

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, 2024
- ☐ 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)

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

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<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 July 17, 2024, 26,137,737 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, 2024	December 31, 2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 40,348	\$ 71,168
Investments	70,100	81,027
Trade accounts receivable, net	211,565	171,407
Income taxes receivable	1,184	7,987
Prepaid expenses and other	17,459	18,443
Restricted cash and investments	80,818	97,470
Total current assets	421,474	447,502
Property, equipment and software, net	54,240	50,295
Operating lease right-of-use assets	20,278	19,898
Restricted cash and investments	133,617	145,583
Goodwill	47,820	47,820
Other assets	6,352	6,222
Deferred income taxes	4,806	4,218
Total assets	<u>\$ 688,587</u>	<u>\$ 721,538</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 4,396	\$ 6,593
Accrued payroll, payroll taxes and related benefits	250,630	234,080
Current operating lease liabilities	6,245	6,623
Current premium payable	16,134	35,276
Other accrued liabilities	10,496	10,674
Workers' compensation claims liabilities	44,929	50,006
Total current liabilities	332,830	343,252
Long-term workers' compensation claims liabilities	104,701	117,757
Long-term premium payable	27,127	37,812
Long-term operating lease liabilities	15,220	14,590
Customer deposits and other long-term liabilities	9,748	8,987
Total liabilities	<u>489,626</u>	<u>522,398</u>
Commitments and contingencies (Notes 4 and 6)		
Stockholders' equity:		
Common stock, \$.01 par value; 82,000 shares authorized, 25,949 and 26,290 shares issued and outstanding <sup>(1)</sup>	259	263
Additional paid-in capital <sup>(1)</sup>	38,882	36,743
Accumulated other comprehensive loss	(22,340)	(20,801)
Retained earnings	182,160	182,935
Total stockholders' equity	<u>198,961</u>	<u>199,140</u>
Total liabilities and stockholders' equity	<u>\$ 688,587</u>	<u>\$ 721,538</u>

<sup>(1)</sup> Prior period results have been adjusted to reflect the four-for-one stock split effected in the form of a stock dividend in June 2024. See Note 1, *Basis of Presentation of Interim Period Statements* for details.

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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<b>Revenues:</b>				
Professional employer services	\$ 259,887	\$ 244,256	\$ 506,076	\$ 476,563
Staffing services	19,764	20,374	39,357	42,734
Total revenues	279,651	264,630	545,433	519,297
<b>Cost of revenues:</b>				
Direct payroll costs	14,693	15,110	29,410	31,981
Payroll taxes and benefits	148,810	134,109	310,705	278,691
Workers' compensation	48,251	48,365	97,854	100,035
Total cost of revenues	211,754	197,584	437,969	410,707
Gross margin	67,897	67,046	107,464	108,590
Selling, general and administrative expenses	45,577	43,808	87,991	85,034
Depreciation and amortization	1,912	1,729	3,764	3,406
Income from operations	20,408	21,509	15,709	20,150
<b>Other income (expense):</b>				
Investment income, net	3,069	2,129	6,343	4,444
Interest expense	(44 )	—	(88 )	(38 )
Other, net	27	19	93	55
Other income, net	3,052	2,148	6,348	4,461
Income before income taxes	23,460	23,657	22,057	24,611
Provision for income taxes	6,759	6,641	5,492	6,776
Net income	\$ 16,701	\$ 17,016	\$ 16,565	\$ 17,835
Basic income per common share <sup>(1)</sup>	\$ 0.64	\$ 0.63	\$ 0.63	\$ 0.65
Weighted average number of basic common shares outstanding <sup>(1)</sup>	26,067	27,005	26,174	27,235
Diluted income per common share <sup>(1)</sup>	\$ 0.62	\$ 0.62	\$ 0.62	\$ 0.64
Weighted average number of diluted common shares outstanding <sup>(1)</sup>	26,765	27,500	26,794	27,721

<sup>(1)</sup> Prior period results have been adjusted to reflect the four-for-one stock split effected in the form of a stock dividend in June 2024. See Note 1, *Basis of Presentation of Interim Period Statements* for details.

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,	
	2024	2023
Net income	\$ 16,701	\$ 17,016
Unrealized losses on investments, net of tax of (\$16) and (\$775) in 2024 and 2023, respectively	(43)	(2,028)
Comprehensive income	<u>\$ 16,658</u>	<u>\$ 14,988</u>

	Six Months Ended June 30,	
	2024	2023
Net income	\$ 16,565	\$ 17,835
Unrealized (losses) gains on investments, net of tax of (\$588) and \$620 in 2024 and 2023, respectively	(1,539)	1,624
Comprehensive income	<u>\$ 15,026</u>	<u>\$ 19,459</u>

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

**Barrett Business Services, Inc.**  
Condensed Consolidated Statements of Stockholders' Equity  
Three and Six Months Ended June 30, 2024  
(Unaudited)  
(In Thousands)

	Common Stock		Additional	Accumulated Other Comprehensiv e Loss	Retained Earnings	Total
	Shares <sup>(1)</sup>	Amount <sup>(1)</sup>	Paid-in Capital <sup>(1)</sup>			
Balance, December 31, 2023	26,290	\$ 263	\$ 36,743	\$ (20,801)	\$ 182,935	\$ 199,140
Common stock issued on exercise of options, purchase of ESPP shares and vesting of restricted stock units and performance awards	140	1	375	—	—	376
Common stock repurchased on vesting of restricted stock units and performance awards	(50)	(1)	(1,455)	—	—	(1,456)
Share-based compensation expense	—	—	2,187	—	—	2,187
Company repurchases of common stock	(236)	(2)	(350)	—	(6,704)	(7,056)
Cash dividends on common stock (\$0.075 per share)	—	—	—	—	(1,970)	(1,970)
Unrealized loss on investments, net of tax	—	—	—	(1,496)	—	(1,496)
Net loss	—	—	—	—	(136)	(136)
Balance, March 31, 2024	26,144	\$ 261	\$ 37,500	\$ (22,297)	\$ 174,125	\$ 189,589
Common stock issued on exercise of options, purchase of ESPP shares and vesting of restricted stock units and performance awards	41	—	7	—	—	7
Common stock repurchased on vesting of restricted stock units and performance awards	(13)	—	(397)	—	—	(397)
Share-based compensation expense	—	—	2,106	—	—	2,106
Company repurchases of common stock	(223)	(2)	(334)	—	(6,711)	(7,047)
Cash dividends on common stock (\$0.075 per share)	—	—	—	—	(1,955)	(1,955)
Unrealized loss on investments, net of tax	—	—	—	(43)	—	(43)
Net income	—	—	—	—	16,701	16,701
Balance, June 30, 2024	25,949	\$ 259	\$ 38,882	\$ (22,340)	\$ 182,160	\$ 198,961

<sup>(1)</sup> Prior period results have been adjusted to reflect the four-for-one stock split effected in the form of a stock dividend in June 2024. See Note 1, *Basis of Presentation of Interim Period Statements* for details.

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

**Barrett Business Services, Inc.**  
Condensed Consolidated Statements of Stockholders' Equity  
Three and Six Months Ended June 30, 2023  
(Unaudited)  
(In Thousands)

	Common Stock		Additional	Accumulated	Retained	Total
	Shares <sup>(1)</sup>	Amount <sup>(1)</sup>	Paid-in Capital <sup>(1)</sup>	Other Comprehensiv e Loss	Earnings	
Balance, December 31, 2022	<u>27,483</u>	<u>\$ 275</u>	<u>\$ 32,538</u>	<u>\$ (27,594)</u>	<u>\$ 172,623</u>	<u>\$ 177,842</u>
Common stock issued on exercise of options, purchase of ESPP shares and vesting of restricted stock units and performance awards	122	1	338	—	—	339
Common stock repurchased on vesting of restricted stock units and performance awards	(43)	—	(1,005)	—	—	(1,005)
Share-based compensation expense	—	—	1,928	—	—	1,928
Company repurchases of common stock	(362)	(4)	(444)	—	(7,582)	(8,030)
Cash dividends on common stock (\$0.075 per share)	—	—	—	—	(2,067)	(2,067)
Unrealized gain on investments, net of tax	—	—	—	3,652	—	3,652
Net income	—	—	—	—	819	819
Balance, March 31, 2023	<u>27,200</u>	<u>\$ 272</u>	<u>\$ 33,355</u>	<u>\$ (23,942)</u>	<u>\$ 163,793</u>	<u>\$ 173,478</u>
Common stock issued on exercise of options, purchase of ESPP shares and vesting of restricted stock units and performance awards	50	—	2	—	—	2
Common stock repurchased on vesting of restricted stock units and performance awards	(14)	—	(304)	—	—	(304)
Share-based compensation expense	—	—	1,963	—	—	1,963
Company repurchases of common stock	(492)	(5)	(640)	—	(9,500)	(10,145)
Cash dividends on common stock (\$0.075 per share)	—	—	—	—	(2,013)	(2,013)
Unrealized loss on investments, net of tax	—	—	—	(2,028)	—	(2,028)
Net income	—	—	—	—	17,016	17,016
Balance, June 30, 2023	<u>26,744</u>	<u>\$ 267</u>	<u>\$ 34,376</u>	<u>\$ (25,970)</u>	<u>\$ 169,296</u>	<u>\$ 177,969</u>

<sup>(1)</sup> Prior period results have been adjusted to reflect the four-for-one stock split effected in the form of a stock dividend in June 2024. See Note 1, *Basis of Presentation of Interim Period Statements* for details.

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,	
	2024	2023
<b>Cash flows from operating activities:</b>		
Net income	\$ 16,565	\$ 17,835
Reconciliations of net income to net cash used in operating activities:		
Depreciation and amortization	3,764	3,406
Non-cash lease expense	3,308	3,514
Net investment (accretion) amortization and (gains) losses recognized	(498)	468
Share-based compensation	4,293	3,891
Changes in certain operating assets and liabilities:		
Trade accounts receivable	(40,158)	(34,217)
Income taxes	6,803	3,881
Prepaid expenses and other	984	2,162
Accounts payable	(2,197)	(2,563)
Accrued payroll, payroll taxes and related benefits	16,776	16,507
Other accrued liabilities	(434)	(3,992)
Premium payable	(29,827)	(5,363)
Workers' compensation claims liabilities	(18,265)	(24,902)
Operating lease liabilities	(3,436)	(3,592)
Other assets and liabilities, net	(31)	(232)
Net cash used in operating activities	(42,353)	(23,197)
<b>Cash flows from investing activities:</b>		
Purchase of property, equipment and software	(7,709)	(5,806)
Purchase of investments	—	(188)
Proceeds from sales and maturities of investments	10,607	514
Purchase of restricted investments	(7,650)	(11,454)
Proceeds from sales and maturities of restricted investments	61,758	10,571
Net cash provided by (used in) investing activities	57,006	(6,363)
<b>Cash flows from financing activities:</b>		
Proceeds from credit-line borrowings	415	—
Payments on credit-line borrowings	(415)	—
Repurchases of common stock	(14,103)	(18,175)
Common stock repurchased on vesting of stock awards	(1,853)	(1,309)
Dividends paid	(3,925)	(4,080)
Proceeds from exercise of stock options and purchase of ESPP	383	341
Net cash used in financing activities	(19,498)	(23,223)
Net decrease in cash, cash equivalents and restricted cash	(4,845)	(52,783)
Cash, cash equivalents and restricted cash, beginning of period	74,841	107,378
Cash, cash equivalents and restricted cash, end of period	\$ 69,996	\$ 54,595

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 ("SEC"). 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 2023 Annual Report on Form 10-K at pages 33 - 61. The results of operations for an interim period are not necessarily indicative of the results of operations for a full year.

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

**Revenue recognition**

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

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

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

### **Cost of revenues**

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

### **Cash and cash equivalents**

We consider non-restricted short-term investments that are highly liquid, readily convertible into cash, and have maturities at acquisition of less than three months to be cash equivalents for purposes of the 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**

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

### **Restricted cash and investments**

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

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

**Allowance for expected credit losses**

The Company had an allowance for expected credit losses of \$0.9 million at June 30, 2024 and December 31, 2023. We make estimates of the collectability of our accounts receivable for services provided to our customers based on future expected credit losses. Management analyzes historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customers' payment trends when evaluating the adequacy of the allowance for expected credit losses. If the financial condition of our customers deteriorates resulting in an impairment of their ability to make payments, additional allowances may be required.

**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 third-party administrator for workers' compensation claims, coupled with an actuarial estimate of future loss development with respect to reported claims and incurred but not reported claims (together, "IBNR"). Workers' compensation claims liabilities include case reserve estimates for reported losses, plus additional amounts for estimated IBNR claims, MCC and legal costs, unallocated loss adjustment expenses and estimated future recoveries. The estimate of incurred costs expected to be paid within one year is included in current liabilities, while the estimate of incurred costs expected to be paid beyond one year is included in long-term liabilities on our condensed consolidated balance sheets. These estimates are reviewed at least quarterly and adjustments to estimated liabilities are reflected in current operating results as they become known.

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

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

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

**Customer deposits**

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

**Comprehensive income**

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

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

#### Statements of cash flows

Interest paid during the six months ended June 30, 2024 and 2023 did not materially differ from interest expense. Income taxes paid by the Company during the six months ended June 30, 2024 and 2023 totaled \$0.26 million and \$2.84 million, respectively.

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

	June 30, 2024	December 31, 2023	June 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 40,348	\$ 71,168	\$ 48,347	\$ 91,423
Restricted cash, included in restricted cash and investments	29,648	3,673	6,248	15,955
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 69,996</u>	<u>\$ 74,841</u>	<u>\$ 54,595</u>	<u>\$ 107,378</u>

#### Basic and diluted earnings per share

Basic earnings per share are computed based on the weighted average number of common shares outstanding for each year using the treasury method. Diluted earnings per share reflect the potential effects of the issuance of shares in connection with the exercise of outstanding stock options, vesting of outstanding restricted stock units and performance share units, and the Company’s employee stock purchase plan. Basic and diluted shares outstanding adjusted to reflect the 2024 Stock Split are summarized as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Weighted average number of basic shares outstanding	26,067	27,005	26,174	27,235
Effect of dilutive securities	698	495	620	486
Weighted average number of diluted shares outstanding	<u>26,765</u>	<u>27,500</u>	<u>26,794</u>	<u>27,721</u>

#### Accounting estimates

The preparation of our condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions. These affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the 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, equipment and software, and accrued workers’ compensation liabilities. Actual results may or may not differ from such estimates.

## Reclassifications

To conform to the current period's presentation, safety incentives liability of \$1.3 million was reclassified to other accrued liabilities in the prior period condensed consolidated balance sheets, and net cash outflows related to safety incentives liability of \$0.4 million was reclassified to other accrued liabilities in the prior period condensed consolidated statements of cash flows. Additionally, to conform the current period's presentation to reclassifications made in 2023, net cash outflows associated with premiums payable to third party insurance carriers of \$5.4 million were reclassified from other accrued liabilities to premium payable in the prior period condensed consolidated statements of cash flows.

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

## Recent accounting pronouncements

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

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

In November 2023, the FASB issued ASU 2023-07, which expands annual and interim reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. All disclosure requirements under the new guidance are also required for public entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. When adopted, the requirements will be applied retrospectively to all prior periods presented in the financial statements. We are evaluating the impact of applying this new accounting guidance to our financial statement disclosures.

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

In December 2023, the FASB issued ASU 2023-09, which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. The ASU applies to all entities subject to income taxes. The new requirements will be effective for annual periods beginning after December 15, 2024. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. We are evaluating the impact of applying this new accounting guidance to our income tax disclosures.

## Note 2 - Fair Value Measurement

The following table summarizes the Company's investments at June 30, 2024 and December 31, 2023 measured at fair value on a recurring basis (in thousands):

	June 30, 2024			December 31, 2023		
	Cost	Gross Unrealized (Losses) Gains	Recorded Basis	Cost	Gross Unrealized (Losses) Gains	Recorded Basis
<b>Current:</b>						
<b>Cash equivalents:</b>						
Money market funds	\$ 3,334	\$ —	\$ 3,334	\$ 19,539	\$ —	\$ 19,539
<b>Total cash equivalents</b>	<u>3,334</u>	<u>—</u>	<u>3,334</u>	<u>19,539</u>	<u>—</u>	<u>19,539</u>
<b>Investments:</b>						
Corporate bonds	32,258	(3,033)	29,225	34,472	(3,159)	31,313
U.S. government agency securities	12,782	(398)	12,384	12,830	(408)	12,422
U.S. treasuries	12,454	(1,348)	11,106	12,448	(1,253)	11,195
Mortgage-backed securities	12,611	(2,727)	9,884	13,084	(2,454)	10,630
Asset backed securities	7,634	(133)	7,501	13,659	(187)	13,472
Emerging markets	—	—	—	2,003	(8)	1,995
<b>Total current investments</b>	<u>77,739</u>	<u>(7,639)</u>	<u>70,100</u>	<u>88,496</u>	<u>(7,469)</u>	<u>81,027</u>
<b>Restricted cash and investments <sup>(1)</sup>:</b>						
Corporate bonds	82,685	(8,950)	73,735	82,481	(8,454)	74,027
U.S. treasuries	54,962	(7,016)	47,946	109,020	(6,415)	102,605
Mortgage-backed securities	42,971	(6,080)	36,891	42,077	(5,216)	36,861
U.S. government agency securities	16,844	(1,191)	15,653	16,863	(1,199)	15,664
Mutual funds	9,999	—	9,999	8,941	—	8,941
Asset backed securities	1,094	(2)	1,092	799	—	799
Money market funds	247	—	247	337	—	337
Emerging markets	200	—	200	200	2	202
<b>Total restricted cash and investments</b>	<u>209,002</u>	<u>(23,239)</u>	<u>185,763</u>	<u>260,718</u>	<u>(21,282)</u>	<u>239,436</u>
<b>Total investments</b>	<u>\$ 290,075</u>	<u>\$ (30,878)</u>	<u>\$ 259,197</u>	<u>\$ 368,753</u>	<u>\$ (28,751)</u>	<u>\$ 340,002</u>

<sup>(1)</sup> Included in restricted cash and investments within the condensed consolidated balance sheets as of June 30, 2024 and December 31, 2023 is restricted cash of \$28.7 million and \$3.6 million, respectively, which is excluded from the table above. Restricted cash and investments are classified as current and noncurrent on the balance sheet based on the nature of the restriction.

The following table summarizes the Company's investments at June 30, 2024 and December 31, 2023 measured at fair value on a recurring basis by fair value hierarchy level (in thousands):

	June 30, 2024				December 31, 2023			
	Total Recorded Basis	Level 1	Level 2	Other <sup>(1)</sup>	Total Recorded Basis	Level 1	Level 2	Other <sup>(1)</sup>
<b>Cash equivalents:</b>								
Money market funds	\$ 3,334	\$ —	\$ —	\$ 3,334	\$ 19,539	\$ —	\$ —	\$ 19,539
<b>Investments:</b>								
Corporate bonds	29,225	—	29,225	—	31,313	—	31,313	—
U.S. government agency securities	12,384	—	12,384	—	12,422	—	12,422	—
U.S. treasuries	11,106	—	11,106	—	11,195	—	11,195	—
Mortgage-backed securities	9,884	—	9,884	—	10,630	—	10,630	—
Asset backed securities	7,501	—	7,501	—	13,472	—	13,472	—
Emerging markets	—	—	—	—	1,995	—	1,995	—
<b>Restricted cash and investments:</b>								
Corporate bonds	73,735	—	73,735	—	74,027	—	74,027	—
U.S. treasuries	47,946	—	47,946	—	102,605	—	102,605	—
Mortgage-backed securities	36,891	—	36,891	—	36,861	—	36,861	—
U.S. government agency securities	15,653	—	15,653	—	15,664	—	15,664	—
Mutual funds	9,999	9,999	—	—	8,941	8,941	—	—
Asset backed securities	1,092	—	1,092	—	799	—	799	—
Money market funds	247	—	—	247	337	—	—	337
Emerging markets	200	—	200	—	202	—	202	—
<b>Total investments</b>	<b>\$ 259,197</b>	<b>\$ 9,999</b>	<b>\$ 245,617</b>	<b>\$ 3,581</b>	<b>\$ 340,002</b>	<b>\$ 8,941</b>	<b>\$ 311,185</b>	<b>\$ 19,876</b>

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

The following table summarizes the contractual maturities of the Company's available-for-sale securities at June 30, 2024 and December 31, 2023. Actual maturities may differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties. The table also includes money market funds, which are classified as cash and cash equivalents on the Company's consolidated balance sheets.

(In thousands)	June 30, 2024				
	Less than 1 Year	Between 1 to 5 Years	Between 5 to 10 Years	After 10 Years	Total
Corporate bonds	\$ 4,319	\$ 68,730	\$ 29,744	\$ 167	\$ 102,960
U.S. treasuries	1,639	40,945	16,468	—	59,052
U.S. government agency securities	4,949	22,049	1,039	—	28,037
Asset backed securities	—	1,092	6,210	1,291	8,593
Money market funds	3,581	—	—	—	3,581
Emerging markets	—	—	200	—	200
<b>Total</b>	<b>\$ 14,488</b>	<b>\$ 132,816</b>	<b>\$ 53,661</b>	<b>\$ 1,458</b>	<b>\$ 202,423</b>

  

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

The average contractual maturity of mortgage-backed securities, which are excluded from the table above, was 22 and 23 years as of June 30, 2024 and December 31, 2023, respectively.

### 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,	
	2024	2023	2024	2023
Beginning balance				
Workers' compensation claims liabilities	\$ 158,054	\$ 201,641	\$ 167,763	\$ 215,987
Add: claims expense incurred				
Current period	3,699	3,482	7,299	7,844
Prior periods	(1,830)	(1,580)	(4,822)	(2,694)
Total claims expense incurred	1,869	1,902	2,477	5,150
Less: claim payments related to				
Current period	1,565	585	2,519	765
Prior periods	8,734	11,807	18,223	29,287
Total claim payments	10,299	12,392	20,742	30,052
Change in claims incurred in excess of retention limits	6	671	132	737
Ending balance				
Workers' compensation claims liabilities	\$ 149,630	\$ 191,822	\$ 149,630	\$ 191,822

### Insured program

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

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

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

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

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

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



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

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

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

The Company is required to maintain minimum collateral levels for certain policies issued under the insured program, which is held in a trust account (the "trust account"). The balance in the trust account was \$181.3 million and \$210.9 million at June 30, 2024 and December 31, 2023, respectively. The trust account balance is included as a component of the current and long-term restricted cash and investments in the Company's condensed consolidated balance sheets.

#### Self-insured programs

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

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

The states of California, Maryland, Oregon, Washington, Colorado and Delaware required the Company to maintain collateral totaling \$47.0 million and \$48.1 million at June 30, 2024 and December 31, 2023 to cover potential workers' compensation claims losses related to the Company's current and former status as a self-insured employer. At June 30, 2024, the Company provided surety bonds totaling \$47.0 million.

#### Claims liabilities

The Company provided a total of \$149.6 million and \$167.8 million at June 30, 2024 and December 31, 2023, respectively, as an estimated future liability for unsettled workers' compensation claims liabilities. Of this amount, \$6.1 million and \$6.0 million at June 30, 2024 and December 31, 2023, respectively, represent case reserves and IBNR in excess of the Company's retention. The accrual for costs incurred in excess of retention is offset by a receivable from insurance carriers of \$6.1 million and \$6.0 million at June 30, 2024 and December 31, 2023, respectively, included in other assets in the condensed consolidated balance sheets.

#### **Note 4 - Revolving Credit Facility and Long-Term Debt**

The Company maintains an agreement (the "Agreement") with Wells Fargo Bank, N.A. (the "Bank") for a revolving credit line of \$50.0 million and a sublimit for standby letters of credit of \$25.0 million. Advances under the revolving credit line bear interest, as selected by the Company, of (a) the daily Simple Secured Overnight Financing Rate ("SOFR") plus 1.75% or (b) one-month Term SOFR plus 1.75%. The Agreement also provides for an unused commitment fee of 0.35% per year on the average daily unused amount of the revolving credit line, as well as a fee of 1.75% of the face amount of each letter of credit reserved under the line of credit. The Company had no outstanding borrowings on its revolving credit line at June 30, 2024 and December 31, 2023. The credit facility is collateralized by the Company's accounts receivable and other rights to receive payment. The revolving credit facility will mature on July 1, 2026, unless extended.

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

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

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

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

The Agreement also contains customary events of default and specified cross-defaults under the Company's workers' compensation insurance arrangements. If an event of default under the Agreement occurs and is continuing, the Bank may declare any outstanding obligations under the Agreement to be immediately due and payable. At June 30, 2024, the Company was in compliance with all covenants.

#### **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, 2024. At June 30, 2024 and December 31, 2023, the Company had not recorded a valuation allowance against its deferred tax assets.

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

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

reserve for the aforementioned IRS notices of disallowance of wage-based tax credits or underpayment penalties has been recorded in the financial statements.

In the major jurisdictions where it operates, the Company is generally no longer subject to income tax examinations by tax authorities for tax years before 2017. As of June 30, 2024 and December 31, 2023, total gross unrecognized tax benefits, excluding interest and penalties, of \$0.5 million and \$0.8 million, respectively, would affect the Company's effective tax rate if recognized in future periods. The Company does not anticipate any material changes to the reserve in the next 12 months.

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

At June 30, 2024, the Company had no state operating loss carryforwards. At June 30, 2024, the Company did not have a federal general business tax credit carryforward or an alternative minimum tax credit carryforward.

#### **Note 6 – Litigation**

On April 5, 2011, several individual plaintiffs filed a wage and hour class action in the California Superior Court, County of Fresno, naming as defendants their employer, a Merry Maids franchisee; BBSI, which was providing PEO services to the franchisee; and various parties related to the franchisor. Plaintiffs claimed, among other things, that BBSI and the franchisor were their joint employer with franchisee and therefore jointly responsible for the alleged wage and hour violations. The case was subsequently removed to the United States District Court for the Eastern District of California, and on January 18, 2019, the District Court certified a class of former non-exempt employees who resided in California and worked for the franchisee in certain positions during the period from April 6, 2007 through January 19, 2019. On November 30, 2020, the District Court granted BBSI's motion for summary judgment to be removed from the case. Thereafter the plaintiffs appealed to the United States Court of Appeals for the Ninth Circuit, and on June 2, 2022, the Court of Appeals reversed the order granting summary judgment to BBSI. The court held that there is a triable issue of fact concerning whether or not BBSI was a joint-employer under applicable California law. BBSI intends to vigorously defend the claim, including continuing to assert its defense on the ground that it was not a joint-employer of plaintiffs. Management is unable to estimate a range of reasonably possible loss due to various reasons, including: (1) certain aspects of discovery are ongoing; (2) the existence of a defense that, if successful, will eliminate the possibility of loss; and (3) there are significant factual and legal issues to be resolved.

BBSI is subject to other legal proceedings and claims that arise in the ordinary course of our business. There are significant uncertainties surrounding litigation. For all other cases not discussed above, management has recorded estimated liabilities totaling \$0.04 million in other accrued liabilities in the condensed consolidated balance sheets.

#### **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 experienced business generalists and include senior-level professionals with expertise in human resources, organizational development, risk mitigation and workplace safety, recruiting, employee benefits, and various types of administration, including payroll. These teams are responsible for growth and profitability of their operations, and for providing strategic leadership, guidance and expert consultation to our client companies. The decentralized structure fosters autonomous decision-making in which business teams deliver plans that closely align with the objectives of each business owner client. We support clients with a local presence in 68 markets throughout the United States.

Services Overview BBSI's core purpose is to advocate for business owners, particularly in the small and mid-sized business segment. Our evolution from an entrepreneurially run company to a professionally managed organization has helped to form our view that all businesses experience inflection points at key stages of growth. The insights gained through our own growth, along with the trends we see in working with more than 8,000 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 can provide workers' compensation coverage as a means of meeting statutory requirements and protecting our clients from employment-related injury claims. Through our third-party administrators, we provide claims management services for our clients. We work to manage and reduce job injury claims, identify fraudulent claims and structure optimal work programs, including modified duty.

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

## 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, 2024 and 2023 (\$ in thousands):

	Percentage of Total Net Revenues							
	Three Months Ended June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
<b>Revenues:</b>								
Professional employer services	\$ 259,887	92.9 %	\$ 244,256	92.3 %	\$ 506,076	92.8 %	\$ 476,563	91.8 %
Staffing services	19,764	7.1	20,374	7.7	39,357	7.2	42,734	8.2
Total revenues	279,651	100.0	264,630	100.0	545,433	100.0	519,297	100.0
<b>Cost of revenues:</b>								
Direct payroll costs	14,693	5.3	15,110	5.7	29,410	5.4	31,981	6.2
Payroll taxes and benefits	148,810	53.2	134,109	50.7	310,705	57.0	278,691	53.7
Workers' compensation	48,251	17.3	48,365	18.3	97,854	17.9	100,035	19.3
Total cost of revenues	211,754	75.8	197,584	74.7	437,969	80.3	410,707	79.2
Gross margin	67,897	24.2	67,046	25.3	107,464	19.7	108,590	20.8
Selling, general and administrative expenses	45,577	16.3	43,808	16.6	87,991	16.1	85,034	16.4
Depreciation and amortization	1,912	0.7	1,729	0.7	3,764	0.7	3,406	0.7
Income from operations	20,408	7.2	21,509	8.0	15,709	2.9	20,150	3.7
Other income, net	3,052	1.1	2,148	0.8	6,348	1.2	4,461	0.9
Income before income taxes	23,460	8.3	23,657	8.8	22,057	4.1	24,611	4.6
Provision for income taxes	6,759	2.4	6,641	2.5	5,492	1.0	6,776	1.3
Net income	\$ 16,701	5.9 %	\$ 17,016	6.3 %	\$ 16,565	3.1 %	\$ 17,835	3.3 %

We report PEO revenues net of direct payroll costs because we are not the primary obligor for wage payments to our clients' employees. However, management believes that gross billings and wages are useful in understanding the volume of our business activity and serve as an important performance metric in managing our operations, including the preparation of internal operating forecasts and establishing executive compensation performance goals. We therefore present for purposes of analysis gross billings and wage information for the three and six months ended June 30, 2024 and 2023.

(in thousands)	(Unaudited)				(Unaudited)			
	Three Months Ended June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
Gross billings	\$	2,029,036	\$	1,911,550	\$	3,936,584	\$	3,700,768
PEO and staffing wages	\$	1,764,182	\$	1,661,668	\$	3,420,626	\$	3,213,021

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

	(Unaudited) Percentage of Gross Billings		(Unaudited) Percentage of Gross Billings	
	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
PEO and staffing wages	86.9%	86.9%	86.9%	86.9%
Payroll taxes and benefits	7.3%	7.0%	7.9%	7.5%
Workers' compensation	2.5%	2.6%	2.5%	2.7%
Gross margin	3.3%	3.5%	2.7%	2.9%

The presentation of revenue on a net basis and the relative contributions of PEO and staffing services revenue can create volatility in our gross margin as a percentage of revenue. Generally, a relative increase in PEO services revenue will result in a higher gross margin as a percentage of revenue. Improvement in gross margin percentage occurs because incremental client services revenue dollars are reported as revenue net of all related direct payroll costs.

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

	(Unaudited) Three Months Ended June 30,			
	Year-over-year % Growth		Year-over-year % Growth	
	2024	2023	2024	2023
Average WSEs	128,734	124,186	3.7%	1.6%
Ending WSEs	130,046	127,336	2.1%	2.8%

	(Unaudited) Six Months Ended June 30,			
	Year-over-year % Growth		Year-over-year % Growth	
	2024	2023	2024	2023
Average WSEs	125,892	121,749	3.4%	2.1%
Ending WSEs	130,046	127,336	2.1%	2.8%

### Three Months Ended June 30, 2024 and 2023

Net income for the second quarter of 2024 amounted to \$16.7 million compared to net income of \$17.0 million for the second quarter of 2023. Diluted net income per share for the second quarter of 2024 was \$0.62 compared to diluted net income per share of \$0.62 for the second quarter of 2023.

Revenue for the second quarter of 2024 totaled \$279.7 million, an increase of \$15.1 million or 5.7% over the second quarter of 2023, which reflects an increase in the Company's PEO services revenue of \$15.6 million or 6.4% and a decrease in staffing services revenue of \$0.6 million or 3.0%.

The increase in PEO services revenue was primarily attributable to an increase in average number of WSEs and an increase in average billing per WSE, as well as an increase in PEO benefits revenue.

Gross margin for the second quarter of 2024 totaled \$67.9 million or 24.2% of revenue compared to \$67.0 million or 25.3% of revenue for the second quarter of 2023. The separate components of gross margin are discussed below.

Direct payroll costs for the second quarter of 2024 totaled \$14.7 million or 5.3% of revenue compared to \$15.1 million or 5.7% of revenue for the second quarter of 2023. The decrease in direct payroll costs as a percentage of revenues was primarily due to a decrease in staffing services within the mix of our customer base compared to the second quarter of 2023.

Payroll taxes and benefits for the second quarter of 2024 totaled \$148.8 million or 53.2% of revenue compared to \$134.1 million or 50.7% of revenue for the second quarter of 2023. The increase in payroll taxes and benefits expense as a percentage of revenue was primarily due to higher average payroll tax rates in the second quarter of 2024 and PEO client benefit costs of \$7.1 million in the second quarter of 2024 compared to \$1.8 million in the second quarter of 2023.

Workers' compensation expense for the second quarter of 2024 totaled \$48.3 million or 17.3% of revenue compared to \$48.4 million or 18.3% of revenue for the second quarter of 2023. The decrease in workers' compensation expense as a percentage of revenue was primarily due to favorable prior year liability and premium adjustments of \$8.9 million in the second quarter of 2024, compared to favorable prior year liability and premium adjustments of \$6.3 million in the second quarter of 2023.

Selling, general and administrative ("SG&A") expenses for the second quarter of 2024 totaled \$45.6 million or 16.3% of revenue compared to \$43.8 million or 16.6% of revenue for the second quarter of 2023. The decrease as a percentage of revenue was primarily the result of decreased employee-related costs as a percentage of revenue.

Other income, net for the second quarter of 2024 totaled \$3.1 million compared to other income, net of \$2.1 million for the second quarter of 2023. The increase was primarily attributable to an increase in investment income in the second quarter of 2024.

Our effective income tax rate for the second quarter of 2024 was 28.8% compared to 28.1% for the second quarter of 2023. Our income tax rate typically differs from the federal statutory tax rate of 21% primarily due to state taxes as well as federal and state tax credits.

### Six Months Ended June 30, 2024 and 2023

Net income for the first six months of 2024 amounted to \$16.6 million compared to net income of \$17.8 million for the first six months of 2023. Diluted net income per share for the first six months of 2024 was \$0.62 compared to diluted net income per share of \$0.64 for the first six months of 2023.

Revenue for the first six months of 2024 totaled \$545.4 million, an increase of \$26.1 million or 5.0% over the first six months of 2023, which reflects an increase in the Company's PEO services revenue of \$29.5 million or 6.2% and a decrease in staffing services revenue of \$3.4 million or 7.9%.

The increase in PEO services revenue was primarily attributable to an increase in the average number of WSEs and an increase in average billing per WSE, as well as an increase in PEO benefits revenue.

Gross margin for the first six months of 2024 totaled \$107.5 million or 19.7% of revenue compared to \$108.6 million or 20.8% of revenue for the first six months of 2023. The separate components of gross margin are discussed below.

Direct payroll costs for the first six months of 2024 totaled \$29.4 million or 5.4% of revenue compared to \$32.0 million or 6.2% of revenue for the first six months of 2023. The decrease in direct payroll costs as a percentage of revenues was primarily due to a decrease in staffing services within the mix of our customer base compared to the first six months of 2023.

Payroll taxes and benefits for the first six months of 2024 totaled \$310.7 million or 57.0% of revenue compared to \$278.7 million or 53.7% of revenue for the first six months of 2023. The increase in payroll taxes and benefits expense as a percentage of revenue was primarily due to higher average payroll tax rates in the first six months of 2024 and PEO client benefit costs of \$13.7 million in the first six months of 2024 compared to \$3.2 million in the first six months of 2023.

Workers' compensation expense for the first six months of 2024 totaled \$97.9 million or 17.9% of revenue compared to \$100.0 million or 19.3% of revenue for the first six months of 2023. The decrease in workers' compensation expense as a percentage of revenue was primarily due to favorable prior year liability and premium adjustments of \$11.8 million in the first six months of 2024 compared to favorable prior year liability and premium adjustments of \$7.4 million in the first six months of 2023.

SG&A expense for the first six months of 2024 totaled \$88.0 million or 16.1% of revenue compared to \$85.0 million or 16.4% of revenue for the first six months of 2023. The decrease as a percentage of revenue was primarily the result of decreased employee-related costs as a percentage of revenue.

Other income, net for the first six months of 2024 totaled \$6.3 million compared to other income, net of \$4.5 million for the first six months of 2023. The increase was primarily attributable to an increase in investment income in the first six months of 2024.

Our effective income tax rate for the first six months of 2024 was 24.9% compared to 27.5% for the first six months of 2023. Our income tax rate typically differs from the federal statutory tax rate of 21% primarily due to state taxes as well as federal and state tax credits.

### **Fluctuations in Quarterly Operating Results**

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

### **Liquidity and Capital Resources**

The Company's cash balance of \$70.0 million, which includes cash, cash equivalents, and restricted cash, decreased \$4.8 million for the six months ended June 30, 2024, compared to a decrease of \$52.8 million for the comparable period of 2023. The decrease in cash at June 30, 2024 as compared to December 31, 2023 was primarily due to increased trade accounts receivable, decreased premium payable, decreased workers' compensation claims liabilities, repurchases of common stock, and purchases of property, equipment and software, partially offset by proceeds from sales and maturities of restricted and unrestricted cash and investments, increased accrued payroll, payroll taxes and related benefits, and net income.



Net cash used in operating activities for the six months ended June 30, 2024 amounted to \$42.4 million, compared to cash used of \$23.2 million for the comparable period of 2023. For the six months ended June 30, 2024, net cash used in operating activities was primarily due to increased trade accounts receivable of \$40.2 million, decreased premium payable of \$29.8 million, and decreased workers' compensation claims liabilities of \$18.3 million, partially offset by increased accrued payroll, payroll taxes and related benefits of \$16.8 million, and net income of \$16.6 million.

Net cash provided by investing activities for the six months ended June 30, 2024 totaled \$57.0 million, compared to cash used of \$6.4 million for the comparable period of 2023. For the six months ended June 30, 2024, net cash provided by investing activities consisted of proceeds from sales and maturities of investments and restricted investments of \$72.4 million, partially offset by purchases of property, equipment and software of \$7.7 million and purchases of restricted investments of \$7.7 million.

Net cash used in financing activities for the six months ended June 30, 2024 was \$19.5 million, compared to cash used of \$23.2 million for the comparable period of 2023. For the six months ended June 30, 2024, net cash used in financing activities primarily consisted of repurchases of common stock of \$14.1 million and dividend payments of \$3.9 million.

The Company is required to maintain minimum collateral levels for certain policies issued under the insured program, which is held in a trust account (the "trust account"). The balance in the trust account was \$181.3 million and \$210.9 million at June 30, 2024 and December 31, 2023, respectively. The trust account balance is included as a component of the current and long-term restricted cash and investments in the Company's condensed consolidated balance sheets.

See "Note 4 – Revolving Credit Facility and Long-Term Debt" to the unaudited condensed consolidated financial statements included in Item 1 of Part I of this report for additional information regarding the Company's credit agreement with Wells Fargo Bank, N.A.

## Forward-Looking Information

Statements in this report include forward-looking statements which are not historical in nature and are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, discussion of economic conditions in our market areas and their effect on revenue levels, the lingering effects of the COVID-19 pandemic on our business operations, the competitiveness of our service offerings, the availability of certain fully insured medical and other health and welfare benefits to qualifying worksite employees, our ability to attract and retain clients and to achieve revenue growth, the effect of changes in our mix of services on gross margin, labor market conditions, the adequacy of our workers' compensation reserves, the effect of changes in estimates of our future claims liabilities on our workers' compensation reserves, including the effect of changes in our reserving practices and claims management process on our actuarial estimates, expected levels of required surety deposits and letters of credit, our ability to generate sufficient taxable income in the future to utilize our deferred tax assets, the outcome of tax audits, the effect of our formation and operation of two wholly owned licensed insurance subsidiaries, the risks of operation and cost of our insured program, the financial viability of our excess insurance carriers, the effectiveness of our management information systems, our relationship with our primary bank lender and the availability of financing and working capital to meet our funding requirements, litigation costs, the effect of changes in the interest rate environment on the value of our investment securities, the adequacy of our allowance for expected credit losses, and the potential for and effect of acquisitions.

All our forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company 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; changes in the workers' compensation regulatory environment in our primary markets; PEO client benefits costs; security breaches or failures in the Company's information technology systems; collectability of accounts receivable; changes in executive management; changes in effective payroll tax rates and federal and state income tax rates; the carrying values of deferred income tax assets and goodwill (which may be affected by our future operating results); the effects of inflation on our operating expenses and those of our clients; the impact of and potential changes to the Patient Protection and Affordable Care Act, escalating medical costs, and other health care legislative initiatives on our business; the effect of conditions in the global capital markets on our investment portfolio; and the availability of capital, borrowing capacity on our revolving credit facility, or letters of credit necessary to meet state-mandated surety deposit requirements for maintaining our status as a qualified self-insured employer for workers' compensation coverage or our insured program. Additional risk factors affecting our business are discussed in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on March 1, 2024. We disclaim any obligation 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 outstanding borrowings on its line of credit. The Company's investments and restricted investments, which are classified as available-for-sale, consist primarily of fixed-rate debt securities, the fair value of which fluctuates with prevailing interest rates. Our cash equivalents consist primarily of money market funds, which are not meaningfully impacted by interest rate risk. We attempt to limit our investment portfolio's exposure to market risk through low investment turnover and diversification. Based on the Company's overall interest exposure at June 30, 2024, a 50 basis point increase in market interest rates would have a \$4.6 million downward effect on the fair value of the Company's investment portfolio. Outstanding borrowings on the Company's line of credit bear interest at a variable market rate, which makes the cost of borrowing on the line of credit susceptible to changing interest rates. At June 30, 2024, the Company had no outstanding borrowings on its line of credit.

### **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 effective as of June 30, 2024.

#### **Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **Inherent Limitations**

Control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems' objectives are being met. Further, the design of any control systems must reflect the fact that there are resource constraints, and the benefits of all controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple errors or mistakes. Control systems can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

## PART II-OTHER INFORMATION

### Item 1. Legal Proceedings

Refer to "Note 6 - Litigation," to the condensed consolidated financial statements included in Part I, Item 1 of this report for information regarding legal proceedings in which we are involved.

### Item 1A. Risk Factors

There have been no material changes in the risk factors that were included in our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on March 1, 2024.

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

The following table summarizes information related to stock repurchases during the quarter ended June 30, 2024.

Month	Total Number of Shares Repurchased <sup>(1)</sup>	Average Price Paid Per Share <sup>(1)</sup>	Total Number of Shares Repurchased as Part of Publicly Announced Plan <sup>(1)(2)</sup>	Approximate Dollar Value of Shares that May Yet Be Repurchased Under the Plan (in thousands) <sup>(1)(2)</sup>
April	56,000	\$ 30.32	56,000	\$ 50,228
May	85,580	30.98	85,580	47,577
June	81,200	33.22	81,200	44,879
Total	222,780		222,780	

<sup>(1)</sup> Prior period results have been adjusted to reflect the four-for-one stock split effected in the form of a stock dividend in June 2024. See Note 1, *Basis of Presentation of Interim Period Statements* for details.

<sup>(2)</sup> On July 31, 2023, the Board of Directors authorized the repurchase of up to \$75.0 million of the Company's common stock over a two-year period beginning July 31, 2023. The new repurchase program replaces the program approved in February 2022. As of June 30, 2024, the Company had repurchased 1,103,088 shares at an aggregate purchase price of \$30.1 million under the new repurchase program.

**Item 6. Exhibits**

- 3.1 [Charter of the Registrant, as amended, through June 4, 2024.](#)
- 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 Inline XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH Inline XBRL Taxonomy Extension Schema Document
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104 The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, has been formatted in Inline XBRL.

\*Furnished, not filed.

**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: July 31, 2024

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

**BARRETT BUSINESS SERVICES, INC.**  
**AMENDED AND RESTATED CHARTER**  
**As Amended Through June 4, 2024**

**ARTICLE I**

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

**ARTICLE II**

The purposes for which the Corporation is formed are:

- (a) To engage generally in the business of supplying temporary and long-term employees to others.
- (b) To engage in any other business deemed by it to be desirable to facilitate, directly or indirectly the business referred to above or to enhance the value of its property, business, or rights.
- (c) To engage in any lawful activity for which a corporation may be formed under the Maryland General Corporation Law.

**ARTICLE III**

(a) The aggregate number of shares which the Corporation shall have authority to issue is 82,500,000 which shall be divided into classes as follows:

Title of Class	No. of Shares
Preferred Stock, \$.01 par value per share	500,000
Common Stock, \$.01 par value per share	82,000,000

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

(1) Preferred Stock:

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

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

The Board of Directors is expressly authorized, prior to issuance, by adopting resolutions providing for the issuance of, or providing for a change in the number of, shares of any particular series of Preferred Stock and, if and to the extent from time to time required by law, by filing Articles Supplementary to set or change the number of shares to be included in each series of Preferred Stock and to set or change in any one or more respects the designations, preferences, conversion or other

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rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms and conditions of redemption relating to the shares of each such series.

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

(2) Common Stock:

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

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

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

Series A Nonconvertible, Non-Voting Redeemable Preferred Stock

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

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

(3) Dividends.

(a) Subject to the preferential rights of holders of any class or series of Senior Stock, holders of the outstanding shares of Series A Preferred Stock shall be entitled to receive, when and as authorized by the Board of Directors and declared by the Corporation, out of funds legally available for the payment of dividends, if applicable, cumulative preferential dividends at the rate of 5% per annum based on the \$1,000 liquidation preference (as may be adjusted in accordance with Section 7)

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with such rate increasing by 2% on each April 1 beginning April 1, 2013, until all of the outstanding shares of Series A Preferred Stock are redeemed as provided in Section 5. Such dividends shall accrue from the first date on which any Series A Preferred Stock is issued (the "Original Issue Date") and shall be payable semi-annually in arrears on or before March 31 and September 30 of each year (each a "Dividend Payment Date"); provided, however, that if any Dividend Payment Date is not a Business Day (as defined below), then the dividend which would otherwise have been payable on such Dividend Payment Date may be paid on the following Business Day with the same force and effect as if paid on such Dividend Payment Date. Any dividend payable on the Series A Preferred Stock for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30 day months. A "dividend period" shall mean, with respect to the first "dividend period," the period from and including the Original Issue Date to and including the first Dividend Payment Date, and with respect to each subsequent "dividend period," the period from, but excluding, a Dividend Payment Date to and including the next succeeding Dividend Payment Date or other date as of which accrued dividends are to be calculated.

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

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

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

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

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

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

#### (4) Liquidation Preference.

(a) Upon any voluntary or involuntary liquidation, dissolution, or winding up of the Corporation, the holders of the Series A Preferred Stock then outstanding are entitled to be paid, or have the Corporation declare and set apart for payment, out of the assets of the Corporation legally available for distribution to its stockholders, before any distribution of assets is made to holders of any Junior Stock, a liquidation preference per share of Series A Preferred Stock equal to the sum of (i) \$1,000.00 (as may

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be adjusted in accordance with Section 7) and (ii) all accrued and unpaid dividends (the "Liquidation Preference").

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

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

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

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

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

#### (5) Redemption.

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

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

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

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

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

(c) Procedure for Redemption.

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

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

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

(iv)

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

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

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

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

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

#### **ARTICLE IV**

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

#### **ARTICLE V**

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

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## **ARTICLE VI**

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

## **ARTICLE VII**

The bylaws of the Corporation may be amended or repealed, or new bylaws adopted, at any annual or special meeting of the stockholders by the affirmative vote of a majority of all shares of any class of stock entitled to vote at such meeting. The Board of Directors shall also have the authority to amend or repeal the bylaws, or adopt new bylaws, by the affirmative vote of a majority of the total number of directors then authorized, including any vacancies, and subject to the power of the stockholders to change or repeal such bylaws.

## **ARTICLE VIII**

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

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**CERTIFICATION OF CHIEF EXECUTIVE 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: July 31, 2024

/s/ Gary E. Kramer

Gary E. Kramer  
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Anthony J. Harris, certify that:

1. I have reviewed this 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: July 31, 2024

/s/ Anthony J. Harris

Anthony J. Harris  
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, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. § 1350, that:

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

/s/ Gary E. Kramer  
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Gary E. Kramer  
Chief Executive Officer

July 31, 2024

/s/ Anthony J. Harris  
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Anthony J. Harris  
Chief Financial Officer

July 31, 2024

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.

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