

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2017

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

For the Transition Period From _____ to _____

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)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 1, 2017, 7,295,358 shares of the registrant's common stock (\$0.01 par value) were outstanding.

BARRETT BUSINESS SERVICES, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Unaudited Interim Condensed Consolidated Financial Statements

Barrett Business Services, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(In Thousands, Except Par Value)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,865	\$ 50,768
Trade accounts receivable, net	147,141	126,484
Prepaid expenses and other	8,582	3,899
Investments	965	5,675
Restricted cash and investments	87,516	48,557
Total current assets	<u>262,069</u>	<u>235,383</u>
Investments	590	642
Property, equipment and software, net	27,035	26,673
Restricted cash and investments	259,797	252,707
Goodwill	47,820	47,820
Other assets	3,196	9,293
Deferred income taxes	9,292	9,370
	<u>\$ 609,799</u>	<u>\$ 581,888</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 221	\$ 221
Accounts payable	4,945	4,944
Accrued payroll, payroll taxes and related benefits	166,982	153,110
Income taxes payable	174	3,041
Other accrued liabilities	7,891	7,674
Workers' compensation claims liabilities	88,431	81,339
Safety incentives liability	26,084	24,835
Total current liabilities	<u>294,728</u>	<u>275,164</u>
Long-term workers' compensation claims liabilities	241,648	231,198
Long-term debt	4,263	4,392
Customer deposits and other long-term liabilities	1,297	1,441
Total liabilities	<u>541,936</u>	<u>512,195</u>
Commitments and contingencies (Notes 4 and 6)		
Stockholders' equity:		
Common stock, \$.01 par value; 20,500 shares authorized, 7,256 and 7,244 shares issued and outstanding	73	72
Additional paid-in capital	11,420	9,638
Accumulated other comprehensive income (loss)	110	(3)
Retained earnings	56,260	59,986
	<u>67,863</u>	<u>69,693</u>
	<u>\$ 609,799</u>	<u>\$ 581,888</u>

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

Barrett Business Services, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)
(In Thousands, Except Per Share Amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Revenues:				
Professional employer service fees	\$ 187,718	\$ 165,776	\$ 359,927	\$ 320,452
Staffing services	37,856	37,641	75,644	73,932
Total revenues	<u>225,574</u>	<u>203,417</u>	<u>435,571</u>	<u>394,384</u>
Cost of revenues:				
Direct payroll costs	28,486	28,223	57,196	55,649
Payroll taxes and benefits	93,946	82,885	209,346	186,645
Workers' compensation	58,928	50,056	114,365	99,450
Total cost of revenues	<u>181,360</u>	<u>161,164</u>	<u>380,907</u>	<u>341,744</u>
Gross margin	44,214	42,253	54,664	52,640
Selling, general and administrative expenses	28,060	28,490	54,670	50,394
Depreciation and amortization	985	769	1,927	1,518
Income (loss) from operations	<u>15,169</u>	<u>12,994</u>	<u>(1,933)</u>	<u>728</u>
Other income (expense):				
Investment income	1,392	259	1,550	507
Interest expense	(62)	(248)	(145)	(508)
Other, net	(4)	(5)	(4)	(1)
Other income (expense), net	<u>1,326</u>	<u>6</u>	<u>1,401</u>	<u>(2)</u>
Income (loss) before income taxes	16,495	13,000	(532)	726
Provision for (benefit from) income taxes	5,369	4,478	(431)	207
Net income (loss)	<u>\$ 11,126</u>	<u>\$ 8,522</u>	<u>\$ (101)</u>	<u>\$ 519</u>
Basic income (loss) per common share	<u>\$ 1.53</u>	<u>\$ 1.18</u>	<u>\$ (0.01)</u>	<u>\$ 0.07</u>
Weighted average number of basic common shares outstanding	<u>7,254</u>	<u>7,210</u>	<u>7,252</u>	<u>7,209</u>
Diluted income (loss) per common share	<u>\$ 1.47</u>	<u>\$ 1.16</u>	<u>\$ (0.01)</u>	<u>\$ 0.07</u>
Weighted average number of diluted common shares outstanding	<u>7,550</u>	<u>7,328</u>	<u>7,252</u>	<u>7,323</u>
Cash dividends per common share	<u>\$ 0.25</u>	<u>\$ 0.22</u>	<u>\$ 0.50</u>	<u>\$ 0.44</u>

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

Barrett Business Services, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(In Thousands)

	Three Months Ended June 30,	
	2017	2016
Net income	\$ 11,126	\$ 8,522
Unrealized gains on investments, net of tax of \$91 and \$10 in 2017 and 2016, respectively	133	20
Comprehensive income	\$ 11,259	\$ 8,542

	Six Months Ended June 30,	
	2017	2016
Net (loss) income	\$ (101)	\$ 519
Unrealized gains on investments, net of tax of \$77 and \$33 in 2017 and 2016, respectively	113	54
Comprehensive income	\$ 12	\$ 573

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

Barrett Business Services, Inc.
Condensed Consolidated Statements of Stockholders' Equity
Six Months Ended June 30, 2017 and 2016
(Unaudited)
(In Thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total
	Shares	Amount				
Balance, December 31, 2015	7,203	\$ 72	\$ 6,964	\$ (31)	\$ 47,546	\$ 54,551
Common stock issued on exercise of options and vesting of restricted stock units	8	—	72	—	—	72
Common stock repurchased on vesting of restricted stock units	(1)	—	(40)	—	—	(40)
Share-based compensation expense	—	—	1,040	—	—	1,040
Excess tax benefits from share-based compensation	—	—	265	—	—	265
Cash dividends on common stock	—	—	—	—	(3,173)	(3,173)
Unrealized gain on investments, net of tax	—	—	—	54	—	54
Net income	—	—	—	—	519	519
Balance, June 30, 2016	<u>7,210</u>	<u>\$ 72</u>	<u>\$ 8,301</u>	<u>\$ 23</u>	<u>\$ 44,892</u>	<u>\$ 53,288</u>
Balance, December 31, 2016	7,244	\$ 72	\$ 9,638	\$ (3)	\$ 59,986	\$ 69,693
Common stock issued on exercise of options and vesting of restricted stock units	14	1	144	—	—	145
Common stock repurchased on vesting of restricted stock units	(2)	—	(134)	—	—	(134)
Share-based compensation expense	—	—	1,772	—	—	1,772
Cash dividends on common stock	—	—	—	—	(3,625)	(3,625)
Unrealized gain on investments, net of tax	—	—	—	113	—	113
Net loss	—	—	—	—	(101)	(101)
Balance, June 30, 2017	<u>7,256</u>	<u>\$ 73</u>	<u>\$ 11,420</u>	<u>\$ 110</u>	<u>\$ 56,260</u>	<u>\$ 67,863</u>

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

Barrett Business Services, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In Thousands)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income (loss)	\$ (101)	\$ 519
Reconciliations of net income (loss) to net cash from operating activities:		
Depreciation and amortization	1,927	1,518
Losses (gains) recognized on investments	(76)	3
Share-based compensation	1,772	1,040
Excess tax benefit from share-based compensation	—	(265)
Changes in certain operating assets and liabilities:		
Trade accounts receivable	(20,657)	(87,398)
Income taxes receivable	—	1,038
Prepaid expenses and other	(4,683)	(1,645)
Accounts payable	1	1,241
Accrued payroll, payroll taxes and related benefits	13,872	64,952
Other accrued liabilities	217	(1,747)
Income taxes payable	(2,867)	336
Workers' compensation claims liabilities	23,676	21,375
Safety incentives liability	1,249	3,009
Customer deposits, long-term liabilities and other assets, net	(180)	495
Net cash provided by operating activities	<u>14,150</u>	<u>4,471</u>
Cash flows from investing activities:		
Purchase of property and equipment	(2,289)	(2,656)
Purchase of investments	(2,240)	(284)
Proceeds from sales and maturities of investments	7,002	4,026
Purchase of restricted cash and investments	(703,065)	(89,441)
Proceeds from sales and maturities of restricted cash and investments	<u>657,282</u>	<u>69,574</u>
Net cash used in investing activities	<u>(43,310)</u>	<u>(18,781)</u>
Cash flows from financing activities:		
Proceeds from credit-line borrowings	24,899	11,300
Payments on credit-line borrowings	(24,899)	(11,300)
Payments on long-term debt	(129)	(7,610)
Common stock repurchased on vesting of restricted stock units	(134)	(40)
Dividends paid	(3,625)	(3,173)
Proceeds from exercise of stock options and vesting of restricted stock units	145	72
Excess tax benefits from share-based compensation	—	265
Net cash used in financing activities	<u>(3,743)</u>	<u>(10,486)</u>
Net decrease in cash and cash equivalents	<u>(32,903)</u>	<u>(24,796)</u>
Cash and cash equivalents, beginning of period	<u>50,768</u>	<u>25,218</u>
Cash and cash equivalents, end of period	<u>\$ 17,865</u>	<u>\$ 422</u>

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

Barrett Business Services, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 - Basis of Presentation of Interim Period Statements

The accompanying condensed consolidated financial statements are unaudited and have been prepared by Barrett Business Services, Inc. ("BBSI", the "Company", "our" or "we"), pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures typically included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods presented. The accompanying condensed financial statements are prepared on a consolidated basis. All intercompany account balances and transactions have been eliminated in consolidation. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results may differ from such estimates and assumptions. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's 2016 Annual Report on Form 10-K at pages F1 – F29. The results of operations for an interim period are not necessarily indicative of the results of operations for a full year.

Revenue recognition

We recognize professional employer ("PEO") service and staffing service revenue as services are rendered by our workforce. 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. Our client services 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 services agreements provide for immediate termination upon any default of the client regardless of when notice is given.

We report PEO revenues on a net basis because we are not the primary obligor for certain of the services provided to our clients on behalf of their employees pursuant to our client services agreements. Specifically, we present revenue net of the amounts received or billed for direct payroll expenses such as salaries, wages, health insurance, and employee out-of-pocket expenses incurred incidental to employment. Safety incentive costs are also netted against PEO service revenue in our condensed consolidated statements of operations. Safety incentives represent cash incentives paid to certain client companies for maintaining safe-work practices and minimizing workplace injuries. The safety incentive is based on a percentage of annual payroll and is paid annually to clients who meet predetermined workers' compensation claims cost objectives.

Cost of revenues

Our cost of revenues for PEO services includes employer payroll-related taxes and workers' compensation costs. Our cost of revenues for staffing services includes direct payroll costs, employer payroll-related taxes, employee benefits, 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 employee benefits consist of the employer's portion of Social Security and Medicare taxes, federal and state unemployment taxes, and staffing services employee reimbursements for materials, supplies and other expenses, which are paid by our customer. Workers' compensation costs consist primarily of the costs associated with our workers' compensation program, including claims reserves, claims administration fees, legal fees, medical cost containment ("MCC") expense, state administrative agency fees, third-party broker commissions, risk manager payroll, premiums for excess insurance, the fronted insurance program, and costs associated with operating our two wholly owned insurance companies, Associated Insurance Company for Excess (AICE) and Ecole Insurance Company (Ecole).

Cash and cash equivalents

We consider non-restricted short-term investments, which 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 condensed consolidated statements of cash flows and condensed 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

As of June 30, 2017, the Company's investments consisted of corporate bonds, municipal bonds and U.S. treasuries. We classify our investments as trading or available-for-sale. The Company had no trading securities at June 30, 2017 and December 31, 2016. The Company classifies corporate bonds, municipal bonds and U.S. treasuries as available for sale. They are reported at fair value with unrealized gains and losses, net of taxes, shown as a component of accumulated other comprehensive income (loss) in stockholders' equity. Management considers available evidence in evaluating potential impairment of investments, including the duration and extent to which fair value is less than cost. Realized gains and losses on sales of investments are included in other income (expense) as other, net in our condensed consolidated statements of operations. In the event a loss is determined to be other-than-temporary, the loss will be recognized in the condensed consolidated statements of operations.

Restricted cash and investments

The Company holds restricted cash and investments primarily for the future payment of workers' compensation claims. At June 30, 2017, restricted cash and investments consisted of corporate bonds, mortgage backed securities, commercial paper, U.S. treasuries, money market funds and municipal bonds. At June 30, 2017, the approximate fair value of restricted cash and investments equaled their approximate amortized cost. Restricted investments have been 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 income (loss) in stockholders' equity. Management considers available evidence in evaluating potential impairment of restricted investments, including the duration and extent to which fair value is less than cost. Realized gains and losses on sales of restricted investments are included in other income (expense) as other, net in our condensed consolidated statements of operations. In the event a loss is determined to be other-than-temporary, the loss will be recognized in the condensed consolidated statements of operations.

Allowance for doubtful accounts

The Company had an allowance for doubtful accounts of \$73,000 and \$78,000 at June 30, 2017 and December 31, 2016, respectively. We make estimates of the collectability of our accounts receivable for services provided to our customers. 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 doubtful accounts. If the financial condition of our customers deteriorates, resulting in an impairment of their ability to make payments, additional allowances may be required.

Workers' compensation claims liabilities

Our workers' compensation claims liabilities do not represent an exact calculation of liability but rather management's best estimate, utilizing actuarial expertise and projection techniques, at a given reporting date. The estimated liability for open workers' compensation claims is based on an evaluation of information provided by our internal claims adjusters and our third-party administrators for workers' compensation claims, coupled with an actuarial estimate of future adverse loss development with respect to reported claims and incurred but not reported claims (together, "IBNR"). At June 30, 2017 and December 31, 2016, workers' compensation claims liabilities included case reserve estimates for reported losses, plus additional amounts for estimated IBNR claims, MCC and legal costs, and unallocated loss adjustment expenses, including future administrative fees to be paid to third-party service providers. 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, 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 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.

The Company's independent actuary provides management with an estimate of the current and long-term portions of our total workers' compensation claims, which is an important factor in our process for estimating workers' compensation claims liabilities. The current portion represents the independent actuary's best estimate of payments the Company will make related to workers' compensation claims over the ensuing twelve months.

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.

Safety incentives liability

Safety incentives represent cash incentives paid to certain PEO client companies for maintaining safe-work practices and minimizing workplace injuries. The incentive is based on a percentage of annual payroll and is paid annually to customers who meet predetermined workers' compensation claims cost objectives. Safety incentive payments are made only after closure of all workers' compensation claims incurred during the customer's contract period. The safety incentive liability is estimated and accrued each month based upon contract year-to-date payroll and the then current amount of the customer's estimated workers' compensation claims reserves as established by us and our third party administrator. The Company provided \$26.1 million and \$24.8 million at June 30, 2017 and December 31, 2016, respectively, as an estimate of the liability for unpaid safety incentives.

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 (loss)

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

Statements of cash flows

Interest paid during the six months ended June 30, 2017 and 2016 did not materially differ from interest expense. Income taxes paid during the six months ended June 30, 2017 totaled \$2.4 million. Income taxes received during the six months ended June 30, 2016 totaled \$1.2 million.

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 exercise of outstanding stock options and the issuance of stock associated with outstanding restricted stock units. Basic and diluted shares outstanding are summarized as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Weighted average number of basic shares outstanding	7,254	7,210	7,252	7,209
Effect of dilutive securities	296	118	—	114
Weighted average number of diluted shares outstanding	7,550	7,328	7,252	7,323

As a result of the net loss for the six months ended June 30, 2017, 294,169 potential common shares have been excluded from the calculation of diluted loss per share because their effect would be anti-dilutive.

Reclassifications

Due to the adoption of ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes, prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications had no impact on the Company's financial condition, operating results, cash flows or stockholders' equity.

Accounting estimates

The preparation of our condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed 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 doubtful accounts, deferred income taxes, carrying values for goodwill and property and equipment, accrued workers' compensation liabilities and safety incentive liabilities. Actual results may or may not differ from such estimates.

Recent accounting pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. The core principle of the update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The update also requires disclosure of sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date. The update defers the effective date of ASU 2014-09 by one year, requiring public business entities to apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period.

In March, April and May 2016, the FASB issued the following ASUs: ASU No. 2016-08, Principal versus Agent Considerations - Reporting Revenue Gross versus Net; ASU No. 2016-10, Identifying Performance Obligations and Licensing; and ASU No. 2016-12, Narrow-Scope Improvements and Practical Expedients. The amendments in these updates do not change the core principles of the guidance in ASU 2014-09. The effective date and transition requirements for these updates are the same as the effective date and transition requirements in ASU 2015-14. We plan to adopt ASU 2014-09 effective January 1, 2018 using the modified retrospective method, which recognizes the cumulative effect of application as an opening adjustment to retained earnings on that date. The Company is currently evaluating the impact of ASU 2014-09 and all related ASUs on its consolidated financial statements and footnote disclosures. While our analysis is on-going, we expect our revenue recognition policies to remain substantially unchanged as a result of adopting the standard.

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes. The amendments in this update simplify the presentation of deferred income taxes by requiring that deferred tax liabilities and assets be classified as noncurrent on the condensed consolidated balance sheets. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company adopted this standard in the first interim period for the year ending December 31, 2017. The adoption of this standard resulted in a current to noncurrent adjustment to the Company's current deferred tax asset balance of \$25.2 million at December 31, 2016.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The core principle is that a lessee should recognize the assets and liabilities that arise from leases, including operating leases. Under the new guidance, a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the standard and the impact on its condensed consolidated financial statements and footnote disclosures.

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation. The amendments in this update simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this update are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company adopted this standard in the first interim period for the year ending December 31, 2017. In the first interim period for the year ending December 31, 2017, an immaterial amount of excess tax benefit was recognized in income tax benefit on the condensed consolidated statement of operations and was classified along with other income tax cash flows as an operating activity on the statement of cash flows. On a prospective basis, when applying the treasury stock method for computing diluted earnings-per-share, the assumed proceeds will not include any windfall tax benefits.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows: Restricted Cash. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company's balance of restricted cash, which is within restricted cash and investments under current and non-current assets on the condensed consolidated balance sheets, was \$93.2 million for the period ended June 30, 2017. The Company is currently evaluating the standard and the impact on its condensed consolidated financial statements and footnote disclosures.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles—Goodwill and Other: Simplifying the Test for Goodwill Impairment. The amendments in this update simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The amendments in this update are effective for annual or any interim

goodwill impairment tests in fiscal years beginning after December 15, 2019. The Company is currently evaluating the standard but does not expect it to have a material impact on its condensed consolidated financial statements or footnote disclosures.

In March 2017, the FASB issued ASU No. 2017-08, Premium Amortization on Purchased Callable Debt. The amendments in this update shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. Under current GAAP, premiums and discounts on callable debt securities generally are amortized to the maturity date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. As of June 30, 2017, the amendments in this update would not have a material impact on the Company. However, the Company will continue to evaluate the standard to determine any potential impact.

Note 2 - Fair Value Measurement

The following table summarizes the Company's investments at June 30, 2017 and December 31, 2016 (in thousands):

	June 30, 2017			December 31, 2016		
	Cost	Gross Unrealized Gains (Losses)	Recorded Basis	Cost	Gross Unrealized Gains (Losses)	Recorded Basis
Current:						
Cash equivalents:						
U.S. Government Agency Debt	\$ 500	\$ —	\$ 500	\$ —	\$ —	\$ —
Money Market Funds	24	—	24	1,943	—	1,943
Investments:						
Corporate Bonds	644	—	644	225	(1)	224
Municipal Bonds	320	1	321	713	1	714
Certificates of Deposit	—	—	—	4,737	—	4,737
Total current investments	1,488	1	1,489	7,618	—	7,618
Long term:						
Investments:						
Corporate Bonds	328	(1)	327	567	(1)	566
U.S. Treasuries	202	—	202	—	—	—
Municipal Bonds	61	—	61	76	—	76
Total long term investments	591	(1)	590	643	(1)	642
Restricted cash and investments (1):						
Corporate Bonds	144,321	138	144,459	2,886	2	2,888
Mortgage Backed Securities	72,218	42	72,260	—	—	—
Commercial Paper	54,554	—	54,554	—	—	—
U.S. Treasuries	38,510	(23)	38,487	834	—	834
Money Market Funds	26,697	—	26,697	284,593	—	284,593
Municipal Bonds	5,558	28	5,586	2,069	(6)	2,063
Certificates of Deposit	—	—	—	6,047	—	6,047
Total restricted cash and investments	341,858	185	342,043	296,429	(4)	296,425
Total investments	\$ 343,937	\$ 185	\$ 344,122	\$ 304,690	\$ (5)	\$ 304,685

- (1) Included in restricted cash and investments within the condensed consolidated balance sheet as of June 30, 2017 is restricted cash and long term workers' compensation deposits of \$5.3 million, 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 June 30, 2017 and December 31, 2016 measured at fair value on a recurring basis by fair value hierarchy level (in thousands):

	June 30, 2017					December 31, 2016			
	Total Recorded	Level 1	Level 2	Level 3	Other (1)	Total Recorded	Level 1	Level 2	Level 3
	Basis					Basis			
Cash equivalents:									
U.S. Government Agency Debt	\$ 500	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Funds	24	—	—	—	24	1,943	—	—	—
Investments:									
Corporate Bonds	971	—	971	—	—	790	—	790	—
Municipal Bonds	382	—	382	—	—	790	—	790	—
U.S. Treasuries	202	—	202	—	—	—	—	—	—
Certificates of Deposit	—	—	—	—	—	4,737	—	4,737	—
Restricted cash and investments									
investments:									
Corporate Bonds	144,459	—	144,459	—	—	2,888	—	2,888	—
Mortgage Backed Securities	72,260	—	72,260	—	—	—	—	—	—
Commercial Paper	54,554	—	54,554	—	—	—	—	—	—
U.S. Treasuries	38,487	—	38,487	—	—	834	—	834	—
Money Market Funds	26,697	—	—	—	26,697	284,593	—	—	—
Municipal Bonds	5,586	—	5,586	—	—	2,063	—	2,063	—
Certificates of Deposit	—	—	—	—	—	6,047	—	6,047	—
Total investments	\$ 344,122	\$ -	\$ 317,401	\$ -	\$ 26,721	\$ 304,685	\$ -	\$ 18,149	\$ -

- (1) Investments in money market funds measured at fair value using the NAV 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.

Note 3 – Workers' Compensation Claims

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Beginning balance				
Workers' compensation claims liabilities	\$ 326,233	\$ 265,142	\$ 312,537	\$ 255,675
Add: claims expense accrual				
Current period	37,878	34,627	73,153	65,781
Prior periods	2,350	(1,396)	5,264	(548)
	40,228	33,231	78,417	65,233
Less: claim payments related to				
Current period	4,148	3,698	5,280	4,969
Prior periods	25,998	17,625	49,462	38,889
	30,146	21,323	54,742	43,858
Add: Change in claims incurred in excess of retention limits	(6,236)	—	(6,133)	—
Ending balance				
Workers' compensation claims liabilities	\$ 330,079	\$ 277,050	\$ 330,079	\$ 277,050
Incurred but not reported (IBNR)	\$ 167,693	\$ 140,115	\$ 167,693	\$ 140,115

The Company is a self-insured employer with respect to workers' compensation coverage for all of its employees (including employees co-employed through our client service agreements) working in Colorado, Maryland and Oregon, except as described below. 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.

Effective January 1, 2015, the Company stopped maintaining a certificate to self-insure in the state of California, and it now obtains individual policies from Chubb Limited ("Chubb") for all California-based clients along with clients in Delaware, Virginia, Pennsylvania, North Carolina, New Jersey, West Virginia and the District of Columbia. The arrangement with Chubb, known as a fronted program, provides BBSI a licensed, admitted insurance carrier to issue policies on behalf of BBSI. The risk of loss up to the first \$5.0 million per occurrence is retained by BBSI through a reinsurance agreement. Chubb assumes credit risk should BBSI be unable to satisfy its indemnification obligations.

As part of its fronted workers' compensation insurance program with Chubb, the Company makes monthly payments into a trust account ("the Chubb trust account") to be used for the payment of future claims. The balance in the Chubb trust account was \$327.9 million and \$277.1 million at June 30, 2017 and December 31, 2016, respectively. The Chubb trust account balances are included as a component of the current and long-term restricted cash and investments in the Company's condensed consolidated balance sheets.

The states of California, Maryland, Oregon, Washington, Colorado and Delaware required us to maintain specified investment balances or other financial instruments totaling \$97.0 million and \$135.0 million at June 30, 2017 and December 31, 2016, respectively, to cover potential workers' compensation claims losses related to the Company's current and former status as a self-insured employer. In addition to restricted cash and investments held to satisfy these requirements, at June 30, 2017, the Company has provided surety bonds and standby letters of credit totaling \$90.8 million, including a California requirement of \$84.8 million.

The Company provided a total of \$330.1 million and \$312.5 million at June 30, 2017 and December 31, 2016, respectively, as an estimated future liability for unsettled workers' compensation claims liabilities. Of this amount, \$3.0 million and \$9.1 million at June 30, 2017 and December 31, 2016, respectively, represents case reserves incurred in excess of the Company's retention. The accrual for costs incurred in excess of retention limits is offset by a receivable from excess insurance carriers of \$3.0 million and \$9.1 million.

million at June 30, 2017 and December 31, 2016, respectively, included in other assets in the condensed consolidated balance sheets.

Note 4 - Revolving Credit Facility and Long-Term Debt

The Company maintains a credit agreement (the "Agreement") with its principal bank, Wells Fargo Bank, National Association (the "Bank").

The Agreement provided for a \$25.0 million revolving credit line, with a \$6.0 million sublimit for standby letters of credit, at June 30, 2017. Of the \$6.0 million sublimit for standby letters of credit, \$5.8 million was used at June 30, 2017. Advances under the revolving credit facility bear interest, as selected by the Company, of either (a) a daily floating rate of one month LIBOR plus 1.75% or (b) a fixed rate of LIBOR plus 1.75%. The Agreement also provides for an unused commitment fee of 0.375% per year on the average daily unused amount of the revolving credit facility, as well as a fee of 1.75% of the face amount of each letter of credit reserved under the line of credit and 0.95% on standalone, fully secured letters of credit. The Company had no outstanding borrowings on its revolving credit line at June 30, 2017 and December 31, 2016. The line of credit expires on July 1, 2018.

The credit facility is collateralized by the Company's accounts receivable and other rights to receive payment, general intangibles, inventory and equipment.

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

- EBITDA [net profit before taxes plus interest expense (net of capitalized interest expense), depreciation expense, and amortization expense] on a rolling four-quarter basis of not less than \$25 million at the end of each fiscal quarter; and
- ratio of restricted and unrestricted cash and investments to workers' compensation and safety incentive liabilities of at least 1.0:1.0, measured quarterly.

The Agreement includes certain additional restrictions as follows:

- incurring additional indebtedness is prohibited without the prior approval of the Bank, other than purchase financing (including capital leases) for the acquisition of assets, provided that the aggregate of all purchase financing does not exceed \$1,000,000 at any time; and
- the Company may not terminate or cancel any of the AICE policies without the Bank's prior written consent.

The Agreement also contains customary events of default. 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 June 30, 2017, the Company was in compliance with all covenants.

The Company maintains a mortgage loan with the Bank with a balance of approximately \$4.5 million and \$4.6 million at June 30, 2017 and December 31, 2016, respectively, secured by the Company's corporate office building in Vancouver, Washington. This loan requires monthly principal payments of \$18,375 plus interest at a rate of one month LIBOR plus 2.00%, with the unpaid principal balance due July 1, 2022.

Note 5 - Income Taxes

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 June 30, 2017. Based on management's analysis, no valuation allowance of deferred tax assets was recorded at June 30, 2017.

The Internal Revenue Service is examining the Company's federal tax returns for the years ended December 31, 2011, 2012, 2013 and 2014.

Note 6 – Litigation

BBSI received a subpoena from the San Francisco office of the Division of Enforcement of the Securities and Exchange Commission (the "SEC") in April 2016 in connection with the SEC's inquiry into reported errors in our financial statements. The Company previously received a subpoena from the SEC in May 2015 in connection with the SEC's investigation of the Company's accounting policies with regard to its workers' compensation reserves. BBSI was also advised by the United States Department of Justice in June 2016 that it has commenced an investigation. The Company is cooperating with the investigations.

On June 17, 2015, Daniel Salinas ("Salinas") filed a shareholder derivative lawsuit against BBSI and certain of its officers and directors in the Circuit Court for Baltimore City, Maryland. The complaint alleges breaches of fiduciary duty, unjust enrichment and other violations of law and seeks recovery of various damages, including the costs and expenses incurred in connection with BBSI's reserve strengthening process, reserve study and consultants, the cost of stock repurchases by BBSI in October 2014, compensation paid to BBSI's officers, and costs of negotiating BBSI's credit facility with its principal lender, as well as the proceeds of sales of stock by certain of BBSI's officers and directors during 2013 and 2014. On September 28, 2015, BBSI and the individual defendants filed motions to dismiss the derivative suit and a motion to stay pending resolution of *In re Barrett Business Services Securities Litigation*. On December 4, 2015, Salinas filed an opposition to each motion. On January 27, 2016, the defendants filed a reply to the opposition brief. On February 11, 2016, Judge Michel Pierson heard oral argument on the motions. A decision has not been issued.

Management is unable to estimate the probability or the potential range of loss arising from the legal actions described above.

BBSI is subject to other legal proceedings and claims, which arise in the ordinary course of our business. In the opinion of management, the amount of ultimate liability with respect to other currently pending or threatened actions is not expected to materially affect BBSI's consolidated financial position or results of operations.

Note 7 – 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 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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.

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 senior level business generalists and comprise senior level professionals with expertise in human resources, organizational development, risk mitigation and workplace safety and various types of administration, including payroll. These teams are responsible for growth 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. This structure also provides a means of incubating talent to support increased growth and capacity. We support clients with employees located in 20 states and the District of Columbia through a network of 57 branch locations in California, Oregon, Utah, Washington, Idaho, Arizona, Colorado, Maryland, North Carolina, Delaware, Nevada, Pennsylvania and Virginia. We also have several smaller recruiting locations in our general market areas, which are under the direction of a branch office.

BBSI believes that making significant investments in the best talent available allows us to leverage the value of this investment many times over. 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 performance, reinforcing a culture focused on achievement of client goals.

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 5,000 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 has the ability to provide workers' compensation coverage as a means of meeting statutory requirements and protecting our clients from employment-related injury claims. Through our internal claims managers and our third-party administrators, we provide claims management services for our clients. We work aggressively to manage and reduce job injury claims, identify fraudulent claims and structure optimal work programs, including modified duty.

Results of Operations

The following table sets forth the percentages of total revenues represented by selected items in the Company's condensed consolidated statements of operations for the three and six months ended June 30, 2017 and 2016.

	Percentage of Total Net Revenues								
	Three Months Ended June 30,				Six Months Ended June 30,				
	2017		2016		2017		2016		
Revenues:									
Professional employer service fees	\$ 187,718	83.2 %	\$ 165,776	81.5 %	\$ 359,927	82.6 %	\$ 320,452	81.3 %	
Staffing services	37,856	16.8	37,641	18.5	75,644	17.4	73,932	18.7	
Total revenues	<u>225,574</u>	<u>100.0</u>	<u>203,417</u>	<u>100.0</u>	<u>435,571</u>	<u>100.0</u>	<u>394,384</u>	<u>100.0</u>	
Cost of revenues:									
Direct payroll costs	28,486	12.6	28,223	13.9	57,196	13.1	55,649	14.1	
Payroll taxes and benefits	93,946	41.7	82,885	40.7	209,346	48.1	186,645	47.4	
Workers' compensation	58,928	26.1	50,056	24.6	114,365	26.3	99,450	25.2	
Total cost of revenues	<u>181,360</u>	<u>80.4</u>	<u>161,164</u>	<u>79.2</u>	<u>380,907</u>	<u>87.5</u>	<u>341,744</u>	<u>86.7</u>	
Gross margin	44,214	19.6	42,253	20.8	54,664	12.5	52,640	13.3	
Selling, general and administrative expenses	28,060	12.5	28,490	14.0	54,670	12.5	50,394	12.7	
Depreciation and amortization	985	0.4	769	0.4	1,927	0.4	1,518	0.4	
Income (loss) from operations	15,169	6.7	12,994	6.4	(1,933)	(0.4)	728	0.2	
Other income (expense), net	1,326	0.6	6	0.0	1,401	0.3	(2)	0.0	
Income (loss) before income taxes	16,495	7.3	13,000	6.4	(532)	(0.1)	726	0.2	
Provision for (benefit from) income taxes	5,369	2.4	4,478	2.2	(431)	(0.1)	207	0.1	
Net income (loss)	<u>\$ 11,126</u>	<u>4.9 %</u>	<u>\$ 8,522</u>	<u>4.2 %</u>	<u>\$ (101)</u>	<u>0.0 %</u>	<u>\$ 519</u>	<u>0.2 %</u>	

We report PEO revenues on a net basis because we are not the primary obligor for the services provided by our co-employed clients to their customers pursuant to our client service agreements. We present for comparison purposes the gross revenues and cost of revenues information for the three and six months ended June 30, 2017 and 2016 in the table below. Although not in accordance with GAAP, management believes this information is informative as to the level of our business activity and illustrative of how we manage our operations, including the preparation of our internal operating forecasts, because it presents our professional employer services on a basis comparable to our staffing services.

The presentation of revenues on a net basis and the relative contributions of staffing and professional employer services revenues can create volatility in our gross margin percentage. The general impact of fluctuations in our revenue mix is described below.

- A relative increase in professional employer services revenue will result in a higher gross margin percentage. Improvement in gross margin percentage occurs because incremental client services revenue dollars are reported as revenue net of all related direct payroll and safety incentive costs.
- A relative increase in staffing revenues will typically result in a lower gross margin percentage. Staffing revenues are presented at gross with the related direct costs reported in cost of revenues.

Non-GAAP (in thousands)	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2017	2016	2017	2016
Gross revenues:				
Professional employer services	\$ 1,260,683	\$ 1,102,884	\$ 2,422,443	\$ 2,130,482
Staffing services	37,856	37,641	75,644	73,932
Total gross revenues	1,298,539	1,140,525	2,498,087	2,204,414
Gross cost of revenues:				
Direct payroll costs	1,093,291	958,458	2,104,981	1,852,508
Payroll taxes and benefits	93,946	82,885	209,345	186,645
Workers' compensation	67,088	56,929	129,097	112,621
Total gross cost of revenues	1,254,325	1,098,272	2,443,423	2,151,774
Gross margin	\$ 44,214	\$ 42,253	\$ 54,664	\$ 52,640

A reconciliation of net revenue to non-GAAP gross revenues is as follows for the three and six months ended June 30, 2017 and 2016 (in thousands):

	(Unaudited) Three Months Ended June 30,					
	Net Revenue Reporting Method (GAAP)		Non-GAAP Adjustments		Gross Revenue Reporting Method (Non-GAAP)	
	2017	2016	2017	2016	2017	2016
Revenues:						
Professional employer services	\$ 187,718	\$ 165,776	\$ 1,072,965	\$ 937,108	\$ 1,260,683	\$ 1,102,884
Staffing services	37,856	37,641	—	—	37,856	37,641
Total revenues	\$ 225,574	\$ 203,417	\$ 1,072,965	\$ 937,108	\$ 1,298,539	\$ 1,140,525
Cost of revenues	\$ 181,360	\$ 161,164	\$ 1,072,965	\$ 937,108	\$ 1,254,325	\$ 1,098,272

	(Unaudited) Six Months Ended June 30,					
	Net Revenue Reporting Method (GAAP)		Non-GAAP Adjustments		Gross Revenue Reporting Method (Non-GAAP)	
	2017	2016	2017	2016	2017	2016
Revenues:						
Professional employer services	\$ 359,927	\$ 320,452	\$ 2,062,516	\$ 1,810,030	\$ 2,422,443	\$ 2,130,482
Staffing services	75,644	73,932	—	—	75,644	73,932
Total revenues	\$ 435,571	\$ 394,384	\$ 2,062,516	\$ 1,810,030	\$ 2,498,087	\$ 2,204,414
Cost of revenues	\$ 380,907	\$ 341,744	\$ 2,062,516	\$ 1,810,030	\$ 2,443,423	\$ 2,151,774

The non-GAAP adjustments comprise direct payroll costs and safety incentives attributable to our professional employer services client companies.

Three months ended June 30, 2017 and 2016

Net income for the second quarter of 2017 amounted to \$11.1 million compared to net income of \$8.5 million for the second quarter of 2016. Diluted income per share for the second quarter of 2017 was \$1.47 compared to diluted income per share of \$1.16 for the second quarter of 2016.

Revenues for the second quarter of 2017 totaled \$225.6 million, an increase of \$22.2 million or 10.9% over the second quarter of 2016, which reflects an increase in the Company's professional employer service fee revenue of \$21.9 million or 13.2% and an increase in staffing services revenue of \$0.3 million or 0.8%.

Our growth in professional employer service revenues was attributable to both new and existing customers. Due to continued strength in our referral channels, business from new customers during the second quarter of 2017 exceeded business lost from former customers. Professional employer service revenue from continuing customers reflected a 7.6% increase compared to the second quarter of 2016 primarily resulting from increases in employee headcount and hours worked. The increase in staffing services revenue was due primarily to an increase in new staffing business.

Gross margin for the second quarter of 2017 totaled \$44.2 million or 19.6% of revenue compared to \$42.3 million or 20.8% of revenue for the second quarter of 2016. The decrease in gross margin percentage was primarily due to an increase in workers' compensation expense and payroll taxes and benefits as a percentage of revenues, partially offset by a reduction in direct payroll costs as a percentage of revenues.

Direct payroll costs for the second quarter of 2017 totaled \$28.5 million or 12.6% of revenue compared to \$28.2 million or 13.9% of revenue for the second quarter of 2016. The decrease in direct payroll costs as a percentage of revenue was primarily due to the relative increase in professional employer services within the mix of our customer base compared to the second quarter of 2016.

Payroll taxes and benefits for the second quarter of 2017 totaled \$93.9 million or 41.7% of revenue compared to \$82.9 million or 40.7% of revenue for the second quarter of 2016. The increase in payroll taxes and benefits as a percentage of revenue is in line with the increase in professional employer services, where payroll taxes and benefits are presented at gross cost.

Workers' compensation expense for the second quarter of 2017 totaled \$58.9 million or 26.1% of revenue compared to \$50.1 million or 24.6% of revenue for the second quarter of 2016. The increase in workers' compensation expense as a percentage of revenue was primarily due to a change in the actuarial estimate of our workers' compensation reserves of \$2.4 million related to claims incurred in prior periods.

Selling, general and administrative ("SG&A") expenses for the second quarter of 2017 totaled \$28.1 million or 12.5% of revenue compared to \$28.5 million or 14.0% of revenue for the second quarter of 2016. The decrease was primarily attributable to a decrease in professional fees, partially offset by an increase in employee related expenses.

Other income, net for the second quarter of 2017 was \$1.3 million as compared to other income of \$6,000 for the second quarter of 2016. The change was attributable to an increase in investment income.

Our effective income tax rate for the second quarter of 2017 was 32.5%, compared to 34.4% for the second quarter of 2016. Our income tax rate typically differs from the federal statutory tax rate of 35% primarily due to state taxes and federal and state tax credits.

Six months ended June 30, 2017 and 2016

Net loss for the first six months of 2017 amounted to \$101,000 compared to net income of \$519,000 for the first six months of 2016. Diluted loss per share for the first six months of 2017 was \$0.01 compared to diluted income per share of \$0.07 for the first six months of 2016.

Revenues for the first six months of 2017 totaled \$435.6 million, an increase of \$41.2 million or 10.4% over the first six months of 2016, which reflects an increase in the Company's professional employer service fee revenue of \$39.5 million or 12.3% and an increase in staffing services revenue of \$1.7 million or 2.3%.

Our growth in professional employer service revenues was attributable to both new and existing customers. Due to continued strength in our referral channels, business from new customers during the first six months of 2017 nearly doubled business lost from former customers. Professional employer service revenue from continuing customers reflected a 5.7% increase compared to the first six months of 2016, primarily resulting from increases in employee headcount and hours worked. The increase in staffing services revenue was due primarily to an increase in new staffing business.

Gross margin for the first six months of 2017 totaled \$54.7 million or 12.5% of revenue compared to \$52.6 million or 13.3% of revenue for the first six months of 2016. The decrease in gross margin percentage was primarily due to an increase in payroll taxes and benefits and workers' compensation expense as a percentage of revenues, partially offset by a reduction of direct payroll costs as a percentage of revenues.

Direct payroll costs for the first six months of 2017 totaled \$57.2 million or 13.1% of revenue compared to \$55.6 million or 14.1% of revenue for the first six months of 2016. The decrease in direct payroll costs as a percentage of revenue was primarily due to the relative increase in professional employer services within the mix of our customer base compared to the first six months of 2016.

Payroll taxes and benefits for the first six months of 2017 totaled \$209.3 million or 48.1% of revenue compared to \$186.6 million or 47.4% of revenue for the first six months of 2016. The increase in payroll taxes and benefits as a percentage of revenue is in line with the growth in professional employer services, where payroll taxes and benefits are presented at gross cost.

Workers' compensation expense for the first six months of 2017 totaled \$114.4 million or 26.3% of revenue compared to \$99.5 million or 25.2% of revenue for the first six months of 2016. The increase in workers' compensation expense as a percentage of revenue was primarily due to a change in the actuarial estimate of our workers' compensation reserves of \$5.3 million related to claims incurred in prior periods.

SG&A expenses for the first six months of 2017 totaled \$54.7 million or 12.5% of revenue compared to \$50.4 million or 12.7% of revenue for the first six months of 2016. The increase was primarily attributable to an increase in employee related expenses, partially offset by a decrease in professional fees.

Other income, net for the first six months of 2017 was \$1.4 million as compared to an expense of \$2,000 for the first six months of 2016. The change was attributable to an increase in investment income and a decrease in interest expense.

Our effective income tax rate for the first six months of 2017 was 81.0%, compared to 28.5% for the first six months of 2016. Our income tax rate typically differs from the federal statutory tax rate of 35% primarily due to state taxes and federal and state tax credits.

Fluctuations in Quarterly Operating Results

We have historically experienced significant fluctuations in our quarterly operating results, including losses 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. In addition, adverse loss development of prior period claims during a subsequent quarter may also contribute to the volatility in the Company's estimated workers' compensation expense.

Liquidity and Capital Resources

The Company's cash position of \$17.9 million at June 30, 2017 decreased \$32.9 million from December 31, 2016, compared to a decrease of \$24.8 million for the comparable period of 2016. The decrease in cash at June 30, 2017 as compared to December 31, 2016 was primarily due to increased purchases of restricted cash and investments in the year-to-date period.

Net cash provided by operating activities for the six months ended June 30, 2017 amounted to \$14.2 million, compared to cash provided by operating activities of \$4.5 million for the comparable period of 2016. For the six months ended June 30, 2017, cash flow from operating activities was primarily due to increased workers' compensation claims liabilities of \$23.7 million and increased accrued payroll, payroll taxes and related benefits of \$13.9 million offset by increased trade accounts receivable of \$20.7 million and increased prepaid expenses of \$4.7 million.

Net cash used in investing activities totaled \$43.3 million for the six months ended June 30, 2017, compared to net cash used of \$18.8 million for the comparable period of 2016. For the six months ended June 30, 2017, cash used in investing activities consisted primarily of purchases of restricted cash and investments of \$703.1 million, partially offset by proceeds from sales and maturities of restricted and unrestricted cash and investments of \$664.3 million.

Net cash used in financing activities for the six months ended June 30, 2017 was \$3.7 million, compared to net cash used in financing activities of \$10.5 million for the comparable period of 2016. For the six months ended June 30, 2017, cash was primarily used for dividend payments of \$3.6 million.

The states of California, Maryland, Oregon, Washington, Colorado and Delaware required us to maintain specified investment balances or other financial instruments totaling \$97.0 million at June 30, 2017 to cover potential workers' compensation claims losses related to the Company's current and former status as a self-insured employer. In addition to restricted cash and investments held to satisfy these requirements at June 30, 2017, we have provided surety bonds and standby letters of credit totaling \$90.8 million, including a California requirement of \$84.8 million. Management expects the surety bonds and letters of credit to decrease over time as a result of a declining self-insured liability in California. The Company's self-insured status in California ended on December 31, 2014.

As part of its fronted workers' compensation insurance program with Chubb, the Company makes monthly payments into a trust account ("the Chubb trust account") to be used for the payment of future claims. The balance in the Chubb trust account was \$327.9 million and \$277.1 million at June 30, 2017 and December 31, 2016, respectively. The Chubb trust account balances are included as a component of the current and long-term restricted cash and investments in the Company's condensed consolidated balance sheets.

The Company maintains a credit agreement (the "Agreement") with its principal bank, Wells Fargo Bank, National Association (the "Bank"). The Agreement provides for a \$25.0 million revolving credit line, with a \$6.0 million sublimit for unsecured standby letters of credit.

Advances under the revolving credit facility bear interest as selected by the Company of either (a) a daily floating rate of one month LIBOR plus 1.75% or (b) a fixed rate of LIBOR plus 1.75%. The Agreement also provides for an unused commitment fee of 0.375% per year on the average daily unused amount of the revolving credit facility, as well as a fee of 1.75% of the face amount of each letter of credit reserved under the line of credit and 0.95% on standalone, fully secured letters of credit. The Company had no outstanding borrowings on its revolving credit line at June 30, 2017 and December 31, 2016. The revolving line of credit expires on July 1, 2018.

The credit facility is collateralized by the Company's accounts receivable and other rights to receive payment, general intangibles, inventory and equipment.

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

- EBITDA [net profit before taxes plus interest expense (net of capitalized interest expense), depreciation expense, and amortization expense] on a rolling four-quarter basis of not less than \$25 million at the end of each fiscal quarter; and
- ratio of restricted and unrestricted cash and investments to workers' compensation and safety incentive liabilities of at least 1.0:1.0, measured quarterly.

The Agreement includes certain additional restrictions as follows:

- incurring additional indebtedness is prohibited without the prior approval of the Bank, other than purchase financing (including capital leases) for the acquisition of assets, provided that the aggregate of all purchase financing does not exceed \$1,000,000 at any time; and
- the Company may not terminate or cancel any of the AICE policies without the Bank's prior written consent.

The Agreement also contains customary events of default. 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 June 30, 2017, the Company was in compliance with all covenants.

The Company maintains a mortgage loan with the Bank with a balance of approximately \$4.5 million and \$4.6 million at June 30, 2017 and December 31, 2016, respectively, secured by the Company's corporate office building in Vancouver, Washington. This loan requires payment of monthly installments of \$18,375, bearing interest at the one month LIBOR plus 2.0%, with the unpaid principal balance due July 1, 2022.

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

Inflation

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

Forward-Looking Information

Statements in this report include forward-looking statements which are not historical in nature. These forward-looking statements include, among others, discussion of economic conditions in our market areas and their effect on revenue levels, the effect of changes in our mix of services on gross margin, 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, our ability to generate sufficient taxable income in the future to utilize our deferred tax assets, the effect of our formation and operation of two wholly owned licensed insurance subsidiaries, the risks of operation and cost of our fronted insurance program with Chubb, 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, current and future shareholder litigation, ongoing investigations by the Securities and Exchange Commission (the "SEC") and the United States Department of Justice (the "DOJ"), the effect of changes in the interest rate environment on the value of our investment securities and long-term debt, the adequacy of our allowance for doubtful accounts, and the potential for and effect of acquisitions, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

All of 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 or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors with respect to the Company include our ability to retain current

clients and attract new clients, difficulties associated with integrating clients into our operations, economic trends in our service areas, the potential for material deviations from expected future workers' compensation claims experience, the effect of changes in the workers' compensation regulatory environment in one or more of our primary markets, collectability of accounts receivable, the carrying values of deferred income tax assets and goodwill (which may be affected by our future operating results), the cost of defending against or settling shareholder litigation, the expenses associated with cooperating in the SEC and DOJ investigations and the potential imposition of fines, penalties and other remedies, the costs of remediating material weaknesses in our internal control environment, the impact of the Patient Protection and Affordable Care Act and escalating medical costs on our business, the effect of 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 fronted insurance program. Additional risk factors affecting our business are discussed in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the SEC on March 8, 2017. We disclaim any obligation to update any such factors or to publicly announce any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to market risk for changes in interest rates primarily relates to its investment portfolio and its outstanding borrowings on its line of credit and long-term debt. As of June 30, 2017, the Company's investments consisted principally of approximately \$145.4 million in corporate bonds, \$72.3 million in mortgage backed securities, \$54.6 million in commercial paper, \$38.7 million in U.S. treasuries, \$26.7 million in money market funds, \$6.0 million in municipal bonds, and \$0.5 million in U.S. government agency debts. The Company's outstanding debt totaled approximately \$4.5 million at June 30, 2017. Based on the Company's overall interest exposure at June 30, 2017, a 50 basis point increase in market interest rates would have a \$4.6 million effect on the fair value of the Company's investment portfolio. A 50 basis point increase would have an immaterial effect on the Company's outstanding borrowings because of the relative size of the outstanding borrowings.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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 Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our condensed consolidated financial statements for external purposes in accordance with GAAP.

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 CEO and 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 not effective as of June 30, 2017 because of the material weakness in ICFR described below.

Previously Identified Material Weakness

Management identified a material weakness in internal controls related to its information and technology systems ("IT systems"). Specifically, the Company did not maintain effective controls over user access to IT systems and changes to programs and data. While management has developed remediation plans with respect to the identified deficiencies, the remediation efforts, which include improvements to governance over IT controls, are in the process of being implemented. As a result of the deficiencies identified, there is a possibility that the business process controls that are dependent on IT systems or electronic data and financial reports generated from such IT systems could be adversely affected.

Remediation Status and Plans

As reported in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, management is taking a number of actions to remediate the material weakness related to IT controls, including but not limited to the following:

- Establishing a more rigorous review process over the evaluation of user access to IT systems, including preventative reviews during employment changes and periodic detective reviews.
- Improving the structure and governance surrounding controls over IT systems.
- Implementing enhanced review procedures and analysis over the segregation of duties in IT systems.
- Improving the procedures and documentation associated with program change management, including implementing improved tools over system change logging.
- Revising policies on the documentation of IT control performance and the retention of that documentation.
- Replacing certain IT systems that have inherent control limitations, including the successful replacement of the staffing services revenue system as of June 30, 2017.

Management believes the measures described above will remediate the identified material weakness in future periods. While significant progress has been made as of June 30, 2017, assessing the effectiveness of internal control requires a period of repeatable execution, and management may determine it is necessary to take additional measures to address control deficiencies or to modify certain of the remediation measures described above.

Changes in Internal Control over Financial Reporting

As reported in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, management identified a material weakness related to workers' compensation expense. Management had designed and implemented control activities as of December 31, 2016 that addressed the material weakness; however, the new control activities had not been in place for sufficient time for management to determine operating effectiveness. As of June 30, 2017, those controls have been assessed as operating effectively such that the material weakness related to workers' compensation expense is remediated.

Other than the activities described above, there have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2017 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.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings

BBSI received a subpoena from the San Francisco office of the Division of Enforcement of the Securities and Exchange Commission (the "SEC") in April 2016 in connection with the SEC's inquiry into reported errors in our financial statements. The Company previously received a subpoena from the SEC in May 2015 in connection with the SEC's investigation of the Company's accounting policies with regard to its workers' compensation reserves. BBSI was also advised by the United States Department of Justice in June 2016 that it has commenced an investigation. The Company is cooperating with the investigations.

On June 17, 2015, Daniel Salinas ("Salinas") filed a shareholder derivative lawsuit against BBSI and certain of its officers and directors in the Circuit Court for Baltimore City, Maryland. The complaint alleges breaches of fiduciary duty, unjust enrichment and other violations of law and seeks recovery of various damages, including the costs and expenses incurred in connection with BBSI's reserve strengthening process, reserve study and consultants, the cost of stock repurchases by BBSI in October 2014, compensation paid to BBSI's officers, and costs of negotiating BBSI's credit facility with its principal lender, as well as the proceeds of sales of stock by certain of BBSI's officers and directors during 2013 and 2014. On September 28, 2015, BBSI and the individual defendants filed motions to dismiss the derivative suit and a motion to stay pending resolution of In re Barrett Business Services Securities Litigation. On December 4, 2015, Salinas filed an opposition to each motion. On January 27, 2016, the defendants filed a reply to the opposition brief. On February 11, 2016, Judge Michel Pierson heard oral argument on the motions. A decision has not been issued.

Management is unable to estimate the probability or the potential range of loss arising from the legal actions described above.

BBSI is subject to other legal proceedings and claims, which arise in the ordinary course of our business. In the opinion of management, the amount of ultimate liability with respect to other currently pending or threatened actions is not expected to materially affect BBSI's consolidated financial position or results of operations.

Item 1A. Risk Factors

There have been no material changes in the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the SEC on March 8, 2017.

Item 6. Exhibits

Exhibits are listed in the Exhibit Index that follows the signature page of this report.

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: August 9, 2017

By: /s/ Gary E. Kramer
Gary E. Kramer
Vice President-Finance, Treasurer and Secretary

EXHIBIT INDEX**

- 4.1 Amended and Restated Credit Agreement between the Registrant and Wells Fargo Bank, National Association, dated as of June 30, 2017.
- 4.2 Amended and Restated Term Note 1 dated June 30, 2017, of the Registrant.
- 10.1 Change in Control Employment Agreement between the Registrant and Heather E. Gould, dated May 31, 2017.
- 10.2 Form of Performance Share Award Agreement for Executive Officers for awards granted beginning in 2017 under the Registrant's 2015 Stock Incentive Plan (the "2015 Plan").
- 10.3 Form of Employee Restricted Stock Units Award Agreement for Executive Officers for awards granted beginning in 2017 under the 2015 Plan.
- 10.4 Form of Non-Employee Director Restricted Stock Units Award Agreement for awards granted in 2017 under the 2015 Plan.
- 10.5 Amendment to each outstanding Employee Restricted Stock Units, Award Agreement for Executive Officers effective August 7, 2017.
- 10.6 Amendment to each outstanding Performance Share Award Agreement for Executive Officers effective August 7, 2017.
- 10.7 Summary of compensatory arrangements for non-employee directors of the Registrant effective July 1, 2017.
- 10.8 Barrett Business Services, Inc., Nonqualified Deferred Compensation Plan adopted effective July 1, 2017.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
- 32. Certification pursuant to 18 U.S.C. Section 1350.
- 101. INS XBRL Instance Document
- 101. SCH XBRL Taxonomy Extension Schema Document
- 101. CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101. DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101. LAB XBRL Taxonomy Extension Label Linkbase Document
- 101. PRE XBRL Taxonomy Extension Presentation Linkbase Document

** Except as otherwise indicated, the SEC File Number for all exhibits is 000-21866.

AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement") is entered into as of June 30, 2017, by and between BARRETT BUSINESS SERVICES, INC., a Maryland corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank"). This Agreement amends, restates and supersedes in its entirety that certain Credit Agreement dated December 29, 2014, by and between Borrower and Bank, as such may have been amended from time to time prior to the date hereof (the "Prior Credit Agreement").

RECITALS

Borrower has requested that Bank extend or continue credit to Borrower as described below, and Bank has agreed to provide such credit to Borrower on the terms and conditions contained herein.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

ARTICLE I
CREDIT TERMS

SECTION 1.1. LINE OF CREDIT.

(a) Line of Credit. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including July 1, 2018, not to exceed at any time the aggregate principal amount of Twenty-Five Million Dollars (\$25,000,000) (the "Line of Credit"), the proceeds of which shall be used to finance working capital for Borrower. Borrower's obligation to repay advances under the Line of Credit shall be evidenced by a promissory note dated as of December 28, 2016, as modified from time to time (the "Line of Credit Note"), all terms of which are incorporated herein by this reference.

(b) Letter of Credit Subfeature. As a subfeature under the Line of Credit, Bank agrees from time to time during the term thereof to issue or cause an affiliate to issue standby letters of credit for the account of Borrower (each, a "Line of Credit Letter of Credit" and collectively, the "Line of Credit Letters of Credit"); provided however, that the aggregate undrawn amount of all outstanding Line of Credit Letters of Credit (including without limitation the Existing Line of Credit Letters of Credit, as that term is defined in Section 1.1(b)(iii) below) shall not at any time exceed Six Million and 00/100 Dollars (\$6,000,000.00). The form and substance of each Line of Credit Letter of Credit shall be subject to approval by Bank, in its sole discretion.

(i) Each Line of Credit Letter of Credit shall be issued for a term not to exceed three hundred eighty (380) days, as designated by Borrower; provided however, that no Line of Credit Letter of Credit shall be issued with, nor shall Bank be required to renew or (if applicable) allow automatic renewal of any Line of Credit Letter of Credit so that it will have, an expiration date that is subsequent to the maturity date of the Line of Credit (with any such Line of Credit Letter of Credit with an expiration date that is subsequent to the maturity date of the Line of Credit to be referred to as an "Extended Date Letter of Credit") unless Borrower, immediately upon demand by Bank at any time, provides Bank with cash collateral (which may be in addition to or, if agreed by Bank, may be a replacement for, such other collateral that may have been granted by Borrower to Bank, pursuant to this Agreement or otherwise), consisting of a deposit account maintained by Borrower with Bank in an amount that is not less than one hundred five percent (105%) of the undrawn amount of each such Extended Date Letter of Credit, as evidenced by and subject to the security agreements and other documents as Bank shall reasonably require, all in form and substance satisfactory to Bank; and provided further, that in no event shall any Extended Date Letter of Credit have a then-current expiration date more than three hundred sixty-five (365) days beyond the maturity date of the Line of Credit.

(ii) The undrawn amount of all Line of Credit Letters of Credit (including the Existing Line of Credit Letters of Credit) shall be reserved under the Line of Credit and shall not be available for borrowings thereunder. Each Line of Credit Letter of Credit shall be subject to the additional terms and conditions of the Letter of Credit Agreement (as that term is defined in Section 1.1(b)(iii) below), applications and any related documents required by Bank in connection with the issuance thereof. Each drawing paid under a Line of Credit Letter of Credit shall be deemed an advance under the Line of Credit and shall be repaid by Borrower in accordance with the terms and conditions of this Agreement applicable to such advances; provided however, that if advances under the Line of Credit are not available, for any reason, at the time any drawing is paid, then Borrower shall immediately pay to Bank the full amount drawn, together with interest thereon from the date such drawing is paid to the date such amount is fully repaid by Borrower, at the rate of interest applicable to advances under the Line of Credit. In such event, Borrower agrees that Bank, in its sole discretion, may debit any account maintained by Borrower with Bank for the amount of any such drawing.

(iii) Bank has issued or caused an affiliate to issue the following standby letters of credit (each an "Existing Line of Credit Letter of Credit" and collectively, the "Existing Line of Credit Letters of Credit"), each of which is subject to the terms of that certain Standby Letter of Credit Agreement (Credit Agreement/Loan Agreement Version) between Bank and Borrower dated September 18, 2012, as amended (the "Letter of Credit Agreement"), together with applications and any related documents required by Bank in connection with the issuance (and any renewal) thereof, and is outstanding as of the date hereof: (A) Standby Letter of Credit No. NZS504587 in the amount of Three Million Six Hundred Seventy Nine Thousand Dollars (\$3,679,000.00) dated December 8, 2003, as amended from time to time, and (B) Standby Letter of Credit No. NZS401574 in the amount of One Million Six Hundred Fifty Thousand Dollars (\$1,650,000.00) dated June 20, 2001, as amended from time to time.

(c) Borrowing and Repayment. Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Line of Credit Note; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, as set forth herein.

SECTION 1.2. TERM LOAN 1.

(a) Term Loan 1 Renewal. Bank has made a loan to Borrower in the original principal amount of Five Million Five Hundred Twelve Thousand Five Hundred Dollars (\$5,512,500.00) ("Term Loan 1"), on which the outstanding principal balance as of the date hereof is \$4,483,500.00. Borrower's obligation to repay the Term Loan 1 is evidenced by a promissory note dated as of November 1, 2012 (the "Prior Term Note 1"). Borrower's obligation to repay the Term Loan 1 shall be evidenced by a promissory note dated as of June 30, 2017, as modified from time to time (the "Term Note 1"), all terms of which are incorporated herein by this reference, which promissory note shall replace the Prior Term Note 1.

(b) Repayment. Principal and interest on the Term Loan 1 shall be repaid in accordance with the provisions of the Term Note 1.

(c) Prepayment. Borrower may prepay principal on the Term Loan 1 solely in accordance with the provisions of the Term Note 1.

SECTION 1.3. INSURANCE LETTER OF CREDIT.

(a) Insurance Letter of Credit.

(i) Existing Insurance Letter of Credit. In addition to the Existing Line of Credit Letters of Credit, Bank has issued or caused an affiliate to issue the following standby letter of credit for the account of Borrower, which is subject to the terms of the Letter of Credit Agreement and is outstanding as of April 15, 2016 (as may be amended from time to time, which, as amended, shall remain subject to the terms

and conditions of this Agreement, the "Insurance Letter of Credit"): Standby Letter of Credit No. IS0133565U in the amount of Five Million Dollars (\$5,000,000.00) for the benefit of Westchester Fire Insurance Company dated December 19, 2013, as amended from time to time.

(ii) Future Amendments to Decrease Amounts of Insurance Letter of Credit. Borrower has requested that Bank consider reducing (but not increasing) the dollar amount of the Insurance Letter of Credit from time to time without express written amendment to this Agreement. Bank may, in its sole discretion, agree to reduce (but not to increase) the dollar amount of the Insurance Letter of Credit from time to time without further express written amendment to this Agreement, subject to the following conditions: (A) Borrower shall have provided to Bank evidence, satisfactory to Bank in its sole discretion, that either (1) the Self Insurance Plans of the State of California has reduced the dollar amount of Borrower's security deposit obligations, currently fulfilled by surety obligations that are supported by the Insurance Letter of Credit (each, a "Surety Bond" and collectively, the "Surety Bonds"), required under applicable law, or (2) the issuer of one or more of the Surety Bonds has reduced the collateral it requires with respect thereto; (B) Borrower shall have submitted, or caused to be submitted, an application for amendment to the Insurance Letter of Credit effecting such reduction, in form and substance satisfactory to Bank in its sole discretion; (C) Bank shall have received evidence, in form and substance satisfactory to Bank, that the Arizona Department of Insurance has been apprised of the all relevant facts pertaining to any such reduction and either (1) approved any such reduction, or (2) provided assurances, in form and substance satisfactory to Bank in its sole discretion, that such approval is not required under applicable law; and (D) Bank shall have received from the issuer of any of the Surety Bonds subject to reduction of each such issuer's documented acceptance, satisfactory to Bank in its sole discretion, of the reduced dollar amount of the Insurance Letter of Credit. Bank's acceptance of the evidence of the foregoing as being satisfactory and issuance of any amendment to the Insurance Letter of Credit shall be deemed an amendment to this Agreement as though such terms were fully set forth herein, and the Insurance Letter of Credit, as so amended, shall be subject to the terms of this Agreement.

(iii) Additional Terms. The Insurance Letter of Credit shall remain subject to the additional terms of the Letter of Credit Agreement, applications and any related documents required by Bank in connection with the issuance (and any renewal) thereof. Notwithstanding the provisions of the Insurance Letter of Credit regarding automatic extension of its expiration date, Bank may, at its sole option, give notice to the beneficiary thereof in accordance with the terms of the Insurance Letter of Credit that Bank has elected not to renew the Insurance Letter of Credit beyond its current expiration date (or any other subsequent expiration date that may be agreed to by Bank at Bank's sole discretion). If Borrower does not at any time want the Insurance Letter of Credit to be renewed, Borrower will so notify Bank at least fifteen (15) calendar days before Bank is to notify the beneficiary thereof of such nonrenewal pursuant to the terms of the Insurance Letter of Credit.

(b) Repayment of Drafts. Each drawing paid under the Insurance Letter of Credit shall be repaid by Borrower in accordance with the provisions of the Letter of Credit Agreement.

SECTION 1.4. INTEREST/FEEES.

(a) Interest. The outstanding principal balance of each credit subject hereto shall bear interest at the rate of interest set forth in each promissory note or other instrument or document executed in connection therewith. The promissory notes or other instruments or documents executed in connection with the credits subject to this Agreement may calculate interest at a rate equal to the sum of an index rate of interest plus a margin rate of interest. In the event any index rate of interest would be less than zero percent (0.0%), then the index rate of interest shall be deemed to be zero percent (0.0%) and the applicable promissory note or other instrument or document shall bear interest at a rate equal to the margin rate of interest.

(b) Computation and Payment. Interest shall be computed on the basis set forth in each promissory note or other instrument or document required hereby. Interest shall be payable at the times and place set forth in each promissory note or other instrument or document required hereby.

(c) Unused Commitment Fee. Borrower shall pay to Bank a fee equal to three hundred seventy five thousandths of one percent (0.375%) per annum (computed on the basis of a 360-day year, actual days elapsed) on the daily unused amount of the Line of Credit, which fee shall be calculated on a quarterly basis by Bank and shall be due and payable by Borrower in arrears on the first day of each quarter, commencing on July 1, 2017.

(d) Line of Credit Letter of Credit Fees. Borrower shall pay to Bank (i) fees upon the issuance of each Line of Credit Letter of Credit equal to one and three-quarters percent (1.75%) per annum (computed on the basis of a 360-day year, actual days elapsed) of the face amount thereof, and (ii) fees upon the payment or negotiation of each drawing under any Line of Credit Letter of Credit and fees upon the occurrence of any other activity with respect to any Line of Credit Letter of Credit (including without limitation, the transfer, amendment or cancellation of any Line of Credit Letter of Credit) determined in accordance with Bank's standard fees and charges then in effect for such activity.

(e) Insurance Letter of Credit Fees. Borrower shall pay to Bank (i) fees upon the issuance of each Insurance Letter of Credit equal to ninety-five one hundredths of one percent (0.95%) per annum (computed on the basis of a 360-day year, actual days elapsed) of the face amount thereof, and (ii) fees upon the payment or negotiation of each drawing under any Insurance Letter of Credit and fees upon the occurrence of any other activity with respect to any Insurance Letter of Credit (including without limitation, the transfer, amendment or cancellation of any Insurance Letter of Credit) determined in accordance with Bank's standard fees and charges then in effect for such activity.

SECTION 1.5. COLLECTION OF PAYMENTS. Borrower authorizes Bank to collect all principal, interest and fees due under each credit subject hereto by debiting Borrower's deposit account number 4159583848 with Bank, or any other deposit account maintained by Borrower with Bank, for the full amount thereof. Should there be insufficient funds in any such deposit account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by Borrower.

SECTION 1.6. COLLATERAL.

As security for all indebtedness and other obligations of Borrower to Bank, Borrower shall grant, and hereby confirms its prior grant, to Bank security interests of first priority in all Borrower's accounts receivable and other rights to payment, general intangibles, inventory and equipment.

As security for all indebtedness and other obligations of Borrower to Bank under Term Loan 1, Borrower shall grant, and hereby confirms its prior grant, to Bank a lien of not less than first priority on that certain real property located at 8100 NE Parkway Drive, Vancouver, Washington 98662.

As security for all indebtedness and other obligations of Borrower to Bank under the Insurance Letter of Credit, Borrower shall cause Associated Insurance Company for Excess, an Arizona corporation ("AICE") to grant to Bank a security interest of first priority in: (i) account number 1BA77498 and any sub-accounts thereunder or consolidated therewith with Wells Fargo Securities, LLC (the "AICE Securities Account"); (ii) all financial assets credited to the AICE Securities Account; (iii) all security entitlements with respect to the financial assets credited to the AICE Securities Account; (iv) any and all other investment property or assets maintained or recorded in the AICE Securities Account; and (v) all replacements or substitutions for, and proceeds of the sale or other disposition of, any of the foregoing, including, without limitation, cash proceeds. As used herein, the terms "security entitlement," "financial asset," and "investment property" shall have the respective meanings set forth in the Oregon Uniform Commercial Code.

All of the foregoing shall be evidenced by and subject to the terms of such security agreements, financing statements, deeds or mortgages, and other documents as Bank shall reasonably require, all in form and substance satisfactory to Bank. Borrower shall pay to and reimburse Bank immediately upon demand the full amount of all charges, costs and expenses (to include fees paid to third parties and all allocated costs of Bank personnel), expended or incurred by Bank in connection with any of the foregoing

security, including without limitation, filing and recording fees and costs of appraisals, collateral exams, audits, inspections, and title insurance.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Bank, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank subject to this Agreement.

SECTION 2.1. LEGAL STATUS. Borrower and each Affiliate (as that term is defined in Section 4.3(b) below) is: (a) a corporation, duly organized and existing and in good standing under the laws of the state of its incorporation, and is qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could have a material adverse effect on Borrower or such Affiliate; and (b) not the target of any trade or economic sanctions promulgated by the United Nations or the governments of the United States, the United Kingdom, the European Union, or any other jurisdiction in which Borrower or such Affiliate is located or operates (collectively, "Sanctions").

SECTION 2.2. AUTHORIZATION AND VALIDITY. This Agreement and each promissory note, contract, instrument and other document required hereby or at any time hereafter delivered to Bank in connection herewith (collectively, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same, enforceable in accordance with their respective terms.

SECTION 2.3. NO VIOLATION. The execution, delivery and performance by Borrower of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the organizational and governing documents of Borrower or any Affiliate, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower or any Affiliate is a party or by which Borrower or any Affiliate may be bound.

SECTION 2.4. LITIGATION. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could have a material adverse effect on the financial condition or operation of Borrower or any Affiliate other than those disclosed by Borrower to Bank in writing prior to the date hereof.

SECTION 2.5. CORRECTNESS OF FINANCIAL STATEMENT. The annual financial statement of Borrower dated December 31, 2016, and all interim financial statements delivered to Bank since said date, true copies of which have been delivered by Borrower to Bank prior to the date hereof, (a) are complete and correct and present fairly the financial condition of Borrower, (b) disclose all liabilities of Borrower that are required to be reflected or reserved against under generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) have been prepared in accordance with generally accepted accounting principles consistently applied. Since the dates of such financial statements there has been no material adverse change in the financial condition of Borrower or any Affiliate, nor has Borrower or any Affiliate mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or as otherwise permitted by Bank in writing. As of the date hereof, Borrower is solvent and, following the consummation of the transactions contemplated herein, will continue to be solvent.

SECTION 2.6. INCOME TAX RETURNS. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year.

SECTION 2.7. NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower.

SECTION 2.8. PERMITS, FRANCHISES. Borrower and each Affiliate possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law.

SECTION 2.9. ERISA. Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Borrower has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a "Plan"); no Reportable Event as defined in ERISA has occurred and is continuing with respect to any Plan initiated by Borrower; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under generally accepted accounting principles.

SECTION 2.10. OTHER OBLIGATIONS. Neither Borrower nor any Affiliate is in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

SECTION 2.11. ENVIRONMENTAL MATTERS. Except as disclosed by Borrower to Bank in writing prior to the date hereof, Borrower is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

SECTION 2.12. REAL PROPERTY COLLATERAL. Except as disclosed by Borrower to Bank in writing prior to the date hereof, with respect to any real property collateral required hereby:

(a) All taxes, governmental assessments, insurance premiums, and water, sewer and municipal charges, and rents (if any) which previously became due and owing in respect thereof have been paid as of the date hereof.

(b) There are no construction, mechanics' or similar liens or claims which have been filed for work, labor or material (and no rights are outstanding that under law could give rise to any such lien) which affect all or any interest in any such real property and which are or may be prior to or equal to the lien thereon in favor of Bank.

(c) None of the improvements which were included for purpose of determining the appraised value of any such real property lies outside of the boundaries and/or building restriction lines thereof, and no improvements on adjoining properties materially encroach upon any such real property.

(d) There is no pending, or to the best of Borrower's knowledge threatened, proceeding for the total or partial condemnation of all or any portion of any such real property, and all such real property is in good repair and free and clear of any damage that would materially and adversely affect the value thereof as security and/or the intended use thereof.

ARTICLE III
CONDITIONS

SECTION 3.1. CONDITIONS OF INITIAL EXTENSION OF CREDIT. The obligation of Bank to extend any credit contemplated by this Agreement is subject to the fulfillment to Bank's satisfaction of all of the following conditions:

- (a) Approval of Bank Counsel. All legal matters incidental to the extension of credit by Bank shall be satisfactory to Bank's counsel.
- (b) Documentation. Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed:
 - (i) This Agreement and each promissory note or other instrument or document required hereby.
 - (ii) Amended and Restated Term Note 1.
 - (iii) First Modification to Deed of Trust and Assignment of Rents and Leases.
 - (iv) Third Party Pledgor's Consent and Reaffirmation.
 - (v) Such other documents as Bank may require under any other Section of this Agreement.
- (c) Financial Condition. There shall have been no material adverse change, as determined by Bank, in the financial condition or business of Borrower, any Affiliate, or any Third Party Obligor hereunder, if any, nor any material decline, as determined by Bank, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower, any Affiliate, or any such Third Party Obligor, if any.
- (d) Insurance. Borrower shall have delivered to Bank evidence of insurance coverage, in form, substance, amounts, covering risks and issued by companies satisfactory to Bank, and where required by Bank, with lender loss payable endorsements in favor of Bank, including without limitation, policies of fire and extended coverage insurance covering all real property collateral required hereby, with replacement cost and mortgagee loss payable endorsements, and such policies of insurance against specific hazards affecting any such real property, including terrorism, as may be required by governmental regulation or Bank.
- (e) Title Insurance Endorsement. Bank shall have received a modification endorsement to its original policy of title insurance, insuring that the priority and enforceability of Bank's Mortgage or Deed of Trust is unaffected by this Agreement and shall remain in full force and effect, subject only to such exceptions as Bank shall approve in its discretion, with all costs to be paid by Borrower.
- (f) Interest and Principal. Interest and principal under the notes contemplated herein have been paid current.

SECTION 3.2. CONDITIONS OF EACH EXTENSION OF CREDIT. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction of each of the following conditions:

- (a) Compliance. The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Agreement and on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date, and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.

(b) Documentation. Bank shall have received all additional documents which may be required in connection with such extension of credit.

(c) Letter of Credit Documentation. Prior to the issuance of any Letter of Credit, Bank shall have received any and all letter of credit documentation required by Bank, in each case completed and duly executed by Borrower.

ARTICLE IV
AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall, unless Bank otherwise consents in writing:

SECTION 4.1. PUNCTUAL PAYMENTS. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein, and immediately upon demand by Bank, the amount by which the outstanding principal balance of any credit subject hereto at any time exceeds any limitation on borrowings applicable thereto.

SECTION 4.2. ACCOUNTING RECORDS. Maintain adequate books and records of Borrower and each Affiliate in accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower and each Affiliate.

SECTION 4.3. FINANCIAL STATEMENTS. Provide to Bank all of the following, in form and detail satisfactory to Bank:

(a) not later than 120 days after and as of the end of each fiscal year, an audited consolidated financial statement of Borrower, prepared by a certified public accountant acceptable to Bank, to include balance sheet, income statement, and statement of cash flows and sources, and shall be accompanied by the unqualified opinion of such accountant addressed to Bank;

(b) not later than 180 days after and as of the end of each fiscal year, an audited financial statement for each of AICE, and Ecole Insurance Company, an Arizona corporation wholly owned by Borrower ("Ecole") (AICE and Ecole, each an "Affiliate" and collectively, the "Affiliates"), prepared by a certified public accountant acceptable to Bank, to include balance sheet, income statement and statement of cash flows and sources, and shall be accompanied by the unqualified opinion of such accountant addressed to Bank;

(c) promptly upon their becoming available, copies of (i) all financial statements, reports, notices and proxy statements made publicly available by Borrower to its security holders; (ii) all regular and periodic reports and all registration statements and prospectuses, if any, filed by Borrower with any securities exchange or with the U.S. Securities and Exchange Commission ("SEC") or any governmental or private regulatory authority, including, but not limited to (A) not later than 95 calendar days after the end of each fiscal year, Borrower's 10-K filing with the SEC (including all exhibits and certifications) for the fiscal year just ended, and (B) not later than 50 calendar days after the end of each fiscal quarter, Borrower's 10-Q filing with the SEC (including all exhibits and certifications) for the fiscal quarter just ended; and (iii) all press releases and other statements made available by Borrower to the public concerning material changes or developments in the business of Borrower;

(d) contemporaneously with each annual and quarterly financial statement of Borrower required hereby, a certificate of the president or chief financial officer of Borrower that said financial statements are accurate, that Borrower is in compliance with all financial covenants in this Agreement (as evidenced by detailed calculations attached to such certificate), and that there exists no Event of Default nor any

condition, act or event which with the giving of notice or the passage of time or both would constitute an Event of Default;

(e) annually, but in all events not later than October 15 of each year, true and correct copies of a Uniform Certificate of Authority Application-Certificate of Compliance issued by the State of Arizona Director of Insurance for each of the Affiliates indicating that, as of a date no earlier than thirty (30) days prior to the date each such certificate is delivered to Bank, each of the Affiliates is duly organized under the laws of the State of Arizona and authorized to transact the relevant insurance business of each of the Affiliates in the State of Arizona;

(f) annually, but in all events not later than April 30 of each year, true and correct copies of all third party actuarial reviews of the workers' compensation obligations of Borrower and the Affiliates, including such actuarial reviews of Borrower and the Affiliates provided to OSIP;

(g) promptly upon Borrower's receipt thereof each quarter, a true and correct copy of the most recent actuarial consultant's report provided to Borrower; and

(h) from time to time such other information as Bank may reasonably request, including without limitation, copies of rent rolls and other information with respect to any real property collateral required hereby.

SECTION 4.4. COMPLIANCE. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; comply with the provisions of all documents pursuant to which Borrower or any Affiliates is organized and/or which govern Borrower's or any Affiliate's continued existence; comply with the requirements of all laws, rules, regulations and orders of any jurisdiction in which the Borrower or any Affiliate is located or doing business, or otherwise is applicable to Borrower or any Affiliate, including, without limitation, (a) all Sanctions, (b) all laws and regulations that relate to money laundering, any predicate crime to money laundering, or any financial record keeping and reporting requirements related thereto, (c) the U.S. Foreign Corrupt Practices Act of 1977, as amended, (d) the U.K. Bribery Act of 2010, as amended, and (e) any other applicable anti-bribery or anti-corruption laws and regulations.

SECTION 4.5. INSURANCE. Maintain and keep in force, for each business in which Borrower and each Affiliate is engaged, insurance of the types and in amounts customarily carried in similar lines of business, including but not limited to fire, extended coverage, commercial general liability, flood, and, if required, hurricane, windstorm, seismic property damage and workers' compensation, with all such insurance carried in amounts satisfactory to Bank, and deliver to Bank from time to time at Bank's request schedules setting forth all insurance then in effect, together with a lender's loss payee endorsement for all such insurance naming Bank as a lender loss payee. Such insurance may be obtained from an insurer or through an insurance agent of Borrower's choice, provided that any insurer chosen by Borrower is acceptable to Bank on such reasonable grounds as may be permitted under applicable law.

SECTION 4.6. FACILITIES. Keep all properties useful or necessary to Borrower's business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

SECTION 4.7. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except (a) such as Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower has made provision, to Bank's satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

SECTION 4.8. LITIGATION. Promptly give notice in writing to Bank of any litigation pending or threatened against Borrower or any Affiliate with a claim in excess of \$1,000,000.

SECTION 4.9. FINANCIAL CONDITION. Maintain Borrower's consolidated financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

(a) EBITDA not less than (i) \$22,000,000 as of the fiscal quarter ending March 31, 2017, and (ii) \$25,000,000 as of each fiscal quarter end thereafter, in each case determined on a rolling 4-quarter basis, with "EBITDA" defined as net profit before taxes plus interest expense (net of capitalized interest expense), depreciation expense and amortization expense.

(b) Liquid Assets to Worker's Compensation Claims & Safety Incentive Liabilities not less than 1.0 to 1.0 as of each fiscal quarter end, with (i) "Liquid Assets" defined as the sum of (A) restricted and unrestricted cash and cash equivalents, plus (B) restricted and unrestricted marketable securities acceptable to Bank in its sole discretion, and (ii) "Worker's Compensation Claims & Safety Incentive Liabilities" defined as the aggregate of Borrower's obligations with respect to (A) workers' compensation claims liabilities, and (B) safety incentive liabilities, in each case as the assets described in clauses (i)(A) and (B) and as the liabilities described in clauses (ii)(A) and (B) are required to be reflected in Borrower's annual audited consolidated financial statements and quarterly unaudited consolidated financial statements, consistent with past practices.

SECTION 4.10. NOTICE TO BANK. Promptly (but in no event more than five (5) days after the occurrence of each such event or matter) give written notice to Bank in reasonable detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name or the organizational structure of Borrower; (c) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan; or (d) any termination or cancellation of any insurance policy which Borrower is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting Borrower's property in excess of an aggregate of \$1,000,000.

SECTION 4.11. MAINTENANCE OF AICE POLICIES. For so long as the Insurance Letter of Credit remains outstanding: (a) Borrower shall maintain in full force and effect, and pay all premiums with respect to, all policies of insurance with AICE outstanding as of the date hereof with respect to the satisfaction of Borrower's worker's compensation obligations under the laws of the State of California (the "AICE Policies"); and (b) in the event any of the AICE Policies are terminated or cancelled for any reason, Borrower shall promptly cause all premiums refunded therefrom to be deposited into a deposit account with Bank, in which Borrower shall (i) grant to Bank a security interest of first priority and Bank shall have perfected its security interest therein, and (ii) maintain funds in such deposit account in an amount sufficient to satisfy all obligations of Borrower to Bank with respect to the Insurance Letter of Credit.

SECTION 4.12. FUNDING OF AICE SECURITIES ACCOUNT. For so long as the Insurance Letter of Credit remains outstanding, Borrower shall provide such financial support to AICE as is necessary to ensure that the value of the collateral in the AICE Securities Account at all times is, in the aggregate, no less than the then outstanding aggregate dollar amount of the Insurance Letter of Credit (the "Minimum Collateral Value"), with such value determined in accordance with the collateral value provisions of each of the security agreements evidencing AICE's grant to Bank of security interests in the AICE Securities Account. In the event that (a) such collateral value is, for any reason and at any time, less than the Minimum Collateral Value, and (b) AICE has not provided additional collateral support in accordance with the terms of one or more security agreements to which AICE is a party with respect thereto, Borrower shall promptly provide funds to AICE, and shall cause AICE to deposit such funds in the AICE Securities Account, to increase the collateral value (in the form of additional cash, financial assets, investment property or other assets or any combination thereof acceptable to Bank in its sole discretion) in the AICE Securities Account, in an amount sufficient to achieve the Minimum Collateral Value then required.

SECTION 4.13. DEPOSIT ACCOUNTS. Maintain Borrower's principal deposit account and other traditional banking relationships with Bank for the duration of this Agreement.

SECTION 4.14. COLLATERAL AUDITS. Permit Bank to audit all Borrower's collateral required hereunder, with such audits to be performed from time to time at Bank's option by collateral examiners acceptable to Bank and in scope and content satisfactory to Bank, and with all Bank's costs and expenses of each audit to be reimbursed in full by Borrower. Bank shall not be required to share the results of the audit(s) with Borrower or any third party.

ARTICLE V
NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower will not without Bank's prior written consent:

SECTION 5.1. USE OF FUNDS. Use any of the proceeds of any credit extended hereunder except for the purposes stated in Article I hereof, or directly or indirectly use any such proceeds for the purpose of (a) providing financing to, or otherwise funding, any targets of Sanctions; or (b) providing financing for, or otherwise funding, any transaction which would be prohibited by Sanctions or would otherwise cause Bank or any of Bank's affiliates to be in breach of any Sanctions.

SECTION 5.2. OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except (a) the liabilities of Borrower to Bank, (b) purchase money indebtedness (including capitalized leases) for the acquisition of assets, provided that the aggregate of all purchase money indebtedness does not exceed \$1,000,000 at any time, and (c) any other liabilities of Borrower or any of the Affiliates existing as of, and disclosed to the Bank prior to, the date hereof; provided, however, that if Borrower or any of the Affiliates incurs indebtedness or becomes liable to any third party to the extent permitted hereunder, neither Borrower nor any of the Affiliates shall enter into any agreement with such other party that prohibits Borrower or any of the Affiliates, as the case may be, from incurring indebtedness with Bank or any affiliate of Bank or that prohibits Borrower or any of the Affiliates from granting a lien to Bank or any affiliate of Bank on any real or personal property owned by Borrower or any of the Affiliates, as the case may be.

SECTION 5.3. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity; make any substantial change in the nature of Borrower's or any Affiliate's business as conducted as of the date hereof; acquire all or substantially all of the assets of any other entity; or sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrower's or any Affiliate's assets except in the ordinary course of its business.

SECTION 5.4. GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any assets of Borrower as security for, any liabilities or obligations of any other person or entity, except any of the foregoing in favor of Bank.

SECTION 5.5. LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to or investments in, or permit any Affiliate to make any loans or advances to or investments in, any person or entity, except any of the foregoing existing as of, and disclosed to Bank prior to, the date hereof and except, in the case of AICE, investments of insurance reserves in the ordinary course of business and consistent with past practices.

SECTION 5.6. PLEDGE OF ASSETS. Mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired, except

(a) any of the foregoing in favor of Bank (b) secured interests or liens existing as of, and disclosed to Bank in writing prior to, the date hereof; and (c) liens to secure purchase money indebtedness permitted under Section 5.2 hereof.

SECTION 5.7. NO CANCELLATION OF AICE POLICIES. Terminate or cancel any of the AICE Policies without Bank's prior written consent.

ARTICLE VI
EVENTS OF DEFAULT

SECTION 6.1. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

- (a) Borrower shall fail to pay when due any principal, interest, fees or other amounts payable under any of the Loan Documents.
- (b) Any financial statement or certificate furnished to Bank in connection with, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.
- (c) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those specifically described as an "Event of Default" in this section 6.1), and with respect to any such default that by its nature can be cured, such default shall continue for a period of twenty (20) days from (i) its occurrence, or (ii) solely with respect to Borrower's information reporting obligations under Section 4.3(f) or Section 4.3(g), Bank's giving of notice to Borrower of the occurrence thereof.
- (d) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract, instrument or document (other than any of the Loan Documents) pursuant to which Borrower, any Affiliate, any guarantor hereunder or any general partner or joint venturer in Borrower if a partnership or joint venture (with each such guarantor, general partner and/or joint venturer referred to herein as a "Third Party Obligor") has incurred any debt or other liability to any person or entity, including Bank.
- (e) Borrower, any Affiliate, or any Third Party Obligor shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower, any Affiliate, or any Third Party Obligor shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time ("Bankruptcy Code"), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or Borrower, any Affiliate, or any Third Party Obligor shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower, any Affiliate, or any Third Party Obligor shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower, any Affiliate, or any Third Party Obligor by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.
- (f) The filing of a notice of judgment lien against Borrower, any Affiliate, or any Third Party Obligor; or the recording of any abstract or transcript of judgment against Borrower, any Affiliate, or any Third Party Obligor in any county or recording district in which Borrower, such Affiliate, or such Third Party Obligor has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Borrower, any Affiliate, or any Third Party Obligor; or the entry of a judgment against Borrower, any Affiliate, or any Third Party Obligor; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law

relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower, any Affiliate, or any Third Party Obligor.

(g) There shall exist or occur any event or condition that Bank in good faith believes impairs, or is substantially likely to impair, the prospect of payment or performance by Borrower, any Affiliate, any Third Party Obligor, or the general partner of either if such entity is a partnership, of its obligations under any of the Loan Documents.

(h) The death or incapacity of Borrower, any Affiliate, or any Third Party Obligor if an individual. The withdrawal, resignation or expulsion of any one or more of the general partners in Borrower, any Affiliate, or any Third Party Obligor if a partnership. The dissolution or liquidation of Borrower or any Third Party Obligor if a corporation, partnership, joint venture or other type of entity; or Borrower, such Affiliate, or any such Third Party Obligor, or any of its directors, stockholders or members, shall take action seeking to effect the dissolution or liquidation of Borrower, such Affiliate, or such Third Party Obligor.

(i) The withdrawal, resignation or expulsion of any one or more of the general partners in Borrower or any Affiliate or any change in control of Borrower, any Affiliate, or any entity or combination of entities that directly or indirectly control Borrower or any Affiliate, with "control" defined as ownership of an aggregate of twenty-five percent (25%) or more of the common stock, members' equity or other ownership interest (other than a limited partnership interest).

(j) The sale, transfer, hypothecation, assignment or encumbrance, whether voluntary, involuntary or by operation of law, without Bank's prior written consent, of all or any part of or interest in any real property collateral required hereby.

(k) Any amount is drawn on the Insurance Letter of Credit.

SECTION 6.2. REMEDIES. Upon the occurrence of any Event of Default: (a) all principal, unpaid interest outstanding and other indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice (except as expressly provided in any mortgage or deed of trust pursuant to which Borrower has provided Bank a lien on any real property collateral) become immediately due and payable without presentment, demand, protest or any notices of any kind, including without limitation, notice of nonperformance, notice of protest, notice of dishonor, notice of intention to accelerate or notice of acceleration, all of which are hereby expressly waived by Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VII MISCELLANEOUS

SECTION 7.1. NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 7.2. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER: BARRETT BUSINESS SERVICES, INC.
8100 NE Parkway Drive, Suite 200
Vancouver, Washington 98662
Attn.: Gary Edwards Kramer, Jr., Chief Financial Officer

BANK: WELLS FARGO BANK, NATIONAL ASSOCIATION
Portland RCBO
MAC P6101-250
1300 SW Fifth Avenue
Portland, Oregon 97201
Attn: Julie R. Wilson, Senior Vice President

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 7.3. COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including, to the extent permitted by applicable law, reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel to the extent permissible), expended or incurred by Bank in connection with (a) the negotiation and preparation of this Agreement and the other Loan Documents, Bank's continued administration hereof and thereof, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, whether or not suit is brought, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity. Whenever in this Agreement and the other Loan Documents Borrower is obligated to pay for the attorneys' fees of Bank, or the phrase "reasonable attorneys' fees" or a similar phrase is used, it shall be Borrower's obligation to pay the attorneys' fees actually incurred or allocated, at standard hourly rates, without regard to any statutory interpretation, which shall not apply, Borrower hereby waiving the application of any such statute. Notwithstanding anything in this Agreement to the contrary, reasonable attorneys' fees shall not exceed the amount permitted by law.

SECTION 7.4. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or transfer its interests or rights hereunder without Bank's prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents. In connection therewith, Bank may disclose all documents and information which Bank now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business, any guarantor hereunder or the business of such guarantor, if any, or any collateral required hereunder.

SECTION 7.5. ENTIRE AGREEMENT; AMENDMENT. To the full extent permitted by law, this Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications,

discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 7.6. NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 7.7. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 7.8. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 7.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 7.10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of Oregon (such State, Commonwealth or District is referred to herein as the "State"), but giving effect to federal laws applicable to national banks, without reference to the conflicts of law or choice of law principles thereof.

SECTION 7.11. BUSINESS PURPOSE. Borrower represents and warrants that each credit subject hereto is made for (a) a business, commercial, investment, agricultural or other similar purpose, (b) the purpose of acquiring or carrying on a business, professional or commercial activity, or (c) the purpose of acquiring any real or personal property as an investment and not primarily for a personal, family or household use.

SECTION 7.12. RIGHT OF SETOFF; DEPOSIT ACCOUNTS. Upon and after the occurrence of an Event of Default, (a) Borrower hereby authorizes Bank, at any time and from time to time, without notice, which is hereby expressly waived by Borrower, and whether or not Bank shall have declared any credit subject hereto to be due and payable in accordance with the terms hereof, to set off against, and to appropriate and apply to the payment of, Borrower's obligations and liabilities under the Loan Documents (whether matured or unmatured, fixed or contingent, liquidated or unliquidated), any and all amounts owing by Bank to Borrower (whether payable in U.S. dollars or any other currency, whether matured or unmatured, and in the case of deposits, whether general or special (except trust and escrow accounts), time or demand and however evidenced), and (b) pending any such action, to the extent necessary, to hold such amounts as collateral to secure such obligations and liabilities and to return as unpaid for insufficient funds any and all checks and other items drawn against any deposits so held as Bank, in its sole discretion, may elect. Bank may exercise this remedy regardless of the adequacy of any collateral for the obligations of Borrower to Bank and whether or not the Bank is otherwise fully secured. Borrower hereby grants to Bank a security interest in all deposits and accounts maintained with Bank to secure the payment of all obligations and liabilities of Borrower to Bank under the Loan Documents.

SECTION 7.13. ARBITRATION.

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise in any way arising out of or relating to (i) any credit subject hereto, or any of the Loan Documents, and their negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit. In the

event of a court ordered arbitration, the party requesting arbitration shall be responsible for timely filing the demand for arbitration and paying the appropriate filing fee within 30 days of the abatement order or the time specified by the court. Failure to timely file the demand for arbitration as ordered by the court will result in that party's right to demand arbitration being automatically terminated.

(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in the State selected by the American Arbitration Association ("AAA"); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least \$1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is \$5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than \$5,000,000.00. Any dispute in which the amount in controversy exceeds \$5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State or a neutral retired judge of the state or federal judiciary of the State, in either case with a minimum of ten years' experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of the State and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the corresponding rules of civil practice and procedure applicable in the State or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator

upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties who have executed any Loan Document, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(g) Payment of Arbitration Costs and Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

(i) Small Claims Court. Notwithstanding anything herein to the contrary, each party retains the right to pursue in Small Claims Court any dispute within that court's jurisdiction. Further, this arbitration provision shall apply only to disputes in which either party seeks to recover an amount of money (excluding attorneys' fees and costs) that exceeds the jurisdictional limit of the Small Claims Court.

SECTION 7.14 AMENDMENT AND RESTATEMENT. THIS AGREEMENT AMENDS, EXTENDS AND RESTATES IN ITS ENTIRETY THE PRIOR CREDIT AGREEMENT. THE EXECUTION OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS EXECUTED IN CONNECTION HEREWITH DOES NOT EXTINGUISH THE INDEBTEDNESS OUTSTANDING IN CONNECTION THEREWITH NOR DOES IT CONSTITUTE A NOVATION WITH RESPECT TO THE INDEBTEDNESS OUTSTANDING IN CONNECTION WITH THE PRIOR CREDIT AGREEMENT. NOTHING CONTAINED HEREIN SHALL TERMINATE ANY SECURITY INTERESTS, GUARANTIES, SUBORDINATIONS OR OTHER DOCUMENTS IN FAVOR OF BANK EXECUTED IN CONNECTION WITH THE PRIOR CREDIT AGREEMENT OR THE INDEBTEDNESS DESCRIBED THEREIN, ALL OF WHICH SHALL REMAIN IN FULL FORCE AND EFFECT UNLESS EXPRESSLY AMENDED HEREBY.

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

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Agreement to be executed as of the day and year first written above.

BARRETT BUSINESS SERVICES, INC.

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: /s/ Gary Kramer
Name: Gary Edwards Kramer, Jr.
Title: Chief Financial Officer

By: /s/ Julie R. Wilson
Name: Julie R. Wilson
Title: Senior Vice President

THIRD PARTY PLEDGOR'S CONSENT AND REAFFIRMATION

The undersigned third party pledgor of assets to secure certain indebtedness of BARRETT BUSINESS SERVICES, INC. to WELLS FARGO BANK, NATIONAL ASSOCIATION hereby: (i) consents to the foregoing Amended and Restated Credit Agreement; (ii) reaffirms its grant of a security interest in certain of its assets as specified more particularly in that certain Second Amended and Restated Third Party Security Agreement: Specific Rights to Payment dated as of December 29, 2014, and that certain Security Agreement (Financial Assets) dated as of August 27, 2015 (collectively, as amended, the "Security Agreements"); and (iii) reaffirms its obligations under each of (A) the Security Agreements, and (B) that certain Securities Account Control Agreement (WFS, LLC – Trading Prohibited) dated as of August 27, 2015 between the undersigned, Bank and Wells Fargo Securities, LLC, as amended.

PLEDGOR:

ASSOCIATED INSURANCE COMPANY FOR EXCESS,
an Arizona corporation

By: /s/ Gary Kramer
Name: Gary Edwards Kramer, Jr.
Title: Vice President and Treasurer

AMENDED AND RESTATED TERM NOTE 1

\$4,483,500

Portland, Oregon

June 30, 2017

This Note amends, restates and supersedes in its entirety that certain Term Note 1 in the principal amount of Five Million Five Hundred Twelve Thousand Five Hundred Dollars (\$5,512,500), executed by Borrower in favor of Bank and dated November 1, 2012, as such may have been amended or modified from time to time prior to the date hereof (the "Prior Note").

FOR VALUE RECEIVED, the undersigned BARRETT BUSINESS SERVICES, INC. ("Borrower") promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") at its office at 1300 SW Fifth Avenue, MAC P6101-250, Portland, Oregon, 97201, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of Four Million Four Hundred Eighty Three Thousand Five Hundred Dollars (\$4,483,500), or so much thereof as may be advanced and be outstanding pursuant to the terms of the Credit Agreement, as defined herein, with interest thereon, to be computed on each advance from the date of its disbursement as set forth herein.

DEFINITIONS:

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

(a) "LIBOR" means the rate of interest per annum determined by Bank based on the rate for United States dollar deposits for delivery on the first day of each LIBOR Period for a period approximately equal to such LIBOR Period published by the ICE Benchmark Administration Limited, a United Kingdom company, at approximately 11:00 a.m., London time, two London Business Days prior to the first day of such LIBOR Period (or if not so published, then as determined by Bank from another recognized source or interbank quotation); provided, however, that if LIBOR determined as provided above would be less than zero percent (0.0%), then LIBOR shall be deemed to be zero percent (0.0%).

(b) "LIBOR Period" means a period commencing on a New York Business Day and continuing for one (1) month, during which the entire outstanding principal balance of this Note bears interest determined in relation to LIBOR, with the understanding, that (i) no LIBOR Period may be selected for a principal amount less than One Hundred Thousand Dollars (\$100,000), (ii) the initial LIBOR Period shall commence on the date this Note is disbursed, (iii) there shall be successive LIBOR Periods thereafter, each commencing automatically, and without notice to or consent from Borrower, immediately after the preceding LIBOR Period ends, (iv) if any LIBOR Period is scheduled to commence on a day that is not a New York Business Day, then such LIBOR Period shall commence on the next succeeding New York Business Day (and the preceding LIBOR Period shall continue up to, but shall not include, the first day of such LIBOR Period), unless the result of such extension would be to cause such LIBOR Period to begin in another calendar month, in which event such new LIBOR Period shall commence on the immediately preceding New York Business Day (and the preceding LIBOR Period shall continue up to, but shall not include, the first day of such new LIBOR Period), and (v) if, on the first day of the last LIBOR Period applicable hereto the remaining term of this Note is less than one (1) month, said LIBOR Period shall be in effect only until the scheduled maturity date hereof.

(c) "London Business Day" means any day that is a day for trading by and between banks in dollar deposits in the London interbank market.

(d) "New York Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in New York are authorized or required by law to close.

(e) "Prime Rate" means at any time the rate of interest most recently announced within Bank at its principal office as its Prime Rate, with the understanding that the Prime Rate is one of Bank's base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, and is evidenced by the recording thereof after its announcement in such internal publication or publications as Bank may designate. If the rate of interest announced by Bank as its Prime Rate at any time is less than zero percent (0.0%), then for purposes of this Note the Prime Rate shall be deemed to be zero percent (0.0%).

(f) "State Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in the jurisdiction described in "Governing Law" herein are authorized or required by law to close.

INTEREST:

(a) Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) at a fixed rate per annum determined by Bank to be two percent (2.00%) above LIBOR in effect on the first day of each LIBOR Period. With respect to each LIBOR Period hereunder, Bank is hereby authorized to note the date and interest rate applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted. Borrower shall reimburse Bank immediately upon demand for any loss or expense (including any loss or expense incurred by reason of the liquidation or redeployment of funds obtained to fund or maintain a LIBOR borrowing) incurred by Bank as a result of the failure of Borrower to accept or complete a LIBOR borrowing hereunder after making a request therefor. Any reasonable determination of such amounts by Bank shall be conclusive and binding upon Borrower.

(b) Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (i) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to LIBOR, and (ii) costs, expenses and liabilities arising from or in connection with reserve percentages prescribed by the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Federal Reserve Board, as amended), assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to LIBOR. In determining which of the foregoing are attributable to any LIBOR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower.

(c) Default Interest. From and after the maturity date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, or upon the occurrence and during the continuance of an Event of Default, then at the option of Bank, in its sole and absolute discretion, the outstanding principal balance of this Note shall bear interest at an increased rate per annum (computed on the basis of a 360-day year, actual days elapsed) equal to four percent (4%) above the rate of interest from time to time applicable to this Note.

REPAYMENT:

(a) Repayment of Principal. Principal shall be payable on the first day of each month in installments of Eighteen Thousand Three Hundred Seventy Five Dollars (\$18,375) each, commencing August 1, 2017, and continuing up to and including June 1, 2022, with a final installment consisting of all remaining unpaid principal due and payable in full on July 1, 2022.

(b) Payment of Interest. Interest accrued on this Note shall be payable on the first day of each month, commencing August 1, 2017, and on the maturity date set forth above.

(c) Application of Payments. Each payment made on this Note shall be credited first, to any interest then due and second, to the outstanding principal balance hereof.

PREPAYMENT:

(a) Prepayment. Borrower may prepay principal on this Note at any time and in the minimum amount of One Hundred Thousand Dollars (\$100,000); provided however, that if the outstanding principal balance of this Note is less than said amount, the minimum prepayment amount shall be the entire outstanding principal balance hereof. In consideration of Bank providing this prepayment option to Borrower, or if this Note shall become due and payable at any time prior to the last day of any LIBOR Period by acceleration or otherwise, Borrower shall pay to Bank immediately upon demand a fee which is the sum of the discounted monthly differences for each month from the month of prepayment through the month in which such LIBOR Period matures, calculated as follows for each such month:

- (i) Determine the amount of interest which would have accrued each month on the amount prepaid at the interest rate applicable to such amount had it remained outstanding until the last day of the LIBOR Period applicable thereto.
- (ii) Subtract from the amount determined in (i) above the amount of interest which would have accrued for the same month on the amount prepaid for the remaining term of such LIBOR Period at LIBOR in effect on the date of prepayment for new loans made for such term and in a principal amount equal to the amount prepaid.
- (iii) If the result obtained in (ii) for any month is greater than zero, discount that difference by LIBOR used in (ii) above.

Borrower acknowledges that prepayment of such amount may result in Bank incurring additional costs, expenses and/or liabilities, and that it is difficult to ascertain the full extent of such costs, expenses and/or liabilities. Borrower, therefore, agrees to pay the above-described prepayment fee and agrees that said amount represents a reasonable estimate of the prepayment costs, expenses and/or liabilities of Bank. If Borrower fails to pay any prepayment fee when due, the amount of such prepayment fee shall thereafter bear interest until paid at a rate per annum two percent (2.00%) above the Prime Rate in effect from time to time (computed on the basis of a 360-day year, actual days elapsed).

(b) Application of Prepayments. If principal under this Note is payable in more than one installment, then any prepayments of principal shall be applied to the most remote principal installment or installments then unpaid.

EVENTS OF DEFAULT:

This Note is made pursuant to and is subject to the terms and conditions of that certain Amended and Restated Credit Agreement between Borrower and Bank dated as of June 30, 2017, as amended from time to time (the "Credit Agreement"). Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Credit Agreement, shall constitute an "Event of Default" under this Note.

MISCELLANEOUS:

(a) Remedies. Upon the sale, transfer, hypothecation, assignment or other encumbrance, whether voluntary, involuntary or by operation of law, of all or any interest in any real property securing this Note, if any, or upon the occurrence of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by Borrower, and the obligation, if any, of the holder to extend any further credit hereunder shall immediately cease and terminate. Borrower shall pay to the holder

immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of the holder's in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder's rights and/or the collection of any amounts which become due to the holder under this Note whether or not suit is brought, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

(b) Obligations Joint and Several. Should more than one person or entity sign this Note as a Borrower, the obligations of each such Borrower shall be joint and several.

(c) Governing Law. This Note shall be governed by and construed in accordance with the laws of Oregon, but giving effect to federal laws applicable to national banks, without reference to the conflicts of law or choice of law principles thereof.

(d) Amendment and Restatement. THIS NOTE AMENDS AND RESTATES THE PRIOR NOTE. THE EXECUTION OF THIS NOTE DOES NOT EXTINGUISH THE INDEBTEDNESS OUTSTANDING IN CONNECTION WITH THE PRIOR NOTE, NOR DOES IT CONSTITUTE A NOVATION WITH RESPECT THERETO. AMOUNTS OUTSTANDING UNDER THE PRIOR NOTE WILL BE PAID PURSUANT TO THE TERMS OF THIS NOTE.

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

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above.

BARRETT BUSINESS SERVICES, INC.

By: /s/ Gary Kramer

Name: Gary Edwards Kramer, Jr.

Title: Chief Financial Officer

**CHANGE IN CONTROL
EMPLOYMENT AGREEMENT**

THIS CHANGE IN CONTROL EMPLOYMENT AGREEMENT ("Agreement"), dated May 31, 2017, is by and between BARRETT BUSINESS SERVICES, INC., a Maryland corporation ("Corporation"), and Heather E. Gould ("Executive").

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

Corporation and Executive agree as follows:

1. TERM

This Agreement commences on the date of this Agreement and will continue in effect until December 31, 2018; provided, however, that commencing on January 1, 2018, and each subsequent January 1, the term of this Agreement will automatically be extended for one additional calendar year unless at least 90 days prior to such January 1, Corporation or Executive will have given notice that this Agreement will not be extended; and provided, further, that if a Change in Control occurs while this Agreement is in effect, this Agreement will automatically be extended for a period of one calendar year beyond the calendar year in which the Change in Control occurs.

This Agreement will terminate on the earliest of:

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

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

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

2. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

(g) **"Good Reason"** means:

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

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

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

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

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

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

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

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

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

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

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

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

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

3. TERMS OF EMPLOYMENT

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

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

- (a) serving, in accordance with Corporation's policies and with the prior approval of the Board, as a director or member of a committee of any company or organization involving no actual or potential conflict of interest with Corporation;
- (b) delivering lectures and fulfilling speaking engagements;
- (c) investing her personal assets in businesses in which her participation is solely that of an investor; provided, however, that such activities do not materially affect or interfere with the performance of Executive's duties and obligations to Corporation.

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

3.3 **Salary.** As compensation for services under this Agreement, Corporation will pay to Executive a base salary of \$400,000 per year ("Annual Base Salary"), in accordance with Corporation's standard payroll practices for its executive management employees as such practices may be revised from time to time, less all amounts required by law or authorized by Executive to be withheld or deducted. Executive's Annual Base Salary may be adjusted by the Board or its Compensation Committee from time to time.

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

3.5 **Benefits.** To the extent otherwise eligible, Executive will be entitled to receive or participate in any additional benefits, including without limitation group health insurance plans, retirement plans, and medical reimbursement plans, which Corporation may from time to time make available to its

executive management employees, in accordance with the terms of the applicable plan or policy. Corporation will reimburse Executive for reasonable out-of-pocket expenses that Executive incurs in connection with the performance of her duties in accordance with the same reimbursement policies that generally apply to Corporation's executive management employees. Corporation may change or discontinue such additional benefits at any time in its sole discretion.

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

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

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

5. **PARACHUTE PAYMENTS**

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

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

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

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

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

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

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

- (a) Cash payments under this Agreement;
- (b) Any cash payments under any Other Agreement; and
- (c) The acceleration in the exercisability or vesting of any stock option or other stock related award granted by Corporation.

6. CONFIDENTIAL INFORMATION

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

7. MISCELLANEOUS

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

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

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

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

7.5 **Exemption from Code Section 409A.** This Agreement is intended to be exempt from the requirements of Section 409A of the Code by reason of all payments under this Agreement being

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

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

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

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

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

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

7.11 **Successors.**

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

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

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

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

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

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

Corporation:

BARRETT BUSINESS SERVICES, INC.

By: /s/ Michael L. Elich

Name: Michael L. Elich

Title: President and Chief Executive Officer

Date: 05/31/2017

Executive:

/s/ Heather E. Gould

Date: 05/31/2017

**AWARD AGREEMENT
Under The
Barrett Business Services, Inc.
2015 Stock Incentive Plan**

**PERFORMANCE SHARE AWARD
(Executive Officer)**

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

Participant: _____

Grant Date: _____

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

This Performance Share Award Agreement (this "Agreement") evidences the grant of Performance Shares ("Performance Shares") to Participant under Article 10 of the Plan.

The parties agree as follows:

1. Defined Terms

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

2. Grant of Performance Shares

Subject to the terms and conditions of this Agreement and the Plan, Corporation grants to Participant an Award (the "Award") in a target amount of _____ Performance Shares. The actual number of Performance Shares that will be issued to the Participant pursuant to this Agreement will be determined as described in Section 3 below, based on the attainment of Performance Goals specified in Exhibit A. As a grantee of Performance Shares, Participant will have only the rights of a general unsecured creditor of Corporation until delivery of Shares is made under this Agreement.

3. Terms of Performance Shares

The Performance Shares are subject to all the provisions of the Plan and to the following terms and conditions:

3.1 **Vesting.** The Performance Shares earned pursuant to the Award will Vest on the date on which the Committee issues its written certification of the achievement of the Performance Goals set forth on Exhibit A (the "Vesting Date"), subject to the Participant's continued employment through the Vesting Date. Such certification will be made by the Committee no later than 30 days following the date on which the Corporation's independent auditors issue their opinion on the Corporation's financial statements for the year ended December 31, 20___. On the Vesting Date, any Performance Shares subject to the Award that have not Vested will be forfeited.

3.2 **Performance Goals.** The number of Performance Shares, if any, that may be earned based on achievement of the Performance Goals will be as set forth below, subject to the Flex set forth in Section 3.3 for

performance above or below 100% of the respective Performance Goal. The target amount of each Performance Goal set forth on Exhibit A relates to the financial results of the Corporation for the three-year period ending December 31, 20__; provided that such financial results will be adjusted to exclude the impact: (i) on gross revenues of the acquisition of a business; (ii) on EBITDA and net income of costs relating to corporate restructurings or settlement of litigation outside the ordinary course of business; and (iii) on each of the Performance Goals of unanticipated changes in accounting standards, tax treatment or similar laws or regulations affecting financial results.

Portion of Award Earned Relative to Each Performance Goal:

Performance Goal	Award Earned
Gross Revenues	1/3
EBITDA	1/3
Net Income	1/3

3.3 **Flex.** The number of Performance Shares to be Vested and issued pursuant to the Award will be determined as set forth below (the "Flex"):

(a) To the extent that achievement of a given Performance Goal is below 100% of the target level set forth on Exhibit A, the number of Performance Shares to be Vested and issued will be reduced ratably by 2.5% for each 1% of shortfall up to a maximum downward adjustment to 80% of the target performance level. At 80% of the target performance level, 50% of the applicable portion of the target shares specified in Section 2 above will be issued. If achievement of a given Performance Goal is below 80% of the target performance level set forth on Exhibit A, no Performance Shares will Vest with respect to that Performance Goal.

(b) To the extent that achievement of a given Performance Goal is above 100% of the target level set forth on Exhibit A, the number of Performance Shares to be Vested and issued will be increased ratably by 2.5% for each 1% of overachievement, with a maximum upward adjustment to 140% of the target performance level set forth on Exhibit A. In no event will the total number of Performance Shares issued under the Award exceed 200% of the target amount specified in Section 2 above.

3.4 **Employment Requirement.** Except as otherwise provided in this Agreement, in the event that Participant ceases to be an employee of Corporation or a Subsidiary prior to the Vesting Date for any reason, all unvested Performance Shares will be forfeited immediately. For purposes of this Agreement, "employment" includes periods of illness or other leaves of absence authorized by the Committee.

3.5 **Settlement.** Unless previously forfeited pursuant to Section 3.4 or otherwise provided by this Agreement, the Award will be settled on a settlement date (the "Settlement Date") selected by the Committee as soon as practicable after the Vesting Date, and in no case later than the 15th day of the third month following the later of the end of the calendar year or the end of Corporation's taxable year in which the Vesting Date occurs, by the delivery to the Participant of an unrestricted certificate for the number of Shares that Vested on the Vesting Date.

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

3.7 **Performance Shares Not Transferable.** Neither the Performance Shares, nor this Agreement, nor any interest or right in the Performance Shares or this Agreement, may be sold, pledged, assigned, or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Performance Shares have been settled as provided in this Agreement. Neither the Performance Shares nor any interest or right in the Performance Shares will be liable for the debts, obligations, contracts or engagements of Participant or his or her successors in interest or will be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or

involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition will be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence. Shares issued upon settlement of Performance Shares may be subject to additional transfer restrictions as provided in this Agreement.

3.8 **Rights as Stockholder.** Prior to the issuance of a certificate for Shares in settlement of the Performance Shares, Participant will have no rights as a stockholder of Corporation with respect to this Agreement or the Performance Shares.

4. Tax Withholding and Reimbursement

Participant is responsible for payment of all federal, state and local withholding taxes and Participant's portion of any applicable payroll taxes imposed in connection with the settlement of the Performance Shares and the issuance of Shares (collectively, the "Applicable Taxes"). To satisfy this obligation, Corporation will withhold a number of Performance 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 total amount of Applicable Taxes on the compensation income realized upon settlement of the Award; provided, that the Fair Market Value of Shares so withheld will in no event exceed the total amount calculated based on the maximum individual tax rates in the jurisdictions applicable to Participant.

5. Conditions Precedent

Corporation will not be required to issue any Shares upon Vesting of the Performance Shares, 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.

11. Code Section 409A

This Agreement and the Award are intended to be exempt from the requirements of Code Section 409A by reason of all payments being "short-term deferrals" within the meaning of Treas. Reg. § 1.409A-1(b)(4). All provisions of this Agreement shall be interpreted in a manner consistent with preserving this exemption. In no event will Corporation be liable for any tax, interest, or penalties that may be imposed on Participant by Code Section 409A or any damages for failing to comply with Code Section 409A.

The parties hereby execute this Agreement as of _____, 20__.

BARRETT BUSINESS SERVICES, INC.

Participant _____
By _____
Name _____
Its _____

EXHIBIT A

Performance Goals

	Threshold	Target	Maximum
Revenue (1)	\$	\$	\$
EBITDA (2)	\$	\$	\$
Net Income (3)	\$	\$	\$
Payout	50%	100%	200%
Number of Shares			

- (1) Based on the cumulative gross revenues of Corporation measured over the three-year period ending December 31, 20__.
- (2) Based on the cumulative EBITDA of Corporation measured over the three-year period ending December 31, 20__.
- (3) Based on the cumulative Net Income of Corporation measured over the three-year period ending December 31, 20__.

**AWARD AGREEMENT
Under The
Barrett Business Services, Inc.
2015 Stock Incentive Plan**

**EMPLOYEE RESTRICTED STOCK UNITS
(Executive Officer)**

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

Participant: _____

Date: _____, 20__

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

This Employee Restricted Stock Units Award Agreement (this "Agreement") evidences the grant of Restricted Units ("RSUs") to Participant under Article 9 of the Plan.

The parties agree as follows:

1. Defined Terms

When used in this Agreement, the following terms have the meanings set forth below:

(a) **"Acquiring Person"** means any person or related person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Exchange Act, as such Section and Rule are in effect as of the 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 RSUs are 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 RSUs

Subject to the terms and conditions of this Agreement and the Plan, Corporation grants to Participant _____ RSUs. Each RSU represents a hypothetical Share of Common Stock. As a holder of RSUs, Participant will have only the rights of a general unsecured creditor of Corporation until delivery of Shares is made as specified in this Agreement.

3. Terms of RSUs

The RSUs are subject to all the provisions of the Plan and to the following terms and conditions:

3.1 **Restriction Periods.** Each Restriction Period commences on the Grant Date and ends as follows:

- (a) on July 1, 20__ ("Restriction Period 1");
- (b) on July 1, 20__ ("Restriction Period 2");
- (c) on July 1, 20__ ("Restriction Period 3"); and
- (d) on July 1, 20__ ("Restriction Period 4").

3.2 **Vesting.** Subject to the accelerated Vesting provisions of Section 3.4, the designated percentage of RSUs will Vest as follows:

- (a) 25 percent of the total RSUs will Vest on the expiration of Restriction Period 1;

- (b) An additional 25 percent of the total RSUs will Vest on the expiration of Restriction Period 2;
- (c) An additional 25 percent of the total RSUs will Vest on the expiration of Restriction Period 3; and
- (d) The final 25 percent of the total RSUs will Vest on the expiration of Restriction Period 4.

3.3 **Employment Requirement.** Except as otherwise provided in this Agreement, in the event that Participant ceases to be an employee of Corporation or a Subsidiary during the Restriction Period for any reason, all unvested RSUs will be forfeited immediately. For purposes of this Agreement, "employment" includes periods of illness or other leaves of absence authorized by the Employer.

3.4 **Acceleration of Vesting.** Notwithstanding Section 3.3 or the schedule provided in Section 3.2, the RSUs will become fully Vested upon the occurrence of either:

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

3.5 **Settlement.**

(a) **Generally.** Unless previously forfeited pursuant to Section 3.3 or otherwise provided by this Agreement, each designated percentage of RSUs will be settled on the last day of the applicable Restriction Period or, if not a business day, on the first business day thereafter (the "Settlement Date"), by the delivery to Participant of an unrestricted certificate for a number of Shares of Common Stock equal to the number of RSUs that became Vested on that Settlement Date.

(b) **On Change in Control Date.** RSUs that Vest upon a Change in Control Date will be settled in cash in lieu of Shares, with the settlement value of each RSU calculated as the Fair Market Value of a Share on the Change in Control 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 **RSUs Not Transferable.** Neither the RSUs, nor this Agreement, nor any interest or right in the RSUs or this Agreement, may be sold, pledged, assigned, or transferred in any manner other than by will or the laws of descent and distribution, unless and until the RSUs have been settled as provided in this Agreement. Neither the RSUs nor any interest or right in the RSUs will be liable for the debts, obligations, contracts or engagements of Participant or his or her successors in interest or will be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition will be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence. Shares issued upon settlement of RSUs may be subject to additional transfer restrictions as provided in this Agreement.

3.8 **Rights as Stockholder.** Prior to the issuance of a certificate for Shares of Common Stock in settlement of the RSUs, Participant will have no rights as a stockholder of Corporation with respect to this Agreement or the RSUs.

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 settlement of the RSUs and the issuance of Shares (collectively, the "Applicable Taxes"). To satisfy this obligation, Corporation will 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 total amount of Applicable Taxes on the compensation income realized upon settlement of the Award; provided, that the Fair Market Value of Shares so withheld will in no event exceed the amount calculated based on the maximum individual tax rates in the jurisdictions applicable to Participant.

5. Conditions Precedent

Corporation will not be required to issue any Shares upon Vesting of the RSUs, 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.

11. Code Section 409A

This Agreement and the Award are intended to be exempt from the requirements of Code Section 409A by reason of all payments being "short-term deferrals" within the meaning of Treas. Reg. § 1.409A-1(b)(4). All provisions of this Agreement shall be interpreted in a manner consistent with preserving this exemption. In no event will Corporation be liable for any tax, interest, or penalties that may be imposed on Participant by Code Section 409A or any damages for failing to comply with Code Section 409A.

The parties hereby execute this Agreement as of _____, 20__.

BARRETT BUSINESS SERVICES, INC.

Participant

By _____
Name _____
Its _____

**AWARD AGREEMENT
Under The
Barrett Business Services, Inc.
2015 Stock Incentive Plan**

NON-EMPLOYEE DIRECTOR RESTRICTED STOCK UNITS

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

Participant: _____

Date: **July 1, 2017**

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

This Non-Employee Director Restricted Stock Units Award Agreement (this "Agreement") evidences the grant of Restricted Units ("RSUs") to Participant under Article 9 of the Plan.

The parties agree as follows:

1. Defined Terms

When used in this Agreement, the following terms have the meanings set forth below:

(a) **"Acquiring Person"** means any person or related person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Exchange Act, as such Section and Rule are in effect as of the 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) "**Grant Date**" means the date the RSUs are granted, which is reflected as the date of this Agreement.

(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 RSUs

Subject to the terms and conditions of this Agreement and the Plan, Corporation grants to Participant _____ RSUs, with an initial value of approximately \$_____, based on the closing price of a Share of Common Stock, \$57.29, on June 30, 2017. Each RSU represents a hypothetical Share of Common Stock. As a holder of RSUs, Participant will have only the rights of a general unsecured creditor of Corporation until delivery of Shares is made as specified in this Agreement.

3. Terms of RSUs

The RSUs are subject to all the provisions of the Plan and to the following terms and conditions:

3.1 **Restriction Periods.** Each Restriction Period commences on the Grant Date and ends as follows:

- (a) on July 1, 2018 ("Restriction Period 1");
- (b) on July 1, 2019 ("Restriction Period 2"); and
- (c) on July 1, 2020 ("Restriction Period 3").

3.2 **Vesting.** Subject to the accelerated Vesting provisions of Section 3.4, the designated percentage of RSUs will Vest as follows:

- (a) 33.3 percent of the total RSUs will Vest on the expiration of Restriction Period 1;
- (b) An additional 33.3 percent of the total RSUs will Vest on the expiration of Restriction Period 2; and
- (c) The final 33.4 percent of the total RSUs will Vest on the expiration of Restriction Period 3.

3.3 **Continuation as Director.** Except as otherwise provided in this Agreement, in the event that Participant ceases to be a member of the Board during any Restriction Period for any reason, all unvested RSUs will be forfeited immediately .

3.4 **Acceleration of Vesting.** Notwithstanding Section 3.3 or the schedule provided in Section 3.2, the RSUs will become fully Vested upon the occurrence of either:

(a) Participant's death or withdrawal from the Board by reason of Disability; or

(b) A Change in Control Date.

3.5 **Settlement.**

(a) **Generally.** Unless previously forfeited pursuant to Section 3.3 or otherwise provided by this Agreement, each designated percentage of RSUs will be settled on the last day of the applicable Restriction Period or, if not a business day, on the first business day thereafter (the "Settlement Date"), by the delivery to Participant of an unrestricted certificate for a number of Shares of Common Stock equal to the number of RSUs that became Vested on that Settlement Date. Shares issued upon settlement of RSUs may be subject to additional transfer restrictions as provided in this Agreement.

(b) **On Change in Control Date.** RSUs that Vest upon a Change in Control Date will be settled in cash in lieu of Shares, with the settlement value of each RSU calculated as the Fair Market Value of a Share on the Change in Control 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 **RSUs Not Transferable.** Neither the RSUs, nor this Agreement, nor any interest or right in the RSUs or this Agreement, may be sold, pledged, assigned, or transferred in any manner other than by will or the laws of descent and distribution, unless and until the RSUs have been settled as provided in this Agreement. Neither the RSUs nor any interest or right in the RSUs will be liable for the debts, obligations, contracts or engagements of Participant or his or her successors in interest or will be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition will be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence. Shares issued upon settlement of RSUs may be subject to additional transfer restrictions as provided in this Agreement.

3.8 **Rights as Stockholder.** Prior to the issuance of a certificate for Shares of Common Stock in settlement of the RSUs, Participant will have no rights as a stockholder of Corporation with respect to this Agreement or the RSUs.

4. Tax Reimbursement

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

5. Conditions Precedent

Corporation will not be required to issue any Shares upon Vesting of the RSUs, 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.

11. Code Section 409A

This Agreement and the Award are intended to be exempt from the requirements of Code Section 409A by reason of all payments being "short-term deferrals" within the meaning of Treas. Reg. § 1.409A-1(b)(4). All provisions of this Agreement shall be interpreted in a manner consistent with preserving this exemption. In no event will Corporation be liable for any tax, interest, or penalties that may be imposed on Participant by Code Section 409A or any damages for failing to comply with Code Section 409A.

The parties hereby execute this Agreement as of _____, 2017.

BARRETT BUSINESS SERVICES, INC.

Participant

By _____
Name _____
Its _____

**AMENDMENT TO EMPLOYEE RESTRICTED STOCK UNITS
AWARD AGREEMENTS FOR EXECUTIVE OFFICERS**

Section 4 of each Award Agreement outstanding on August 7, 2017, is amended to read in its entirety as follows:

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 settlement of the RSUs and the issuance of Shares (collectively, the "Applicable Taxes"). To satisfy this obligation, Corporation will 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 total amount of Applicable Taxes on the compensation income realized upon settlement of the Award; provided, that the Fair Market Value of Shares so withheld will in no event exceed the amount calculated based on the maximum individual tax rates in the jurisdictions applicable to Participant.

**AMENDMENT TO PERFORMANCE SHARE
AWARD AGREEMENTS FOR EXECUTIVE OFFICERS**

Section 4 of each Award Agreement outstanding on August 7, 2017, is amended to read in its entirety as follows:

Participant is responsible for payment of all federal, state and local withholding taxes and Participant's portion of any applicable payroll taxes imposed in connection with the settlement of the Performance Shares and the issuance of Shares (collectively, the "Applicable Taxes"). To satisfy this obligation, Corporation will withhold a number of Performance 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 total amount of Applicable Taxes on the compensation income realized upon settlement of the Award; provided, that the Fair Market Value of Shares so withheld will in no event exceed the total amount calculated based on the maximum individual tax rates in the jurisdictions applicable to Participant.

BARRETT BUSINESS SERVICES, INC.
SUMMARY OF COMPENSATION ARRANGEMENTS
FOR NON-EMPLOYEE DIRECTORS

Effective July 1, 2017, compensation arrangements for non-employee directors of Barrett Business Services, Inc. (the "Company") include an annual retainer of \$60,000 (\$100,000 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, \$15,000; chair of Compensation Committee, \$10,000; chair of Risk Management Committee, \$10,000; and chair of Corporate Governance and Nominating Committee, \$7,500. 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, \$3,750.

In addition, each non-employee director as of July 1, 2017, received an award of restricted stock units ("RSUs") under the Company's 2015 Stock Incentive Plan. The RSU awards had a grant date fair value of approximately \$62,500 (based on the closing sale price of BBSI common stock on June 30, 2017, of \$57.29). Two new directors appointed by the Board since July 1, 2016, received additional RSUs with a grant date fair value on July 1, 2017, as follows: Thomas B. Cusick, \$36,000; and Vincent P. Price, \$25,000. The 2017 RSU awards will vest in three equal annual installments.

**BARRETT BUSINESS SERVICES, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN**

SECTION 1
Purpose and Administration

- 1.1. Name of Plan. Barrett Business Services, Inc. (the "Company"), located at 8100 NE Parkway Drive, Suite 150 Vancouver, WA 98662 and with employer tax identification number [52-0812977], hereby adopts the Barrett Business Services, Inc. Nonqualified Deferred Compensation Plan (the "Plan"), as set forth herein including the variable provisions selected and agreed to by the Company.
- 1.2. Effective Date. The effective date of this Plan is July 1, 2017.
- 1.3. Purpose. The Company has established the Plan primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees of the Employers. The Plan is intended:

(1) to comply with Code Section 409A and official guidance issued thereunder, and

(2) to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

The Company intends that the Plan (and each trust under the Plan as described in Section 6.1) shall be treated as unfunded for tax purposes and for purposes of Title I of ERISA. The Plan is not intended to qualify under Code section 401(a). The Company's obligations hereunder, if any, to a Participant (or to a Participant's beneficiary) shall be unsecured and shall be a mere promise by the Company to make payments hereunder in the future. A Participant (or the Participant's beneficiary) shall be treated as a general unsecured creditor of the Company.

1.4. Administration.

- (a) General. The Plan shall be administered by the Plan Administrator. The Plan Administrator (and each member of any committee making up the Plan Administrator) shall serve at the pleasure of the Company's Board of Directors and may be removed by such Board, with or without cause. The Plan Administrator (or each member of any committee making up the Plan Administrator) may resign upon prior written notice to the Company's Board of Directors.

The Plan Administrator shall have the powers, rights and duties set forth in the Plan and shall have the power, in the Plan Administrator's sole and absolute discretion, to determine all questions arising under the Plan, including the determination of the rights of all persons with respect to the Plan and to interpret the provisions of the Plan and remedy any ambiguities, inconsistencies, or omissions. Any decisions of the Plan Administrator shall be final and binding on all persons with respect to the Plan and the benefits provided under the Plan. The Plan Administrator may delegate the Plan Administrator's authority under the Plan to one or more officers or directors of the Company; provided, however, that (a) such delegation must be in writing, and (b) the officers or directors of the Company to whom the Plan Administrator is delegating authority must accept such delegation in writing.

If a Participant is serving as the Plan Administrator (either individually or as a member of a committee), the Participant may not decide or determine any matter or question concerning such Participant's benefits under the Plan that the Participant would not have the right to decide or determine if the Participant were not serving as the Plan Administrator.

- (b) Upon Change in Control. Notwithstanding anything in the Plan to the contrary, upon and after a Change in Control, the Plan Administrator shall be (i) a person selected by the Company, which may be the Company, and approved by the individual who, immediately prior to such event, was the Company's Chief Executive Officer or, if not so identified, the Company's highest ranking officer (the "Ex-CEO"), or (ii) prior to the selection of a person following a Change in Control to serve as successor Plan Administrator, the Plan Administrator, as constituted prior to a Change in Control, shall continue to act as the Plan Administrator of the Plan until the date on which the person is selected by the Company and approved by the Ex-CEO. The Plan Administrator shall have the powers, rights and duties set forth in Section 1.4(a); provided, however, upon and after the occurrence of a Change in Control, the Plan Administrator shall have no power to direct the investment of, or select any investment manager or custodial firm for, Company assets set aside in a grantor trust for purposes of satisfying the obligations of the Company under the Plan. Upon and after the occurrence of a Change in Control, the Company must: (a) pay all reasonable administrative expenses and fees of the Plan Administrator; (b) indemnify the Plan Administrator against any costs, expenses and liabilities including, without limitation, attorney's fees and expenses arising in connection with the performance of the Plan Administrator hereunder, except with respect to matters resulting from the gross negligence or willful misconduct of the Plan Administrator or its employees or agents; and (c) supply full and timely information to the Plan Administrator on all matters relating to the Plan, the trust, the Participants and their beneficiaries, the account balances of the Participant's, the date and circumstances of the Separation from Service or death of any Participant, and such other pertinent information as the Plan Administrator may reasonably require. Upon and after a Change in Control, the Plan Administrator may be terminated (and a replacement appointed) by the Company only with the approval of the Ex-CEO.

SECTION 2
Definitions

For purposes of the Plan, the following words and phrases shall have the meanings set forth below, unless their context clearly requires a different meaning:

- 2.1. Affiliate. "Affiliate" means any corporation, partnership, joint venture, association or similar organization or entity (*select one option*):

- In which the Company owns, directly or indirectly, a majority of equity interests.
- Which includes the Participating Employers.
- None.

- 2.2. Bonus. "Bonus" means an amount payable to an eligible Employee under any annual cash bonus plan whether discretionary or based on performance criteria of the Company or an Affiliate.

- 2.3. Change in Control. "Change in Control" means (a) the purchase or other acquisition by any person, entity or group of persons, within the meaning of section 13(d) or 14(d) of the Securities Exchange Act of 1934 ("Act"), or any comparable successor provisions, other than the trustee of any other trust or plan maintained for the benefit of employees of the Company, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 30 percent or more of either the outstanding shares of common stock or the combined voting power of the Company's then outstanding voting securities entitled to vote generally; (b) the approval by the shareholders of the Company of a reorganization, merger, share exchange or consolidation, in each case, where

persons who were shareholders of the Company immediately prior to such reorganization, merger, share exchange or consolidation do not, immediately thereafter, own more than 50 percent of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged, surviving or consolidated company; or (c) a liquidation or dissolution of the Company or of the sale of all or substantially all of the Company's assets.

- 2.4. Code. "Code" means the Internal Revenue Code of 1986, as amended from time to time. Any reference to a section of the Code includes any comparable section or sections of any future legislation that amends, supplements or supersedes that section.
- 2.5. Company. "Company" means the corporation set forth in Section 1.1.
- 2.6. Compensation. "Compensation" means *(select all options that apply)*:
- Salary
 - Bonus
 - Incentive Compensation.
 - Commissions
- 2.7. Deferral Election. "Deferral Election" means a written irrevocable election filed by the Participant with the Employer specifying the amount of Compensation to be deferred by the Participant for a Plan Year.
- 2.8. Deferred Compensation Account. "Deferred Compensation Account" means the bookkeeping account maintained under the Plan in the Participant's name to reflect amounts deferred under the Plan pursuant to Section 3 (as adjusted under Section 4) and any Employer Contributions made on behalf of the Participant pursuant to Section 3 (as adjusted under Section 4). The Deferred Compensation Account shall be hypothetical in nature and shall be maintained for bookkeeping purposes only. Neither the Plan nor the Deferred Compensation Account shall hold any actual funds or assets. The Deferred Compensation Account shall consist of a Participant's entire account balance, including his Elective Deferred Account, Employer Matching Account and Employer Discretionary Account.
- 2.9. Disabled. A Participant shall be considered "Disabled" if *(select all options that apply)*:
- The Participant is unable to engage in any substantially gainful activity by reason of any medically determined physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve months.
 - The Participant is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Participant's employer.
- 2.10. Distribution Election. "Distribution Election" means a written irrevocable election filed by the Participant with the Employer specifying the time and form of payment for each type of Compensation deferred by the Participant pursuant to a Deferral Election and any corresponding

Employer Contributions credited by the Employer with respect to such deferred Compensation. The Plan Administrator may, in its discretion, allow for separate Distribution Elections for separate Plan Years. At the time a Participant completes a Deferral Election, he may, in accordance with Procedures established by the Plan Administrator, designate the time and form of payment of such deferred Compensation (and earnings thereon) and corresponding Employer Contributions (and earnings thereon) as follows.

- (a) Time. A Participant may elect to have the portion of his Elective Deferred Account and the corresponding portion of his Employer Matching Account, if any, related to amounts deferred under a Deferral Election, paid to the Participant in a lump sum payment (unless otherwise elected as set forth below) upon the earlier of: (1) an In-Service Date designated by the Participant, or (2) the date of the Participant's Separation from Service; provided, however, that payment upon a Participant's Separation from Service shall be distributed on the first business day of the seventh month following the Participant's Separation from Service; and
- (b) Form. For In-Service Date distributions and payments commencing as a result of a Participant's Separation from Service on or after the Participant's Normal Retirement Date a Participant may elect to have the portion of his Elective Deferred Account and the corresponding portion of his Employer Matching Account, if any, related to amounts deferred under a Deferral Election paid to the Participant in substantially equal annual installments:
- Over a period of two (2) years;
 - Over a period of five (5) years;
 - Over a period of ten (10) years; or
 - Over a period of up to ten (10) years

commencing on the first business day of the seventh month following the Participant's Separation from Service.

- 2.11. Elective Deferred Account. "Elective Deferred Account" means the bookkeeping account maintained to reflect the portion of a Participant's: (a) Salary, (b) Bonus, (c) Incentive Compensation, and (d) Commissions (as selected in Section 2.6), deferred under the Plan pursuant to Section 3 (as adjusted under Section 4). The Elective Deferred Account shall be hypothetical in nature and shall be maintained for bookkeeping purposes only. Neither the Plan nor the Elective Deferred Account shall hold any actual funds or assets.
- 2.12. Employee. "Employee" means an employee of an Employer who meets the eligibility criteria set forth in Section 3.1 of the Plan and who is a member of a select group of management or highly compensated employees as defined under ERISA or the regulations thereunder.
- 2.13. Employer. "Employer" means, individually, the Company and each Participating Employer. The Company and any Participating Employers are sometimes collectively referred to herein as the "Employers."
- 2.14. Employer Contributions. "Employer Contributions" mean any Employer Discretionary Contributions credited to a Participant's Employer Discretionary Account and any Employer Matching Contributions credited to a Participant's Employer Matching Account.

- 2.15. Employer Discretionary Account. "Employer Discretionary Account" means the bookkeeping account maintained to reflect Employer Discretionary Contributions made on behalf of the Participant under the Plan pursuant to Section 3.5(a) (as adjusted under Section 4). The Employer Discretionary Account shall be hypothetical in nature and shall be maintained for bookkeeping purposes only. Neither the Plan nor the Employer Discretionary Account shall hold any actual funds or assets.
- 2.16. Employer Discretionary Contributions. "Employer Discretionary Contributions" mean any Employer discretionary contributions credited to a Participant's Employer Discretionary Account pursuant to Section 3.5(a).
- 2.17. Employer Matching Account. "Employer Matching Account" means the bookkeeping account maintained to reflect Employer Matching Contributions with respect to: (a) Salary, (b) Bonus, and (c) Other Compensation (as selected in Section 3.5(b)) made on behalf of the Participant pursuant to Section 3.5(b) (as adjusted under Section 4). The Employer Matching Account shall be hypothetical in nature and shall be maintained for bookkeeping purposes only. Neither the Plan nor the Employer Matching Account shall hold any actual funds or assets.
- 2.18. Employer Matching Contributions. "Employer Matching Contributions" mean any Employer matching contributions credited to a Participant's Employer Matching Account pursuant to Section 3.5(b).
- 2.19. ERISA. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time. Any reference to a section of ERISA includes any comparable section or sections of any future legislation that amends, supplements or supersedes that section.
- 2.20. In-Service Date. "In-Service Date" means the first business day of any month at least twelve (12) months after the end of the period in which the deferred amount is earned.
- 2.21. Investment Options. The Plan Administrator will designate the hypothetical "Investment Options" available for participant selection from time to time.
- 2.22. Normal Retirement Date. "Normal Retirement Date" means *(select only one option)*:
- The date the Participant attains ____ years of age.
- The date the Participant attains sixty (60) years of age and has completed at least ten (10) Years of Service.
- 2.23. Other Compensation. "Other Compensation" means any type of compensation (other than Salary and Bonus) which the Company in its sole discretion permits to be deferred in the Plan.
- 2.24. Participant. "Participant" means an Employee who meets the eligibility criteria set forth in Section 3.1 and who has made a Deferral Election in accordance with the terms of the Plan or otherwise had amounts credited to his Deferred Compensation Account.

- 2.25. Participating Employer. "Participating Employer" means any Affiliate of the Company that adopts the Plan in accordance with Section 7.1 (*select one option*):
- Which includes the Employers set forth on Appendix A.
- None.
- 2.26. Plan. "Plan" means the nonqualified deferred compensation plan set forth in Section 1.1.
- 2.27. Plan Administrator. The "Plan Administrator" means the committee appointed by the Company's Board of Directors.
- 2.28. Plan Year. "Plan Year" means the calendar year. However, if the effective date of the Plan is other than January 1 of a year, the initial Plan Year shall be a short Plan Year, beginning on the effective date and ending on the following December 31.
- 2.29. Salary. "Salary" means the regular base salary paid to an eligible Employee by the Company or an Affiliate.
- 2.30. Separation from Service. "Separation from Service" or "Separates from Service" means a "separation from service" within the meaning of Code section 409A.
- 2.31. Subsequent Deferral Election. "Subsequent Deferral Election" means an election to change the time or form of payment of a Participant's Deferred Compensation Account balance pursuant to Section 5.6.
- 2.32. Termination for Cause. "Termination for Cause" has the meaning set forth in the Participant's employment agreement with the Company, if any, and if not so defined means the termination of a Participant's employment as a result of Participant's gross negligence, fraud, dishonesty, or willful violation of any law or significant policy of the Employer, where such actions are committed in connection with the Participant's employment by or association with the Company or Affiliate.
- 2.33. Unforeseeable Emergency. "Unforeseeable Emergency" means a severe financial hardship of the Participant resulting from:
- (a) A sudden and unexpected illness or accident of the Participant, the Participant's beneficiary, the Participant's spouse, or the Participant's dependent (as defined in Code section 152(a));
 - (b) Loss of Participant's property due to casualty; or
 - (c) Such other similar extraordinary and unforeseeable circumstances resulting from events beyond the control of the Participant.
- Whether a Participant has an Unforeseeable Emergency shall be determined in the sole discretion of the Plan Administrator.
- 2.34. Valuation Date. "Valuation Date" means each business day the financial markets and Wells Fargo Bank, National Association are open, unless the underlying investment requires a less frequent valuation.
- 2.35. Year of Participation. "Year of Participation" means each full Plan Year of participation in the Plan while actively employed with an Employer beginning with the Plan Year commencing on or after the

Participant first becomes a Participant in the Plan. In no event shall participation credit be earned for participation in the Plan during any partial Plan Year.

2.36. Year of Service. "Year of Service" means each twelve (12) month period of employment or association with the Company or any of its Affiliates

2.37. Other Definitions. In addition to the terms defined in this Section 2, other terms are defined when first used in Sections of this Plan.

SECTION 3

Eligibility, Participation, Deferral Elections, and Employer Contributions

3.1. Eligibility and Participation. Subject to the conditions and limitations of the Plan, the following persons are eligible to participate in the Plan (*select and complete options(s) after consultation with legal counsel*):

All Employees with a rank of _____ (*insert title*) or above and with total earnings of at least \$ _____ per Plan Year.

The following Employees of the Employers: _____

_____ (*Attach an addendum if necessary*)

Such Employees as the Plan Administrator may select from time to time, in its sole discretion.

Any individuals specified above by an Employer may be changed by action of the Employer for the following Plan Year. An Employee eligible to participate in the Plan shall become a Participant upon the execution and filing with the Plan Administrator of a written election to defer a portion of the Employee's Compensation, in a form acceptable to the Plan Administrator. A Participant shall remain a Participant until the entire balance of the Participant's Deferred Compensation Account has been distributed.

3.2. Rules for Deferral and Distribution Elections. Any Employee identified in Section 3.1 may make a separate Deferral Election to defer receipt of each type of Compensation selected in Section 2.6 in accordance with the rules set forth below:

(a) All Deferral Elections must be made in writing on the form prescribed by the Plan Administrator and may be accompanied by a Distribution Election with respect to the such Compensation (and earnings thereon). Each Deferral Election will be effective only when filed with the Plan Administrator no later than the date specified by the Plan Administrator. In no event may a Deferral Election be made later than the last day of the Plan Year preceding the Plan Year in which the services are rendered to which the deferred Compensation relates.

Notwithstanding the foregoing, (1) if the Plan Administrator determines that any Compensation qualifies as "performance-based compensation" under Code section 409A, an eligible Employee may elect to defer a portion of such Compensation by filing a Deferral Election at a later time up until the date six (6) months before the end of the performance period as permitted by the Plan Administrator, and (2) in the first year in which an Employee becomes eligible to participate in the Plan, a Deferral Election may be made

with respect to services to be performed subsequent to the election within thirty (30) days after the date the Employee becomes eligible to participate in the Plan to the extent permitted under Code section 409A.

- (b) With respect to Plan Years following the Participant's initial Plan Year of participation in the Plan, failure to complete another Deferral Election for a Plan Year shall constitute a waiver of the Participant's right to participate in the Plan for such Plan Year.

3.3. Amounts Deferred. Commencing on the effective date, a Participant may elect to: *(complete for each item of Compensation selected in Section 2.6):*

- Defer up to 90 % of Salary.
- Defer up to 100% of Bonus.
- Defer up to 100% of Incentive Compensation.
- Defer up to 100% of Commissions.

The amount of Compensation deferred by a Participant shall be credited to the Participant's Elective Deferred Account as soon as administratively practicable after the date the Compensation would be paid to the Participant absent deferral.

3.4. Cancellation of Deferral Elections. If a Participant becomes Disabled or obtains a distribution under Section 5.5 on account of an Unforeseeable Emergency during a Plan Year, his Deferral Election for such Plan Year shall be cancelled.

3.5. Employer Contributions.

- (a) Employer Discretionary Contributions. An Employer may, in its sole discretion, credit to the Employer Discretionary Account of any Employee employed by that Employer an amount determined by the Employer in its sole discretion (an "Employer Discretionary Contribution") for a Plan Year. Any Employer Discretionary Contribution for a Plan Year will be credited to a Participant's Employer Discretionary Account as soon as administratively practicable after the Valuation Date specified by the Employer.

- (b) Employer Matching Contributions. *(Complete any that apply based on any items selected in Section 2.6)*

- An Employer will match _____ of the amount of Salary the Participant elects to defer for the Plan Year up to 90% of Salary.
- An Employer will match _____ of the amount of Bonus the Participant elects to defer for the Plan Year up to 100% of Bonus.
- An Employer will match ____% of the amount of Incentive Compensation the Participant elects to defer for the Plan Year up to ____% of Incentive Compensation.
- An Employer will match ____% of the amount of Commissions the Participant elects to defer for the Plan Year up to ____% of Commissions.

- Discretionary matching contribution with respect to the amount of Salary, Bonus, Incentive Compensation, or Commissions (or any combination thereof) the Participant elects to defer for the Plan Year.
- None.

Any Employer Matching Contributions for a Plan Year will be credited to a Participant's Employer Matching Account as soon as administratively practicable after the Valuation Date specified by the Employer.

SECTION 4
Deferred Compensation Accounts

- 4.1. Deferred Compensation Accounts. All amounts deferred pursuant to one or more Deferral Elections under the Plan and any Employer Contributions shall be credited to a Participant's Deferred Compensation Account and shall be adjusted under Section 4.2.
- 4.2. Deferral Account Adjustments and Hypothetical Investment Options. As of each Valuation Date, the Plan Administrator shall adjust amounts in a Participant's Deferred Compensation Account to reflect earnings (or losses) in the Investment Options attributable to the Participant's Deferred Compensation Account. Earnings (or losses) on amounts in a Participant's Deferred Compensation Account shall accrue commencing on the date the Deferred Compensation Account first has a positive balance and shall continue to accrue until the entire balance in the Participant's Deferred Compensation Account has been distributed. Earnings (or losses) shall be credited to a Participant's Deferred Compensation Account based on the results that would have been achieved had amounts credited to the Deferred Compensation Account been invested as soon as practicable after crediting into the Investment Options selected by the Participant. Nothing in this Subsection 4.2 or otherwise in the Plan, however, will require the Company to actually invest any amounts in such Investment Options or otherwise.
- 4.3. Vesting. A Participant shall be fully vested in the amounts in the Participant's Elective Deferred Account attributable to the Participant's Deferral Elections. If Employer Contributions are made under the Plan, a Participant shall be vested in the amount in the Participant's Deferred Compensation Account attributable to Employer Contributions in accordance with the following (*select one option*).

100% Vested.

The vesting schedule set forth below:

Year of Participation	Nonforfeitable Percentage
Less than 1 year(s)	0 %
1 year(s)	0%
2 year(s)	0%
3 year(s)	0%
4 year(s)	0%
5 year(s)	100 %

Notwithstanding the foregoing, a Participant shall be fully vested in the portion of the Participant's Deferred Compensation Account attributable to the Employer Contributions upon (*Select all options that apply*):

- Normal Retirement Date
- Death
- Becoming Disabled
- Change in Control

However, the date on which the Participant becomes fully vested in the Employer Contributions as set forth above must occur while the Participant is actively employed by or associated with the Employer.

Notwithstanding the vesting schedule selected above, the balance in a Participant's Deferred Compensation Account attributable to Employer Contributions will be forfeited (and neither the Participant nor the Participant's beneficiaries will have any rights thereto) if the Participant Separates from Service with the Employer because of Termination for Cause. Whether a Participant Separates from Service due to Termination for Cause shall be determined by the Plan Administrator.

To the extent that any amounts credited to a Participant's Deferred Compensation Account are not vested at the time such amounts are otherwise payable under Section 5, such amounts shall be forfeited.

- 4.4. Investment Options. The Plan Administrator shall specify procedures to allow Participants to make elections as to the deemed investment of amounts newly credited to their Deferred Compensation Accounts, as well as the deemed investment of amounts previously credited to their Deferred Compensation Accounts. Participant fund selections must be made to the Plan Administrator or designated agent. Fund selections will be effective within a reasonable period of time as determined by the means used to communicate such selections and generally accepted business practices.

The Plan Administrator or its designated agent may take investment instructions from a Participant as of any business day regarding Investment Options. Investment elections and/or transfer instructions may be accepted in a manner determined by the Plan Administrator.

The Plan Administrator shall designate the Investment Options available for selection under this Section 4.4. Investment Options are selected solely for purposes of determining hypothetical gains and/or losses to a Participant's bookkeeping account. Neither the Plan nor any of the Deferred Compensation Accounts shall hold any actual funds or assets. The Plan Administrator may change Investment Options at its discretion.

SECTION 5 *Payment of Benefits*

- 5.1. Time and Form of Payment.

- (a) Elective Deferred Account. Payment of the applicable portion of a Participant's Elective Deferred Account shall be made in accordance with the Participant's Distribution Election

made for such deferred Compensation. ***If no Distribution Election was made, then payment of such deferred Compensation shall be distributed in a lump sum on the first business day of the seventh month following the Participant's Separation from Service.***

- (b) Employer Matching Account. Payment of the applicable portion of a Participant's vested Employer Matching Account shall be made in accordance with the Participant's Distribution Election made for such Employer Matching Account. The earliest date that an Employer Matching Distribution may be payable is the date each Employer Matching Contribution becomes 100% vested. ***If no Distribution Election was made, then payment of such deferred Compensation shall be distributed in a lump sum on the first business day of the seventh month following the Participant's Separation from Service.***
 - (c) Employer Discretionary Account. Payment of a Participant's vested Employer Discretionary Account shall be made in a lump sum payment on the first business day of the seventh month following the first anniversary of the vesting of such Employer Discretionary Account set forth in Section 4.3.
 - (d) Small Benefit Cashout. Notwithstanding any Distribution Elections made by a Participant, if the Participant's Deferred Compensation Account balance is less than the applicable dollar amount under section 402(g)(1)(B) of the Code, the full vested Deferred Compensation Account balance shall be distributed in a lump sum on the first business day of the seventh month following the Participant's Separation from Service.
- 5.2. Payment upon Disability. Notwithstanding anything in the Plan or any Distribution Election to the contrary, in the event a Participant becomes Disabled while the Participant is employed by or associated with an Employer, payment of the Participant's vested Deferred Compensation Account shall be made in a lump sum payment within sixty (60) days following the date on which the Participant becomes Disabled. Whether a Participant is Disabled for purposes of the Plan shall be determined by the Plan Administrator, and in making such determination, the Plan Administrator may rely on the opinion of a physician(s) selected by the Plan Administrator for such purpose.
- 5.3. Payment upon Death of a Participant. Notwithstanding anything in the Plan or any Distribution Election to the contrary, a Participant's vested Deferred Compensation Account shall be paid to the Participant's beneficiary (designated in accordance with Section 5.4) in a lump sum payment within sixty (60) days following the date of the Participant's death.
- 5.4. Beneficiary. The Participant may name a beneficiary or beneficiaries to receive the balance of the Participant's vested Deferred Compensation Account in the event of the Participant's death prior to the payment of the Participant's vested Deferred Compensation Account. To be effective, any beneficiary designation must be filed in writing with the Plan Administrator in accordance with rules and procedures adopted by the Plan Administrator for that purpose. A Participant may revoke an existing beneficiary designation by filing another written beneficiary designation with the Plan Administrator. The latest beneficiary designation received by the Plan Administrator shall be controlling. If no beneficiary is named by a Participant, or if the Participant survives all of the Participant's named beneficiaries and does not designate another beneficiary, the Participant's Deferred Compensation Account shall be paid to the Participant's estate.
- 5.5. Optional Distribution Alternative. *(Select if applicable)*
- Unforeseeable Emergency. Notwithstanding anything in the Plan or any Distribution Election to the contrary, if the Plan Administrator determines that a Participant has incurred an Unforeseeable Emergency, the Participant shall receive in a lump sum payment of all or any

portion of the Participant's vested Deferred Compensation Account needed to satisfy the Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, but only if the Unforeseeable Emergency may not be relieved (a) through reimbursement or compensation by insurance or otherwise; (b) by liquidation of the Participant's assets to the extent the liquidation of such assets would not itself cause severe financial hardship; or (c) by cessation of deferrals under the Plan. A payment on account of an Unforeseeable Emergency shall not be in excess of the amount needed to relieve such Unforeseeable Emergency and shall be made within ninety (90) days following the date of such Unforeseeable Emergency.

5.6. Changes in Time or Form of Distribution. (Select one option)

- The Plan does not permit Subsequent Deferral Elections.
- The Plan permits Subsequent Deferral Elections solely with respect to distributions under Sections 5.1(a) and (b).

If applicable, the Plan Administrator may establish procedures for making a Subsequent Deferral Election in accordance with the requirements of Code Section 409A. In addition to the requirements the Plan Administrator may establish, a Participant may make a Subsequent Deferral Election with respect to the portion of the Elective Deferred Account and the corresponding Employer Matching Account, if any, attributable to a Deferral Election by filing an irrevocable written form with the Plan Administrator, but only if the following conditions are satisfied:

- (a) The election may not take effect until at least twelve (12) months after the date on which the election is made;
- (b) A distribution may not be made earlier than at least five (5) years from the date the distribution would have otherwise been made; and
- (c) In the case of an election to change the time or form of a distribution related to a payment at a specified time, the election must be made at least twelve (12) months before the date of the first scheduled distribution.

5.7. Effect of Early Taxation. Notwithstanding anything in the Plan or any Distribution Election to the contrary, if a Participant's benefits under the Plan are includible in income pursuant to Code section 409A, such benefits shall be distributed immediately to the Participant.

5.8. Permitted Delays. Notwithstanding anything in the Plan to the contrary, any payment to a Participant under the Plan shall be delayed upon the Plan Administrator's reasonable anticipation of one or more of the following events:

- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
- (b) The making of the payment would violate Federal securities laws or other applicable law;

provided, that any payment delayed pursuant to this Section 5.8 shall be paid in accordance with Code section 409A.

5.9. Withholding of Taxes. In connection with the Plan, the Employer, or a properly designated agent, may withhold any applicable Federal, state or local income tax and employment taxes, including Social Security taxes, at such time and in such amounts from a benefit payment under the Plan or a Participant's wages or reduce a Participant's Deferred Compensation Account as is necessary to

comply with applicable laws and regulations. The Employers, or a properly designated agent, shall report Plan payments and other Plan-related information to the appropriate governmental agencies as required under applicable laws.

SECTION 6
Miscellaneous

- 6.1. Rights Unsecured. Any payments by a trust of benefits provided to a Participant under the Plan shall be considered payment by the Company and shall discharge the Company from any further liability under the Plan for such payments. Any funds set aside by the Company for the purpose of meeting its obligations under the Plan, including any amounts held by Wells Fargo Bank, National Association, as trustee, shall continue for all purposes to be part of the general assets of the Company and shall be available to its general creditors in the event of the Company's bankruptcy or insolvency. The Company's obligation under this Plan shall be that of an unfunded and unsecured promise to pay money in the future.
- The Company may establish and maintain one or more grantor trust(s) to hold assets to be used for payment of benefits under the Plan.
- 6.2. No Enlargement of Rights. Establishment of the Plan shall not be construed to give any Employee the right to be retained by the Employers or to any benefits not specifically provided by the Plan. Any liability of the Company to any Participant, former Participant, or Participant's beneficiary with respect to a right to payment under the Plan shall be based solely upon contractual obligations created by the Plan.
- 6.3. Interests Not Transferable. Except as to withholding of any tax under the laws of the United States or any state or locality and the provisions of Section 5.9, no benefit payable at any time under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, or any other encumbrance of any kind or to any attachment, garnishment, or other legal process of any kind. Any attempt by a person (including a Participant or a Participant's beneficiary) to anticipate, alienate, sell, transfer, assign, pledge, or otherwise encumber any benefits under the Plan, whether currently or thereafter payable, shall be void. If any person shall attempt to, or shall alienate, sell, transfer, assign, pledge or otherwise encumber such person's benefits under the Plan, or if by any reasons of such person's bankruptcy or other event happening at any time, such benefits would devolve upon any other person or would not be enjoyed by the person entitled thereto under the Plan, then the Plan Administrator, in the Plan Administrator's sole discretion, may terminate the interest in any such benefits of the person otherwise entitled thereto under the Plan and may hold or apply such benefits in such manner as the Plan Administrator may deem proper.
- 6.4. Forfeitures and Unclaimed Amounts. Unclaimed amounts shall consist of the amounts in the Deferred Compensation Account of a Participant that cannot be distributed because of the Plan Administrator's inability, after a reasonable search, to locate a Participant or the Participant's beneficiary, as applicable, within a period of two years after the distribution date upon which the payment of benefits became due. Unclaimed amounts shall be forfeited at the end of such two-year period. These forfeitures will reduce the obligations of the Company, if any, under the Plan. After an unclaimed amount has been forfeited, the Participant or beneficiary, as applicable, shall have no further right to amounts in the Participant's Deferred Compensation Account.
- 6.5. Controlling Law. The law of the state of Washington shall be controlling in all matters relating to the Plan to the extent not preempted by Federal Law.
- 6.6. Words and Headings. Words in the masculine gender shall include the feminine and the singular shall include the plural, and vice versa, unless qualified by the context. Any headings used herein are included for ease of reference only, and are not to be construed so as to alter the terms hereof.

- 6.7. Action by the Employers. Except as otherwise specifically provided herein, any action required of or permitted to be taken by an Employer under the Plan shall be by resolution of its Board of Directors or by resolution of a duly authorized committee of its Board of Directors or by action of a person or persons authorized by resolution of such Board of Directors or such committee.
- 6.8. No Fiduciary Relationship. Nothing contained in this Plan, and no action taken pursuant to its provisions by either the Employers or the Participants shall create, or be construed to create a fiduciary relationship between the Employer and the Participant, a designated beneficiary, other beneficiaries of the Participant, or any other person.
- 6.9. Claims Procedures.
- (a) Initial Review. Any person (hereinafter referred to as a "Claimant") who believes that he or she is being denied a benefit to which he or she may be entitled under the Plan may file a written request for such benefit with the Plan Administrator. Such written request must set forth the Claimant's claim and must be addressed to the Plan Administrator, at the Company's principal place of business. Upon receipt of a claim, the Plan Administrator shall advise the Claimant that a reply will be forthcoming within ninety days and shall deliver a reply within ninety days. If special circumstances (such as for a hearing) require a longer period, the Plan Administrator may extend the reply period for an additional ninety days so long as the Plan Administrator notifies the Claimant in writing, prior to the expiration of the ninety day period, of the reasons for an extension of time. If the claim is denied in whole or in part, the Plan Administrator shall issue a written determination, using language calculated to be understood by the Claimant, setting forth:
- (1) The specific reason or reasons for such denial;
 - (2) The specific reference to pertinent provisions of the Plan upon which such denial is based;
 - (3) A description of any additional material or information necessary for the Claimant to perfect the Claimant's claim and an explanation why such material or such information is necessary; and
 - (4) Appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review, including the time limits for requesting such a review and the Claimant's right to bring a civil action under ERISA section 502(a) following an adverse benefit determination on review.
- (b) Review of Denial. Within sixty (60) days after the receipt by the Claimant of the written determination described above, the Claimant may request in writing, that the Plan Administrator review the initial claim determination. The request must be addressed to the Plan Administrator, at the Company's principal place of business. The Claimant or the Claimant's duly authorized representative will have, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claims for benefits and may submit issues and comments in writing for consideration by the Plan Administrator. The review will take into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.
- If the claimant does not request a review of the Plan Administrator's determination within such sixty (60) day period, the Claimant shall be barred and estopped from challenging the

Plan Administrator's determination. If the Claimant does file a request for review, his request must include a description of the issues and evidence he deems relevant. Failure to raise issues or present evidence on review will preclude those issues or evidence from being presented in any subsequent proceeding or judicial review of the claim.

Within sixty (60) days after the Plan Administrator's receipt of a request for review, the Plan Administrator will render a decision. After considering all materials presented by the Claimant, the Plan Administrator will render a written determination, written in a manner calculated to be understood by the Claimant setting forth:

- (1) The specific reasons for the adverse determination;
- (2) The specific references to the pertinent provisions of the Plan on which the decision is based;
- (3) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits; and
- (4) A statement describing any voluntary appeal procedures offered by the Plan and the Claimant's right to obtain the information about such procedures, as well as a statement of the Claimant's right to bring an action under ERISA section 502(a).

If special circumstances require that the sixty (60) day time period be extended, the Plan Administrator will so notify the Claimant in writing before the end of the sixty (60) day period and will render the decision as soon as practicable, but no later than one hundred twenty (120) days after receipt of the request for review.

- (c) Finality of Determinations; Exhaustion of Remedies. To the extent permitted by law, decisions reached under the claims procedures set forth in this Section 6.10 shall be final and binding on all parties. No legal action for benefits under the Plan shall be brought unless and until the Claimant has exhausted his remedies under this Section 6.10. In any such legal action, the Claimant may only present evidence and theories which the Claimant presented during the claims procedure. Any claims which the Claimant does not in good faith pursue through the review stage of the procedure shall be treated as having been irrevocably waived. Judicial review of a Claimant's denied claim shall be limited to a determination of whether the denial was an abuse of discretion based on the evidence and theories the Claimant presented during the claims procedure.
- (d) Limitations Period. Any suit or legal action initiated by a Claimant under the Plan must be brought by the Claimant no later than one year following a final decision on the claim for benefits by the Plan Administrator. The one-year limitation on suits for benefits will apply in any forum where a Claimant initiates such suit or legal action.
- (e) Disability Claims. Claims for disability benefits shall be determined under DOL Regulation section 2560.503-1 which is hereby incorporated by reference.

6.10. Notice. Any notice required or permitted to be given under the provisions of the Plan shall be in writing, and shall be signed by the party giving or making the same. If such notice, consent or demand is mailed to a party hereto, it shall be sent by United States certified mail, postage prepaid, addressed to such party's last known address as shown on the records of the Employers. Notices to the Plan Administrator should be sent in care of the Company at the Company's principal place of business. The date of such mailing shall be deemed the date of notice. Either party may

change the address to which notice is to be sent by giving notice of the change of address in the manner set forth above.

- 6.11. No Guarantee of Benefits. Nothing contained in the Plan shall constitute a guarantee by the Company or any other person or entity that the assets of the Company will be sufficient to pay any benefits hereunder.
- 6.12. Incapacity of Recipient. If any person entitled to a distribution under the Plan is deemed by the Plan Administrator to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until a claim for such payment shall have been made by a duly appointed guardian or other legal representative of such person, the Plan Administrator may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company and the Plan with respect to the payment.
- 6.13. Corporate Successors. The Plan and the obligations of the Company under the Plan shall become the responsibility of any successor to the Company by reason of a transfer or sale of substantially all of the assets of the Company or by the merger or consolidation of the Company into or with any other corporation or other entity.
- 6.14. Severability. In the event any provision of the Plan shall be held invalid or illegal for any reason, any illegality or invalidity shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced as if the illegal or invalid provision had never been inserted.
- 6.15. Indemnification. To the extent not covered by insurance, the Company shall indemnify the Plan Administrator, each employee, officer, director, and agent of the Company, and all persons formerly serving in such capacities, against any and all liabilities or expenses, including all legal fees relating thereto, arising in connection with the exercise of their duties and responsibilities with respect to the Plan, provided however that the Company shall not indemnify any person for liabilities or expenses due to that person's own gross negligence or willful misconduct.
- 6.16. Compliance with Section 409A of the Code. All provisions herein, or incorporated by reference, shall be construed and interpreted to comply with, and if necessary any such provision shall be held null and void to the extent such provision or part of the provision fails to comply with, Section 409A of the Code and the regulations thereunder. If any payment or benefit cannot be provided or made at the time specified herein without incurring sanctions under Code Section 409A, then such benefit or payment shall be provided in full at the earliest time thereafter when such sanctions will not be imposed. Notwithstanding the foregoing or anything else herein to the contrary, the Company makes no representation that the Plan complies with Section 409A of the Code and shall have no liability to any Participant or beneficiary for any failure to comply with Section 409A of the Code.

SECTION 7

Employer Participation

- 7.1. Adoption of Plan. Any Affiliate of the Company may, with the approval of the Company, adopt the Plan by filing with the Company a resolution of its Board of Directors to that effect.
- 7.2. Withdrawal from the Plan by Employer. Any Participating Employer shall have the right, at any time, upon the approval of, and under such conditions as may be provided by the Plan Administrator, to withdraw from the Plan in accordance with the requirements under Code Section 409A by delivering to the Plan Administrator written notice of its election so to withdraw.

SECTION 8
Amendment and Termination

- 8.1. Amendment or Termination. The Company intends the Plan to be permanent, but reserves the right to modify, amend or terminate the Plan when, in the sole discretion of the Company, such amendment or termination is advisable.
- 8.2. Effect of Amendment or Termination. No amendment or termination of the Plan shall reduce or eliminate any vested balance in a Participant's Deferred Compensation Account accrued through the date of such amendment or termination. However, an amendment may freeze or limit future deferrals or credits of benefits under the Plan on and after the date of such amendment. Upon termination of the Plan, distribution of Plan benefits shall be made to Participants and beneficiaries in the manner and at the time described in Section 5, unless the Company determines in its sole discretion that all such amounts shall be distributed upon termination in accordance with the requirements under Code Section 409A. Upon termination of the Plan, no further deferrals of Compensation or crediting of Employer Contributions shall be permitted; provided, however, earnings, gains and losses shall continue to be credited to each Participant's Deferred Compensation Account balance in accordance with Section 4 until the vested Deferred Compensation Account balances are fully distributed.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed by its duly authorized officers on this 28th day of June, 2017.

Barrett Business Services, Inc.

By: /s/ Gary Kramer

Its: Chief Financial Officer

ATTEST:

By: Greg Vaughn

Its: Chief Operating Officer

APPENDIX A
Participating Employers

None

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Michael L. Elich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Barrett Business Services, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly 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 quarterly 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 quarterly 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: August 9, 2017

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

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Gary E. Kramer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Barrett Business Services, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly 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 quarterly 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 quarterly 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: August 9, 2017

/s/ Gary E. Kramer

Gary E. Kramer

Chief Financial Officer

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

In connection with the Quarterly Report of Barrett Business Services, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. § 1350, that:

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

/s/ Michael L. Elich

Michael L. Elich
Chief Executive Officer

August 9, 2017

/s/ Gary E. Kramer

Gary E. Kramer
Chief Financial Officer

August 9, 2017

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.