

CBIZ, Inc.
Form 10-K
March 15, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012 or

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 1-32961

CBIZ, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction)

22-2769024
(I.R.S. Employer

of incorporation or organization)
6050 Oak Tree Boulevard, South,

Identification No.)

Suite 500,

Cleveland, Ohio
(Address of principal executive offices)

44131
(Zip Code)

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

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

Common Stock, par value \$0.01
(Title of class)

New York Stock Exchange
(Name of exchange on which registered)

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$296.8 million as of June 30, 2012.

The number of outstanding shares of the registrant's common stock is 50,545,684 as of February 28, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

Part III Portions of the Registrant's Definitive Proxy Statement relative to the 2013 Annual Meeting of Stockholders to be filed with the Securities and Exchanges Commission no later than 120 days after the end of the Registrant's fiscal year.

Table of Contents

CBIZ, INC.

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Table of Contents

	Page
<u>PART I</u>	
Item 1. <u>Business</u>	4
Item 1A. <u>Risk Factors</u>	11
Item 1B. <u>Unresolved Staff Comments</u>	18
Item 2. <u>Properties</u>	18
Item 3. <u>Legal Proceedings</u>	18
Item 4. <u>Mine Safety Disclosures</u>	19
<u>PART II</u>	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	20
Item 6. <u>Selected Financial Data</u>	23
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	49
Item 8. <u>Financial Statements and Supplementary Data</u>	49
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	49
Item 9A. <u>Controls and Procedures</u>	50
Item 9B. <u>Other Information</u>	51
<u>PART III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	52
Item 11. <u>Executive Compensation</u>	56
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	56
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	56
Item 14. <u>Principal Accountant Fees and Services</u>	58
<u>PART IV</u>	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	59
<u>Signatures</u>	62

Table of Contents

Forward-Looking Statements

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the Securities Act) and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act). All statements other than statements of historical fact included in this Annual Report on Form 10-K including, without limitation, Business and 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, 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, the Company may also provide oral or written forward-looking statements in other materials the Company releases to the public. Any or all of the Company's forward-looking statements in this Annual Report on Form 10-K and in any other public statements that the Company makes, 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 the Company might make or by known or unknown risks and uncertainties. Many factors mentioned in Item 1A, Risk Factors will be important in determining future results. 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 collectability of receivables; liability for errors and omissions of the Company's 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. The Company's actual future results may vary materially, and CBIZ undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures the Company makes on related subjects in the quarterly, periodic and annual reports the Company files with the SEC. Also note that the Company provides cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to its businesses as discussed in Item 1. These are factors that the Company thinks could cause its actual results to differ materially from expected and historical results. Other factors besides those described here could also adversely affect operating or financial performance.

The following text is qualified in its entirety by reference to the more detailed information and consolidated financial statements (including the notes thereto) appearing elsewhere in this Annual Report on Form 10-K. Unless the context otherwise requires, references in this Annual Report to we, our, us, CBIZ, or the Company shall mean CBIZ, Inc., a Delaware corporation, and its wholly-owned subsidiaries. All references to year, unless otherwise noted, refer to CBIZ's fiscal year which ends on December 31.

Table of Contents

PART I

Item 1. Business.

Overview and History

CBIZ provides professional business services, products and solutions that help its clients grow and succeed by better managing their finances and employees. 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 parts of Canada. CBIZ delivers its integrated services through the following four practice groups:

Financial Services

Medical Management Professionals (MMP)

Employee Services

National Practices

CBIZ believes that its diverse and integrated service offerings result in advantages for both the client and for CBIZ. By providing custom solutions that help clients manage their finances and employees, CBIZ enables its clients to focus their resources on their own core business and operational competencies. Additionally, working with one provider for several solutions enables CBIZ's clients to utilize their resources more efficiently by eliminating the need to coordinate with multiple service providers. The ability to combine several services and offer them through one trusted provider distinguishes CBIZ from other service providers.

CBIZ has been operating as a professional services business since 1996, and built its professional services business through acquiring accounting and financial service providers, benefits and employee services firms, valuation, medical billing and other service firms throughout the United States. CBIZ is listed on the New York Stock Exchange (NYSE) under the symbol CBZ .

Business Strategy

CBIZ strives to maximize shareholder value and believes this is accomplished through growth in revenue and earnings per share, as well as the strategic allocation and deployment of free cash-flow and capital resources.

Revenue

CBIZ believes revenue growth will be achieved through internal organic growth, cross-serving additional services to its existing clients, and targeted acquisitions. Each of these components is critical to the long-term growth strategy, and CBIZ expects each component to contribute to long-term revenue growth.

CBIZ believes it can capitalize on organic growth opportunities including a fragmented and generally underserved market. CBIZ offers a higher level of national resources than traditional local professional service firms, but delivers these services locally with a higher level of personal service than is expected from traditional national firms. CBIZ is also able to leverage technology to create efficiencies and to link together aligned services such as benefits, payroll, HR, and COBRA administration.

Cross-serving provides CBIZ with the opportunity to deliver multiple services to existing clients and thus contributes to revenue growth through the expansion of business to such clients. Cross-serving opportunities are identified by the Company's employees as they provide services to their existing clients. Being a trusted advisor to its clients provides CBIZ with the opportunity to identify the clients' needs, while the diverse and integrated services offered by CBIZ allow the Company to provide solutions to satisfy these needs.

CBIZ's acquisition strategy is to selectively acquire businesses that expand the Company's market position and strengthen its existing service offerings. Strategic businesses that CBIZ seeks to acquire generally have strong and energetic leadership, a positive local market reputation, commitment to client service, the potential for cross-serving additional CBIZ services to their clients, an ability to integrate quickly with existing CBIZ operations and are accretive to earnings.

Table of ContentsEarnings Per Share

CBIZ expects to grow earnings per share by achieving operating leverage. CBIZ believes it can achieve operating leverage by improving productivity while growing revenue. Operating leverage opportunities include managing general and administrative infrastructure costs and other costs that are fixed or may increase at rates slower than revenue growth.

Cash Flows and Capital Resources

CBIZ's strategy is to utilize capital resources for strategic initiatives that will optimize shareholder return. The highest priority for the utilization of capital is focused on strategic acquisitions. CBIZ also believes that repurchasing shares of its common stock is a use of cash that provides shareholder value. Accordingly, CBIZ has historically adopted a repurchase plan annually and continually evaluates share repurchase opportunities. CBIZ may repurchase shares of its common stock when, after assessing capital needed to fund acquisitions and seasonal working capital needs, capital resources are available and such repurchases are accretive to stockholders.

Business Services

CBIZ delivers its integrated services through four operating practice groups. A general description of services provided by practice group is provided in the table below.

Financial Services	Employee Services	MMP	National Practices
Accounting	Employee Benefits	Coding and Billing	Managed Networking and Hardware Services
Tax	Property & Casualty	Accounts Receivable Management	Health Care Consulting
Financial Advisory	Retirement Plan Services	Full Practice Management Services	Mergers & Acquisitions
Valuation	Payroll Services		
Litigation Support	Life Insurance		
Government Health Care Consulting	Human Capital Services		
Risk Advisory Services	Compensation Consulting		
Real Estate Advisory	Recruiting		
	Actuarial Services		

Practice Groups

Revenue by practice group for the years ended December 31, 2012, 2011 and 2010 is provided in the table below (in thousands):

	Year Ended December 31,					
	2012		2011		2010	
Financial Services	\$ 411,735	53.7%	\$ 391,232	53.3%	\$ 380,130	52.1%
Employee Services(1)	186,217	24.4%	171,205	23.4%	174,097	23.8%
MMP	138,016	18.0%	141,046	19.2%	148,425	20.3%
National Practices	30,126	3.9%	30,322	4.1%	27,749	3.8%
Total CBIZ	\$ 766,094	100.0%	\$ 733,805	100.0%	\$ 730,401	100.0%

- (1) Effective January 1, 2011, CBIZ sold its individual wealth management business. During the year ended December 31, 2010, revenue from the individual wealth management business that was reported in the Employee Services practice group was \$6.6 million.

Table of Contents

A discussion of CBIZ's practice groups and certain external relationships and regulatory factors that currently impact those practice groups are provided below. See Note 22 of the accompanying consolidated financial statements for further discussion of CBIZ's practice groups.

Financial Services

The Financial Services practice group is divided into a Financial Services division, which represents the various accounting units spread geographically throughout the United States that provide their services regionally, and a National Services division consisting of those units that provide their specialty services nationwide. Both the Financial Services and National Services divisions report either directly to the Chief Operating Officer of Financial Services or to the President of Financial Services. The President of Financial Services reports to CBIZ's President and Chief Operating Officer.

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 comprehensive income and totaled approximately \$116.1 million, \$109.1 million and \$110.1 million for the years ended December 31, 2012, 2011 and 2010, respectively, a majority of which is 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 typically reduced on a proportional basis. The ASAs have terms ranging 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 CBIZ has contractual relationships as a single entity in applying independence rules established by the accountancy regulators and the SEC. Accordingly, CBIZ does 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 sell, 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 CBIZ 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 CBIZ is associated have implemented policies and procedures designed to enable the Company 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 Sarbanes-Oxley Act independence limitations do not, and are 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 there under constitutes 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 are not permitted to be performed by any individual or entity that is not licensed to do so. CBIZ is not permitted to perform audits, reviews, compilations, or other attest services, does not contract to perform them and does not provide the associated

Table of Contents

attest reports. Given this legal prohibition and course of conduct, CBIZ does not believe it is likely that it would bear the risk of litigation losses related to attest services provided by the CPA firms.

At December 31, 2012, CBIZ maintained ASAs with four CPA firms. Most of the members and/or stockholders of the CPA firms are also CBIZ employees, and CBIZ renders services to the CPA firms as an independent contractor. CBIZ's primary ASA is with Mayer Hoffman McCann, P.C. (MHM P.C.), an independent national CPA firm headquartered in Kansas City, Kansas. MHM P.C. has 281 stockholders, a vast majority of whom are also employees of CBIZ. MHM maintains a nine member Board of Directors. There are no board members of MHM P.C. who hold senior officer positions at CBIZ. CBIZ's association with MHM P.C. offers clients access to the multi-state resources and expertise of a national CPA firm.

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 ASAs qualify as variable interest entities. See Note 1 of the accompanying consolidated financial statements for further discussion.

Employee Services

CBIZ's Employee Services group operates under a divisional President who oversees the practice group, along with a senior management team aligned along functional, product, and unit management lines. The Employee Services President reports to CBIZ's Chief Executive Officer. CBIZ's Employee Services group is organized along lines of services such as employee benefits consulting and brokerage, property and casualty brokerage, retirement plan advisory services, human capital advisory services, life insurance and other services that serve local and regional clients with national resources.

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 its 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 compensation related to these arrangements received during the years ended December 31, 2012, 2011 and 2010 were less than 2% of consolidated CBIZ revenue for the respective periods.

Medical Management Professionals

MMP provides billing and coding services, as well as full-practice management services for hospital-based physicians primarily in the practice of radiology, emergency medicine, anesthesiology and pathology. MMP has a President who reports to CBIZ's Chief Executive Officer. MMP's President is supported by an executive management team which oversees MMP's operating units along functional and product lines. Four of the five MMP operating units are organized into geographic regions representing the East, Great Lakes, South and West regions of the United States and the fifth unit is dedicated to Emergency Medicine billing. Each unit is managed by a two person management team focused on operations and finance.

Changes in some managed care plans and federal Medicare and Medicaid physician and practice expense reimbursement rules and rates have, and may continue to, adversely affect revenue in the existing physician and medical billing and collections business. 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 services and procedures, and replace volume-based payment methods. Since the Company's physician and medical billing and collections business is typically paid a portion of the revenue collected on behalf of the Company's clients, any reduction in the volume of services or reimbursement rates for such services or expenses for which the Company's clients are eligible to be

Table of Contents

paid may adversely affect the Company's 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 MMP will be able to maintain margins at historic levels.

National Practices

The National Practices group offers technology, health care consulting, and merger and acquisition services. The units within the National Practices group each have a Business Unit President. These Business Unit Presidents report to a Senior Vice President and CBIZ's President and Chief Operating Officer, with one unit reporting to CBIZ's Chief Executive Officer.

Sales and Marketing

CBIZ's branding goals are focused on providing CBIZ with a consistent image while at the same time providing a customizable set of marketing tools for each practice and market to utilize within each of the Company's distinct geographic and industry markets. Three key strategies are employed to accomplish these goals: thought leadership, market segmentation, and sales/sales management process development.

Thought leadership: CBIZ marketing efforts continue to capitalize on the extensive knowledge and expertise of CBIZ associates. This has been accomplished through media visibility, social media, webinars, and the creation of a wide variety of white papers, newsletters, books, and other information offerings.

Market segmentation: The majority of CBIZ marketing resources are devoted to the highly measurable and high return on investment strategies that specifically target those industries and areas where CBIZ has particularly deep experience. These efforts typically involve local, regional or national trade show and event sponsorships, targeted direct mail, email, and telemarketing campaigns, and practice and industry specific micro-sites and newsletters.

Sales/sales management process development: CBIZ continues to enhance an accountable business development culture with several initiatives including enhanced management visibility, analytics and forecasting through Salesforce.com and the implementation of performance management scorecards and business development pipeline reports. Together, these initiatives have helped create a more effective, efficient and successful sales management process throughout the Company.

Beginning in 2010, CBIZ's focus has been on marketing strategies that specifically support each of the Company's major practice areas: Financial Services, Employee Services and MMP. In each of these segments, emphasis has been put on marketing technology that has the highest and most measurable return on investment, including enhanced targeted email campaigns, webinars, and an improved web presence.

In 2012, CBIZ launched an initiative to build relationships and reputation through social media. Beginning with comprehensive training and support for LinkedIn and Twitter, CBIZ's social media efforts have expanded to include programs on Facebook, Google+, YouTube and social sharing sites such as Slideshare and Pinterest.

Customers

CBIZ provides professional business services to over 90,000 clients, including over 50,000 business clients. By providing various professional services and administrative functions, CBIZ enables its clients to focus their resources on their own operational competencies. Reducing administrative functions allows clients to enhance productivity, reduce costs and improve service quality and efficiency by focusing on their core business. Depending on a client's size and capabilities, it may choose to utilize one, some or many of the diverse and integrated services offered by CBIZ.

CBIZ's clients come from a large variety of industries and markets, including many government agencies, with the Company targeting mid-sized companies that have between 100 and 2,000 employees and annual revenues

Table of Contents

between \$5 million and \$200 million. CBIZ's largest client, Edward Jones, comprises less than 3% of CBIZ's consolidated revenue in 2012 and is included in the National Practices operating practice group. Management believes that its client diversity helps insulate CBIZ from a downturn in a particular industry or geographic market. Nevertheless, economic conditions among select clients and groups of clients may have an impact on the demand for services provided by CBIZ. See Note 22 of the accompanying consolidated financial statements for information regarding revenue attributable to the geographic areas where CBIZ operates.

Competition

The professional business services industry is highly fragmented and competitive, with a majority of industry participants, such as accounting, employee benefits, payroll providers, medical management or professional service organizations, offering only a limited number of services. Competition is based primarily on client relationships, quality of professional advice, range and quality of services or product offerings, customer service, timeliness, geographic proximity, and competitive rates. CBIZ competes with a number of multi-location regional or national professional services firms and a large number of relatively small independent firms in local markets. CBIZ's competitors in the professional business services industry include, but are not limited to, independent consulting services companies, independent accounting and tax firms, payroll service providers, medical billing and coding companies, independent insurance brokers and divisions of diversified services companies.

Acquisitions and Divestitures

CBIZ seeks to strengthen its operations and customer service capabilities by selectively acquiring businesses that expand its market position and strengthen its existing service offerings. During the year ended December 31, 2012, CBIZ acquired nine businesses:

Meridian Insurance Group, LLC (Meridian), with offices in Boca Raton, Florida and Atlanta, Georgia, is an insurance brokerage firm specializing in multiple insurance products and services including property and casualty, bonding, personal lines and employee benefits. Annualized revenues are estimated to be approximately \$4.4 million.

Primarily Care, Inc. (PCI), located in Cranston, Rhode Island, is an employee benefits brokerage firm that offers long-term healthcare cost reduction strategies through a unique system comprised of technology, innovative plan design, educational tools and tangible financial health incentives. Annualized revenues are estimated to be approximately \$1.8 million.

Stoltz and Company, LTD., L.L.P (Stoltz), with offices in Midland, San Antonio and Amarillo, Texas, is an insurance brokerage firm offering multiple insurance products and services including property and casualty, personal lines and employee benefits with specialization in oil and gas related risk management. Annualized revenues are estimated to be approximately \$3.2 million.

Trinity Risk Advisors, Inc. (Trinity), located in Atlanta, Georgia, is a specialty property and casualty brokerage firm focused primarily on products and services for medical malpractice insurance to the healthcare industry and specialized insurance to the transportation industry. Annualized revenues are estimated to be approximately \$1.0 million.

Strategic Employee Benefit Services – The Pruett Group, Inc. (SEBS-Pruett), with offices in Nashville, Chattanooga, Johnson City and Knoxville, Tennessee, is an employee benefit and consulting firm for mid-sized businesses. Annualized revenues are estimated to be approximately \$5.2 million.

ProMedical, Inc. (ProMedical), located in Ocala, Florida, is a full-service provider of medical billing and practice management services for hospital-based anesthesiology practices. Annualized revenues are estimated to be approximately \$4.9 million.

Table of Contents

The employee benefit division of Leavitt Pacific Insurance Brokers, Inc. (Leavitt), located in Campbell, California, provides employee benefits, retirement plan services and ancillary business support and services to clients in the San Jose region. Annualized revenues are estimated to be approximately \$2.5 million.

Diversified Industries, Inc. d/b/a Payroll Control Systems (PCS), located in Brooklyn Center, Minnesota, provides payroll, payroll tax, time and labor and human resources solutions to small and mid-sized clients. Annualized revenues are estimated to be approximately \$6.0 million.

PHBV Partners, L.L.P. (PHBV), with offices in Richmond, Virginia; Baltimore, Maryland; Indianapolis, Indiana; Austin, Texas; Cranford, New Jersey; and Raleigh, North Carolina, is a professional consulting and accounting service provider specializing in health care compliance on behalf of federal and state government agencies. Annualized revenues are estimated to be approximately \$30.0 million.

The operating results of Meridian, PCI, Stoltz, Trinity, SEBS-Pruett, Leavitt and PCS are reported in the Employee Services practice group, and the operating results of ProMedical and PHBV are reported in the MMP and Financial Services practice groups, respectively.

During the year ended December 31, 2012, CBIZ also purchased an employee benefits and consulting client list which is reported in the Employee Services practice group.

During the years ended December 31, 2012 and 2011, CBIZ recognized gains of \$2.5 million and \$2.3 million, respectively, from the sale of its individual wealth management business in January 2011. The gains are recorded in Gain on sale of operations, net on the consolidated statements of comprehensive income. Revenues associated with this business approximated \$6.6 million for the year ended December 31, 2010 and were reported in the Employee Services practice group.

Regulation

CBIZ's operations are subject to regulations by federal, state, local and professional governing bodies. Accordingly, CBIZ's business services may be impacted by legislative changes by these bodies, particularly with respect to provisions relating to payroll, benefits administration and insurance services, pension plan administration, medical management billing and collections, and tax and accounting. CBIZ remains abreast of regulatory changes affecting its business, as these changes often affect clients' activities with respect to employment, taxation, benefits, and accounting. For instance, changes in income, estate, or property tax laws may require additional consultation with clients subject to these changes to ensure their activities comply with revised regulations.

CBIZ itself is subject to industry regulation and changes, including changes in laws, regulations, and codes of ethics governing its accounting, insurance, valuation, medical management, registered investment advisory and broker-dealer operations, as well as in other industries, the interpretation of which may restrict CBIZ's operations.

CBIZ is subject to certain privacy and information security laws and regulations, including, but not limited to those under the Health Insurance Portability and Accountability Act of 1996, The Financial Modernization Act of 1999 (the Gramm-Leach-Bliley Act), the Health Information Technology for Economic and Clinical Health Act, and other provisions of federal and state laws which may restrict CBIZ's operations and give rise to expenses related to compliance.

As a public company, CBIZ is subject to the provisions of the Sarbanes-Oxley Act of 2002 to reform the oversight of public company auditing, improve the quality and transparency of financial reporting by those companies and strengthen the independence of auditors.

Table of Contents

Liability Insurance

CBIZ carries insurance policies including those for commercial general liability, automobile liability, property, crime, professional liability, directors and officers liability, fiduciary liability, employment practices liability and workers compensation subject to prescribed state mandates. Excess liability coverage is carried over the underlying limits provided by the commercial general liability, directors and officers liability, professional liability and automobile liability policies.

Employees

At December 31, 2012, CBIZ employed approximately 5,200 employees. CBIZ believes that it has a good relationship with its employees. A large number of the Company's employees hold professional licenses or degrees. As a professional services company that differentiates itself from competitors through the quality and diversity of its service offerings, CBIZ believes that its employees are its most important asset. Accordingly, CBIZ strives to remain competitive as an employer while increasing the capabilities and performance of its employees.

Seasonality

A disproportionately large amount of CBIZ's revenue occurs in the first half of the year. This is due primarily to accounting and tax services provided by the Company's Financial Services practice group, which is subject to seasonality related to heavy volume in the first four months of the year. CBIZ's Financial Services group generated more than 40% of its revenue in the first four months of each of the past five years. In addition, more than 50% of the Company's annual earnings per share have been earned during the first quarter of each of the past five years. Like most professional service companies, most of CBIZ's operating costs are relatively fixed in the short term, which generally results in higher operating margins in the first half of the year.

Available Information

CBIZ's principal executive office is located at 6050 Oak Tree Boulevard, South, Suite 500, Cleveland, Ohio 44131, and the Company's telephone number is (216) 447-9000. CBIZ's website is located at <http://www.cbiz.com>. CBIZ makes available, free of charge on its website, through the investor information page, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports as soon as reasonably practicable after CBIZ files (or furnishes) such reports with the U.S. Securities and Exchange Commission (SEC). The public may read and copy materials the Company files (or furnishes) with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549, and may obtain information on the operations of the Public Reference Room by calling the SEC at 1-800-732-0330. In addition, the SEC maintains an Internet Website that contains reports, proxy and information statements and other information about CBIZ at <http://www.sec.gov>. CBIZ's corporate code of conduct and ethics and the charters of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee of the Board of Directors are available on the investor information page of CBIZ's website, referenced above, and in print to any shareholder who requests them.

Item 1A. Risk Factors.

The following factors may affect our actual operating and financial results and could cause results to differ materially from those in any forward-looking statements. You should carefully consider the following information.

We may be more sensitive to revenue fluctuations than other companies, which could result in fluctuations in the market price of our common stock.

A substantial majority of our operating expenses such as personnel and related costs and occupancy costs, are relatively fixed in the short term. As a result, we may not be able to quickly reduce costs in response to any decrease in revenue. This factor could cause our quarterly results to be lower than expectations of securities analysts and stockholders, which could result in a decline in the price of our common stock.

Table of Contents

Payments on accounts receivable may be slower than expected, or amounts due on receivables or notes may not be fully collectible.

Professional services firms often experience higher average accounts receivable days outstanding compared to many other industries, which may be magnified if the general economy worsens. If our collections become slower, our liquidity may be adversely impacted. We monitor the aging of receivables regularly and make assessments of the ability of customers to pay amounts due. We provide for potential bad debts each month and recognize additional reserves against bad debts as we deem it appropriate. Notwithstanding these measures, our customers may face unexpected circumstances that adversely impact their ability to pay their trade receivables or note obligations to us and we may face unexpected losses as a result.

We are dependent on the services of our executive officers and other key employees, the loss of any of whom may have a material adverse effect on our business, financial condition and results of operations.

Our success depends in large part upon the abilities and continued services of our executive officers and other key employees, such as our business unit presidents. In the course of business operations, employees may resign and seek employment elsewhere. Certain principal employees, however, are bound in writing to non-compete agreements barring competitive employment, client solicitation, and solicitation of employees for a period of between two and ten years following his or her resignation. We cannot assure you that we will be able to retain the services of our key personnel. If we cannot retain the services of key personnel, there could be a material adverse effect on our business, financial condition and results of operations. While we generally have employment agreements and non-competition agreements with key personnel, courts are at times reluctant to enforce such non-competition agreements. In addition, many of our executive officers and other key personnel are either participants in our stock option plan or holders of a significant amount of our common stock. We believe that these interests provide additional incentives for these key employees to remain with us. In order to support our growth, we intend to continue to effectively recruit, hire, train and retain additional qualified management personnel. Our inability to attract and retain necessary personnel could have a material adverse effect on our business, financial condition and results of operations.

Restrictions imposed by independence requirements and conflict of interest rules may limit our ability to provide services to clients of the attest firms with which we have contractual relationships and the ability of such attest firms to provide attestation services to our clients.

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 ASAs with independent licensed 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 employed by CBIZ subsidiaries.

Under these ASAs, CBIZ provides a range of services to the CPA firms, including: 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 comprehensive income. In the event that accounts receivable and unbilled work in process become uncollectible by the CPA firms, the service fee due to CBIZ is typically reduced on a proportional basis.

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, nor do we enter into any business relationship with, an SEC-reporting attest client that the CPA firm performing an audit could not maintain; further, we do not sell any non-audit services to an SEC-

Table of Contents

reporting attest client that the CPA firm performing an audit could not sell, 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 CBIZ 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.

There can be no assurance that following the policies and procedures implemented by us and the attest firms will enable us and the attest firms to avoid circumstances that would cause us and them to lack independence from an SEC-reporting attest client; nor can there be any assurance that state, U.S. Government Accountability Office or U.S. Department Of Labor accountancy authorities will not impose additional restrictions on the profession. To the extent that licensed CPA firms for whom we provide administrative and other services are affected, we may experience a decline in fee revenue from these businesses as well. To date, revenues derived from providing services in connection with attestation engagements of the attest firms performed for SEC-reporting clients have not been material.

Our goodwill and intangible assets could become impaired, which could lead to material non-cash charges against earnings.

We assess potential impairment on our goodwill and intangible asset balances, including client lists, on an annual basis, or more frequently if there is any indication that the asset may be impaired. Any impairment of goodwill or intangible assets resulting from this periodic assessment would result in a non-cash charge against current earnings, which could lead to a material impact on our results of operations, statements of financial position, and earnings per share. Any decline in future revenues, cash flows or growth rates as a result of further adverse changes in the economic environment or an adverse change resulting from new governmental regulations, could lead to an impairment of goodwill or intangible assets.

Certain liabilities resulting from acquisitions are estimated and could lead to a material non-cash impact on earnings.

Through its acquisition activities, CBIZ records liabilities for estimated future contingent earnout payments. These liabilities are reviewed quarterly and changes in assumptions used to determine the amount of the liability could lead to a non-cash adjustment that may have a material impact, favorable or unfavorable, on the consolidated statements of comprehensive income.

Governmental regulations and interpretations are subject to changes which could have a material adverse effect on revenue.

Laws and regulations could result in changes in the amount or the type of business services required by businesses and individuals. We cannot be sure that future laws and regulations will provide the same or similar opportunities for us to provide business consulting and management services to businesses and individuals. State insurance regulators have conducted inquiries to clarify the nature of compensation arrangements within the insurance brokerage industry. Future regulatory actions or laws, including the Affordable Care Act of 2010, may limit or eliminate our ability to enhance revenue through all current compensation arrangements and may result in a diminution of future insurance brokerage revenue from these sources. Accordingly, CBIZ's ability to continue to operate in some states may depend on our flexibility to modify our operational structure in response to these changes in regulations.

Table of Contents

Changes in the United States healthcare environment, including new health care legislation, may adversely affect the revenue and margins in our medical management and healthcare benefit businesses.

Our medical management business is typically paid a portion of the revenue collected on behalf of our clients who are hospital-based physician practices primarily in the fields of radiology, emergency medicine, anesthesiology and pathology. Changes in the healthcare environment, including new health care legislation, that affect the volume of procedures performed by our clients, or that affect the reimbursement rates for procedures performed by our clients, will impact our revenue and could adversely impact margins in this business. Revenue and margins in this business could also be adversely impacted if our clients lose their hospital contracts as a result of hospital consolidations or other reasons.

Medicare and Medicaid reimbursements are subject to regulation and periodic legislated changes in eligibility and reimbursement rates. In addition, certain managed care payors may change reimbursement rates, or may impose precertification and other management programs which could limit 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. Any legislated changes in the U.S. national health care system, including the recently enacted health care legislation, or changes by managed care payors, could impact revenue and margins in this business and depending upon the nature of the changes, could have an adverse impact on this business.

Our employee benefits business, specifically our group health consulting and brokerage businesses, receives commissions for brokering employer-sponsored healthcare policies with insurance carriers on behalf of the client. In many cases, these commissions consist of a ratable portion of the insurance premiums on those policies, based upon a sliding scale pertaining to the dollar volume of premiums and/or the number of participants in the plan.

Changes in the healthcare environment, including but not limited to any legislated changes in the U.S. national health care system, that affect the methods by which insurance carriers remunerate brokers, could adversely impact our revenues and margins in this business. Specifically, legislation or other changes could afford our clients and their employees the ability to seek insurance coverage through other means, including but not limited to direct access with insurance carriers or other similar avenues, which could eliminate or adversely alter the remuneration brokers receive from insurance carriers for their services.

Higher rates of unemployment in the U.S. could result in a general reduction in the number of individuals with employer-sponsored health care coverage. A reduction in the number of individuals with employer-provided health care coverage could result in a reduction in the volume of elective medical procedures performed by the hospital-based physician practices served by our medical management business, which could have an adverse impact on revenues and margins in this business. Also, higher rates of unemployment in the U.S. could result in a general reduction in the number of individuals with employer-sponsored health care coverage. This decline in employee participation in healthcare insurance plans at our clients could result in a reduction in the commissions we receive from insurance carriers for our brokerage services, which could have an adverse impact on revenues and margins in this business.

We are subject to risks relating to processing customer transactions for our payroll, medical practice management, and other transaction processing businesses.

The high volume of client funds and data processed by us, or by our out-sourced resources abroad, in our transaction related businesses entails risks for which we may be held liable if the accuracy or timeliness of the transactions processed is not correct. In addition, related to our payroll and employee benefits businesses, we store personal information about some of our clients and their employees for which we may be liable under the Health Insurance Portability and Accountability Act or other governmental regulations if the security of this

Table of Contents

information is breached. We could incur significant legal expense to defend any claims against us, even those claims without merit. While we carry insurance against these potential liabilities, we cannot be certain that circumstances surrounding such an error or breach of security would be entirely reimbursed through insurance coverage. We believe we have controls and procedures in place to address our fiduciary responsibility and mitigate these risks. However, if we are not successful in managing these risks, our business, financial condition and results of operations may be harmed.

We are subject to risk as it relates to software that we license from third parties.

We license software from third parties, much of which is integral to our systems and our business. The licenses are terminable if we breach our obligations under the license agreements. If any of these relationships were terminated or if any of these parties were to cease doing business or cease to support the applications we currently utilize, we may be forced to spend significant time and money to replace the licensed software. However, we cannot assure you that the necessary replacements will be available on reasonable terms, if at all.

We could be held liable for errors and omissions.

All of our business services entail an inherent risk of malpractice and other similar claims resulting from errors and omissions. Therefore, we maintain errors and omissions insurance coverage. Although we believe that our insurance coverage is adequate, we cannot be certain that actual future claims or related legal expenses would not exceed the coverage amounts. In addition, we cannot be certain that the different insurance carriers which provide errors and omissions coverage for different lines of our business will not dispute their obligation to cover a particular claim. If we have a large claim, or a large number of claims, on our insurance, the rates for such insurance may increase, and amounts expended in defense or settlement of these claims prior to exhaustion of deductible or self-retention levels may become significant, but contractual arrangements with clients may constrain our ability to incorporate such increases into service fees. Insurance rate increases, disputes by carriers over coverage questions, payments by us within deductible or self-retention limits, as well as any underlying claims or settlement of such claims, could have a material adverse effect on our business, financial condition and results of operations.

The future issuance of additional shares could adversely affect the price of our common stock.

Future sales or issuances of common stock, or the perception that sales could occur, could adversely affect the market price of our common stock and dilute the percentage ownership held by our stockholders. We have authorized 250 million shares, and have approximately 50.5 million shares outstanding at February 28, 2013. A substantial number of these shares have been issued in connection with acquisitions. As part of many acquisition transactions, shares are contractually restricted from sale for a one-year period, and as of February 28, 2013, approximately 1.0 million shares of common stock were under lock-up contractual restrictions that expire by December 31, 2013. We cannot be sure when sales by holders of our stock will occur, how many shares will be sold or the effect that sales may have on the market price of our common stock.

In 2006, the Company issued \$100.0 million of 3.125% Convertible Senior Subordinated Notes due 2026 (the 2006 Notes). During 2010 and 2011, \$99.3 million of the 2006 Notes were retired by CBIZ, leaving \$0.7 million outstanding as of December 31, 2012. Although the Company cannot at this time determine the number of shares of common stock it will issue upon conversion of the 2006 Notes, if any, the number of shares of common stock will be calculated as defined in the indenture agreements with U.S. Bank National Association as trustee. In addition, in September 2010, CBIZ issued \$130.0 million of 4.875% Convertible Senior Subordinated Notes due 2015 (the 2010 Notes) pursuant to Rule 144A under the Securities Act of 1933, as amended. The Company cannot at this time determine the number of shares of common stock it will issue upon conversion of these notes, although the number of shares of common stock it will issue, if any, will be calculated as defined in the indenture agreements with U.S. Bank National Association as trustee.

Table of Contents

Our principal stockholders may have substantial control over our operations.

At December 31, 2012, the stockholders identified below beneficially owned (within the meaning of Rule 13d-3 of the Exchange Act) the following aggregate amounts and percentages of our common stock:

	Number of Shares (in millions)	% of CBIZ's Outstanding Common Stock
Westbury (Bermuda) Ltd	7.7	15.3%
FMR LLC	4.9	9.7%
Lombardia Capital Partners LLC	3.8	7.5%
Sarbit Advisory Service, Inc	3.6	7.1%
First Manhattan Company	2.7	5.4%
P2 Capital Partners LLC	2.4	4.8%
Cardinal Capital Management LLC	2.4	4.8%
Vanguard Group Inc	2.3	4.6%
BlackRock Fund Advisors	2.3	4.6%
Dimensional Fund Advisors, Inc	2.1	4.1%
Investment Counselors of Maryland LLC	2.0	4.0%
CBIZ Executive Officers and Directors	5.7	11.3%
The foregoing as a group	41.9	83.2%

Because of their stock ownership, these stockholders may exert substantial influence or actions that require the consent of a majority of our outstanding shares, including the election of directors. CBIZ's share repurchase activities may result in increased ownership percentages of these individuals and therefore increase the influence they may exert, if they do not participate in these share repurchase transactions.

We require a significant amount of cash for interest payments on our debt and to expand our business as planned.

At December 31, 2012, our debt consisted of \$208.9 million in principal amount outstanding under our credit facility and \$130.8 million principal amount outstanding under our convertible notes. Our debt requires us to dedicate a significant portion of our cash flow from operations to pay interest on our indebtedness, thereby reducing the funds available to use for acquisitions, capital expenditures and general corporate purposes. Our ability to make interest payments on our debt, and to fund acquisitions, will depend upon our ability to generate cash in the future. Insufficient cash flow could place us at risk of default under our debt agreements or could prevent us from expanding our business as planned. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Our business may not generate sufficient cash flow from operations and future borrowings may not be available to us under our credit facility in an amount sufficient to enable us to fund our other liquidity needs.

Terms of our credit facility may adversely affect our ability to run our business and/or reduce stockholder returns.

The terms of our credit facility, as well as the guarantees of our subsidiaries, could impair our ability to operate our business effectively and may limit our ability to take advantage of business opportunities. For example, our credit facility may:

restrict our ability to repurchase or redeem our capital stock or debt, or merge or consolidate with another entity;

limit our ability to borrow additional funds or to obtain other financing in the future for working capital, capital expenditures, acquisitions, investments and general corporate purposes;

Table of Contents

limit our ability to dispose of our assets, create liens on our assets, to extend credit or to issue dividends to our stockholders; and

make us more vulnerable to economic downturns and reduce our flexibility in responding to changing business and economic conditions.

Our failure to satisfy covenants in our debt instruments will cause a default under those instruments.

Our debt instruments include a number of covenants relating to financial ratios and tests. Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. The breach of any of these covenants would result in a default under these instruments. An event of default would permit our lenders and other debt holders to declare all amounts borrowed from them to be due and payable, together with accrued and unpaid interest. If the lenders accelerate the repayment of borrowings, we may not have sufficient assets to repay our debt.

We are reliant on information processing systems and any failure of these systems could have a material adverse effect on our business, financial condition and results of operations.

Our ability to provide business services depends on our capacity to store, retrieve, process and manage significant databases, and expand and upgrade periodically our information processing capabilities. Interruption or loss of our information processing capabilities through loss of stored data, breakdown or malfunctioning of computer equipment and software systems, telecommunications failure, or damage caused by fire, tornadoes, lightning, electrical power outage, or other disruption could have a material adverse effect on our business, financial condition and results of operations. Although we have disaster recovery procedures in place and insurance to protect against such contingencies, we cannot be sure that insurance or these services will continue to be available at reasonable prices, cover all our losses or compensate us for the possible loss of clients occurring during any period that we are unable to provide business services.

We may not be able to acquire and finance additional businesses which may limit our ability to pursue our business strategy.

CBIZ acquired nine businesses and one client list during 2012. Targeted acquisitions are part of our growth strategy, and it is our intention to selectively acquire businesses or client lists that are complementary to existing service offerings in our target markets. However, we cannot be certain that we will be able to continue identifying appropriate acquisition candidates and acquire them on satisfactory terms and we cannot be assured that such acquisitions, even if completed, will perform as expected or will contribute significant synergies, revenues or profits. In addition, we may also face increased competition for acquisition opportunities, which may inhibit our ability to complete transactions on terms that are favorable to us. As discussed above, there are certain provisions under our credit facility that may limit our ability to acquire additional businesses. In the event that we are not in compliance with certain covenants as specified in our credit facility, we could be restricted from making acquisitions, restricted from borrowing funds from our credit facility for other uses, or required to pay down the outstanding balance on the line of credit. However, management believes that funds available under the credit facility, along with cash generated from operations, will be sufficient to meet our liquidity needs, including planned acquisition activity in the foreseeable future. To the extent we are unable to find suitable acquisition candidates, an important component of our growth strategy may not be realized.

The business services industry is competitive and fragmented. If we are unable to compete effectively, our business, financial condition and results of operations may be negatively impacted.

We face competition from a number of sources in both the business services industry and from specialty insurance agencies. Competition in both industries has led to consolidation. Many of our competitors are large companies that may have greater financial, technical, marketing and other resources than us. In addition to these

Table of Contents

large companies and specialty insurance agencies, we face competition in the business services industry from in-house employee services departments, local business services companies and independent consultants, as well as from new entrants into our markets. We cannot assure you that, as our industry continues to evolve, additional competitors will not enter the industry or that our clients will not choose to conduct more of their business services internally or through alternative business services providers. Although we intend to monitor industry trends and respond accordingly, we cannot assure you that we will be able to anticipate and successfully respond to such trends in a timely manner. We cannot be certain that we will be able to compete successfully against current and future competitors, or that competitive pressure will not have a material adverse effect on our business, financial condition and results of operations.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

CBIZ's corporate headquarters is located at 6050 Oak Tree Boulevard, South, Suite 500, Cleveland, Ohio 44131, in leased premises. CBIZ and its subsidiaries lease more than 150 offices in 38 states, and one in Toronto, Canada. Some of CBIZ's properties are subject to liens securing payment of indebtedness of CBIZ and its subsidiaries. CBIZ believes that its current facilities are sufficient for its current needs.

Item 3. Legal Proceedings.

In 2010, CBIZ, Inc. and its subsidiary, CBIZ MHM, LLC (fka CBIZ Accounting, Tax & Advisory Services, LLC) (the CBIZ Parties), were named as defendants in lawsuits filed in the U.S. District Court for the District of Arizona and the Superior Court for Maricopa County Arizona. These cases are captioned Robert Facciola, et al v. Greenberg Traurig LLP, et al., Victims Recovery, LLC v. Greenberg Traurig LLP, et al. Roger Ashkenazi, et al v. Greenberg Traurig LLP, et al, Mary Marsh, et al v. Greenberg Traurig LLP, et al.; and ML Liquidating Trust v. Mayer Hoffman McCann PC, et al.), respectively. Prior to these suits CBIZ MHM, LLC was named as a defendant in Jeffery C. Stone v. Greenberg Traurig LLP, et al. The Stone case was subsequently voluntarily dismissed by the plaintiff.

These lawsuits arise out of the bankruptcy of Mortgages Ltd., a mortgage lender to developers in the Phoenix, Arizona area. Various other professional firms not related to the Company are also defendants in these lawsuits.

Mortgages Ltd. had been audited by Mayer Hoffman McCann PC (Mayer Hoffman), a CPA firm that has an administrative services agreement with CBIZ. The lawsuits assert claims against Mayer Hoffman for, among others things, violations of the Arizona Securities Act, common law fraud, and negligent misrepresentation, and the lawsuits seek to hold CBIZ vicariously liable for Mayer Hoffman's conduct as either a statutory control person under the Arizona Securities Act or a joint venturer under Arizona common law. CBIZ is not a CPA firm, does not provide audits, and did not audit any of the entities at issue in these lawsuits, nor is CBIZ a control person of, or a joint venture with, Mayer Hoffman.

In June 2011, the Facciola court, in which the plaintiffs were seeking to certify a class of all Mortgages Ltd. investors, granted the motions to dismiss filed by the CBIZ Parties and Mayer Hoffman. After that dismissal order, the plaintiffs moved the court to amend their complaint in an attempt to state a claim against the CBIZ Parties and Mayer Hoffman. In November 2011, the Facciola court denied the plaintiffs' request to amend the complaint as to the CBIZ Parties and Mayer Hoffman. In June 2012, the remaining defendants in the Facciola case reached a class action settlement, which the court approved in October 2012. Eighteen class members, however, opted out of the settlement before it was finalized and, in September 2012, filed a new case against all of the defendants in the Facciola case, including the CBIZ Parties (Rader et al. v. Greenberg Traurig, LLC., et al.). In December 2012, the Facciola plaintiffs filed an appeal to the U.S. Court of Appeals for the Ninth Circuit of the dismissal of their case against the CBIZ Parties and Mayer Hoffman.

Table of Contents

The CBIZ Parties have filed motions to dismiss in all remaining cases. On March 11, 2013 the court issued a ruling dismissing the securities fraud and aiding and abetting securities fraud claims against the CBIZ Parties and Mayer Hoffman in the Marsh, Victims Recovery and Ashkenazi lawsuits. The court is still considering the CBIZ Parties' motions to dismiss regarding the remaining claims in these three lawsuits as well as its motions in the Rader and Liquidating Trust lawsuits.

The plaintiffs, except for the ML Liquidating Trust, are all alleged to have directly or indirectly invested in real estate mortgages through Mortgages Ltd. The Victims Recovery, Ashkenazi and Marsh plaintiffs seek monetary damages equivalent to their investments. The ML Liquidating Trust asserts errors and omissions and breach of contract claims, and is seeking monetary damages. The Ashkenazi complaint alleges damages of approximately \$92 million; the Victims Recovery complaint alleges damages of approximately \$53 million; the Marsh, Facciola, Rader, and ML Liquidating Trust complaints allege damages in excess of approximately \$200 million. The plaintiffs in these suits also seek pre- and post-judgment interest, punitive damages and attorneys' fees.

The CBIZ Parties deny all allegations of wrongdoing made against them in these actions and are vigorously defending the proceedings. In particular, the CBIZ Parties are not control persons under the Arizona Securities Act or a joint venture with Mayer Hoffman. The CBIZ Parties do not have in any respects the legal right to control Mayer Hoffman's audits or any say in how the audits are conducted. The Company has been advised by Mayer Hoffman that it denies all allegations of wrongdoing made against it and that it intends to continue vigorously defending the matters.

In January 2012, the CBIZ Parties were added as defendants to a lawsuit filed in the Superior Court of California for Orange County, (Signature Financial Group, Inc., et al, (Signature) v. Mayer Hoffman McCann, P.C., et al). This lawsuit arises out of a review of the financial statements of Medical Capital Holdings, Inc. (Medical Capital) by Mayer Hoffman. In June 2009 Medical Capital was sued by the SEC and a receiver was appointed to liquidate Medical Capital. The plaintiffs in the Signature lawsuit are financial advisors that sold Medical Capital investments to their clients. Those plaintiffs were sued by their clients for losses related to Medical Capital and now seek to recover damages from the CBIZ Parties and Mayer Hoffman of approximately \$87 million for the losses and expenses they incurred in litigation with their respective clients and lost profits. The Signature lawsuit seeks to impose auditor-type liabilities upon the CBIZ Parties for attest services they did not conduct. Specific claims include fraud, intentional misrepresentation and concealment; negligent misrepresentation; equitable indemnity; declaratory relief and respondeat superior.

The CBIZ Parties deny all allegations of wrongdoing made against them in the Signature lawsuit and are vigorously defending the proceeding. The Company has been advised by Mayer Hoffman that it denies all allegations of wrongdoing made against it and that it intends to continue vigorously defending the matters.

The Company cannot predict the outcome of the above matters or estimate the possible loss or range of loss, if any.

Although the proceedings are subject to uncertainties inherent in the litigation process and the ultimate disposition of these proceedings is not presently determinable, management believes that the allegations are without merit and that the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial condition, results of operations or cash flows of the Company.

In addition to those items disclosed above, the Company 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 consolidated financial condition, results of operations or cash flows of the Company.

Item 4. Mine Safety Disclosures.

Not applicable.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities. Price Range of Common Stock**

CBIZ's common stock is traded on the New York Stock Exchange (NYSE) under the trading symbol CBZ . The table below sets forth the range of high and low sales prices for CBIZ's common stock as reported on the NYSE for the periods indicated.

	2012		2011	
	High	Low	High	Low
First quarter	\$ 6.79	\$ 5.82	\$ 7.30	\$ 6.17
Second quarter	\$ 6.63	\$ 5.41	\$ 7.75	\$ 6.92
Third quarter	\$ 6.31	\$ 5.07	\$ 7.73	\$ 6.11
Fourth quarter	\$ 6.22	\$ 5.19	\$ 7.07	\$ 5.27

On December 31, 2012, the last reported sale price of CBIZ's common stock as reported on the NYSE was \$5.91 per share. As of February 28, 2013, CBIZ had approximately 1,900 holders of record of its common stock, and the last sale of CBIZ's common stock as of that date was \$6.36.

As required by the NYSE, CBIZ filed its annual CEO certification regarding the Company's compliance with the NYSE's corporate governance listing standards as required by NYSE rule 303A. There were no qualifications in this certification. In addition, CBIZ has filed Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K, which represent the certifications of its Chief Executive Officer and Chief Financial Officer as required under Section 302 of the Sarbanes-Oxley Act of 2002.

Dividend Policy

CBIZ's credit facility does not permit CBIZ to declare or make any dividend payments, other than dividend payments made by one of CBIZ's wholly owned subsidiaries to the parent company. Historically, CBIZ has not paid cash dividends on its common stock, and does not anticipate paying cash dividends in the foreseeable future. CBIZ's Board of Directors has discretion over the payment and level of dividends on common stock, subject to the limitations of the credit facility. The Board of Directors' decision is based, among other things, on the Company's results of operations and financial condition. CBIZ intends to retain future earnings to finance the ongoing operations and growth of the business. Any future determination as to dividend policy will be made at the discretion of the Board of Directors and will be subject to the terms and restrictions of CBIZ's credit facility.

Issuer Purchases of Equity Securities**(a) Recent sales of unregistered securities**

During the fourth quarter of 2012, CBIZ issued 434,220 shares of its common stock as payment for business acquisitions that occurred during the fourth quarter of 2012 as well as for payment of contingent consideration for acquisitions that occurred prior to 2012. Also, on December 31, 2012, 41,314 shares of CBIZ common stock became issuable as contingent consideration owed to former owners of businesses that were acquired by CBIZ.

The above referenced shares were issued in transactions not involving a public offering in reliance on the exemption from registration afforded by Section 4(2) of the Securities Act. The persons to whom the shares were issued had access to full information about CBIZ and represented that they acquired the shares for their own account and not for the purpose of distribution. The certificates for the shares contain a restrictive legend advising that the shares may not be offered for sale, sold, or otherwise transferred without having first been registered under the Securities Act or pursuant to an exemption from the Securities Act.

Table of Contents

(c) Issuer purchases of equity securities

Periodically, CBIZ's Board of Directors authorizes a Share Repurchase Plan which allows the Company to purchase shares of its common stock in the open market or in a privately negotiated transaction according to SEC rules. On February 6, 2013, February 22, 2012 and February 10, 2011, CBIZ's Board of Directors authorized Share Repurchase Plans, each of which authorized the purchase of up to 5.0 million shares of CBIZ common stock. Each Share Repurchase Plan is effective beginning April 1 of the respective plan year, and each expires one year from the respective effective date. The repurchase plans do not obligate CBIZ to acquire any specific number of shares and may be suspended at any time.

Pursuant to an agreement (the Westbury Agreement) entered into on September 14, 2010 by CBIZ with its largest shareholder, Westbury (Bermuda) Ltd. (Westbury), a company organized by CBIZ founder Michael G. DeGroot, CBIZ purchased an option for \$5.0 million, which expires on September 30, 2013, to purchase up to approximately 7.7 million shares of CBIZ's common stock at a price of \$7.25 per share, which constitutes the remaining shares of CBIZ's common stock held by Westbury.

During the year ended December 31, 2012, CBIZ repurchased 1.0 million shares under the share repurchase programs at an aggregate cost (including fees and commissions) of \$5.7 million. There were no shares repurchased during the fourth quarter of 2012. At December 31, 2012, there were approximately 4.2 million shares that may yet be purchased under repurchase plans approved by CBIZ's Board of Directors.

Table of Contents**Performance Graph**

The graph below compares the cumulative 5-year total return of holders of CBIZ, Inc.'s common stock with the cumulative total returns of the S&P 500 index, the Russell 2000 index and a customized peer group of six companies that includes: Brown & Brown Inc., H & R Block Inc., National Financial Partners Corp., Paychex Inc., Resources Connection Inc. and Towers Watson & Company. The graph tracks the performance of a \$100 investment in our common stock, in each index and in the peer group (with the reinvestment of all dividends) from 12/31/2007 to 12/31/2012.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among CBIZ, Inc., the S&P 500 Index, the Russell 2000 Index, and a Peer Group

*\$100 invested on 12/31/07 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.
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	12/2007	12/2008	12/2009	12/2010	12/2011	12/2012
CBIZ, Inc.	\$100.00	\$88.18	\$78.49	\$ 63.61	\$ 62.28	\$ 60.24
S&P 500	\$100.00	\$63.00	\$79.67	\$ 91.67	\$ 93.61	\$108.59
Russell 2000	\$100.00	\$66.21	\$84.20	\$106.82	\$102.36	\$119.09
Peer Group	\$100.00	\$86.47	\$95.37	\$ 89.09	\$ 95.66	\$105.99

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Table of Contents**Item 6. Selected Financial Data.**

The following table presents selected historical financial data for CBIZ. The information set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the accompanying consolidated financial statements and notes thereto, which are included elsewhere in this Annual Report.

	Year Ended December 31,				
	2012	2011(1)	2010(1)	2009(1)	2008(1)
(In thousands, except per share data)					
Statement of Operations Data:					
Revenue	\$ 766,094	\$ 733,805	\$ 730,401	\$ 736,787	\$ 682,459
Operating expenses	680,195	644,269	644,335	648,409	584,403
Gross margin	85,899	89,536	86,066	88,378	98,056
Corporate general and administrative expenses	30,422	31,583	29,584	30,722	28,691
Operating income	55,477	57,953	56,482	57,656	69,365
Other income (expense):					
Interest expense	(16,262)	(17,355)	(15,308)	(13,392)	(10,786)
Gain on sale of operations, net	2,766	2,920	466	989	745
Other income (expense), net(2)	8,422	3,449	3,532	6,622	(7,618)
Total other (expense) income	(5,074)	(10,986)	(11,310)	(5,781)	(17,659)
Income from continuing operations before income tax expense	50,403	46,967	45,172	51,875	51,706
Income tax expense	19,328	18,383	17,017	19,823	19,768
Income from continuing operations	31,075	28,584	28,155	32,052	31,938
Loss from operations of discontinued operations, net of tax	(19)	(591)	(2,668)	(866)	(1,266)
Gain (loss) on disposal of discontinued operations, net of tax	90	14	(973)	210	(268)
Net income	\$ 31,146	\$ 28,007	\$ 24,514	\$ 31,396	\$ 30,404
Basic weighted average common shares	49,002	49,328	57,692	61,200	61,839
Diluted weighted average common shares	49,252	49,599	58,193	61,859	62,572
Diluted earnings per share:					
Continuing operations	\$ 0.63	\$ 0.58	\$ 0.48	\$ 0.52	\$ 0.51
Net income	\$ 0.63	\$ 0.56	\$ 0.42	\$ 0.51	\$ 0.49
Other Data:					
Total assets	\$ 970,156	\$ 812,357	\$ 756,299	\$ 713,098	\$ 699,868
Long-term debt(3)	\$ 332,538	\$ 265,527	\$ 235,663	\$ 203,848	\$ 215,040
Total liabilities	\$ 674,924	\$ 552,199	\$ 526,627	\$ 442,480	\$ 456,993
Total stockholders' equity	\$ 295,232	\$ 260,158	\$ 229,672	\$ 270,618	\$ 241,599
Adjusted EBITDA(4)	\$ 85,294	\$ 81,747	\$ 82,342	\$ 84,774	\$ 75,863

(1) Amounts for 2011, 2010, 2009 and 2008 have been reclassified to conform to the current year presentation.

(2) Other income (expense), net includes gains or losses attributable to assets held in the Company's deferred compensation plan which totaled a gain (loss) of \$4.3 million, (\$0.4) million, \$3.7 million, \$5.5 million, and (\$7.6) million for 2012, 2011, 2010, 2009 and 2008, respectively. These gains or losses do not impact income from continuing operations as they are directly offset by compensation to the Plan participants. During 2012, 2011 and 2010, CBIZ recorded other income of \$1.0 million, \$3.5 million and \$1.5 million, respectively, related to decreases in the fair value of contingent consideration related to CBIZ's prior acquisitions. Included in 2012 are proceeds of \$1.9 million related to a legal settlement. During 2010, CBIZ recorded a \$2.0 million loss in other income (expense), net from the early retirement of \$60 million face value of its convertible senior subordinated notes that were issued in 2006. Included in 2008 is an impairment charge of \$2.3 million related to the Company's investment in an auction rate security. In addition, CBIZ sold its investment in Albridge Solutions, Inc., which resulted in a pre-tax gain of \$0.8 million for the year ended December 31, 2008.

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- (3) Represents bank debt, the long-term portion of convertible notes, and the long-term portion of notes payable, which are reported in other non-current liabilities in CBIZ's consolidated balance sheets.

- (4) Adjusted EBITDA represents income from continuing operations before income tax expense, interest expense, gain on sale of operations, net, and depreciation and amortization expense. Adjusted EBITDA for 2010 also excludes the loss resulting from the retirement of \$60 million of its convertible senior subordinated notes, and adjusted EBITDA for 2008 excludes gains related to the sale of a long-term investment. See note (2) above for a description of these items. The Company has included Adjusted EBITDA because such data is commonly used as a performance measure by analysts and investors and as a measure of the Company's ability to service debt. Adjusted EBITDA should not be regarded as an alternative or replacement to any measurement of performance under generally accepted accounting principles.

Table of Contents

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion is intended to assist in the understanding of CBIZ's financial position at December 31, 2012 and 2011, and results of operations and cash flows for each of the years ended December 31, 2012, 2011 and 2010. This discussion should be read in conjunction with CBIZ's consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion and analysis contains forward-looking statements and should also be read in conjunction with the disclosures and information contained in Forward-Looking Statements and Item 1A. Risk Factors in this Annual Report on Form 10-K.

Executive Summary

Revenue for the year ended December 31, 2012 increased by 4.4% to \$766.1 million from \$733.8 million for 2011. The increase in revenue was due to a combination of newly acquired operations, which resulted in an increase of \$26.6 million, or 3.6%, and an increase in same unit revenue of \$5.7 million, or 0.8%.

Earnings per share from continuing operations were \$0.63 per diluted share for the year ended December 31, 2012 compared to \$0.58 per diluted share for the year ended December 31, 2011. Earnings per share for the years ended December 31, 2012 and 2011 included a gain of approximately \$0.03 and \$0.02 per diluted share, respectively, related to the divestiture of CBIZ's wealth management business in January of 2011. Also included in earnings per share for the year ended December 31, 2012 are proceeds from a legal settlement which are included in other income, net, resulting in \$0.02 per diluted share.

Non-GAAP earnings per diluted share were \$1.22 and \$1.10 for the years ended December 31, 2012 and 2011, respectively. CBIZ believes Non-GAAP earnings per diluted share illustrates the impact of certain non-cash charges on income from continuing operations and is a useful performance measure for the Company, its analysts and its stockholders. Non-GAAP earnings per diluted share is a measurement prepared on a basis other than generally accepted accounting principles (GAAP). As such, the Company has included this data and has provided a reconciliation to the nearest GAAP measurement, income per diluted share from continuing operations. Reconciliations for the twelve months ended December 31, 2012, 2011 and 2010 are provided in the Results of Operations Continuing Operations section that follows.

During the year ended December 31, 2012, CBIZ acquired nine businesses: Meridian Insurance Group, LLC (Meridian); Primarily Care, Inc. (PCI); Stoltz and Company, LTD., L.L.P (Stoltz); Trinity Risk Advisors, Inc. (Trinity); Strategic Employee Benefit Services The Pruett Group, Inc. (SEBS-Pruett); ProMedical, Inc. (ProMedical); the employee benefit division of Leavitt Pacific Insurance Brokers, Inc. (Leavitt); Diversified Industries, Inc. d/b/a Payroll Control Systems (PCS) and PHBV Partners, L.L.P. (PHBV). Revenues from these business acquisitions are estimated to exceed \$50.0 million for the year ending December 31, 2013. Aggregate consideration for these acquisitions consisted of \$79.3 million in cash, \$4.2 million in CBIZ common stock, \$5.3 million in short-term notes payable, \$1.7 million in guaranteed future consideration, and \$17.6 million in contingent consideration. The operating results of ProMedical and PHBV are reported in the MMP and Financial Services practice groups, respectively, with the operating results of the remaining seven businesses being reported in the Employee Services practice group. In addition to the business acquisitions, CBIZ acquired a client list in the employee benefits and consulting business. The client list is reported in the Employee Services practice group. For more details regarding CBIZ's acquisitions, refer to Note 19 of the accompanying consolidated financial statements.

On August 30, 2012, CBIZ entered into an amendment (the Amendment) to its \$275 million credit agreement. The Amendment modified the senior and total leverage requirements and provided a temporary increase in the leverage ratios for the next twelve months, after which time the leverage ratios will step down to the leverage schedule prescribed by the amendment that was entered into in 2011. The Amendment provides additional flexibility to support CBIZ's strategic acquisitions.

Table of Contents

During the first quarter of 2011, CBIZ sold its individual wealth management business and recognized a pre-tax gain on the sale of \$2.3 million. This sale transaction was recorded as a divestiture as it did not meet the specific requirements to be treated as a discontinued operation. During the first quarter of 2012, CBIZ recorded a pre-tax gain of \$2.5 million as a result of provisions in the original sales agreement that provided for contingent purchase price to be earned based on the value of the client list retained by the purchaser as of January 1, 2012.

CBIZ believes that repurchasing shares of its common stock provides value to its stockholders. CBIZ purchased approximately 1.0 million shares of its common stock under this plan at a total cost of approximately \$5.7 million during the year ended December 31, 2012. On February 6, 2013, CBIZ's Board of Directors authorized the purchase of up to 5.0 million shares of CBIZ common stock through March 31, 2014. The shares may be repurchased in the open market or through privately negotiated purchases in accordance with SEC rules.

Results of Operations – Continuing Operations

CBIZ provides professional business services that help clients manage their finances and employees. CBIZ delivers its integrated services through the following four practice groups: Financial Services, Employee Services, MMP, and National Practices. A description of these groups operating results and factors affecting their businesses is provided below.

Same-unit revenue represents total revenue adjusted to reflect comparable periods of activity for acquisitions and divestitures. For example, for a business acquired on July 1, 2011, revenue for the period January 1, 2012 through June 30, 2012 would be reported as revenue from acquired businesses; same-unit revenue would include revenue for the periods July 1 through December 31 of both years. Divested operations represent operations that did not meet the criteria for treatment as discontinued operations. Those businesses that have met the requirements to be treated as a discontinued operation are eliminated from all periods presented below.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue

The following table summarizes total revenue for the years ended December 31, 2012 and 2011 (in thousands, except percentages):

	Year Ended December 31,			
	2012	2011	\$ Change	% Change
<i>Same-unit revenue</i>				
Financial Services	\$ 401,460	\$ 391,232	\$ 10,228	2.6%
Employee Services	171,103	171,205	(102)	(0.1)%
MMP	136,842	141,046	(4,204)	(3.0)%
National Practices	30,126	30,322	(196)	(0.6)%
Total same-unit revenue	739,531	733,805	5,726	0.8%
Acquired businesses	26,563		26,563	
Divested operations				
Total revenue	\$ 766,094	\$ 733,805	\$ 32,289	4.4%

A detailed discussion of revenue by practice group is included under **Operating Practice Groups**.

Table of Contents

Gross margin and operating expenses Operating expenses increased to \$680.2 million for the year ended December 31, 2012 from \$644.3 million in 2011, and increased as a percentage of revenue to 88.8% for the year ended December 31, 2012 from 87.8% for 2011. The primary components of operating expenses for the years ended December 31, 2012 and 2011 are illustrated in the following table:

	2012		2011		Change in % of Revenue
	% of Operating Expense	% of Revenue	% of Operating Expense	% of Revenue	
Personnel costs	74.1%	65.8%	74.0%	65.0%	0.8%
Occupancy costs	6.6%	5.9%	6.9%	6.1%	(0.2)%
Depreciation and amortization	3.1%	2.8%	3.1%	2.7%	0.1%
Travel and related costs	3.3%	2.9%	3.2%	2.8%	0.1%
Professional fees	2.3%	2.1%	2.0%	1.8%	0.3%
Other(1)	10.1%	8.8%	10.9%	9.5%	(0.7)%
Subtotal	99.5%	88.3%	100.1%	87.9%	0.4%
Deferred compensation costs	0.5%	0.5%	(0.1)%	(0.1)%	0.6%
Total operating expenses	100.0%	88.8%	100.0%	87.8%	1.0%
Gross margin		11.2%		12.2%	(1.0)%

- (1) Other operating expenses include office expense, equipment costs, restructuring charges, bad debt and other expenses, none of which are individually significant as a percentage of total operating expenses.

Personnel costs as a percentage of revenue increased 0.8% to 65.8% for the year ended December 31, 2012 compared to 2011. The increase in personnel costs as a percentage of revenue was primarily the result of a 0.3% increase in incentive compensation and a 0.4% increase in salaries and wages and related benefits costs resulting from an increase in headcount and personnel investments made in the Financial Services practice group. Personnel costs as a percentage of revenue experienced by the individual practice groups is discussed in further detail under *Operating Practice Groups*. The increase in professional fees as a percentage of revenue was primarily due to an increase in the utilization of off-shore processing in the MMP practice group. The increase in deferred compensation costs of 0.6% resulted from adjustments to the fair value of investments held in the deferred compensation plan. The adjustments to the fair value of investments held in relation to the deferred compensation plan totaled a gain of \$3.8 million and a loss of \$0.7 million for the years ended December 31, 2012 and 2011, respectively. These adjustments are recorded as compensation expense and are offset by the same adjustments to other income, net, and thus do not have an impact on net income. Although these adjustments are recorded as operating expenses, they are not allocated to the individual practice groups.

Corporate general and administrative expenses Corporate general and administrative (G&A) expenses decreased by \$1.2 million to \$30.4 million for the year ended December 31, 2012, from \$31.6 million for 2011, and decreased as a percent of revenue by 0.3% to 4.0% for the year ended December 31, 2012.

Table of Contents

The primary components of corporate general and administrative expenses for the years ended December 31, 2012 and 2011 are illustrated in the following table:

	2012		2011		Change in % of Revenue
	% of G&A Expense	% of Revenue	% of G&A Expense	% of Revenue	
Personnel costs	56.0%	2.2%	52.1%	2.2%	
Professional fees	10.8%	0.4%	14.8%	0.6%	(0.2)%
Legal settlement costs	4.2%	0.2%	7.2%	0.3%	(0.1)%
Computer costs	6.5%	0.3%	5.5%	0.2%	0.1%
Travel and related costs	4.0%	0.2%	4.0%	0.2%	
Occupancy costs	2.9%	0.1%	2.5%	0.1%	
Depreciation and amortization	1.1%		1.1%		
Other(1)	12.7%	0.5%	11.6%	0.6%	(0.1)%
Subtotal	98.2%	3.9%	98.8%	4.2%	(0.3)%
Deferred compensation costs	1.8%	0.1%	1.2%	0.1%	
Total corporate general and administrative expenses	100.0%	4.0%	100.0%	4.3%	(0.3)%

- (1) Other corporate general and administrative expenses include office expenses, insurance expense and other expenses, none of which are individually significant as a percentage of total corporate G&A expenses.

The decrease in G&A expenses as a percentage of revenue is primarily attributable to the decrease of 0.2% in professional fees. This decrease is a result of CBIZ recording a portion of its recovery of legal fees in the fourth quarter of 2012 that was attributable to reimbursement of incurred legal expenses.

Interest expense Interest expense decreased by \$1.1 million to \$16.3 million for the year ended December 31, 2012 from \$17.4 million for 2011. The decrease in interest expense is primarily due to the retirement of CBIZ's 2006 Notes in 2011, which resulted in a \$1.4 million decrease in interest expense. This was partially offset by an increase in amortization of the discount related to the 2010 Notes. Interest expense related to the credit facility was flat year over year. The average debt outstanding under the credit facility was \$162.3 million and \$142.8 million and weighted average interest rates were 3.15% and 3.27% for the years ended December 31, 2012 and 2011, respectively. Debt is further discussed under **Liquidity and Capital Resources** and in Note 8 of the accompanying consolidated financial statements.

Gain on sale of operations, net The gain on sale of operations, net was \$2.8 million and \$2.9 million for the years ended December 31, 2012 and 2011, respectively. The net gain in each period was primarily comprised of gains recognized from the 2011 sale of the Company's individual wealth management business of \$2.5 million and \$2.3 million during the years ended December 31, 2012 and 2011, respectively. The operating results of the individual wealth management business were included in the Employee Services practice group.

Other income, net Other income, net is primarily comprised of adjustments to the fair value of investments held in a rabbi trust related to the deferred compensation plan, adjustments to contingent purchase price liabilities related to previous acquisitions, gains and losses on sales of assets, and other miscellaneous income and expenses such as contingent royalties from previous divestitures, proceeds from legal settlements and interest income. Adjustments to the fair value of investments related to the deferred compensation plan do not impact CBIZ's net income as they are offset by the same adjustments to compensation expense (recorded as operating or corporate general and administrative expenses in the consolidated statements of comprehensive income). Other income, net for the year ended December 31, 2012 primarily consisted of a \$4.3 million gain in the fair value of investments related to the deferred compensation plan, proceeds from various legal settlements of \$2.5 million, adjustments to the fair value of the Company's contingent purchase price liability related to prior acquisitions which resulted in

Table of Contents

other income of \$1.0 million, and interest income of \$0.3 million. Other income, net for the year ended December 31, 2011 primarily consisted of adjustments to the fair value of the Company's contingent purchase price liability related to prior acquisitions which resulted in other income of \$3.5 million and interest income of \$0.2 million. The adjustment to the contingent liability and interest income was partially offset by a \$0.4 million loss in the fair value of investments related to the deferred compensation plan and a reserve of \$0.4 million established on a note receivable.

Income Taxes CBIZ recorded income tax expense from continuing operations of \$19.3 million and \$18.4 million for the years ended December 31, 2012 and 2011, respectively. The effective tax rate for the years ended December 31, 2012 and 2011 was 38.3% and 39.1%, respectively. The decrease in the effective tax rate for the year ended December 31, 2012 from 2011 primarily relates to the release of a valuation allowance with respect to a state tax credit carryforward in 2012. For further discussion regarding income tax expense, see Note 7 to the accompanying consolidated financial statements.

Earnings per share and Non-GAAP earnings per share Earnings per share from continuing operations were \$0.63 and \$0.58 per diluted share for the years ended December 31, 2012 and 2011, respectively. Earnings per share for the year ended December 31, 2012 included a gain of approximately \$0.02 per diluted share related to a legal settlement recovery that was recorded in other income and a gain of approximately \$0.01 per diluted share related to decreases in the fair value of contingent consideration payable related to prior acquisitions. Earnings per share for the years ended December 31, 2012 and 2011 included a gain of approximately \$0.03 and \$0.02, respectively, per diluted share related to the divestiture of the wealth management business that occurred in the first quarter of 2011. Earnings per share for the year ended December 31, 2011 also included a gain of approximately \$0.04 per diluted share related to decreases in the fair value of contingent consideration payable related to prior acquisitions.

Non-GAAP earnings per share were \$1.22 and \$1.10 per diluted share for the years ended December 31, 2012 and 2011, respectively. The Company believes Non-GAAP earnings and Non-GAAP earnings per diluted share, which are both non-GAAP measures, illustrate the impact of certain non-cash charges to income from continuing operations and are a useful performance measure for the Company, its analysts and its stockholders. Management uses these performance measures to evaluate CBIZ's business, including ongoing performance and the allocation of resources. Non-GAAP earnings and Non-GAAP earnings per diluted share are provided in addition to the presentation of GAAP measures and should not be regarded as a replacement or alternative of performance under GAAP.

The following is a reconciliation of income from continuing operations to Non-GAAP earnings from operations and earnings per diluted share from continuing operations to Non-GAAP earnings per diluted share for the years ended December 31, 2012 and 2011.

NON-GAAP EARNINGS AND PER SHARE DATA**Reconciliation of Income from Continuing Operations to Non-GAAP Earnings from Continuing Operations**

	TWELVE MONTHS ENDED DECEMBER 31,			
	2012	Per Share	2011	Per Share
	(In thousands, except per share data)			
Income from continuing operations	\$ 31,075	\$ 0.63	\$ 28,584	\$ 0.58
Selected non-cash charges:				
Depreciation and amortization	21,395	0.44	20,345	0.41
Non-cash interest on convertible notes	2,638	0.05	3,201	0.06
Stock-based compensation	5,888	0.12	5,954	0.12
Adjustment to contingent earnouts	(953)	(0.02)	(3,467)	(0.07)
Non-cash charges	\$ 28,968	\$ 0.59	\$ 26,033	\$ 0.52
Non-GAAP earnings continuing operations	\$ 60,043	\$ 1.22	\$ 54,617	\$ 1.10

Table of Contents*Operating Practice Groups*Financial Services

	Year Ended December 31,			
	2012	2011	\$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Same-unit	\$ 401,460	\$ 391,232	\$ 10,228	2.6%
Acquired businesses	10,275		10,275	
Divested operations				
Total revenue	411,735	391,232	20,503	5.2%
Operating expenses	359,166	337,304	21,862	6.5%
Gross margin	\$ 52,569	\$ 53,928	\$ (1,359)	(2.5)%
Gross margin percent	12.8%	13.8%		

The increase in same-unit revenue was primarily the result of strong performance in the units that provide certain national services, which increased 14%. Growth in the national units was primarily due to increased project work, primarily in the federal and state governmental health care consulting and compliance business. Revenue in the core accounting units was flat year over year as a result of increased engagement efficiencies causing a higher yield in rates, offset by a decrease in hours charged. Revenue from acquired businesses was the result of the acquisition of Thompson Dunavant PLC (Thompson Dunavant), located in Memphis, Tennessee, that was acquired on August 1, 2011, and Gresham Smith LLC (Gresham Smith), located in Tulsa, Oklahoma and St. Louis, Missouri, that was acquired on October 1, 2011.

CBIZ provides a range of services to affiliated CPA firms under joint referral and administrative service agreements (ASAs). Fees earned by CBIZ under the ASAs are recorded as revenue in the accompanying consolidated statements of comprehensive income and were approximately \$116.1 million and \$109.1 million for the years ended December 31, 2012 and 2011, respectively. The increase in ASA fees was the result of growth in the units that provide national services, as well as the impact of the acquisitions.

The largest components of operating expenses for the Financial Services practice group are personnel costs, occupancy costs, and travel and related costs which represented 89.0% and 88.4% of total operating expenses for the years ended December 31, 2012 and 2011, respectively. Personnel costs increased \$19.6 million during the year ended December 31, 2012 compared to the same period in 2011, and represented 79.1% and 78.4% of total operating expenses and 69.0% and 67.6% of revenue for the years ended December 31, 2012 and 2011, respectively. The increase was primarily due to investments in resources expected to enhance revenue growth at several units, including the addition of teams of professionals to enhance the Company's state and local tax services and the forensic accounting practice, as well as a team of business development managers located throughout the country. These investments account for approximately \$1.9 million of the increase in personnel costs. In addition to these investments, headcount at the units providing national services increased in response to the increase in demand. Included in the increase in personnel costs is the impact of the acquisitions of Thompson Dunavant and Gresham Smith, which accounted for approximately \$6.8 million of the increase. Lastly, overall incentive compensation increased for the year ended December 31, 2012 compared to 2011. Occupancy costs are relatively fixed in nature and were \$24.4 million for the year ended December 31, 2012 compared to \$23.7 million for the same period in the prior year and were 5.9% and 6.1% of total revenue, respectively. Travel and related costs were \$11.5 million for the year ended December 31, 2012 compared to \$10.2 million in 2011, and represented 2.8% and 2.6% of total revenue, respectively. The increase in travel and related costs was due mostly to increased client development. Bad debt expense decreased \$0.9 million for the year ended December 31, 2012 compared to the same period a year ago, and was 1.2% and 1.5% of revenue for the year ended December 31, 2012 and 2011, respectively.

Table of Contents

Gross margin percentage decreased 1.0% and was 12.8% for the year ended December 31, 2012 compared to 13.8% for 2011. The decrease in gross margin percentage was due primarily to the increase in personnel costs as discussed above.

Employee Services

	Year Ended December 31,			
	2012	2011	\$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Same-unit	\$ 171,103	\$ 171,205	\$ (102)	(0.1)%
Acquired businesses	15,114		15,114	
Divested operations				
Total revenue	186,217	171,205	15,012	8.8%
Operating expenses	155,311	144,528	10,783	7.5%
Gross margin	\$ 30,906	\$ 26,677	\$ 4,229	15.9%
Gross margin percent	16.6%	15.6%		

The decrease in same-unit revenue was primarily attributable to declines in the Company's employee benefits and life insurance businesses, offset by increases in the property and casualty, payroll services, and retirement plan consulting businesses. The decrease in employee benefits revenue of \$2.3 million is primarily due to continued competitive pressures and client plan design changes. The decrease in life insurance revenue of \$1.7 million is due to lower client demand for life insurance plans. Partially offsetting these decreases was an increase in the Company's property and casualty brokerage revenue of \$1.7 million due to pricing increases and an increase in volume-based carrier bonus payments, an increase in the Company's payroll business of \$1.4 million due to higher pricing trends for payroll and related services, and an increase in retirement plan consulting services of \$1.0 million due to favorable trends in equity markets and an increase in demand for actuarial consulting services.

The growth in revenue from acquisitions was provided by: Multiple Benefits Services, an employee benefits business located in Atlanta, Georgia that was acquired on August 1, 2011; PSA Insurance, a retirement advisory business located in Baltimore, Maryland that was acquired on November 1, 2011; Advantage Benefit Planning, an employee benefits business located in Pleasantville, New Jersey that was acquired on December 30, 2011; Meridian, a property and casualty insurance and employee benefits business headquartered in Boca Raton, Florida with an office in Atlanta, Georgia that was acquired on January 1, 2012; Strategic Employee Benefit Services, an employee benefits client list in the Chicago, Illinois market that was acquired on February 1, 2012; PCI, an employee benefits business located in Cranston, Rhode Island that was acquired on May 1, 2012; Stoltz, a property and casualty insurance and employee benefits business headquartered in Midland, Texas that was acquired on July 1, 2012; Trinity, a property and casualty insurance business located in Atlanta, Georgia that was acquired on September 1, 2012; SEBS-Prutt, an employee benefits business headquartered in Nashville, Tennessee that was acquired on October 1, 2012; and Leavitt, an employee benefits business in the San Jose, California market that was acquired on November 1, 2012.

The largest components of operating expenses for the Employee Services group are personnel costs, which include commissions paid to third party brokers, and occupancy costs, representing 82.6% and 82.8% of total operating expenses for the years ended December 31, 2012 and 2011, respectively. Personnel costs increased approximately \$7.7 million, primarily as a result of the acquired businesses. Personnel costs represented 63.1% and 64.2% of revenue for the twelve months ended December 31, 2012 and 2011, respectively. Occupancy costs are relatively fixed in nature and were \$10.7 million and \$9.8 million for the twelve months ended December 31, 2012 and 2011, respectively. The increase in occupancy costs was primarily due to business acquisitions.

Table of Contents

The increase in gross margin percent was primarily attributable to the increases in the property and casualty and retirement plan consulting businesses. The increase in gross margin percent for property and casualty was due to the increase in volume-based carrier bonus payments, which have no corresponding costs, as well as the introduction of various cost-management efforts, including personnel reductions. The increase in gross margin in the retirement plan business is due to the increase in actuarial consulting services, which have a more fixed cost structure, and therefore generate higher profit margins with a corresponding increase in revenue.

Medical Management Professionals

	Year Ended December 31,			
	2012	2011	\$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Same-unit	\$ 136,842	\$ 141,046	\$ (4,204)	(3.0)%
Acquired businesses	1,174		1,174	
Divested operations				
Total revenue	138,016	141,046	(3,030)	(2.1)%
Operating expense	123,264	124,790	(1,526)	(1.2)%
Gross margin	\$ 14,752	\$ 16,256	\$ (1,504)	(9.3)%
Gross margin percent	10.7%	11.5%		

Same-unit revenue consists of revenue from existing clients and net new business sold. The decrease in same-unit revenue was primarily due to a \$3.6 million decrease in revenue from existing clients resulting from a decline in pricing and reimbursement rates which resulted in a decrease in the average revenue recognized per procedure. The remaining decline in same-unit revenue related to revenue from client terminations net of new business sold. This decrease was attributable to several reasons including: increased competitive pressures, clients moving the process in-house, and physician groups losing their hospital contracts or being acquired by the hospital. The loss of revenue due to client terminations net of new business improved in 2012 compared to 2011.

The growth in revenue from acquisitions was provided by ProMedical, a billing company focused on anesthesia billing located in Ocala, Florida that was acquired on October 1, 2012.

The largest components of operating expenses for MMP are personnel costs, professional service fees for off-shore and electronic claims processing, occupancy costs and office expenses (primarily postage related to the Company's statement mailing services). These expenses represented 86.1% and 85.8% of total operating expenses and 76.9% and 75.9% of revenue for the years ended December 31, 2012 and 2011, respectively. Due to a reduction in headcount, personnel costs decreased \$1.3 million for the year ended December 31, 2012, but increased as a percentage of revenue to 55.9% versus 55.4% for 2011. The reduction in headcount and related personnel costs in billing operations is due to the expanded utilization of off-shore processing, utilization of new technologies, as well as a response to the decline in revenue. The decrease in personnel costs was offset by an increase of \$1.1 million in professional services for the year ended December 31, 2012 compared to 2011 due to the increase in offshore processing. Office expenses decreased \$0.6 million for the year ended December 31, 2012, and decreased as a percentage of revenue to 7.3% from 7.6% for the year ended December 31, 2011 as a result of a decrease in statement mailing costs. Facilities costs decreased \$0.9 million for the year ended December 31, 2012, and decreased as a percentage of revenue to 6.2% from 6.7% for 2011 due to the consolidation of certain offices.

The decrease in gross margin is the result of continued pricing and reimbursement pressure as described above.

Table of ContentsNational Practices

	Year Ended December 31,			% Change
	2012	2011	\$ Change	
	(In thousands, except percentages)			
Revenue				
Same-unit	\$ 30,126	\$ 30,322	\$ (196)	(0.6)%
Acquired businesses				
Divested operations				
Total revenue	30,126	30,322	(196)	(0.6)%
Operating expenses	26,713	26,222	491	1.9%
Gross margin	\$ 3,413	\$ 4,100	\$ (687)	(16.8)%
Gross margin percent	11.3%	13.5%		

The National Practices group is primarily comprised of a cost-plus contract with CBIZ's largest client (Edward Jones), healthcare consulting, and the Company's mergers and acquisition business. Revenues from the Edward Jones business account for approximately two-thirds of the National Practice group's revenue, with the healthcare consulting and mergers and acquisitions accounting for the remaining revenue.

The decrease in revenue was attributable to a decrease of \$1.1 million in the mergers and acquisitions business as a result of earning success fees of \$0.7 million for completing one transaction during the year ended December 31, 2012 compared to success fees of \$1.8 million for completing three transactions in 2011. This decrease was substantially offset by an increase of \$0.5 million in services provided to Edward Jones and \$0.4 million from the healthcare consulting business. The increase in the Edward Jones revenue was primarily a result of an increase in required technology support as well as an increase in reimbursement dollars due to an increase in compensation. The increase in the healthcare consulting business was primarily due to an increase in Medicaid eligibility services provided to clients and an increase in consulting fees related to healthcare reform regulations.

The largest components of operating expenses for the National Practices group are personnel costs, occupancy costs, and travel and related costs representing 94.0% and 94.2% of total operating expenses for the years ended December 31, 2012 and 2011, respectively. Personnel costs increased \$0.4 million for the year ended December 31, 2012 compared to the same period in 2011, and increased as a percentage of revenue to 80.6% of revenue for the year ended December 31, 2012 compared to 78.6% of revenue for the same period last year. The increase in personnel costs is due primarily to increases in wages for annual raises. Travel and related costs were consistent in both periods and were \$0.4 million for the years ended December 31, 2012 and 2011. Occupancy costs are relatively fixed in nature and were \$0.5 million for the years ended December 31, 2012 and 2011.

The decrease in gross margin and gross margin percentage is due to the decrease in mergers and acquisitions revenue as the cost structure is relatively fixed and the impact of the success fees has a significant impact on gross margin.

Table of Contents**Year Ended December 31, 2011 Compared to Year Ended December 31, 2010***Revenue*

The following table summarizes total revenue for the years ended December 31, 2011 and 2010 (in thousands, except percentages):

	Year Ended December 31,			
	2011	2010	\$ Change	% Change
<i>Same-unit revenue</i>				
Financial Services	\$ 374,784	\$ 380,130	\$ (5,346)	(1.4)%
Employee Services	167,953	167,510	443	0.3%
MMP	141,046	148,425	(7,379)	(5.0)%
National Practices	30,322	27,749	2,573	9.3%
Total same-unit revenue	714,105	723,814	(9,709)	(1.3)%
Acquired businesses	19,702		19,702	
Divested operations	(2)	6,587	(6,589)	
Total revenue	\$ 733,805	\$ 730,401	\$ 3,404	0.5%

A detailed discussion of revenue by practice group is included under *Operating Practice Groups*.

Gross margin and operating expenses Operating expenses was \$644.3 million for the years ended December 31, 2011 and 2010, but decreased as a percentage of revenue to 87.8% for the year ended December 31, 2011 from 88.2% for 2010. The primary components of operating expenses for the years ended December 31, 2011 and 2010 are illustrated in the following table:

	2011		2010		Change in % of Revenue
	% of Operating Expense	% of Revenue	% of Operating Expense	% of Revenue	
Personnel costs	74.0%	65.0%	74.3%	65.5%	(0.5)%
Occupancy costs	6.9%	6.1%	7.1%	6.2%	(0.1)%
Depreciation and amortization	3.1%	2.7%	3.1%	2.7%	
Travel and related costs	3.2%	2.8%	2.8%	2.5%	0.3%
Professional fees	2.0%	1.8%	2.0%	1.7%	0.1%
Other(1)	10.9%	9.5%	10.2%	9.2%	0.3%
Subtotal	100.1%	87.9%	99.5%	87.8%	0.1%
Deferred compensation costs	(0.1)%	(0.1)%	0.5%	0.4%	(0.5)%
Total operating expenses	100.0%	87.8%	100.0%	88.2%	(0.4)%
Gross margin		12.2%		11.8%	0.4%

(1)

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Includes office expenses, equipment costs, restructuring charges, bad debt and other expenses, none of which are individually significant as a percentage of total operating expenses.

Personnel costs as a percentage of revenue decreased 0.5% to 65.0% for the year ended December 31, 2011 compared to the same period in 2010. The decrease in personnel costs as a percentage of revenue was primarily the result of a 0.5% decrease in salaries and wages. The increase or decrease in personnel costs as a percentage of revenue experienced by the individual practice groups is discussed in further detail under

Operating Practice Groups . The increase in travel and related costs as a percentage of revenue was primarily due to increased client development and retention efforts and an increase in professional staff training. The decrease in deferred

Table of Contents

compensation costs of 0.5% resulted from adjustments to the fair value of investments held in the deferred compensation plan. The adjustments to the fair value of investments held in relation to the deferred compensation plan totaled a loss of \$0.7 million and a gain of \$3.2 million for the years ended December 31, 2011 and 2010, respectively. These adjustments are recorded as compensation expense and are offset by the same adjustments to other income, net, and thus do not have an impact on net income. Although these adjustments are recorded as operating expenses, they are not allocated to the individual practice groups.

Corporate general and administrative expenses Corporate general and administrative (G&A) expenses increased by \$2.0 million to \$31.6 million for the year ended December 31, 2011, from \$29.6 million for 2010, and increased as a percent of revenue by 0.2% to 4.3% for the year ended December 31, 2011. The primary components of corporate general and administrative expenses for the years ended December 31, 2011 and 2010 are illustrated in the following table:

	2011		2010		Change in % of Revenue
	% of G&A Expense	% of Revenue	% of G&A Expense	% of Revenue	
Personnel costs	52.1%	2.2%	53.0%	2.1%	0.1%
Professional fees	14.8%	0.6%	15.7%	0.6%	
Legal settlement	7.2%	0.3%	2.3%	0.1%	0.2%
Computer costs	5.5%	0.2%	5.4%	0.2%	
Travel and related costs	4.0%	0.2%	3.3%	0.1%	0.1%
Occupancy costs	2.5%	0.1%	3.9%	0.2%	(0.1)%
Depreciation and amortization	1.1%		1.3%	0.1%	(0.1)%
Other(1)	11.6%	0.6%	13.3%	0.6%	
Subtotal					