

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10557 / September 20, 2018

SECURITIES EXCHANGE ACT OF 1934
Release No. 84233 / September 20, 2018

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3977 / September 20, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18806

In the Matter of

**BARRETT BUSINESS
SERVICES, INC. and MARK
CANNON, CPA**

Respondents.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 8A OF THE SECURITIES ACT OF
1933, SECTIONS 4C AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934,
AND RULE 102(e) OF THE COMMISSION'S
RULES OF PRACTICE, MAKING
FINDINGS, AND IMPOSING REMEDIAL
SANCTIONS AND A CEASE-AND-DESIST
ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Respondent Barrett Business Services, Inc. (“BBSI”) and pursuant to Sections 4C¹ and 21C of the Exchange Act, and Rule 102(e)(1)(iii) of the Commission’s Rules of Practice² against Respondent Mark Cannon (“Cannon”).

¹ Section 4C provides, in relevant part, that:

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations issued thereunder.

² Rule 102(e)(1)(iii) provides, in pertinent part, that:

II.

In anticipation of the institution of these proceedings, BBSI and Cannon (collectively, the “Respondents”) have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent BBSI consents to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 4C and 21C of the Securities Exchange Act of 1934, and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “Order”), as set forth below. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent Cannon consents to the entry of this Order, as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds³ that:

Summary

1. This matter involves accounting practices at BBSI, which violated the antifraud, books and records, periodic reporting, and internal accounting control provisions of the federal securities laws. BBSI is a publicly-listed professional employer services company headquartered in Vancouver, Washington. Clients hire BBSI to process payroll and payroll taxes, to provide workers’ compensation coverage, and to perform other business administration and consulting services. BBSI was historically primarily self-insured for the workers’ compensation coverage it provided. BBSI maintained liability reserves to fund payments it was required to make on workers’ compensation claims. Workers’ compensation has been one of BBSI’s largest liabilities.

2. From 2012 through 2014, BBSI through its former Chief Financial Officer, James Miller, engaged in a number of fraudulent accounting practices primarily to mask negative trends

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³ The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

in BBSI's workers' compensation exposure including (1) misclassifying expenses to understate BBSI's recorded workers' compensation expense and overstate BBSI's recorded payroll tax and other related expenses, (2) improperly recognizing certain federal and state unemployment tax expenses over multiple periods rather than in the period incurred, and (3) intentionally underreporting BBSI's workers' compensation liability by, in part, concealing the existence of a second actuarial report that corroborated BBSI's independent actuary's view that BBSI needed to increase its workers' compensation reserve by \$80 million.

3. BBSI's former Controller, Mark Cannon, improperly approved journal entries that Miller prepared to manipulate the timing of BBSI's federal and state unemployment tax expenses.

4. On March 9, 2016, BBSI filed an 8-K advising the public that it could no longer rely on its financial statements for the fiscal years ended December 31, 2012, 2013 and 2014, and each respective quarter in those fiscal years, and as of and for the quarters ended March 31 and June 30, 2015. BBSI's stock fell 33% on the announcement. In May 2016, BBSI filed a Form 10-K, which included 2015 financial statements as well as restated annual and – as necessary – interim financial results for 2011, 2012, 2013, 2014, and the first three quarters of 2015. BBSI reported an additional \$15.8M in workers' compensation expense in 2012 and 2013, reduced its 2013 net income by \$2.2 million (a reduction of over 10% for the year), and recorded in an earlier period an \$80 million charge to accrue for its workers' compensation liability.

Respondents

5. Barrett Business Services, Inc. ("BBSI") is a Maryland corporation headquartered in Vancouver, Washington. BBSI is a professional employer services and staffing organization, which provides human resources outsourcing. BBSI operates in multiple states. BBSI is registered pursuant to Section 12(b) of the Exchange Act and listed on NASDAQ under the ticker "BBSI." Throughout the relevant period, BBSI filed with the Commission public reports on Forms 10-Q and 10-K. In addition, BBSI filed an S-8 during the relevant period, which incorporated various Forms 10-K and 10-Q also filed during the relevant period. BBSI stated in its public filings that it prepared its financial statements in accordance with United States Generally Accepted Accounting Principles ("GAAP").

6. Mark Cannon, age 53, is a resident of Camas, Washington. Cannon joined BBSI in 2013 as its Controller, a position he retained through BBSI's restatement in 2016. Cannon obtained a CPA license in Idaho in 1991. Cannon remains employed at BBSI in a different role outside the accounting department.

Other Relevant Individual

7. James Douglas Miller, age 54, is a resident of Washougal, Washington. From 2008 to March 2016, when he separated from BBSI, Miller was BBSI's Vice President of Finance and Chief Financial Officer. Between 1994 and 2008, Miller was BBSI's Controller. Miller is a Certified Public Accountant licensed to practice in Oregon since 1990; his license is currently

inactive. Miller was responsible for ensuring BBSI fairly presented its workers' compensation liability reserve and the associated expense in its financial statements.

Facts

8. BBSI provides many of its clients with workers' compensation liability coverage. BBSI was historically self-insured for workers' compensation liability in several states, including California, its largest market. BBSI operates a captive insurance subsidiary to help manage its workers' compensation liability. Managing workers' compensation exposure is an important driver of BBSI's financial health. During the relevant period, workers' compensation was one of the largest liabilities on BBSI's balance sheet. On earnings calls with investors and analysts between 2012 and 2014, BBSI regularly reported its workers' compensation expense as a percentage of its revenue.

9. To satisfy state insurance regulations in states where it is self-insured, BBSI maintains available cash that can be drawn down to make payments on claims as they arise. The cash reserve is kept at a balance commensurate with BBSI's workers' compensation reserve on its balance sheet. In light of certain state statutory requirements for regulated insurance entities – and consistent with GAAP and the disclosures BBSI made to investors – the workers' compensation reserve is estimated using actuarial methods.

10. Every quarter, from 2009 to Q3 2014, BBSI retained an independent third-party actuary ("Actuary A") to estimate the amount to be accrued for the workers' compensation reserve. BBSI provided Actuary A with its claims and loss data and, during normal period and year-end closing processes, Actuary A provided BBSI with a report estimating BBSI's overall workers' compensation liability. BBSI then normally used the actuarially-derived estimate as the basis for the workers' compensation liability reflected on its balance sheet. BBSI reflects the accumulation of reserves in its financial statements by accruing liabilities on its balance sheet (i.e., the overall amount of unsettled insurance claims) and recognizing periodic expenses on its income statement (i.e., the quarterly cost of funding the reserve).

A. BBSI Misclassified Expenses to Underreport BBSI's Workers' Compensation Expense

11. In 2012 and 2013, BBSI continued to record its workers' compensation liability on its balance sheet using Actuary A's estimate. Beginning in 2012 and continuing throughout 2013, Miller caused BBSI to stop recognizing the full amount of BBSI's workers' compensation expense on its income statement. Rather than recording workers' compensation expense as the amount of expense required to increase BBSI's reserve to match Actuary A's overall estimate of the liability, Miller instead allocated increased costs across several, unrelated expense accounts such as a payroll tax expense account. Miller orchestrated these misclassifications through a series of journal entries that transferred amounts between unrelated expense accounts in order to maintain consistent levels of workers' compensation expense, relative to revenue.

12. BBSI's accounting policies and internal accounting controls required one person to prepare a journal entry and another finance department employee to approve the journal entry before it was posted to the general ledger. Miller prepared and approved his own misclassifications, then directed a junior accounting employee to post them to the general ledger. These journal entries were often set as recurring entries, which would schedule a series of smaller, cumulative transactions rather than a lump-sum transfer. Miller knew, or was reckless in not knowing, that his journal entries did not comply with GAAP and BBSI's internal accounting controls.

13. By misclassifying expenses, Miller and BBSI were able to report workers' compensation expenses that were in line with historical trends, when in fact BBSI's workers' compensation expenses were increasing as a percentage of revenue. During quarterly earning calls with investors throughout 2012 and 2013, Miller reported BBSI's workers' compensation expense as a largely consistent percentage of revenue. Miller knew, or was reckless in not knowing, that his statements and BBSI's public filings understated BBSI's workers' compensation expense.

14. As restated, for fiscal-year 2012, BBSI underreported workers' compensation expense by approximately \$3.9 million and overstated payroll tax expense by a similar amount. For fiscal year 2013, BBSI underreported its workers' compensation expense by \$11.9 million.

15. Actuary A's report for year-end 2013 determined that, despite continuing to book to Actuary A's estimate for each quarter during the year, BBSI was still under-reserved for its workers' compensation liability. BBSI took a \$5 million charge at the end of its 2013 fiscal year to further increase its workers' compensation reserve.

B. BBSI Improperly Recorded Certain Federal and State Unemployment Taxes

16. In addition to manipulating BBSI's workers' compensation expense, Miller manipulated the period in which BBSI recognized certain federal and state unemployment tax expenses ("FUTA" and "SUTA," respectively). During BBSI's year-end close, BBSI employees worked to reconcile tax payments owed for FUTA and SUTA against BBSI's recorded accruals for the taxes. Even though BBSI had actually paid approximately \$3.8 million more in FUTA and SUTA for 2013 than it had recognized as expense, Miller decided not to expense the incremental amounts paid. In light of the \$5 million charge BBSI had already decided to make in connection with the workers' compensation reserve, Miller wanted to avoid further scrutiny of the accounting department.

17. In February 2014, Miller prepared a year-end journal entry that did not recognize the full amount of FUTA and SUTA that BBSI had owed and paid for 2013. In the first quarter of 2014, once Miller confirmed that the FUTA and SUTA amounts were indeed owed to taxing authorities, he prepared documentation to recognize FUTA and SUTA expense. However, instead of immediately recognizing the FUTA and SUTA expense at the time it became probable, as required by GAAP, Miller spread the approximately \$3 million expense over several quarters in 2014. Miller knew, or should have known, that the FUTA and SUTA expenses should have been expensed immediately in order to comply with GAAP.

18. Cannon approved Miller's year-end 2013 journal entry when he knew, or should have known, that BBSI had actually paid more than it recorded in its books and records for unemployment taxes. Following the 2013 year-end close, Cannon investigated the causes for BBSI's under-accrual of federal and state unemployment taxes. He therefore became aware in 2014 that BBSI needed to quantify and correct its treatment of FUTA and SUTA expenses. Nevertheless, Cannon approved Miller's recurring journal entry recognizing unemployment taxes over a multi-quarter period. Cannon knew, or should have known, that the accounting entries did not comply with GAAP.

19. When BBSI restated its financial statements, it corrected the timing of the FUTA and SUTA expenses. As a result of the FUTA and SUTA issues, BBSI's fiscal year 2013 income was \$2.2 million lower than previously reported, a reduction of over 10% for the year.

C. BBSI Underreported Workers' Compensation Expense in 2014

20. In early 2014, Actuary A, which had a new engagement partner, began reporting to BBSI that it anticipated an increase in its estimate of the company's overall workers' compensation liability. At the end of the first quarter in 2014, Actuary A estimated a liability figure that was \$60 million higher than the company's year-end reserve (from approximately \$112 million to \$172 million). In consultation with BBSI's executives and independent auditor, Miller determined BBSI would not book to Actuary A's estimate for the first quarter pending further analysis.

21. Following the first quarter, BBSI retained a second independent actuary ("Actuary B") in order to assist BBSI's analysis of specific claims reserves and its overall workers' compensation reserve. BBSI engaged Actuary B to analyze the impact of its reserving practices on the overall liability. Miller signed BBSI's engagement letter with Actuary B, and knew Actuary B would prepare an estimate of BBSI's workers' compensation liability as of the end of the second quarter 2014.

22. At the end of the second quarter 2014, both Actuary A and Actuary B estimated that BBSI was significantly under-reserved for its workers' compensation liability. Despite using different methods of analysis, both actuaries presented liability figures that were similar to each other and significantly higher than BBSI's prior estimates. Actuary B estimated a liability of \$213.5M (which was \$93.4 million higher than BBSI's reserve as of the end of the first quarter) while Actuary A estimated a liability of \$206M (which was \$85.9 million higher than BBSI's reserve as of the end of the first quarter).

23. At the end of Q2 2014, Miller prepared a memorandum with his analysis of the adequacy of workers' compensation liability, which again rejected Actuary's A recommendation. Miller's Q2 2014 memorandum makes no mention of Actuary B's analysis and Miller did not discuss Actuary B's analysis with BBSI's Audit Committee. Similarly, Miller did not provide Actuary B's analysis to BBSI's independent auditor or BBSI's Audit Committee.

24. In Q3 2014, BBSI again received reports from Actuary A and Actuary B, which again both suggested large increases in the reserve. After extensive internal discussions, Miller shared some of Actuary B's analysis with its independent auditor. Although Miller had initially attempted to justify a lower number, after discussion with management and the independent auditor, BBSI decided to adopt an actuarial estimate of the reserve. To increase the reserve, BBSI recognized an \$80 million charge. BBSI's stock fell 59% on the announcement and the charge effectively eliminated BBSI's pre-tax earnings for a five-year period.

25. In the third and fourth quarters of 2014, Miller took steps to hide the scope of Actuary B's work from BBSI's independent auditor. In two memoranda he drafted and sent to BBSI's independent auditor, Miller falsely claimed BBSI had retained Actuary B in Q3 2014, rather than earlier in the year.

26. When BBSI issued restated financial statements, it moved the \$80 million expense from Q3 2014 to Q2 2014.

D. BBSI Restated its Financial Statements for Multiple Periods

27. On November 4, 2015, BBSI's independent auditor sent BBSI a letter pursuant to Section 10A of the Exchange Act, requesting an independent investigation and stating its quarterly review of BBSI's Q2 2014 financial statements could no longer be relied upon. BBSI commenced an investigation, but in the press release following the announcement of the investigation, stated that "[t]he audit committee believes the concerns raised . . . have no bearing on BBSI's 2014 annual financial statements."

28. Following a first investigation into the timing of the 2014 charge, Miller reported his misclassification entries from 2013 and before. On March 9, 2016, BBSI filed an 8-K announcing non-reliance on its financial statements. BBSI's stock dropped 33% based on this announcement. On May 26, 2016, BBSI filed a Form 10-K, which included 2015 financial statements as well as restated annual and- as necessary- interim financial results for 2011, 2012, 2013, and 2014 and the first three quarters of 2015.

Violations

29. Section 10(b) of the Exchange Act and Rule 10b-5 thereunder prohibit, in connection with the purchase or sale of securities, (1) employing any device, scheme, or artifice to defraud; (2) making any material misrepresentation or omission; or (3) engaging in any transaction, practice, or course of business that operates as a fraud or deceit upon any person. As a result of the conduct described above, BBSI violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

30. Section 17(a)(1) of the Securities Act prohibits the use of a device, scheme or artifice to defraud in the offer or sale of securities. Sections 17(a)(2) and 17(a)(3) make it unlawful, in the offer or sale of securities, to (1) obtain money or property by means of any material misrepresentation or omission or (2) engage in any transaction, practice or course of

business that operates as a fraud or deceit upon the purchaser. As a result of the conduct described above, BBSI violated sections 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act.

31. Section 13(a) of the Exchange Act requires issuers of securities registered pursuant to Section 12 of the Exchange Act to file periodic and other reports with the Commission. With exceptions not applicable here, Rules 13a-1, 13a-11, and 13a-13 of the Exchange Act require each issuer to file annual, current, and quarterly reports respectively on the appropriate forms and within the period specified on the form. Rule 12b-20 further requires that the required reports must contain any material information necessary to make the required statements made in the reports not misleading. As a result of the conduct described above, BBSI violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder, and Cannon caused BBSI's violations of these provisions.

32. Section 13(b)(2)(A) of the Exchange Act requires issuers of securities registered pursuant to Section 12 of the Exchange Act to make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets. As a result of the conduct described above, BBSI violated Section 13(b)(2)(A) of the Exchange Act and Cannon caused BBSI's violation of this provision.

33. Section 13(b)(2)(B) of the Exchange Act requires issuers of securities registered pursuant to Section 12 of the Exchange Act to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to, among other things, permit preparation of financial statements in accordance with GAAP. As a result of the conduct described above, BBSI violated Section 13(b)(2)(B) of the Exchange Act and Cannon caused BBSI's violation of this provision.

34. Rule 13b2-1 promulgated under the Exchange Act prohibits any person from directly or indirectly falsifying any books or records subject to Section 13(b)(2)(A) of the Exchange Act. As a result of the conduct above, Cannon willfully⁴ violated Rule 13b2-1.

Undertakings

Respondent BBSI undertakes to:

Cooperate fully with the Commission in any and all investigations, litigations, or other proceedings relating to or arising from the matters described in the Order. In connection with such cooperation, BBSI shall:

⁴ A willful violation of the securities laws means merely “that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

A. Produce, without service of a notice or subpoena, any and all non-privileged documents and other information requested by the Commission staff subject to any restrictions under the law of any foreign jurisdiction;

B. Use its best efforts to cause its officers, employees, and directors to be interviewed by the Commission staff at such time as the staff reasonably may direct;

C. Use its best efforts to cause its officers, employees, and directors to appear and testify without service of a notice or subpoena in such investigations, depositions, hearings or trials as may be requested by the Commission staff; and

D. In connection with any testimony of BBSI's officers, employees, and directors to be conducted at deposition, hearing, or trial pursuant to a notice or subpoena, BBSI:

i. Agrees that any such notice or subpoena for BBSI's officers', employees', and directors' appearance and testimony may be served by regular or electronic mail on: Mary Ann Frantz, Esq. of Miller Nash Graham & Dunn LLP, 3400 U.S. Bancorp Tower, 111 S.W. Fifth Avenue, Portland, OR 97204.

ii. Agrees that any such notice or subpoena for BBSI's officers', employees', and directors' appearance and testimony in any action pending in a United States District Court may be served, and may require testimony, beyond the territorial limits imposed by the Federal Rules of Civil Procedure.

In determining whether to accept BBSI's Offer, the Commission has considered this undertaking.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 8A of the Securities Act and Sections 4C and 21C of the Exchange Act and Rule 102(e) of the Commission's Rules of Practice, it is hereby ORDERED that:

A. Respondent BBSI cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B) of the Exchange Act, and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder.

B. BBSI shall, within 30 days of the entry of this Order, pay a civil money penalty pursuant to Section 21B(a)(2) of the Exchange Act in the amount of \$1,500,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to

Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Cannon as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Erin E. Schneider, Associate Director, Division of Enforcement, San Francisco Regional Office, 44 Montgomery Street, Suite 2800, San Francisco, CA 94104.

C. Respondent Cannon cease and desist from committing or causing any violations and any future violations of and Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, 13a-13, and 13b2-1 thereunder.

D. Respondent Cannon shall, within 30 days of the entry of this Order, pay a civil money penalty pursuant to Section 21B(a)(2) of the Exchange Act in the amount of \$20,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

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Payments by check or money order must be accompanied by a cover letter identifying Cannon as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Erin E. Schneider, Associate Director, Division of Enforcement, San Francisco Regional Office, 44 Montgomery Street, Suite 2800, San Francisco, CA 94104.

E. Respondent Cannon is denied the privilege of appearing or practicing before the Commission as an accountant.

F. After one year from the date of this order, Respondent Cannon may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission (other than as a member of an audit committee, as that term is defined in Section 3(a)(58) of the Securities Exchange Act of 1934). Such an application must satisfy the Commission that Cannon's work in his practice before the Commission as an accountant will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

2. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission as a member of an audit committee, as that term is defined in Section 3(a)(58) of the Securities Exchange Act of 1934. Such an application will be considered on a facts and circumstances basis with respect to such membership, and the applicant's burden of demonstrating good cause for reinstatement will be particularly high given the role of the audit committee in financial and accounting matters; and/or

3. an independent accountant.

Such an application must satisfy the Commission that:

- (a) Cannon, or the public accounting firm with which he is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) Cannon, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the respondent's or the firm's quality control system that would indicate that Cannon will not receive appropriate supervision;

(c) Cannon has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Cannon acknowledges his responsibility, as long as he appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

G. The Commission will consider an application by Cannon to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Cannon's character, integrity professional conduct, or qualifications to appear or practice before the Commission as an accountant. Whether an application demonstrates good cause will be considered on a facts and circumstances basis with due regard for protecting the integrity of the Commission's processes.

H. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents BBSI and Cannon agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of civil penalties in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent Cannon, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Cannon under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary