized by intense competition and fragmentation. BBSI is not aware of reliable statistics regarding the number of its competitors, but certain large, well-known companies typically compete with us in the same markets and have greater financial and marketing resources than we do, including Automatic Data Processing, Inc., ManpowerGroup, Inc., Kelly Services, Inc., Insperity, Inc., TriNet Group, Inc., Robert Half International Inc. and Paychex, Inc. We face additional competition from regional providers and we may in the future also face competition from new entrants to the field, including other staffing services companies, payroll processing companies and insurance companies. The principal competitive factors in the business environment in which we operate are price and level of service.

We believe that our growth is attributable to our ability to provide small and mid-sized companies with the resources and knowledge base of a large employer delivered through a local operations team. Our level of integration with each client business provides us an additional competitive advantage.

Technology Platform

Our client-facing technology platform, myBBSI, includes both internally developed and licensed software which gives our clients a wide range of tools, including the ability to process payroll, collect and process time and attendance information, manage human resource information including employee onboarding and termination, as well as compensation, benefits, and payroll tax reporting.

Growth Strategy

We believe our clients are one of our best advocates and powerful drivers of referral-based growth. In each market, operations teams provide expertise, consultation and support to our clients, driving growth and supporting retention. We anticipate that by adding business teams to existing branches, we can achieve incremental growth in those markets, driven by our reputation and by client referrals. In most markets, business development efforts are led by area managers and are further supported by business development managers.

Our business growth has three primary sources: referrals from existing clients, direct business-to-business sales efforts by our area managers and business development managers, and an extensive referral network. Partners in our referral network include insurance brokers, financial advisors, attorneys, CPAs, and other business professionals who can facilitate an introduction to prospective clients. These referral partners facilitate introductions to business owners on our behalf, typically in exchange for a fee equal to a small percentage of payroll.

We see two key drivers to our growth:

- Increase market share in existing markets. We seek to support, strengthen and expand branch office operations through the ongoing development of business teams. We believe that strengthening and expanding the operations of each location is an efficient and effective means of increasing market share in the geographic areas in which we do business, and that our business teams serve a dual purpose: 1) Delivering high-quality service to our clients, thereby supporting client business growth and retention, and driving client referrals, and 2) Incubating and acquiring talent at the branch level to support expansion into new markets.
- Penetrate new markets. We intend to expand our geographic presence as opportunities arise. We continue to refine our approach to geographic expansion, which now includes an "asset-light" entry to new markets until sufficient scale is reached to warrant a physical office location. As part of this effort to expand geographically, we have become licensed to provide PEO services nationwide.

Workers' Compensation

Through our client services agreement, BBSI can provide workers' compensation coverage to its clients. We provide this coverage through a variety of methods, all of which are subject to rigorous underwriting to assess financial stability, risk factors and cultural alignment related to safety and the client's desire to improve their operations. In providing this coverage, we are responsible for complying with applicable statutory requirements for workers' compensation coverage.

Risk mitigation is also an important contributor to our principal goal of helping business owners operate their business more efficiently. It is in the mutual interests of the client and BBSI to commit to workplace safety and risk mitigation. We maintain clear guidelines for our area managers and risk management consultants, directly tying their continued employment to their diligence in understanding and addressing the risks of accident or injury associated with the industries in which client companies operate and in monitoring clients' compliance with workplace safety requirements.

Elements of Workers' Compensation System

State law (and for certain types of employees, federal law) generally mandates that an employer reimburse its employees for the costs of medical care and other specified benefits for injuries or illnesses, including catastrophic injuries and fatalities, incurred in the course and scope of employment. Most states require employers to maintain workers' compensation insurance or otherwise demonstrate financial responsibility to meet workers' compensation obligations to employees. The benefits payable for various categories of claims are determined by state regulation and vary with the severity and nature of the injury or illness and other specified factors. In return for this guaranteed protection, workers' compensation is an exclusive remedy and employees are generally precluded from seeking other damages from their employer for workplace injuries. In many states, employers who meet certain financial and other requirements are permitted to self-insure.

Insured Program

The Company provides workers' compensation coverage for client employees primarily through arrangements with fully licensed, third-party insurers (the "insured program"). Under this program, carriers issue policies or afford coverage to the Company's clients under a program maintained by the Company. Approximately 85% of the Company's workers' compensation exposure is covered through the insured program.

Effective July 1, 2021, the Company entered into a fully insured arrangement for its insured program, whereby third-party insurers assume substantially all risk of loss for claims incurred under the program. This fully insured arrangement has been extended annually and covers claims incurred between July 1, 2021 and June 30, 2025, with an option to renew through June 30, 2026.

Each annual fully insured policy allows BBSI to participate in savings if claims develop favorably up to a maximum per policy year ranging from \$20.5 million to \$28.5 million, depending on the policy period. For only the policy period from July 1, 2021 to June 30 2022, BBSI can also incur additional premium up to \$7.5 million if claims develop adversely. No additional premium can be charged based on claim performance for other policy years.

Premiums incurred but not paid are recorded as either current or long-term premium payable on the consolidated balance sheets based on the expected timing of the payments.

For claims incurred under the insured program prior to July 1, 2021, the Company retains risk of loss up to the first \$3.0 million per occurrence on policies issued after June 30, 2020 and \$5.0 million per occurrence on policies issued before that date.

Claim obligations for policies issued under the insured program between February 1, 2014 and June 30, 2018 were removed through loss portfolio transfers in 2020 and 2021.

Self-Insured Programs

The Company is a self-insured employer with respect to workers' compensation coverage for all employees, including employees of PEO clients that elect to participate in our workers' compensation program, working in Colorado, Maryland, Ohio, and Oregon. In the state of Washington, state law allows only the Company's staffing services and internal management employees to be covered under the Company's self-insured workers' compensation program. The Company also operates a wholly owned, fully licensed insurance company, Ecolé, which provides workers' compensation coverage to client employees working in Arizona and Utah. Approximately 15% of the Company's workers' compensation exposure is covered through self-insurance or Ecolé (the "self-insured programs").

For all claims incurred under the Company's self-insured programs, the Company retains risk of loss up to the first \$3.0 million per occurrence, except in Maryland and Colorado, where the Company's retention per occurrence is \$1.0 million and \$2.0 million, respectively. For claims incurred under the Company's self-insured programs prior to July 1, 2020, the Company retains risk of loss up to the first \$5.0 million per occurrence, except in Maryland and Colorado, where the retention per occurrence is \$1.0 million and \$2.0 million, respectively.

Claims Management

As a result of our status as a self-insured employer in four states and our remaining retention arrangements, our workers' compensation expense is tied directly to the incidence and severity of covered workplace injuries. We seek to contain our workers' compensation costs through a comprehensive approach to claims management. We use managed-care systems to reduce medical costs and keep time-loss costs to a minimum by assigning injured workers, whenever possible, to short-term assignments which accommodate the workers' physical limitations. We believe that these assignments minimize both time actually lost from work and covered time-loss costs. We engage a third-party claims administrator ("TPA") to provide the primary claims management expertise. Typical claims management procedures include performing thorough and prompt on-site investigations of claims filed by employees, working with physicians to encourage efficient medical management of cases, denying questionable claims and attempting to negotiate early settlements to eliminate future adverse development of claims costs. We also maintain a corporate-wide pre-employment drug screening program and a post-injury drug test program. We believe our claims management program has resulted in a reduction in the frequency of fraudulent claims and in accidents in which the use of illicit drugs appears to have been a contributing factor.

Sponsored Benefits

In 2023, BBSI began offering employee benefits to its PEO client employees. As a plan sponsor, BBSI engages with third-party insurance carriers to enter into fully insured arrangements to offer a wide range of employee benefit programs to our clients, including medical, dental and vision plans, flexible spending accounts and health savings accounts, life insurance and voluntary accident coverage, and critical illness and disability coverage, among others.

As the sponsor and administrator of the PEO benefit programs, BBSI negotiates the terms of the benefit programs with third-party insurance carriers and benefit providers, pays insurance carrier premiums, and maintains the plans to comply with all applicable federal, state, and local laws and regulations. We also provide access to benefit consultants who design benefit plans that meet the specific needs of our clients, produce tailored benefit guides that assist our worksite employees in selecting benefit products that are right for them, and we provide a custom enrollment interface through myBBSI. We believe that the administration services and the wide array of benefit products that we offer as a plan sponsor would traditionally only be available to large organizations. By providing our small and medium-sized business clients with access to best-in-class benefits and administration services, we are providing strategic value that improves our clients' ability to attract and retain top talent for their organizations.

Human Capital

At December 31, 2024, we had a total of 3,658 employees, including 870 managerial, sales and administrative employees (together, "management employees"), 4 executive officers and 2,784 staffing services employees. We are also the administrative employer for certain limited purposes such as processing payroll and remitting payroll taxes for 132,069 WSEs in our co-employment arrangements with our PEO clients. The number of employees and WSEs at any given time may vary significantly due to business conditions at BBSI and our client companies. We believe our employee relations with management employees are good.

BBSI believes that making significant investments in the best management employee talent available allows us to leverage the value of this investment many times over. Additionally, we believe our Company's success depends on our ability to attract, develop and retain our management employee and staffing workforce. As such, we strive to be an employer of choice and promote the health, welfare and safety of our employees. This involves promoting diversity and treating all employees with dignity and respect, while providing our management employees with fair, market-based, competitive and equitable compensation. Because of our continuous commitment to our employees, we have recently been recognized as a Great Place to Work Certified company for our fourth consecutive year.

We motivate our management employees through a compensation package that includes a competitive base salary and the opportunity for profit sharing. At the branch level, profit sharing is in direct correlation to client WSE growth and workers' compensation claims performance, reinforcing a culture focused on achievement of client goals. We also provide a comprehensive benefits package as well as an employee stock purchase plan to our employees. We seek feedback from employees regarding our benefits package through employee surveys. This information is used by management to make improvements as we continuously strive to be an employer of choice.

We offer various qualified employee benefit plans to our employees and WSEs for whom we are the administrative employer in a co-employment arrangement with a PEO client that so elects. Our qualified staffing and management employee benefit plans include our 401(k) plan. Beginning in 2023, qualified employees may enroll upon reaching 21 years of age and completing six months of service. We match 100% of contributions by management and staffing employees up to 3% of each participating employee's annual compensation and 50% of the employee's contributions up to an additional 2% of annual compensation. Matching contributions to the 401(k) plan for management and staffing employees are made under a safe harbor provision, which are immediately 100% vested. WSEs covered under a PEO arrangement may participate in our 401(k) plan at the sole discretion of the PEO client.

We also offer a cafeteria plan under Section 125 of the Internal Revenue Code and group health, life insurance and disability insurance plans to qualified staffing and management employees. Generally, qualified employee benefit plans are subject to provisions of both the Internal Revenue Code and the Employee Retirement Income Security Act of 1974 ("ERISA").

Certain highly compensated employees of the Company are allowed to participate in a nonqualified deferred compensation plan. Under the plan, participants are permitted to defer receipt for income tax purposes of up to 90% of salary and up to 100% of any incentive bonus. Participants earn a return on their deferred compensation based on the investment performance of participant-selected investments. As an incentive to participate in the plan, the Company awards restricted stock units with a value equal to 35% of the amount deferred under the plan, up to a maximum of \$75,000 per year. The restricted stock units vest in full on the fifth anniversary of the grant date, contingent on the continued employment of the participant.

The Company established a Rabbi trust under which compensation deferred by participants is deposited and held separately from the Company's other assets, subject to the claims of the Company's creditors in the event of its bankruptcy or insolvency.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Acts") subject us to potential penalties unless we offer to our employees minimum essential healthcare coverage that is affordable. Because each PEO client is considered to be the sole employer in the application of any rule or law included within the scope of the Acts, we are not required to offer health care coverage to the WSEs of our PEO clients. However, in 2023 we began offering

sponsored benefits, including healthcare coverage, to eligible PEO client employees as part of our PEO service offering. To comply with the employer mandate provision of the Acts for our staffing and management employees, we offer health care coverage to all staffing and management employees eligible for coverage under the Acts.

Regulatory and Legislative Environment

We are subject to the laws and regulations of the jurisdictions within which we operate, including those governing self-insured employers under the workers' compensation systems in Oregon, Maryland, Ohio, and Colorado, as well as in Washington for staffing and management employees. We are also subject to laws and regulations governing our two wholly owned insurance companies in Arizona. While the specific PEO laws and regulations vary among these jurisdictions, they typically require some form of licensing or registration and often have statutory requirements for workplace safety and notice of change in obligation of workers' compensation coverage in the event of contract termination. Although compliance with these requirements imposes some additional financial risk, particularly with respect to those clients who breach their payment obligation to us, such compliance has not had a material adverse effect on our business to date.

Our operations are affected by numerous federal and state laws relating to labor, tax and employment matters. Through our client services agreement, we assume certain obligations and responsibilities as the administrative employer under federal and state laws. Since many of these federal and state laws were enacted prior to the development of nontraditional employment relationships, such as professional employer, temporary employment, and outsourcing arrangements, many of these laws do not specifically address the obligations and responsibilities of nontraditional employers. In addition, the definition of "employer" under these laws is not uniform.

As an employer, we are subject to all federal statutes and regulations governing our employer-employee relationships for staffing and management employees. Subject to the discussion of risk factors below, we believe that our operations comply in all material respects with applicable federal statutes and regulations.

Due to the nature of our operations, we collect, store, process, use and retain significant amounts of confidential and sensitive personal employee and client information. As such, we are subject to a variety of federal and state laws and regulations associated with data privacy and security. For further discussion on the federal and state laws and regulations associated with data privacy and security, including protected health information ("PHI") and the related federal and state regulations such as HIPAA and the HITECH act, refer to "Risk Factors" in Item 1A of Part I of this report.

Additional Information

Our filings with the Securities and Exchange Commission ("SEC"), including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and registration statements, as well as any amendments to these filings, are accessible free of charge at our website at <http://www.bbsi.com> as soon as reasonably practicable after they are electronically filed with the SEC. By making this reference to our website, we do not intend to incorporate into this report any information posted on our website. The website should not be considered part of this report.

The SEC also maintains a website at <http://www.sec.gov> that provides access to reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including the Company.

Item 1A. RISK FACTORS

In addition to other information contained in this report, the following risk factors should be considered carefully in evaluating our business.

Risks Relating to Workers' Compensation

Our ability to continue our business operations under our present service model is dependent on maintaining workers' compensation insurance coverage.

Our arrangement with fully licensed, third-party insurers under the insured program provides workers' compensation coverage to BBSI's PEO clients through June 30, 2025, with the possibility of additional annual renewals. If our fully licensed third-party insurers are unwilling or unable to renew our arrangement in the future, we would need to seek coverage from a small number of alternative insurers. If replacement coverage were unavailable or available only on significantly less favorable terms, our business and results of operations would be materially adversely affected.

We continue to have retention for certain workers' compensation claims incurred prior to July 1, 2021 in the majority of states in which we operate.

For claims incurred under the insured program prior to July 1, 2021, the Company retains risk of loss up to the first \$3.0 million per occurrence on policies issued after June 30, 2020, and \$5.0 million per occurrence on policies issued before that date.

For all claims incurred under the Company's self-insured programs, the Company retains risk of loss up to the first \$3.0 million per occurrence, except in Maryland and Colorado, where the Company's retention per occurrence is \$1.0 million and \$2.0 million, respectively. For claims incurred under the Company's self-insured programs prior to July 1, 2020, the Company retains risk of loss up to the first \$5.0 million per occurrence, except in Maryland and Colorado, where the retention per occurrence is \$1.0 million and \$2.0 million, respectively.

On June 29, 2020, the Company entered into a loss portfolio transfer agreement ("LPT 1") to remove all outstanding workers' compensation claims obligations for claims incurred under its insured program between February 1, 2014 and December 31, 2017. On June 30, 2021, the Company entered into a loss portfolio transfer agreement ("LPT 2") to remove all remaining outstanding workers' compensation claims obligations for client policies issued under its insured program up to June 30, 2018.

Thus, for claims incurred before July 1, 2020, the Company has financial risk for most workers' compensation claims under \$5.0 million on a per occurrence basis, except for claims transferred under the insured program as part of LPT 1 and LPT 2. For claims incurred between July 1, 2020 and June 30, 2021, the Company has financial risk for most workers' compensation claims under \$3.0 million on a per occurrence basis. This level of per occurrence retention may result in higher workers' compensation costs to us with a corresponding negative effect on our operating results and financial condition.

Collateral requirements could increase beyond our ability to satisfy those requirements.

The Company is required to provide collateral for its insured program and by certain states related to its current and former status as a self-insured employer. Various factors, including adverse loss experience or a decline in the fair value of investments in our collateral accounts, could cause the counterparties to require that additional collateral be posted. To partially satisfy these collateral requirements, the Company has provided surety bonds and standby letters of credit. If there are significant changes to the market for these credit products, or if we are unable to renew these agreements, we may incur increased costs or be required to deposit additional capital as collateral.

Failure to manage the severity and frequency of workplace injuries will increase our workers' compensation expenses.

Significant increases in the relative frequency or severity of workplace injuries due to failures to accurately assess potential risks or assure implementation of effective safety measures by our clients may result in increased workers' compensation claims expenses, with a corresponding negative effect on our results of operations and financial condition.

Risks Related to Technology

To succeed, we must constantly improve our technology to meet the expectations of our clients. If we fail to meet those expectations, we may lose clients and harm our business.

To attract and retain clients and satisfy their expectations, the software, hardware and networking technologies we use must be frequently and rapidly upgraded, enhanced and improved in response to technological advances, competitive pressures, client expectations, and new and changing laws. Failure to successfully implement technological improvements could result in harm to our reputation, loss of market share, reduced revenue, or client claims against us, any of which could materially harm our business.

As we continue to invest in upgrades or replacements to our existing systems, including enhancements and additional security measures, we may incur substantial costs and risks relating to development, installation and implementation, including disruptions in our service offerings or increases in expected costs, which may have a material adverse effect on our operating results and financial condition.

We are dependent upon technology services, and if we experience damage, service interruptions or failures in our computer and telecommunications systems, our client relationships and our ability to attract new clients may be adversely affected.

We rely extensively on computer systems, including systems of third-party vendors, to provide service offerings to our clients, manage our branch network, perform employment-related services and accounting and reporting functions, and summarize and analyze our financial results. These systems are subject to damage or interruption from telecommunications failures, power-related outages, third-party disruptions, computer viruses and malicious attacks, security breaches and catastrophic events. If these systems are damaged or fail to function properly, we may incur substantial costs to repair or replace them, experience loss of critical data and interruptions or delays in our ability to manage our operations and encounter a loss of client confidence. In addition, our clients' businesses may be adversely affected by any system or equipment failure or breach we experience. As a result, we may suffer damage to our reputation, we may lose clients, our ability to attract new clients may be adversely affected, and we could be exposed to contractual liability.

We depend on third-party software to provide our services and support our operations.

Significant portions of our services and operations rely on software that is licensed from third-party vendors. The fees associated with these license agreements could increase in future periods, resulting in increased operating expenses. If there are significant changes to the terms and conditions of our license agreements, if we are unable to renew these license agreements, if the software is not up to date with current legal requirements such that we become non-compliant, if the software is not updated to meet our needs as our business evolves, or if the software becomes unavailable for any other reason, we may be required to make changes to our vendors or information technology systems. These changes may impact the services we provide to our clients or the processes we have in place to support our operations, which could have an adverse effect on our business.

We could be subject to reduced revenues, increased costs, liability claims, or harm to our reputation as a result of data theft, cyberattacks or other security vulnerabilities.

The nature of our business involves the receipt, storage, and transmission of personal and proprietary information about thousands of employees and clients. Attacks on information technology systems continue to grow in frequency and sophistication, and we and our third-party vendors are targeted by unauthorized parties using malicious tactics, code, and viruses. Hardware or applications we develop or procure from third-party vendors may contain defects in design or other problems that could unexpectedly compromise the confidentiality, integrity or availability of data or our systems. Because the techniques used to obtain unauthorized access and disable or sabotage systems change frequently and may be difficult to detect for long periods of time, we and our third-party vendors may be unable to anticipate these techniques or implement adequate preventive measures. Additionally, as our employees may work from home more frequently and access the Company's systems remotely, the Company may be exposed to heightened security risks, including the risk of cyber-attacks.

The methods and techniques used by cyber threat actors to gain entry into our network and access our computer systems, software and data will become more advanced with the use of artificial intelligence ("AI") and may become increasingly difficult or impossible to detect and prevent. As these threats continue to evolve, we may be required to invest significant additional resources to modify and enhance our information security and controls or to investigate and remediate any security vulnerabilities. While our technology infrastructure is designed to safeguard and protect personal and business information, we have limited ability to monitor the implementation of similar safeguards by our vendors.

Any cyberattack, unauthorized intrusion, malicious software infiltration, network disruption, corruption of data, misuse or theft of private or other sensitive information, or inadvertent acts by our own employees, could result in the disclosure or misuse of confidential or proprietary information, which could have a material adverse effect on our business operations or that of our clients. If we experience a significant data security breach, fail to detect and appropriately respond to a significant data security breach, or fail to comply with the various state cybersecurity regulations including the California Consumer Privacy Act ("CCPA") and the California Privacy Rights Act ("CPRA"), we could be exposed to government enforcement actions and private litigation. These losses may exceed our insurance coverage for such incidents. In addition, our employees and clients could lose confidence in our ability to protect their personal and proprietary information, which could cause them to terminate their relationships with us. Any loss of confidence arising from a significant data security breach could hurt our reputation, further damaging our business.

Our business may be materially affected – either positively or negatively – by the emergence of disruptive new technologies or approaches enabled by the rapid pace of innovation unfolding in the artificial intelligence space.

The safe and responsible integration of AI functionality as it rapidly evolves presents emerging ethical and legal challenges, and the use of such technologies may result in diminished brand trust and reputational harm. As with many innovations, AI presents risks and challenges that could significantly disrupt our business model. In addition, the use of AI by bad actors presents increasingly complex and sophisticated security threats to our confidential customer, employee, and Company data, and we must make additional efforts to maintain network security. The regulatory landscape surrounding AI technologies is evolving, and the ways in which these technologies will be regulated by governmental authorities, self-regulatory institutions, or other regulatory authorities remains uncertain and may be inconsistent from jurisdiction to jurisdiction. Certain jurisdictions in which we operate are considering or have proposed or enacted legislation and policies regulating AI and non-personal data, such as the recent Executive Order on AI. Such regulations may result in operational costs to modify, maintain, or align our business practices, or constrain our ability to develop, deploy, or maintain these technologies.

Other Risks Related to our Business and Industry

New service offerings may subject us to additional risks.

Future new service offerings may introduce additional risks and uncertainties to our business. Our efforts to implement new services may place substantial additional demands on our employees, as well as our information systems and technology platforms. We may also need to invest significant additional resources in our people, processes, controls and information security. Failure to successfully implement new service offerings, including the appropriate controls, policies and procedures, information systems, and data privacy and security, could have a material adverse effect on our business, reputation, results of operations and financial condition.

New service offerings, including health care benefits, may also introduce additional legislative and regulatory requirements with which we are not familiar, or from which we are currently exempt. Violation of such laws and regulations could subject us to fines, penalties, and damages, damage our reputation, constitute a breach of our client agreements, impair our ability to obtain and renew required licenses, and decrease our profitability or competitiveness. If any of these effects were to occur, our operating results and financial condition could be materially adversely affected.

To continue to grow revenues, we are dependent on retaining current clients and attracting new clients.

The Company's revenue growth can be volatile and is dependent on same customer sales and the addition of new clients. Revenues increased 7.0% in 2024 and increased 1.4% in 2023. There can be no assurance that we will continue to maintain current levels of revenues. Efforts to achieve business growth intensifies pressure on retaining current clients and attracting increasing numbers of new clients.

Our business is subject to risks associated with geographic market concentration.

Our California operations accounted for approximately 72% of our total revenues in 2024. As a result of the current importance of our California operations and anticipated continued growth from these operations, our profitability over the next several years is expected to be largely dependent on economic and regulatory conditions in California. If California experiences an economic downturn, or if the regulatory environment changes in a way that adversely affects our ability to do business or limits our competitive advantages, our profitability and growth prospects may be materially adversely affected. Similarly, due to our geographic concentration in California, a natural disaster or major event that disrupts these markets or the related workforce could have an immediate and material adverse impact on our operations and profitability.

Economic conditions may impact our ability to attract new clients and cause our existing clients to reduce staffing levels or cease operations.

Weak economic conditions, including periods of elevated inflation and interest rates, may have a negative impact on small-and mid-sized businesses, which make up the majority of our clients. In turn, these businesses could cut costs, including trimming employees from their payrolls, or closing locations or ceasing operations altogether. If current economic conditions were to weaken further, these forces may result in decreased revenues due both to the downsizing of our current clients and increased difficulties in attracting new clients in a poor economic environment. An economic downturn may also result in additional bad debt expense to the extent that existing clients cease operations or are otherwise unable to meet their financial obligations. Additionally, weak economic conditions may result in higher unemployment, which is correlated with increased workers' compensation claims. The spread of a highly infectious or contagious disease, and the response by federal, state, and local government agencies, including preventative actions taken such as shelter-in-place orders, restrictions on travel, temporary closures of businesses deemed to be high-risk or non-essential, and other government mandates, could create significant economic disruption that results in a material reduction in business operations. Clients who are impacted by government restrictions and economic disruptions may experience liquidity and other financial issues, which may reduce their capacity to pay for our services.

Additionally, trade policies, including tariffs or other import restrictions, may increase costs for our clients, particularly those reliant on global supply chains. Higher input costs due to tariffs could lead our clients to reduce payroll expenses, delay hiring, or cut jobs, which could negatively impact our revenue. Supply chain disruptions caused by trade restrictions may also result in business slowdowns or closures, further affecting our ability to grow and retain clients. These factors could have a material adverse effect on our results of operations and financial condition.

Our business depends on reliable access to labor, which may be affected by economic conditions, government policies, and public health crises.

Our PEO and staffing revenue is based on client payroll, and our business growth depends on the availability of a sufficient and stable workforce for our clients. The availability of labor may be affected by various factors, including, among others, economic conditions; demographic trends, including outmigration from states in which we operate; government policies on immigration; and public health crises. The spread of highly infectious diseases can reduce workforce participation due to illness, quarantine requirements, or caregiving responsibilities. Economic downturns or shifts in labor market dynamics can impact workforce participation rates and overall labor availability. Additionally, changes in government administrations can result in shifts in immigration policies, which may affect our clients' ability to recruit and retain workers. Stricter visa requirements, limitations on work permits, delays in processing, or reductions in visa allocations could lead to labor shortages, particularly in industries that rely on immigrant labor, such as agriculture, construction, and hospitality. Businesses that depend on seasonal labor, including those utilizing temporary work visa programs, may be especially vulnerable to such changes. Any of these factors could adversely impact our business and financial performance.

Our staffing business is vulnerable to economic fluctuations.

Demand for our staffing services is sensitive to changes in the level of economic activity in the regions in which we do business. As economic activity slows down, companies often reduce their use of temporary employees before undertaking layoffs of permanent staff, resulting in decreased demand for staffing services. On the other hand, during strong economic periods or tight labor markets due to other factors, we often experience shortages of qualified employees to meet customer needs.

Because we assume the obligation to make wage, tax and regulatory payments in respect of some employees, we are exposed to client credit risks.

We generally assume credit risk associated with our clients' employee payroll obligations, including liability for payment of salaries and wages (including payroll taxes), as well as retirement benefits. These obligations are fixed whether or not the client makes payments to us as required by our services

agreement. We attempt to mitigate this risk by invoicing our clients at the end of their specific payroll processing cycle. We also carefully monitor the timeliness of our clients' payments and impose strict credit standards on our customers. If we fail to successfully manage our credit risk, our results of operations and financial condition could be materially and adversely affected.

Increases in unemployment claims could raise our state and federal unemployment tax rates that we may not be able to pass on to our customers.

During weak economic conditions in our markets, the level of unemployment claims tends to rise as a result of employee layoffs at our clients and lack of work in our temporary staffing pool. The rise in unemployment claims often results in higher state and federal unemployment tax rates, which in most instances cannot be concurrently passed on to our customers either due to existing client services agreements or competitive pricing pressures. Increases in our state and federal unemployment tax rates could have a material adverse effect on our results of operations, particularly in the early part of the calendar year when payroll tax rates are at or near their maximum.

If we are unable to maintain our brand image and corporate reputation, our business may suffer.

Our success depends in part on our ability to maintain our reputation for providing excellent service to our customers. Service quality issues, whether actual or perceived, and even when due to dissemination of false information or unfounded perceptions, could tarnish the image of our brand and may cause customers to use other companies. Also, adverse publicity surrounding labor relations, data breaches, SEC investigations, and the like, could negatively affect our overall reputation. Damage to our reputation could reduce demand for our services and thus have an adverse effect on our business, financial condition and results of operations.

Our service agreements may be terminated on short notice, leaving us vulnerable to a significant loss of customers in a short period of time, if business or regulatory conditions change or events occur that negatively affect our reputation.

Our client services agreements are generally terminable on 30 days' notice by either us or our client. As a result, our clients may terminate their agreement with us at any time, making us particularly vulnerable to changing business or regulatory conditions or changes affecting our reputation or the reputation of our industry.

We may be exposed to employment-related claims and costs and periodic litigation that could adversely affect our business and results of operations.

We either co-employ employees in connection with our PEO client services agreements or place our employees in our customers' workplace in connection with our staffing business. As such, we are subject to several risks inherent to our status as the administrative employer, including without limitation:

- claims of misconduct or negligence on the part of our employees, discrimination or harassment claims against our employees, or claims by our employees of discrimination or harassment by our clients;
- immigration-related claims;
- claims relating to violations of wage, hour and other workplace regulations;
- claims relating to employee benefits, entitlements to employee benefits, or errors in the calculation or administration of such benefits; and
- possible claims relating to misuse of customer confidential information, misappropriation of assets or other similar claims.

If we experience significant incidents involving any of the above-described risk areas, we could face substantial out-of-pocket losses, fines or negative publicity. In addition, such claims may give rise to

litigation, which may be time-consuming, distracting and costly, and could have a material adverse effect on our business. With respect to claims involving our co-employer relationships, although our client services agreement provides that the client will indemnify us for any liability attributable to the conduct of the client or its employees, we may not be able to enforce such contractual indemnification, or the client may not have sufficient assets to satisfy its obligations to us. An increase in employment-related claims against us may have a material adverse effect on our results of operations.

We are dependent on certain key personnel and recruitment and retention of key employees may be difficult and expensive.

We believe that the successful operation of our business is dependent upon our retention of the services of key personnel, including our Chief Executive Officer, other executive officers and area managers. We may not be able to retain all our executives, senior managers and key personnel in light of competition for their services. If we lose the services of one of our executive officers or a significant number of our senior managers, our results of operations likely would be adversely affected.

We depend on attracting and retaining qualified employees; during periods of economic growth, our costs to do so increase and attracting and retaining people becomes more difficult.

Our teams of client-facing professionals are the foundation of our value proposition. Our ability to attract and retain qualified personnel could be adversely affected by lower unemployment rates and higher compensation levels. During periods of economic growth, we face increased competition for retaining and recruiting qualified personnel, resulting in higher advertising and recruiting costs and increased salary expenses. If we cannot attract and retain qualified employees, the quality of our services may deteriorate and our reputation and results of operations could be adversely affected.

We do not have an expansive in-house sales staff and therefore rely extensively on referral partners.

We currently maintain a limited internal professional sales force, instead relying heavily on referral partners to provide referrals to new business. In connection with these arrangements, we pay a fee to referral partners for new clients. These referral firms and individuals do not have an exclusive relationship with us. If we are unable to maintain these relationships or if our referral partners increase their fees or lose confidence in our services, we could face declines in our business and additional costs and uncertainties as we attempt to hire and train an internal sales force.

Failure to maintain health insurance coverage or significant increases in the cost of health insurance coverage could adversely affect our business and results of operations.

In 2023, BBSI began offering health insurance benefits as part of our PEO services. Our arrangement with third-party insurers provides health insurance coverage to BBSI's PEO clients through December 31, 2025, with the possibility of additional annual renewals. If our third-party insurers are unwilling or unable to renew our arrangement in the future, we would need to seek coverage from alternative insurers. If replacement coverage were unavailable or available only on significantly less favorable terms, our business and results of operations would be materially adversely affected. Additionally, if maintaining health insurance coverage becomes significantly more costly due to claims experience or other factors, this could also have a material adverse effect on our business and results of operations.

Our business is subject to risks associated with healthcare reforms.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Acts") subject us to potential penalties unless we offer our employees minimum essential healthcare coverage that is affordable. To comply with the employer mandate provision of the Acts, we offer health care coverage to all temporary and permanent employees eligible for coverage under the Acts other than employees of our PEO clients, which are responsible for providing required

health care coverage to their employees. Designating employees as eligible is complex and is subject to challenge by employees and the Internal Revenue Service ("IRS"). While we believe we have properly identified eligible employees, a later determination that we failed to offer the required health coverage to eligible employees could result in penalties that may materially harm our business.

Additionally, we began offering employee health and welfare benefits to our PEO clients beginning in 2023. We cannot be certain that compliant insurance coverage will remain available to us on reasonable terms, and we could face additional risks arising from future changes to or repeal of the Acts or changed interpretations of our obligations under the Acts. If new healthcare legislation or future changes to the Acts were to increase the cost of providing health care benefits, or to limit our ability to offer health care benefits to our PEO clients, our business, operating results, and financial condition could be materially adversely affected.

Failure to comply with applicable data security and privacy regulations related to our health care offering could adversely affect our business.

As BBSI began offering health benefits to our PEO clients in 2023, we have access to protected health information ("PHI") of our client employees. Compliance with federal and state regulations such as HIPAA and the HITECH Act is required for handling this PHI. HIPAA imposes limitations on the use and disclosure of PHI, and sets requirements for health data privacy, security, and breach notification. Non-compliance with HIPAA can lead to penalties and fines. Failure to appropriately comply with data security regulations could materially adversely impact our business, reputation, operating results, and financial condition.

We face competition from several other companies.

We face competition from various companies that may provide all or some of the services we offer. Our competitors include companies that are engaged in staffing services such as Robert Half International Inc., Kelly Services, Inc., and ManpowerGroup Inc.; companies that are focused on co-employment, such as Insperity, Inc., and TriNet Group, Inc.; and companies that primarily provide payroll processing services, such as Automatic Data Processing, Inc. and Paychex, Inc. We also compete with insurance carriers and other providers of workers' compensation insurance, and our offerings must be priced competitively with prices provided by these competitors for us to attract and retain our clients. Maintaining competitive pricing in the workers' compensation market could lead to reduced margins and profitability. Additionally, we face competition from information technology outsourcing firms and broad-based outsourcing and consulting firms that perform individual projects.

Several of our existing or potential competitors have substantially greater financial, technical and marketing resources than we do, which may enable them to:

- develop and expand their infrastructure and service offerings more quickly and achieve greater cost efficiencies;
- invest in new technologies;
- expand operations into new markets more rapidly;
- devote greater resources to marketing;
- compete for acquisitions more effectively and complete acquisitions more easily; and
- aggressively price products and services and increase benefits in ways that we may not be able to match financially.

To compete effectively in our markets, we must target our potential clients carefully, continue to improve our efficiencies and the scope and quality of our services, and rely on our service quality, innovation, education and program clarity. If our competitive advantages are not compelling or sustainable, then we are unlikely to increase or sustain profits and our stock price could decline.

Our investment portfolio is subject to market and credit risks, which could adversely impact our financial condition or results of operations.

We seek to hold a diversified portfolio of high-quality investments that is managed by a professional investment advisory firm in accordance with our investment policy and routinely reviewed by management and approved by the Risk Management Committee of our Board of Directors. However, our investments, including those held as collateral for our various insurance programs, are subject to general economic conditions and market risks, as well as risks inherent to particular securities, including credit, interest rate and liquidity risks. Our portfolio consists primarily of fixed-rate debt securities and is subject to changing valuation based on interest rate fluctuations, and the risk that certain investments may default, become impaired due to deterioration in the financial condition of one or more issuers of the securities, or will need to be sold for realized losses. Although our investment strategy is designed to preserve our capital, we cannot be certain that our investment objectives will be achieved, and we could incur substantial realized and unrealized investment losses in future periods which could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to draw on our revolving credit facility in the future.

If our business does not perform as expected, including if we generate less revenue than anticipated from our operations or encounter significant unexpected costs, we may fail to comply with the financial covenants under our credit facilities. If we do not comply with our financial covenants and we do not obtain a waiver or amendment from our lender, the lender may elect to cause all amounts owed to become immediately due and payable or may decline to renew our credit facility. In that event, we would seek to establish a replacement credit facility with one or more other lenders, including lenders with which we have an existing relationship, potentially on less desirable terms. There can be no guarantee that replacement financing would be available at commercially reasonable terms, if at all.

Changes in our income tax positions or adverse outcomes resulting from on-going or future tax audits could harm our business, operating results, financial condition and prospects.

Significant judgments and estimates are required in determining our provision for income taxes and other tax liabilities. In determining the adequacy of our tax provision, we assess the likelihood of adverse outcomes that could result if our tax positions were challenged by the IRS and other tax authorities. The tax authorities in the U.S. regularly examine our income and other tax returns. The ultimate outcome of tax examinations and disputes cannot be predicted with certainty. Should the IRS or other tax authorities assess additional taxes as a result of these or other examinations, we may be required to record charges to operations that could have a material impact on our results of operations, financial position or cash flows.

Our long-term growth strategy may include acquisitions which could be unsuccessful or cause disruptions to our business, which could adversely impact our financial condition or results of operations.

Potential future acquisitions may introduce several risks related to the integration of businesses, personnel, product lines, and technologies. If we discover compliance or regulatory issues after an acquisition, encounter greater than anticipated costs and/or use of management time associated with evaluating potential acquisitions and integrating acquired businesses into our operations, or are unable to successfully identify appropriate acquisition candidates, negotiate favorable terms, and successfully integrate an acquisition, our business, financial condition, and results of operation could be materially and adversely affected.

Risks Related to Our Regulatory Environment

Failure to interpret and comply with applicable federal and state payroll tax and unemployment tax laws could materially adversely affect our business, reputation, results of operations and financial condition.

As the administrative employer in our co-employer relationships with our clients, we are subject to a complex and evolving set of federal, state and local payroll tax laws and regulations, including requirements related to withholding, reporting and remitting payroll taxes on behalf of our clients. Compliance with these laws requires significant resources, and failure to comply with payroll tax laws in any jurisdiction in which we operate could subject us to financial penalties, interest charges and other liabilities. Additionally, our clients may be eligible for various legislative and regulatory programs, including those established under the CARES Act and the American Rescue Plan Act, such as the Employee Retention Tax Credit (“ERC”), which use payroll tax credits or deferrals as the mechanism to provide benefits to small businesses and employees. When clients and former clients wish to utilize these programs, the associated tax forms must be filed through the PEO, which creates additional administrative effort for the PEO. Additionally, determining eligibility for these programs is complex and is based on company-specific data that PEOs do not possess for their clients. If the IRS determines that clients who received payroll tax credits through BBSI are ineligible, and if the tax authorities or our clients attempt to hold BBSI liable for these amounts, this could have a materially adverse effect on our business, reputation, results of operation, and financial condition.

We operate in a complex regulatory environment, and failure to comply with applicable laws and regulations could adversely affect our business.

Corporate human resource operations are subject to a broad range of complex and evolving laws and regulations, including those applicable to payroll practices, benefits administration, employment practices, workers’ compensation coverage, and privacy. Because our clients have employees in many states throughout the United States, we must perform our services in compliance with the legal and regulatory requirements of multiple jurisdictions. Some of these laws and regulations may be difficult to ascertain or interpret and may change from time to time. Violation of such laws and regulations could subject us to fines, penalties, and damages, damage our reputation, constitute a breach of our client agreements, impair our ability to obtain and renew required licenses, and decrease our profitability or competitiveness. If any of these effects were to occur, our operating results and financial condition could be adversely affected.

If we are determined not to be an “employer” under certain laws and regulations, our clients may stop using our services, and we may be subject to additional liabilities.

We are the administrative employer in our co-employment relationships under the various laws and regulations of the IRS and the U.S. Department of Labor. If we are determined not to be the administrative employer under such laws and regulations and are therefore unable to assume our clients’ obligations for employment and other taxes, our clients may be held jointly and severally liable for payment of such taxes. Some clients or prospective clients may view such potential liability as an unacceptable risk, discouraging current clients from continuing a relationship with us or prospective clients from entering into a new relationship with us. Any determination that we are not the administrative employer for purposes of ERISA could also adversely affect our ability to offer health care benefits to our PEO clients by subjecting us to additional state and federal laws and regulations, and could materially adversely affect our business, financial condition, and results of operations.

Changes in government regulations may result in restrictions or prohibitions applicable to the provision of employment services or the imposition of additional licensing, regulatory or tax requirements.

Our business is heavily regulated, and we cannot provide assurance that regulatory authorities in jurisdictions in which we conduct or seek to conduct business will not:

- impose additional regulations that prohibit or restrict employment-related businesses like ours;
- require additional licensing or add restrictions on existing licenses to provide employment-related services; or
- increase taxes or make changes in the way in which taxes are calculated for providers of employment-related services.

Any changes in applicable laws and regulations may make it more difficult or expensive for us to do business, inhibit expansion of our business, or result in additional expenses that limit our profitability or decrease our ability to attract and retain clients.

We may find it difficult to expand our business into additional states due to varying state regulatory requirements.

Future growth in our operations depends, in part, on our ability to offer our services to prospective clients in new states, which may subject us to different regulatory requirements and standards. To operate effectively in a new state, we must maintain all necessary licenses and regulatory approvals, adapt our procedures to that state's regulatory requirements and modify our service offerings to adapt to local market conditions. As we expand into additional states, we may not be able to duplicate in other markets the financial performance experienced in our current markets.

Our wholly owned insurance companies are subject to substantial government regulation.

Our wholly owned insurance companies are primarily regulated by state insurance commissioners in the states in which they conduct business. Such regulation includes monitoring the financial status of these companies, approving policies and premium rates, maintaining requirements for capital surplus and types of investments, and approving any significant changes to the legal or operating structure of these entities. State regulators can also impose taxes and other fees on insurance companies under their jurisdiction. These regulations may restrict our ability to operate these companies in the manner we believe is best, which could increase the cost of our operations, restrict our access to insurance coverage or adversely affect our liquidity.

Increasing regulatory focus on privacy and security issues and expanding laws and regulatory requirements could impact our business models and expose us to increased liability.

We are subject to national data protection, privacy and security laws, and regulations that relate to our various business units and data processing activities, which may include sensitive, confidential, and personal information. These laws, regulations and codes may be inconsistent across jurisdictions and are subject to evolving and differing (sometimes conflicting) interpretations. Government officials and regulators, privacy advocates and class action attorneys are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. This scrutiny can result in new and shifting interpretations of existing laws, thereby further impacting our business. State laws on privacy, data and related technologies create additional privacy and security compliance obligations and expand the scope of potential liability.

The dynamic and evolving nature of these laws, regulations and codes, as well as their interpretation by regulators and courts, may affect our ability to implement our business models effectively and to adequately address disclosure requirements. Perception of our practices and services, even if unfounded, as a violation of individual privacy, data protection rights or cybersecurity requirements, may subject us to public criticism, lawsuits, investigations, claims and other proceedings by regulators, industry groups or

other third parties, all of which could disrupt or adversely impact our business and reputation and expose us to increased liability, fines and other punitive measures.

Risks Related to Ownership of our Common Stock

Our stock price may be volatile or may decline, resulting in substantial losses for our stockholders.

The market price of our Common Stock has been, and may continue to be, volatile for the foreseeable future. Important factors that may cause our trading price to decline include the factors listed below and other factors that may have a material adverse effect on our business or financial results, including those described above in this "Risk Factors" section:

- actual or anticipated fluctuations in our results of operations, including a significant slowdown in our revenue growth or material increase in our workers' compensation expense;
- our failure to maintain effective internal control over financial reporting or otherwise discover material errors in our financial reporting;
- imposition of significant fines or penalties or other adverse action by regulatory authorities against the Company;
- adverse developments in legal proceedings involving claims against the Company;
- our failure to meet financial projections or achieve financial results anticipated by analysts; or
- changes in our Board of Directors or management.

Maryland law and our Charter and bylaws contain provisions that could make the takeover of the Company more difficult.

Certain provisions of Maryland law and our Charter and bylaws could have the effect of delaying or preventing a third-party from acquiring the Company, even if a change in control would be beneficial to our stockholders. These provisions of our Charter and bylaws permit the Board of Directors to issue up to 500,000 shares of preferred stock with such rights and preferences, including voting rights, as the Board may establish, without further approval by the Company's stockholders, which could also adversely affect the voting power of holders of our Common Stock.

In addition, the Company is subject to the Maryland control share act (the "Control Share Act"). Under the Control Share Act, a person (an "Acquiring Person") who acquires voting stock in a transaction (a "Control Share Acquisition") which results in its holding voting power within specified ranges cannot vote the shares it acquires in the Control Share Acquisition unless voting rights are accorded to such control shares by the holders of two-thirds of the outstanding voting shares, excluding the Acquiring Person and the Company's officers and directors who are also employees of the Company.

The Company is also subject to the provisions of Maryland law limiting the ability of certain Maryland corporations to engage in specified business combinations (the "Business Combination Act"). Subject to certain exceptions, the Business Combination Act prohibits a Maryland corporation from engaging in a business combination with a stockholder who, with its affiliates, owns 10% or more of the corporation's voting stock. These provisions will not apply to business combinations that are approved by the Board of Directors before the stockholder became an interested stockholder.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 1C. CYBERSECURITY

Risk Management and Strategy

Cybersecurity Risk Management Process

We have developed and continue to enhance our cybersecurity program to help secure our computer systems, software, networks, and data against material risks from cybersecurity threats, and help manage the material cybersecurity risks associated with our use of third-party service providers.

BBSI has integrated cybersecurity risk management into our overall risk management framework to identify, assess, and manage cybersecurity risks. As part of our integrated risk management process, our technology and information security team work closely with our management team on an ongoing basis to identify and respond to cybersecurity threats. Our proactive approach to cybersecurity risk management includes cybersecurity risk assessments performed internally by our IT security team and externally by third-party experts, penetration and vulnerability testing using third-party vendors and tools, tabletop exercises that simulate cybersecurity incidents, cybersecurity awareness training, and internal audit assessments of critical IT controls.

Use of Cybersecurity Experts

Due to the complex and evolving cybersecurity threat landscape, BBSI engages third-party experts to conduct in-depth threat assessments, identify vulnerabilities, monitor and detect threats, and offer strategic insights into our risk management process. Leveraging the knowledge, expertise, and resources of third-party experts, we regularly evaluate our cybersecurity risk management strategy to help us align with best practices and address cybersecurity threats that could impact our ability to achieve our business objectives.

Third-Party Service Provider Risk Management

We utilize third-party service providers for a variety of reasons, including, without limitation, infrastructure and SaaS cloud computing services, technology and business process service providers, content delivery to customers, back-office support, and other functions. Such providers may have access to information about BBSI or that we hold about our customers, associates or vendors.

To mitigate the cybersecurity risk associated with the use of third-party service providers, we tier our third-party service providers based on their risk profile to establish applicable cybersecurity risk review standards and evaluate those providers in accordance with the tiering process. BBSI also relies on its third-party service providers to maintain cybersecurity control environments that address the risks associated with the products and services they provide to BBSI.

Cybersecurity Threats

We are not aware of any risks from cybersecurity threats that have materially affected or are reasonably likely to materially affect BBSI, including our business strategy, results of operations, or financial condition. Despite our efforts to ensure the integrity of our computer systems, software, networks, third-party relationships, and other technology assets, we may not be able to anticipate, detect, or recognize threats to our systems and assets, or to implement effective preventative measures against all cyber threats, given the sophistication of the techniques used. For further discussion, see [Item 1A, "Risk Factors – Risks Related to Technology."](#)

Governance

Board Oversight of Cybersecurity Risk

Our Board of Directors has a significant role in the oversight of BBSI's cybersecurity risk. The Board's Risk Management Committee provides oversight of BBSI's enterprise-wide risk management framework, including the strategies, policies, procedures, processes, and systems established by management to identify, assess, measure, monitor, and manage cybersecurity and other risks facing the Company. The

Board of Directors also periodically receives reports from third-party consultants on the current cybersecurity threat environment, the results of third-party penetration testing, and the evaluation of the Company's cybersecurity preparedness.

Management's Role in Assessing and Managing Cybersecurity Risk

BBSI's Chief Information Security Officer ("CISO") leads our enterprise information security program and is primarily responsible for the assessment and management of the Company's cybersecurity risks. The CISO has extensive experience in information technology and cybersecurity, including at another publicly traded company. The CISO oversees our cybersecurity risk management framework and manages a team of IT security professionals to identify and prioritize cybersecurity risks. The CISO also utilizes the expertise of third-party security partners to provide threat detection support, vulnerability management, incident response, penetration testing, and consulting services.

Ongoing Monitoring and Reporting of Cybersecurity Incidents

The Company has an internal security team, supplemented with third-party security partners, to regularly monitor, detect and respond to potential cybersecurity incidents. The Company has a cybersecurity incident reporting protocol that provides a mechanism for the appropriate members of management and the Board to be made aware of cybersecurity incidents. The Company also requires security awareness training for all internal employees to enable employees to understand their role in preventing and reporting cybersecurity incidents.

Reporting to the Board of Directors

The CISO and Chief Information Officer ("CIO") regularly update the Board's Risk Management Committee on cybersecurity risks that the Company faces and the risk mitigation strategies that the Company employs to respond to those risks, with meetings generally occurring quarterly.

Item 2. PROPERTIES

We operate through 45 branches. The following table shows the number of branches in each state. We also lease office space in other locations in our market areas which we use to recruit and place employees.

Offices	Number of Branches
California	20
Oregon	4
Washington	4
Utah	3
Arizona	2
Colorado	2
Idaho	2
Maryland	2
Nevada	2
Delaware	1
North Carolina	1
Pennsylvania	1
Tennessee	1

On December 31, 2024, our leases had expiration dates ranging from less than one year to seven years. We own our 65,300 square foot corporate headquarters building, which is located in Vancouver, Washington.

Item 3. LEGAL PROCEEDINGS

BBSI is not subject to material legal proceedings and claims other than those which arise in the ordinary course of our business, except for those matters discussed in "Note 11 - Litigation" to the consolidated financial statements included in Item 8 of Part II of this report.

Item 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II**Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock (the "Common Stock") trades on the Global Select Market segment of The Nasdaq Stock Market under the symbol "BBSI." At February 7, 2025, there were 26 stockholders of record and approximately 10,741 beneficial owners of the Common Stock.

The following table summarizes information related to stock repurchases during the quarter ended December 31, 2024.

Month	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plan ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Repurchased Under the Plan ⁽¹⁾ (in thousands)
Oct 1 - Oct 31, 2024	—	\$ —	—	\$ 36,858
Nov 1 - Nov 30, 2024	20,700	42.88	20,700	35,970
Dec 1 - Dec 31, 2024	141,400	43.29	141,400	29,849
Total	<u>162,100</u>		<u>162,100</u>	

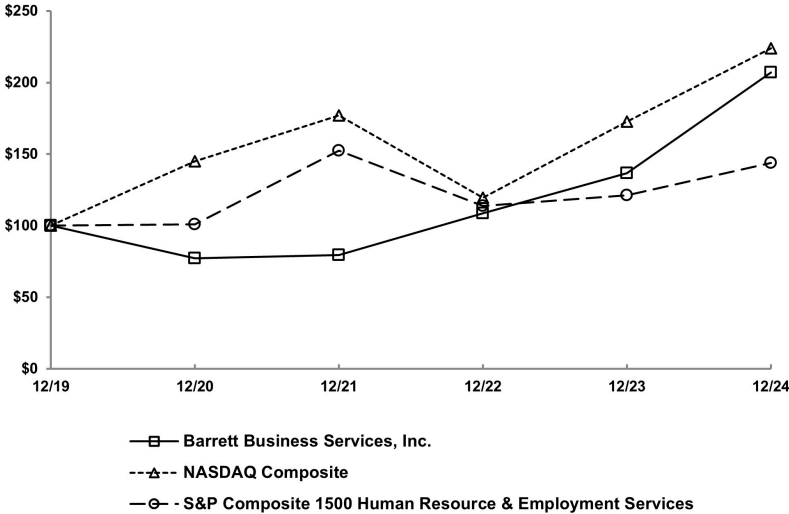
⁽¹⁾ On July 31, 2023, the Board of Directors authorized the repurchase of up to \$75.0 million of the Company's common stock over a two-year period beginning July 31, 2023. As of December 31, 2024, the Company had repurchased 1,493,758 shares at an aggregate purchase price of \$45.2 million under the new repurchase program.

The following graph shows the cumulative total return at the dates indicated for the period from December 31, 2019 until December 31, 2024, for our Common Stock, The Nasdaq Composite Index, and the S&P 1500 Human Resource & Employment Services Index, a published industry index that is considered reflective of the Company's peers.

The stock performance graph has been prepared assuming that \$100 was invested on December 31, 2019 in our Common Stock and the indexes shown, and that dividends are reinvested. The stock price performance reflected in the graph may not be indicative of future price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Barrett Business Services, Inc., the NASDAQ Composite Index and the S&P Composite 1500 Human Resource & Employment Services Index



*\$100 invested on 12/31/19 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

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	12/19	12/20	12/21	12/22	12/23	12/24
Barrett Business Services, Inc.	100.00	77.10	79.34	108.75	136.77	207.11
NASDAQ Composite	100.00	144.92	177.06	119.45	172.77	223.87
S&P 1500 Human Resource & Employment Services Index	100.00	100.85	152.43	113.87	121.22	143.93

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The Company is a leading provider of business management solutions for small and mid-sized companies. The Company has developed a management platform that integrates a knowledge-based approach from the management consulting industry with tools from the human resource outsourcing industry. This platform, through the effective leveraging of human capital, helps our business owner clients run their businesses more effectively. We believe this platform, delivered through a decentralized organizational structure, differentiates BBSI from our competitors.

We report revenues in our financial results in two categories of services: professional employer services ("PEO") and staffing.

With our PEO clients, we enter into a co-employment arrangement in which we become the administrative employer while the client maintains physical care, custody and control of their workforce. Our PEO services are billed as a percentage of client payroll; the gross amount invoiced includes direct payroll costs plus an additional percentage amount to cover employer payroll-related taxes, workers' compensation coverage (if provided), other service-related costs and a margin. However, actual costs can be higher or lower than anticipated. PEO customers are invoiced following the end of each payroll processing cycle, with payment generally due on the invoice date. Revenues for PEO services exclude direct payroll billings because we are not the primary obligor for those payments.

We generate staffing services revenues primarily from short-term staffing, contract staffing, on-site management and direct placement services. For staffing services other than direct placement, invoiced amounts include direct payroll, an amount intended to cover employer payroll-related taxes, workers' compensation coverage, other service-related costs and a margin. Staffing customers are invoiced weekly and typically have payment terms of 30 days. Direct placement services are billed at agreed fees at the time of a successful placement.

Our business is concentrated in California, and we expect to continue to derive a majority of our revenues from this market in the future. Revenues generated in our California operations accounted for 72% of our total revenues in 2024, 72% in 2023 and 73% in 2022. Consequently, weakness in economic conditions, changes in the regulatory or insurance environment, or natural disasters or other major disruptive events in California could have a material adverse effect on our financial results.

Our cost of revenues for PEO services includes employer payroll-related taxes, workers' compensation costs and employee benefits costs. Our cost of revenues for staffing services includes direct payroll costs, employer payroll-related taxes, and workers' compensation costs. Direct payroll costs represent the gross payroll earned by staffing services employees based on salary or hourly wages. Payroll taxes and benefits consist of the employer's portion of Social Security and Medicare taxes, federal and state unemployment taxes, and employee benefit costs, which primarily comprises health insurance premiums paid to third-party insurers and underwriting and benefit consultant payroll. Workers' compensation costs consist primarily of premiums paid to third-party insurers, claims reserves, claims administration fees, legal fees, medical cost containment ("MCC") expense, state administrative agency fees, third-party broker commissions, and risk manager payroll, as well as costs associated with operating our two wholly owned insurance companies, Associated Insurance Company for Excess ("AICE") and Ecole Insurance Company ("Ecole").

Selling, general and administrative expenses consist primarily of payroll and personnel related costs, incentive compensation, information systems costs, rent and professional and legal fees.

Depreciation and amortization represent depreciation of property and equipment, leasehold improvements, software and internally developed software costs. Property, equipment, software and internally developed software costs are depreciated using the straight-line method over their estimated useful lives, which range from 3 to 39 years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life.

Critical Accounting Estimate

We have identified the following accounting estimate as critical to our business and the understanding of our results of operations. For a detailed discussion of the application of this and other accounting policies, see “Note 1 - Summary of Operations and Significant Accounting Policies” to the consolidated financial statements in Item 8 of Part II of this report. The preparation of this Annual Report on Form 10-K requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Workers' Compensation Costs

For all claims incurred under the Company's workers' compensation programs, we record an estimate for the total amount of workers' compensation costs, which represents the amount necessary to pay claims and related expenses, including premiums to third-party insurers, with respect to workplace injuries that have occurred under our various workers' compensation insurance programs.

When a claim involving a probable loss is reported, our independent third-party administrator for workers' compensation claims (“TPA”) establishes a case reserve for the estimated amount of ultimate loss. The estimate reflects a judgment based on established case reserving practices and the experience and knowledge of the TPA regarding the nature and expected amount of the claim, as well as the estimated expenses of settling the claim, including legal and other fees and expenses of claims administration. The adequacy of such case reserves depends in part on the professional judgment of the TPA to evaluate the economic consequences of each claim properly and comprehensively.

Our estimate of ultimate losses includes an additional component for potential future increases in the cost to finally resolve open injury claims and claims incurred in prior periods but not reported (together, “IBNR”) based on actuarial estimates provided by the Company's independent actuary. IBNR does not apply to a specific claim but rather applies to the entire population of claims arising from a specific time period. IBNR primarily covers costs relating to:

- Future claim payments in excess of case reserves on recorded open claims;
- Additional claim payments on closed claims; and
- Claims that have occurred but have not yet been reported to us.

The process of estimating claims and claims adjustment expense involves a high degree of judgment and is affected by both internal and external events, including changes in claims handling practices, modifications in reserve estimation procedures, changes in individuals involved in the reserve estimation process, inflation, trends in the litigation and settlement of pending claims, and legislative changes.

Our estimates are based on actuarial analyses and informed judgment, derived from individual experiences and expertise applied to multiple sets of data and analyses. We consider significant facts and circumstances known both at the time that loss reserves are initially established and as new facts and circumstances become known. Due to the inherent uncertainty underlying loss estimates, the ultimate expense incurred will likely vary from the related loss estimate at the reporting date. Therefore, as specific claims are paid out in the future, actual paid losses may be materially different from our current loss estimates.

A basic premise in most actuarial analyses is that historical data and past patterns demonstrated in the incurred and paid historical data form a reasonable basis upon which to project future outcomes, absent a material change. Significant structural changes to the available data can materially impact the estimation process. To the extent a material change affecting the ultimate claim amount becomes known, such change is quantified to the extent possible through an analysis of internal company data and, if available and when appropriate, external data. Actuaries exercise a considerable degree of judgment in the evaluation of these factors and the need for such actuarial judgment is more pronounced when faced with material uncertainties.

To illustrate the sensitivity of changes in our estimate of workers' compensation costs, a 5% increase in estimated ultimate losses for 2024 would result in a \$0.5 million increase in workers' compensation expense, and a 5% decrease in estimated ultimate losses would result in a \$7.1 million decrease to workers' compensation expense. This asymmetric impact on workers' compensation expense is due to our insured program, which limits our expense if claim costs increase but passes through savings if claim costs are lower than expected.

We believe that the amounts that we have recorded for our estimated workers' compensation costs are reasonable. Nevertheless, adjustments to such estimates will be required in future periods if the development of claim costs varies materially from our estimates, and such future adjustments may be material to our results of operations.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements and their potential effect on the Company's results of operations and financial condition, see "Note 1 - Summary of Operations and Significant Accounting Policies" to the consolidated financial statements in Item 8 of Part II of this report.

Forward-Looking Information

Statements in this Item or in Items 1, 1A, 3 and 9A of this report include forward-looking statements, which are not historical in nature and are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, discussion of economic conditions in our market areas, especially in California, and their effect on revenue levels; the competitiveness of our service offerings; the availability of certain fully insured medical and other health and welfare benefits to qualifying worksite employees; our ability to attract and retain clients and to achieve revenue growth; the effect of changes in our mix of services on gross margin; labor market conditions; the adequacy of our workers' compensation reserves; the effect of changes in estimates of our future claims liabilities on our workers' compensation reserves, including the effect of changes in our reserving practices and claims management process on our actuarial estimates; expected levels of required surety deposits and letters of credit; the outcome of audits; the effect of our formation and operation of two wholly owned licensed insurance subsidiaries; the risks of operation and cost of our insured program; the financial viability of our excess insurance carriers; the effectiveness of our management information systems; our relationship with our primary bank lender and the availability of financing and working capital to meet our funding requirements; litigation costs; the effect of changes in the interest rate environment on the value of our investment securities; the adequacy of our allowance for expected credit losses; and the potential for and effect of acquisitions.

All our forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors with respect to the Company include: our ability to retain current clients and attract new clients; difficulties associated with integrating clients into our operations; economic trends in our service areas and the potential effects of changing governmental policies and natural disasters; the potential for material deviations from expected future workers' compensation claims experience; changes in the workers' compensation regulatory environment in our primary markets; PEO client benefit costs, particularly with regard to health insurance benefits; security breaches or failures in the Company's information technology systems; collectability of accounts receivable; changes in executive management; changes in effective payroll tax rates and federal and state income tax rates; the carrying values of deferred income tax assets and goodwill (which may be affected by our future operating results); the effects of inflation on our operating expenses and those of our clients; the impact of and potential changes to the Patient Protection and Affordable Care Act, escalating medical costs, and other health care legislative initiatives on our business; the effect of changing interest rates and conditions in the global capital markets on our investment portfolio; and the availability of capital, borrowing capacity on our revolving credit facility, or letters of credit necessary to meet state-mandated surety deposit requirements for maintaining our status as a qualified self-insured employer for workers' compensation coverage or our insured program. Additional risk factors affecting our business are discussed in Item 1A

of Part I of this report. We disclaim any obligation to publicly announce any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Results of Operations

The following table sets forth the percentages of total revenues represented by selected items in the Company's consolidated statements of operations for the years ended December 31, 2024, 2023 and 2022, included in Item 8 of Part II of this report.

(\$ in thousands)	Percentage of Total Net Revenues					
	Years Ended December 31,					
	2024		2023		2022	
Revenues:						
Professional employer services	\$ 1,063,386	92.9 %	\$ 982,268	91.9 %	\$ 937,363	88.9 %
Staffing services	81,145	7.1	87,039	8.1	116,963	11.1
Total revenues	1,144,531	100.0	1,069,307	100.0	1,054,326	100.0
Cost of revenues:						
Direct payroll costs	61,010	5.3	65,042	6.1	87,944	8.3
Payroll taxes and benefits	628,534	54.9	555,758	52.0	522,392	49.5
Workers' compensation	201,736	17.6	205,975	19.2	209,145	19.8
Total cost of revenues	891,280	77.8	826,775	77.3	819,481	77.7
Gross margin	253,251	22.2	242,532	22.7	234,845	22.3
Selling, general and administrative expenses	185,869	16.2	174,772	16.3	169,642	16.1
Depreciation and amortization	7,601	0.7	7,110	0.7	6,228	0.6
Income from operations	59,781	5.3	60,650	5.7	58,975	5.6
Other income, net	11,041	1.0	8,338	0.8	6,328	0.6
Income before income taxes	70,822	6.3	68,988	6.5	65,303	6.2
Provision for income taxes	17,829	1.6	18,376	1.7	18,035	1.7
Net income	\$ 52,993	4.7 %	\$ 50,612	4.8 %	\$ 47,268	4.5 %

We report PEO revenues net of direct payroll costs because we are not the primary obligor for wage payments to our clients' employees. However, management believes that gross billings and wages are useful in understanding the volume of our business activity and serve as an important performance metric in managing our operations, including the preparation of internal operating forecasts and establishing executive compensation performance goals. We therefore present for purposes of analysis gross billings and wage information for the years ended December 31, 2024, 2023 and 2022.

(in thousands)	Year Ended December 31,		
	2024	2023	2022
Gross billings	\$ 8,327,091	\$ 7,716,152	\$ 7,393,808
PEO and staffing wages	\$ 7,245,093	\$ 6,711,115	\$ 6,425,286

In monitoring and evaluating the performance of our operations, management also reviews the following ratios, which represent selected amounts as a percentage of gross billings. Management believes these ratios are useful in understanding the efficiency and profitability of our service offerings.

	Percentage of Gross Billings		
	Year Ended December 31,		
	2024	2023	2022
PEO and staffing wages	87.0 %	87.0 %	86.9 %
Payroll taxes and benefits	7.6 %	7.2 %	7.0 %
Workers' compensation	2.4 %	2.7 %	2.9 %
Gross margin	3.0 %	3.1 %	3.2 %

We refer to employees of our PEO clients as worksite employees ("WSEs"). Management reviews average and ending WSE growth to monitor and evaluate the performance of our operations. Average WSEs are calculated by dividing the number of unique individuals paid in each month by the number of months in the period. Ending WSEs represents the number of unique individuals paid in the last month of the period.

	Year Ended December 31,				
	2024	Year-over-year % Growth	2023	Year-over-year % Growth	2022
Average WSEs	129,577	4.2 %	124,306	1.9 %	122,001
Ending WSEs	132,069	4.4 %	126,446	3.4 %	122,306

Years Ended December 31, 2024 and 2023

Net income for 2024 was \$53.0 million compared to net income of \$50.6 million for 2023. Diluted net income per share for 2024 was \$1.98 compared to diluted income per share of \$1.85 for 2023.

Revenue for 2024 totaled \$1,144.5 million, an increase of \$75.2 million or 7.0% over 2023, which reflects an increase in the Company's PEO service revenue of \$81.1 million or 8.3% and a decrease in staffing services revenue of \$5.9 million or 6.8%.

The increase in PEO services revenues was primarily attributable to a 4.2% increase in average number of WSEs as well as a 3.4% increase in average billing per WSE.

Gross margin for 2024 totaled \$253.3 million or 22.2% of revenue compared to \$242.5 million or 22.7% of revenue for 2023. The decrease in gross margin as a percentage of revenues is primarily a result of the factors discussed within the separate components of gross margin below.

Direct payroll costs for 2024 totaled \$61.0 million or 5.3% of revenue compared to \$65.0 million or 6.1% of revenue for 2023. The decrease in direct payroll costs as a percentage of revenues was primarily due to a decrease in staffing services within the mix of our customer base in 2024 as compared to 2023.

Payroll taxes and benefits for 2024 totaled \$628.5 million or 54.9% of revenue compared to \$555.8 million or 52.0% of revenue for 2023. The increase in payroll taxes and benefits expense as a percentage of revenue was primarily due to higher average payroll tax rates in 2024 and PEO client benefit costs of \$33.4 million in 2024 compared to \$10.5 million in 2023.

Workers' compensation expense for 2024 totaled \$201.7 million or 17.6% of revenue compared to \$206.0 million or 19.2% of revenue for 2023. The decrease in workers' compensation expense as a percentage of revenue was primarily due to lower workers' compensation costs in the current year as well as favorable prior year liability and premium adjustments of \$18.5 million in 2024, compared to prior year liability and premium adjustments of \$14.9 million in 2023.

Selling, general and administrative ("SG&A") expenses for 2024 totaled \$185.9 million or 16.2% of revenue compared to \$174.8 million or 16.3% of revenue for 2023. The increase of \$11.1 million in SG&A expense was primarily attributable to increased employee-related costs, including increased variable employee compensation and incentive pay related to stronger financial results compared to 2023.

Other income, net for 2024 totaled \$11.0 million compared to other income of \$8.3 million for 2023. The increase was primarily attributable to an increase in investment income in 2024.

Our effective income tax rate for 2024 was 25.2% compared to 26.6% for 2023. Our income tax rate typically differs from the federal statutory tax rate of 21% primarily due to state taxes as well as federal and state tax credits. See "Note 8 - Income Taxes" to the consolidated financial statements included in Item 8 of Part II of this report for additional information regarding income taxes.

A discussion of our financial condition and results of operations for 2023 compared to 2022 can be found in Part II, Item 7. Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 1, 2024.

Fluctuations in Quarterly Operating Results

We historically have experienced significant fluctuations in our quarterly operating results, including losses or minimal income in the first quarter of each year, and expect such fluctuations to continue in the future. Our operating results may fluctuate due to a number of factors such as seasonality, wage limits on statutory payroll taxes, claims experience for workers' compensation, demand for our services, and competition. Payroll taxes, as a component of cost of revenues, generally decline throughout a calendar year as the applicable statutory wage bases for federal and state unemployment taxes and Social Security taxes are exceeded on a per employee basis. Our revenue levels may be higher in the third quarter due to the effect of increased business activity of our customers' businesses in the agriculture, food processing and forest products-related industries. In addition, revenues in the fourth quarter may be reduced by many customers' practice of operating on holiday-shortened schedules. Workers' compensation expense varies with both the frequency and severity of workplace injury claims reported during a quarter and the estimated future costs of such claims. Positive or adverse loss development of prior period claims during a subsequent quarter may also contribute to the volatility in the Company's estimated workers' compensation expense.

Liquidity and Capital Resources

The Company's cash balance of \$82.6 million, which includes cash, cash equivalents, and restricted cash, increased \$7.7 million for the twelve months ended December 31, 2024, compared to a decrease of \$32.5 million for the comparable period of 2023. The increase in cash at December 31, 2024 as compared to December 31, 2023 was primarily due to proceeds from the sale and maturities of investments and restricted investments, increased accrued payroll and related benefits, and net income, partially offset by increased trade accounts receivable, decreased workers' compensation claim liabilities, purchases of investments and restricted investments, and repurchases of common stock.

Net cash provided by operating activities in 2024 amounted to \$10.1 million, compared to net cash provided of \$67.2 million for the comparable period of 2023. In 2024, net cash provided by operating activities was primarily due to increased accrued payroll and related benefits of \$55.2 million and net income of \$53.0 million, largely offset by increased trade accounts receivable of \$63.1 million and decreased workers' compensation claims liabilities of \$39.4 million.

Net cash provided by investing activities totaled \$38.8 million in 2024, compared to net cash used of \$55.2 million for the comparable period of 2023. In 2024, net cash provided by investing activities consisted primarily of proceeds from the sale and maturity of investments and restricted investments of \$90.8 million, partially offset by the purchases of investments and restricted investments of \$37.9 million and the purchase of property, equipment and software of \$14.2 million.

Net cash used in financing activities in 2024 was \$41.1 million compared to net cash used of \$44.6 million for the comparable period of 2023. In 2024, net cash used in financing activities primarily consisted of repurchases of common stock of \$29.1 million and dividend payments of \$8.1 million.

The Company is required to maintain minimum collateral levels for certain policies issued under the insured program, which is held in a trust account (the "trust account"). The balance in the trust account was \$197.1 million and \$210.9 million at December 31, 2024 and December 31, 2023, respectively. The trust account balance is included as a component of the current and long-term restricted cash and investments in the Company's consolidated balance sheets.

See "Note 5 - Revolving Credit Facility and Long-Term Debt" to the consolidated financial statements included in Item 8 of Part II of this report for information regarding the Company's credit agreement with Wells Fargo Bank, N.A.

Contractual Obligations

The Company's contractual obligations as of December 31, 2024 are summarized below:

(in thousands)	As of December 31, 2024				
	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Operating leases ⁽¹⁾	\$ 30,755	\$ 7,772	\$ 13,397	\$ 7,063	\$ 2,523
Total contractual obligations	<u>\$ 30,755</u>	<u>\$ 7,772</u>	<u>\$ 13,397</u>	<u>\$ 7,063</u>	<u>\$ 2,523</u>

(1) As of December 31, 2024, the Company has additional operating leases that have not yet commenced of \$7.1 million and remaining balances on short-term operating leases of \$0.06 million, included in the table above. In January 2022, the Company paid off all of its long-term debt.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risk for changes in interest rates primarily relates to its investment portfolio and outstanding borrowings on its line of credit. The Company's investments and restricted investments, which are classified as available-for-sale, consist primarily of fixed-rate debt securities, the fair value of which fluctuates with prevailing interest rates. Our cash equivalents consist primarily of money market funds, which are not meaningfully impacted by interest rate risk. We attempt to limit our investment portfolio's exposure to market risk through low investment turnover and diversification. Based on the Company's overall interest exposure at December 31, 2024, a 50 basis point increase in market interest rates would have a \$4.2 million downward effect on the fair value of the Company's investment portfolio. Outstanding borrowings on the Company's line of credit bear interest at a variable market rate, which makes the cost of borrowing on the line of credit susceptible to changing interest rates. At December 31, 2024, the Company had no outstanding borrowings on its line of credit.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Barrett Business Services, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Barrett Business Services, Inc. and subsidiaries (the "Company") as of December 31, 2024 and December 31, 2023, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and December 31, 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2025, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Workers' Compensation Claims Liabilities

Workers' compensation claims liabilities represent management's estimate of future obligation amounts under workers' compensation programs where the Company retains the risk. These estimates utilize actuarial expertise and projection techniques at a given reporting date, and are based on an evaluation of information provided by the Company's third-party administrator for workers' compensation claims, coupled with an actuarial estimate of future loss development with respect to reported claims and incurred but not reported claims (together, "IBNR"). The Company's estimates are based on actuarial analysis and informed judgment, derived from individual experience and expertise applied to multiple sets of data and analyses. The Company considers significant facts and circumstances known both at the time that loss reserves are initially established, and as new facts and circumstances become known.

Given the subjectivity of estimating future loss development with respect to reported claims and incurred but not reported claims, the related audit procedures to evaluate the workers' compensation claims liabilities required a high degree of auditor judgment and an increased extent of effort, including involvement of our actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the workers' compensation claims liabilities included the following:

- We tested the effectiveness of controls related to the workers' compensation claims liabilities, including those involving management's estimates and ultimate loss projections.
- We tested the underlying data that served as the basis for the actuarial analysis, including historical claims, to test that the inputs to the actuarial estimate were complete and accurate.
- With the assistance of our actuarial specialists, we evaluated the methods and assumptions used by management to estimate the workers' compensation claims liabilities by:
 - Performing a retrospective review, including comparing management's prior year estimates of expected incurred losses to actual experience during the current year, to identify potential bias in the determination of the workers' compensation claims liabilities.
 - Developing a range of independent estimates of the workers' compensation claims liabilities, and comparing our estimated ranges to management's estimates and assessed the consistency of management's approach.

/s/ Meghann Hartley
Portland, Oregon
February 28, 2025

We have served as the Company's auditor since 2016.

Barrett Business Services, Inc.
Consolidated Balance Sheets
December 31, 2024 and 2023
(In Thousands, Except Par Value)

	December 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 55,367	\$ 71,168
Investments	66,492	81,027
Trade accounts receivable, net	234,533	171,407
Income taxes receivable	2,662	7,987
Prepaid expenses and other	18,698	18,443
Restricted cash and investments	97,690	97,470
Total current assets	475,442	447,502
Property, equipment and software, net	56,781	50,295
Operating lease right-of-use assets	20,329	19,898
Restricted cash and investments	134,454	145,583
Goodwill	47,820	47,820
Other assets	6,205	6,222
Deferred income taxes	4,477	4,218
Total assets	<u>\$ 745,508</u>	<u>\$ 721,538</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,787	\$ 6,593
Accrued payroll and related benefits	215,648	160,930
Payroll taxes payable	49,685	73,150
Current operating lease liabilities	6,231	6,623
Current premium payable	31,134	35,276
Other accrued liabilities	10,330	10,674
Workers' compensation claims liabilities	39,081	50,006
Total current liabilities	358,896	343,252
Long-term workers' compensation claims liabilities	89,365	117,757
Long-term premium payable	49,840	37,812
Long-term operating lease liabilities	15,215	14,590
Customer deposits and other long-term liabilities	10,788	8,987
Total liabilities	<u>524,104</u>	<u>522,398</u>
Commitments and contingencies (Notes 5, 7 and 11)		
Stockholders' equity:		
Common stock, \$.01 par value; 82,000 shares authorized, 25,784 and 26,290 shares issued and outstanding in 2024 and 2023, respectively ⁽¹⁾	258	263
Additional paid-in capital	40,396	36,743
Accumulated other comprehensive loss	(19,245)	(20,801)
Retained earnings	199,995	182,935
Total stockholders' equity	<u>221,404</u>	<u>199,140</u>
Total liabilities and stockholders' equity	<u>\$ 745,508</u>	<u>\$ 721,538</u>

⁽¹⁾ Prior period results have been adjusted to reflect the four-for-one stock split effected in the form of a stock dividend in June 2024. See the Business section in Item 1 of Part I of this report for details.

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

Barrett Business Services, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2024, 2023 and 2022
(In Thousands, Except Per Share Amounts)

	Year Ended December 31,		
	2024	2023	2022
Revenues:			
Professional employer services	\$ 1,063,386	\$ 982,268	\$ 937,363
Staffing services	81,145	87,039	116,963
Total revenues	<u>1,144,531</u>	<u>1,069,307</u>	<u>1,054,326</u>
Cost of revenues:			
Direct payroll costs	61,010	65,042	87,944
Payroll taxes and benefits	628,534	555,758	522,392
Workers' compensation	201,736	205,975	209,145
Total cost of revenues	<u>891,280</u>	<u>826,775</u>	<u>819,481</u>
Gross margin	253,251	242,532	234,845
Selling, general and administrative expenses	185,869	174,772	169,642
Depreciation and amortization	7,601	7,110	6,228
Income from operations	<u>59,781</u>	<u>60,650</u>	<u>58,975</u>
Other income (expense):			
Investment income, net	11,130	8,643	6,476
Interest expense	(178)	(166)	(141)
Other, net	89	(139)	(7)
Other income, net	11,041	8,338	6,328
Income before income taxes	<u>70,822</u>	<u>68,988</u>	<u>65,303</u>
Provision for income taxes	17,829	18,376	18,035
Net income	<u>\$ 52,993</u>	<u>\$ 50,612</u>	<u>\$ 47,268</u>
Basic income per common share ⁽¹⁾	<u>\$ 2.03</u>	<u>\$ 1.88</u>	<u>\$ 1.66</u>
Weighted average number of basic common shares outstanding ⁽¹⁾	<u>26,076</u>	<u>26,921</u>	<u>28,521</u>
Diluted income per common share ⁽¹⁾	<u>\$ 1.98</u>	<u>\$ 1.85</u>	<u>\$ 1.64</u>
Weighted average number of diluted common shares outstanding ⁽¹⁾	<u>26,708</u>	<u>27,394</u>	<u>28,905</u>

⁽¹⁾ Prior period results have been adjusted to reflect the four-for-one stock split effected in the form of a stock dividend in June 2024. See the Business section in Item 1 of Part I of this report for details.

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

Barrett Business Services, Inc.
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2024, 2023 and 2022
(In Thousands)

	Year Ended December 31,		
	2024	2023	2022
Net income	\$ 52,993	\$ 50,612	\$ 47,268
Unrealized gains (losses) on investments, net of tax of \$595, \$2,596, and (\$10,958) in 2024, 2023 and 2022, respectively	1,556	6,793	(28,673)
Comprehensive income	\$ 54,549	\$ 57,405	\$ 18,595

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

Barrett Business Services, Inc.
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2024, 2023 and 2022
(In Thousands)

	Common Stock		Additional Paid-in Capital ⁽¹⁾	Accumulated Other Comprehensiv e Income (Loss)	Retained Earnings	Total
	Shares ⁽¹⁾	Amount ⁽¹⁾				
Balance, December 31, 2021	29,660	\$ 297	\$ 28,831	\$ 1,079	\$ 178,323	\$ 208,530
Common stock issued on exercise of options, purchase of ESPP shares and vesting of restricted stock units and performance awards	339	3	708	—	—	711
Common stock repurchased on vesting of restricted stock units and performance awards	(92)	(1)	(1,691)	—	—	(1,692)
Share-based compensation expense	—	—	7,390	—	—	7,390
Company repurchase of common stock	(2,424)	(24)	(2,700)	—	(44,444)	(47,168)
Cash dividends on common stock (\$0.30 per share)	—	—	—	—	(8,524)	(8,524)
Unrealized loss on investments, net of tax	—	—	—	(28,673)	—	(28,673)
Net income	—	—	—	—	47,268	47,268
Balance, December 31, 2022	27,483	\$ 275	\$ 32,538	\$ (27,594)	\$ 172,623	\$ 177,842
Common stock issued on exercise of options, purchase of ESPP shares and vesting of restricted stock units and performance awards	436	4	698	—	—	702
Common stock repurchased on vesting of restricted stock units and performance awards	(130)	(1)	(2,992)	—	—	(2,993)
Share-based compensation expense	—	—	8,465	—	—	8,465
Company repurchase of common stock	(1,499)	(15)	(1,966)	—	(32,211)	(34,192)
Cash dividends on common stock (\$0.30 per share)	—	—	—	—	(8,089)	(8,089)
Unrealized gain on investments, net of tax	—	—	—	6,793	—	6,793
Net income	—	—	—	—	50,612	50,612
Balance, December 31, 2023	26,290	\$ 263	\$ 36,743	\$ (20,801)	\$ 182,935	\$ 199,140
Common stock issued on exercise of options, purchase of ESPP shares and vesting of restricted stock units and performance awards	497	5	926	—	—	931
Common stock repurchased on vesting of restricted stock units and performance awards	(153)	(2)	(4,835)	—	—	(4,837)
Share-based compensation expense	—	—	8,840	—	—	8,840
Company repurchase of common stock	(850)	(8)	(1,278)	—	(27,847)	(29,133)
Cash dividends on common stock (\$0.31 per share)	—	—	—	—	(8,086)	(8,086)
Unrealized gain on investments, net of tax	—	—	—	1,556	—	1,556
Net income	—	—	—	—	52,993	52,993
Balance, December 31, 2024	25,784	\$ 258	\$ 40,396	\$ (19,245)	\$ 199,995	\$ 221,404

⁽¹⁾ Prior period results have been adjusted to reflect the four-for-one stock split effected in the form of a stock dividend in June 2024. See the Business section in Item 1 of Part I of this report for details.

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

Barrett Business Services, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2024, 2023 and 2022
(In Thousands)

	Year Ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	\$ 52,993	\$ 50,612	\$ 47,268
Reconciliations of net income to net cash provided by operating activities:			
Depreciation and amortization	7,601	7,110	6,228
Non-cash operating lease expense	6,470	7,036	6,955
Investment (accretion) amortization and (gains) losses recognized	(221)	1,396	1,859
Losses recognized on disposal of property and equipment	65	256	139
Deferred income taxes	(854)	4,626	(2,169)
Share-based compensation	8,840	8,465	7,390
Changes in certain operating assets and liabilities:			
Trade accounts receivable	(63,126)	(7,569)	(8,131)
Income taxes	5,325	(8,597)	(1,063)
Prepaid expenses and other	(255)	1,344	(2,181)
Accounts payable	194	(1,671)	3,779
Accrued payroll and related benefits	55,170	5,698	12,219
Payroll taxes payable	(23,465)	7,030	12,697
Other accrued liabilities	(736)	(4,177)	1,371
Premium payable	7,886	54,168	12,081
Workers' compensation claims liabilities	(39,350)	(51,246)	(64,222)
Operating lease liabilities	(6,668)	(7,099)	(6,740)
Other assets and liabilities, net	218	(160)	298
Net cash provided by operating activities	<u>10,087</u>	<u>67,222</u>	<u>27,778</u>
Cash flows from investing activities:			
Purchase of property, equipment and software	(14,160)	(11,827)	(15,973)
Proceeds from sale of property and equipment	8	120	—
Purchase of investments	(7,902)	(4,387)	—
Proceeds from sales and maturities of investments	23,319	10,352	18,732
Purchase of restricted investments	(29,971)	(66,734)	(4,345)
Proceeds from sales and maturities of restricted investments	67,491	17,289	62,740
Net cash provided by (used in) investing activities	<u>38,785</u>	<u>(55,187)</u>	<u>61,154</u>
Cash flows from financing activities:			
Proceeds from credit-line borrowings	415	12,313	—
Payments on credit-line borrowings	(415)	(12,313)	—
Payments on long-term debt	—	—	(3,510)
Repurchase of common stock	(29,133)	(34,192)	(47,168)
Common stock repurchased on vesting of stock awards	(4,837)	(2,993)	(1,692)
Dividends paid	(8,086)	(8,089)	(8,524)
Proceeds from exercise of stock options and purchase of ESPP	931	702	711
Net cash used in financing activities	<u>(41,125)</u>	<u>(44,572)</u>	<u>(60,183)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	7,747	(32,537)	28,749
Cash, cash equivalents and restricted cash, beginning of period	74,841	107,378	78,629
Cash, cash equivalents and restricted cash, end of period	<u>\$ 82,588</u>	<u>\$ 74,841</u>	<u>\$ 107,378</u>

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

Barrett Business Services, Inc.
Notes to Consolidated Financial Statements

Note 1 - Summary of Operations and Significant Accounting Policies

Nature of operations

Barrett Business Services, Inc. ("BBSI" or the "Company"), is a leading provider of business management solutions for small and mid-sized companies. The Company has developed a management platform that integrates a knowledge-based approach from the management consulting industry with tools from the human resource outsourcing industry. This platform, through the effective leveraging of human capital, helps our business owner clients run their businesses more effectively.

We believe this platform, delivered through our decentralized organizational structure, differentiates BBSI from our competitors. The Company supports clients with a local presence in 67 markets throughout the United States. Approximately 72%, 72% and 73%, respectively, of our revenue during 2024, 2023 and 2022 was attributable to our California operations. BBSI was incorporated in Maryland in 1965.

The Company operates a wholly owned, fully licensed captive insurance company, Associated Insurance Company for Excess ("AICE") and a wholly owned, fully licensed insurance company, Ecole. AICE and Ecole provide access to more competitive and cost-effective insurance markets and provide cost-effective risk management. See "Note 4 - Workers' Compensation Claims" for additional information on the Company's insurance programs.

Principles of consolidation

The accompanying financial statements are prepared on a consolidated basis. All intercompany account balances and transactions between BBSI, AICE, and Ecole have been eliminated in consolidation.

Common stock split

On June 4, 2024, we amended our Charter to increase the number of authorized shares of common stock from 20,500,000 shares to 82,000,000 shares, and our Board of Directors declared a four-for-one split of the Company's common stock effected in the form of a stock dividend (the "2024 Stock Split"). Each stockholder of record at the close of business on June 14, 2024 received a dividend of three additional shares of common stock for each then-held share, distributed after close of trading on June 21, 2024. All share and per share amounts presented herein have been retroactively adjusted to reflect the impact of the 2024 Stock Split. The shares of common stock retain a par value of \$0.01 per share. Accordingly, an amount equal to the par value of the increased shares resulting from the stock split was reclassified from additional paid-in capital to common stock.

Reportable segment

BBSI has one operating and reportable segment which provides business management solutions to small and mid-sized companies. The Company's Chief Executive Officer is the chief operating decision maker ("CODM"). The CODM is provided financial information presented on a consolidated basis, including consolidated gross margin and consolidated net income, to assess the financial performance of the Company and to decide how to allocate resources, including by reinvesting profits into our single operating segment or pursuing other strategic initiatives, such as stock repurchases or acquisitions. The financial information presented to the CODM, including the expense categories, is consistent with the financial information contained in these consolidated financial statements.

The accounting policies of our reportable segment are the same as those of the consolidated entity.

BBSI derives revenue exclusively in the United States and all of the Company's long-lived assets are located in the United States.

Revenue recognition

Professional employer (“PEO”) services are normally used by organizations to satisfy ongoing needs related to the management of human capital and are governed by the terms of a client services agreement which covers all employees at a particular work site. Staffing revenues relate primarily to short-term staffing, contract staffing and on-site management services. The Company’s performance obligations for PEO and staffing services are satisfied, and the related revenue is recognized, as services are rendered by our workforce.

Our PEO client service agreements have a minimum term of one year, are renewable on an annual basis and typically require 30 days’ written notice to cancel or terminate the contract by either party. In addition, our client service agreements provide for immediate termination upon any payment default of the client regardless of when notice is given. PEO customers are invoiced following the end of each payroll processing cycle, with payment generally due on the invoice date. Staffing customers are generally invoiced weekly based on agreed rates per employee and actual hours worked, typically with payment terms of 30 days. The amount of earned but unbilled revenue is classified as a receivable on the consolidated balance sheets.

We report PEO revenues net of direct payroll costs because we are not the primary obligor for these payments to our clients’ employees. Direct payroll costs include salaries, wages, health insurance, and employee out-of-pocket expenses incurred incidental to employment.

Cost of revenues

Our cost of revenues for PEO services includes employer payroll-related taxes, workers’ compensation costs, and employee benefits costs. Our cost of revenues for staffing services includes direct payroll costs, employer payroll-related taxes, and workers’ compensation costs. Direct payroll costs represent the gross payroll earned by staffing services employees based on salary or hourly wages. Payroll taxes consist of the employer’s portion of Social Security and Medicare taxes and federal and state unemployment taxes. Benefit costs primarily comprise health insurance premiums paid to third-party carriers as part of our fully insured PEO benefits programs and underwriting and benefit consultant payroll. Workers’ compensation costs consist primarily of premiums paid to third-party insurers, claims reserves, claims administration fees, legal fees, medical cost containment (“MCC”) expense, state administrative agency fees, third-party broker commissions, risk manager payroll, as well as costs associated with operating our two wholly owned insurance companies, AICE and Ecole.

Cash and cash equivalents

We consider non-restricted short-term investments that are highly liquid, readily convertible into cash, and have maturities at acquisition of less than three months to be cash equivalents for purposes of the consolidated statements of cash flows and consolidated balance sheets. The Company maintains cash balances in bank accounts that normally exceed FDIC insured limits. The Company has not experienced any losses related to its cash concentration.

Investments

The Company classifies investments as available-for-sale. The Company’s investments are reported at fair value with unrealized gains and losses, net of taxes, shown as a component of accumulated other comprehensive loss in stockholders’ equity. Investments are recorded as current on the consolidated balance sheets as the invested funds are available for current operations. Management considers available evidence in evaluating potential impairment of investments, including the extent to which fair value is less than cost and adverse conditions related to the security. In the event of a credit loss, an allowance would be recognized to the extent that the fair value of the security is less than the present value of the expected future cash flows. Realized gains and losses on sales of investments are included in investment income, net in our consolidated statements of operations. Investment income, net in the consolidated statements of operations includes interest income of \$10.9 million, \$9.1 million, and \$6.8 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Restricted cash and investments

The Company holds restricted cash and investments primarily for the future payment of insurance premiums and workers' compensation claims. These investments are categorized as available-for-sale. They are reported at fair value with unrealized gains and losses, net of taxes, shown as a component of accumulated other comprehensive loss in stockholders' equity. Restricted cash and investments are classified as current and noncurrent on the consolidated balance sheets based on the nature of the restriction. Management considers available evidence in evaluating potential impairment of restricted investments, including the extent to which fair value is less than cost and adverse conditions related to the security. In the event of a credit loss, an allowance would be recognized to the extent that the fair value of the security is less than the present value of the expected future cash flows. Realized gains and losses on sales of restricted investments are included in investment income in our consolidated statements of operations.

Restricted cash and investments also includes investments held as part of the Company's deferred compensation plan. These investments are classified as trading securities and are recorded at fair value with unrealized gains and losses reported as a component of income from operations.

Concentration of credit risk

Financial instruments that potentially subject us to concentration of credit risk consist primarily of cash equivalents, investments, restricted cash and investments, and trade accounts receivable. We limit investment of cash equivalents and investments to financial institutions with high credit ratings. Credit risk on trade accounts is minimized as a result of the large and diverse nature of our customer base.

Trade accounts receivable

PEO customers are invoiced following the end of each payroll processing cycle with payment generally due on the invoice date and staffing customers are generally invoiced weekly with payment terms of 30 days. The balance in trade accounts receivable is comprised primarily of unbilled receivables of \$218.8 million and \$157.9 million at December 31, 2024 and 2023, respectively. The remaining balance of \$16.6 million and \$14.4 million in trade accounts receivable at December 31, 2024 and 2023, respectively, is primarily related to outstanding billings to PEO and staffing clients, offset by an allowance for expected credits losses of \$0.9 million at December 31, 2024 and 2023, respectively.

Allowance for expected credit losses

The Company had an allowance for expected credit losses of \$0.9 million at December 31, 2024 and 2023. We make estimates of the collectability of our accounts receivable for services provided to our customers based on future expected credit losses. Management analyzes historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customers' payment trends when evaluating the adequacy of the allowance for expected credit losses. If the financial condition of our customers deteriorates resulting in an impairment of their ability to make payments, additional allowances may be required.

Our allowance for expected credit losses activity is summarized as follows (in thousands):

	2024	2023	2022
Balance at January 1,			
Allowance for expected credit losses	\$ 885	\$ 893	\$ 460
Charges to expense	72	98	462
Write-offs of uncollectible accounts, net of recoveries	(72)	(106)	(29)
Balance at December 31,			
Allowance for expected credit losses	<u>\$ 885</u>	<u>\$ 885</u>	<u>\$ 893</u>

Income taxes

Our income taxes are accounted for using an asset and liability approach. This requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement and tax basis of assets and liabilities at the applicable tax rates. A valuation allowance is recorded against deferred tax assets if, based on the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The factors used to assess the likelihood of realization include the Company's forecast of the reversal of temporary differences, future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the Company's effective tax rate on future earnings.

The determination of our provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The Company recognizes the tax benefit from uncertain tax positions if it is more likely than not that the tax positions will be sustained on examination by the tax authorities. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. As facts and circumstances change, we reassess these probabilities and record any changes in the consolidated financial statements as appropriate. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense.

Goodwill and intangible assets

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for a business combination and the fair value of the net assets acquired. Goodwill is not amortized but is evaluated for impairment annually, or more frequently if circumstances indicate that it is more likely than not that the fair value of the operating segment is below its carrying value. The Company has one operating and reportable segment and evaluates the carrying value of goodwill annually at December 31. No impairment has been recognized in the periods presented.

Property, equipment and software

Property, equipment and software are stated at cost. Expenditures for maintenance and repairs are charged to selling, general and administrative expenses as incurred and expenditures for additions and improvements to property and equipment are capitalized. The cost of assets sold or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is reflected in the consolidated statements of operations.

We capitalize software development costs incurred during the application development stage, which is the stage when preliminary project planning ends and software development begins. Capitalized costs generally include both internal and external costs associated with coding and testing. Capitalized costs are amortized on a straight-line basis over the estimated useful life, commencing when the software is placed into service. Costs incurred during the preliminary project stage and the post-implementation stage, as well as general and administrative and overhead costs, are expensed as they are incurred.

Depreciation of property and equipment and amortization of software is calculated using the straight-line method over estimated useful lives of the related assets or lease terms, as follows:

	Years
Buildings	39
Equipment, furniture and fixtures	7 - 15
Computer hardware, software and software development costs	3 - 10
Leasehold improvements	1 - 7

Impairment of long-lived assets

Long-lived assets, such as property, equipment and software and acquired intangibles subject to amortization, are reviewed for impairment annually, or whenever events or changes in circumstances indicate that the remaining estimated useful life may warrant revision or that the carrying amount of an asset may not be recoverable. Some of the events or changes in circumstances that would trigger an impairment review include, but are not limited to, significant under-performance relative to expected and/or historical results, significant negative industry or economic trends, or knowledge of transactions involving the sale of similar property at amounts below the carrying value.

Assets are grouped for measurement of impairment at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. If the carrying amount of an asset group exceeds the estimated undiscounted future cash flows expected to be generated by the asset group, then an impairment charge is recognized to the extent the carrying amount exceeds the asset group's fair value. In determining fair value, management considers current results, trends, future prospects, and other economic factors.

Leases

The Company leases office facilities and equipment under operating leases. We determine whether an arrangement is or contains a lease at inception. For all leases with a term greater than 12 months, we record our operating lease liabilities and right-of-use (ROU) assets at the lease commencement date. Operating lease liabilities are based on the present value of future minimum lease payments over the lease term, and include options to renew a lease in the future minimum lease payments if it is reasonably certain that the Company will exercise that option. ROU assets are based on the lease liability, adjusted for any lease prepayments and lease incentives. If a lease does not provide an implicit interest rate, we use our incremental borrowing rate on a collateralized basis from the information available at commencement date in determining the present value of lease payments. We recognize expense for lease payments on a straight-line basis over the lease term for operating leases. Leases with initial terms of 12 months or less are considered short-term lease costs and are not recorded as ROU assets on the consolidated balance sheets. ROU assets are reviewed for impairment in the same manner as long-lived assets. No impairment has been recorded in the periods presented.

The Company has elected the practical expedient not to separate non-lease components from lease components for all classes of assets. Our lease agreements generally do not contain material variable lease payments or restrictive covenants.

Workers' compensation claims liabilities

Our workers' compensation claims liabilities do not represent an exact calculation of liability but rather management's best estimate of future obligation amounts under workers' compensation programs where the Company retains risk. These estimates utilize actuarial expertise and projection techniques, at a given reporting date, and are based on an evaluation of information provided by our third-party administrator for workers' compensation claims, coupled with an actuarial estimate of future loss development with respect to reported claims and incurred but not reported claims (together, "IBNR"). Workers' compensation claims liabilities include case reserve estimates for reported losses, plus additional amounts for estimated IBNR claims, MCC and legal costs, unallocated loss adjustment expenses and estimated future recoveries. The estimate of incurred costs expected to be paid within one year is included in current liabilities, while the estimate of incurred costs expected to be paid beyond one year is included in long-term liabilities on our consolidated balance sheets. These estimates are reviewed at least quarterly and adjustments to estimated liabilities are reflected in current operating results as they become known.

The process of arriving at an estimate of unpaid claims and claims adjustment expense involves a high degree of judgment and is affected by both internal and external events, including changes in claims handling practices, changes in reserve estimation procedures, inflation, trends in the litigation and settlement of pending claims, and legislative changes.

Our estimates are based on actuarial analysis and informed judgment, derived from individual experience and expertise applied to multiple sets of data and analyses. We consider significant facts and circumstances known both at the time that loss reserves are initially established and as new facts and circumstances become known. Due to the inherent uncertainty underlying loss reserve estimates, the expenses incurred through final resolution of our liability for our workers' compensation claims will likely vary from the related loss reserves at the reporting date. Therefore, as specific claims are paid out in the future, actual paid losses may be materially different from our current loss reserves.

A basic premise in most actuarial analyses is that historical data and past patterns demonstrated in the incurred and paid historical data form a reasonable basis upon which to project future outcomes, absent a material change. Significant structural changes to the available data can materially impact the reserve estimation process. To the extent a material change affecting the ultimate claim liability becomes known, such change is quantified to the extent possible through an analysis of internal Company data and, if available and when appropriate, external data. Nonetheless, actuaries exercise a considerable degree of judgment in the evaluation of these factors and the need for such actuarial judgment is more pronounced when faced with material uncertainties.

Customer deposits

We require deposits from certain PEO customers to cover a portion of our accounts receivable due from such customers in the event of default of payment.

Comprehensive income

Comprehensive income includes all changes in equity during a period except those that resulted from investments by or distributions to the Company's stockholders.

Other comprehensive income refers to revenues, expenses, gains and losses that under U.S. generally accepted accounting principles ("GAAP") are included in comprehensive income, but excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity. Our other comprehensive income comprises unrealized holding gains and losses on our available-for-sale investments.

Statements of cash flows

Interest paid in 2024, 2023 and 2022 did not materially differ from interest expense. Income taxes paid by the Company totaled \$14.9 million, \$22.2 million, and \$21.0 million in 2024, 2023 and 2022, respectively.

Bank deposits and other cash equivalents that are restricted for use are classified as restricted cash. The table below reconciles the cash, cash equivalents and restricted cash balances from our consolidated balance sheets to the amounts reported on the consolidated statements of cash flows (in thousands):

	December 31, 2024	December 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 55,367	\$ 71,168	\$ 91,423
Restricted cash, included in restricted cash and investments	27,221	3,673	15,955
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 82,588</u>	<u>\$ 74,841</u>	<u>\$ 107,378</u>

Basic and diluted earnings per share

Basic earnings per share are computed based on the weighted average number of common shares outstanding for each year using the treasury method. Diluted earnings per share reflect the potential effects of the issuance of shares in connection with the exercise of outstanding stock options, vesting of outstanding restricted stock units and performance share units, and the Company's employee stock purchase plan. Basic and diluted shares outstanding are summarized as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Weighted average number of basic shares outstanding	26,076	26,921	28,521
Effect of dilutive securities	632	473	384
Weighted average number of diluted shares outstanding	26,708	27,394	28,905

Accounting estimates

The preparation of our consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions. These affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates are used for fair value measurement of investments, allowance for expected credit losses, deferred income taxes, carrying values for goodwill and property, equipment and software, and accrued workers' compensation liabilities. Actual results may or may not differ from such estimates.

Reclassifications

To conform to the current period's presentation, the prior period balance of accrued payroll, payroll taxes and related benefits on the consolidated balance sheets of \$234.1 million was disaggregated into accrued payroll and related benefits of \$160.9 million and payroll taxes payable of \$73.2 million. In the consolidated statements of cash flows, the 2023 amount of net cash inflows from accrued payroll, payroll taxes and related benefits of \$12.7 million was disaggregated into net cash inflows from accrued payroll and related benefits of \$5.7 million and net cash inflows from payroll taxes payable of \$7.0 million. For 2022, net cash inflows from accrued payroll, payroll taxes and related benefits of \$24.9 million was disaggregated into net cash inflows from accrued payroll and related benefits of \$12.2 million and net cash inflows from payroll taxes payable of \$12.7 million.

To conform to the current period's presentation, safety incentives liability of \$1.3 million was reclassified to other accrued liabilities in the prior period consolidated balance sheets, and net cash outflows from safety incentives liability of \$0.8 million and \$2.3 million were reclassified to other accrued liabilities in the prior period consolidated statements of cash flows for the years ended December 31, 2023 and 2022, respectively.

All share and per share amounts presented herein have been retroactively adjusted to reflect the impact of the 2024 Stock Split. To conform to the current period's presentation, additional paid-in-capital of approximately \$0.2 million was reclassified to common stock in the prior period consolidated balance sheets and prior periods' consolidated statements of stockholders' equity.

Recent accounting pronouncements

The following Accounting Standards Updates (ASUs) have been recently issued by the Financial Accounting Standards Board (FASB).

ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*

In November 2023, the FASB issued ASU 2023-07, which expands annual and interim reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. We have adopted this ASU on a retrospective basis for the annual reporting period of our fiscal year beginning January 1, 2024 with no material effects on the Company's financial condition, results of operations, or cash flows.

ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*

In December 2023, the FASB issued ASU 2023-09, which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The ASU applies to all entities subject to income taxes. The new requirements will be effective for annual periods beginning after December 15, 2024. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. We plan to adopt this ASU for the annual reporting period of our fiscal year beginning January 1, 2025. We are evaluating the impact of applying this new accounting guidance to our income tax disclosures but do not expect the adoption of this ASU to have any material effects on the Company's financial condition, results of operations, or cash flows.

ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses ("DISE")*

In November 2024, the FASB issued ASU 2024-03, which requires disclosure of specified information about certain costs and expenses in the notes to interim and annual financial statements. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments in this ASU should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date or (2) retrospectively to any or all prior periods presented in the financial statements. We are evaluating the impact of this new accounting standard but do not expect the adoption of this ASU to have any material effects on the Company's financial condition, results of operations, or cash flows.

Note 2 - Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All of our financial instruments are recognized in our consolidated balance sheets. Carrying values approximate fair value of most financial assets and liabilities. Investments and restricted cash and investments are recorded at market value. The interest rates on our investments approximate current market rates for these types of investments.

In determining the fair value of our financial assets, the Company predominantly uses the market approach. In determining the fair value of all its corporate bonds, mortgage-backed securities, U.S. treasuries, U.S. government agency securities, mutual funds, money market funds, asset-backed securities, and emerging markets, the Company utilizes non-binding quotes provided by our investment brokers.

Factors used in determining the fair value of our financial assets and liabilities are summarized into three levels as established in the fair value hierarchy framework. The three levels of the fair value hierarchy are described below.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

In determining the fair value measurement of our financial assets, the fair value measurement level within the hierarchy is based on the lowest level input and is applied to each financial asset. Valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table summarizes the Company's investments at December 31, 2024 and 2023 measured at fair value on a recurring basis (in thousands):

	December 31, 2024				December 31, 2023			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Recorded Basis	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Recorded Basis
Current:								
Cash equivalents:								
Money market funds	\$ 26,661	\$ —	\$ —	\$ 26,661	\$ 19,539	\$ —	\$ —	\$ 19,539
Total cash equivalents	26,661	—	—	26,661	19,539	—	—	19,539
Investments:								
Corporate bonds	27,954	3	(2,365)	25,592	34,472	2	(3,161)	31,313
U.S. government agency securities	12,734	—	(203)	12,531	12,830	—	(408)	12,422
U.S. treasuries	12,460	—	(1,140)	11,320	12,448	—	(1,253)	11,195
Mortgage-backed securities	12,128	—	(2,592)	9,536	13,084	—	(2,454)	10,630
Asset-backed securities	7,610	12	(109)	7,513	13,659	4	(191)	13,472
Emerging markets	—	—	—	—	2,003	—	(8)	1,995
Total current investments	72,886	15	(6,409)	66,492	88,496	6	(7,475)	81,027
Restricted cash and investments ⁽¹⁾:								
Corporate bonds	100,030	16	(7,302)	92,744	82,481	19	(8,473)	74,027
U.S. treasuries	54,900	—	(6,348)	48,552	109,020	21	(6,436)	102,605
Mortgage-backed securities	40,858	10	(5,674)	35,194	42,077	2	(5,218)	36,861
U.S. government agency securities	16,785	—	(914)	15,871	16,863	—	(1,199)	15,664
Mutual funds	10,961	—	—	10,961	8,941	—	—	8,941
Asset-backed securities	1,666	6	(1)	1,671	799	1	(1)	799
Money market funds	216	—	—	216	337	—	—	337
Emerging markets	200	1	—	201	200	2	—	202
Total restricted cash and investments	225,616	33	(20,239)	205,410	260,718	45	(21,327)	239,436
Total investments	\$ 325,163	\$ 48	\$ (26,648)	\$ 298,563	\$ 368,753	\$ 51	\$ (28,802)	\$ 340,002

⁽¹⁾ Included in restricted cash and investments within the consolidated balance sheets as of December 31, 2024 and 2023 is restricted cash of \$26.7 million and \$3.6 million, respectively, which is excluded from the table above. Restricted cash and investments are classified as current and noncurrent on the balance sheet based on the nature of the restriction.

The following table summarizes the Company's investments at December 31, 2024 and 2023 measured at fair value on a recurring basis by fair value hierarchy level (in thousands):

	December 31, 2024					December 31, 2023				
	Total Recorded Basis	Level 1	Level 2	Level 3	Other ⁽¹⁾	Total Recorded Basis	Level 1	Level 2	Level 3	Other ⁽¹⁾
Cash equivalents:										
Money market funds	\$ 26,661	\$ —	\$ —	\$ —	\$ 26,661	\$ 19,539	\$ —	\$ —	\$ —	\$ 19,539
Investments:										
Corporate bonds	25,592	—	25,592	—	—	31,313	—	31,313	—	—
U.S. government agency securities	12,531	—	12,531	—	—	12,422	—	12,422	—	—
U.S. treasuries	11,320	—	11,320	—	—	11,195	—	11,195	—	—
Mortgage-backed securities	9,536	—	9,536	—	—	10,630	—	10,630	—	—
Asset-backed securities	7,513	—	7,513	—	—	13,472	—	13,472	—	—
Emerging markets	—	—	—	—	—	1,995	—	1,995	—	—
Restricted cash and investments:										
Corporate bonds	92,744	—	92,744	—	—	74,027	—	74,027	—	—
U.S. treasuries	48,552	—	48,552	—	—	102,605	—	102,605	—	—
Mortgage-backed securities	35,194	—	35,194	—	—	36,861	—	36,861	—	—
U.S. government agency securities	15,871	—	15,871	—	—	15,664	—	15,664	—	—
Mutual funds	10,961	10,961	—	—	—	8,941	8,941	—	—	—
Asset-backed securities	1,671	—	1,671	—	—	799	—	799	—	—
Money market funds	216	—	—	—	216	337	—	—	—	337
Emerging markets	201	—	201	—	—	202	—	202	—	—
Total investments	\$ 298,563	\$ 10,961	\$ 260,725	\$ —	\$ 26,877	\$ 340,002	\$ 8,941	\$ 311,185	\$ —	\$ 19,876

⁽¹⁾ Investments in money market funds measured at fair value using the net asset value per share practical expedient are not subject to hierarchy level classification disclosure. The Company invests in money market funds that seek to maintain a stable net asset value. These investments include commingled funds that comprise high-quality short-term securities representing liquid debt and monetary instruments where the redemption value is likely to be the fair value. Redemption is permitted daily without written notice.

The following table summarizes the contractual maturities of the Company's available for sale securities at December 31, 2024 and 2023. Actual maturities may differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties. The table also includes money market funds, which are classified as cash and cash equivalents on the Company's consolidated balance sheets.

(In thousands)	December 31, 2024				Total
	Less than 1 Year	Between 1 to 5 Years	Between 5 to 10 Years	After 10 Years	
Corporate bonds	\$ 18,815	\$ 76,574	\$ 22,947	\$ —	\$ 118,336
U.S. treasuries	497	42,333	17,042	—	59,872
U.S. government agency securities	8,014	19,333	1,055	—	28,402
Money market funds	26,877	—	—	—	26,877
Asset-backed securities	—	1,228	6,654	1,302	9,184
Emerging markets	—	—	201	—	201
Total	\$ 54,203	\$ 139,468	\$ 47,899	\$ 1,302	\$ 242,872

(In thousands)	December 31, 2023				Total
	Less than 1 Year	Between 1 to 5 Years	Between 5 to 10 Years	After 10 Years	
U.S. treasuries	\$ 55,955	\$ 32,706	\$ 25,139	\$ —	\$ 113,800
Corporate bonds	6,859	67,731	30,574	176	105,340
U.S. government agency securities	39	27,018	1,029	—	28,086
Money market funds	19,876	—	—	—	19,876
Asset-backed securities	—	799	12,182	1,290	14,271
Emerging markets	1,995	—	202	—	2,197
Total	\$ 84,724	\$ 128,254	\$ 69,126	\$ 1,466	\$ 283,570

The average contractual maturity of mortgage-backed securities, which are excluded from the table above, was 21 years and 23 years as of December 31, 2024 and 2023, respectively.

The fair values and gross unrealized losses of the Company's available for sale securities that were in an unrealized loss position as of December 31, 2024 and 2023, aggregated by investment category and length of time that individual securities have been in a continuous loss position, were as follows (in thousands):

	December 31, 2024					
	Less than 12 months		12 months or longer		Total	
	Recorded Basis	Gross Unrealized Losses	Recorded Basis	Gross Unrealized Losses	Recorded Basis	Gross Unrealized Losses
Investments:						
Corporate bonds	\$ 20	\$ —	\$ 25,377	\$ (2,365)	\$ 25,397	\$ (2,365)
U.S. government agency securities	—	—	12,531	(203)	12,531	(203)
U.S. treasuries	—	—	11,320	(1,140)	11,320	(1,140)
Mortgage-backed securities	—	—	9,536	(2,592)	9,536	(2,592)
Asset-backed securities	—	—	1,301	(109)	1,301	(109)
Total investments	20	—	60,065	(6,409)	60,085	(6,409)
Restricted investments:						
Corporate bonds	11,142	(15)	71,716	(7,287)	82,858	(7,302)
U.S. treasuries	1,399	(29)	46,656	(6,319)	48,055	(6,348)
Mortgage-backed securities	3,360	(37)	29,877	(5,637)	33,237	(5,674)
U.S. government agency securities	—	—	15,871	(914)	15,871	(914)
Asset-backed securities	443	(1)	—	—	443	(1)
Total restricted investments	16,344	(82)	164,120	(20,157)	180,464	(20,239)
Total investments and restricted investments	\$ 16,364	\$ (82)	\$ 224,185	\$ (26,566)	\$ 240,549	\$ (26,648)

	December 31, 2023					
	Less than 12 months		12 months or longer		Total	
	Recorded Basis	Gross Unrealized Losses	Recorded Basis	Gross Unrealized Losses	Recorded Basis	Gross Unrealized Losses
Investments:						
Corporate bonds	\$ —	\$ —	\$ 31,122	\$ (3,161)	\$ 31,122	\$ (3,161)
U.S. government agency securities	562	(20)	11,859	(388)	12,421	(408)
U.S. treasuries	—	—	11,195	(1,253)	11,195	(1,253)
Mortgage-backed securities	—	—	10,629	(2,454)	10,629	(2,454)
Asset-backed securities	—	—	5,268	(191)	5,268	(191)
Emerging Markets	—	—	1,995	(8)	1,995	(8)
Total investments	562	(20)	72,068	(7,455)	72,630	(7,475)
Restricted investments:						
Corporate bonds	176	(1)	72,439	(8,472)	72,615	(8,473)
U.S. treasuries	994	(1)	47,046	(6,435)	48,040	(6,436)
Mortgage-backed securities	1,235	(5)	35,383	(5,213)	36,618	(5,218)
U.S. government agency securities	3,287	(171)	12,377	(1,028)	15,664	(1,199)
Asset-backed securities	300	(1)	—	—	300	(1)
Total restricted investments	5,992	(179)	167,245	(21,148)	173,237	(21,327)
Total investments and restricted investments	\$ 6,554	\$ (199)	\$ 239,313	\$ (28,603)	\$ 245,867	\$ (28,802)

We have determined that the gross unrealized losses on our investments as of December 31, 2024 and 2023 were temporary in nature. The decline in fair value was due to changes in market interest rates, rather than credit losses.

Note 3 - Property, Equipment and Software

Property, equipment and software consists of the following (in thousands):

	December 31,	
	2024	2023
Buildings	\$ 17,929	\$ 18,449
Equipment, furniture and fixtures	24,244	24,093
Computer hardware and software	6,233	6,109
Software development costs	47,025	34,620
	95,431	83,271
Less accumulated depreciation and amortization	(40,140)	(34,466)
	55,291	48,805
Land	1,490	1,490
Total Property, Equipment and Software	\$ 56,781	\$ 50,295

We recognized \$3.7 million, \$3.6 million and \$3.4 million in depreciation expense associated with our property and equipment in 2024, 2023 and 2022, respectively. We recognized \$3.9 million, \$3.5 million, and \$2.8 million in amortization of capitalized software development costs in 2024, 2023 and 2022, respectively. We capitalized \$12.4 million, \$6.0 million and \$5.3 million of software development costs in 2024, 2023 and 2022, respectively.

Note 4 - Workers' Compensation Claims

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

	Years Ended December 31,		
	2024	2023	2022
Beginning balance			
Workers' compensation claims liabilities	\$ 167,763	\$ 215,987	\$ 279,407
Add: claims expense accrual			
Current period	12,188	16,731	19,146
Prior periods	(11,524)	(12,147)	(11,337)
Total claims expense incurred	664	4,584	7,809
Less: claim payments related to			
Current period	5,006	3,260	4,450
Prior periods	35,008	52,570	67,581
Total claim payments	40,014	55,830	72,031
Change in claims incurred in excess of retention limits	33	3,022	802
Ending balance			
Workers' compensation claims liabilities	\$ 128,446	\$ 167,763	\$ 215,987

Insured program

The Company provides workers' compensation coverage for client employees primarily through arrangements with fully licensed, third-party insurers (the "insured program"). Under this program, carriers issue policies or afford coverage to the Company's clients under a program maintained by the Company. Approximately 85% of the Company's workers' compensation exposure is covered through the insured program.

Effective July 1, 2021, the Company entered into a fully insured arrangement for its insured program, whereby third-party insurers assume substantially all risk of loss for claims incurred under the program. This fully insured arrangement has been extended annually and covers claims incurred between July 1, 2021 and June 30, 2025, with an option to renew through June 30, 2026.

Each annual fully insured policy allows BBSI to participate in savings if claims develop favorably up to a maximum per policy year ranging from \$20.5 million to \$28.5 million, depending on the policy period. For only the policy period from July 1, 2021 to June 30 2022, BBSI can also incur additional premium up to \$7.5 million if claims develop adversely. No additional premium can be charged based on claim performance for other policy years.

Premiums incurred but not paid are recorded as either current or long-term premium payable on the consolidated balance sheets based on the expected timing of the payments.

For claims incurred under the insured program prior to July 1, 2021, the Company retains risk of loss up to the first \$3.0 million per occurrence on policies issued after June 30, 2020 and \$5.0 million per occurrence on policies issued before that date.

Claim obligations for policies issued under the insured program between February 1, 2014 and June 30, 2018 were removed through loss portfolio transfers in 2020 and 2021.

The following is a summary of the risk retained by the Company under its insured program after considering the effects of the loss portfolio transfers and current insurance arrangements:

Year	Claims risk retained
2014	No
2015	No
2016	No
2017	No
2018 ⁽¹⁾	No
2019 ⁽¹⁾	Yes
2020	Yes
2021 - Through June 30	Yes
2021 - July 1 and after	No
2022	No
2023	No
2024	No

⁽¹⁾ The loss portfolio transfers excluded approximately 10% of claims from 2018 and included an approximately offsetting amount of claims from 2019.

The Company is required to maintain minimum collateral levels for certain policies issued under the insured program, which is held in a trust account (the "trust account"). The balance in the trust account was \$197.1 million and \$210.9 million at December 31, 2024 and December 31, 2023, respectively. The trust account balance is included as a component of the current and long-term restricted cash and investments in the Company's consolidated balance sheets.

Self-insured programs

The Company is a self-insured employer with respect to workers' compensation coverage for all employees, including employees of PEO clients that elect to participate in our workers' compensation program, working in Colorado, Maryland, Ohio, and Oregon. In the state of Washington, state law allows only the Company's staffing services and internal management employees to be covered under the Company's self-insured workers' compensation program. The Company also operates a wholly owned, fully licensed insurance company, Ecole, which provides workers' compensation coverage to client employees working in Arizona and Utah. Approximately 15% of the Company's workers' compensation exposure is covered through self-insurance or Ecole (the "self-insured programs").

For all claims incurred under the Company's self-insured programs, the Company retains risk of loss up to the first \$3.0 million per occurrence, except in Maryland and Colorado, where the Company's retention per occurrence is \$1.0 million and \$2.0 million, respectively. For claims incurred under the Company's self-insured programs prior to July 1, 2020, the Company retains risk of loss up to the first \$5.0 million per occurrence, except in Maryland and Colorado, where the retention per occurrence is \$1.0 million and \$2.0 million, respectively.

The states of Maryland, California, Oregon, Colorado, Washington, and Delaware required the Company to maintain collateral totaling \$55.9 million and \$48.1 million at December 31, 2024 and 2023, respectively, to cover potential workers' compensation claims losses related to the Company's current and former status as a self-insured employer. At December 31, 2024, the Company provided surety bonds totaling \$55.9 million.

Claims liabilities

The Company provided a total of \$128.4 million and \$167.8 million at December 31, 2024 and 2023, respectively, as an estimated future liability for unsettled workers' compensation claims liabilities. Of this amount, \$6.0 million on December 31, 2024 and 2023, represent case reserves and IBNR in excess of the Company's retention. The accrual for costs incurred in excess of retention is offset by a receivable from insurance carriers of \$6.0 million at December 31, 2024 and 2023, included in other assets in the consolidated balance sheets.

Note 5 - Revolving Credit Facility and Long-Term Debt

The Company maintains an agreement (the "Agreement") with Wells Fargo Bank, N.A. (the "Bank") for a revolving credit line of \$50.0 million and a sublimit for standby letters of credit of \$25.0 million. Advances under the revolving credit line bear interest, as selected by the Company, of (a) the daily Simple Secured Overnight Financing Rate ("SOFR") plus 1.75% or (b) one-month Term SOFR plus 1.75%. The Agreement also provides for an unused commitment fee of 0.35% per year on the average daily unused amount of the revolving credit line, as well as a fee of 1.75% of the face amount of each letter of credit reserved under the line of credit. The Company had no outstanding borrowings on its revolving credit line at December 31, 2024 and 2023. The credit facility is collateralized by the Company's accounts receivable and other rights to receive payment. The revolving credit facility will mature on July 1, 2026, unless extended.

The Agreement requires the satisfaction of certain financial covenants as follows:

- adjusted free cash flow [net profit after taxes plus interest expense (net of capitalized interest), depreciation, expense and amortization expense, less dividends/distributions] not less than \$10 million as of each fiscal quarter end, determined on a rolling 4-quarter basis; and
- tangible net worth [aggregate of total stockholders' equity plus subordinated debt less any intangible assets and less any loans or advances to, or investments in, any related entities or individuals] not less than \$50 million at each fiscal quarter end.

The Agreement imposes certain additional restrictions unless the Bank provides its prior written consent as follows:

- incurring additional indebtedness is prohibited, other than purchase financing for the acquisition of assets, provided that the aggregate of all purchase financing does not exceed \$1 million at any time;
- the Company may not terminate or cancel any of the AICE policies; and
- if an event of default occurs, and is continuing, including on a pro forma basis, no dividends or distributions would be permitted to be paid and redemptions and repurchases of the Company's stock would be permitted only up to \$15 million in any rolling 12-month period.

The Agreement also contains customary events of default and specified cross-defaults under the Company's workers' compensation insurance arrangements. If an event of default under the Agreement occurs and is continuing, the Bank may declare any outstanding obligations under the Agreement to be immediately due and payable. At December 31, 2024, the Company was in compliance with all covenants.

Note 6 - Benefit Plans

We have a 401(k) Retirement Savings Plan for the benefit of our eligible employees. Employees covered under a PEO arrangement may participate in the plan at the sole discretion of the PEO client. We make matching contributions to the 401(k) plan under a safe harbor provision. The determination of any discretionary Company contributions to the plan is at the sole discretion of our Board of Directors. No discretionary Company contributions were made to the plan for the years ended December 31, 2024, 2023 and 2022. We made matching contributions of \$2.6 million, \$2.4 million and \$2.1 million in 2024, 2023 and 2022, respectively.

The Company allows certain highly compensated employees of the Company to defer compensation under a nonqualified deferred compensation plan. The long-term portion of the deferred compensation plan liability was \$9.5 million and \$7.9 million at December 31, 2024 and 2023, respectively, and is recorded in customer deposits and other long-term liabilities on the consolidated balance sheets. The current portion of the deferred compensation plan liability was \$1.5 million and \$1.1 million at December 31, 2024 and 2023, respectively, and is recorded in other accrued liabilities on the consolidated balance sheets. The fair value of the long-term asset portion of this plan was \$9.5 million and \$7.9 million at December 31, 2024 and 2023, respectively, and is recorded in noncurrent restricted cash and investments on the consolidated balance sheets. The fair value of the current asset portion of this plan was \$1.5 million and \$1.1 million at December 31, 2024 and 2023, respectively, and is recorded in current restricted cash and investments on the consolidated balance sheets.

Note 7 - Leases

The Company primarily leases office buildings under operating leases which are included in Operating lease right-of-use ("ROU") assets, Current operating lease liabilities, and Long-term operating lease liabilities on the consolidated balance sheets. The Company's leases have remaining terms of 1 to 7 years.

Information related to the Company's total lease costs was as follows (in thousands):

	Year Ended	
	December 31, 2024	December 31, 2023
Operating lease cost	\$ 7,556	\$ 7,894
Variable lease cost	1,314	1,229
Short-term lease cost	662	208
Total lease cost	<u>\$ 9,532</u>	<u>\$ 9,331</u>

Information related to the Company's ROU assets and related lease liabilities was as follows (in thousands):

	Year Ended	
	December 31, 2024	December 31, 2023
Cash paid for operating lease liabilities	\$ 7,745	\$ 7,933
Right-of-use assets obtained in exchange for new operating lease obligations	6,913	7,270

	December 31, 2024	December 31, 2023
	Weighted-average remaining lease term	3.7 years
Weighted-average discount rate	5.1 %	4.7 %

The table below reconciles the undiscounted future minimum lease payments (displayed by year and in the aggregate) under noncancellable operating leases with terms of more than one year to the total operating lease liabilities recognized on the consolidated balance sheets as of December 31, 2024 (in thousands):

2025	\$ 7,131
2026	6,249
2027	5,036
2028	3,477
2029	1,352
Thereafter	368
Total undiscounted future minimum lease payments	<u>23,613</u>
Less: Difference between undiscounted lease payments and discounted operating lease liabilities	2,166
Total operating lease liabilities	<u>\$ 21,447</u>
Current operating lease liabilities	\$ 6,231
Long-term operating lease liabilities	15,215
Total operating lease liabilities	<u>\$ 21,447</u>

The Company has additional operating leases of \$7.1 million that have not commenced as of December 31, 2024, and as such, have not been recognized in the Company's Consolidated Balance Sheets. These operating leases are expected to commence in 2025 with lease terms of 5 to 7 years.

Note 8 - Income Taxes

The provision for income taxes is as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Current:			
Federal	\$ 15,070	\$ 11,896	\$ 14,683
State	3,613	1,854	5,529
Total current provision for income taxes	<u>18,683</u>	<u>13,750</u>	<u>20,212</u>
Deferred:			
Federal	(535)	2,784	(1,096)
State	(319)	1,842	(1,081)
Total deferred provision for income taxes	<u>(854)</u>	<u>4,626</u>	<u>(2,177)</u>
Total provision for income taxes	<u>\$ 17,829</u>	<u>\$ 18,376</u>	<u>\$ 18,035</u>

Deferred income tax assets and liabilities consist of the following components (in thousands):

	December 31,	
	2024	2023
Deferred income tax assets:		
Deferred compensation	\$ 7,392	\$ 6,149
Tax effect of unrealized losses, net	7,374	7,969
Operating lease liability	5,850	5,813
Workers' compensation claims liabilities	5,423	6,709
Other	1,164	579
Equity based compensation	857	907
Total deferred income tax assets	28,060	28,126
Less: valuation allowance	340	65
Net deferred income tax assets	27,720	28,061
Deferred income tax liabilities:		
Tax depreciation in excess of book depreciation	(10,230)	(9,180)
Amortization of software and intangibles	(7,467)	(8,441)
Operating lease right-of-use	(5,545)	(5,452)
Other	(1)	(770)
Total deferred income tax liabilities	(23,243)	(23,843)
Net deferred income taxes	\$ 4,477	\$ 4,218

The effective tax rate differed from the U.S. statutory federal tax rate due to the following:

	Year Ended December 31,		
	2024	2023	2022
Statutory federal tax rate	21.0 %	21.0 %	21.0 %
State taxes, net of federal benefit	3.6	4.3	5.4
Nondeductible expenses and other, net	1.0	1.7	1.5
Adjustment for final positions on filed returns	0.5	(0.5)	0.2
Other, net	(0.1)	0.2	—
Federal and state tax credits	(0.8)	(0.1)	(0.5)
Effective tax rate	25.2 %	26.6 %	27.6 %

Under ASC 740, "Income Taxes," management evaluates the realizability of the deferred tax assets on a quarterly basis under a "more-likely-than-not" standard. As part of this evaluation, management reviews all evidence both positive and negative to determine if a valuation allowance is needed. One component of this analysis is to determine whether the Company was in a cumulative loss position for the most recent 12 quarters. The Company was in a cumulative income position for the 12 quarters ended at both December 31, 2024 and December 31, 2023.

The Company's realization of a portion of net deferred tax assets is based in part on our estimates of the timing of reversals of certain temporary differences and on the generation of taxable income before such reversals.

The Company is subject to income taxes in U.S. federal and multiple state and local tax jurisdictions. The Internal Revenue Service (the "IRS") is examining the Company's federal tax returns for the years ended December 31, 2017 through 2021. BBSI received notices that the IRS intends to disallow certain wage-based tax credits claimed for the years 2017 through 2021, which could result in estimated total additional taxes of \$8.0 million and penalties of \$1.9 million plus related interest. The Company disagrees with the IRS determination to disallow certain wage-based credits taken by the Company and has filed U.S. Tax Court petitions challenging these notices. We believe that the Company has the technical merits to defend its position. Based on management's more-likely-than-not assessment that the Company's position is sustainable, no reserve for the aforementioned IRS notices of disallowance of wage-based tax credits or underpayment penalties has been recorded in the financial statements.

In the major jurisdictions where it operates, the Company is generally no longer subject to income tax examinations by tax authorities for tax years before 2017. As of December 31, 2024, total gross unrecognized tax benefits, excluding interest and penalties, of \$0.5 million would affect the Company's effective tax rate if recognized in future periods. The Company does not anticipate any material changes to the reserve in the next 12 months. The Company had unrecognized tax benefit of \$0.8 million and \$0.6 million as of December 31, 2023 and December 31, 2022, respectively.

A portion of the consolidated income the Company generates is not subject to state income tax. Depending on the percentage of this income as compared to total consolidated income, the Company's state effective tax rate could fluctuate from expectations.

At December 31, 2024, the Company had no state operating loss carryforwards. At December 31, 2024, the Company did not have a federal general business tax credit carryforward or an alternative minimum tax credit carryforward.

Note 9 - Stock Incentive Plans

The Company's 2020 Stock Incentive Plan (the "2020 Plan"), which provides for share-based awards to Company employees, non-employee directors and outside consultants or advisors, was approved by stockholders on May 27, 2020, and amended with stockholder approval on June 5, 2023, to increase the number of shares available for issuance under the 2020 Plan from 375,000 to 725,000. On June 3, 2024, the Company's stockholders approved an amendment of the Company's Amended and Restated Charter to increase the number of authorized shares of Common Stock of the Company from 20,500,000 to 82,000,000 (the "Charter Amendment"). The Company's Board of Directors proposed the Charter Amendment in part to permit a four-for-one split of the Company's common stock. As such, the number of shares available for issuance under the 2020 Plan increased from 725,000 to 2,900,000. The number of shares available for grants of awards at December 31, 2024 was 862,526.

Share-based compensation expense included in selling, general and administrative expenses during the years ended December 31, 2024, 2023 and 2022, was \$8.8 million, \$8.5 million and \$7.4 million, respectively. Related income tax benefits for the years ended December 31, 2024, 2023 and 2022, were \$2.2 million, \$1.6 million and \$1.2 million, respectively.

Stock Options

Outstanding stock options generally vest over four or eight years and expire up to ten years after the date of grant.

A summary of the status of the Company's stock options at December 31, 2024, together with changes during the periods then ended, is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In Thousands)
Outstanding at December 31, 2023	400,000	\$ 17.89	—	—
Options granted at market price	34,500	43.78	—	—
Options exercised	(20,500)	6.73	—	—
Outstanding at December 31, 2024	414,000	20.60	3.09	9,474
Exercisable at December 31, 2024	219,500	\$ 17.00	2.54	\$ 5,803

The fair value of stock option awards as determined under the Black-Scholes option-pricing model was estimated with the following weighted-average assumptions:

	2024	
Expected volatility		24.4 %
Risk free interest rate		4.2 %
Expected dividend yield		0.7 %
Expected term (years)		5.0
Weighted average fair value per share	\$	12.16

The weighted average fair value of stock options granted for the year ended December 31, 2024 was \$12.16. There were no stock options granted with an exercise price below market price during 2024. No stock options were granted during 2023 or 2022.

The intrinsic value of stock options exercised for the years ended December 31, 2024, 2023 and 2022 was \$0.6 million, \$0.1 million, and \$0.2 million, respectively. The fair value of stock options vested for the years ended December 31, 2024 and December 31, 2022 was \$728,000. No stock options vested during the years ended December 31, 2023. As of December 31, 2024, unrecognized compensation expense related to stock options was \$1.3 million with a weighted average remaining amortization period of 2.1 years.

Restricted Stock Units

Restricted stock units generally vest in four equal annual installments beginning one year following the date of grant, other than restricted stock units granted to nonemployee directors since 2019, which vest one year following the date of grant.

The following table presents restricted stock unit activity:

	Units		Weighted Average Grant Date Fair Value
Nonvested at December 31, 2023	877,112	\$	19.14
Granted	266,812		31.84
Vested	(348,524)		17.94
Cancelled/Forfeited	(34,543)		20.11
Nonvested at December 31, 2024	<u>760,857</u>	\$	<u>24.10</u>

The total fair value of restricted stock units vested during the years ended December 31, 2024, 2023 and 2022 was \$6.3 million, \$5.1 million and \$4.5 million, respectively. As of December 31, 2024, unrecognized compensation expense related to restricted stock units was \$14.0 million with a weighted average remaining amortization period of 2.8 years.

Performance Share Units

Performance share units ("PSUs") are granted to key employees of the Company and are conditioned on attaining financial performance metrics specified in each award. Each award is subject to upward or downward adjustment depending on whether achievement of the financial metrics is above or below the target level, with a maximum payout of up to 200% of the target number of shares covered by the award.

PSUs vest on the date that the Compensation Committee determines the level of attainment of the specified financial metrics, generally measured over a three-year period.

The following table presents PSU activity:

	Units		Weighted Average Grant Date Fair Value
Nonvested at December 31, 2023	245,176	\$	18.23
Granted	117,661		25.99
Vested	(97,089)		17.29
Nonvested at December 31, 2024	265,748	\$	22.01

The total grant date fair value of PSUs vested during the years ended December 31, 2024, 2023 and 2022 was \$1.7 million, \$1.6 million, and \$259,000, respectively.

Employee Stock Purchase Plan

The Company offers employees the right to purchase shares at a discount from the market price under the Company's 2019 Employee Stock Purchase Plan. Subject to the annual statutory limit, employees are eligible to participate through payroll deductions of up to 15% of their compensation. At the end of each six-month offering period, shares are purchased by the participants at 85% of the fair market value at the end of the offering period. As of December 31, 2024, approximately 1,024,554 shares were reserved for future issuance under the 2019 Employee Stock Purchase Plan.

Note 10 - Stock Repurchase Program

The Company maintains a stock repurchase program approved by the Board of Directors, which authorizes the repurchase of shares from time to time in open market purchases. On July 31, 2023, the Board of Directors authorized the repurchase of up to \$75.0 million of the Company's common stock over a two-year period beginning July 31, 2023. The new repurchase program replaces the program approved in February 2022. The Company repurchased 848,958, 1,500,456 and 2,423,748 shares at an aggregate purchase price of \$29.1 million, \$34.2 million, and \$47.2 million during 2024, 2023 and 2022, respectively.

In addition, shares of restricted stock units withheld to satisfy tax-withholding obligations from the vesting of restricted stock units were 153,372, 131,552 and 92,452 in 2024, 2023 and 2022, respectively, which are not subject to the current repurchase program. See "Note 5. Revolving Credit Facility and Long-Term Debt" for related restrictions on share repurchases.

Note 11 - Litigation

On April 5, 2011, several individual plaintiffs filed a wage and hour class action in the California Superior Court, County of Fresno, naming as defendants their employer, a Merry Maids franchisee; BBSI, which was providing PEO services to the franchisee; and various parties related to the franchisor. Plaintiffs claimed, among other things, that BBSI and the franchisor were their joint employer with the franchisee and therefore jointly responsible for the alleged wage and hour violations. BBSI continues to maintain that it was not the plaintiff's joint employer. Notwithstanding, in January 2025, the plaintiffs and BBSI reached an agreement in principle to settle the matter, subject to the completion of definitive documentation and customary court approval.

BBSI is subject to other legal proceedings and claims that arise in the ordinary course of our business. There are significant uncertainties surrounding litigation. For the matter discussed above, as well as other cases, management has recorded estimated liabilities totaling \$1.7 million in other accrued liabilities in the consolidated balance sheets.

Note 12 - Subsequent Events

We have evaluated events and transactions occurring after the balance sheet date through our filing date and noted no events that are subject to recognition or disclosure.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures” that are designed with the objective of providing reasonable assurance that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply their judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on their evaluation, the Company’s CEO and CFO have concluded that the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of December 31, 2024.

Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (“ICFR”) as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our ICFR is a process designed by, or under the supervision of, our CEO and our CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with GAAP in the United States of America. Management, with the participation of our CEO and CFO, conducted an evaluation of the effectiveness of our ICFR based on the framework established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon that evaluation, management has concluded that the Company’s internal control over financial reporting was effective as of December 31, 2024.

The effectiveness of the Company’s internal control over financial reporting has also been audited by Deloitte & Touche LLP, the Company’s independent registered public accounting firm, as stated in their report included below.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting that occurred during the quarter ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Inherent Limitations

Control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems’ objectives are being met. Further, the design of any control systems must reflect the fact that there are resource constraints, and the benefits of all controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple errors or mistakes. Control

systems can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Chief Executive Officer and Chief Financial Officer Certifications

The certifications of our CEO and CFO required under Section 302 of the Sarbanes-Oxley Act have been filed as Exhibits 31.1 and 31.2 to this report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Barrett Business Services, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Barrett Business Services, Inc. and subsidiaries (the "Company") as of December 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2024, of the Company and our report dated February 28, 2025, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Portland, Oregon
February 28, 2025

Item 9B. OTHER INFORMATION

None.

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Company has adopted an insider trading policy governing the purchase, sale, and other dispositions of our securities, applicable to our directors, officers, employees, and other covered persons, as well as procedures for the repurchase of its securities. The Company believes that its insider trading policy and repurchase procedures are reasonably designed to promote compliance with insider trading laws, rules and regulations, and the Nasdaq Stock Market LLC listing standards applicable to the Company. A copy of the Company's insider trading policy is filed as Exhibit 19.1 to this Form 10-K.

Additional information required by this item is incorporated by reference to the information set forth under the captions or subcaptions "Proposal 1: Election of Directors," "Audit and Compliance Committee," "Background and Experience of Executive Officers," "Code of Ethics," and "Delinquent Section 16(a) Reports" in our definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report (the "Proxy Statement").

Item 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the information set forth under the captions "Director Compensation for 2024" and "Executive Compensation" in the Proxy Statement, other than the information under the subcaption "Pay Versus Performance."

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to the information set forth under the caption "Stock Ownership of Principal Stockholders and Management – Beneficial Ownership Table" and "Additional Equity Compensation Plan Information" in the Proxy Statement.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to the information set forth under the caption "Proposal 1: Election of Directors" and "Related Person Transactions" in the Proxy Statement.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the information set forth under the caption "Matters Relating to Our Independent Registered Public Accounting Firm" in the Proxy Statement.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Financial Statements and Schedules

The Financial Statements, together with the report thereon of Deloitte & Touche LLP, are included on the pages indicated below:

	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm-Deloitte & Touche LLP</u> (PCAOB ID: 34)	34
<u>Consolidated Balance Sheets as of December 31, 2024 and 2023</u>	36
<u>Consolidated Statements of Operations for the Years Ended December 31, 2024, 2023 and 2022</u>	37
<u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2024, 2023 and 2022</u>	38
<u>Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2024, 2023 and 2022</u>	39
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2024, 2023 and 2022</u>	40
<u>Notes to Consolidated Financial Statements</u>	41

No schedules are required to be filed herewith.

Exhibits

The following exhibits are filed or furnished herewith or incorporated by reference and this list is intended to constitute the exhibit index.

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>				<u>Filed or Furnished Herewith</u>
		<u>Form</u>	<u>File Number</u>	<u>Exhibit</u>	<u>Filing Date</u>	
3.1	<u>Charter of the Registrant, as amended through June 4, 2024.</u>	10-Q	0-21886	3.1	7/31/2024	
3.2	<u>Bylaws of the Registrant, as amended through May 27, 2020.</u>	10-Q	0-21886	3.1	8/5/2020	
4.1	<u>Third Amended and Restated Credit Agreement between the Registrant and Wells Fargo Bank, National Association ("Wells Fargo"), dated as of March 1, 2022.</u>	10-K	0-21886	4.1	3/7/2022	
4.2	<u>First Amendment, effective as of June 12, 2023, to Third Amended and Restated Credit Agreement between the Registrant and Wells Fargo Bank, National Association.</u>	10-Q	0-21886	4.1	8/3/2023	
4.3	<u>Amended and Restated Security Agreement: Business Assets, dated as of March 1, 2022, between the Registrant and Wells Fargo.</u>	10-K	0-21886	4.2	3/7/2022	

4.4	Amended and Restated Standby Letter of Credit Agreement dated as of June 20, 2018, between the Registrant and Wells Fargo.	10-Q	0-21886	4.4	8/8/2018	
4.5	Fifth Amended and Restated Revolving Line of Credit Note effective June 12, 2023 of the Registrant.	10-Q	0-21886	4.2	8/3/2023	
4.6	Description of the Registrant's Capital Stock.					X
10.1*	2009 Stock Incentive Plan of the Registrant (the "2009 Plan").					X
10.2*	2015 Stock Incentive Plan of the Registrant (the "2015 Plan").					X
10.3*	Amended and Restated 2020 Stock Incentive Plan of the Registrant (the "2020 Plan").					X
10.4*	Form of Performance Share Award Agreement under the 2020 Plan.	10-Q	0-21886	10.1	8/4/2021	
10.5*	Nonqualified Stock Option Award Agreement between the Registrant and Thomas J. Carley dated July 1, 2016.					X
10.6*	Form of Employee Nonqualified Stock Option Award Agreement for grants to Gerald R. Blotz and Gary E. Kramer effective March 28, 2018, under the 2015 Plan.					X
10.7*	Form of Incentive Stock Option Award Agreement relating to February 2, 2015, grants under the 2009 Plan.	10-K	0-21886	10.11	5/26/2016	
10.8*	Form of Restricted Stock Units Award Agreement for Executive Officers for awards granted beginning in 2018 under the 2015 Plan.	10-Q	0-21886	10.3	8/8/2018	
10.9*	Form of Restricted Stock Units Award Agreement for Executive Officers under the 2020 Plan.	10-Q	0-21886	10.1	11/4/2020	
10.10*	Form of Restricted Stock Units Award Agreement for Non-Employee Directors under the 2020 Plan.	10-Q	0-21886	10.2	11/4/2020	
10.11*	Summary of Compensatory Arrangements for Non-Employee Directors of the Registrant effective January 1, 2025.					X
10.12*	Barrett Business Services, Inc., Nonqualified Deferred Compensation Plan.	10-Q	0-21886	10.8	8/9/2017	
10.13*	First and Second Amendments to the Barrett Business Services, Inc., Nonqualified Deferred Compensation Plan.	10-Q	0-21886	10.1	5/7/2019	
10.14*	Form of Restricted Stock Units Award Agreement under Nonqualified Deferred Compensation Plan.	10-Q	0-21886	10.1	5/8/2018	
10.15*	Form of Restricted Stock Units Award Agreement under Nonqualified Deferred Compensation Plan for grants beginning July 1, 2020.	10-Q	0-21886	10.3	11/4/2020	

10. 16*	Employment Agreement between the Registrant and Gary Kramer Jr., dated April 22, 2020.	8-K	0-21886	10.2	4/24/2020	
10. 17*	Employment Agreement between the Registrant and Gerald Blotz, dated April 22, 2020.	8-K	0-21886	10.3	4/24/2020	
10. 18*	Employment Agreement between the Registrant and Anthony Harris, dated April 22, 2020.	8-K	0-21886	10.4	4/24/2020	
10. 19*	Employment Agreement between the Registrant and James Potts, dated August 14, 2020.	10-K	0-21886	10.30	3/8/2021	
10. 20*	Amended Death Benefit Agreement entered into by the Registrant and Gerald L. Blotz effective October 30, 2020.	10-K	0-21886	10.31	3/8/2021	
10. 21*	Death Benefit Agreement entered into by the Registrant and Anthony Harris effective June 30, 2020.	10-Q	0-21886	10.7	8/5/2020	
10. 22*	Amended Death Benefit Agreement entered into by the Registrant and Gary Kramer effective June 30, 2020.	10-Q	0-21886	10.8	8/5/2020	
10. 23*	Death Benefit Agreement entered into by the Registrant and James Potts effective October 30, 2020.	10-K	0-21886	10.34	3/8/2021	
10. 24*	Barrett Business Services, Inc. Amended and Restated Annual Cash Incentive Award Plan.	10-K	0-21886	10.45	3/5/2019	
10. 25*	Form of Indemnification Agreement with each outside director of Barrett Business Services, Inc.	10-Q	0-21886	10.2	8/4/2021	
10. 26*	Form of Employee Nonqualified Stock Option Award Agreement for grants under the 2020 Plan in 2024.					X
19. 1	Insider Trading Policy.					X
21.	Subsidiaries of the Registrant.					X
23. 1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.					X
31. 1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a).					X
31. 2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a).					X
32.	Certification pursuant to 18 U.S.C. Section 1350.					X
97. 1	Executive Compensation Recovery Policy.	10-K	0-21886	97.1	3/1/2024	
10 NS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).					X
10 1.S CH	Inline XBRL Taxonomy Extension Schema Document.					X

101.	Inline XBRL Taxonomy Extension Calculation Linkbase Document. CAL	X
101.	Inline XBRL Taxonomy Extension Definition Linkbase Document. DEF	X
101.	Inline XBRL Taxonomy Extension Label Linkbase Document. LAB	X
101.	Inline XBRL Taxonomy Extension Presentation Linkbase Document. PRE	X
104	Coverage Page Interactive Data File (embedded within the Inline XBRL document).	X

* Denotes a management contract or a compensatory plan or arrangement.

Item 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 28, 2025

By: /s/ Anthony J. Harris
Anthony J. Harris
Executive Vice President and Chief Financial Officer and
Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 28th day of February, 2025.

Principal Executive Officer and Director:

/s/ Gary E. Kramer President and Chief Executive
Gary E. Kramer Officer and Director

Principal Financial and Accounting Officer:

/s/ Anthony J. Harris Executive Vice President and Chief Financial
Anthony J. Harris Officer and Treasurer

Majority of Directors:

/s/ Thomas J. Carley Director
Thomas J. Carley

/s/ Joseph S. Clabby Vice Chairman of the Board and Director
Joseph S. Clabby

/s/ Thomas B. Cusick Director
Thomas B. Cusick

/s/ Anthony Meeker Chairman of the Board and Director
Anthony Meeker

/s/ Carla A. Moradi Director
Carla A. Moradi

/s/ Alexandra Morehouse Director
Alexandra Morehouse

/s/ Vincent P. Price Director
Vincent P. Price

**DESCRIPTION OF CAPITAL STOCK
OF BARRETT BUSINESS SERVICES, INC.**

The following is a brief description of the securities of Barrett Business Services, Inc. (the “company,” “we,” “us” and “our”), registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). As of February 28, 2025, our common stock is the only class of our securities registered under Section 12 of the Exchange Act. This description of the terms of our common stock does not purport to be complete and is subject to and qualified in its entirety by reference to the applicable provisions of Maryland General Corporation Law (the “MGCL”), and the full text of our amended and restated charter and bylaws.

Common Stock

Our charter provides that we may issue up to 82,000,000 shares of common stock, par value \$0.01 per share. Under Maryland law, stockholders generally are not personally liable for corporate debts or obligations solely because of their status as stockholders. Our common stock is listed on the Global Select Market of The Nasdaq Stock Market under the symbol “BBSI.”

Subject to the preferential rights of any other class or series of stock, holders of shares of our common stock are entitled to receive dividends on such stock if, as and when authorized by our board of directors out of assets legally available therefor and declared by us and to share ratably in the assets of our company legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up after payment of or adequate provision for all debts and liabilities of our company.

Each outstanding share of our common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors and, except as provided with respect to any other class or series of stock, the holders of such shares of common stock will possess the exclusive voting power. There is no cumulative voting in the election of our board of directors, which means that the holders of a majority of the outstanding shares of our common stock are entitled to elect all of the directors then standing for election and the holders of the remaining shares will not be able to elect any directors.

Holders of shares of our common stock have no preference, conversion, exchange, sinking fund or redemption rights, and have no preemptive rights to subscribe for any of our securities. In addition, under the MGCL, our stockholders generally have no appraisal rights. Shares of our common stock have equal dividend, liquidation and other rights.

Under the MGCL, a Maryland corporation generally may not dissolve, amend its charter, merge, convert, sell all or substantially all of its assets, or engage in a statutory share exchange unless such action is advised by its board of directors and approved by the affirmative vote of holders of at least two-thirds of the votes entitled to be cast on the matter, unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation’s charter. Our charter provides that the foregoing items may be approved by a majority of all the votes entitled to be cast on the matter.

Preferred Stock

Our charter provides that we may issue up to 500,000 shares of preferred stock, par value \$0.01 per share. As of February 28, 2025, we have no outstanding shares of preferred stock.

Our charter authorizes our board of directors, without any vote or action of our stockholders, to classify, and reclassify from time to time, any unissued shares of preferred stock into other classes or series of stock. Prior to issuance of shares of each class or series, our board of directors is required by the MGCL to establish the number of shares in each class or series and to set the preferences, conversion, or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications, and terms and conditions of redemption for each such class or series. The issuance of shares of preferred stock could adversely affect the voting power, dividend rights and other rights of holders of our common stock. Our board of directors could establish a series of preferred stock that could, depending on the terms of the series, delay, defer, or prevent a transaction or a change in control of us that might involve a premium price for our common stock or otherwise be in the best interest of the holders thereof. The specific terms of a particular class or series of preferred stock will be described in a prospectus, prospectus supplement or other offering materials relating to the sale or issuance of shares of that class or series.

Certain Provisions of Maryland Law and of Our Charter and Bylaws

The following summary of certain provisions of the MGCL and of our charter and bylaws does not purport to be complete and is subject to and qualified in its entirety by reference to Maryland law and our charter and bylaws.

Board of Directors; Election of Directors; Quorum

Our charter provides that the number of directors shall be set pursuant to our bylaws. Our bylaws provide that a majority of our entire board shall fix the number of directors; provided that the number of directors may not be decreased to fewer than three, nor increased to more than nine; and provided further that, if there are fewer than three stockholders, the number of directors may be fixed at fewer than three but not fewer than the number of stockholders. Any and all vacancies on our board of directors may be filled by the affirmative vote of a majority of the remaining directors, even if fewer than a quorum, except that a vacancy resulting from an increase in the size of the board of directors must be filled by a majority vote of the entire board of directors, and any individual elected to fill such vacancy will serve until the next annual meeting of stockholders and until a successor is duly elected and qualifies.

Under our bylaws, each of our directors will be elected by our stockholders to serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualifies. Our bylaws provide that in uncontested elections, a director will be elected by the affirmative vote of a majority of the total votes cast for and votes cast against each director nominee. In contested elections, directors will be elected by a plurality of the shares represented at the meeting and entitled to vote on the election of directors. An election will be considered to be contested if the number of nominees exceeds the number of directors to be elected. Under our bylaws, if in an uncontested election an incumbent director does not receive the affirmative vote of a majority of the total votes cast for and votes cast against such director, the director is required to submit his or her resignation to the board of directors. In that event, pursuant to our bylaws, the Nominating and Governance Committee (the "Nominating Committee") of the board of directors would recommend to the board of directors whether to accept or reject the resignation. Under our bylaws, the board of directors would then consider and act on the Nominating Committee's recommendation, publicly disclosing its decision and the reasons supporting it within 90 days following the date of receipt of the resignation.

Our bylaws provide that the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at a stockholders meeting constitutes a quorum.

Removal of Directors

Under the MGCL, a director may be removed, with or without cause, only by the affirmative vote of a majority of the votes entitled to be cast generally in the election of directors.

Business Combinations

We are subject to the business combination provisions of the MGCL. Under the MGCL, business combinations between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include, among other things, a merger, consolidation, statutory share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities.

An interested stockholder is defined as:

- any person who beneficially owns ten percent or more of the voting power of the corporation's outstanding voting stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of ten percent or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which such person otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may make its approval subject to compliance, at or after the time of approval, with any terms and conditions determined by the board of directors.

After the five-year prohibition, the completion of any business combination between the Maryland corporation and an interested stockholder generally requires that the transaction be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation, other than shares (1) held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or (2) held by an affiliate or associate of the interested stockholder.

These super-majority voting requirements do not apply if the corporation's common stockholders receive a minimum price, as defined in the MGCL, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

Control Share Acquisitions

We are subject to the provisions of the MGCL's control share acquisition statute. The control share acquisition statute provides that a holder of control shares of a Maryland corporation acquired in a control share acquisition has no voting rights with respect to such shares, except to the extent approved by at least two-thirds of the votes entitled to be cast by stockholders entitled to vote generally in the election of directors, but excluding the acquiring person, officers of the corporation, and employees who are also directors of the corporation. Control shares are voting shares of stock that, if aggregated with all other shares of stock owned by the acquiring person or in respect of which the acquiring person is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiring person to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares that the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval or shares acquired directly from the corporation. A control share acquisition means the direct or indirect acquisition of issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the holder of the shares acquired or proposed to be acquired. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of our company to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiring person or, if a stockholders meeting is held to consider voting rights for the control shares, as of the date of the meeting. If voting rights for the holder of the control shares are approved at a stockholders meeting and the acquiring person becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiring person in the control share acquisition.

The control share acquisition statute does not apply (1) to shares acquired in a merger, consolidation or statutory share exchange if the corporation is a party to the transaction, or (2) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Amendment of our Charter and Bylaws

In general, our charter may be amended if an amendment is declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast a majority of the votes entitled to be cast on the matter. Our bylaws may be amended by our stockholders at any annual or special meeting of stockholders by the affirmative vote of a majority of all shares of any class of stock entitled to vote at such meeting. Our bylaws may also be amended by our board of directors by the affirmative vote of a majority of the total number of directors then authorized, including vacancies, and subject to the power of the stockholders to change or repeal such bylaws.

Advance Notice of Director Nominations and New Business

Our bylaws provide that nominations of individuals for election to our board of directors and proposals of other business to be considered at any annual meeting of our stockholders (or in the case of election of directors, at a special meeting of stockholders held in lieu of an annual meeting) may be made (1) pursuant to our proxy materials with respect to such meeting, (2) by or at the direction of our board of directors, (3) by any stockholder or group of stockholders that has complied with the proxy access requirements set forth in our bylaws and described under "Proxy Access" below, or (4) by any stockholder that was a stockholder at the time of notice required by our bylaws, is entitled to vote at the meeting in the election of the individuals so nominated or on such other proposed business, and has complied with the advance notice requirements of, and provided the information and certifications required by, our bylaws. The foregoing clauses (3) and (4) are the exclusive means for a stockholder to make nominations or propose business (other than matters included in our proxy materials pursuant to Rule 14a-8 under the Exchange Act) at an annual meeting of stockholders.

Proxy Access

Our bylaws provide that a stockholder or group of up to 20 stockholders that has maintained continuous qualifying ownership of 3% of more of our outstanding common stock for at least the previous three years is permitted to nominate and include up to a specified number of proxy access nominees in the company's proxy materials for its annual meeting of

stockholders, provided that such stockholder or group of stockholders satisfies the applicable proxy access requirements of, and provides the information and representations required by, our bylaws. Proxy access nominees are also required to submit certain information, and are subject to certain exclusions and disqualifications, as set forth in our bylaws.

The maximum number of proxy access nominees that we are required to include in our proxy materials is the greater of (a) two and (b) 20% of the directors in office at the time of nomination (rounded down to the nearest whole number). Any eligible stockholder that submits more than one proxy access nominee is required to provide a ranking of its proposed proxy access nominees. If the number of proxy access nominees exceeds the proxy access nominee limit, the highest ranking qualified individual from the list proposed by each eligible stockholder, beginning with the eligible stockholder with the largest qualifying ownership and proceeding through the list of eligible stockholders in descending order of qualifying ownership, will be selected for inclusion in the company's proxy materials until the proxy access nominee limit is reached.

Requests to include proxy access nominees in the company's proxy materials must be received no earlier than 120 days and no later than 90 days before the anniversary of the date that the company first mailed its proxy materials for the preceding year's annual meeting of stockholders, subject to adjustment in the event the annual meeting is held more than 30 days before or after the anniversary of the date of the prior year's annual meeting.

Special Meetings of Stockholders

Our president or board of directors may call special meetings of our stockholders. Additionally, our bylaws provide that a special meeting of our stockholders must also be called by our secretary upon the written request of the stockholders entitled to cast not less than 25% of all the votes entitled to be cast on such matter at the meeting. Our secretary will inform the requesting stockholders of the reasonably estimated cost of preparing and mailing the notice of meeting, and the requesting stockholders must pay such estimated cost before our secretary is required to prepare and mail the notice of the special meeting. A special meeting need not be called by our secretary to consider any matter that is substantially the same as a matter voted on at any special meeting of our stockholders held during the preceding 12 months unless requested by stockholders entitled to cast a majority of all votes entitled to be cast at the meeting.

Subtitle 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors, to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors, and notwithstanding any contrary provision in such charter or bylaws, to any or all of five provisions of Subtitle 8, which provide for:

- a classified board;
- a requirement that removal of a director be approved by the affirmative vote of two-thirds of all the votes entitled to be cast by stockholders generally in the election of directors;
- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred; and
- a requirement that a written request by stockholders for the calling of a special meeting of stockholders be submitted by stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting.

Through provisions in our charter and bylaws unrelated to Subtitle 8, we already vest in our board of directors the exclusive power, subject to the limitations described above, to fix the number of directors, by vote of a majority of the entire board of directors. In the future, our board of directors may elect, without stockholder approval, to be subject to any of the other provisions of Subtitle 8.

Limitation of Liability and Indemnification of Directors and Officers

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty which is established by a final judgment and which is material to the cause of action. Our charter contains such a provision eliminating directors' and officers' liability to the maximum extent permitted by Maryland law.

Our charter obligates us, to the maximum extent permitted by Maryland law, to indemnify any present or former director or officer or any individual who, while a director or officer of our company and at our request, serves or has served another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner, trustee, employee or agent, from and against any claim or liability to which that individual may become subject or which that individual may incur by reason of his or her service in such capacity. Our charter also permits us to indemnify any employee or agent of the company.

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that (1) the act or omission of the director or officer was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty, (2) the director or officer actually received an improper personal benefit in money, property or services, or (3) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses.

In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (1) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (2) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

We have entered into indemnification agreements with each of our directors who is not also an employee. These agreements require us to indemnify these individuals to the fullest extent permitted under Maryland law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors or executive officers, we have been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy and is therefore unenforceable.

**BARRETT BUSINESS SERVICES, INC.
AMENDED AND RESTATED
2009 STOCK INCENTIVE PLAN
Effective February 28, 2025**

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BARRETT BUSINESS SERVICES, INC.

2009 STOCK INCENTIVE PLAN

ARTICLE 1

ESTABLISHMENT AND PURPOSE

1.1 **Establishment.** Barrett Business Services, Inc. ("Corporation"), hereby establishes the Barrett Business Services, Inc., 2009 Stock Incentive Plan (the "Plan"), effective as of May 13, 2009 (the "Effective Date"), subject to shareholder approval as provided in Article 15.

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 and the Barrett Business Services, Inc., 2003 Stock Incentive Plan and related Barrett Business Services, Inc., Stock Incentive 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 after the effective date of the Plan, no further Awards will be granted under the Prior Plans.

1.4 **Reservation of Right to Amend to Comply with Section 409A.** The Board reserves the right to amend the Plan, either retroactively or prospectively, in whatever respect is required to achieve and maintain compliance with the requirements of Code Section 409A, and the regulations and guidance issued by the Department of the Treasury with respect to such requirements ("Section 409A").

ARTICLE 2

DEFINITIONS

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

"**Award**" means an award or grant made to a Participant of Options, Stock Appreciation Rights, Restricted Share 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.

"**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.

"**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 6.6(g), 6.6(i), 14.4, 14.5, and 14.7 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.

"**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 closing sale price per share of Common Stock as reported for such day by the principal exchange on which the Common Stock is traded (as determined by the Committee) or, if the Common Stock was not traded on such day, on the next preceding day on which the Common Stock was traded;

(b) If trading activity in Common Stock is reported on the OTC Bulletin Board, the mean between the bid price and asked price quotes 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

(c) 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 granted pursuant to the Plan that is not an Incentive Stock Option.

"Option" means an ISO or an NQO.

"Other Stock-Based Award" means an Award as defined in Section 10.1.

"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.

"Plan" means this Barrett Business Services, Inc., 2009 Stock Incentive Plan, as set forth in this document 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 Share Award" means a Restricted Share Award granted pursuant to Article 9 of the Plan.

"Restriction" means a provision in the Plan or in an Award Agreement that 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.

"Restriction Period" means a designated period pursuant to the provisions of Section 9.3 of the Plan.

"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;

(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

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.

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.

ARTICLE 4

DURATION OF THE PLAN AND SHARES SUBJECT TO THE PLAN¹

4.1 Duration of the Plan. The Plan is effective May 13, 2009, subject to approval by Corporation's shareholders as provided in Article 15. 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 12, the maximum number of Shares for which Awards may be granted under the Plan is 4,000,000, of which the aggregate number of Shares for which ISOs may be granted under the Plan is 3,600,000. If an Award under the Plan 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.

¹ Share amounts reflect 4-for-1 stock split effective June 2024.

ARTICLE 5

ELIGIBILITY

Officers and other key employees of Corporation and its Subsidiaries (including employees who may also be directors of Corporation or a Subsidiary), Consultants, Non-Employee Board Directors, 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.

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;
- (c) Restricted Share Awards governed by Article 9 of the Plan; and
- (d) Other Stock-Based Awards or combination awards governed by Article 10 of the Plan.

In the discretion of the Committee, any Award 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.

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 Prohibition on Repricing of Stock Options and Stock Appreciation Rights. Except for adjustments pursuant to Article 12 hereof, at no time shall the exercise price of an Option or the base price of a Stock Appreciation Right granted hereunder be subsequently repriced during the period of its exercisability. For purposes of this Section 6.5, repricing means any of the following or any other action that has the same effect:

- (a) Lowering the exercise or base price after the Option or Stock Appreciation Right is granted;
- (b) Any other action that is treated as a repricing under generally accepted accounting principles; or
- (c) Canceling an Option or Stock Appreciation Right at a time when its exercise or base price exceeds the Fair Market Value of the underlying Shares, in exchange for cash or an Other Stock-Based Award, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction.

6.6 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, or for no reason, with or without cause.

(d) Restriction on Transfer. Unless otherwise expressly provided in an individual Award Agreement, no Award (other than Shares granted under a Restricted Share Award after they Vest) will be transferable other than by will or the laws of descent and distribution and each Award 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:

- May be freely transferred;
- May be freely transferred to a class of transferees specified in the Award Agreement; or
- 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 Agreement may provide that the Award or the Shares subject to the 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), all or a specified portion of the Award (to the extent then outstanding) will become immediately Vested in full to the 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

(ii) In the event the Board approves a proposal for: (i) a merger, exchange or consolidation transaction 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) the transfer of all or substantially all the assets of Corporation; (iii) a 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 6.6(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 12 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 obligations 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 or adverse tax treatment for Corporation or Participants:

(i) By delivering previously owned Shares (including fully Vested Shares granted under Restricted Share Awards);

(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 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.

(i) Reporting Persons. With respect to all Awards granted to Reporting Persons, the following limitations will apply only if or to the extent required by Rule 16b-3 under the Exchange Act, unless the Award Agreement provides otherwise:

(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.

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 an Award, 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

OPTIONS¹

7.1 Types of Options. Options granted under the 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 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.

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 100 percent of the Fair Market Value of a Share on the date of grant for all 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 will become 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;

(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, including but not limited to the following requirements:

(a) Limited to Employees. ISOs may be granted only to employees of Corporation or a Subsidiary;

(b) Term of ISO. The ISO may not remain exercisable after the expiration of 10 years from its grant date;

(c) Ten Percent Shareholders. In the case of any ISO granted to a Participant who, as of the date of grant, possesses more than 10 percent of the total combined voting power of all classes of stock of Corporation or any parent or Subsidiary of Corporation, the option exercise price may not be less than 110 percent of the Fair Market Value of a Share on the date of grant and the ISO may not remain exercisable after the expiration of five years from its grant date; and

(d) \$100,000 Annual Limitation. In the event that Options intended to be ISOs are granted to a Participant in excess of the \$100,000 annual limitation set forth in Code Section 422(d)(1), the Options will be bifurcated so that the Options will be ISOs to the maximum extent allowable under that limitation and will be NQOs as to any excess over that limitation.

7.7 Restricted Shares. In the discretion of the Committee, the Shares issuable upon exercise of an Option may have restrictions similar to Restricted Share Awards if so provided in the Award Agreement for the Option.

7.8 Limitation on Number of Shares Subject to Options. In no event may Options for more than 800,000 Shares be granted to any individual under the Plan during any calendar year.

¹ Share amounts reflect 4-for-1 stock split effective June 2024.

ARTICLE 8

STOCK APPRECIATION RIGHTS¹

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.

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 price as the Committee determines. The base price may not be less than the Fair Market Value of a Share on the grant date of the SAR.

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 Shares, or in any combination of cash and Shares.

8.5 Limitation on Number of Stock Appreciation Rights. In no event may more than 800,000 Stock Appreciation Rights be granted to any individual under the Plan during any calendar year.

¹ Share amounts reflect 4-for-1 stock split effective June 2024.

ARTICLE 9

RESTRICTED SHARE AWARDS

9.1 Restricted Share Awards. A Restricted Share Award 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 Shares and may include a requirement that the Participant forfeit such 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 Shares. Each Participant receiving a Restricted Share Award 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 Shares and the stock power will be held in custody by Corporation until the Restrictions have lapsed.

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

9.3 Restriction Period. Award Agreements for Restricted Share Awards will provide that the Shares subject to Restricted Share Awards may not be transferred, and may provide that, in order for a Participant to Vest in such Restricted Share 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 a Restricted Share 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 Share Award or portion thereof, as the case may be. Although Restricted Share Awards will typically Vest based on continued employment (or service as a Non-Employee Board Director, Non-Employee Subsidiary Director, or Consultant), the

Committee, in its discretion, may condition Vesting of Restricted Share Awards on attainment of designated 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 Share Award will 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 Shares previously granted to the Participant be forfeited and returned to Corporation.

9.5 Settlement of Restricted Share Awards. 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.

9.6 Rights as a Shareholder. A Participant has, with respect to unforfeited Shares received under a Restricted Share Award grant, 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 non-Vested Shares granted under a Restricted Share Award will be treated as additional Shares covered by the Restricted Share Award and will be subject to the same Restrictions.

ARTICLE 10

OTHER STOCK-BASED AND COMBINATION AWARDS

10.1 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.

10.2 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.

ARTICLE 11

DIVIDEND EQUIVALENTS

Subject to any restrictions in Section 409A, any Award may, to the extent provided in the Award Agreement, earn dividend equivalents. In respect of any such Award that 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 12

ADJUSTMENTS UPON CHANGES IN CAPITALIZATION, ETC.

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

12.2 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 13

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 14

MISCELLANEOUS

14.1 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.

14.2 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.

14.3 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.

14.4 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 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 that is revocable will be annulled as of the date of such termination for cause. For the purpose of this Section 14.4, 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.

14.5 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.

14.6 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.

14.7 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.

14.8 Governing Law. Except with respect to references to the Code or federal securities laws, the Plan and all actions taken thereunder will be governed by and construed in accordance with the laws of the state of Maryland.

ARTICLE 15

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.

**BARRETT BUSINESS SERVICES, INC.
AMENDED AND RESTATED
2015 STOCK INCENTIVE PLAN
Effective February 28, 2025**

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**BARRETT BUSINESS SERVICES, INC.
AMENDED AND RESTATED
2015 STOCK INCENTIVE PLAN**

**ARTICLE 1
ESTABLISHMENT AND PURPOSE**

1.1 **Establishment.** Barrett Business Services, Inc. ("Corporation"), hereby establishes the Barrett Business Services, Inc., 2015 Stock Incentive Plan (the "Plan"), effective as of May 27, 2015 (the "Effective Date").

1.2 **Purpose.** The purpose of the Plan is to promote and advance the interests of Corporation and its stockholders 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 stockholders. 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 Barrett Business Services, Inc., 2003 Stock Incentive Plan and related Barrett Business Services, Inc., Stock Incentive Plan for California Residents, and the Barrett Business Services, Inc. 2009 Stock Incentive Plan (the "Prior Plans"). The adoption of the Plan will neither affect nor be affected by the continued existence of the Prior Plans, except that after the effective date of the Plan, no further Awards will be 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:

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

"Award Agreement" means an agreement as described in Section 6.4 of the Plan.

"Board" means the Board of Directors of Corporation.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, or any successor statute, 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 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), 6.5(k), 15.5, 15.6, 15.8, and 15.9 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.

"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 closing sale price per share of Common Stock as reported for such day by the principal exchange on which the Common Stock is traded (as determined by the Committee) or, if the Common Stock was not traded on such day, on the next preceding day on which the Common Stock was traded;

(b) If trading activity in Common Stock is reported on the OTC Bulletin Board, the mean between the bid price and asked price quotes 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

(c) 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, including valuation by an independent appraisal that satisfies the requirements of Code Section 401(a)(28)(C) as of a date that is no more than 12 months before the date of the transaction for which the appraisal is used (e.g., the date of grant of an Award) or such other reasonable valuation method acceptable under Treasury Regulation Section 1.409A-1(b)(5) (iv).

"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 granted pursuant to the Plan that is not an Incentive Stock Option.

"Option" means an ISO or an NQO.

"Other Stock-Based Award" means an Award as defined in Section 11.1 of the Plan.

"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 Goals" means goals approved by the Committee pursuant to Section 6.6 of the Plan.

"Performance Period" means a period of time over which performance is measured.

"Performance Share" means a Share or Share unit having a value equal to a Share that is the unit of measure by which is expressed the value of a Performance Share Award as determined under Article 10 of the Plan.

"Performance Share Award" means an Award granted under Article 10 of the Plan.

"Plan" means this Barrett Business Services, Inc., 2015 Stock Incentive Plan, as set forth in this document 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 that limits the exercisability or transferability, or governs the forfeiture, of an Award or the Shares, cash, or other property payable pursuant to an Award.

"Restriction Period" means a designated period pursuant to the provisions of Section 9.3 of the Plan.

"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;

(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 charter 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

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.

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 Fair Market Value of Shares if no public market exists for such Shares;
- (g) Determine the option price, purchase price, base price, or similar feature for any Award;
- (h) Accelerate Vesting of Awards and waive any Restrictions; and
- (i) 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 Board may delegate to a committee with a single member who is a director and may also be an executive officer 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.

ARTICLE 4
DURATION OF THE PLAN AND SHARES SUBJECT TO THE PLAN¹

4.1 Duration of the Plan. The Plan is effective May 27, 2015, 2015. Unless terminated by the Board on an earlier date, the Plan will remain in effect through May 27, 2020. 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. Subject to adjustment pursuant to Article 13, the maximum number of Shares for which Awards may be granted under the Plan is 4,000,000, of which the maximum aggregate number of Shares for which ISOs may be granted under the Plan is 3,600,000. If an Award under the Plan is canceled or expires for any reason prior to having been fully Vested or exercised by a Participant or is exchanged for other Awards, or is otherwise forfeited or terminated, all Shares covered by such Awards will be added back into the number of Shares available for future Awards under the Plan.

4.3 Reservation of Shares. Corporation, during the term of the Plan and any outstanding Awards, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

¹ Share amounts reflect 4-for-1 stock split effective June 2024.

ARTICLE 5
ELIGIBILITY

Officers and other key employees of Corporation and its Subsidiaries (including employees who may also be directors of Corporation or a Subsidiary), Consultants, Non-Employee Board Directors, 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.

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

In the discretion of the Committee, any Award 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. Performance Share Awards shall be earned solely upon attainment of Performance Goals, and the Committee shall have no discretion to increase such Awards.

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.

6.4 Award Agreements. Each Award will be evidenced by a written agreement (an "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 Stockholders. No Participant will have any rights of a stockholder 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, or for no reason, with or without cause.

(d) Restriction on Transfer. Unless otherwise expressly provided in 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 each Award 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:

- May be freely transferred;
- May be freely transferred to a class of transferees specified in the Award Agreement; or
- 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 Agreement may provide that the Award or the Shares subject to the 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), all or a specified portion of the Award (to the extent then outstanding) will become immediately Vested in full to the extent not previously Vested. Any such acceleration of Award Vesting must comply with applicable statutory and 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

(ii) In the event the Board approves a proposal for: (i) a merger, exchange or consolidation transaction 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) the transfer of all or substantially all the assets of Corporation; (iii) a sale of 40 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 stockholders 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 13 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

obligations with respect to such issuance, in whole or in part, by 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 or adverse tax treatment for Corporation or Participants:

- (i) By delivering cash or a check;
- (ii) By delivering previously owned Shares (including Restricted Shares, whether or not Vested);
- (iii) By surrendering other outstanding Vested Awards under the Plan denominated in Shares or in Share equivalent units;
- (iv) By reducing the number of Shares or other property otherwise Vested and issuable pursuant to the Award;
- (v) 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;
- (vi) In the event Shares are publicly traded, 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 sale 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
- (vii) In any combination of the foregoing or in any other form 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 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, the following limitations will apply only if or to the extent required by Rule 16b-3 under the Exchange Act, unless the Award Agreement provides otherwise:

- (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.

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 an Award, 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.

(k) Clawback/Recovery. All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that Corporation is required to adopt pursuant to the listing standards of any

national securities exchange or association on which Corporation's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law, including the Sarbanes-Oxley Act of 2002. In addition, the Committee may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Committee determines necessary or appropriate, including without limitation in the event the Participant accepts employment with a competitor of Corporation or otherwise competes with Corporation. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for "good reason" or "constructive termination" (or similar term) under any agreement with Corporation or a Subsidiary.

6.6 Performance Goals.

(a) In the event an Award is intended to be performance-based, the Committee will establish Performance Goals for each Performance Period on the basis of such criteria and to accomplish such objectives as the Committee may from time to time select. Unless otherwise permitted under Code Section 162(m), the Committee shall establish the Performance Goal(s) applicable to each Award intended to be performance-based in writing no later than the earlier of (a) the date 90 days after the commencement of the applicable Performance Period or (b) the date on which 25% of the Performance Period has elapsed, and, in any event, at a time when the outcome of the Performance Goal(s) remains substantially uncertain. Performance Goals may be based on (i) performance criteria for the Corporation, a subsidiary, or an operating group, (ii) the performance of a business unit of the Corporation, (iii) a Participant's individual performance, or (iv) a combination of the three. Performance Goals may include objective and subjective criteria. Except with respect to goals set pursuant to Section 6.6(b), during any Performance Period, the Committee may adjust the Performance Goals for such Performance Period as it deems equitable in recognition of unusual or nonrecurring events affecting the Corporation, changes in applicable tax laws or accounting principles, or such other factors as the Committee may determine.

(b) The Performance Goals for Performance Shares or Restricted Awards granted to executive officers of Corporation may relate to corporate performance, business unit performance, individual performance, or a combination of the three.

(i) Corporate Performance Goals will be based on financial performance goals related to the performance of Corporation as a whole and may include one or more measures related to gross or net revenues, earnings, profitability, cash flow (including measures such as Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)), efficiency, market share, gross margin, return to stockholders (such as earnings per share), stock price, revenue growth, return on equity, return on assets or return on invested capital, or other measures whether expressed as absolute amounts, ratios, or percentages of other amounts.

(ii) Business unit Performance Goals will be based on a combination of financial goals and strategic goals related to the performance of an identified business unit for which a Participant has responsibility. Strategic goals for a business unit may include one or a combination of objective factors relating to success in implementing strategic plans or initiatives, introducing products or services, establishing new branches, identifying or completing potential acquisitions, limiting losses or containing risks, or other identifiable objectives. Financial goals for a business unit may include the degree to which the business unit achieves one or more objective measures related to its gross or net revenues, earnings, profitability, efficiency, gross margin, return on equity, or return on assets.

(iii) Any corporate or business unit Performance Goals may be expressed as absolute amounts or as ratios or percentages. Success may be measured against various standards, including budget targets, improvement over prior periods, and performance relative to other companies, business units, or industry groups.

(iv) Individual Performance Goals will measure success in developing and implementing particular tasks assigned to an individual Participant. Individual Performance Goals will naturally vary depending upon the responsibilities of individual Participants and may include, without limitation, goals related to success in developing and implementing particular management plans or systems, reorganizing departments, establishing business relationships, or resolving identified problems.

(c) Prior to the payment of any Award intended to be performance-based, the Committee must certify in writing that applicable Performance Goals and any of the material terms thereof were, in fact, satisfied.

ARTICLE 7
OPTIONS¹

7.1 Types of Options. Options granted under the 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 Committee may grant Options under the Plan meeting the requirements of such forms of options. ISOs may not be awarded unless the Plan is approved by stockholders within 12 months of adoption of the Plan.

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.

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 100 percent of the Fair Market Value of a Share on the date of grant for all 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; provided, however, that no ISO may be exercisable after the expiration of ten years from the date such ISO is granted.

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 other criteria specified in the Award Agreement, or (iii) a combination of continuation of employment and satisfaction of Performance Goals or other criteria;
- (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, including but not limited to the following requirements:

- (a) Limited to Employees. ISOs may be granted only to employees of Corporation or a Subsidiary;
- (b) Term of ISO. ISOs may not remain exercisable after the expiration of 10 years from its grant date;
- (c) Ten Percent Stockholders. In the case of any ISO granted to a Participant who, as of the date of grant, possesses more than 10 percent of the total combined voting power of all classes of stock of Corporation or any parent or Subsidiary of Corporation, the option exercise price may not be less than 110 percent of the Fair Market Value of a Share on the date of grant and the ISO may not remain exercisable after the expiration of five years from its grant date; and
- (d) \$100,000 Annual Limitation. In the event that Options intended to be ISOs are granted to a Participant in excess of the \$100,000 annual limitation set forth in Code Section 422(d)(1), the Options will be bifurcated so that the Options will be ISOs to the maximum extent allowable under that limitation and will be NQOs as to any excess over that limitation.

7.7 Restricted Shares. In the discretion of the Committee, the Shares issuable upon exercise of an Option may have restrictions similar to Restricted Awards if so provided in the Award Agreement for the Option.

7.8 Limitation on Number of Shares Subject to Options. In no event may Options for more than 800,000 Shares be granted to any individual under the Plan during any calendar year. To the extent required by Section 162(m) of the Code, if any Option is canceled, the canceled Option shall continue to be counted against the maximum number of Shares for which Options may be granted to an individual under the Plan.

¹ Share amounts reflect 4-for-1 stock split effective June 2024.

ARTICLE 8 STOCK APPRECIATION RIGHTS¹

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.

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 price as the Committee determines. The base price may not be less than the Fair Market Value of a Share on the grant date of the SAR.

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 Shares, in other property, or in any combination of the foregoing, or any other form as the Committee may determine.

8.5 Limitation on Number of Stock Appreciation Rights. In no event may more than 800,000 Stock Appreciation Rights be granted to any individual under the Plan during any calendar year. To the extent required by Section 162(m) of the Code, if any SAR is canceled, the canceled SAR shall continue to be counted against the maximum number of Shares for which SARs may be granted to an individual under the Plan.

¹ Share amounts reflect 4-for-1 stock split effective June 2024.

ARTICLE 9 RESTRICTED AWARDS¹

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 to a Participant subject to such terms and conditions as the Committee deems appropriate, including, without limitation, a requirement that the Participant forfeit such Restricted Shares back to the 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, including failure to achieve Performance Goals, as set forth in the Award Agreement for such Restricted Shares. Each Participant receiving Restricted Shares 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 the 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, including failure to achieve Performance Goals, as set forth in the Award Agreement for such Restricted Units. The Committee will set the terms and conditions of the Award Agreement so that the Restricted Unit Award will comply with or be exempt from Code Section 409A.

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.

9.3 Restriction Period. Award Agreements for Restricted Awards will provide that 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 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 the case may be. Although Restricted Awards will typically Vest based on continued employment (or service as a Non-Employee Board Director, Non-Employee Subsidiary Director, or Consultant), the Committee, in its discretion, may condition Vesting of Restricted Awards on attainment of designated 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 will 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 Shares previously granted to the Participant be forfeited and returned to Corporation.

9.5 Settlement of Restricted Awards.

(a) Restricted Shares. Upon Vesting of an Award of Restricted Shares, the restrictive stock legend on certificates for such Shares covering applicable Restrictions will be removed, the Participant's stock power will be returned, and the Shares will no longer be Restricted Shares.

(b) Restricted Units. Upon Vesting of an Award of Restricted Units, 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 Restricted Shares or in unrestricted Shares equal to the number of Restricted Units or in any other manner or combination as the Committee, in its sole discretion, determines.

9.6 Rights as a Stockholder. A Participant has, with respect to unforfeited Shares received under an Award of Restricted Shares, all the rights of a stockholder of Corporation, including the right to vote the Shares and the right to receive any cash dividends. Stock dividends issued with respect to non-Vested Shares granted under a Restricted Award will be treated as additional Shares covered by the Restricted Award and will be subject to the same Restrictions. A Participant will have no rights as a stockholder with respect to an Award of Restricted Units until Shares are issued to the Participant in settlement of the Award.

9.7 Limitation in Number of Restricted Awards. The maximum number of Shares with respect to which Restricted Awards may be granted to any individual under the Plan during any calendar year is 400,000. To the extent required by Section 162(m) of the Code, if any Restricted Award is canceled, the canceled Restricted Award shall continue to be counted against the maximum number of Shares for which Restricted Awards may be granted to an individual under the Plan.

¹ Share amounts reflect 4-for-1 stock split effective June 2024.

ARTICLE 10
PERFORMANCE SHARE AWARDS¹

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

10.2 Nature of Performance Shares. Each Performance Share shall represent the right of a Participant to receive an actual Share or Share unit having a value equal to one Share.

10.3 Performance Period. At the time of each Performance Share Award, the Committee shall establish, with respect to each such Award, a Performance Period during which performance shall be measured. There may be more than one Performance Share Award in existence at any one time, and Performance Periods may differ.

10.4 Performance Measures. Performance Shares shall be awarded to a Participant and earned contingent upon the attainment of Performance Goals established in accordance with Section 6.6.

10.5 Payment.

10.5.1 Following the end of the Performance Period, a Participant holding a Performance Share Award will be entitled to receive payment of an amount, not exceeding the maximum value of the Performance Shares, based on the achievement of the Performance Goals for such Performance Period, as determined by the Committee.

10.5.2 Payment of Performance Shares shall be made in cash or Shares, as designated by the Committee in the Award Agreement. Payment shall be made in a lump sum or in installments and shall be subject to such other terms and conditions as shall be determined by the Committee. A Participant shall be paid with respect to the Participant's Performance Shares no later than the last date that causes the payment to constitute a short-term deferral that is not subject to Section 409A, unless the Award Agreement includes terms that comply with Section 409A.

10.6 Limitation on Performance Units. The maximum number of Shares with respect to which Performance Shares may be granted to any individual under the Plan during any calendar year is 400,000.

¹ Share amounts reflect 4-for-1 stock split effective June 2024.

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, grants of unrestricted Shares, 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.

ARTICLE 12
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 13
ADJUSTMENTS UPON CHANGES IN CAPITALIZATION, ETC.

13.1 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 stockholders 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 Corporation, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting 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.

13.2 Mandatory Adjustment. In the event of any stock dividend, stock split, reverse stock split, recapitalization, reclassification, or other distribution of Corporation's securities without the receipt of consideration by Corporation, of or on the Common Stock, the Committee shall make proportionate adjustments or substitution to the aggregate number and type of Shares for which Awards may be granted under the Plan, the maximum number and type of Shares which may be sold or awarded to any Participant, the number and type of Shares covered by each outstanding Award, and the base price or purchase price per Share in respect of outstanding Awards.

13.3 Adjustments by the Committee. In the event of any change in capitalization affecting the Common Stock of Corporation not described in Section 13.2 above, 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 stockholders.

ARTICLE 14
AMENDMENT AND TERMINATION

14.1 Amendment of Plan. The Board at any time, and from time to time, may amend or terminate the Plan; provided that the Plan will terminate on May 27, 2020, if not terminated by the Board on an earlier date. Except as provided in Article 13, no amendment shall be effective unless approved by the stockholders of the Corporation to the extent stockholder approval is required to satisfy any applicable law or securities exchange listing requirements. At the time of such amendment, the Board shall determine, upon advice from counsel, whether such amendment will be contingent on stockholder approval.

14.2 Stockholder Approval. The Board may, in its sole discretion, submit any other amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

14.3 Contemplated Amendments. It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide Participants with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options or to the nonqualified deferred compensation provisions of Code Section 409A or to bring the Plan or Awards granted under it into compliance therewith.

14.4 No Impairment of Rights. Rights under any Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (a) the Corporation requests the consent of the Participant and (b) the Participant consents in writing. However, an amendment of the Plan that results in a cancellation of an Award where the Participant receives a payment equal in value to the fair market value of the vested Award or, in the case of an Option, the difference between the Fair Market Value and the exercise price for all Shares subject to the Option, shall not be an impairment of the Participant's rights that requires consent of the Participant.

14.5 Amendment of Awards. Subject to Section 14.6, the Committee at any time, and from time to time, may amend the terms of any one or more Awards; provided, however, that if any such amendment impairs a Participant's rights or increases a Participant's obligations under his or her Award or creates or increases a Participant's federal income

tax liability with respect to an Award, such amendment shall also be subject to the Participant's consent (provided, however, a cancellation of an Award where the Participant receives a payment equal in value to the fair market value of the vested Award or, in the case of vested Options, the difference between the Fair Market Value of the Shares subject to an Option and the exercise price, shall not constitute an impairment of the Participant's rights that requires consent).

14.6 No Repricings or Underwater Buyouts. Except for adjustments made pursuant to Article 13, without the prior approval of the Corporation's stockholders, no Option or SAR granted under the Plan may:

14.6.1 be amended to decrease the exercise price (in the case of an Option) or base price (in the case of a SAR),

14.6.2 be cancelled in exchange for the grant of any new Option or SAR with a lower exercise or base price or any other new Award, or

14.6.3 otherwise be subject to any action that would be treated under accounting rules or otherwise as a "repricing" of such Option or SAR (including a cash buyout or voluntary surrender/subsequent regrant of an underwater Option or SAR).

ARTICLE 15 MISCELLANEOUS

15.1 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.

15.2 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.

15.3 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.

15.4 Fractional Shares. No fractional Shares of Common Stock will be issued or delivered under the Plan or any Option and Options granted under the Plan will not be exercisable with respect to fractional Shares. In lieu of such fractional Shares, the Corporation will pay an amount in cash equal to the same fraction using the Fair Market Value of a Share of Common Stock.

15.5 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 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 a Participant's employment (or service as a Non-Employee Board Director, Non-Employee Subsidiary Director, or Consultant) terminates 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 15.5, 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.

15.6 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.

15.7 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.

15.8 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.

15.9 Continuing Restriction Agreement. Each Participant will, if requested by Corporation and as a condition to issuance of Shares under the Plan upon an Award or exercise of an Award granted under the Plan that results in the issuance of Shares, become a party to and be bound by a stock restriction or other agreement with Corporation containing restrictions on transfer of Shares, including a right of first refusal for the benefit of Corporation, a market stand-off provision, and such other terms as Corporation may reasonably require.

15.10 Governing Law. Except with respect to references to the Code or federal securities laws, the Plan and all actions taken thereunder will be governed by and construed in accordance with the laws of the state of Maryland, without regard to principles of conflicts of laws.

As approved by the stockholders of Barrett Business Services, Inc., on May 27, 2015

BARRETT BUSINESS SERVICES, INC.

AMENDED AND RESTATED

2020 STOCK INCENTIVE PLAN

Effective February 28, 2025

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BARRETT BUSINESS SERVICES, INC.
AMENDED AND RESTATED 2020 STOCK INCENTIVE PLAN

ARTICLE 1
ESTABLISHMENT AND PURPOSE

1.1 **Establishment.** Barrett Business Services, Inc. ("Corporation"), hereby establishes the Barrett Business Services, Inc., Amended and Restated 2020 Stock Incentive Plan (the "Plan"), effective on the Effective Date. The original plan had an effective date of May 27, 2020.

1.2 **Purpose.** The purpose of the Plan is to promote and advance the interests of Corporation and its stockholders 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 stockholders. 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., 2015 Stock Incentive Plan (the "2015 Plan"). The adoption of the Plan will neither affect nor be affected by the continued existence of the 2015 Plan, except that after May 27, 2020, no further Awards will be granted under the 2015 Plan. The Plan will also be separate from the Barrett Business Services, Inc., 2009 Stock Incentive Plan, which was previously superseded by the 2015 Plan.

ARTICLE 2
DEFINITIONS

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

"Award" means an award or grant made to a Participant of Options, Stock Appreciation Rights, Restricted Awards, or Performance Share Awards pursuant to the Plan.

"Award Agreement" means an agreement as described in Section 6.4 of the Plan.

"Board" means the Board of Directors of Corporation.

"Change in Control" means a change in the ownership or effective control of the Corporation or a change in the ownership of a substantial portion of the assets of the Corporation, as defined in Treasury Regulation § 1.409A-3(i)(5) or in subsequent regulations or other guidance issued by the Internal Revenue Service. For purposes of illustration, a Change in Control generally occurs on the date that:

- (a) Any one person, or more than one person acting as a group, acquires ownership of the Corporation's stock that, together with stock already held by the person or group, constitutes more than 50 percent of the total fair market value or total voting power of the Corporation's stock;
- (b) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition), ownership of Corporation stock that constitutes 30 percent or more of the total voting power of the Corporation's stock;
- (c) A majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the appointment or election; or
- (d) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition), assets from the Corporation that have a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all of the Corporation's assets immediately before the acquisition.

"Change in Control Date" means the first date following the Grant Date on which a Change in Control has actually occurred.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, or any successor statute, 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 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(d), 6.5(g), 6.5(j), 13.1, 13.5, 13.6, 13.8, and 13.9 of the Plan and any other Restrictions expressly designated by the Committee in an Award Agreement as a Continuing Restriction.

"Continuous Service" means (a) for employees of Corporation or a Subsidiary, the absence of any interruption or termination of service as an employee and (b) for Non-Employee Board Directors and Non-Employee Subsidiary Directors, the absence of any interruption, removal, termination, or other cessation of service as a Non-Employee Board Director or Non-Employee Subsidiary Director. An employee's Continuous Service is not considered interrupted in the case of a leave of absence or other time away from work during which Continuous Service is not considered interrupted in accordance with Corporation's policies.

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

"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.

"Effective Date" The Effective Date of the Plan is stated on the cover page of the Plan; the Effective Date of the plan prior to its amendment and restatement was May 27, 2020.

"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 closing sale price per share of Common Stock as reported for such day by the principal exchange on which the Common Stock is traded (as determined by the Committee) or, if the Common Stock was not traded on such day, on the next preceding day on which the Common Stock was traded;
- (b) If trading activity in Common Stock is reported on the OTC Bulletin Board, the mean between the bid price and asked price quotes 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
- (c) 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, including valuation by an independent appraisal that satisfies the requirements of Code Section 401(a)(28)(C) as of a date that is no more than 12 months before the date of the transaction for which the appraisal is used (e.g., the Grant Date of an Award) or such other reasonable valuation method acceptable under Treasury Regulation Section 1.409A-1(b)(5)(iv).

"Grant Date" means the date of grant of an Award.

"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 granted pursuant to the Plan that is not an Incentive Stock Option.

"Option" means an ISO or an NQO.

"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 Goals" means goals approved by the Committee pursuant to Section 6.6 of the Plan.

"Performance Period" means a period of time over which performance is measured.

"Performance Share" means a Share or Share unit having a value equal to a Share that is the unit of measure by which is expressed the value of a Performance Share Award as determined under Article 10 of the Plan.

"Performance Share Award" means an Award granted under Article 10 of the Plan.

"Plan" shall mean this Barrett Business Services, Inc., Amended and Restated 2020 Stock Incentive Plan, as 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 Stock Unit granted pursuant to Article 9 of the Plan.

"Restricted Share" means an Award described in Section 9.1(a) of the Plan.

"Restricted Stock Unit" or **"RSU"** 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 that limits the exercisability or transferability, or governs the forfeiture, of an Award or the Shares, cash, or other property payable pursuant to an Award.

"Restriction Period" means a designated period pursuant to the provisions of Section 9.3 of the Plan.

"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 424 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.

"Termination for Cause" means termination for conduct involving:

- (a) embezzlement, willful misconduct, gross negligence, dishonesty, or other fraudulent acts involving Corporation or its business operations or in the performance of Participant's duties, including but not limited to Participant's refusal to comply with legal directives of Participant's supervisor, an executive officer of Corporation, or the Board;
- (b) a material breach of Participant's fiduciary duties to Corporation if the breach has not been remedied or is not being remedied to Corporation's reasonable satisfaction within 30 days after written notice, including a detailed description of the breach, has been delivered to Participant;
- (c) willful material breach of any confidentiality obligation of Participant pursuant to a separate agreement with, or confidentiality policy of, Corporation; or
- (d) an act or omission that materially injures Corporation's reputation, business affairs, or financial condition, if that injury reasonably could have been avoided by Participant, including but not limited to conviction or a plea of nolo contendere of a felony or crime involving dishonesty or moral turpitude.

Notwithstanding the foregoing, if a Participant is subject to a different definition of termination for cause in an employment or severance or similar agreement with Corporation, such other definition shall control.

"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 Number. Except where otherwise indicated by the context, the definition of any term in Section 2.1 in the singular also includes the plural, and vice versa.

ARTICLE 3 ADMINISTRATION

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 who meet the independence requirements set forth under the corporate governance standards or listing rules of the established securities exchange or quotation system, if any, on which the Common Stock is traded for members of a committee charged with overseeing the compensation of officers as defined in Rule 16a-1 under the Exchange Act and who satisfy the definition of "Non-Employee Director" set forth in 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 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 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 Fair Market Value of Shares if no public trading market exists for such Shares;
- g. Determine the option exercise price, purchase price, base price, or similar feature for any Award;
- h. Accelerate Vesting of Awards and waive any Restrictions;
- i. Determine whether the requirement of Continuous Service has been met by a Participant; and
- j. 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 Board may delegate to a committee with a single member who is a director (and may also be an executive officer) 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.

ARTICLE 4 DURATION OF THE PLAN AND SHARES SUBJECT TO THE PLAN¹

4.1 Duration of the Plan. The Plan is effective as of the Effective Date. Unless terminated by the Board on an earlier date, the Plan will terminate on May 27, 2030. 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. Subject to adjustment pursuant to Article 11, the maximum number of Shares for which Awards may be granted under the Plan is 2,900,000, of which the maximum aggregate number of Shares for which ISOs may be granted under the Plan is 1,500,000. If an Award under the Plan is canceled or expires for any reason prior to having been fully Vested or exercised by a Participant or is exchanged for other Awards, is otherwise forfeited or terminated, or is payable or settled solely in cash, all Shares covered by such Awards will be added back into the number of Shares available for future Awards under the Plan. Notwithstanding the foregoing, in no event will any of the following Shares again become available for

other Awards: (a) Shares tendered or withheld in respect of taxes, (b) Shares tendered or withheld to pay the exercise price of Options, (c) Shares repurchased by the Corporation from the Participant with the proceeds from the exercise of Options, and (d) Shares underlying any exercised SARs. Shares issued in connection with awards that are assumed, converted, or substituted pursuant to a merger, acquisition, or similar transaction entered into by the Corporation shall not reduce the number of Shares available for issuance under the Plan.

4.3 Reservation of Shares. Corporation, during the term of the Plan and any outstanding Awards, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

¹ Share amounts reflect 4-for-1 stock split effective June 2024.

ARTICLE 5 ELIGIBILITY

Officers and other key employees of Corporation and its Subsidiaries (including employees who may also be directors of Corporation or a Subsidiary), Consultants, Non-Employee Board Directors, 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.

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;
- c. Restricted Awards governed by Article 9 of the Plan; and
- d. Performance Share Awards governed by Article 10 of the Plan.

In the discretion of the Committee, any Award 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 exercise prices, purchase prices, or base prices, and subject to such terms, conditions, limitations, and restrictions as the Committee, in its discretion, deems appropriate. 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.

6.4 Award Agreements. Each Award will be evidenced by a written agreement (an "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 Stockholders. No Participant will have any rights of a stockholder with respect to Shares subject to an Award until such Shares are issued in the name of the Participant, including the right to receive cash dividends or dividend equivalents.

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, or for no reason, with or without cause.

d. Restriction on Transfer. No Award (other than Restricted Shares after they Vest) will be transferable other than by will or the laws of descent and distribution and each Award 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, any Award may be surrendered to the Corporation pursuant to Section 6.5(g).

e. Termination of Continuous Service. The terms and conditions under which an Award may be exercised, if at all, after a Participant's termination of Continuous Service 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, all or a specified portion of the Award (to the extent then outstanding) will become immediately Vested in full to the extent not previously Vested. Any such acceleration of Award Vesting must comply with applicable statutory and regulatory requirements. A 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

ii. In the event the Board approves a proposal for: (1) a merger, exchange or consolidation transaction 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); (2) the transfer of all or substantially all the assets of Corporation; (3) a sale of 50 percent or more of the combined voting power of Corporation's voting securities; or (4) 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 stockholders 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. Payment of Purchase Price and Withholding. The Committee, in its discretion, may include in any Award Agreement a provision permitting the Participant to pay (x) the purchase or option exercise price, if any, for the Shares or other property issuable pursuant to the Award, or (y) the Participant's federal, state, or local tax withholding obligations with respect to such issuance (which in no event may exceed the amount calculated based on the maximum individual tax rates in the jurisdiction applicable to the Participant), in whole or in part, by 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 the Corporation or a violation of laws or regulations applicable to the Corporation:

- i. By delivering cash or a check;
- ii. By delivering previously owned Shares (excluding Restricted Shares that have not Vested);
- iii. By reducing the number of Shares or other property otherwise Vested and issuable pursuant to the Award (other than Awards of ISOs);
- iv. In the event Shares are publicly traded, 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 any applicable statute or rule), to sell Shares subject to the Award and to deliver all or a part of the sale proceeds to Corporation; or
- v. 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.

h. Minimum Vesting Period. No Award may Vest in whole or in part before the one-year anniversary of the Grant Date; provided that the Committee may grant Awards without regard to the foregoing minimum Vesting requirement with respect to a maximum of five percent of the available share reserve authorized for issuance under the Plan pursuant to Section 4.2; and provided, further, that the foregoing restriction does not apply to the Committee's discretion to provide for acceleration of Vesting of any Award pursuant to Section 3.3(h), including in cases of retirement, death, Disability or a Change in Control, in the terms of the Award or otherwise.

i. Service Periods. At the time of granting an Award, 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.

j. Clawback/Recovery. All compensation pursuant to Awards granted under the Plan will be subject to recoupment as required (i) by the Sarbanes-Oxley Act of 2002 or other applicable law or (ii) by any clawback policy that the Corporation is required or the Board determines to adopt, including under the listing standards, if any, of any national securities exchange or association on which the Corporation's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. In addition, the Committee may impose such other clawback, recovery, or recoupment provisions in an Award Agreement as the Committee determines necessary or appropriate in its sole discretion, including without limitation in the event the Participant accepts employment with a competitor of the Corporation or otherwise competes with the Corporation. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Corporation or a Subsidiary.

6.6 Performance Goals. In the event an Award is intended to be performance-based, the Committee will establish Performance Goals for each Performance Period 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 (a) performance criteria for the Corporation, a Subsidiary, an operating group, or a branch, (b) a Participant's individual performance, or (c) a combination of both. Performance Goals may include objective and subjective criteria. During any Performance Period, the Committee may adjust the Performance Goals for such Performance Period as it deems equitable in recognition of unusual or nonrecurring events affecting the Corporation, changes in applicable tax laws or accounting principles, or such other factors as the Committee may determine in its sole discretion. Prior to the payment of any Award intended to be performance-based, the Committee must certify, which certification shall be documented in writing, that applicable Performance Goals and any of the material terms thereof were, in fact, satisfied.

6.7 Maximum Awards to Non-Employee Board Directors. Notwithstanding anything to the contrary in this Plan, the value of all Awards awarded under this Plan plus all other cash compensation paid by the Corporation to any Non-Employee Board Director in any calendar year shall not exceed a total of \$400,000. For the purpose of this limitation, the value of any Award shall be its grant date fair value, as determined in accordance with ASC 718 or any successor provision but excluding the impact of estimated forfeitures related to service-based vesting provisions.

**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. 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. ISOs may not be awarded unless the Plan is approved by stockholders within 12 months of adoption of the Plan.

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.

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 100 percent of the Fair Market Value of a Share on the Grant Date for all Options.

7.4 Option Term. The Award Agreement for each Option will specify the term of each Option as determined by the Committee; provided, however, that the term may not exceed 10 years from the Grant Date of such Option.

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 Vest and exercisable and whether the Option becomes Vested in full or in graduated amounts based on: (i) Continuous Service over a period specified in the Award Agreement, (ii) satisfaction of Performance Goals or other criteria specified in the Award Agreement, or (iii) a combination of Continuous Service and satisfaction of Performance Goals or other criteria;
- 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 termination of the Participant's Continuous Service.

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, including but not limited to the following requirements:

- a. Limited to Employees. ISOs may be granted only to employees of Corporation or a Subsidiary;
- b. Ten Percent Stockholders. In the case of any ISO granted to a Participant who, as of the Grant Date, possesses more than 10 percent of the total combined voting power of all classes of stock of Corporation or any parent or Subsidiary of Corporation, the option exercise price may not be less than 110 percent of the Fair Market Value of a Share on the Grant Date and the ISO may not remain exercisable after the expiration of five years from its Grant Date; and
- c. \$100,000 Annual Limitation. In the event that Options intended to be ISOs are granted to a Participant in excess of the \$100,000 annual limitation set forth in Code Section 422(d)(1), the Options will be bifurcated so that the Options will be ISOs to the maximum extent allowable under that limitation and will be NQOs as to any excess over that limitation.

7.7 Restricted Shares. In the discretion of the Committee, the Shares issuable upon exercise of an Option may have restrictions similar to Restricted Awards if so provided in the Award Agreement for the Option.

**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.

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 Grant Date 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 price as the Committee determines. The base price may not be less than the Fair Market Value of a Share on the Grant Date of the SAR.

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.

8.4 Form of Payment. Payment upon exercise of a Stock Appreciation Right may be made in cash, in Shares, in other property, or in any combination of the foregoing, or any other form as the Committee may determine.

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 Stock Units.

a. Restricted Shares. An Award of Restricted Shares is an Award of Shares subject to such terms and conditions as the Committee deems appropriate, including, without limitation, a requirement that the Participant forfeit such Restricted Shares back to the Corporation upon termination of the Participant's Continuous Service 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 Restricted Shares will be issued a stock certificate (or other evidence of ownership on the books of the Corporation or the Corporation's duly authorized transfer agent) in respect of such Shares, registered in the name of such Participant, and will execute and deliver to the Corporation a stock power in blank with respect to the Shares evidenced by such certificate, if any.

b. Restricted Stock Units. An Award of Restricted Stock Units is an Award of RSUs (with each RSU 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 RSUs upon termination of Participant's Continuous Service for specified reasons within a specified period of time or upon other conditions, as set forth in the Award Agreement for such RSUs. The Committee will set the terms and conditions of the Award Agreement so that the Award of RSUs will comply with or be exempt from Code Section 409A.

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.

9.3 Restriction Period. Award Agreements for Restricted Awards will provide that 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's Continuous Service must not be terminated, 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 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 the case may be.

9.4 Forfeiture. If a Participant's Continuous Service is terminated during the Restriction Period for any reason other than reasons which may be specified in an Award Agreement (such as death or Disability), the Award Agreement may require that all non-Vested Restricted Shares or RSUs previously granted to the Participant be forfeited and, with respect to Restricted Shares, returned to Corporation.

9.5 Settlement of Restricted Awards.

a. Restricted Shares. Upon Vesting of an Award of Restricted Shares, the restrictive stock legend on certificates, if any, for such Shares noting applicable Restrictions will be removed, the Participant's stock power, if any, will be returned, any stop transfer instructions in the records of the Corporation or its transfer agent will be removed, and the Shares will no longer be Restricted Shares.

b. Restricted Stock Units. Upon Vesting of an Award of RSUs, a Participant is entitled to receive payment in an amount equal to the aggregate Fair Market Value of the Shares covered by such RSUs at the expiration of the applicable Restriction Period. Payment in settlement of RSUs will be made as soon as practicable following the conclusion of the applicable Restriction Period in cash, in installments, in Restricted Shares, or in unrestricted Shares equal to the number of RSUs, or in any other manner or combination as the Award Agreement approved by the Committee, in its sole discretion, provides. A Participant shall be paid with respect to the Participant's RSUs no later than the last date that causes the payment to constitute a short-term deferral that is not subject to Section 409A, unless the Award Agreement includes terms that comply with Section 409A.

9.6 Rights as a Stockholder. Until the Restrictions have lapsed with respect to Restricted Shares, a Participant will have voting rights as to such Restricted Shares, but cash dividends or dividend equivalents will not be paid or accrued with respect to such Restricted Shares. Stock dividends issued with respect to non-Vested Shares granted under a Restricted Award will be treated as additional Shares covered by the Restricted Award and will be subject to the same Restrictions. A Participant will have no rights as a stockholder with respect to an Award of RSUs until Shares are issued to the Participant in settlement of the Award.

ARTICLE 10 PERFORMANCE SHARE AWARDS

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

10.2 Nature of Performance Shares. Each Performance Share shall represent the right of a Participant to receive an actual Share or Share unit having a value equal to one Share.

10.3 Performance Period. At the time of each Performance Share Award, the Committee shall establish, with respect to each such Award, a Performance Period during which performance shall be measured. There may be more than one Performance Share Award in existence with respect to a given Participant at any one time, and Performance Periods may differ.

10.4 Performance Measures. Performance Shares shall be awarded to a Participant and earned contingent upon the attainment of Performance Goals established in accordance with Section 6.6.

10.5 Payment.

10.5.1 Following the end of the Performance Period, a Participant holding a Performance Share Award will be entitled to receive payment of an amount, not exceeding the maximum value of the Performance Shares, based on the achievement of the Performance Goals for such Performance Period, as determined by the Committee.

10.5.2 Payment of Performance Shares shall be made in cash or Shares, as designated by the Committee in the Award Agreement. Payment shall be made in a lump sum or in installments and shall be subject to such other terms and conditions as shall be determined by the Committee. A Participant shall be paid with respect to the Participant's Performance Shares no later than the last date that causes the payment to constitute a short-term deferral that is not subject to Section 409A, unless the Award Agreement includes terms that comply with Section 409A.

ARTICLE 11 ADJUSTMENTS UPON CHANGES IN CAPITALIZATION, ETC.

11.1 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 stockholders 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 Corporation, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting 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.

11.2 Mandatory Adjustment. In the event of any stock dividend, stock split, reverse stock split, recapitalization, reclassification, or other distribution of Corporation's securities without the receipt of consideration by Corporation, of or on the Common Stock, the Committee shall make proportionate adjustments or substitution to the aggregate number and type of Shares for which Awards may be granted under the Plan, the maximum number and type of Shares which may be sold or awarded to any Participant, the number and type of Shares covered by each outstanding Award, and the base price, exercise price, or purchase price per Share in respect of outstanding Awards.

11.3 Adjustments by the Committee. In the event of any change in capitalization affecting the Common Stock not described in Section 13.2 above, 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, exercise 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 stockholders.

ARTICLE 12 AMENDMENT AND TERMINATION

12.1 Amendment of Plan. The Board at any time, and from time to time, may amend or terminate the Plan; provided that the Plan will terminate 10 years after the Effective Date, if not terminated by the Board on an earlier date. No amendment shall be effective unless approved by the stockholders of the Corporation to the extent stockholder approval is required to satisfy any applicable law or securities exchange listing requirements. At the time of such amendment, the Board shall determine whether such amendment will be contingent on stockholder approval. The Board may, in its sole discretion, submit any other amendment to the Plan for stockholder approval.

12.2 Contemplated Amendments. It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide Participants with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options or to the nonqualified deferred compensation provisions of Code Section 409A or to bring the Plan or Awards granted under it into compliance therewith.

12.3 No Impairment of Rights. Rights under any Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (a) the Corporation requests the consent of the Participant and (b) the Participant consents in writing. However, an amendment of the Plan that results in a cancellation of an Award where the Participant receives a payment equal in value to the fair market value of the vested Award or, in the case of an Option, the difference between the Fair Market Value and the exercise price for all Shares subject to the Option, shall not be an impairment of the Participant's rights that requires consent of the Participant.

12.4 Amendment of Awards. Subject to Section 12.5, the Committee at any time, and from time to time, may amend the terms of any one or more Awards; provided, however, that if any such amendment impairs a Participant's rights or increases a Participant's obligations under the Participant's Award or creates or increases a Participant's federal income tax liability with respect to an Award, such amendment shall also be subject to the Participant's consent (provided, however, a cancellation of an Award where the Participant receives a payment equal in value to the fair market value of the Vested Award or, in the case of Vested Options, the difference between the Fair Market Value of the Shares subject to an Option and the exercise price, shall not constitute an impairment of the Participant's rights that requires consent).

12.5 No Repricings or Underwater Buyouts. Except for adjustments made pursuant to Article 13, without the prior approval of the Corporation's stockholders, no Option or SAR granted under the Plan may:

12.5.1 be amended to decrease the exercise price (in the case of an Option) or base price (in the case of a SAR),

12.5.2 be cancelled in exchange for the grant of any new Option or SAR with a lower exercise or base price or any other new Award, or

12.5.3 otherwise be subject to any action that would be treated under accounting rules or otherwise as a "repricing" of such Option or SAR (including a cash buyout or voluntary surrender/subsequent regrant of an underwater Option or SAR).

ARTICLE 13 MISCELLANEOUS

13.1 Tax Withholding. Corporation has the right, prior to and as a condition to settlement of any Award under the Plan, including the delivery or Vesting of Shares or Awards, to require the Participant to remit to the Corporation an amount sufficient to satisfy any federal, state, or local taxes of any kind required by law to be withheld with respect to such settlement 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 unless such obligations are satisfied.

13.2 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.

13.3 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.

13.4 Fractional Shares. No fractional Shares will be issued or delivered under the Plan or any Option and Options granted under the Plan will not be exercisable with respect to fractional Shares. In lieu of such fractional Shares, the Corporation will pay an amount in cash equal to the same fraction using the Fair Market Value of a Share of Common Stock.

13.5 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 thereof or that grant of an Award payable in Shares is revocable until the Participant becomes entitled to the certificate (or other evidence of ownership) in settlement thereof. In the event a Participant's Continuous Service is terminated due to Termination for Cause, any Award which is revocable will be annulled as of the date of such Termination for Cause.

13.6 Engaging in Competition with Corporation. Any Award Agreement may provide that, if a Participant's Continuous Service is terminated voluntarily 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 that such Participant's Continuous Service is terminated.

13.7 Other 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.

13.8 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, or other evidence of ownership of, 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.

13.9 Continuing Restriction Agreement. Each Participant will, if requested by Corporation and as a condition to issuance of Shares under the Plan upon an Award or exercise of an Award granted under the Plan that results in the issuance of Shares, become a party to and be bound by a stock restriction or other agreement with Corporation containing restrictions on transfer of Shares, including, without limitation, a right of first refusal for the benefit of Corporation, a market stand-off provision, or such other terms as Corporation may reasonably require.

13.10 Governing Law. Except with respect to references to the Code or federal securities laws, the Plan and all actions taken thereunder will be governed by and construed in accordance with the laws of the state of Maryland, without regard to principles of conflicts of laws.

As approved by the stockholders of Barrett Business Services, Inc., on June 5, 2023.

AWARD AGREEMENT
Under The
Barrett Business Services, Inc.
2015 Stock Incentive Plan
(amended and restated)

NONQUALIFIED STOCK OPTION

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

Participant: Tom Carley
10810 S.W. Tualatin-Sherwood Hwy.
Building 1, Unit 2
Tualatin, Oregon 97062

Date: July 1, 2016

Corporation maintains the Barrett Business Services, Inc., 2015 Stock Incentive Plan (the "Plan").

This Award Agreement evidences the grant of a Nonqualified Option (the "Option") to Participant under Article 7 of the Plan.

The parties agree as follows:

1. Defined Terms

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

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

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

(i) A change in control of Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the Grant Date pursuant to the Exchange Act; provided that, without limitation, such a change in control shall be deemed to have occurred at such time as any Acquiring Person hereafter becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 40 percent or more of the combined voting power of Voting Securities; or

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

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

- (iv) Approval by the stockholders of Corporation of any plan or proposal for the liquidation or dissolution of Corporation.
- (c) "**Change in Control Date**" means the first date following the Grant Date on which a Change in Control has occurred.
- (d) "**Employer**" means Corporation or a Subsidiary of Corporation.
- (e) "**Grant Date**" means the date the Option is granted, which is reflected as the date of this Agreement.
- (f) "**Voting Securities**" means Corporation's issued and outstanding securities ordinarily having the right to vote at elections for director.

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

2. Grant of Option¹

Subject to the terms and conditions of this Agreement and the Plan, Corporation grants to Participant the Option to purchase 40,000 Shares of Corporation's common stock at \$9.95 per share.

¹ Share and per share amounts reflect 4-for-1 stock split effective June 2024.

3. Terms of Option

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

3.1 **Term.** The term of the Option is ten years from the Grant Date and will automatically terminate on July 1, 2026, to the extent not exercised, unless terminated earlier in accordance with this Agreement.

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

- (a) During the first year - none;
- (b) During the second year - up to 25 percent of the total Shares;
- (c) During the third year - up to 50 percent of the total Shares;
- (d) During the fourth year - up to 75 percent of the total Shares; and
- (e) After the fourth year- 100 percent.

3.3 **Service Requirement.** Except as otherwise provided in subsection 3.4 of this Agreement, the Option may not be exercised unless Participant is employed by or serves as a Non-Employee Board Director or Non-Employee Subsidiary Director for an Employer continuously for at least one year following the Grant Date, unless employment or service is terminated by death, Disability, or Retirement. For purposes of this Agreement, "employment" and "service" include periods of illness or other leaves of absence authorized by the Employer and any transfer(s) between employee and director status (whether as a Non-Employee Board Director or Non-Employee Subsidiary Director). If Participant ceases to be an active employee or active Non-Employee Board Director or Non-Employee Subsidiary Director, the right to exercise the Option, to the extent the Option had become exercisable on or before the date of termination of service, will expire at the end of the following periods:

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

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

- (a) Participant's death or termination of employment or service by reason of Disability or Retirement; or
- (b) A Change in Control Date.

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

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

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

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

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

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

4. Tax Withholding and Reimbursement

Participant will be responsible for payment of federal, state and local withholding taxes and Participant's portion of applicable payroll taxes, if any, imposed in connection with the exercise of the Option and the issuance of Shares (collectively, the "Applicable Taxes"). Corporation's obligation to issue Shares is expressly conditioned on Participant's making arrangements satisfactory to Corporation, in its sole and absolute discretion, for the payment of all Applicable Taxes. Participant may satisfy his or her obligation to pay the Applicable Taxes by electing in Participant's sole discretion (a) to pay to Corporation (in cash or by check) an amount equal to the Applicable Taxes, (b) to authorize Corporation to withhold a number of unrestricted Shares (thus reducing the number of unrestricted Shares to be issued to Participant) having a Fair Market Value (as of the Settlement Date) equal to the remaining balance of the Applicable Taxes, or (c) to authorize Corporation to withhold an amount equal to the Applicable Taxes

from Participant's payroll check or deposit to be made on or about the Settlement Date, provided such withholding is permissible under applicable state law. In no event will the amount withheld exceed the minimum amount of tax required to be withheld by law in connection with settlement of the Award.

5. Conditions Precedent

Corporation will not be required to issue any Shares upon exercise of the Option, or any portion thereof, until Corporation has taken any action required to comply with all applicable laws. Such action may include, without limitation, (a) registering or qualifying such Shares under any state or federal law or under the rules of any securities exchange or association, (b) satisfying any law or rule relating to the transfer of unregistered securities or demonstrating the availability of an exemption from any such law, (c) placing a restrictive legend or stop-transfer instructions on the Shares issued upon settlement of the Award, or (d) obtaining the consent or approval of any governmental or regulatory body.

6. Successorship

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

7. Notices

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

8. Arbitration

Any dispute or claim that arises out of or that relates to this Agreement or to the interpretation, breach, or enforcement of this Agreement, must be resolved by mandatory arbitration administered by and in accordance with the then effective arbitration rules of Arbitration Service of Portland, Inc. The place of arbitration will be Multnomah County, Oregon. The award rendered by the arbitrator will be final and binding, and judgment may be entered on the award in any court having jurisdiction.

9. Attorney Fees

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

10. Clawback/Recovery

Compensation paid to the Participant under this Award is subject to recoupment in accordance with any clawback policy of Corporation in effect from time to time, including any such policy adopted after the date of this Agreement, as well as any similar requirement of applicable law, including without limitation the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Sarbanes-Oxley Act of 2002, and rules adopted by a governmental agency or applicable securities exchange under any such law. Participant agrees to promptly repay or return any such compensation as directed by Corporation under any such clawback policy or requirement, including the value received from a disposition of Shares acquired pursuant to this Award.

BARRETT BUSINESS SERVICES, INC.

By /s/ Michael L. Elich
Name Michael L. Elich
Its President and Chief Executive Officer

/s/ Thomas J. Carley
Participant

NOTICE OF STOCK OPTION EXERCISE
BARRETT BUSINESS SERVICES, INC.
2015 STOCK INCENTIVE PLAN
(amended and restated)

To: Barrett Business Services, Inc.
8100 N.E. Parkway Drive, Suite 200
Vancouver, Washington 98662
Attention:

Participant: _____
Print Name

Mailing Address:

Telephone Number:

Option: The option evidenced by an Award Agreement dated _____.

OPTION EXERCISE

I hereby elect to exercise the Option to purchase shares of common stock ("Shares") of Barrett Business Services, Inc. ("BBSI") covered by the Option as follows:

Number of Shares Purchased (a)	
Per-Share Option Price (b)	
Aggregate Purchase Price (a times b)	\$
Closing Date of Purchase	\$

Form of Payment [Check One]:

My check in the full amount of the Aggregate Purchase Price (as well as a check for any withholding taxes, if this box is checked). See "Instructions" below.

Delivery of previously owned shares of BBSI common stock with a fair market value equal to the Aggregate Purchase Price (as well as any withholding taxes, if this box is checked). See "Instructions" below. Note that restricted shares acquired from BBSI under one of its stock plans may be used for this purpose only if such shares have become vested.

Withholding of that number of shares of BBSI common stock otherwise issuable to me upon exercise of the Option, with a fair market value on the date of exercise equal to the Aggregate Purchase Price (as well as any withholding taxes, if this box is checked). See "Instructions" below. **Note: This alternative is not available for incentive stock options.**

My irrevocable direction to my securities broker (see below) to sell Shares subject to the Option and deliver a portion of the sales proceeds to BBSI in full payment of the Aggregate Purchase Price (as well as any withholding taxes, if this box is checked). See "Instructions" below. I hereby confirm that any sale of Shares will be in compliance with BBSI's policies on insider trading and Rule 144, if applicable. I HEREBY IRREVOCABLY AUTHORIZE _____ to transfer funds to

(name of broker)

BBSI from my account in payment of the Aggregate Purchase Price (and withholding taxes, if applicable) and BBSI is hereby directed to issue the Shares for my account with such broker and to transmit the Shares to the broker indicated above.

Instructions:

(1) If payment is to be by check, a check for the amount of the Aggregate Purchase Price payable to Barrett Business Services, Inc., should be submitted with this Notice.

(2) If payment is to be by surrender of previously owned shares or by attestation of ownership (see Attestation Form below), either a certificate for the shares accompanied by a stock power endorsed in blank or the completed Attestation Form should be submitted with this Notice. If applicable, a certificate for any shares in excess of those needed to satisfy the Aggregate Purchase Price and withholding taxes, if applicable, will be returned to you with the certificate for your option shares. Any change in registration between the payment shares and the new shares will require a properly executed stock power that is guaranteed by an institution participating in a recognized medallion signature guarantee program.

(3) No withholding tax is due upon exercise of an incentive stock option. Withholding tax is due immediately upon exercise of a nonqualified option by an employee. If withholding tax is due at the time of exercise, you will be notified of the amount and satisfactory arrangements must be made for payment before a stock certificate for your option shares will be delivered to you (or your broker, if applicable). Among other alternatives, amounts necessary to satisfy withholding obligations may be deducted from compensation otherwise payable to you.

ISSUANCE INSTRUCTIONS FOR STOCK CERTIFICATES

Please register the stock certificate(s) in the following name(s):

If applicable, please check one: JT TEN TEN COM Other

Please deliver the stock certificate(s) to (check one):

My brokerage account

Attn:

Account No.: _____ ; or

My mailing address set forth above.

Date

Signature of Participant

ATTESTATION FORM

As indicated above, I have elected to use shares of BBSI common stock that I already own to pay the Aggregate Purchase Price of the Option (and withholding taxes, if applicable).

I attest to the ownership of the shares represented by the certificate(s) listed below or to the beneficial ownership of the shares held in the name of my broker, as indicated in the attached copy of my brokerage statement. I will be deemed to have delivered such shares to BBSI in connection with the exercise of my Option.

I understand that, because I (and any joint owner) will retain ownership of the shares (the "Payment Shares") deemed delivered to pay the Aggregate Purchase Price (and withholding taxes, if applicable), the number of shares to be issued to me upon exercise of my Option will be reduced by the number of Payment Shares. I represent that I have full power to deliver and convey certificates representing the Payment Shares to BBSI and by such delivery and conveyance could have caused BBSI to become sole owner of the Payment Shares. The joint owner of the Payment Shares, if any, by signing this Form, consents to these representations and to the exercise of the Option by this attestation.

I certify that any Payment Shares originally issued to me as restricted shares are now fully vested. List certificate(s) and number of shares covered, or attach a copy of your brokerage statement:

Common Stock Certificate Number

Number of Shares Covered

Date:

Print Name of Option Holder:

Signature of Option Holder:

Print Name of Joint Owner:

Signature of Joint Owner:

If you are attaching a copy of your brokerage statement, you must have your securities broker complete the following:

The undersigned hereby certifies that the foregoing attestation is correct.

Name of Brokerage Firm

Date:

By:

Telephone No.:

Print Name of Signing Broker

**FORM OF
AWARD AGREEMENT
Under The
Barrett Business Services, Inc.
2015 Stock Incentive Plan
(amended and restated)**

EMPLOYEE NONQUALIFIED STOCK OPTION

This Award Agreement (this "Agreement"), effective as of the Grant Date indicated below, evidences the grant of a Nonqualified Option (the "Option") to Participant under the Barrett Business Services, Inc., 2015 Stock Incentive Plan (the "Plan").

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

Participant:

Grant Date: March 28, 2018

Option: 160,000 Shares¹

Termination Date: March 28, 2028

Option Price: \$20.55 per Share¹, based on the closing sale price of a Share of Common Stock on the Grant Date

Exercise Limits: During the first, second, and third years after the Grant Date - none;
During the fourth and fifth years - up to 25 % of the total Shares;
During the sixth and seventh years - up to 50 % of the total Shares; and
During the eighth year and thereafter - up to 100 % of the total Shares.

The terms and conditions of the Option are set forth on the following pages of this Agreement and are, in each instance, subject to the terms and conditions of the Plan.

This Agreement may be acknowledged and accepted by Participant by signing, scanning, and returning a copy of this page by email.

BARRETT BUSINESS SERVICES, INC.

Participant

By
Name
Its

¹ Share and per share amounts reflect 4-for-1 stock split effective June 2024.

AWARD AGREEMENT
Under The
Barrett Business Services, Inc.
2015 Stock Incentive Plan
(amended and restated)

EMPLOYEE NONQUALIFIED STOCK OPTION
TERMS AND CONDITIONS

1. Defined Terms

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

- (a) **"Acquiring Person"** means any person or related person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Securities Exchange Act of 1934 (the "Exchange Act"), as such Section and Rule are in effect as of the Grant Date; provided, however, that the term Acquiring Person shall not include (i) Corporation or any of its Subsidiaries, (ii) any employee benefit plan of Corporation or any of its Subsidiaries, (iii) any entity holding voting capital stock of Corporation for or pursuant to the terms of any such employee benefit plan, or (iv) any person or group solely because such person or group has voting power with respect to capital stock of Corporation arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act.
- (b) **"Change in Control"** means:
- a. A change in control of Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the Grant Date pursuant to the Exchange Act; provided that, without limitation, such a change in control shall be deemed to have occurred at such time as any Acquiring Person hereafter becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 40 percent or more of the combined voting power of Voting Securities; or
 - b. During any period of 12 consecutive calendar months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election, by Corporation shareholders of each new director was approved by a vote of at least a majority of the directors then in office who were directors at the beginning of the period; or
 - c. There shall be consummated (1) any consolidation or merger of Corporation in which Corporation is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of Corporation in which the holders of Voting Securities immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (2) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of Corporation; or
 - d. Approval by the shareholders of Corporation of any plan or proposal for the liquidation or dissolution of Corporation.
- (c) **"Change in Control Date "** means the first date following the Grant Date on which a Change in Control has occurred.
- (d) **"Employer"** means Corporation or a Subsidiary of Corporation.
-

- (e) "**Voting Securities**" means Corporation's issued and outstanding securities ordinarily having the right to vote at elections for director. Capitalized terms not otherwise defined in this Agreement have the meanings given them in the Plan.

2. Grant of Option

Subject to the terms and conditions of this Agreement and the Plan, Corporation grants to Participant the Option to purchase the number of Shares of Common Stock at the Option Price shown on the first page of this Agreement.

3. Terms of Option

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

- 3.1. **Term.** The term of the Option is ten years from the Grant Date and will automatically terminate on the Termination Date shown on the first page of this Agreement to the extent not exercised, unless terminated earlier in accordance with this Agreement.
- 3.2. **Time of Exercise.** Unless the Option is otherwise terminated or the time of its exercisability is accelerated in accordance with this Agreement, the Option may be exercised from time to time to purchase Shares up to the limits set forth on the first page of this Agreement (such limits include any Shares previously purchased pursuant to the Option).
- 3.3. **Employment Requirement.** Except as otherwise provided in subsection 3.4 of this Agreement, the Option may not be exercised unless Participant is employed by an Employer continuously for at least one year following the Grant Date, unless employment is terminated by death, Disability, or Retirement. For purposes of this Agreement, "employment" includes periods of illness or other leaves of absence authorized by the Employer. If Participant ceases to be an active employee, the right to exercise the Option, to the extent the Option had become exercisable on or before the Termination Date, will expire at the end of the following periods:

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

- 3.4. **Acceleration of Exercisability.** Notwithstanding the schedule provided in subsection 3.2, the Option will become fully exercisable (unless Participant chooses to decline accelerated Vesting of all or any portion of the Option) upon the occurrence of either:
- (a) Participant's death or termination of employment by reason of Disability or Retirement; or
- (b) A Change in Control Date.
- 3.5. **Method of Exercise.** The Option, or any portion thereof, may be exercised, to the extent it has become exercisable pursuant to this Agreement, by delivery of written notice to
-

Corporation in the form of Attachment A stating the number of Shares, form of payment, and proposed closing date.

- 3.6. Other Documents. Participant will be required to furnish to Corporation before closing such other documents or representations as Corporation may require to assure compliance with applicable laws and regulations.
- 3.7. Payment. The aggregate Option Price for the Shares to be purchased upon exercise of the Option must be paid in full on or before the closing date by one or a combination of the following:

- (a) Payment in cash;
- (b) Delivery of previously acquired Shares having a Fair Market Value equal to the aggregate Option Price;
- (c) Withholding of Shares issuable to Participant upon exercise of the Option, with a Fair Market Value on the closing date equal to the aggregate Option Price; or
- (d) Delivery (in a form approved by the Committee) of an irrevocable direction to a securities broker acceptable to the Committee to sell Shares subject to the Option and to deliver all or a part of the sale proceeds to Corporation in payment of all or a part of the aggregate Option Price.

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

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

4. Tax Withholding and Reimbursement

Participant is responsible for the payment of all federal, state and local withholding taxes and Participant's portion of any applicable payroll taxes imposed in connection with the exercise or other settlement of the Option (collectively, the "Applicable Taxes"). Payment may be in cash, in Shares owned by Participant, duly endorsed for transfer, with a Fair Market Value on the closing date equal to the total amount of Applicable Taxes, in Shares issuable to Participant upon exercise of the Option with a Fair Market Value on the closing date equal to the total amount of Applicable Taxes, or in any combination of the foregoing methods of payment. In the event Participant has not otherwise made arrangements for satisfaction of his or her withholding tax obligation, Corporation is authorized to withhold from Participant's other compensation the Applicable Taxes. Corporation is not required to issue any Shares upon exercise of the Option until Participant's tax withholding obligations have been satisfied.

5. Conditions Precedent

Corporation will not be required to issue any Shares upon exercise of the Option, or any portion thereof, until Corporation has taken any action required to comply with all applicable laws. Such action may include, without limitation, (a) registering or qualifying such Shares under any state or federal law or under the rules of any securities exchange or association, (b) satisfying any law or rule relating to the transfer of unregistered securities or demonstrating the availability of an exemption from any such law, (c) placing a restrictive legend or stop-transfer instructions on the Shares issued upon settlement of the Award, or (d) obtaining the consent or approval of any governmental or regulatory body.

6. Termination for Cause; Competition

- 6.1. Annulment of Awards. The grant of the Option governed by this Agreement is revocable until Participant becomes entitled to a certificate for Shares in settlement thereof. In the event the employment of Participant is terminated for cause (as defined below), any portion of the Option which is revocable will be annulled as of the date of such termination for cause. For the purpose of this Section 6.1, the term "for cause" will have the meaning set forth in Participant's employment agreement, if any, or otherwise means any discharge (or removal) for material or flagrant violation of the policies and procedures of the Employer or for other performance or conduct which is materially detrimental to the best interests of Corporation, as determined by the Committee.
- 6.2. Engaging in Competition With Corporation. If Participant terminates employment with an Employer for any reason whatsoever, and within 18 months after the date thereof accepts employment with any competitor of (or otherwise engages in competition with) Corporation, the Committee, in its sole discretion, may require Participant to return to Corporation the economic value of this Option that is realized or obtained (measured at the date of exercise) by Participant at any time during the period beginning on the date that is six months prior to the date of Participant's termination of employment with an Employer.

7. Clawback/Recovery

Compensation paid to Participant under this Agreement is subject to recoupment in accordance with any clawback policy of Corporation in effect from time to time, including any such policy adopted after the date of this Agreement, as well as any similar requirement of applicable law, including without limitation the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Sarbanes-Oxley Act of 2002, and rules adopted by a governmental agency or applicable securities exchange under any such law. Participant agrees to promptly repay or return any such compensation as directed by Corporation under any such clawback policy or requirement, including the value received from a disposition of Shares acquired pursuant to this Agreement.

8. Successorship

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

9. Notices

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

10. Arbitration

Any dispute or claim that arises out of or that relates to this Agreement or to the interpretation, breach, or enforcement of this Agreement, must be resolved by mandatory arbitration

administered by and in accordance with the then effective arbitration rules of Arbitration Service of Portland, Inc. The place of arbitration will be Multnomah County, Oregon. The award rendered by the arbitrator will be final and binding, and judgment may be entered on the award in any court having jurisdiction.

11. Attorney Fees

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

Attachment A
NOTICE OF STOCK OPTION EXERCISE
BARRETT BUSINESS SERVICES, INC.
2015 STOCK INCENTIVE PLAN
(amended and restated)

EMPLOYEE NONQUALIFIED STOCK OPTION

To: Barrett Business Services, Inc.
8100 N.E. Parkway Drive, Suite 200
Vancouver, Washington 98662
Attention: Gary Kramer

Participant: _____
Print Name

Mailing Address:

Telephone Number:

Option: The option evidenced by an Award Agreement dated _____.

OPTION EXERCISE

I hereby elect to exercise the Option to purchase shares of common stock ("Shares") of Barrett Business Services, Inc. ("BBSI") covered by the Option as follows:

Number of Shares Purchased (a)	
Per-Share Option Price (b)	\$
Aggregate Option Price (a times b)	\$
Closing Date of Purchase	

Form of Payment [Check One]:

- My check in the full amount of the Aggregate Option Price (as well as a check for any withholding taxes, if this box is checked). See "Instructions" below.
- Delivery of previously owned Shares with a fair market value equal to the Aggregate Option Price (as well as any withholding taxes, if this box is checked). See "Instructions" below. Note that restricted Shares acquired from BBSI under one of its stock plans may be used for this purpose only if such Shares have become vested.
- Withholding of that number of Shares otherwise issuable to me upon exercise of the Option, with a fair market value on the closing date equal to the Aggregate Option Price (as well as any withholding taxes, if this box is checked). See "Instructions" below.
- My irrevocable direction to my securities broker (see below) to sell Shares subject to the Option and deliver a portion of the sale proceeds to BBSI in full payment of the Aggregate Option Price (as well as any withholding taxes, if this

box is checked). See "Instructions" below. I hereby confirm that any sale of Shares will be in compliance with BBSI's policies on insider trading and Rule 144 under the Securities Act of 1933, if applicable. I HEREBY IRREVOCABLY AUTHORIZE _____ to transfer

(*name of broker*)

funds to BBSI from my account in payment of the Aggregate Option Price and BBSI is hereby directed to issue the Shares for my account with such broker and to transmit the Shares to the broker indicated above.

Instructions:

(1) If payment is to be by check, a check for the amount of the Aggregate Option Price payable to Barrett Business Services, Inc., should be submitted with this Notice.

(2) If payment is to be by surrender of previously owned Shares or by attestation of ownership (see Attestation Form below), either a certificate for the Shares accompanied by a stock power endorsed in blank or the completed Attestation Form should be submitted with this Notice. If applicable, a certificate for any Shares in excess of those needed to pay the Aggregate Option Price and applicable withholding taxes will be returned to you with the certificate for your option Shares. Any change in registration between the payment shares and the new shares will require a properly executed stock power that is guaranteed by an institution participating in a recognized medallion signature guarantee program.

(3) Payment of the Applicable Taxes is due on the closing date of the exercise of a nonqualified option by an employee. You will be notified of the amount of Applicable Taxes due promptly following receipt of your Notice of Stock Option Exercise. Satisfactory arrangements must be made for payment before a stock certificate for your option Shares will be delivered to you (or your broker, if applicable). Among other alternatives, amounts necessary to satisfy withholding obligations may be deducted from compensation otherwise payable to you.

ISSUANCE INSTRUCTIONS FOR STOCK CERTIFICATES

Please register the stock certificate(s) in the following name(s):

If applicable, please check one: JT TEN TEN COM Other

Please deliver the stock certificate(s) to (check one):

- My brokerage account

Attn: _____
Account No.: _____ ; or

- My mailing address set forth above.

Date

Signature of Participant

ATTESTATION FORM

As indicated above, I have elected to use shares of BBSI common stock that I already own to pay the Aggregate Option Price of the Option.

I attest to the ownership of the shares represented by the certificate(s) listed below or to the beneficial ownership of the shares held in the name of my broker, as indicated in the attached copy of my brokerage statement. I will be deemed to have delivered such shares to BBSI in connection with the exercise of my Option.

I understand that, because I (and any joint owner) will retain ownership of the shares (the "Payment Shares") deemed delivered to pay the Aggregate Option Price, the number of shares to be issued to me upon exercise of my Option will be reduced by the number of Payment Shares. I represent that I have full power to deliver and convey certificates representing the Payment Shares to BBSI and by such delivery and conveyance could have caused BBSI to become sole owner of the Payment Shares. The joint owner of the Payment Shares, if any, by signing this Form, consents to these representations and to the exercise of the Option by this attestation.

I certify that any Payment Shares originally issued to me as restricted shares are now fully vested.

List certificate(s) and number of shares covered, or attach a copy of your brokerage statement:

Common Stock Certificate Number	Number of Shares Covered

Date:

Print Name of Option Holder:

Signature of Option Holder:

Print Name of Joint Owner:

Signature of Joint Owner:

If you are attaching a copy of your brokerage statement, you must have your securities broker complete the following:

The undersigned hereby certifies that the foregoing attestation is correct.

Name of Brokerage Firm

Date:
Telephone No.:

By:

Print Name of Signing Broker

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BARRETT BUSINESS SERVICES, INC.
SUMMARY OF COMPENSATION ARRANGEMENTS
FOR NON-EMPLOYEE DIRECTORS

As of January 1, 2025, compensation arrangements for non-employee directors of Barrett Business Services, Inc. (the "Company"), include an annual retainer of \$70,000 (\$155,000 for the Chairman of the Board) payable in cash in monthly installments. Committee chairs receive an annual cash retainer, payable in monthly installments, as follows: chair of Audit and Compliance Committee, \$17,500; chair of Compensation Committee, \$12,500; chair of Risk Management Committee, \$12,500; and chair of Corporate Governance and Nominating Committee, \$12,500. Committee members receive an annual cash retainer, payable in monthly installments, as follows: Audit and Compliance Committee, \$7,500; Compensation Committee, \$5,000; Risk Management Committee, \$5,000; and Corporate Governance and Nominating Committee, \$5,000.

The compensation arrangements also contemplate that each non-employee director in office on July 1, 2025, will be granted an award of restricted stock units ("RSUs") under the Company's Amended and Restated 2020 Stock Incentive Plan with a grant date fair value of approximately \$100,000, based on the closing sale price of the Company's common stock on that date. The 2025 RSU awards will vest in full on July 1, 2026, provided that the grantee continues to serve as a director through that date.

AWARD AGREEMENT
Under The
Barrett Business Services, Inc.
Amended and Restated 2020 Stock Incentive Plan

EMPLOYEE NONQUALIFIED STOCK OPTION
TERMS AND CONDITIONS

1. Defined Terms

When used in this Agreement, "Grant Date" means the date the Option is granted, as shown on the first page of this Agreement.

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

2. Grant of Option

Subject to the terms and conditions of this Agreement and the Plan, Corporation grants to Participant an Option to purchase the number of Shares of Common Stock at the Option Price shown on the first page of this Agreement.

3. Terms of Option

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

3.1 Term. The term of the Option is six years from the Grant Date and will automatically terminate on the Termination Date shown on the first page of this Agreement to the extent not exercised, unless terminated earlier in accordance with this Agreement.

3.2 Time of Exercise. Unless the Option is terminated prior to the Vesting Date set forth on the first page of this Agreement, then, beginning on the Vesting Date, or such earlier date or dates to which its exercisability is accelerated in accordance with subsection 3.4 of this Agreement or Section 3.3(h) of the Plan, the Option may be exercised from time to time to purchase the total Shares covered by the Option, subject to subsection 3.3 of this Agreement.

3.3 Requirement of Continuous Service. Except as otherwise provided in this Agreement, if Participant's Continuous Service terminates prior to the Termination Date, the right to exercise the Option, to the extent the Option had become exercisable prior to termination of Participant's Continuous Service, will expire at the end of the following periods:

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

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

- (a) Participant's death or termination of Continuous Service by reason of Disability or Retirement; or
 - (b) A Change in Control Date.
-

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

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

3.7 Payment. The aggregate Option Price for the Shares to be purchased upon exercise of the Option must be paid in full on or before the closing date by one or a combination of the following:

- (a) Payment in cash;
- (b) Delivery of previously acquired Shares having a Fair Market Value equal to the aggregate Option Price;
- (c) Withholding of Shares issuable to Participant upon exercise of the Option, with a Fair Market Value on the closing date equal to the aggregate Option Price; or
- (d) Delivery (in a form approved by the Committee) of an irrevocable direction to a securities broker acceptable to the Committee to sell Shares subject to the Option and to deliver all or a part of the sale proceeds to Corporation in payment of all or a part of the aggregate Option Price.

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

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

4. Tax Withholding and Reimbursement

Participant is responsible for the payment of all federal, state and local withholding taxes and Participant's portion of any applicable payroll taxes imposed in connection with the exercise or other settlement of the Option (collectively, the "Applicable Taxes"). Payment may be in cash, in Shares owned by Participant, duly endorsed for transfer, with a Fair Market Value on the closing date equal to the total amount of Applicable Taxes, in Shares issuable to Participant upon exercise of the Option with a Fair Market Value on the closing date equal to the total amount of Applicable Taxes, or in any combination of the foregoing methods of payment. In the event Participant has not otherwise made arrangements for satisfaction of Participant's withholding tax obligations, Corporation is authorized to withhold the Applicable Taxes from Participant's other compensation. Corporation is not required to issue any Shares upon exercise of the Option until Participant's tax withholding obligations have been satisfied.

5. Conditions Precedent

Corporation will not be required to issue any Shares upon exercise of the Option, or any portion thereof, until Corporation has taken any action required to comply with all applicable laws. Such action may include, without limitation, (a) registering or qualifying such Shares under any state or federal law or under the rules of any securities exchange or association, (b) satisfying any law or rule relating to the transfer of unregistered securities or demonstrating the availability of an exemption from any such law, (c)

placing a restrictive legend or stop-transfer instructions on the Shares issued upon settlement of the Award, or (d) obtaining the consent or approval of any governmental or regulatory body.

6. Termination for Cause; Competition

6.1 Annulment of Awards. The grant of the Option governed by this Agreement is revocable until Participant becomes entitled to a certificate for Shares in settlement thereof. In the event the Continuous Service of Participant ends due to Termination for Cause, any portion of the Option which is revocable will be annulled as of the date of such Termination for Cause.

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

7. Clawback/Recovery

Compensation paid to Participant under this Agreement is subject to recoupment in accordance with any clawback policy of Corporation in effect from time to time, including any such policy adopted after the date of this Agreement, as well as any similar requirement of applicable law, including without limitation the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Sarbanes-Oxley Act of 2002, and rules adopted by a governmental agency or applicable securities exchange under any such law. Participant agrees to promptly repay or return any such compensation as directed by Corporation under any such clawback policy or requirement, including the value received from a disposition of Shares acquired pursuant to this Agreement.

8. Successorship

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

9. Notices

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

10. Arbitration

Any dispute or claim that arises out of or that relates to this Agreement or to the interpretation, breach, or enforcement of this Agreement, must be resolved by mandatory arbitration administered by and in accordance with the then effective arbitration rules of Arbitration Service of Portland, Inc. The place of arbitration will be Multnomah County, Oregon. The award rendered by the arbitrator will be final and binding, and judgment may be entered on the award in any court having jurisdiction.

11. Attorney Fees

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

Attachment A

NOTICE OF STOCK OPTION EXERCISE

BARRETT BUSINESS SERVICES, INC.
AMENDED AND RESTATED 2020 STOCK INCENTIVE PLAN

EMPLOYEE NONQUALIFIED STOCK OPTION

To: Barrett Business Services, Inc.
8100 N.E. Parkway Drive, Suite 200
Vancouver, Washington 98662
Attention: Gary Kramer

Participant: _____
Print Name

Mailing Address: _____

Telephone Number: _____

Option: The option evidenced by an Award Agreement dated _____, ____.

OPTION EXERCISE

I hereby elect to exercise the Option to purchase shares of common stock ("Shares") of Barrett Business Services, Inc. ("BBSI") covered by the Option as follows:

Number of Shares Purchased (a) _____
Per-Share Option Price (b) \$ _____
Aggregate Option Price (a times b) \$ _____
Closing Date of Purchase _____

Form of Payment [Check One]:

- My check in the full amount of the Aggregate Option Price (as well as a check for any withholding taxes, if this box is checked). See "Instructions" below.
- Delivery of previously owned Shares with a fair market value equal to the Aggregate Option Price (as well as any withholding taxes, if this box is checked). See "Instructions" below. Note that restricted Shares acquired from BBSI under one of its stock plans may be used for this purpose only if such Shares have become Vested.
- Withholding of that number of Shares otherwise issuable to me upon exercise of the Option, with a fair market value on the closing date equal to the Aggregate Option Price (as well as any withholding taxes, if this box is checked). See "Instructions" below.
- My irrevocable direction to my securities broker (see below) to sell Shares subject to the Option and deliver a portion of the sale proceeds to BBSI in full

payment of the Aggregate Option Price (as well as any withholding taxes, if this box is checked). See "Instructions" below. I hereby confirm that any sale of Shares will be in compliance with BBSI's policies on insider trading and Rule 144 under the Securities Act of 1933, if applicable. I HEREBY IRREVOCABLY AUTHORIZE _____ to transfer
(name of broker)
funds to BBSI from my account in payment of the Aggregate Option Price and BBSI is hereby directed to issue the Shares for my account with such broker and to transmit the Shares to the broker indicated above.

Instructions:

(1) If payment is to be by check, a check for the amount of the Aggregate Option Price payable to Barrett Business Services, Inc., should be submitted with this Notice.

(2) If payment is to be by surrender of previously owned Shares or by attestation of ownership (see Attestation Form below), either a certificate for the Shares accompanied by a stock power endorsed in blank or the completed Attestation Form should be submitted with this Notice. If applicable, a certificate for any Shares in excess of those needed to pay the Aggregate Option Price and applicable withholding taxes will be returned to you with the certificate for your option Shares. Any change in registration between the payment shares and the new shares will require a properly executed stock power that is guaranteed by an institution participating in a recognized medallion signature guarantee program.

(3) Payment of the Applicable Taxes is due on the closing date of the exercise of an NQO by an employee. You will be notified of the amount of Applicable Taxes due promptly following receipt of your Notice of Stock Option Exercise. Satisfactory arrangements must be made for payment before a stock certificate for your option Shares will be delivered to you (or your broker, if applicable). Among other alternatives, amounts necessary to satisfy withholding obligations may be deducted from compensation otherwise payable to you.

ISSUANCE INSTRUCTIONS FOR STOCK CERTIFICATES

Please register the stock certificate(s) in the following name(s):

If applicable, please check one: JT TEN TEN COM Other

Please deliver the stock certificate(s) to (check one):

My brokerage account

Attn: _____
Account No.: _____; or

My mailing address set forth above.

Date Signature of Participant

ATTESTATION FORM

As indicated above, I have elected to use shares of BBSI common stock that I already own to pay the Aggregate Option Price of the Option.

I attest to the ownership of the shares represented by the certificate(s) listed below or to the beneficial ownership of the shares held in the name of my broker, as indicated in the attached copy of my brokerage statement. I will be deemed to have delivered such shares to BBSI in connection with the exercise of my Option.

I understand that, because I (and any joint owner) will retain ownership of the shares (the "Payment Shares") deemed delivered to pay the Aggregate Option Price, the number of shares to be issued to me upon exercise of my Option will be reduced by the number of Payment Shares. I represent that I have full power to deliver and convey certificates representing the Payment Shares to BBSI and by such delivery and conveyance could have caused BBSI to become sole owner of the Payment Shares. The joint owner of the Payment Shares, if any, by signing this Form, consents to these representations and to the exercise of the Option by this attestation.

I certify that any Payment Shares originally issued to me as restricted shares are now fully Vested.

List certificate(s) and number of shares covered, or attach a copy of your brokerage statement:

Common Stock Certificate Number	Number of Shares Covered

Date: _____

Print Name of Option Holder: _____

Signature of Option Holder: _____

Print Name of Joint Owner: _____

Signature of Joint Owner: _____

If you are attaching a copy of your brokerage statement, you must have your securities broker complete the following:

The undersigned hereby certifies that the foregoing attestation is correct.

Name of Brokerage Firm

Date: _____

By: _____

Telephone No.: _____

Print Name of Signing Broker

BARRETT BUSINESS SERVICES, INC.
INSIDER TRADING POLICY
EFFECTIVE DATE APRIL 29, 2024

This Insider Trading Policy describes the restrictions imposed by Barrett Business Services, Inc. and its subsidiaries (the "Company"), on trading or causing trading in the Company's securities or securities of other publicly traded companies while in possession of certain confidential information. This Policy is divided into two parts:

- Part I prohibits trading under specified circumstances and applies to all directors, officers, and employees¹ of the Company and certain third parties that have agreed to be subject to this Policy ("Part I Persons"), and
- Part II imposes additional trading restrictions on all (i) directors of the Company, (ii) officers of the Company at the level of Vice President and above (together with the directors, "Company Insiders"), (iii) the individual and categories of employees listed on Appendix A (together with Company Insiders, "Part II Persons") and (iv) certain other employees that the Company may designate from time to time as "Part II Persons" because of their position, responsibilities or their actual or potential access to material information.

One of the principal purposes of the federal securities laws is to prohibit so-called "insider trading." In this context, insider trading occurs when a person uses material nonpublic information obtained through involvement with the Company or persons associated with the Company to make decisions to purchase, sell, give away, or otherwise trade the Company's securities or the securities of certain other companies or to provide that information to others outside the Company. The prohibitions against insider trading may apply to trades, communications, and recommendations by virtually any person, including all persons associated with the Company, if the information involved is "material" and "nonpublic." These terms are defined in this Policy under Part I, Section 3 below. Among other things, the prohibitions apply to any director, officer or employee of the Company who buys or sells securities on the basis of material nonpublic information that he or she obtained about the Company, its customers, suppliers, partners, competitors, or other companies with which the Company has contractual relationships or may be negotiating transactions.

¹ Employee is not intended to include worksite employees of Company clients.

PART I

1. Applicability

This Policy applies to all trading or other transactions in (i) the Company's securities, including common stock, options and any other securities that the Company may issue, such as preferred stock, notes, bonds and convertible securities, as well as to derivative securities relating to any of the Company's securities, whether or not issued by the Company and (ii) comparable securities of certain other companies, where the person trading used information obtained while working for the Company.

This Policy applies to all Part I Persons as defined above.

2. General Policy: No Trading or Causing Trading While in Possession of Material Nonpublic Information

(a) No Part I Person may purchase, sell, give away, or otherwise trade, or offer to do any of the foregoing, any Company security, whether or not issued by the Company, while in possession of material nonpublic information about the Company. (The terms "material" and "nonpublic" are defined in Part I, Section 3(a) and (b) below.)

(b) No Part I Person who knows of any material nonpublic information about the Company may communicate that information to (commonly referred to as "tipping") any other person, including family members and friends, or otherwise disclose such information without the Company's authorization.

(c) No Part I Person may purchase, sell, give away, or otherwise trade any security of any other publicly traded company while in possession of material nonpublic information that was obtained in the course of his or her involvement with the Company. No Part I Person who knows of any such material nonpublic information may communicate that information to (tip) any other person, including family members and friends, or otherwise disclose such information without the Company's authorization.

(d) For compliance purposes, you should never trade, tip or recommend securities (or otherwise cause the purchase, sale, gift, or other trading of securities) while in possession of information that you have reason to believe is material and nonpublic unless you first consult with, and obtain the advance approval of, the Compliance Officer (defined in Part I, Section 3(c) below). If you realize that you have tipped someone inadvertently regarding material, nonpublic information subject to this Policy, you must immediately notify the Compliance Officer and advise the person tipped that they are prohibited by the federal securities laws from trading on or further tipping with regard to that information.

(e) All Part I Persons who are also Part II Persons as defined above must "pre-clear" all trading in securities of the Company in accordance with the procedures set forth in Part II, Section 3 below.

3. Definitions

(a) **Material.** Insider trading restrictions come into play only if the information you possess is "material." Materiality, however, involves a relatively low threshold. Information is generally regarded as "material" if it has market significance, that is, if its public dissemination is likely to affect the market price of securities, or if it otherwise is information that a reasonable investor would want to know before making an investment decision.

Information dealing with the following subjects is reasonably likely to be found material in particular situations:

- (i) significant changes in the Company's prospects;
- (ii) significant write-downs in assets or increases in reserves;
- (iii) developments regarding significant litigation or government agency investigations;
- (iv) liquidity problems;
- (v) changes in earnings estimates or unusual gains or losses in major operations;
- (vi) major changes in the Company's management or the board of directors;
- (vii) changes in dividends;
- (viii) extraordinary borrowings;
- (ix) major changes in accounting methods or policies;
- (x) award or loss of a significant contract;
- (xi) significant cybersecurity risks and incidents, including vulnerabilities and breaches;
- (xii) changes in debt ratings;
- (xiii) proposals, plans or agreements, even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets; and
- (xiv) offerings of Company securities.

Material information is not limited to historical facts but may also include projections and forecasts. With respect to a future event, such as a merger, acquisition or introduction of a new product, the point at which negotiations or product development are determined to be material is determined by balancing the probability that the event will occur against the magnitude of the effect the event would have on a company's operations or stock price should it occur. Thus, information concerning an event that would have a large effect on stock price, such as a merger, may be material even if the possibility that the event will occur is relatively small. When in doubt about whether particular nonpublic information is material, you should presume it is material. **If you are unsure whether information is material, you should either consult the Compliance Officer before making any decision to trade in or recommend trading in securities to which that information relates, or assume that the information is material and refrain from trading or recommending trading.**

(b) Nonpublic. Insider trading prohibitions come into play only when you possess information that is material and "nonpublic." The fact that information has been disclosed to a few members of the public does not make it public for insider trading purposes. To be "public" the information must have been disseminated in a manner designed to reach investors generally, and the investors must be given the opportunity to absorb the information. Even after public disclosure of information about the Company, you must wait until the close of business on the second trading day after the information was publicly disclosed before you can treat the information as public.

Nonpublic information may include:

- (i) information available to a select group of analysts or brokers or institutional investors;
 - (ii) undisclosed facts that are the subject of rumors, even if the rumors are widely circulated; and
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(iii) information that has been entrusted to the Company on a confidential basis until a public announcement of the information has been made and enough time has elapsed for the market to respond to a public announcement of the information (normally two trading days).

As with questions of materiality, if you are not sure whether information is considered public, you should either consult with the Compliance Officer or assume that the information is nonpublic and treat it as confidential.

(c) Compliance Officer. The Company has appointed the Company's General Counsel as the Compliance Officer for this Policy. In the absence of the General Counsel, the Company's Chief Financial Officer shall act as the Compliance Officer. The duties of the Compliance Officer include, but are not limited to, the following:

- (i) assisting with implementation and enforcement of this Policy;
- (ii) circulating this Policy to all employees and ensuring that this Policy is amended as necessary to remain up to date with insider trading laws;
- (iii) pre-clearing all trading in securities of the Company by Part II Persons in accordance with the procedures set forth in Part II, Section 3 below;
- (iv) providing approval of any Rule 10b5-1 trading plan under Part II, Section 1(c) below and any prohibited transactions under Part II, Section 4 below; and
- (v) providing a reporting system with an effective whistleblower protection mechanism.

4. Exceptions

The trading restrictions of this Policy do not apply to the following:

(a) 401(k) Plan. Investing 401(k) plan contributions in a Company stock fund, if one exists, in accordance with the terms of the Company's 401(k) plan. However, any changes in your investment election regarding the Company's stock are subject to trading restrictions under this Policy.

(b) ESPP. Purchasing Company stock through periodic, automatic payroll contributions to the Company's Employee Stock Purchase Plan ("ESPP"). However, electing to enroll in the ESPP, making any changes in your elections under the ESPP, and selling any Company stock acquired under the ESPP are subject to trading restrictions under this Policy.

(c) Options. Exercising stock options granted under the Company's Stock Incentive Plans for cash or the delivery of previously owned Company stock. However, the sale of any shares issued on the exercise of Company-granted stock options and any cashless exercise of Company-granted stock options are subject to trading restrictions under this Policy.

5. Violations of Insider Trading Laws

Penalties for trading on or communicating material nonpublic information can be severe, both for individuals involved in such unlawful conduct and their employers and supervisors, and may include jail terms, criminal fines, civil penalties, and civil enforcement injunctions. Given the severity of the potential penalties, compliance with this Policy is absolutely mandatory.

(a) Legal Penalties. An individual who violates insider trading laws by engaging in transactions in a company's securities when he or she has material nonpublic information can be sentenced to a substantial jail term (up to 20 years) and required to pay a fine of up to \$5 million. An individual may

also be banned from serving as a director or executive officer of a public company for a period of years, or even permanently. In addition, a person who tips others may be liable for transactions by the tippees to whom he or she has disclosed material nonpublic information. Tippees can be subject to the same penalties and sanctions as the tippees, and the SEC has imposed large penalties even when the tipper did not profit from the transaction.

The SEC can also seek substantial civil penalties from persons who engage in insider trading, as well as individuals who, at the time of an insider trading violation, "directly or indirectly controlled the person who committed such violation," including the company and management and supervisory personnel. A civil monetary penalty may be in an amount up to the greater of approximately \$2.5 million (as of January 15, 2023; subject to annual adjustments for inflation), or three times the amount of the profits gained or losses avoided. Even for violations that result in a small or no profit, the SEC can seek penalties from a company and its management and supervisory personnel as control persons.

(b) Company-Imposed Penalties. Officers and employees who violate this Policy may be subject to disciplinary action by the Company, up to and including termination for cause. Any exceptions to the Policy, if permitted, may only be granted by the Compliance Officer (or the Chief Financial Officer in the case of the Compliance Officer) and must be received before any activity contrary to the above requirements takes place.

6. Inquiries

If you have any questions regarding any of the provisions of this Policy, please contact the Compliance Officer.

PART II

1. Blackout Periods

All Part II Persons are prohibited from trading in the Company's securities during blackout periods as defined below.

(a) Quarterly Blackout Periods. Trading in the Company's securities is prohibited during the period beginning at the close of the market on the first trading day that falls at least one week after the end of each fiscal quarter and ending at the close of business on the second trading day following the date the Company's financial results are publicly disclosed. During these periods, Part II Persons generally possess or are presumed to possess material nonpublic information about the Company's financial results.

(b) Other Blackout Periods. From time to time, other types of material nonpublic information regarding the Company (such as negotiation of mergers, acquisitions or dispositions, investigation and assessment of cybersecurity incidents, or new product developments) may be pending and not be publicly disclosed. While such material nonpublic information is pending, the Company may impose special blackout periods during which Part II Persons are prohibited from trading in the Company's securities. If the Company imposes a special blackout period, it will notify the Part II Persons affected.

(c) Exception. These trading restrictions do not apply to transactions under a written plan, contract, instruction, or arrangement under Rule 10b5-1 under the Securities Exchange Act of 1934 (an "Approved 10b5-1 Plan") that meets the following requirements:

- (i) it has been reviewed and approved by the Compliance Officer at least five days in advance of being entered into (or, if revised or amended, such proposed revisions or amendments have been reviewed and approved by the Compliance Officer at least five days in advance of being entered into);
 - (ii) it provides that no trades may occur thereunder until expiration of the applicable cooling-off period specified in Rule 10b5-1(c)(ii)(B), and no trades do occur until after that time. The appropriate cooling-off period will vary based on the status of the Part II Person. For directors and officers (as defined in SEC Rule 16a-1(f)), the cooling-off period ends on the later of (x) 90 days after adoption or certain modifications of the 10b5-1 plan; or (y) two business days following disclosure of the Company's financial results in a Form 10-Q or Form 10-K for the quarter during which the 10b5-1 plan was adopted. For all other Part II Persons, the cooling-off period ends 30 days after adoption or modification of the 10b5-1 plan. This required cooling-off period will apply to the entry into a new 10b5-1 plan and any revision or modification of a 10b5-1 plan;
 - (iii) it is entered into in good faith by the Part II Person, and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1, at a time when the Part II Person is not in possession of material nonpublic information about the Company; and, if the Part II Person is a director or officer (as defined in Rule 16a-1(f)), the 10b5-1 plan must include representations by the Part II Person certifying to the accuracy of those statements;
 - (iv) it: (x) specifies the amount of securities to be purchased or sold and the price at which and the date on which the securities were to be purchased or sold; (y) includes a written formula or algorithm, or computer program, for determining the items specified in clause (x); or (z) does not permit the Part II Person to exercise any subsequent influence over how, when or whether to effect trades, so long as any person to whom the plan has given discretionary authority to effect trades is not aware of any material nonpublic information when doing so; and
 - (v) it is the only outstanding Approved 10b5-1 Plan entered into by the Part II Person
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(subject to the exceptions set out in Rule 10b5-1(c)(ii)(D)).

No Approved 10b5-1 Plan may be adopted during a blackout period.

If you are considering entering into, modifying, or terminating an Approved 10b5-1 Plan or have any questions regarding Approved 10b5-1 Plans, please contact the Compliance Officer. You should consult your own legal and tax advisors before entering into, or modifying or terminating, an Approved 10b5-1 Plan. A trading plan, contract, instruction, or arrangement will not qualify as an Approved 10b5-1 Plan without the prior review and approval of the Compliance Officer as described above.

2. Trading Window

Part II Persons are permitted to trade in the Company's securities when no blackout period is in effect. Generally, this means that Part II Persons can trade during the period beginning on the day that the blackout period under Section 1(a) ends and ending on the day that the next blackout period under Section 1(a) begins. However, even during this trading window, a Part II Person who is in possession of any material nonpublic information must not trade in the Company's securities until the information has been made publicly available or is no longer material. In addition, the Company may close a trading window if a special blackout period under Part II, Section 1(b) above is imposed and will re-open the trading window once the special blackout period has ended.

3. Pre-Clearance of Securities Transactions

(a) Because Part II Persons are likely to obtain material nonpublic information on a regular basis, the Company requires all such persons to refrain from trading, even during a trading window under Part II, Section 2 above, without first pre-clearing all transactions in the Company's securities. In addition, certain executive officers of the Company may be required to provide other notices before trading pursuant to the Company's Stock Ownership Policy for Executive Officers.

(b) Subject to the exemption in subsection (d) below, no Part II Person may, directly or indirectly, purchase or sell (or otherwise make any transfer, gift, pledge, or loan of) any Company security at any time without first obtaining prior approval from the Compliance Officer, or in the case of the Compliance Officer, from the Chief Financial Officer or Chief Executive Officer. The Part II Person seeking to trade shall certify in writing to the Compliance Officer or other approving executive officer before the proposed trade(s) that he or she is not aware of any material nonpublic information concerning the Company. These procedures also apply to transactions by such person's spouse, other persons living in such person's household and minor children and to transactions by entities over which such person exercises control. The existence of the foregoing approval procedures does not in any way obligate the Compliance Officer or other approving executive officer to approve any trades requested by a Part II Person.

(c) The Compliance Officer shall keep a record of the date each request is received and the date and time each request is approved or disapproved. Unless revoked, a grant of permission will normally remain valid until the close of trading one week following the day on which it was granted. If the transaction does not occur during the one-week period, pre-clearance of the transaction must be re-requested.

(d) Pre-clearance is not required for purchases and sales of securities under an Approved 10b5-1 Plan once the applicable cooling-off period has expired. No trades may be made under an Approved 10b5-1 Plan until expiration of the applicable cooling-off period. With respect to any purchase or sale under an Approved 10b5-1 Plan, the third party effecting transactions on behalf of the Part II Person should be instructed to send duplicate confirmations of all such transactions to the Compliance Officer.

4. Prohibited Transactions

(a) Company Insiders are prohibited from trading in the Company's equity securities during a blackout period imposed under an "individual account" retirement or pension plan of the Company, during which at least 50% of the plan participants are unable to purchase, sell or otherwise acquire or transfer an interest in equity securities of the Company, due to a temporary suspension of trading by the Company or the plan fiduciary.

(b) The persons specified below, including any such person's spouse, other persons living in such person's household and minor children and entities over which such person exercises control, are prohibited from engaging in the following transactions in the Company's securities unless advance approval is obtained from the Compliance Officer or, in the case of the Compliance Officer, the Chief Financial Officer or Chief Executive Officer, and, in the case of the Chief Executive Officer or any Board member, the Board of Directors:

(i) Short-term trading. Part II Persons who purchase Company securities may not sell any Company securities of the same class for at least six months after the purchase;

(ii) Short sales. Part II Persons may not sell the Company's securities short;

(iii) Options trading. Part II Persons may not buy or sell puts or calls or other derivative securities on the Company's securities;

(iv) Trading on margin or pledging. Part II Persons may not hold Company securities in a margin account or pledge Company securities as collateral for a loan; and

(v) Hedging. Part II Persons may not enter into hedging or monetization transactions or similar arrangements with respect to Company securities, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars, exchange funds, puts, calls, or other derivative securities that are designed to hedge or offset a decrease in market value of Company securities. This restriction is in addition to the restrictions applicable to Directors and Executive Officers in the Company's Anti-Hedging Policy.

5. Acknowledgment and Certification

All Part II Persons are required to sign the attached acknowledgment and certification.

ACKNOWLEDGMENT AND CERTIFICATION

The undersigned does hereby acknowledge receipt of Barrett Business Services, Inc.'s Insider Trading Policy. The undersigned has read and understands (or has had explained) such Policy and agrees to be governed by such Policy at all times in connection with the purchase and sale of securities and the confidentiality of nonpublic information.

(Signature)

(Print Name)

APPENDIX A

Members of the Accounting Department (excluding Accounts Payable personnel)

Members of the Finance Department

Members of the Internal Audit Department

SUBSIDIARIES OF BARRETT BUSINESS SERVICES, INC.

At December 31, 2024

Subsidiary	Jurisdiction of Formation
Associated Insurance Company for Excess	Arizona
Ecole Insurance Company	Arizona
BBS I, LLC	Oregon

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-33487, 333-105833, 333-161592, 333-205434, 333-231926, 333-239460, 333-272945 on Form S-8, and Registration Statement 333-260745 on Form S-3 of our reports dated February 28, 2025 relating to the financial statements of Barrett Business Services, Inc., and the effectiveness of Barrett Business Services, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of Barrett Business Services, Inc. for the year ended December 31, 2024.

/s/ DELOITTE & TOUCHE LLP

Portland, Oregon
February 28, 2025

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Gary E. Kramer, certify that:

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

Date: February 28, 2025

/s/ Gary E. Kramer

Gary E. Kramer
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Anthony J. Harris, certify that:

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

Date: February 28, 2025

/s/ Anthony J. Harris
Anthony J. Harris
Chief Financial Officer

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

In connection with the Annual Report of Barrett Business Services, Inc. (the "Company") on Form 10-K for the year ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. § 1350, that:

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

/s/ Gary E. Kramer
Gary E. Kramer
Chief Executive Officer

/s/ Anthony J. Harris
Anthony J. Harris
Chief Financial Officer

February 28, 2025

February 28, 2025

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