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 September 30, 2007

OR

o **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 0-25890

CBIZ, INC.

(Exact name of registrant as specified in its charter)

Delaware	22-2769024
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6050 Oak Tree Boulevard, South, Suite 500, Cleveland, Ohio	44131
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) 216-447-9000

(Former name, former address and former fiscal year, if changed since last report)

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 proceeding 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 o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer o Accelerated filer ☑ Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ☑

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

Class of Common Stock	Outstanding at October 31, 2007
Common Stock, par value $0.01 per share	64,997,405

CBIZ, INC. AND SUBSIDIARIES

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CBIZ, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)
(In thousands)

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,534	$ 12,971
Restricted cash	16,888	17,507
Accounts receivable, net	121,064	104,294
Notes receivable – current	1,367	2,161
Deferred income taxes – current	2,948	3,104
Other current assets	8,023	8,968
Assets of discontinued operations	3,454	19,570
Current assets before funds held for clients	175,278	168,575
Funds held for clients	71,846	84,441
Total current assets	247,124	253,016
Property and equipment, net	25,557	26,987
Notes receivable – non-current	1,503	2,486
Deferred income taxes – non-current	8,914	7,384
Goodwill and other intangible assets, net	214,985	205,917
Assets of deferred compensation plan	22,037	17,120
Other assets	4,836	5,372
Total assets	$ 524,956	$ 518,282
LIABILITIES		
Current liabilities:		
Accounts payable	$ 24,134	$ 27,746
Income taxes payable	7,002	3,728
Accrued personnel costs	35,291	35,965
Other current liabilities	13,894	19,034
Liabilities of discontinued operations	4,674	4,971
Current liabilities before client fund obligations	84,995	91,444
Client fund obligations	71,846	84,441
Total current liabilities	156,841	175,885
Convertible notes	100,000	100,000
Bank debt	12,000	—
Deferred compensation plan obligations	22,037	17,120
Other non-current liabilities	10,623	8,699
Total liabilities	301,501	301,704
STOCKHOLDERS' EQUITY		
Common stock	1,038	1,018
Additional paid-in capital	473,514	465,319
Accumulated deficit	(43,514)	(72,917)
Treasury stock	(207,495)	(176,773)
Accumulated other comprehensive loss	(88)	(69)
Total stockholders' equity	223,455	216,578
Total liabilities and stockholders' equity	$ 524,956	$ 518,282

See the accompanying notes to the consolidated financial statements.

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CBIZ, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In thousands, except per share data)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006	2007	2006
Revenue	$151,718	$137,116	$487,616	$446,269
Operating expenses	134,787	121,739	412,450	376,958
Gross margin	16,931	15,377	75,166	69,311
Corporate general and administrative expense	6,370	5,568	20,466	19,633
Depreciation and amortization expense	3,823	4,077	11,779	11,868
Operating income	6,738	5,732	42,921	37,810
Other income (expense):				
Interest expense	(981)	(842)	(3,372)	(2,499)
Gain on sale of operations, net	20	7	125	14
Other income, net	746	936	3,342	2,667
Total other income (expense), net	(215)	101	95	182
Income from continuing operations before income tax expense	6,523	5,833	43,016	37,992
Income tax expense	2,598	2,258	17,714	15,219
Income from continuing operations	3,925	3,575	25,302	22,773
Loss from operations of discontinued operations, net of tax	(302)	(5)	(1,275)	(1,912)
Gain on disposal of discontinued operations, net of tax	1,023	553	4,713	506
Net income	$ 4,646	$ 4,123	$ 28,740	$ 21,367
Earnings (loss) per share:				
Basic:				
Continuing operations	$ 0.06	$ 0.05	$ 0.39	$ 0.32
Discontinued operations	0.01	0.01	0.05	(0.02)
Net income	$ 0.07	$ 0.06	$ 0.44	$ 0.30
Diluted:				
Continuing operations	$ 0.06	$ 0.05	$ 0.38	$ 0.31
Discontinued operations	0.01	0.01	0.05	(0.02)
Net income	$ 0.07	$ 0.06	$ 0.43	$ 0.29
Basic weighted average shares outstanding	64,842	68,314	65,437	72,092
Diluted weighted average shares outstanding	66,083	70,421	66,845	74,406

See the accompanying notes to the consolidated financial statements.

CBIZ, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006
Cash flows from operating activities:		
Net income	$ 28,740	$ 21,367
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from operations of discontinued operations, net of tax	1,275	1,912
Gain on disposal of discontinued operations, net of tax	(4,713)	(506)
Gain on sale of operations, net	(125)	(14)
Bad debt expense, net of recoveries	2,827	2,382
Depreciation and amortization expense	11,779	11,868
Deferred income taxes	(950)	(3,308)
Excess tax benefits from share based payment arrangements	(2,356)	(2,709)
Employee stock awards	1,711	2,666
Changes in assets and liabilities, net of acquisitions and dispositions:		
Restricted cash	619	(4,526)
Accounts receivable, net	(18,914)	(15,063)
Other assets	(324)	92
Accounts payable	(3,702)	(2,917)
Income taxes payable	2,507	8,262
Accrued personnel costs	(1,317)	(6,204)
Other liabilities	1,022	1,846
Net cash provided by continuing operations	18,079	15,148
Operating cash flows provided by discontinued operations	969	1,598
Net cash provided by operating activities	19,048	16,746
Cash flows from investing activities:		
Business acquisitions and contingent consideration, net of cash acquired	(18,922)	(20,578)
Acquisition of other intangible assets	(1,608)	(2,416)
Proceeds from sales of divested operations and client lists	256	19
Proceeds from sales of discontinued operations	27,491	7,303
Additions to property and equipment, net	(4,232)	(4,497)
Payments received on notes receivable	438	1,528
Net cash used in discontinued operations	(640)	(327)
Net cash provided by (used in) investing activities	2,783	(18,968)
Cash flows from financing activities:		
Proceeds from convertible notes	—	100,000
Proceeds from bank debt	218,510	142,900
Payment of bank debt	(206,510)	(175,100)
Payment of notes payable and capitalized leases, net	(388)	(503)
Deferred financing costs	—	(3,561)
Payment for acquisition of treasury stock	(30,812)	(62,920)
Proceeds from exercise of stock options	3,576	5,265
Excess tax benefit from exercise of stock awards	2,356	2,709
Net cash (used in) provided by financing activities	(13,268)	8,790
Net increase in cash and cash equivalents	8,563	6,568
Cash and cash equivalents at beginning of year	12,971	8,909
Cash and cash equivalents at end of period	$ 21,534	$ 15,477

See the accompanying notes to the consolidated financial statements.

CBIZ, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the U.S. Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements.

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting solely of normal recurring adjustments) considered necessary to present fairly the financial position of CBIZ, Inc. and its consolidated subsidiaries (CBIZ) as of September 30, 2007 and December 31, 2006, the results of their operations for the three and nine months ended September 30, 2007 and 2006, and cash flows for the nine months ended September 30, 2007 and 2006. Due to seasonality, potential changes in economic conditions, interest rate fluctuations and other factors, the results of operations for such interim periods are not necessarily indicative of the results for the full year. For further information, refer to the consolidated financial statements and notes thereto included in CBIZ's Annual Report on Form 10-K for the year ended December 31, 2006.

Organization

CBIZ is a diversified services company which, acting through its subsidiaries, provides professional business services primarily to small and medium-sized businesses, as well as individuals, governmental entities, and not-for-profit enterprises throughout the United States and Toronto, Canada. CBIZ delivers its integrated services through the following four practice groups:

- Financial Services
- Employee Services
- Medical Management Professionals
- National Practices

See Note 10 for further information regarding CBIZ's practice groups.

Principles of Consolidation

The accompanying consolidated financial statements reflect the operations of CBIZ and all of its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The accompanying consolidated financial statements do not reflect the operations or accounts of variable interest entities as the impact is not material to the financial condition, results of operations or cash flows of CBIZ. See further discussion under "Variable Interest Entities" below.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Management's estimates and assumptions include, but are not limited to, estimates of collectibility of accounts receivable and unbilled revenue, the realizability of goodwill and other intangible assets, the valuation of stock options in determining compensation expense, accrued liabilities (such as incentive compensation), income taxes and other factors. Management's estimates and assumptions are derived from and are continually evaluated based upon available information, judgment and experience. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2006 consolidated financial statements and disclosures have been reclassified to conform to the current year presentation to reflect the impact of discontinued operations.

CBIZ, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Revenue Recognition and Valuation of Unbilled Revenues

Revenue is recognized when all of the following are present: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, our fee to the client is fixed or determinable, and collectibility is reasonably assured. These criteria are in accordance with GAAP and SEC Staff Accounting Bulletin No. 104 (SAB 104). CBIZ offers a vast array of products and business services to its clients. Those services are delivered through four practice groups. A description of revenue recognition, as it relates to those groups, is provided below.

Financial Services — Revenue consists primarily of fees for accounting services, preparation of tax returns, consulting services, compliance projects and valuation services including fairness opinions, business plans, litigation support, purchase price allocations and derivative valuations. Revenues are recorded in the period in which services are provided and meet revenue recognition criteria in accordance with SAB 104. CBIZ bills clients based upon a predetermined agreed-upon fixed fee or based on actual hours incurred on client projects at expected net realizable rates per hour, plus agreed-upon out-of-pocket expenses. The cumulative impact on any subsequent revision in the estimated realizable value of unbilled fees for a particular client project is reflected in the period in which the change becomes known.

Employee Services — Revenue consists primarily of brokerage and agency commissions, payroll service fees, interest on client funds, and fee income for administering health and retirement plans. A description of the revenue recognition, based on the service provided, insurance product sold, and billing arrangement, is described below.

- Commissions relating to brokerage and agency activities whereby CBIZ has primary responsibility for the collection of premiums from insured’s (agency or indirect billing) are recognized as of the latter of the effective date of the insurance policy or the date billed to the customer; commissions to be received directly from insurance companies (direct billing) are recognized when the data necessary from the carriers to properly record revenue becomes available; and life insurance commissions are recognized when insurance coverage is afforded to the individual under the policy. Commission revenue is reported net of sub-broker commissions, and reserves for estimated policy cancellations and terminations. The cancellation and termination reserve is based upon estimates and assumptions using historical cancellation and termination experience and other current factors to project future experience. CBIZ periodically reviews the adequacy of the reserve and makes adjustments as necessary. The use of different estimates or assumptions could produce different results.
- Commissions which are based upon certain performance targets are recognized at the earlier of written notification that the target has been achieved, or cash collection.
- Fee income is recognized in the period in which services are provided, and may be based on actual hours incurred on an hourly fee basis, fixed fee arrangements, or asset-based fees.
- Payroll — Revenue is recognized when the actual payroll processing occurs.

Medical Management Professionals — Fees for services are primarily based on a percentage of net collections of clients’ patient accounts receivable. As such, revenue is determinable, earned, and recognized, when payments are received by our clients on their patient accounts. Revenue earned on statement mailing services is recognized when statements are processed and mailed. Revenue from the sale of billing systems is recognized upon installation of the system, while the related system maintenance revenue is recognized over the period covered by the maintenance agreement.

National Practices — The business units that comprise this practice group offer a variety of services. A description of revenue recognition associated with the primary services is provided below.

- Technology Consulting — Revenue associated with hardware and software sales is recognized upon delivery and acceptance of the product. Revenue associated with installation is recognized as services are performed, and revenue associated with service agreements is recognized on a straight-line basis over the period of the agreement. Consulting revenue is recognized on an hourly or per diem fee basis as services are performed.

- Health Care Consulting — CBIZ bills clients based upon a predetermined agreed-upon fixed fee or based on actual hours incurred on client projects at expected net realizable rates per hour, plus agreed-upon out-of-pocket expenses, or as a percentage of savings after contingencies have been resolved and verified by a third party.
- Mergers & Acquisitions and Capital Advisory — Revenue associated with non-refundable retainers is recognized on a pro rata basis over the life of the engagement. Revenue associated with success fee transactions is recognized when the transaction is completed.

Certain of our client arrangements encompass multiple deliverables. CBIZ accounts for these arrangements in accordance with Emerging Issues Task Force No. 00-21, “Accounting for Revenue Arrangements with Multiple Deliverables” (EITF 00-21). If the deliverables meet the criteria in EITF 00-21, the deliverables are divided into separate units of accounting and revenue is allocated to the deliverables based on their relative fair values. Revenue for each unit is recognized separately in accordance with CBIZ’s revenue recognition policy for each unit. For those arrangements where the deliverables do not qualify as a separate unit of accounting, revenue from all deliverables are treated as one accounting unit and evaluated for appropriate accounting treatment based upon the underlying facts and circumstances.

Operating Expenses

Operating expenses represent costs of service and other costs incurred to operate our business units, and are primarily comprised of personnel and occupancy related expenses.

Personnel costs include base compensation, commissions, payroll taxes, income or losses earned on assets of the deferred compensation plan, and benefits, which are recognized as expense as they are incurred. Personnel costs also include stock-based and incentive compensation costs, which are estimated and accrued on a monthly basis. The ultimate determination of incentive compensation is made after year-end results are finalized, and therefore estimates are subject to change. Total personnel costs were $100.6 million and $90.2 million for the three months ended and $309.3 million and $281.8 million for the nine months ended September 30, 2007 and 2006, respectively.

The largest components of occupancy costs are rent expense and utilities. Base rent expense is recognized over respective lease terms, while utilities and common area maintenance charges are recognized as incurred. Total occupancy costs were $9.4 million and $8.9 million for the three months ended and $27.5 million and $26.6 million for the nine months ended September 30, 2007 and 2006, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

CBIZ carries accounts receivable at their face amount less allowances for doubtful accounts, and carries unbilled revenues at net realizable value. Assessing the collectibility of receivables (billed and unbilled) requires management judgment. When evaluating the adequacy of the allowance for doubtful accounts and the overall collectibility of receivables, CBIZ analyzes historical bad debts, client credit-worthiness, the age of accounts receivable and current economic trends and conditions.

Funds Held for Clients and Client Fund Obligations

Services provided by CBIZ include the preparation of payroll checks, federal, state, and local payroll tax returns, and flexible spending account administration. In relation to these services, CBIZ collects funds from its clients’ accounts in advance of paying these client obligations. Funds that are collected before they are due are segregated and reported separately as “funds held for clients” in the consolidated balance sheets. Other than certain federal and state regulations pertaining to flexible spending account administration, there are no regulatory or other contractual restrictions placed on these funds.

Funds held for clients may include cash, cash equivalents and short-term investments. Short-term investments may include Auction Rate Securities (ARS), which are long-term variable rate bonds that are priced and traded as short-term investments due to the liquidity provided through the auction mechanism that generally occurs every 7 to 35 days. Although ARS are considered to be highly liquid, they do not meet the definition of cash equivalents due to the long-term maturity dates; therefore, ARS are classified as marketable securities in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” (SFAS No. 115). Funds held for clients and the related client fund obligations are included in the consolidated balance sheets as current assets and current liabilities, respectively. The amount of collected but not yet remitted funds may vary significantly during the year.

Variable Interest Entities

In accordance with the provisions of FASB Interpretation No. 46, “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51” (FIN 46), as amended, CBIZ has determined that its relationship with certain Certified Public Accounting (CPA) firms with whom we maintain administrative service agreements (ASAs) qualify as variable interest entities. The accompanying financial statements do not reflect the consolidation of the variable interest entities, as the impact is not material to the financial condition, results of operations or cash flows of CBIZ.

The CPA firms with which CBIZ maintains ASAs operate as limited liability companies, limited liability partnerships or professional corporations. The firms are separate legal entities with separate governing bodies and officers. CBIZ has no ownership interest in any of these CPA firms, and neither the existence of the ASAs nor the providing of services thereunder is intended to constitute control of the CPA firms by CBIZ. CBIZ and the CPA firms maintain their own respective liability and risk of loss in connection with performance of each of its respective services, and CBIZ does not believe that its arrangements with these CPA firms result in additional risk of loss.

Fees earned by CBIZ under the ASAs are recorded as revenue (at net realizable value) in the consolidated statements of operations. In the event that accounts receivable and unbilled work in process become uncollectible by the CPA firms, the service fee due to CBIZ is reduced on a pro-rata basis. Although the ASA’s do not constitute control, CBIZ is one of the beneficiaries of the agreements and may bear certain economic risks.

Earnings per share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by weighted average diluted shares. Weighted average diluted shares are determined using the weighted average number of common shares outstanding during the period plus the dilutive effect of potential future issues of common stock relating the CBIZ’s stock award programs, CBIZ’s convertible senior subordinated notes, and other potentially dilutive securities. In calculating diluted earnings per share, the dilutive effect of stock awards are computed using the average market price for the period, in accordance with the treasury stock method.

As further described in Note 4, CBIZ’s convertible senior subordinated notes (“Notes”) may result in future issuances of CBIZ common stock. Under the net share settlement method, potential shares issuable under the Notes will be considered dilutive, and will be included in the calculation of weighted average diluted shares, if the Company’s market price per share exceeds the $10.63 conversion price of the Notes. As of September 30, 2007, the Company’s market price per share had not exceeded the conversion price of the Notes, therefore, the diluted earnings per share calculation was not impacted by this feature.

CBIZ, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

New Accounting Pronouncements

Effective January 1, 2007, CBIZ adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109, Accounting for Income Taxes" (FIN 48). FIN 48 clarifies the accounting for uncertainty in income tax positions and requires applying a "more likely than not" threshold to the recognition of tax positions based on the technical merits of the position. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The adoption of FIN 48 resulted in a $0.7 million decrease in the total liability for unrecognized tax benefits, which was recorded as an adjustment reducing the January 1, 2007 accumulated deficit. Unrecognized tax benefits as of January 1, 2007 totaled $4.0 million, of which $2.4 million would impact the effective tax rate, if recognized. In addition, total unrecognized tax benefits include $0.5 million in tax positions for which there is uncertainty as to the timing of deductibility. If the taxing authorities do not allow our position of deducting these benefits over a shorter period of time, payment of cash to such authorities would be required in an earlier period; CBIZ's annual effective tax rate would not be impacted.

CBIZ recognizes interest income, interest expense, and penalties related to unrecognized tax benefits as a component of income tax expense. As of January 1, 2007, the total amount accrued for interest and penalties was $0.5 million and $0.2 million, respectively.

The Company is currently under audit by the Internal Revenue Service for tax years 2003 and 2004 and may be required to make payments within the next twelve months related to this audit in the range of $2.2 million to $2.8 million. Payment of these amounts would not impact CBIZ's annual effective tax rate or the Company's earnings for 2007.

CBIZ and its subsidiaries file income tax returns in the U.S., Canada, and most state jurisdictions, and is subject to U.S. federal tax examinations for the years ending December 31, 2003 and thereafter. The majority of CBIZ's state and local or non-U.S. income tax returns for years ending before December 31, 2002 are no longer subject to tax authority examinations.

2. Accounts Receivable, Net

Accounts receivable balances at September 30, 2007 and December 31, 2006 were as follows (in thousands):

	2007	2006
Trade accounts receivable	$ 96,935	$ 90,158
Unbilled revenue	29,732	19,440
Other accounts receivable	576	657
Total accounts receivable	127,243	110,255
Allowance for doubtful accounts	(6,179)	(5,961)
Accounts receivable, net	$121,064	$104,294

CBIZ, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

3. Goodwill and Other Intangible Assets, Net

The components of goodwill and other intangible assets, net at September 30, 2007 and December 31, 2006 were as follows (in thousands):

	2007	2006
Goodwill	$174,418	$172,087
Intangibles:		
Client lists	47,780	37,330
Intangible assets – other	7,634	7,578
Total intangibles	55,414	44,908
Total goodwill and other intangibles assets	229,832	216,995
Accumulated amortization	(14,847)	(11,078)
Goodwill and other intangible assets, net	$214,985	$205,917

Client lists are amortized over their expected useful lives, not to exceed ten years. Other intangible assets, which consist primarily of non-compete agreements and trade-names, are amortized over their expected useful lives ranging from two to ten years. Amortization expense for client lists and other intangible assets was approximately $1.4 million and $1.2 million for the three months ended and $4.1 million and $3.4 million for the nine months ended September 30, 2007 and 2006, respectively.

4. Borrowing Arrangements

Convertible Senior Subordinated Notes

On May 30, 2006, CBIZ sold and issued $100.0 million in convertible senior subordinated notes (the "Notes"). The Notes are direct, unsecured, senior subordinated obligations of CBIZ and rank (i) junior in right of payment to all of CBIZ's existing and future senior indebtedness, (ii) equal in right of payment with any other future senior subordinated indebtedness, and (iii) senior in right of payment to all subordinated indebtedness. The terms of the Notes are governed by the Indenture dated as of May 30, 2006, with U.S. Bank National Association as trustee. The Notes and indenture are further described in the Annual Report on Form 10-K for the year ended December 31, 2006.

The Notes bear interest at a rate of 3.125% per annum, payable in cash semi-annually in arrears on each June 1 and December 1 beginning December 1, 2006. The Notes mature on June 1, 2026 and may be redeemed by CBIZ in whole or in part anytime after June 6, 2011. The Notes are convertible into CBIZ common stock at a rate equal to 94.1035 shares per $1,000 principal amount of the Notes (equal to an initial conversion price of approximately $10.63 per share), subject to adjustment as described in the indenture. Upon conversion, CBIZ will deliver for each $1,000 principal amount of Notes, an amount consisting of cash equal to the lesser of $1,000 or the conversion value (as defined in the Indenture) and, to the extent that the conversion value exceeds $1,000, at CBIZ's election, cash or shares of CBIZ common stock in respect of the remainder.

Bank Debt

CBIZ maintains a $100.0 million unsecured credit facility with Bank of America as agent bank for a group of five participating banks. The credit facility has a five year term expiring February 2011, and an option to increase the commitment to $150.0 million. CBIZ had approximately $80.3 million of available funds under the credit facility at September 30, 2007. Total availability is reduced by letters of credit and obligations determined to be "other indebtedness" in accordance with the terms of the credit facility.

The credit facility provides CBIZ operating flexibility and funding to support seasonal working capital needs and other strategic initiatives such as acquisitions and share repurchases. Under the credit facility, loans are charged an interest rate consisting of a base rate or Eurodollar rate plus an applicable margin. Additionally, a commitment fee of 22.5 to 47.5 basis points is charged on the unused portion of the credit facility.

CBIZ had $12.0 million of outstanding borrowings under its credit facility at September 30, 2007, and had no borrowings under the credit facility at December 31, 2006. Rates for the nine months ended September 30, 2007 and for the twelve months ended December 31, 2006 were as follows:

	2007	2006
Weighted average rates	7.35%	6.26%
Range of effective rates	6.68% – 8.25%	5.41% – 8.25%

The credit facility is subject to certain financial covenants that may limit CBIZ's ability to borrow up to the total commitment amount. Covenants require CBIZ to meet certain requirements with respect to (i) minimum net worth; (ii) maximum leverage ratio; and (iii) a minimum fixed charge coverage ratio. The credit facility also places restrictions on CBIZ's ability to create liens or other encumbrances, to make certain payments, investments, loans and guarantees and to sell or otherwise dispose of a substantial portion of assets, or to merge or consolidate with an unaffiliated entity. According to the terms of the credit facility, CBIZ is not permitted to declare or make any dividend payments, other than dividend payments made by one of its wholly owned subsidiaries to the parent company. The credit facility contains a provision that, in the event of a defined change in control, the credit facility may be terminated.

There are no limitations on CBIZ's ability to acquire businesses or repurchase CBIZ common stock provided that the Leverage Ratio is less than 2.0. The Leverage Ratio is calculated as total debt (excluding the convertible senior subordinated notes) compared to EBITDA as defined by the facility.

5. Commitments and Contingencies

Acquisitions

The purchase price that CBIZ pays for businesses and client lists generally consist of two components: an up-front non-contingent portion, and a portion which is contingent upon the acquired businesses or client lists actual future performance. Non-contingent purchase price is recorded at the date of acquisition and contingent purchase price is recorded as it is earned. Acquisitions are further discussed in Note 8.

Indemnifications

CBIZ has various agreements in which we may be obligated to indemnify the other party with respect to certain matters. Generally, these indemnification clauses are included in contracts arising in the normal course of business under which we customarily agree to hold the other party harmless against losses arising from a breach of representations, warranties, covenants or agreements, related to matters such as title to assets sold and certain tax matters. Payment by CBIZ under such indemnification clauses are generally conditioned upon the other party making a claim. Such claims are typically subject to challenge by CBIZ and to dispute resolution procedures specified in the particular contract. Further, CBIZ's obligations under these agreements may be limited in terms of time and/or amount and, in some instances, CBIZ may have recourse against third parties for certain payments made by CBIZ. It is not possible to predict the maximum potential amount of future payments under these indemnification agreements due to the conditional nature of CBIZ's obligations and the unique facts of each particular agreement. Historically, CBIZ has not made any payments under these agreements that have been material individually or in the aggregate. As of September 30, 2007, CBIZ was not aware of any material obligations arising under indemnification agreements that would require payments.

Employment Agreements

CBIZ maintains severance and employment agreements with certain of its executive officers, whereby such officers may be entitled to payment in the event of termination of their employment. CBIZ also has arrangements with certain non-executive employees which may include severance and other employment provisions. CBIZ accrues for amounts payable under these contracts and arrangements as triggering events occur and obligations become known. During the three and nine months ended September 30, 2007 and 2006, payments regarding such contracts and arrangements were not material.

Letters of Credit and Guarantees

CBIZ provides letters of credit to landlords (lessors) of its leased premises in lieu of cash security deposits, which totaled $2.0 million as of September 30, 2007 and December 31, 2006. In addition, CBIZ provides license bonds to various state agencies to meet certain licensing requirements. The amount of license bonds outstanding was $1.4 million and $1.6 million at September 30, 2007 and December 31, 2006, respectively.

CBIZ acted as guarantor on various letters of credit for a CPA firm with which it has an affiliation, which totaled $1.3 million as of September 30, 2007 and $1.7 million as of December 31, 2006. In accordance with FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others”, as amended, CBIZ has recognized a liability for the fair value of the obligations undertaken in issuing these guarantees, which is recorded as other current liabilities in the accompanying consolidated balance sheets. Management does not expect any material changes to result from these instruments as performance under the guarantees is not expected to be required.

Legal Proceedings

CBIZ is from time to time subject to claims and suits arising in the ordinary course of business. Although the ultimate disposition of such proceedings is not presently determinable, management does not believe that the ultimate resolution of these matters will have a material adverse effect on the financial condition, results of operations or cash flows of CBIZ.

6. Employer Share Plans

CBIZ has granted various stock-based awards under its 1996 Employee Stock Option Plan and 2002 Stock Incentive Plan, which are described in further detail in CBIZ’s Annual Report on Form 10-K for the year ended December 31, 2006. The terms and vesting schedules for stock-based awards vary by type and date of grant. In accordance with SFAS No. 123 (revised 2004), “Share-Based Payment”, compensation cost for stock-based awards recognized during the three and nine months ended September 30, 2007 and 2006 was as follows (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006	2007	2006
Stock options	$ 404	$ 389	$ 1,194	$ 1,159
Restricted stock awards	221	92	517	202
Restricted performance awards (1)	—	559	—	1,305
Total stock-based compensation	$ 625	$ 1,040	$ 1,711	$ 2,666

(1) CBIZ terminated the restricted performance award plan effective December 31, 2006.

CBIZ, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Stock award activity during the nine months ended September 30, 2007 was as follows (in thousands, except per share data):

	Stock Options		Restricted Stock Awards	
	Number of Options	Weighted Average Exercise Price Per Share	Number of Shares	Weighted Average Grant-Date Fair Value (1)
Outstanding at beginning of year	4,743	$3.70	363	$5.36
Granted	941	$7.56	244	$7.45
Exercised	(1,678)	$2.12	—	$ —
Released from restrictions	—	$ —	(90)	$5.79
Expired or canceled	(31)	$4.92	(1)	$4.30
Outstanding at September 30, 2007	3,975	$5.27	516	$6.28
Exercisable at September 30, 2007	2,050	$3.94		

(1) Represents weighted average market value of the shares; awards are granted at no cost to the recipients.

CBIZ had approximately 3.5 million shares available for future grant under the stock option plans at September 30, 2007.

7. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2007 and 2006 (in thousands, except per share data).

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006	2007	2006
Numerator:				
Income from continuing operations after income tax expense	$ 3,925	$ 3,575	$25,302	$22,773
Denominator:				
Basic				
Weighted average common shares	64,842	68,314	65,437	72,092
Diluted				
Options (1)	924	1,792	1,102	2,016
Restricted stock awards	132	122	118	105
Contingent shares (2)	185	193	188	193
Total diluted weighted average common shares	66,083	70,421	66,845	74,406
Basic earnings per share from continuing operations	$ 0.06	$ 0.05	$ 0.39	$ 0.32
Diluted earnings per share from continuing operations	$ 0.06	$ 0.05	$ 0.38	$ 0.31

(1) A total of 1.6 million options were excluded from the calculation of diluted earnings per share for the three and nine months ended September 30, 2007, and a total of 0.7 million options were excluded from the calculation of diluted earnings per share for the three and nine months ended September 30, 2006, as their exercise prices would render them anti-dilutive.

(2) Contingent shares represent additional shares to be issued for purchase price earned by former owners of businesses acquired by CBIZ once future conditions have been met.

8. Acquisitions

During the nine months ended September 30, 2007, CBIZ acquired an accounting firm, a medical billing service company and four client lists. The accounting firm is located in Phoenix, Arizona and is reported in the Financial Services practice group. The medical billing services company is based in Montgomery, Alabama and is reported in the Medical Management Professionals practice group. Aggregate consideration for the acquisitions consisted of approximately $10.4 million in cash and 62,400 shares of common stock (valued at approximately $0.4 million) paid at closing, and up to an additional $8.8 million (payable in cash and common stock) which is contingent on certain future revenue and earnings targets. In addition, CBIZ paid approximately $8.5 million in cash and issued approximately 21,800 shares of common stock during the nine months ended September 30, 2007 as contingent proceeds for previous acquisitions.

During the nine months ended September 30, 2006, CBIZ acquired a medical billing services company, two property and casualty insurance businesses and two client lists. The medical billing services company is based in Flint, Michigan and was merged into the Medical Management Professionals practice group. The property and casualty insurance businesses, one located in San Jose, California, and the other with offices in St. Joseph and Kansas City, Missouri, offer property and casualty, commercial bonds and employee benefits. Both businesses were merged into the Employee Services practice group. Aggregate consideration for these acquisitions consisted of approximately $13.5 million in cash (net of cash acquired) and 232,400 shares of restricted common stock (valued at approximately $1.5 million) paid at closing, and up to an additional $9.6 million (payable in cash and stock) which is contingent upon the future financial performance of the acquired businesses and client lists. In addition, CBIZ paid approximately $7.1 million in cash and issued approximately 159,000 shares of common stock during the nine months ended September 30, 2006, as contingent proceeds and towards notes payable for previous acquisitions.

The operating results of these businesses have been included in the accompanying consolidated financial statements since the dates of acquisition. Client lists and non-compete agreements were recorded at fair value at the time of acquisition. The excess of purchase price over the fair value of net assets acquired, (including client lists and non-compete agreements) was allocated to goodwill. Additions to goodwill, client lists and other intangible assets resulting from acquisitions and contingent consideration earned during the nine months ended September 30, 2007 and 2006 were as follows (in thousands):

	2007	2006
Goodwill	$ 2,535	$ 4,495
Client lists	$10,612	$15,084
Other intangible assets	$ 274	$ 412

9. Discontinued Operations and Divestitures

From time to time, CBIZ will divest (through sale or closure) business operations that do not contribute to the Company's long-term objectives for growth, or that are not complementary to its target service offerings and markets. Divestitures are classified as discontinued operations provided they meet the criteria as provided in SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" and EITF No. 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets in Determining Whether to Report Discontinued Operations".

During the second quarter of 2007, CBIZ committed to the divestiture of two operations in the Financial Services practice group. One of these operations was sold on September 30, 2007 and the other remained available for sale. Proceeds for the sold operation consisted of $11.1 million cash and resulted in a pre-tax gain of $3.9 million. This gain is reported in "Gain on disposal of discontinued operations, net of tax" in the accompanying consolidated statements of operations. In addition, CBIZ

CBIZ, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

may receive contingent future proceeds for up to three years based on a percentage of certain sales revenues of the divested operation, subject to specific limitations.

During the fourth quarter of 2006, CBIZ committed to the divestiture of two operations, one each from the Employee Services and Financial Services practice groups. The Financial Services operation was sold during the first quarter of 2007 for proceeds that consisted of $0.6 million cash and $0.6 million in notes receivable, and resulted in a pre-tax loss of $0.1 million. The Employee Services operation was sold during the second quarter of 2007 for proceeds of $14.1 million cash and resulted in a pre-tax gain of $8.6 million. These gains and losses are reported in “Gain on disposal of discontinued operations, net of tax” in the accompanying consolidated statements of operations. In addition, CBIZ may receive contingent future proceeds not to exceed $2.0 million, provided the divested Employee Services operation achieves certain revenue targets. These proceeds will be recorded as gain on sale of discontinued operations in the period they are earned.

In addition to the proceeds described above, CBIZ received payments of $1.7 million during the nine months ended September 30, 2007 on outstanding notes receivable related to divestitures made in prior years. The gains and losses related to these divestitures were recognized in previous years.

During the second quarter of 2006, CBIZ sold an operation from the Financial Services practice group which was classified as available for sale at March 31, 2006. During the first quarter of 2006, the unit was written down to its estimated fair value, resulting in a pre-tax loss of approximately $0.2 million. CBIZ also sold certain property tax operations from a business unit in the National Practices group during the second quarter of 2006. The business was classified as a discontinued operation in 2005, and the sale resulted in a pre-tax loss of approximately $0.5 million. In addition, CBIZ recognized pre-tax gains of $0.9 million and $2.0 million during the three and nine months ended September 30, 2006, respectively, for contingent proceeds related to a business that was sold in 2005. These gains and losses are reported in “Gain on disposal of discontinued operations, net of tax”, in the accompanying consolidated statements of operations. As a result of these transactions, CBIZ received cash proceeds totaling $7.3 million during the nine months ended September 30, 2006.

CBIZ may earn additional proceeds on the sale of certain client lists (sold in previous years), which are contingent upon future revenue generated by the client lists. CBIZ records these proceeds as other income when they are earned. In addition, CBIZ has deferred gains on the sale of certain client lists, which are recorded as other non-current liabilities in the accompanying consolidated balance sheets. The gains are being recognized as “gain on sale of operations, net” as cash payments are received.

For those businesses that qualified for treatment as discontinued operations, the assets, liabilities and results of operations are reported separately in the accompanying consolidated financial statements. Revenue and loss from operations of discontinued operations for the three and nine months ended September 30, 2007 and 2006 were as follows (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006	2007	2006
Revenue	$ 3,146	$ 7,238	$15,959	$22,753
Income (loss) from operations of discontinued operations, before income tax (expense) benefit	$ (799)	$ 1	$ (2,322)	$ (3,029)
Income tax (expense) benefit	497	(6)	1,047	1,117
Loss from operations of discontinued operations, net of tax	$ (302)	$ (5)	$ (1,275)	$ (1,912)

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Gain on the disposal of discontinued operations for the three and nine months ended September 30, 2007 and 2006 were as follows (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006	2007	2006
Gain on disposal of discontinued operations, before income tax expense	$ 3,915	$ 877	$12,494	$ 1,309
Income tax expense	(2,892)	(324)	(7,781)	(803)
Gain on disposal of discontinued operations, net of tax	$ 1,023	$ 553	$ 4,713	$ 506

At September 30, 2007 and December 31, 2006, the assets and liabilities of businesses classified as discontinued operations consisted of the following (in thousands):

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
Assets:		
Accounts receivable, net	$ 1,540	$ 4,049
Deferred income taxes, net	171	2,369
Property and equipment, net	358	2,876
Goodwill and other intangible assets, net	1,346	9,127
Other assets	39	1,149
Assets of discontinued operations	$ 3,454	$ 19,570
Liabilities:		
Accounts payable	$ 913	$ 1,185
Accrued personnel costs	745	518
Other liabilities	3,016	3,268
Liabilities of discontinued operations	$ 4,674	$ 4,971

10. Segment Disclosures

CBIZ's business units have been aggregated into four practice groups: Financial Services; Employee Services; Medical Management Professionals; and National Practices. The business units have been aggregated based on the following factors: similarity of the products and services provided to clients; similarity of the regulatory environment; and similarity of economic conditions affecting long-term performance. The business units are managed along these segment lines. A general description of services provided by practice group is provided in the following table:

Financial Services

- Accounting
- Tax
- Financial Advisory
- Litigation Support
- Valuation
- Sarbanes-Oxley 404 Consulting
- Internal Audit
- Fraud Detection
- Real Estate Advisory

Employee Services

- Group Health
- Property & Casualty
- COBRA / Flex
- Retirement Planning
- Wealth Management
- Life Insurance
- Human Capital Management
- Payroll Services
- Specialty Life Insurance
- Actuarial Services

National Practices

- Managed Networking and Hardware Services
- IT Consulting
- Project Management
- Software Solutions
- Mergers & Acquisitions
- Health Care Consulting
- Government Relations

CBIZ MMP

- Coding and Billing
- Accounts Receivable Management
- Full Practice Management Services

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CBIZ, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Corporate and Other. Included in Corporate and Other are operating expenses that are not directly allocated to the individual business units. These expenses are primarily comprised of incentive compensation, earnings or losses on assets held in the deferred compensation plan, infrastructure costs and consolidation and integration charges.

Accounting policies of the practice groups are the same as those described in Note 1, "Summary of Significant Accounting Policies." Upon consolidation, all intercompany accounts and transactions are eliminated; thus inter-segment revenue is not included in the measure of profit or loss for the practice groups. Performance of the practice groups is evaluated on operating income excluding the costs of certain infrastructure functions (such as information systems, finance and accounting, human resources, legal and marketing), which are reported in the "Corporate and Other" segment.
Segment information for the three and nine-month periods ended September 30, 2007 and 2006 was as follows (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30, 2007					
	Financial Services	Employee Services	CBIZ MMP	National Practices	Corporate and Other	Total
Revenue	$65,537	$41,684	$32,420	$12,077	$ —	$151,718
Operating expenses	58,589	33,600	27,021	11,155	4,422	134,787
Gross margin	6,948	8,084	5,399	922	(4,422)	16,931
Corporate general & admin	—	—	—	—	6,370	6,370
Depreciation & amortization	823	900	969	56	1,075	3,823
Operating income (loss)	6,125	7,184	4,430	866	(11,867)	6,738
Other income (expense):						
Interest expense	(8)	(11)	—	—	(962)	(981)
Gain on sale of operations, net	—	—	—	—	20	20
Other income, net	58	461	50	8	169	746
Total other income (expense)	50	450	50	8	(773)	(215)
Income (loss) from continuing operations before income tax expense	$ 6,175	$ 7,634	$ 4,480	$ 874	$(12,640)	$ 6,523

	THREE MONTHS ENDED SEPTEMBER 30, 2006					
	Financial Services	Employee Services	CBIZ MMP	National Practices	Corporate and Other	Total
Revenue	$57,692	$37,106	$29,746	$12,572	$ —	$137,116
Operating expenses	52,011	30,469	24,255	11,220	3,784	121,739
Gross margin	5,681	6,637	5,491	1,352	(3,784)	15,377
Corporate general & admin	—	—	—	—	5,568	5,568
Depreciation & amortization	880	847	776	64	1,510	4,077
Operating income (loss)	4,801	5,790	4,715	1,288	(10,862)	5,732
Other income (expense):						
Interest expense	(19)	(1)	—	—	(822)	(842)
Gain on sale of operations, net	—	—	—	—	7	7
Other income, net	52	420	32	4	428	936
Total other income (expense)	33	419	32	4	(387)	101
Income (loss) from continuing operations before income tax expense	$ 4,834	$ 6,209	$ 4,747	$ 1,292	$(11,249)	$ 5,833

CBIZ, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	NINE MONTHS ENDED SEPTEMBER 30, 2007					
	Financial Services	Employee Services	CBIZ MMP	National Practices	Corporate and Other	Total
Revenue	$227,942	$128,131	$94,144	$37,399	$ —	$487,616
Operating expenses	183,435	100,416	79,535	34,131	14,933	412,450
Gross margin	44,507	27,715	14,609	3,268	(14,933)	75,166
Corporate general & admin	—	—	—	—	20,466	20,466
Depreciation & amortization	2,474	2,769	2,717	174	3,645	11,779
Operating income (loss)	42,033	24,946	11,892	3,094	(39,044)	42,921
Other income (expense):						
Interest expense	(38)	(18)	—	—	(3,316)	(3,372)
Gain on sale of operations, net	—	—	—	—	125	125
Other income, net	237	1,392	143	24	1,546	3,342
Total other income (expense)	199	1,374	143	24	(1,645)	95
Income (loss) from continuing operations before income tax expense	$ 42,232	$ 26,320	$12,035	$ 3,118	$(40,689)	$ 43,016

	NINE MONTHS ENDED SEPTEMBER 30, 2006					
	Financial Services	Employee Services	CBIZ MMP	National Practices	Corporate and Other	Total
Revenue	$205,158	$115,088	$88,014	$38,009	$ —	$446,269
Operating expenses	165,846	90,984	73,076	33,195	13,857	376,958
Gross margin	39,312	24,104	14,938	4,814	(13,857)	69,311
Corporate general & admin	—	—	—	—	19,633	19,633
Depreciation & amortization	2,654	2,386	2,421	190	4,217	11,868
Operating income (loss)	36,658	21,718	12,517	4,624	(37,707)	37,810
Other income (expense):						
Interest expense	(67)	(3)	—	—	(2,429)	(2,499)
Gain on sale of operations, net	—	—	—	—	14	14
Other income, net	195	1,287	44	21	1,120	2,667
Total other income (expense)	128	1,284	44	21	(1,295)	182
Income (loss) from continuing operations before income tax expense	$ 36,786	$ 23,002	$12,561	$ 4,645	$(39,002)	$ 37,992

11. Subsequent Events

Effective October 31, 2007, CBIZ completed the divestiture of a Financial Services operation which was classified as a discontinued operation available for sale as of September 30, 2007.

Effective November 1, 2007, CBIZ acquired Healthcare Business Resources, Inc. (“HBR”) headquartered in Ponte Verde Beach, Florida. HBR provides coding, billing and collections services for emergency medicine physician practices in the eastern United States. HBR will be merged into CBIZ’s Medical Management Professionals practice group.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q to "we", "our", "CBIZ", or the "Company" shall mean CBIZ, Inc., a Delaware corporation, and its operating subsidiaries.

The following discussion is intended to assist in the understanding of CBIZ's financial position at September 30, 2007 and December 31, 2006, results of operations for the three and nine months ended September 30, 2007 and 2006, and cash flows for the nine months ended September 30, 2007 and 2006, and should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2006.

Overview

CBIZ provides professional business services that help clients manage their finances, employees and technology. These services are provided to businesses of various sizes, as well as individuals, governmental entities and not-for-profit enterprises throughout the United States and Canada. CBIZ delivers its integrated services through four practice groups. A general description of services provided by practice group, is provided in the table below.

Financial Services	Employee Services	National Practices	CBIZ MMP
• Accounting • Tax • Financial Advisory • Litigation Support • Valuation • Sarbanes-Oxley 404 Consulting • Internal Audit • Fraud Detection • Real Estate Advisory	• Group Health • Property & Casualty • COBRA / Flex • Retirement Planning • Wealth Management • Life Insurance • Human Capital Management • Payroll Services • Specialty Life Insurance • Actuarial Services	• Managed Networking and Hardware Services • IT Consulting • Project Management • Software Solutions • Mergers & Acquisitions • Health Care Consulting • Government Relations	• Coding and Billing • Accounts Receivable Management • Full Practice Management Services

Certain external relationships and regulatory factors currently impacting CBIZ's practice groups are provided in the discussion below.

Financial Services

Restrictions imposed by independence requirements and state accountancy laws and regulations preclude CBIZ from rendering audit and attest services (other than internal audit services). As such, CBIZ and its subsidiaries maintain joint-referral relationships and administrative service agreements (ASAs) with independent licensed Certified Public Accounting (CPA) firms under which audit and attest services may be provided to CBIZ's clients by such CPA firms. These firms are owned by licensed CPAs, a vast majority of whom are also employed by CBIZ subsidiaries.

Under these ASAs, CBIZ provides a range of services to the CPA firms, including (but not limited to): administrative functions such as office management, bookkeeping, and accounting; preparing marketing and promotion materials; providing office space, computer equipment, and systems support; and leasing administrative and professional staff. Services are performed in exchange for a fee. Fees earned by CBIZ under the ASAs are recorded as revenue in the accompanying consolidated statements of operations and amounted to approximately $15.6 million and $15.9 million for the three months and $61.0 million and $56.3 million for the nine months ended September 30, 2007 and 2006, respectively. The majority of these fees are related to services rendered to privately-held clients. In the event that accounts receivable and unbilled work in process become uncollectible by the CPA firms, the service fee due to CBIZ is reduced on a pro rata basis. The ASAs have terms of up to eighteen years, are renewable upon agreement by both parties, and have certain rights of extension and termination.

With respect to CPA firm clients that are required to file audited financial statements with the SEC, the SEC staff views CBIZ and the CPA firms with which we have contractual relationships as a single entity in applying independence rules established by the accountancy regulators and the SEC. Accordingly, we do not hold any financial interest in an SEC-reporting attest client of an associated CPA firm, enter into any business relationship with an SEC-reporting attest client that the CPA firm performing an audit could not maintain, or sell any non-audit services to an SEC-reporting attest client that the CPA firm performing an audit could not maintain, under the auditor independence limitations set out in the Sarbanes-Oxley Act of 2002 and other professional accountancy independence standards. Applicable professional standards generally permit the Financial Services practice group to provide additional services to privately-held companies, in addition to those services which may be provided to SEC-reporting attest clients of an associated CPA firm. CBIZ and the CPA firms with which we are associated have implemented policies and procedures designed to enable us to maintain independence and freedom from conflicts of interest in accordance with applicable standards. Given the pre-existing limits set by CBIZ on its relationships with SEC-reporting attest clients of associated CPA firms, and the limited number and size of such clients, the imposition of Sarbanes-Oxley Act independence limitations did not and is not expected to materially affect CBIZ revenues.

The CPA firms with which CBIZ maintains ASAs may operate as limited liability companies, limited liability partnerships or professional corporations. The firms are separate legal entities with separate governing bodies and officers. Neither the existence of the ASAs nor the providing of services thereunder is intended to constitute control of the CPA firms by CBIZ. CBIZ and the CPA firms maintain their own respective liability and risk of loss in connection with performance of their respective services. Attest services can not be performed by any individual or entity which is not licensed to do so. CBIZ can not perform audits, reviews, compilations, or other attest services, does not contract to perform them and does not provide audit, review, compilation, or other attest reports. Given this legal prohibition and course of conduct, CBIZ does not believe it is likely that we would bear the risk of litigation losses related to attest services provided by the CPA firms.

Although the ASAs do not constitute control, CBIZ is one of the beneficiaries of the agreements and may bear certain economic risks. As such, the CPA firms with which CBIZ maintains administrative service agreements qualify as variable interest entities under FASB Interpretation No. 46, “Consolidation of Variable Interest Entities” (FIN 46), as amended. See further discussion in Note 1 of the consolidated financial statements included herewith.

Employee Services

CBIZ’s Employee Services group maintains relationships with many different insurance carriers. Some of these carriers have compensation arrangements with CBIZ whereby some portion of payments due may be contingent upon meeting certain performance goals, or upon CBIZ providing client services that would otherwise be provided by the carriers. These compensation arrangements are provided to CBIZ as a result of our performance and expertise, and may result in enhancing CBIZ’s ability to access certain insurance markets and services on behalf of CBIZ clients. The aggregate of these payments received during the three and nine months ended September 30, 2007 and 2006 were less than 2% of consolidated CBIZ revenue.

State insurance regulators have conducted inquiries to clarify the nature of compensation arrangements within the insurance brokerage industry. To date, CBIZ, along with other major insurance brokerage companies, has received requests for information regarding our compensation arrangements related to these practices from such authorities. In addition to inquiries from various states’ insurance departments, CBIZ has received subpoenas from the New York Attorney General, the Connecticut Attorney General, and the Ohio Department of Insurance regarding its insurance brokerage compensation arrangements. CBIZ has cooperated fully in each inquiry. CBIZ has discussed the nature of these inquires and compensation arrangements with each of the major insurance carriers with whom we have established these arrangements. We believe that our arrangements are lawful and consistent with industry practice, and we expect that any changes to compensation arrangements in the future will have a minimal impact on CBIZ, barring future regulatory action. Future regulatory action may limit or eliminate our ability to enhance revenue through all current compensation arrangements, and may result in a diminution of future revenue from these sources.

Medical Management Professionals

Changes in some managed care plans and federal Medicare and Medicaid physician and practice expense reimbursement rules and rates have, and are expected to continue to, adversely affect revenue in our existing physician and medical billing and collections business. The Deficit Reduction Act of 2005 (“Deficit Reduction Act”) provides for a reduction and cap beginning in 2007 of reimbursement for certain fees and charges related to imaging services and facilities of offices, imaging centers and independent diagnostic testing facilities. In addition, certain managed care payors may impose precertification and other management programs which could limit or control the use of, and reimbursement for, imaging and diagnostic services. Certain managed care payors may institute “Pay for Performance” and “quality initiative” programs that could limit or control physician, office and facility, and practice services and procedures, as well as reimbursement costs, and replace volume-based payment methods. Since our physician and medical billing and collections business is typically paid a portion of the revenue collected on behalf of our clients, any reduction in the volume of services or reimbursement rates for such services or expenses for which our clients are eligible to be paid may adversely affect our ability to generate revenue and maintain margins. CBIZ will make its best efforts to take appropriate actions to maintain margins in this business, however there is no assurance that we will be able to maintain margins at historic levels. These changes in reimbursement rates may provide CBIZ with the opportunity to increase the number of clients to which medical coding and billing services are provided, as they may cause physicians who do not currently utilize third party providers to consider the use of CBIZ’s medical coding and billing services.

Executive Summary

During 2007, CBIZ has continued to make acquisitions in accordance with our strategy to strengthen operations and customer service capabilities by selectively acquiring businesses that expand our market position and strengthen our existing service offerings. During the first quarter of 2007, CBIZ acquired an accounting and tax firm located in Phoenix, Arizona, which is reported in the Financial Services practice group. During the second quarter, CBIZ acquired a medical billing service company located in Montgomery, Alabama, which is reported in CBIZ MMP. Effective November 1, 2007, CBIZ acquired an emergency medicine billing company which is headquartered in Ponte Vedra Beach, Florida and will be reported in the CBIZ MMP practice group.

In an on-going effort to rationalize our business, CBIZ has divested (and may continue to divest) business units that do not contribute to our long-term objectives for growth, or that are not complementary to our target service offerings and markets. During the nine months ended September 30, 2007, CBIZ sold three business units which were classified as discontinued operations. Two of these business units offered accounting and tax services and were previously reported in the Financial Services practice group, and the third business unit offered specialty insurance services and was previously reported in the Employee Services practice group. One operation remained available for sale at September 30, 2007, which was subsequently divested effective October 31, 2007.

CBIZ continually strives to create value for our shareholders, and believes that repurchasing shares of its common stock is a use of cash that provides such value. Accordingly, CBIZ purchased approximately 0.8 million shares of its common stock in the open market at a total cost of $6.1 million during the third quarter of 2007. For the nine months ended September 30, 2007, CBIZ purchased approximately 4.4 million shares of its common stock as a total cost of $30.7 million.

At the Annual Meeting of Stockholders of CBIZ, Inc. held on May 17, 2007, the stockholders approved the discounted Employee Stock Purchase Plan which became effective August 16, 2007. Under this plan, employees of CBIZ are able to purchase shares of common stock at the market rate less a discount.

Results of Operations – Continuing Operations

Same-unit revenue represents total revenue adjusted to reflect comparable periods of activity for acquisitions and divestitures. For example, for a business acquired on September 1, 2006, revenue for the month of September would be included in same-unit revenue for the third quarter of both years; revenue for the period January 1, 2007 through August 31, 2007 would be reported as revenue from acquired businesses.

Revenue from divested operations represents operations that were sold or closed and did not meet the criteria for treatment as discontinued operations.

Three months ended September 30, 2007 and 2006

Revenue

The following table summarizes total revenue for the three months ended September 30, 2007 and 2006 (in thousands, except percentages).

	THREE MONTHS ENDED SEPTEMBER 30,					
	2007	% of Total	2006	% of Total	$ Change	% Change
Same-unit revenue						
Financial Services	$ 64,990	42.8%	$ 57,604	42.0%	$ 7,386	12.8%
Employee Services	41,684	27.4%	37,106	27.0%	4,578	12.3%
CBIZ MMP	31,068	20.5%	29,746	21.7%	1,322	4.4%
National Practices	12,077	8.0%	12,572	9.2%	(495)	(3.9)%
Total same-unit revenue	149,819	98.7%	137,028	99.9%	12,791	9.3%
Acquired businesses	1,899	1.3%	—		1,899	
Divested operations	—		88	0.1%	(88)	
Total revenue	$151,718		$137,116		$14,602	10.6%

A detailed discussion of revenue by practice group is included under “Operating Practice Groups” below.

Operating expenses — Operating expenses increased to $134.8 million for the three months ended September 30, 2007, from $121.7 million for the comparable period in 2006, an increase of $13.1 million or 10.7%. As a percentage of revenue, operating expenses were 88.8% for each of the three months ended September 30, 2007 and 2006. The primary components of operating expenses are personnel costs and occupancy costs, representing 81.6% and 81.5% of total operating expenses and 72.5% and 72.3% of revenue for the three months ended September 30, 2007 and 2006, respectively.

Gross margin — Since the majority of our operating costs are relatively fixed in the short term, gross margin as a percentage of revenue normally improves with revenue growth. However, for the three months ended September 30, 2007 versus the comparable period in 2006, gross margin did not improve. This was the result of the continued revenue impact of certain reductions in the 2007 Medicare reimbursement rates (including those that occurred as the result of the Deficit Reduction Act) in the MMP practice group, and the result of a transaction completed by the mergers and acquisitions business in the third quarter of 2006 versus no transactions in the third quarter of 2007. Operating expenses and gross margin by practice group are discussed in further detail under “Operating Practice Groups” below.

Corporate general and administrative expenses — Corporate general and administrative expenses increased to $6.4 million and 4.2% of revenue for the three months ended September 30, 2007, from $5.6 million and 4.1% of revenue for the comparable period in 2006. The increase in corporate general and administrative expenses was primarily attributable to higher compensation costs during the third quarter of 2007 compared to the third quarter of 2006, including costs associated with the incentive compensation plan which are estimated and accrued on a monthly basis (see further discussion in the “Critical Accounting Policies — Incentive Compensation”).

Depreciation and amortization expense — Depreciation and amortization expense was $3.8 million and 2.5% of revenue for the three months ended September 30, 2007, compared to $4.1 million and 3.0% of revenue for the comparable period in 2006. The decrease in depreciation and amortization expense was primarily due to lower depreciation as a result of some large assets becoming fully depreciated during the year, partially offset by an increase in the amortization of intangible assets as the result of acquired businesses and client lists.

Interest expense — Interest expense was $1.0 million and $0.8 million for the three-month periods ended September 30, 2007 and 2006, respectively. Average debt was $107.7 million for the three months ended September 30, 2007, compared to $100.0 million for the comparable period in 2006, and average interest rates were 3.4% and 3.1% during the three months ended September 30, 2007 and 2006, respectively. Higher average debt and interest rates in the third quarter of 2007 compared to the third quarter of 2006 was primarily the result of borrowings on CBIZ's line of credit to meet short term cash requirements in the third quarter of 2007. During both three month periods ended September 30, 2007 and 2006, average outstanding debt included $100.0 million of convertible senior subordinated notes ("Notes") which carry a fixed interest rate of 3.125%. See Note 4 to the accompanying consolidated financial statements for further discussion of these Notes.

Other income, net — Other income, net was $0.7 million for the three months ended September 30, 2007, and $0.9 million for the comparable period in 2006. Other income, net is primarily comprised of interest income, adjustments to the fair value of investments held in a rabbi trust related to the deferred compensation plan, gains and losses on sales of assets, and miscellaneous income such as contingent royalties from previous divestitures. Adjustments to the fair value of investments related to the deferred compensation plan are offset by adjustments to compensation costs which are recorded as operating or corporate general and administrative expenses in the consolidated statements of operations, and thus do not have an impact on CBIZ's net income. The decrease in other income during the third quarter of 2007 from the comparable period in 2006 was primarily the result of a decrease in the fair value of investments related to the deferred compensation plan.

Income tax expense — CBIZ recorded income tax expense from continuing operations of $2.6 million and $2.3 million for the three months ended September 30, 2007 and 2006, respectively. The effective tax rate for the three months ended September 30, 2007 was 39.8%, compared to an effective rate of 38.7% for the comparable period in 2006. The increase in the effective tax rate for the third quarter of 2007 versus the comparable period in 2006 was primarily the result of an increase in estimated tax reserves related to the IRS audits discussed in Note 1 to the accompanying consolidated financial statements.

Operating Practice Groups

Financial Services

	THREE MONTHS ENDED SEPTEMBER 30,		
	2007	2006	Change
		(Dollars in thousands)	
Revenue			
Same-unit	$64,990	$57,604	$ 7,386
Acquired businesses	547	—	547
Divested operations	—	88	(88)
Total revenue	$65,537	$57,692	$ 7,845
Operating expenses	58,589	52,011	6,578
Gross margin	$ 6,948	$ 5,681	$ 1,267
Gross margin percent	10.6%	9.8%	0.8%

The growth in same-unit revenue was due to an increase in the aggregate number of hours charged to clients for consulting, valuation and litigation support services, and price increases for traditional accounting and tax services. The growth in revenue from acquired businesses was provided by a firm in Phoenix, Arizona which was acquired during the first quarter of 2007.

The largest components of operating expenses for the Financial Services practice group are personnel costs, occupancy costs and travel and meal costs representing 91.3% and 90.2% of total operating expenses for the three months ended September 30, 2007 and 2006, respectively. Personnel costs increased $6.2 million to 72.0% of revenue for the three months ended September 30, 2007 from 71.1% of revenue for the comparable period in 2006. The increase in personnel costs was primarily due to additional salary costs incurred for new employees, annual merit increases, and an increase in benefit costs. CBIZ continues to add personnel in the Financial Services practice group in order to accommodate the growth in revenue. Personnel costs increased as a percentage of revenue as a result of variable compensation which is based on unit results. Occupancy costs are relatively fixed in nature but were $0.3 million higher for the three months ended September 30, 2007 versus the comparable period in 2006 due to additional space required to accommodate growth. Both occupancy and travel and meal costs decreased as a percentage of revenue for the three months ended September 30, 2007 versus the comparable period in 2006.

Gross margin improvement was primarily due to leveraging the increase in revenues against operating expenses which are generally fixed in the short term.

Employee Services

	THREE MONTHS ENDED SEPTEMBER 30,		
	2007	2006	Change
		(Dollars in thousands)	
Revenue			
Same-unit	$41,684	$37,106	$ 4,578
Acquired businesses	—	—	—
Total revenue	$41,684	$37,106	$ 4,578
Operating expenses	33,600	30,469	3,131
Gross margin	$ 8,084	$ 6,637	$ 1,447
Gross margin percent	19.4%	17.9%	1.5%

The increase in same-unit revenue was primarily attributable to growth in the retail, payroll service and specialty life insurance businesses.

The largest components of operating expenses for the Employee Services practice group are personnel costs, including commissions paid to third party brokers, and occupancy costs representing 86.8% and 86.6% of total operating expenses for the three months ended September 30, 2007 and 2006, respectively. Personnel costs increased $2.6 million, and decreased as a percentage of revenue to 64.2% for the third quarter of 2007 from 65.1% for the comparable period in 2006. Personnel cost dollars increased with the growth in revenue as the sales force is compensated on a variable basis. Personnel costs decreased as a percentage of revenue due to a portion of the revenue increase being from non-commissionable sources. Occupancy costs are relatively fixed in nature and were approximately $2.3 million for the third quarters of 2007 and 2006.

The increase in gross margin was primarily due to leveraging the increase in revenues against the operating expenses which are generally fixed in the short term.

CBIZ Medical Management Professionals (MMP)

	THREE MONTHS ENDED SEPTEMBER 30,		
	2007	2006	Change
		(Dollars in thousands)	
Revenue			
Same-unit	$31,068	$29,746	$ 1,322
Acquired businesses	1,352	—	1,352
Total revenue	$32,420	$29,746	$ 2,674
Operating expenses	27,021	24,255	2,766
Gross margin	$ 5,399	$ 5,491	$ (92)
Gross margin percent	16.7%	18.5%	(1.8)%

The increase in same-unit revenue was primarily attributable to an increase in the volume of procedures processed for existing clients, and an increase in net new business sold. This growth was partially offset by certain reductions in the 2007 Medicare reimbursement rates, including those that occurred as the result of the Deficit Reduction Act which is further described under “Overview — Medical Management Professionals.” The growth in revenue from acquired businesses was provided by a medical billing business based in Montgomery, Alabama which was acquired during the second quarter of 2007.

The largest components of operating expenses for MMP are personnel costs, occupancy costs and office expenses (primarily postage), representing 87.3% and 88.3% of total operating expenses for the three months ended September 30, 2007 and 2006, respectively. Personnel costs increased by $2.1 million to 58.0% of revenue for the three months ended September 30, 2007, from 56.2% of revenue for the comparable period in 2006. Acquired businesses contributed $0.6 million of the increase in personnel costs; the remaining increase was primarily the result of annual merit increases and an increase in headcount to support the growth in revenue. Occupancy costs are relatively fixed in nature and were approximately $2.0 million for the three months ended September 30, 2007 and 2006. Office expense dollars did not change for the three months ended September 30, 2007 from the comparable period in 2006, but decreased as a percentage of revenue to 8.2% from 9.1%.

The decrease in gross margin was primarily due to impacts of certain reductions in the 2007 Medicare reimbursement rates, including those that occurred as the result of the Deficit Reduction Act. Since MMP is typically paid a portion of the revenue collected on behalf of its clients, reductions in client revenue that resulted from the reduction in reimbursement rates had an adverse affect on MMP’s revenue and margins.

National Practices

	THREE MONTHS ENDED SEPTEMBER 30,		
	2007	**2006**	**Change**
		(Dollars in thousands)	
Revenue			
Same-unit	$12,077	$12,572	$ (495)
Acquired businesses	—	—	—
Total revenue	$12,077	$12,572	$ (495)
Operating expenses	11,155	11,220	(65)
Gross margin	$ 922	$ 1,352	$ (430)
Gross margin percent	7.6%	10.8%	(3.2)%

Approximately half of the decrease in revenue was attributable to the mergers and acquisitions business completing a transaction during the third quarter of 2006 and no transactions during the third quarter of 2007. The remainder of the decrease in revenue was the result of lower product sales by one of the technology units.

The largest components of operating expenses for the National Practices group are personnel costs, direct costs and occupancy costs, representing 93.3% and 91.8% of total operating expenses for the three months ended September 30, 2007 and 2006, respectively. Collectively these expenses increased by $0.1 million to 86.2% of revenue for the three months ended September 30, 2007 from 81.9% of revenue for the comparable period in 2006, and consisted of an increase in personnel costs offset by a decrease in direct costs. The increase in personnel costs was primarily related to annual merit increases. The decrease in direct costs relates to product costs which declined as a result of the decline in product sales. As the increase in expenses was not significant, the increase in expenses as a percentage of revenue was the result of the decline in revenue.

The decline in gross margin was primarily the result of a transaction completed by the mergers and acquisitions business during the third quarter of 2006 versus no transactions during the third quarter of 2007. Transactions completed by the mergers and acquisitions business typically result in a large amount of revenue for CBIZ, with minimal incremental cost; thus the number and size of transactions completed by the mergers and acquisition business may have a significant impact on gross margin. This decline in gross margin by the mergers and acquisitions business was partially offset by an overall improvement in gross margin by the technology businesses.

Nine months ended September 30, 2007 and 2006

Revenue

The following table summarizes total revenue for the nine months ended September 30, 2007 and 2006 (in thousands, except percentages).

	NINE MONTHS ENDED SEPTEMBER 30,					
	2007	% of Total	2006	% of Total	$ Change	% Change
Same-unit revenue						
Financial Services	$226,179	46.4%	$204,695	45.9%	$21,484	10.5%
Employee Services	126,421	25.9%	115,088	25.8%	11,333	9.8%
CBIZ MMP	91,887	18.8%	88,014	19.7%	3,873	4.4%
National Practices	37,399	7.7%	38,009	8.5%	(610)	(1.6)%
Total same-unit revenue	481,886	98.8%	445,806	99.9%	36,080	8.1%
Acquired businesses	5,730	1.2%	—		5,730	
Divested operations	—		463	0.1%	(463)	
Total revenue	$487,616		$446,269		$41,347	9.3%

A detailed discussion of revenue by practice group is included under “Operating Practice Groups” below.

Operating expenses — Operating expenses increased to $412.5 million for the nine months ended September 30, 2007, from $377.0 million for the comparable period in 2006, an increase of $35.5 million or 9.4%. As a percentage of revenue, operating expenses were 84.6% and 84.5% for the nine months ended September 30, 2007 and 2006, respectively. The primary components of operating expenses are personnel costs and occupancy costs, representing 81.7% and 81.8% of total operating expenses and 69.1% of revenue for the nine months ended September 30, 2007 and 2006, respectively. Personnel costs included a $1.0 million increase over the prior year due to appreciation in the fair value of investments held in relation to the deferred compensation plan. This increase in compensation was offset by the same increase to other income and thus, did not impact CBIZ’s net income.

Gross margin — Since the majority of our operating costs are relatively fixed in the short term, gross margin as a percentage of revenue normally improves with revenue growth. However, for the nine months ended September 30, 2007 versus the comparable period in 2006, gross margin as a percent of revenue declined to 15.4% from 15.5%. This decline was caused by several factors including the continued revenue impact of certain reductions in the 2007 Medicare reimbursement rates (including those that occurred as the result of the Deficit Reduction Act) in the MMP practice group, and the result of three transactions completed by the merger and acquisition business during the nine months ended September 30, 2006 versus no transactions in 2007. A more comprehensive analysis of operating expenses and their impact on gross margin is discussed by operating practice group below.

Corporate general and administrative expenses — Corporate general and administrative expenses were $20.5 million and $19.6 million for the nine months ended September 30, 2007 and 2006, respectively. As a percentage of revenue, corporate general and administrative expenses decreased to 4.2% from 4.4% for the nine months ended September 30, 2007 and 2006, respectively.

Depreciation and amortization expense — Depreciation and amortization expense was $11.8 million and 2.4% of revenue for the nine months ended September 30, 2007, compared to $11.9 million and 2.7% of revenue for the comparable period in 2006. The decrease in depreciation and amortization expense was primarily due to lower depreciation as a result of some large assets becoming fully depreciated during the year, partially offset by an increase in the amortization of intangible assets as the result of acquired businesses and client lists.

Interest expense — Interest expense was $3.4 million and $2.5 million for the nine months ended September 30, 2007 and 2006, respectively. Average debt was $116.2 million for the nine months ended September 30, 2007, compared to $74.2 million for the comparable period in 2006, and average interest rates were 3.7% and 4.3% during the nine months ended September 30, 2007 and 2006, respectively. Higher average debt and lower average interest rates for the nine months ended September 30, 2007 compared to the same period in 2006, was primarily the result of CBIZ completing a $100.0 million offering of convertible senior subordinated notes (“Notes”) on May 30, 2006 which carry a fixed interest rate of 3.125%. See Note 4 to the accompanying consolidated financial statements for further discussion of these notes.

Other income, net — Other income, net was $3.3 million for the nine months ended September 30, 2007, and $2.7 million for the comparable period in 2006, an increase of $0.6 million. Other income (expense), net is primarily comprised of interest income, adjustments to the fair value of investments held in a rabbi trust related to the deferred compensation plan, gains and losses on sales of assets, and miscellaneous income such as contingent royalties from previous divestitures. Adjustments to the fair value of investments related to the deferred compensation plan are offset by adjustments to compensation costs which are recorded as operating or corporate general and administrative expenses in the consolidated statements of operations, and thus do not have on impact an CBIZ’s net income. The increase in other income during the nine months ended September 30, 2007 from the comparable period in 2006 was primarily the result of an increase in the fair value of investments related to the deferred compensation plan, offset by lower contingent royalties received from previous divestitures. In addition, CBIZ recognized a one-time life insurance benefit of $0.4 million during the nine months ended September 30, 2006 that did not occur in 2007.

Income tax expense — CBIZ recorded income tax expense from continuing operations of $17.7 million and $15.2 million for the nine months ended September 30, 2007 and 2006, respectively. The effective tax rate for the nine months ended September 30, 2007 was 41.2%, compared to an effective rate of 40.1% for the comparable period in 2006. The increase in the effective tax rate for the nine months ended September 30, 2007 from the comparable period in 2006 was primarily the result of an increase in estimated tax reserves related to the IRS audits discussed in Note 1 to the accompanying consolidated financial statements.

Operating Practice Groups

Financial Services

	NINE MONTHS ENDED SEPTEMBER 30,		
	2007	2006	Change
		(Dollars in thousands)	
Revenue			
Same-unit	$226,179	$204,695	$21,484
Acquired businesses	1,763	—	1,763
Divested operations	—	463	(463)
Total revenue	$227,942	$205,158	$22,784
Operating expenses	183,435	165,846	17,589
Gross margin	$ 44,507	$ 39,312	$ 5,195
Gross margin percent	19.5%	19.2%	0.3%

The growth in same-unit revenue was due to an increase in the aggregate number of hours charged to clients for consulting, valuation and litigation support services, and price increases for traditional accounting and tax services. The growth in revenue from acquired businesses was provided by a firm in Phoenix which was acquired during the first quarter of 2007.

The largest components of operating expenses for the Financial Services practice group are personnel costs, occupancy costs and travel and meal costs, representing 90.6% of total operating expenses for the nine months ended September 30, 2007 and 2006. Personnel costs increased $14.6 million for the nine months ended September 30, 2007 versus the comparable period in 2006, and were 64.6% of revenue for each of the nine month periods. The dollar increase in personnel costs was primarily due to additional salary costs incurred for new employees, annual merit increases, increases in variable compensation which is based on unit results, and an increase in benefit costs. CBIZ continues to add personnel in the Financial Services practice group in order to accommodate revenue growth. Occupancy costs are relatively fixed in nature but increased $0.8 million for the nine months ended September 30, 2007 versus the comparable period in 2006 due to additional space required to accommodate growth. Travel and meal costs for the nine months ended September 30, 2007 were $0.4 million higher than the comparable period in 2006. Both occupancy and travel and meal costs decreased as a percentage of revenue for the nine months ended September 30, 2007 versus the comparable period in 2006.

Gross margin improvement was primarily due to leveraging the increase in revenues against increases in occupancy and travel and meal costs.

Employee Services

	NINE MONTHS ENDED SEPTEMBER 30,		
	2007	2006 (Dollars in thousands)	Change
Revenue			
Same-unit	$126,421	$115,088	$11,333
Acquired businesses	1,710	—	1,710
Total revenue	$128,131	$115,088	$13,043
Operating expenses	100,416	90,984	9,432
Gross margin	$ 27,715	$ 24,104	$ 3,611
Gross margin percent	21.6%	20.9%	0.7%

The increase in same-unit revenue was primarily attributable to growth in the retail, payroll service and specialty life insurance businesses. The growth in revenue from acquired businesses was provided by a property and casualty business in San Jose, California which was acquired during the first quarter of 2006, and a property and casualty business with offices in St. Joseph and Kansas City, Missouri, which was acquired during the second quarter of 2006.

The largest components of operating expenses for the Employee Services practice group are personnel costs, including commissions paid to third party brokers, and occupancy costs, representing 86.2% and 86.5% of total operating expenses for the nine months ended September 30, 2007 and 2006, respectively. Personnel costs increased $7.8 million to 62.2% of revenue for the nine months ended September 30, 2007 from 62.5% of revenue for the comparable period in 2006. Acquired businesses contributed $0.8 million of the increase in personnel costs; the remainder of the increase was primarily the result of the growth in revenue as the sales force is typically compensated on a variable basis, and due to investments in leadership, sales and service personnel to better position the practice group for future growth. Occupancy costs are relatively fixed in nature and were approximately $6.8 million for the nine months ended September 30, 2007 and 2006.

The increase in gross margin was primarily due to leveraging the increase in revenues against the operating expenses which are generally fixed in the short term.

CBIZ Medical Management Professionals (MMP)

	NINE MONTHS ENDED SEPTEMBER 30,		
	2007	2006 (Dollars in thousands)	Change
Revenue			
Same-unit	$91,887	$88,014	$ 3,873
Acquired businesses	2,257	—	2,257
Total revenue	$94,144	$88,014	$ 6,130
Operating expenses	79,535	73,076	6,459
Gross margin	$14,609	$14,938	$ (329)
Gross margin percent	15.5%	17.0%	(1.5)%

The increase in same-unit revenue was primarily attributable to an increase in the volume of procedures processed for existing clients, and an increase in net new business sold (new contracts signed subsequent to January 1, 2006, less terminated business in the same period). This growth was partially offset by certain reductions in the 2007 Medicare reimbursement rates, including those that occurred as the result of the Deficit Reduction Act which is further described under “Overview — Medical Management Professionals.” The growth in revenue from acquired businesses was provided by a medical billing business based in Montgomery, Alabama which was acquired during the second quarter of 2007.

The largest components of operating expenses for MMP are personnel costs, occupancy costs and office expenses (primarily postage), representing 87.9% and 88.5% of total operating expenses for the nine months ended September 30, 2007 and 2006, respectively. Personnel costs increased by $5.2 million to 59.4% of revenue for the nine months ended September 30, 2007, from 57.5% of revenue for the comparable period in 2006. Acquired businesses contributed $1.0 million of the increase in personnel costs; the remaining increase was primarily the result of annual merit increases and an increase in headcount to support the growth in revenue. Occupancy costs are relatively fixed in nature and were approximately $6.0 million for the nine months ended September 30, 2007 and 2006. Office expenses did not change for the nine months ended September 30, 2007 from the comparable period in 2006, but decreased as a percentage of revenue to 8.4% from 9.2%.

The decrease in gross margin was primarily due to impacts of certain reductions in the 2007 Medicare reimbursement rates, including those that occurred as the result of the Deficit Reduction Act. Since MMP is typically paid a portion of the revenue collected on behalf of its clients, reductions in client revenue that resulted from the reduction in reimbursement rates had an adverse affect on MMP’s revenue and margins.

National Practices

	NINE MONTHS ENDED SEPTEMBER 30,		
	2007	2006	Change
	(Dollars in thousands)		
Revenue			
Same-unit	$37,399	$38,009	$ (610)
Acquired businesses	—	—	—
Total revenue	$37,399	$38,009	$ (610)
Operating expenses	34,131	33,195	936
Gross margin	$ 3,268	$ 4,814	$ (1,546)
Gross margin percent	8.7%	12.7%	(4.0)%

The decrease in revenue was primarily attributable to the mergers and acquisitions business completing three transactions during the first nine months of 2006, and no transactions during the comparable period of 2007. This decrease was partially offset by an increase in consulting revenue at the technology businesses during the nine months ended September 30, 2007 versus the comparable period of 2006, a portion of which was attributable to a special project with our largest customer.

The largest components of operating expenses for the National Practices group are personnel costs, direct costs and occupancy costs, representing 92.7% and 91.8% of total operating expenses for the nine months ended September 30, 2007 and 2006, respectively. Personnel costs increased $1.1 million to 62.5% of revenue for the nine months ended September 30, 2007 from 58.7% of revenue for the comparable period in 2006. The increase in personnel costs relates to annual merit increases and additional employees primarily in relation to the special project noted above. This increase was partially offset by lower personnel costs in our mergers and acquisitions business as a portion these personnel costs are variable with completing transactions. Direct costs increased $0.1 million to 19.0% of revenue for the nine months ended September 30, 2007 from 18.4% for the comparable period in 2006, and consisted of an increase in third party service fees offset by a decrease in product costs. The increase in third party service fees was related to the special project noted above, and the decrease in product costs was a result of an overall decline in product sales. Occupancy costs are relatively fixed in nature and were $1.2 million for the nine months ended September 30, 2007 and 2006.

The decline in gross margin was primarily the result of three transactions completed by the mergers and acquisitions business during the nine months ended September 30, 2006 versus no transactions in 2007. Transactions completed by the mergers and acquisitions business typically result in a large amount of revenue for CBIZ, with minimal incremental cost; thus the number and size of transactions completed by the mergers and acquisition business may have a significant impact to gross margin. This decline in gross margin by the mergers and acquisitions business was partially offset by an overall improvement in gross margin by the technology businesses.

Financial Condition

Total assets were $525.0 million, total liabilities were $301.5 million and shareholders' equity was $223.5 million as of September 30, 2007. Current assets of $247.1 million exceeded current liabilities of $156.8 million by $90.3 million.

Cash and cash equivalents increased by $8.6 million to $21.5 million at September 30, 2007 from December 31, 2006. Restricted cash was $16.9 million at September 30, 2007, a decrease of $0.6 million from December 31, 2006. Restricted cash represents those funds held in connection with CBIZ's NASD regulated operations and funds held in connection with the pass through of insurance premiums to various carriers. Cash and restricted cash fluctuate during the year based on the timing of cash receipts and related payments.

Accounts receivable, net were $121.1 million at September 30, 2007, an increase of $16.8 million from December 31, 2006. Days sales outstanding (DSO) represents accounts receivable (before the allowance for doubtful accounts) and unbilled revenue (net of realization adjustments) at the end of the period, divided by trailing twelve month daily revenue. CBIZ provides DSO data because such data is commonly used as a performance measure by analysts and investors and as a measure of the Company's ability to collect on receivables in a timely manner. DSO was 72 days, 66 days and 71 days at September 30, 2007, December 31, 2006 and September 30, 2006, respectively.

Other current assets were $8.0 million and $9.0 million at September 30, 2007 and December 31, 2006, respectively. Other current assets are primarily comprised of prepaid expenses. Balances may fluctuate during the year based upon the timing of cash payments and amortization of prepaid expenses.

Funds held for clients are directly offset by client fund obligations. Funds held for clients fluctuate during the year based on the timing of cash receipts and related payments, and are further described in Note 1 to the accompanying consolidated financial statements.

Notes receivable (current and non-current) decreased by $1.8 million at September 30, 2007 from December 31, 2006. The decrease in notes receivable relates primarily to a payment received in the first quarter of 2007 for contingent proceeds earned on a business that was sold in the third quarter of 2005.

Goodwill and other intangible assets, net of accumulated amortization, increased by $9.1 million at September 30, 2007 from December 31, 2006. Acquisitions, including contingent consideration earned, resulted in a $13.4 million increase in intangible assets during the nine months ended September 30, 2007. Intangible assets decreased by $0.2 million as a result of divestiture activity and $4.1 million due to amortization expense.

Assets of the deferred compensation plan represent participant deferral accounts. The assets are held in a rabbi trust and are directly offset by obligations of the plan, representing obligations due to the participants. Although the assets of the plan are specifically designated as available to CBIZ solely for the purpose of paying benefits under the deferred compensation plan, in the event that CBIZ became insolvent, the assets would be available to all unsecured general creditors. The plan is described in further detail in our Annual Report on Form 10-K for the year ended December 31, 2006.

The accounts payable balance of $24.1 million at September 30, 2007 reflects amounts due to suppliers and vendors; balances fluctuate during the year based on the timing of cash payments. Accrued personnel costs were $35.3 million at September 30, 2007 and represent amounts due for payroll, payroll taxes, employee benefits and incentive compensation; balances fluctuate during the year based on the timing of payments and our estimate of incentive compensation costs.

Other liabilities (current and non-current) decreased by $3.2 million at September 30, 2007 from December 31, 2006, primarily as a result of payments made on notes payable related to contingent purchase price earned on previous acquisitions. This decrease was partially offset by an increase in non-current income taxes payable of $3.3 million related to the adoption of FIN 48 in the first quarter of 2007, which is further described in Note 1 of the accompanying consolidated financial statements.

The increase in current income taxes payable to $7.0 million at September 30, 2007 from $3.7 million at December 31, 2006 was primarily due to the provision for income taxes and the timing of tax payments. The increase was partially offset by tax benefits related to the exercise of stock options.

Stockholders' equity increased $6.9 million to $223.5 million at September 30, 2007 from $216.6 million at December 31, 2006. The increase in stockholders' equity was primarily due to net income of $28.7 million, the exercise of stock options and related tax benefits which contributed $5.9 million, the issuance of $0.6 million in common shares for business acquisitions, $1.7 million related to the recognition of stock compensation expense and a one-time adjustment to accumulated deficit of $0.7 million as a result of adopting FIN 48 on January 1, 2007. These increases were offset by share repurchase activity during the nine months ended September 30, 2007 of approximately 4.4 million shares at a cost of $30.7 million.

Liquidity and Capital Resources

CBIZ's principal source of net operating cash is derived from the collection of commissions and fees for professional services and products rendered to its clients. CBIZ supplements net operating cash with an unsecured credit facility, and with $100.0 million in convertible senior subordinated notes ("Notes"). The Notes mature on June 1, 2026, and may be redeemed by CBIZ in whole or in part anytime after June 6, 2011.

The unsecured credit facility has a five year term expiring in February 2011, and carries an option to increase the commitment to $150.0 million. At September 30, 2007, CBIZ had outstanding borrowings of $12.0 million under its credit facility, and had letters of credit and performance guarantees totaling $3.3 million. Available funds under the facility based on the terms of the commitment were approximately $80.3 million at September 30, 2007. Management believes cash generated from operations, combined with the available funds from the credit facility, provides CBIZ the financial resources needed to meet business requirements for the foreseeable future, including capital expenditures, working capital requirements, and strategic investments.

The facility allows for the allocation of funds for strategic initiatives, including acquisitions and the repurchase of CBIZ common stock. Under the credit facility, CBIZ is required to meet certain financial covenants with respect to (i) minimum net worth; (ii) maximum leverage ratio; and (iii) a minimum fixed charge coverage ratio. CBIZ was in compliance with its covenants as of September 30, 2007 and projects that it will remain in compliance for the remainder of 2007.

CBIZ may also obtain funding by offering securities or debt, through public or private markets. CBIZ currently has a shelf registration under which it can offer such securities. See our Annual Report on Form 10-K for the year ended December 31, 2006 for a description of the shelf registration statement.

Sources and Uses of Cash

The following table summarizes our cash flows from operating, investing and financing activities for the nine months ended September 30, 2007 and 2006 (in thousands):

	2007	2006
Total cash provided by (used in):		
Operating activities	$ 19,048	$ 16,746
Investing activities	2,783	(18,968)
Financing activities	(13,268)	8,790
Increase in cash and cash equivalents	$ 8,563	$ 6,568

Cash flows from operating activities represent net income adjusted for certain non-cash items and changes in assets and liabilities. CBIZ typically experiences a net use of cash from operations during the first quarter of its fiscal year, as accounts receivable balances grow in response to the seasonal increase in first quarter revenue generated by the Financial Services practice group (primarily for accounting and tax services). This net use of cash is followed by strong operating cash flow during the second and third quarters, as a significant amount of revenue generated by the Financial Services practice group during the first four months of the year are billed and collected in subsequent quarters. During the nine months ended September 30, 2007, net cash provided by operating activities was $19.0 million, compared to $16.7 million for the comparable period in 2006. The $2.3 million increase in cash provided from operating activities was primarily due to higher net income and was partially offset by $1.6 million related to the collective change in working capital accounts.

Cash flows from investing activities consist primarily of payments toward capital expenditures and business acquisitions, proceeds from divested operations and the collection of notes receivable. Investing activities provided $2.8 million during the nine months ended September 30, 2007, compared to $19.0 million used during the comparable period in 2006. Cash flows provided by investing activities during the nine months ended September 30, 2007 primarily consisted of $27.7 million in proceeds from the sale of various operations and $0.4 million in net collections on notes receivable. These proceeds were offset by $18.9 million of net cash used towards business acquisitions, $1.6 million for the acquisition of other intangible assets and $4.2 million for capital expenditures (net). Investing uses of cash during the nine months ended September 30, 2006 primarily consisted of $20.6 million of net cash used towards business acquisitions, $2.4 million for the acquisition of other intangible assets and $4.5 million for capital expenditures (net), offset by $7.3 million in proceeds received from the sale of various operations and $1.5 million in net collections on notes receivable. Cash used by discontinued operations was for capital expenditures. Capital expenditures primarily consisted of investments in technology, leasehold improvements and purchases of furniture and equipment.

Cash flows from financing activities consist primarily of net borrowing and payment activity from the credit facility, repurchases of CBIZ common stock, net borrowing and payment activity toward notes payable and capitalized leases, and proceeds from the exercise of stock options. Net cash used in financing activities during the nine months ended September 30, 2007 was $13.3 million compared to net cash provided by financing activities of $8.8 million for the comparable period in 2006. Financing sources of cash during the nine months ended September 30, 2007 included net borrowings from the credit facility of $12.0 million and $5.9 million in proceeds from the exercise of stock options (including tax benefits), offset by $30.8 million in cash used to repurchase shares of CBIZ common stock and $0.4 million in net payments towards notes payable and capitalized leases. Financing sources of cash during the nine months ended September 30, 2006 included $100.0 million in proceeds from convertible senior subordinated notes and $8.0 million in proceeds from the exercise of stock options (including tax benefits), offset by $32.2 million in net payments toward the credit facility, $62.9 million in cash used to repurchase shares of CBIZ common stock, $0.5 million in net payments towards notes payable and capitalized leases and $3.6 million in cash paid for debt issuance costs (primarily related to the convertible senior subordinated notes).

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Obligations and Commitments

CBIZ's contractual obligations for future payments as of September 30, 2007 were as follows (in thousands):

	Total	2007 (2)	2008	2009	2010	2011	Thereafter
Convertible notes	$100,000	$ —	$ —	$ —	$ —	$ —	$100,000
Interest on convertible notes	59,375	1,563	3,125	3,125	3,125	3,125	45,312
Credit facility	12,000	—	—	—	—	12,000	—
Income taxes payable	10,273	7,002	3,271	—	—	—	—
Notes payable	2,387	192	1,495	700	—	—	—
Capitalized leases	615	123	418	74	—	—	—
Restructuring lease obligations(1)	16,077	989	3,267	2,539	2,133	1,845	5,304
Non-cancelable operating lease obligations (1)	177,288	8,410	31,621	28,292	23,861	20,555	64,549
Letters of credit in lieu of cash security deposits	1,999	—	1,386	—	35	—	578
Performance guarantees for non-consolidated affiliates	1,278	341	437	500	—	—	—
License bonds and other letters of credit	1,432	—	—	—	—	—	1,432
Total	$382,724	$18,620	$45,020	$35,230	$29,154	$37,525	$217,175

(1) Excludes cash expected to be received under subleases.

(2) Represents contractual obligations for the fourth quarter of 2007.

Off-Balance Sheet Arrangements

CBIZ maintains administrative service agreements with independent CPA firms (as described more fully under "Overview — Financial Services"), which qualify as variable interest entities under FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," as amended. The impact to CBIZ of this accounting pronouncement is not material to the financial condition, results of operations, or cash flows of CBIZ, and is further discussed in Note 1 to the consolidated financial statements included herewith.

CBIZ provides guarantees of performance obligations for a CPA firm with which CBIZ maintains an administrative service agreement. Potential obligations under the guarantees totaled $1.3 million at September 30, 2007 and $1.7 million at December 31, 2006. In accordance with FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", as amended, CBIZ has recognized a liability for the fair value of the obligations undertaken in issuing these guarantees. The liability is recorded as other current liabilities in the accompanying consolidated balance sheets. CBIZ does not expect it will be required to make payments under these guarantees.

CBIZ provides letters of credit to landlords (lessors) of its leased premises in lieu of cash security deposits, which totaled $2.0 million at September 30, 2007 and December 31, 2006. In addition, CBIZ provides license bonds to various state agencies to meet certain licensing requirements. The amount of license bonds outstanding totaled $1.4 million and $1.6 million at September 30, 2007 and December 31, 2006, respectively.

CBIZ has various agreements under which we may be obligated to indemnify the other party with respect to certain matters. Generally, these indemnification clauses are included in contracts arising in the normal course of business under which we customarily agree to hold the other party harmless against losses arising from a breach of representations, warranties, covenants or agreements, related to matters such as title to assets sold and certain tax matters. Payment by CBIZ under such indemnification clauses are generally conditioned upon the other party making a claim. Such claims are typically subject to challenge by CBIZ and to dispute resolution procedures specified in the particular contract. Further, CBIZ's obligations under these agreements may be limited in terms of time and/or amount and, in some instances, CBIZ may have recourse against third parties for certain payments made by CBIZ. It is not possible to predict the maximum potential amount of future payments under these indemnification agreements due to the conditional nature of CBIZ's obligations and the unique facts of each particular agreement. Historically, CBIZ has not made any payments under these agreements that have been material individually or in the aggregate. As of September 30, 2007, CBIZ was not aware of any material obligations arising under indemnification agreements that would require payments.

Interest Rate Risk Management

CBIZ has used interest rate swaps to manage the interest rate mix of its credit facility and related overall cost of borrowing. Interest rate swaps involve the exchange of floating for fixed rate interest payments to effectively convert floating rate debt into fixed rate debt based on a one, three, or nine-month U.S. dollar LIBOR. Interest rate swaps allow CBIZ to maintain a target range of fixed to floating rate debt. During the nine months ended September 30, 2007 and the twelve months ended December 31, 2006, management did not utilize interest rate swaps. Management will continue to evaluate the potential use of interest rate swaps as it deems appropriate under certain operating and market conditions. During 2006, CBIZ sold $100.0 million in convertible senior subordinated notes ("Notes") bearing a fixed interest rate of 3.125%. As the Notes mature on June 1, 2026 and may not be redeemed without a premium until June 6, 2011, we believe this low cost of borrowing mitigates our interest rate risk.

In connection with payroll services provided to clients, CBIZ collects funds from its clients' accounts in advance of paying these client obligations. These funds held for clients are segregated and invested in short-term investments and Auction Rate Securities ("ARS"), which are classified as marketable securities. ARS generally have a high credit quality, are highly liquid, and generate higher rates of return than typical money market investments. During the nine months ended September 30, 2007, the average balance of funds held for clients related to payroll services was approximately $54.1 million, and the average interest yield was approximately 5.3% (on an after-tax basis). The interest income on these short-term investments mitigates the interest rate risk for the borrowing costs of CBIZ's credit facility, as the rates on both the investments and the outstanding borrowings against the credit facility float based on market conditions.

Critical Accounting Policies

The policies discussed below are considered by management to be critical to the understanding of CBIZ's consolidated financial statements because their application places significant demand on management's judgment, with financial reporting results relying on estimation about the effects of matters that are inherently uncertain. Specific risks for these critical accounting policies are described in the following paragraphs. For all of these policies, management cautions that estimates may require adjustment if future events develop differently than expected.

Revenue Recognition and Valuation of Unbilled Revenues

Revenue is recognized when all of the following are present: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, our fee to the client is fixed or determinable, and collectibility is reasonably assured. These criteria are in accordance with Generally Accepted Accounting Principles (GAAP) and SEC Staff Accounting Bulletin No. 104 (SAB 104). CBIZ offers a vast array of products and business services to its clients. Those services are delivered through four practice groups. A description of revenue recognition, as it relates to those groups, is provided below.

Financial Services — Revenue consists primarily of fees for accounting services, preparation of tax returns, consulting services, compliance projects, and valuation services including fairness opinions, business plans, litigation support, purchase price allocations and derivative valuations. Revenues are recorded in the period in which services are provided and meet revenue recognition criteria in accordance with SAB 104. CBIZ bills clients based upon a predetermined agreed-upon fixed fee or based on actual hours incurred on client projects at expected net realizable rates per hour, plus agreed-upon out-of-pocket expenses. The cumulative impact on any subsequent revision in the estimated realizable value of unbilled fees for a particular client project is reflected in the period in which the change becomes known.

Employee Services — Revenue consists primarily of brokerage and agency commissions, payroll service fees, interest on client funds, and fee income for administering health and retirement plans. A description of the revenue recognition, based on the service provided, insurance product sold, and billing arrangement, is described below.

- Commissions relating to brokerage and agency activities whereby CBIZ has primary responsibility for the collection of premiums from insureds (agency or indirect billing) are recognized as of the latter of the effective date of the insurance policy or the date billed to the customer; commissions to be received directly from insurance companies (direct billing) are recognized when the data necessary from the carriers to properly record revenue becomes available; and life insurance commissions are recognized when insurance coverage is afforded to the individual under the policy. Commission revenue is reported net of sub-broker commissions, and reserves for estimated policy cancellations and terminations. The cancellation and termination reserve is based upon estimates and assumptions using historical cancellation and termination experience and other current factors to project future experience. CBIZ periodically reviews the adequacy of the reserve and makes adjustments as necessary. The use of different estimates or assumptions could produce different results.
- Commissions which are based upon certain performance targets are recognized at the earlier of written notification that the target has been achieved, or cash collection.
- Fee income is recognized in the period in which services are provided, and may be based on actual hours incurred on an hourly fee basis, fixed fee arrangements, or asset-based fees.
- Payroll — Revenue is recognized when the actual payroll processing occurs.

Medical Management Professionals — Fees for services are primarily based on a percentage of net collections on our clients' patient accounts receivable. As such, revenue is determinable, earned, and recognized, when payments are received by our clients on their patient accounts. Revenue earned on statement mailing services is recognized when statements are processed and mailed. Revenue from the sale of billing systems is recognized upon installation of the system, while the related system maintenance revenue is recognized over the period covered by the maintenance agreement.

National Practices Services — The business units that comprise this practice group offer a variety of services. A description of revenue recognition associated with the primary services is provided below.

- Technology Consulting — Revenue associated with hardware and software sales is recognized upon delivery and acceptance of the product. Revenue associated with installation is recognized as services are performed, and revenue associated with service agreements is recognized on a straight-line basis over the period of the agreement. Consulting revenue is recognized on an hourly or per diem fee basis as services are performed.
- Health Care Consulting — CBIZ bills clients based upon a predetermined agreed-upon fixed fee or based on actual hours incurred on client projects at expected net realizable rates per hour, plus agreed-upon out-of-pocket expenses, or as a percentage of savings after contingencies have been resolved and verified by a third party.
- Mergers & Acquisitions and Capital Advisory — Revenue associated with non-refundable retainers is recognized on a pro rata basis over the life of the engagement. Revenue associated with success fee transactions is recognized when the transaction is completed.

Certain of our client arrangements encompass multiple deliverables. CBIZ accounts for these arrangements in accordance with Emerging Issues Task Force No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" (EITF 00-21). If the deliverables meet the criteria in EITF 00-21, the deliverables are divided into separate units of accounting and revenue is allocated to the deliverables based on their relative fair values. Revenue for each unit is recognized separately in accordance with CBIZ's revenue recognition policy for each unit. For those arrangements where the deliverables do not qualify as a separate unit of accounting, revenue from all deliverables are treated as one accounting unit and evaluated for appropriate accounting treatment based upon the underlying facts and circumstances.

Valuation of Accounts Receivable and Notes Receivable

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Specifically, management must make estimates of the collectibility of accounts receivable, including unbilled accounts receivable, related to current period service revenue. Management analyzes historical bad debts, client credit-worthiness, the age of accounts receivable and current economic trends and conditions when evaluating the adequacy of the allowance for doubtful accounts and the collectibility of notes receivable. Significant management judgments and estimates must be made and used in connection with establishing the allowance for doubtful accounts in any accounting period. Material differences may result if management made different judgments or utilized different estimates.

Valuation of Goodwill

CBIZ utilizes the purchase method of accounting for all business combinations in accordance with Statement of Financial Accounting Standard (SFAS) No. 141, “Business Combinations.” Intangible assets, which include client lists and non-compete agreements, are amortized principally by the straight-line method over their expected period of benefit, not to exceed ten years.

In accordance with the provisions of SFAS No. 142, “Goodwill and Other Intangible Assets”, goodwill is not amortized. Goodwill is tested for impairment annually during the fourth quarter of each year, and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. There was no goodwill impairment during the three or nine months ended September 30, 2007 or 2006.

Loss Contingencies

Loss contingencies, including litigation claims, are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Contingent liabilities are often resolved over long time periods. Estimating probable losses requires analysis that often depends on judgment about potential actions by third parties.

Incentive Compensation

Determining the amount of expense to recognize for incentive compensation at interim and annual reporting dates involves management judgment. Expenses accrued for incentive compensation are based upon expected financial results for the year, and the ultimate determination of incentive compensation can not be made until after year-end results are finalized. Thus, amounts accrued are subject to change in future interim periods if actual future financial results are higher or lower than expected. In arriving at the amount of expense to recognize, management believes it makes reasonable judgments using all significant information available.

Income Taxes

Determining the consolidated provision for income tax expense, income tax liabilities and deferred tax assets and liabilities involves management judgment. Management estimates an annual effective tax rate (which takes into consideration expected full-year results), which is applied to our quarterly operating results to determine the provision for income tax expense. In the event there is a significant, unusual or infrequent item recognized in our quarterly operating results, the tax attributable to that item is recorded in the interim period in which it occurs. Circumstances that could cause our estimates of effective income tax rates to change include the impact of information that subsequently becomes available as we prepare our corporate income tax returns; the level of actual pre-tax income; revisions to tax positions taken as a result of further analysis and consultation; the receipt and expected utilization of federal and state income tax credits; and changes mandated as a result of audits by taxing authorities. Management believes it makes reasonable judgments using all significant information available when estimating income taxes.

CBIZ adopted the provisions of FIN 48 on January 1, 2007. See Note 1 to the accompanying consolidated financial statements for further discussion.

Other Significant Policies

Other significant accounting policies not involving the same level of measurement uncertainties as those discussed above are nevertheless important to understanding the consolidated financial statements. Those policies are described in Note 1 to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2006.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157 “Fair Value Measurements” (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Provisions of SFAS No. 157 must be applied prospectively as of the beginning of the first fiscal year in which the accounting standard is applied. CBIZ is currently evaluating the impact of adoption of SFAS No. 157 on the consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115” (SFAS No. 159). SFAS No. 159 permits entities to choose to measure certain financial instruments and other eligible items at fair value when the items are not otherwise currently required to be measured at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. SFAS No. 159 also establishes presentation and disclosure requirements to facilitate comparisons between companies that choose different measurement attributes for similar assets and liabilities. The provisions of SFAS No. 159 are effective for fiscal years beginning after November 15, 2007. CBIZ is currently evaluating the impact of adoption of SFAS No. 159 on the consolidated financial statements.

Uncertainty of Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this Quarterly Report, including without limitation, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding CBIZ’s financial position, business strategy and plans and objectives for future performance are forward-looking statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Forward-looking statements are commonly identified by the use of such terms and phrases as “intends,” “believes,” “estimates,” “expects,” “projects,” “anticipates,” “foreseeable future,” “seeks,” and words or phrases of similar import in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated services, sales efforts, expenses, and financial results. From time to time, we also may provide oral or written forward-looking statements in other materials we release to the public. Any or all of our forward-looking statements in this Quarterly Report on Form 10-Q and in any other public statements that we make, are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Such forward-looking statements can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Should one or more of these risks or assumptions materialize, or should the underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Such risks and uncertainties include, but are not limited to: CBIZ’s ability to adequately manage its growth; CBIZ’s dependence on the services of its CEO and other key employees; competitive pricing pressures; general business and economic conditions; changes in governmental regulation and tax laws affecting its operations; reversal or decline in the current trend of outsourcing business services; revenue seasonality or fluctuations in and collectibility of receivables; liability for errors and omissions of our businesses; regulatory investigations and future regulatory activity (including without limitation inquiries into compensation arrangements within the insurance brokerage industry); and reliance on information processing systems and availability of software licenses. Consequently, no forward-looking statement can be guaranteed.

A more detailed description of risk factors may be found in CBIZ's Annual Report on Form 10-K for the year ended December 31, 2006. CBIZ undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in the quarterly, periodic and annual reports we file with the SEC. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

CBIZ's floating rate debt under its credit facility exposes the Company to interest rate risk. Interest rate risk results when the maturity or repricing intervals of interest-earning assets and interest-bearing liabilities are different. A change in the Federal Funds Rate, or the Reference Rate set by the Bank of America, would affect the rate at which CBIZ could borrow funds under its credit facility. CBIZ's balance outstanding under its credit facility at September 30, 2007 was $12.0 million. If market rates were to increase or decrease 100 basis points from the levels at September 30, 2007, interest expense would increase or decrease approximately $0.1 million annually.

CBIZ does not engage in trading market risk sensitive instruments. In the past, CBIZ has used interest rate swaps to manage the interest rate mix of its credit facility and related overall cost of borrowing. Interest rate swaps involve the exchange of floating for fixed rate interest payments to effectively convert floating rate debt into fixed rate debt based on a one, three, or six-month U.S. dollar LIBOR. Interest rate swaps allow CBIZ to maintain a target range of fixed to floating rate debt. Management will continue to evaluate the potential use of interest rate swaps as it deems appropriate under certain operating and market conditions.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We evaluated the effectiveness of our disclosure controls and procedures (Disclosure Controls) as of the end of the period covered by this report. This evaluation (Controls Evaluation) was done with the participation of our Chairman and Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

Disclosure Controls are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure Controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our Disclosure Controls or our internal controls over financial reporting (Internal Controls) will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of a control system are met. Further, any control system reflects limitations on resources, and the benefits of a control system must be considered relative to its costs. Because of 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 CBIZ 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 error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of a control. A design of a control system is also based upon 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 the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Conclusions

Based upon the Controls Evaluation, our CEO and CFO have concluded that, subject to the limitations noted above, the Disclosure Controls are effective in providing reasonable assurance that material information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There were no changes in our Internal Controls that occurred during the quarter ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, our Internal Controls.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

CBIZ is from time to time subject to claims and suits arising in the ordinary course of business. Although the ultimate disposition of such proceedings is not presently determinable, management does not believe that the ultimate resolution of these matters will have a material adverse effect on the financial condition, results of operations or cash flows of CBIZ.

Item 1A. Risk Factors

Factors that may affect CBIZ's actual operating and financial results are described in "Item 1A. Risk Factors" of CBIZ's Annual Report on 10-K for the year ended December 31, 2006.

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

On February 8, 2007, CBIZ's Board of Directors authorized the purchase of up to 5.0 million shares of CBIZ common stock through March 31, 2008. The shares may be repurchased in the open market or in privately negotiated transactions according to SEC rules.

The repurchase plans do not obligate CBIZ to acquire any specific number of shares and may be suspended at any time. Stock repurchase activity during the three months ended September 30, 2007 (reported on a trade-date basis) is summarized in the table below (in thousands, except per share data).

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (2)	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares That May Yet Be Purchased Under the Plans
July 1 — July 31, 2007	—	$ —	—	4,030
August 1 — August 31, 2007	837	$ 7.22	837	3,193
September 1 — September 30, 2007	10	$ 7.43	10	3,183
Total third quarter purchases	847	$ 7.22	847	

(1) Average price paid per share includes fees and commissions.

(2) Open market purchases.

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According to the terms of CBIZ's credit facility with Bank of America, CBIZ is not permitted to declare or make any dividend payments, other than dividend payments made by one of its wholly owned subsidiaries to the parent company. See Note 4 to the accompanying consolidated financial statements for a description of working capital restrictions and limitations upon the payment of dividends.

Item 6. Exhibits

31.1 * Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 * Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 * Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 * Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Indicates documents filed herewith.

SIGNATURE

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

CBIZ, Inc.
(Registrant)

Date: November 9, 2007

By: /s/ Ware H. Grove
Ware H. Grove
Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER OF CBIZ, INC.

I, Steven L. Gerard, Chief Executive Officer, certify that:

1. I have reviewed this report on Form 10-Q of CBIZ, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 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 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 third fiscal quarter 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: November 9, 2007

/s/ STEVEN L. GERARD
Steven L. Gerard
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER OF CBIZ, INC.

I, Ware H. Grove, Chief Financial Officer, certify that:

1. I have reviewed this report on Form 10-Q of CBIZ, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 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 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 third fiscal quarter 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: November 9, 2007

/s/ WARE H. GROVE
Ware H. Grove
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER OF CBIZ, INC.

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q for the period ended September 30, 2007 (the “Form 10-Q”) of CBIZ, Inc. (the “Issuer”).

I, Steven L. Gerard, the Chief Executive Officer of the Issuer, certify that to the best of my knowledge:

(i) the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: November 9, 2007

/s/ STEVEN L. GERARD
Steven L. Gerard
Chief Executive Officer

Subscribed and sworn to before me
this 9th day of November, 2007.

/s/ MICHAEL W. GLEESPEN
Name: Michael W. Gleespen
Title: Notary Public & Attorney-At-Law
Registered in Franklin County, Ohio
No Expiration Date

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER OF CBIZ, INC.

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q for the period ended September 30, 2007 (the "Form 10-Q") of CBIZ, Inc. (the "Issuer").

I, Ware H. Grove, the Chief Financial Officer of the Issuer, certify that to the best of my knowledge:

(i) the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: November 9, 2007

/s/ WARE H. GROVE
Ware H. Grove
Chief Financial Officer

Subscribed and sworn to before me
this 9th day of November, 2007.

/s/ MICHAEL W. GLEESPEN
Name: Michael W. Gleespen
Title: Notary Public & Attorney-At-Law
Registered in Franklin County, Ohio
No Expiration Date