

CBIZ, Inc.
Form 10-Q
August 09, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

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 of

22-2769024
(I.R.S. Employer

incorporation or organization)

Identification No.)

6050 Oak Tree Boulevard, South, Suite 500, Cleveland, Ohio
(Address of principal executive offices)

44131
(Zip Code)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition 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 (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Class of Common Stock
Common Stock, par value \$0.01 per share

Outstanding at July 31, 2013
50,971,562

Table of Contents

CBIZ, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION:</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	
<u>Consolidated Balance Sheets June 30, 2013 and December 31, 2012</u>	3
<u>Consolidated Statements of Comprehensive Income Three and Six Months Ended June 30, 2013 and 2012</u>	4
<u>Consolidated Statements of Cash Flows Six Months Ended June 30, 2013 and 2012</u>	5
<u>Notes to the Consolidated Financial Statements</u>	6-23
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24-41
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	42
<u>Item 4. Controls and Procedures</u>	42-43
<u>PART II. OTHER INFORMATION:</u>	
<u>Item 1. Legal Proceedings</u>	44
<u>Item 1A. Risk Factors</u>	44
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	45-46
<u>Item 3. Defaults Upon Senior Securities</u>	46
<u>Item 4. Mine Safety Disclosures</u>	46
<u>Item 5. Other Information</u>	46
<u>Item 6. Exhibits</u>	47
<u>Signature</u>	48

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****CBIZ, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (Unaudited)****(In thousands)**

	JUNE 30, 2013	DECEMBER 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,187	\$ 899
Restricted cash	28,219	19,627
Accounts receivable, net	161,402	137,058
Deferred income taxes current	12,138	7,013
Other current assets	12,978	10,699
Assets of discontinued operations	102,087	103,291
Current assets before funds held for clients	318,011	278,587
Funds held for clients	116,370	154,447
Total current assets	434,381	433,034
Property and equipment, net	18,210	17,783
Goodwill and other intangible assets, net	474,981	470,997
Assets of deferred compensation plan	44,964	39,779
Deferred income taxes non-current, net	790	790
Other assets	7,693	8,563
Total assets	\$ 980,229	\$ 970,946
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 40,766	\$ 35,395
Income taxes payable current	8,612	1,372
Accrued personnel costs	30,168	34,882
Notes payable current	4,875	6,217
Contingent purchase price liability	14,456	12,844
Other current liabilities	19,785	14,424
Liabilities of discontinued operations	11,553	14,144
Current liabilities before client fund obligations	130,215	119,278
Client fund obligations	116,338	154,119
Total current liabilities	246,553	273,397
Convertible notes, net	123,810	122,416
Bank debt	204,000	208,900
Income taxes payable non-current	4,280	4,009
Deferred income taxes non-current, net	875	875
Deferred compensation plan obligations	44,964	39,779

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Contingent purchase price liability	19,798	17,168
Other non-current liabilities	11,297	10,045
Total liabilities	655,577	675,714
STOCKHOLDERS EQUITY		
Common stock	1,131	1,124
Additional paid-in capital	563,646	560,810
Retained earnings	132,580	105,131
Treasury stock	(371,890)	(371,080)
Accumulated other comprehensive loss	(815)	(753)
Total stockholders equity	324,652	295,232
Total liabilities and stockholders equity	\$ 980,229	\$ 970,946

See the accompanying notes to the consolidated financial statements

Table of Contents**CBIZ, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**

(In thousands, except per share data)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2013	2012	2013	2012
Revenue	\$ 172,511	\$ 154,206	\$ 373,945	\$ 341,762
Operating expenses	151,627	136,013	311,625	285,579
Gross margin	20,884	18,193	62,320	56,183
Corporate general and administrative expenses	7,649	7,575	17,633	18,119
Operating income	13,235	10,618	44,687	38,064
Other income (expense):				
Interest expense	(4,145)	(3,831)	(8,201)	(7,622)
Gain on sale of operations, net	48	50	66	2,639
Other income (expense), net	515	(884)	2,243	2,481
Total other expense, net	(3,582)	(4,665)	(5,892)	(2,502)
Income from continuing operations before income tax expense	9,653	5,953	38,795	35,562
Income tax expense	4,202	2,198	16,441	14,615
Income from continuing operations after income tax expense	5,451	3,755	22,354	20,947
Income from discontinued operations, net of tax	1,791	2,075	3,168	3,646
Gain on disposal of discontinued operations, net of tax	1,905	18	1,928	40
Net income	\$ 9,147	\$ 5,848	\$ 27,450	\$ 24,633
Earnings per share:				
Basic:				
Continuing operations	\$ 0.11	\$ 0.08	\$ 0.45	\$ 0.42
Discontinued operations	0.07	0.04	0.10	0.08
Net income	\$ 0.18	\$ 0.12	\$ 0.55	\$ 0.50
Diluted:				
Continuing operations	\$ 0.11	\$ 0.08	\$ 0.45	\$ 0.42
Discontinued operations	0.07	0.04	0.10	0.08
Net income	\$ 0.18	\$ 0.12	\$ 0.55	\$ 0.50
Basic weighted average shares outstanding	49,639	49,040	49,535	49,074
Diluted weighted average shares outstanding	49,929	49,244	49,891	49,391
Comprehensive Income:				
Net income	\$ 9,147	\$ 5,848	\$ 27,450	\$ 24,633
Other comprehensive loss, net of tax	(155)	(84)	(63)	(4)

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Comprehensive income	\$ 8,992	\$ 5,764	\$ 27,387	\$ 24,629
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See the accompanying notes to the consolidated financial statements

Table of Contents**CBIZ, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

(In thousands)

	SIX MONTHS ENDED JUNE 30,	
	2013	2012
<u>Cash flows from operating activities:</u>		
Net income	\$ 27,450	\$ 24,633
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Income from discontinued operations, net of tax	(3,168)	(3,646)
Gain on disposal of discontinued operations, net of tax	(1,928)	(40)
Gain on sale of operations, net	(66)	(2,639)
Depreciation and amortization expense	9,374	8,261
Amortization of discount on notes and deferred financing costs	2,258	2,055
Bad debt expense, net of recoveries	2,490	2,321
Adjustment to contingent earnout liability	959	(7)
Deferred income taxes	(3,716)	(1,260)
Employee stock awards	2,924	2,869
Excess tax benefits from share based payment arrangements	(25)	
<i>Changes in assets and liabilities, net of acquisitions and divestitures:</i>		
Restricted cash	(8,614)	(1,626)
Accounts receivable, net	(27,663)	(30,451)
Other assets	(1,384)	535
Accounts payable	4,393	11,047
Income taxes payable/refundable	7,524	9,792
Accrued personnel costs and other liabilities	983	(2,861)
Net cash provided by continuing operations	11,791	18,983
Operating cash flows provided by discontinued operations	2,092	6,616
Net cash provided by operating activities	13,883	25,599
<u>Cash flows from investing activities:</u>		
Business acquisitions and contingent consideration, net of cash acquired	(3,993)	(21,119)
Purchases of client fund investments	(4,390)	(4,042)
Proceeds from the sales and maturities of client fund investments	3,345	3,301
Proceeds from sales of divested and discontinued operations	101	1,092
Net decrease in funds held for clients	38,828	27,321
Additions to property and equipment, net	(2,760)	(649)
Other	83	133
Net cash flows provided by continuing operations	31,214	6,037
Investing cash flows used in discontinued operations	(312)	(1,419)
Net cash provided by investing activities	30,902	4,618
<u>Cash flows from financing activities:</u>		
Proceeds from bank debt	232,800	293,650
Payment of bank debt	(237,700)	(289,450)
Payment for acquisition of treasury stock	(810)	(4,454)
Net decrease in client funds obligations	(37,781)	(26,526)

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Proceeds from exercise of stock options	35	
Payment of contingent consideration of acquisitions	(1,066)	(1,832)
Excess tax benefit from exercise of stock awards	25	
Other		(149)
Net cash used in financing activities	(44,497)	(28,761)
Net increase in cash and cash equivalents	288	1,456
Cash and cash equivalents at beginning of year	899	1,613
Cash and cash equivalents at end of period	\$ 1,187	\$ 3,069

See the accompanying notes to the consolidated financial statements

Table of Contents

CBIZ, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

1. Summary of Significant Accounting Policies

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

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting solely of normal recurring adjustments) considered necessary to present fairly the financial position of CBIZ, Inc. and its consolidated subsidiaries (CBIZ or the Company) as of June 30, 2013 and December 31, 2012, the consolidated results of their operations for the three and six months ended June 30, 2013 and 2012, and the cash flows for the six months ended June 30, 2013 and 2012. Due to seasonality, potential changes in economic conditions, interest rate fluctuations and other factors, the results of operations for such interim periods are not necessarily indicative of the results for the full year. For further information, refer to the consolidated financial statements and notes thereto included in CBIZ 's Annual Report on Form 10-K for the year ended December 31, 2012.

Divestiture of Medical Management Professionals

On July 26, 2013, CBIZ, through its subsidiary CBIZ Operations, Inc., an Ohio Corporation, entered into an agreement with Zotec Partners, LLC, an Indiana limited liability company, to sell all of the issued and outstanding capital stock of each of CBIZ Medical Management Professionals, Inc., an Ohio corporation, and CBIZ Medical Management, Inc., a North Carolina corporation, and substantially all of the stock of their subsidiary companies, collectively consisting of all of CBIZ 's Medical Management Professionals ongoing operations and business (MMP) for a purchase price of approximately \$200 million, which amount is subject to adjustment. Subject to customary closing conditions and regulatory approvals, the transaction is expected to close on September 1, 2013. After transaction costs and taxes, CBIZ expects proceeds to be approximately \$145 million. As a result of the sale agreement, the assets and liabilities as well as the operations of MMP are reflected as discontinued operations in this Form 10-Q. See Note 13 for further discussion of discontinued operations and divestitures.

Principles of Consolidation

The accompanying consolidated financial statements reflect the operations of CBIZ, Inc. and all of its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The accompanying consolidated financial statements do not reflect the operations or accounts of variable interest entities as the impact is not material to the financial condition, results of operations or cash flows of CBIZ. See CBIZ 's Annual Report on Form 10-K for the year ended December 31, 2012 for further discussion.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect: the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Management 's estimates and assumptions include, but are not limited to, estimates of collectability of accounts receivable and unbilled revenue, the realizability of goodwill and other intangible assets, the fair value of certain assets, the valuation of stock options in determining compensation expense, estimates of accrued liabilities (such as incentive compensation, self-funded health insurance accruals, legal reserves, income tax uncertainties, contingent purchase price obligations, and consolidation and integration reserves), the provision for income taxes, the realizability of deferred tax assets, and other factors. Management 's estimates and assumptions are derived from and are continually evaluated based upon available information, judgment and experience. Actual results could differ from those estimates.

Table of Contents**CBIZ, INC. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)*****Revenue Recognition and Valuation of Unbilled Revenues***

Revenue is recognized only when all of the following are present: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the fee to the client is fixed or determinable, and collectability is reasonably assured.

CBIZ offers a vast array of products and business services to its clients. Those services are delivered through three practice groups. A description of revenue recognition policies is included in the Annual Report on Form 10-K for the year ended December 31, 2012.

2. Accounts Receivable, Net

Accounts receivable balances at June 30, 2013 and December 31, 2012 were as follows (in thousands):

	June 30, 2013	December 31, 2012
Trade accounts receivable	\$ 120,276	\$ 107,802
Unbilled revenue	52,949	41,005
Total accounts receivable	173,225	148,807
Allowance for doubtful accounts	(11,823)	(11,749)
Accounts receivable, net	\$ 161,402	\$ 137,058

3. Goodwill and Other Intangible Assets, Net

The components of goodwill and other intangible assets, net at June 30, 2013 and December 31, 2012 were as follows (in thousands):

	June 30, 2013	December 31, 2012
Goodwill	\$ 383,926	\$ 376,548
<i>Intangible assets:</i>		
Client lists	136,303	134,987
Other intangible assets	8,293	8,501
Total intangible assets	144,596	143,488
Total goodwill and intangibles assets	528,522	520,036
<i>Accumulated amortization:</i>		
Client lists	(48,576)	(44,293)
Other intangible assets	(4,965)	(4,746)
Total accumulated amortization	(53,541)	(49,039)

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Goodwill and other intangible assets, net	\$ 474,981	\$ 470,997
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Table of Contents**CBIZ, INC. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****4. Depreciation and Amortization**

Depreciation and amortization expense for property and equipment and intangible assets for the three and six months ended June 30, 2013 and 2012 was as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Operating expenses	\$ 4,674	\$ 4,062	\$ 9,225	\$ 8,093
Corporate general and administrative expenses	75	87	149	168
Total depreciation and amortization expense	\$ 4,749	\$ 4,149	\$ 9,374	\$ 8,261

5. Borrowing Arrangements

CBIZ had two primary debt arrangements at June 30, 2013 that provided the Company with the capital necessary to meet its working capital needs as well as the flexibility to continue with its strategic initiatives, including business acquisitions and share repurchases: the 2010 Convertible Senior Subordinated Notes (2010 Notes) totaling \$130 million and a \$275 million unsecured credit facility. In addition to the discussion below, refer to the Annual Report on Form 10-K for the year ended December 31, 2012 for additional details of CBIZ's borrowing arrangements.

2010 Convertible Senior Subordinated Notes

On September 27, 2010, CBIZ issued \$130.0 million of 2010 Notes to qualified institutional buyers. The 2010 Notes are direct, unsecured, senior subordinated obligations of CBIZ. The 2010 Notes bear interest at a rate of 4.875% per annum, payable in cash semi-annually in arrears on April 1 and October 1. The 2010 Notes mature on October 1, 2015 unless earlier redeemed, repurchased or converted.

CBIZ separately accounts for the debt and equity components of the 2010 Notes. The carrying amount of the debt and equity components at June 30, 2013 and December 31, 2012 were as follows (in thousands):

	June 30, 2013	December 31, 2012
Principal amount of notes	\$ 130,000	\$ 130,000
Unamortized discount	(6,940)	(8,334)
Net carrying amount	\$ 123,060	\$ 121,666
Additional paid-in-capital, net of tax	\$ 8,555	\$ 8,555

The discount is being amortized at an annual effective rate of 7.5% over the term of the 2010 Notes, which is five years from the date of issuance. At June 30, 2013, the unamortized discount had a remaining amortization period of approximately 27 months.

2006 Convertible Senior Subordinated Notes

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At June 30, 2013, CBIZ had \$750,000 outstanding of its 3.125% Convertible Senior Subordinated Notes that were issued in 2006 (2006 Notes). These 2006 Notes are direct, unsecured, senior subordinated obligations of CBIZ. The 2006 Notes bear interest at a rate of 3.125% per annum, payable in cash semi-annually in arrears on each June 1 and December 1. The 2006 Notes mature on June 1, 2026 unless earlier redeemed, repurchased or converted.

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

CBIZ separately accounts for the debt and equity components of the 2006 Notes. The carrying amount of the debt and equity components at June 30, 2013 and December 31, 2012 were as follow (in thousands):

	June 30, 2013	December 31, 2012
Principal amount of notes	\$ 750	\$ 750
Unamortized discount		
Net carrying amount	\$ 750	\$ 750
Additional paid-in-capital, net of tax	\$ 11,425	\$ 11,425

During the three and six months ended June 30, 2013 and 2012, CBIZ recognized interest expense on the 2010 Notes and 2006 Notes as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Contractual coupon interest	\$ 1,590	\$ 1,591	\$ 3,181	\$ 3,181
Amortization of discount	710	659	1,394	1,295
Amortization of deferred financing costs	180	180	360	360
Total interest expense	\$ 2,480	\$ 2,430	\$ 4,935	\$ 4,836

Bank Debt

CBIZ maintains a \$275 million unsecured credit facility (credit facility) with Bank of America as agent for a group of seven participating banks. The balance outstanding under the credit facility was \$204.0 million and \$208.9 million at June 30, 2013 and December 31, 2012, respectively. Rates for the six months ended June 30, 2013 and 2012 were as follows:

	Six Months Ended June 30,	
	2013	2012
Weighted average rates	2.96%	3.22%
Range of effective rates	2.66% - 3.91%	2.69% - 3.91%

CBIZ had approximately \$60.4 million of available funds under the credit facility at June 30, 2013, net of outstanding letters of credit and performance guarantees of \$4.4 million. The credit facility provides CBIZ operating flexibility and funding to support seasonal working capital needs and other strategic initiatives such as acquisitions and share repurchases. The maturity date of the credit facility is June 2015. CBIZ believes it is in compliance with its debt covenants at June 30, 2013.

6. Commitments and Contingencies

Letters of Credit and Guarantees

CBIZ provides letters of credit to landlords (lessors) of its leased premises in lieu of cash security deposits, which totaled \$2.5 million as of June 30, 2013 and December 31, 2012. In addition, CBIZ provides license bonds to various state agencies to meet certain licensing requirements. The amount of license bonds outstanding at June 30, 2013 and December 31, 2012 was \$2.0 million and \$2.7 million, respectively.

Table of Contents

CBIZ, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

CBIZ acted as guarantor on various letters of credit for a CPA firm with which it has an affiliation, which totaled \$1.9 million as of June 30, 2013 and December 31, 2012. CBIZ has recognized a liability for the fair value of the obligations undertaken in issuing these guarantees, which is recorded as other current liabilities in the accompanying consolidated balance sheets. Management does not expect any material changes to result from these instruments as performance under the guarantees is not expected to be required.

Legal Proceedings

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. The federal court case is captioned Robert Facciola, et al v. Greenberg Traurig LLP, et al, and the state court cases are captioned 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. 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 arose 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 were also named 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 seek to hold the CBIZ Parties 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. That appeal is currently pending.

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 alleged losses on those 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 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, and also dismissed certain other claims in the Ashkenazi and Victims Recovery cases.

Table of Contents

CBIZ, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

On April 12, 2013, the court denied the CBIZ Parties' motion to dismiss the remaining claims in the Ashkenazi lawsuit. On May 7, 2013, the court in the ML Liquidating Trust lawsuit issued a ruling dismissing claims for deepening insolvency damages, negligence and breach of contract and holding that any claims related to the 2004 and 2005 Mayer Hoffman audits were barred by the statute of limitations. The court denied the motion as to the negligent misrepresentation claim. On June 14, 2013, the court dismissed the RICO, fraud, and consumer fraud claims in the Marsh lawsuit, and denied the CBIZ Parties' motion as to the negligent misrepresentation and aiding and abetting breaches of fiduciary duty claims.

The CBIZ Parties and Mayer Hoffman, without admitting any liability, have reached settlements in the Victims Recovery, Ashkenazi and Rader lawsuits. In addition, the CBIZ Parties and Mayer Hoffman, without admitting any liability, reached a settlement with a single plaintiff from the Marsh lawsuit. The CBIZ Parties did not pay any monetary amounts as part of these settlements. The Victims Recovery complaint had alleged damages of approximately \$53 million, the Ashkenazi complaint had alleged damages of approximately \$92 million and the Rader complaint alleged damages in excess of \$15 million.

The CBIZ Parties deny all allegations of wrongdoing made against them in these actions and are vigorously defending the remaining proceedings. In particular, the CBIZ Parties are not control persons under the Ari