CBIZ, Inc.
Form 10-Q
November 10, 2008

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

FORM 10-Q

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

For the quarterly period ended September 30, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number 1-32961

CBIZ, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

Class of Common Stock	Outstanding at October 31, 2008

Common Stock, par value $0.01 per share	61,793,639

CBIZ, INC. AND SUBSIDIARIES
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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

	SEPTEMBER 30, 2008	DECEMBER 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,501	$ 12,144
Restricted cash	14,216	15,402
Accounts receivable, net	133,355	115,333
Notes receivable current, net	1,864	1,722
Deferred income taxes current	9,039	5,136
Other current assets	9,518	10,086
Assets of discontinued operations	219	1,858
Current assets before funds held for clients	175,712	161,681
Funds held for clients current	65,905	88,048
Total current assets	241,617	249,729
Property and equipment, net	26,201	26,279
Notes receivable non-current, net	1,158	2,017
Deferred income taxes non-current, net	5,189	5,300
Goodwill and other intangible assets, net	279,200	268,388
Assets of deferred compensation plan	23,167	22,157
Funds held for clients non-current	11,767	
Other assets	3,637	4,122
Total assets	$ 591,936	$ 577,992
LIABILITIES		
Current liabilities:		
Accounts payable	$ 28,176	$ 27,293
Income taxes payable current	1,237	
Accrued personnel costs	35,925	40,281
Notes payable current	1,856	10,602
Other current liabilities	19,222	13,969
Liabilities of discontinued operations	2,432	3,460
Current liabilities before client fund obligations	88,848	95,605
Client fund obligations	79,285	88,048
Total current liabilities	168,133	183,653

Convertible notes		100,000		100,000
Bank debt		60,000		30,000
Income taxes payable non-current		7,149		8,346
Deferred compensation plan obligations		23,167		22,157
Other non-current liabilities		6,694		7,390
Total liabilities		365,143		351,546
STOCKHOLDERS EQUITY				
Common stock		1,057		1,041
Additional paid-in capital		487,182		477,804
Accumulated deficit		(8,385)		(37,414)
Treasury stock		(252,702)		(214,883)
Accumulated other comprehensive loss		(359)		(102)
Total stockholders equity		226,793		226,446
Total liabilities and stockholders equity	$	591,936	$	577,992

See the accompanying notes to the consolidated financial statements.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2008	**2007**	**2008**	**2007**
Revenue	$ 168,195	$ 151,180	$ 541,281	$ 486,282
Operating expenses	148,757	137,177	461,970	419,474
Gross margin	19,438	14,003	79,311	66,808
Corporate general and administrative expense	7,270	7,143	22,313	23,233
Operating income	12,168	6,860	56,998	43,575
Other income (expense):				
Interest expense	(1,804)	(1,284)	(5,409)	(4,250)
Gain on sale of operations, net	229	20	470	125
Other income (expense), net	(3,018)	747	(4,030)	3,342
Total other expense, net	(4,593)	(517)	(8,969)	(783)
Income from continuing operations before income tax expense	7,575	6,343	48,029	42,792
Income tax expense	2,689	2,531	18,442	17,631
Income from continuing operations	4,886	3,812	29,587	25,161
Loss from discontinued operations, net of tax	(56)	(189)	(250)	(1,134)
Gain (loss) on disposal of discontinued operations, net of tax	132	1,023	(308)	4,713
Net income	$ 4,962	$ 4,646	$ 29,029	$ 28,740
Earnings (loss) per share:				
Basic:				
Continuing operations	$ 0.08	$ 0.06	$ 0.48	$ 0.38
Discontinued operations		0.01	(0.01)	0.06
Net income	$ 0.08	$ 0.07	$ 0.47	$ 0.44
Diluted:				

Continuing operations	$	0.08	$	0.06	$	0.47	$	0.38
Discontinued operations				0.01		(0.01)		0.05
Net income	$	0.08	$	0.07	$	0.46	$	0.43
Basic weighted average shares outstanding		61,171		64,842		62,080		65,437
Diluted weighted average shares outstanding		61,772		66,083		62,801		66,845

See the accompanying notes to the consolidated financial statements.

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

	NINE MONTHS ENDED SEPTEMBER 30,	
	2008	**2007**
Cash flows from operating activities:		
Net income	$ 29,029	$ 28,740
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from discontinued operations, net of tax	250	1,134
(Gain) loss on disposal of discontinued operations, net of tax	308	(4,713)
Gain on sale of operations, net	(470)	(125)
Impairment of auction rate security	1,381	
Bad debt expense, net of recoveries	4,161	2,658
Depreciation and amortization expense	11,346	10,012
Deferred income taxes	(2,391)	1,248
Excess tax benefits from share based payment arrangements	(1,719)	(2,356)
Employee stock awards	2,783	1,711
Changes in assets and liabilities, net of acquisitions and divestitures:		
Restricted cash	1,186	619
Accounts receivable, net	(23,299)	(18,739)
Other assets	1,036	1,439
Accounts payable	1,016	(3,683)
Income taxes payable	487	2,507
Accrued personnel costs	(4,349)	(1,383)
Other liabilities	4,558	1,175
Net cash provided by continuing operations	25,313	20,244
Operating cash flows used in discontinued operations	(1,539)	(1,196)
Net cash provided by operating activities	23,774	19,048
Cash flows from investing activities:		
Business acquisitions and contingent consideration, net of cash acquired	(24,966)	(18,922)
Acquisition of other intangible assets	(810)	(1,608)
Proceeds from sales of divested and discontinued operations	4,893	28,003
Additions to property and equipment, net	(5,109)	(4,232)
Additions to notes receivable	(170)	
Payments received on notes receivable	373	182
Net cash used in discontinued operations		(640)
Net cash provided by (used in) investing activities	(25,789)	2,783
Cash flows from financing activities:		
Proceeds from bank debt	218,600	218,510
Payment of bank debt	(188,600)	(206,510)

Payment of notes payable and capitalized leases	(410)	(388)
Payment for acquisition of treasury stock	(37,819)	(30,812)
Proceeds from exercise of stock options	3,988	3,576
Excess tax benefit from exercise of stock awards	1,719	2,356
Debt issuance costs	(106)	
Net cash used in financing activities	(2,628)	(13,268)
Net increase (decrease) in cash and cash equivalents	(4,643)	8,563
Cash and cash equivalents at beginning of year	12,144	12,971
Cash and cash equivalents at end of period	$ 7,501	$ 21,534

See the accompanying notes to the consolidated financial statements.

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

1. Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with 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) as of September 30, 2008 and December 31, 2007, the results of their operations for the three and nine months ended September 30, 2008 and 2007, and cash flows for the nine months ended September 30, 2008 and 2007. 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, 2007.

Principles of Consolidation

The accompanying consolidated financial statements reflect the operations of CBIZ and all of its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. CBIZ does not consolidate variable interest entities as the impact would not be material to the financial condition, results of operations or cash flows of CBIZ.

Use of Estimates

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

Reclassifications

Certain amounts in the 2007 consolidated financial statements and disclosures have been reclassified to conform to the current year presentation including the impact of discontinued operations.

Accounts Receivable and Allowance for Doubtful Accounts

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

Funds Held for Clients and Client Fund Obligations

Services provided by CBIZ include the preparation of payroll checks, federal, state, and local payroll tax returns, and flexible spending account administration. In relation to these services, CBIZ collects funds from its clients accounts in advance of paying these client obligations. Funds that are collected before

CBIZ, INC. AND SUBSIDIARIES

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

they are due are segregated and reported separately as Funds held for clients in the consolidated balance sheets. Other than certain federal and state regulations pertaining to flexible spending account administration, there are no regulatory or other contractual restrictions placed on these funds.

Funds held for clients are reported as current and non-current assets, as appropriate, based upon characteristics of the underlying investments, and Client fund obligations are reported as current liabilities. If the par value of investments held does not approximate fair value, the balance in Funds held for clients may not be equal to the balance in Client fund obligations . The amount of collected but not yet remitted funds may vary significantly during the year.

Funds held for clients include cash, overnight investments and Auction Rate Securities (ARS). ARS are classified as available for sale securities in accordance with FASB Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS No. 115). See Note 7 for further discussion of ARS.

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, our fee to the client is fixed or determinable, and collectibility is reasonably assured. These criteria are in accordance with GAAP and SEC Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, as amended by SAB No. 104 Revenue Recognition .

CBIZ offers a vast array of products and business services to its clients. Those services are delivered through four practice groups. A description of revenue recognition, as it relates to those groups, is included in the Annual Report on Form 10-K for the year ended December 31, 2007.

New Accounting Pronouncements

Effective January 1, 2008, CBIZ adopted Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. For financial assets and liabilities, this statement is effective for fiscal periods beginning after November 15, 2007 and does not require any new fair value measurements, but rather expands the disclosure of fair value measurements. In February 2008, the FASB issued Staff Position No. 157-2 Effective Date of FASB Statement No. 157 which delayed the effective date of SFAS No. 157 to fiscal years ending after November 15, 2008 for non-financial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Accordingly, CBIZ did not apply the provisions of SFAS No. 157 to long-lived assets, goodwill and other intangible assets that are measured for impairment testing purposes. See Note 8 for further discussion of the adoption of SFAS No. 157.

Effective January 1, 2008, CBIZ adopted SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115 . This statement permits entities to choose to measure many financial instruments and certain other items at fair value. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, including interim periods within that fiscal year. The Company did not elect the fair value option for any of its existing financial instruments and has not determined whether or not it will elect this option for financial instruments it may acquire in the future.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) Business Combinations (SFAS No. 141R), which replaces SFAS No. 141, Business Combinations. SFAS No. 141R establishes principles and requirements for how an acquirer, a) recognizes and measures the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree, b) recognizes and measures the goodwill acquired, and c) determines what information to disclose. SFAS No. 141R also requires that all acquisition-related costs, including restructuring, be recognized separately from the acquisition, and that

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CBIZ, INC. AND SUBSIDIARIES

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

changes in acquired tax contingencies, including those existing at the date of adoption, be recognized in earnings if outside the maximum allocation period (generally one year). SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning after December 15, 2008. CBIZ is currently evaluating the impact of adoption of SFAS No. 141R on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51 (SFAS No. 160). SFAS 160 establishes requirements for ownership interests in subsidiaries held by parties other than the Company (sometimes called minority interests) be clearly identified, presented, and disclosed in the consolidated statement of financial position within equity, but separate from the parent s equity. All changes in the parent s ownership interests are required to be accounted for consistently as equity transactions and any retained noncontrolling equity investments in deconsolidated subsidiaries must be measured initially at fair value. This statement is effective for CBIZ beginning January 1, 2009. CBIZ is currently evaluating the potential impact of the adoption of SFAS No. 160 on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS No. 161) as an amendment to SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities . SFAS No. 161 applies to all derivative instruments and related hedged items accounted for under SFAS No. 133. It requires entities to provide greater transparency about a) how and why an entity uses derivative instruments, b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and c) how derivative and related hedged items affect an entity s financial position, results of operations, and cash flow. SFAS No. 161 is effective for CBIZ beginning January 1, 2009. The Company is currently evaluating the impact of the adoption of SFAS No. 161 on its consolidated financial statements.

On May 9, 2008, the FASB issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1). FSP APB 14-1 requires issuers of convertible debt instruments that may be settled wholly or partly in cash, to separately account for the liability and equity components of the instruments in a manner that reflects the nonconvertible debt borrowing rate when interest expense is recognized in subsequent periods. The resulting debt discount is amortized over the period the convertible debt is expected to be outstanding as additional non-cash interest expense.

FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 and will impact the accounting associated with CBIZ s $100.0 million convertible senior subordinated notes (described in Note 5). The provisions of APB 14-1 must be applied retrospectively to all periods presented and will result in additional non-cash interest expense from what has been reported in historical financial statements. Management estimates that when retrospectively applied to the year ended December 31, 2008, the adoption of FSP APB 14-1 will impact diluted earnings per share by less than $0.05. This impact is based upon preliminary analysis that requires the use of estimates and assumptions. As the analysis has not been finalized, the estimate and assumptions are subject to change.

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CBIZ, INC. AND SUBSIDIARIES

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

2. Accounts Receivable, Net

Accounts receivable balances at September 30, 2008 and December 31, 2007 were as follows (in thousands):

	2008	2007
Trade accounts receivable	$ 108,924	$ 98,881
Unbilled revenue	30,590	21,572
Other accounts receivable	760	712
Total accounts receivable	140,274	121,165
Allowance for doubtful accounts	(6,919)	(5,832)
Accounts receivable, net	$ 133,355	$ 115,333

3. Goodwill and Other Intangible Assets, Net

The components of goodwill and other intangible assets, net at September 30, 2008 and December 31, 2007 were as follows (in thousands):

	2008	2007
Goodwill	$ 224,507	$ 213,511
Intangibles:		
Client lists	68,183	63,234
Intangible assets other	7,655	8,125
Total intangibles	75,838	71,359
Total goodwill and other intangibles assets	300,345	284,870
Accumulated amortization	(21,145)	(16,482)
Goodwill and other intangible assets, net	$ 279,200	$ 268,388

Client lists are amortized over their expected periods of benefit not to exceed ten years. Other intangible assets, which consist primarily of non-compete agreements and trade-names, are amortized over periods ranging from two to ten years. Amortization expense for client lists and other intangible assets was approximately $2.0 million and $1.5 million for the three months ended and $5.9 million and $4.2 million for the nine months ended September 30, 2008 and 2007, respectively.

4. Depreciation and Amortization Expense

Depreciation and amortization expense for property, equipment and intangible assets is reported in operating expenses or general and administrative expense in the accompanying consolidated statements of operations. Depreciation and amortization expense for the three and nine months ended September 30, 2008 and 2007 was as follows (in thousands):

	THREE MONTHS ENDED	NINE MONTHS ENDED

	SEPTEMBER 30, 2008	SEPTEMBER 30, 2007	SEPTEMBER 30, 2008	SEPTEMBER 30, 2007
Operating expenses	$ 3,520	$ 2,747	$ 10,457	$ 8,133
Corporate general and administrative expense	211	479	889	1,879
Total depreciation and amortization expense	$ 3,731	$ 3,226	$ 11,346	$ 10,012

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

5. Borrowing Arrangements

Convertible Senior Subordinated Notes

CBIZ had $100.0 million of convertible senior subordinated notes (Notes) outstanding at September 30, 2008. The Notes are direct, unsecured, senior subordinated obligations of CBIZ and rank (i) junior in right of payment to all of CBIZ s existing and future senior indebtedness, (ii) equal in right of payment with any other future senior subordinated indebtedness, and (iii) senior in right of payment to all subordinated indebtedness. The terms of the Notes are governed by the Indenture dated as of May 30, 2006, with U.S. Bank National Association as trustee (Indenture). The Notes and Indenture are further described in CBIZ s Annual Report on Form 10-K for the year ended December 31, 2007.

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

Bank Debt

CBIZ maintains an unsecured credit facility (facility) with Bank of America as agent bank for a group of five participating banks. CBIZ had $60.0 million and $30.0 million of outstanding borrowings under the facility at September 30, 2008 and December 31, 2007, respectively. Rates for the nine months ended September 30, 2008 and for the year ended December 31, 2007 were as follows:

	2008	**2007**
Weighted average rates	4.75%	7.05%
Range of effective rates	3.60% - 7.25%	6.09% - 8.25%

CBIZ had approximately $81.1 million of available funds under the facility at September 30, 2008. Available funds under the facility are reduced by letters of credit and obligations determined to be other indebtedness in accordance with the terms of the facility. The facility expires November 2012 and was amended effective April 3, 2008 to increase the commitment from $100.0 million to $150.0 million.

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

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

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CBIZ, INC. AND SUBSIDIARIES

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

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

6. Commitments and Contingencies

Acquisitions

The purchase price that CBIZ pays for businesses and client lists generally consists of two components: an up-front non-contingent portion, and a portion which is contingent upon the acquired businesses or client lists actual future performance. Non-contingent purchase price is recorded at the date of acquisition and contingent purchase price is recorded as it is earned. Shares of CBIZ common stock that are issued in connection with acquisitions may be contractually restricted from sale for periods up to two years. Acquisitions are further discussed in Note 12.

Indemnifications

CBIZ has various agreements in which we may be obligated to indemnify the other party with respect to certain matters. Generally, these indemnification clauses are included in contracts arising in the normal course of business under which we customarily agree to hold the other party harmless against losses arising from a breach of representations, warranties, covenants or agreements, related to matters such as title to assets sold and certain tax matters. Payment by CBIZ under such indemnification clauses are generally conditioned upon the other party making a claim. Such claims are typically subject to challenge by CBIZ and to dispute resolution procedures specified in the particular contract. Further, CBIZ s obligations under these agreements may be limited in terms of time and/or amount and, in some instances, CBIZ may have recourse against third parties for certain payments made by CBIZ. It is not possible to predict the maximum potential amount of future payments under these indemnification agreements due to the conditional nature of CBIZ s obligations and the unique facts of each particular agreement. Historically, CBIZ has not made any payments under these agreements that have been material individually or in the aggregate. As of September 30, 2008, CBIZ was not aware of any material obligations arising under indemnification agreements that would require payments.

Employment Agreements

CBIZ maintains severance and employment agreements with certain of its executive officers, whereby such officers may be entitled to payment in the event of termination of their employment. CBIZ also has arrangements with certain non-executive employees which may include severance and other employment provisions. CBIZ accrues for amounts payable under these contracts and arrangements as triggering events occur and obligations become known. During the nine months ended September 30, 2008 and 2007, payments regarding such contracts and arrangements were not material.

Letters of Credit and Guarantees

CBIZ provides letters of credit to landlords (lessors) of its leased premises in lieu of cash security deposits which totaled $3.7 million as of September 30, 2008 and December 31, 2007. In addition, CBIZ provides license bonds to various state agencies to meet certain licensing requirements. The amount of license bonds outstanding at September 30, 2008 and December 31, 2007 was $1.7 million and $1.4 million, respectively.

CBIZ acted as guarantor on various letters of credit for a CPA firm with which it has an affiliation, which totaled $1.5 million and $1.4 million as of September 30, 2008 and December 31, 2007, respectively. In accordance with FASB Interpretation No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others , as amended, CBIZ has recognized a liability for the fair value of the obligations undertaken in issuing these guarantees, which is recorded as other current liabilities in the accompanying consolidated balance sheets. Management

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

does not expect any material changes to result from these instruments as performance under the guarantees is not expected to be required.

Self-Funded Health Insurance

Effective January 1, 2008, CBIZ converted its comprehensive health benefit plan from a fully-insured plan to a self-funded program. Total expenses under this program are limited by stop-loss coverages on individually large claims as well as an overall aggregate amount of claims. A third party administrator processes claims and payments, but does not assume liability for benefits payable under this plan. CBIZ assumes responsibility for funding the plan benefits out of general assets, however, employees contribute to the costs of covered benefits through premium charges, deductibles and co-pays.
The Company s policy is to accrue a liability for both known claims and for estimated claims that have been incurred but not reported, as of each reporting date. The third party administrator provides the Company with reports and other information which provides a basis for the estimate of the liability at the end of each reporting period. Although management believes that it uses the best available information to determine the amount of the liability, unforeseen health claims could result in adjustments to the estimated expense if circumstances differ from the assumptions used in estimating the liability. CBIZ s net healthcare costs include health claims expenses, premiums for the stop-loss coverages and administration fees to the third-party administrator.

Legal Proceedings

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

7. Financial Instruments

Auction Rate Securities

At December 31, 2007, the fair value of our investments in ARS approximated face value and totaled $22.5 million. These ARS were recorded as Funds held for clients current in the consolidated balance sheets. There were no impairment charges recorded for our investments in ARS during the year ended December 31, 2007.

As a result of liquidity issues experienced in the credit and capital markets during 2008, CBIZ s ARS have experienced failed auctions during the first nine months of 2008 and one of the investments was downgraded below the minimum rating required by the Company s investment policy. While CBIZ continues to earn and receive interest on these investments at the contractual rates, the estimated fair value of our investments in ARS no longer approximates their face value.

At September 30, 2008, CBIZ had four outstanding investments in ARS with par values totaling $19.4 million. One ARS was redeemed in October at its par value of $6.0 million. This ARS is recorded at par value in Funds held for clients current in the accompanying consolidated balance sheets.

The fair values of the remaining ARS do not approximate their par values. The declines in fair values of two of the ARS are currently considered to be temporary. These declines in fair value totaled $0.2 million at September 30, 2008 and are recorded as unrealized losses in accumulated other comprehensive loss. ARS with temporary declines in fair value are classified as Funds held for clients non-current , as CBIZ intends and has the ability to hold these investments until anticipated recovery of par value occurs.

The decline in fair value for one ARS was determined to be other-than-temporary. Accordingly, CBIZ recorded an impairment charge totaling approximately $1.4 million for the three and nine months ended

CBIZ, INC. AND SUBSIDIARIES

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

September 30, 2008, which is included in Other income (expense), net in the accompanying consolidated statements of operations. The fair value of this ARS is recorded in Funds held for clients non-current in the accompanying consolidated balance sheets.

Interest Rate Swap

In December 2007, effective January 3, 2008, CBIZ entered into a two-year, zero-cost interest rate swap (swap) for the purpose of managing cash flow and interest rate variability on a portion of outstanding borrowings under the credit facility. CBIZ does not enter into derivative instruments for trading or speculative purposes.

Under the terms of the swap agreement, CBIZ pays interest at a fixed rate of 3.9% plus applicable margin under the credit agreement, and receives or pays interest that varies with one-month LIBOR. Interest is calculated by reference to the $10.0 million notional amount of the swap and payments are exchanged each month. During the three months and nine months ended September 30, 2008, CBIZ recorded additional interest expense of approximately $37,000 and $74,000, respectively, related to the swap agreement.

CBIZ designated the swap as a cash flow hedge and accounts for the swap in accordance with the provisions of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities and related amendments and interpretations. Accordingly, the interest rate swap is recorded as either an asset or liability in the consolidated balance sheets at fair value. Changes in fair value are recorded as a component of accumulated other comprehensive income in stockholders equity, net of tax, to the extent the swap is effective. Amounts recorded to accumulated other comprehensive income are reclassified to interest expense as interest on the hedged borrowings is recognized. Net amounts due related to the swap are recorded as adjustments to interest expense when earned or payable. Any ineffective portion of the swap is recorded to interest expense.

The fair value of the swap is included in other non-current liabilities in the consolidated balance sheets and was $0.1 million at September 30, 2008. Fair value represents the amount that CBIZ would have to pay to terminate the swap agreement at the reporting date. Over the next 12 months, CBIZ expects to reclassify approximately $0.1 million of deferred losses from accumulated other comprehensive loss to interest expense as related interest payments that are being hedged are recognized.

The swap is assessed for effectiveness and continued qualification for hedge accounting on a quarterly basis, and if the swap were to be de-designated as a hedge it would be accounted for as a financial instrument used for trading. There was no ineffectiveness for the first nine months of 2008.

8. Fair Value Measurements

As discussed in Note 1, SFAS No. 157 was adopted for measuring and reporting financial assets and liabilities in the Company s financial statements beginning January 1, 2008. SFAS No. 157 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The three levels are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and are significant to the fair value measurement.

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A financial instrument s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table summarizes CBIZ s assets and liabilities at September 30, 2008 that are measured at fair value on a recurring basis subsequent to initial recognition, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value (in thousands):

	Portion of Carrying Value Measured at Fair Value September 30, 2008	Fair Value Measurements at September 30, 2008 with Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets of deferred compensation plan	$ 23,167	$ 23,167	$	$
Auction rate securities	$ 17,767	$	$ 6,000	$ 11,767
Interest rate swap	$ (103)	$	$	$ (103)

The following table summarizes the change in fair values of the Company s assets and liabilities identified as Level 3 for the nine months ended September 30, 2008 (pre-tax basis) (in thousands):

	Auction Rate Securities	Interest Rate Swap
Beginning balance January 1, 2008	$	$
Transfers into Level 3	21,420	
Redemption of securities	(2,040)	
Impairment recorded in operations	(1,381)	
Unrealized losses included in accumulated other comprehensive loss	(232)	(103)
Transfers out of Level 3	(6,000)	
Ending balance September 30, 2008	$ 11,767	$ (103)

Due to the liquidity issues described in Note 7 and because quoted prices from broker-dealers were unavailable for CBIZ s ARS, the majority of the investments in ARS were transferred from Level 2 to Level 3 during the first nine months of 2008. Subsequent to the initial transfer into Level 3, securities totaling $2.0 million were redeemed by the issuer and securities totaling $6.0 million were transferred to Level 2 based upon redemption of that security subsequent to September 30, 2008. For the remaining ARS, a fair value assessment was performed in accordance with SFAS No. 157. The assessment was performed on each security based on a discounted cash flow model utilizing various assumptions that included maximum interest rates for each issue, probabilities of successful auctions, failed auctions or default, the timing of cash flows, the quality and level of collateral of the securities, and the rate of recovery from bond insurers in the event of default. According to the fair value analysis, it was determined that one ARS issue was unlikely to recover its par value and therefore an other-than-temporary impairment of approximately $1.4 million was recorded in the consolidated statements of operations for the three and nine months ended September 30, 2008.

Based on the fair value analysis, it was determined that the fair value of the remaining securities was 97.2% of par value, resulting in a temporary impairment of $0.2 million at September 30, 2008. For these remaining securities, CBIZ determined that the impairment is temporary due to the recent dislocation in the credit markets, the quality of the investments and their underlying collateral, and the probability of a passed auction or redemption in the future, considering the issuers ability to refinance if

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CBIZ, INC. AND SUBSIDIARIES

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

necessary. In addition, CBIZ has sufficient liquidity in its client fund assets to fund client obligations and CBIZ does not anticipate that the current lack of liquidity of these investments will affect its ability to conduct business. Therefore, CBIZ has the ability and intent to hold the ARS until anticipated recovery in value occurs. The decline in fair value has been recorded as an unrealized loss in accumulated other comprehensive loss, net of income taxes.

9. Other Comprehensive Income

Other comprehensive income is reflected as an increase to stockholders equity and is not reflected in CBIZ s results of operations. Other comprehensive income for the three and nine months ended September 30, 2008 and 2007 was as follows (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2008	2007	2008	2007
Net income	$ 4,962	$ 4,646	$ 29,029	$ 28,740
Net unrealized gains (losses) on available-for-sale securities, net of income tax	830	2	(145)	8
Net unrealized gain (loss) on interest rate swap, net of income tax	14		(65)	
Foreign currency translation	(19)	(12)	(47)	(27)
Total other comprehensive income	$ 5,787	$ 4,636	$ 28,772	$ 28,721

Accumulated other comprehensive loss, net of tax, was approximately $0.4 million and $0.1 million at September 30, 2008 and December 31, 2007, respectively. Accumulated other comprehensive loss consisted of adjustments, net of tax, to unrealized gains and losses on available-for-sale securities and the interest rate swap, as well as adjustments to foreign currency translation.

10. Employer Share Plans

CBIZ has granted various stock-based awards under its 1996 Employee Stock Option Plan and 2002 Stock Incentive Plan, which are described in further detail in CBIZ s Annual Report on Form 10-K for the year ended December 31, 2007. The terms and vesting schedules for stock-based awards vary by type and date of grant. In accordance with SFAS No. 123 (revised 2004), Share-Based Payment , compensation expense for stock-based awards recognized during the three and nine months ended September 30, 2008 and 2007 was as follows (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2008	2007	2008	2007
Stock options	$ 577	$ 404	$ 1,737	$ 1,194
Restricted stock awards	382	221	1,046	517
Total stock-based compensation expense	$ 959	$ 625	$ 2,783	$ 1,711

Stock award activity during the nine months ended September 30, 2008 was as follows (in thousands, except per share data):

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

	Stock Options		Restricted Stock Awards	
	Number of Options	Weighted Average Exercise Price Per Share	Number of Shares	Weighted Average Grant-Date Fair Value (1)
Outstanding at beginning of year	3,638	$5.43	516	$ 6.28
Granted	1,279	$8.24	327	$ 8.38
Exercised	(1,105)	$3.61		
Released			(203)	$ 6.06
Expired or canceled	(73)	$6.33	(7)	$ 8.23
Outstanding at September 30, 2008	3,739	$6.91	633	$ 7.41
Exercisable at September 30, 2008	1,290	$5.64		

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

CBIZ had approximately 8.5 million shares available for future grant under the stock option plans at September 30, 2008.

11. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2008 and 2007 (in thousands, except per share data).

	THREE MONTHS ENDED SEPTEMBER 30,	NINE MONTHS ENDED SEPTEMBER 30,

	2008	2007	2008	2007
Numerator:				
Income from continuing operations after income tax expense	$ 4,886	$ 3,812	$ 29,587	$ 25,161
Denominator:				
Basic				
Weighted average common shares	61,171	64,842	62,080	65,437
Diluted				
Stock options (1)	455	924	558	1,102
Restricted stock awards	134	132	154	118
Contingent shares (2)	12	185	9	188
Total diluted weighted average common shares	61,772	66,083	62,801	66,845
Basic earnings per share from continuing operations	$ 0.08	$ 0.06	$ 0.48	$ 0.38
Diluted earnings per share from continuing operations	$ 0.08	$ 0.06	$ 0.47	$ 0.38

(1) A total of 2.3 million and 1.8 million options were excluded from the calculation of diluted earnings per share for the three and nine months ended September 30, 2008, respectively, and a total of 1.6 million options were excluded from the calculation of diluted earnings per share for the three and nine months ended September 30, 2007,

respectively, as their exercise prices would render them anti-dilutive.

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

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

12. Acquisitions

During the nine months ended September 30, 2008, CBIZ acquired a payroll business, an insurance agency and a national executive search firm, all three of which are reported in the Employee Services practice group. The payroll business is located in Palm Desert, California and provides payroll processing services to a large number of clients primarily in California and Arizona. The insurance business is located in Frederick, Maryland and is a broker of innkeepers insurance programs. The national executive search firm is headquartered in Overland Park, Kansas and provides services to commercial and industrial companies, development-stage organizations and non-profit organizations. In addition, CBIZ acquired three client lists during the nine months ended September 30, 2008, two of which are reported in the Employee Services practice group and the other is reported in the Financial Services practice group. Aggregate consideration for these acquisitions consisted of approximately $11.4 million in cash and approximately 23,600 shares of common stock paid at closing, and up to an additional $7.9 million in cash and approximately 25,900 shares of common stock which is contingent upon future financial performance of the acquired businesses and client lists. In addition, CBIZ paid approximately $13.6 million in cash and issued approximately 80,500 shares of common stock during the first nine months of 2008 as contingent proceeds for previous acquisitions.

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

The operating results of these businesses were included in the accompanying consolidated financial statements since the dates of acquisition. Client lists and non-compete agreements were recorded at fair value at the time of acquisition. The excess of purchase price over the fair value of net assets acquired, (including client lists and non-compete agreements) were allocated to goodwill.

Additions to goodwill, client lists and other intangible assets resulting from acquisitions and contingent consideration earned during the nine months ended September 30, 2008 and 2007 were as follows (in thousands):

	2008	2007
Goodwill	$ 11,660	$ 2,535
Client lists	$ 5,636	$ 10,612
Other intangible assets	$ 114	$ 274

13. Discontinued Operations and Divestitures

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

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for the Impairment or Disposal of Long-Lived Assets, in Determining Whether to Report Discontinued Operations .

Discontinued Operations

Gains or losses from the sale of discontinued operations are recorded as gain (loss) on disposal of discontinued operations, net of tax , in the accompanying consolidated statements of operations. Proceeds that are contingent upon a divested operation s actual future performance are recorded as gain on sale of discontinued operations in the period they are earned.

During the nine months ended September 30, 2008, CBIZ sold an operation from the Financial Services practice group, closed an operation from National Practices group and received contingent proceeds from a Financial Services operation that was sold in the third quarter of 2007. CBIZ received cash proceeds totaling $1.6 million and recognized pre-tax losses totaling $0.2 million as the result of these divestitures.

During the nine months ended September 30, 2007, CBIZ sold three operations, two of which were previously reported in the Financial Services practice group and the other was reported in the Employee Services practice group. CBIZ received proceeds of $25.9 million cash and $0.6 million in notes receivable, and recognized pre-tax gains of $12.5 million as a result of these sales.

For those businesses that qualified for treatment as discontinued operations, the assets, liabilities and results of operations are reported separately in the accompanying consolidated financial statements. Revenue and losses from discontinued operations for the three and nine months ended September 30, 2008 and 2007 were as follows (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2008	2007	2008	2007
Revenue	$ 32	$ 3,898	$ 537	$ 17,976
Loss from discontinued operations, before income tax benefit	$ (89)	$ (619)	$ (393)	$ (2,098)
Income tax benefit	33	430	143	964
Loss from discontinued operations net of tax	$ (56)	$ (189)	$ (250)	$ (1,134)

Gain (loss) on the disposal of discontinued operations for the three and nine months ended September 30, 2008 and 2007 were as follows (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2008	2007	2008	2007
Gain (loss) on disposal of discontinued operations, before income tax expense	$ 210	$ 3,915	$ (155)	$ 12,494
Income tax expense	78	2,892	153	7,781

Gain (loss) on disposal of discontinued operations, net of tax	$ 132	$ 1,023	$ (308)	$ 4,713

At September 30, 2008 and December 31, 2007, the assets and liabilities of businesses classified as discontinued operations consisted of the following (in thousands):

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

	SEPTEMBER 30, 2008	DECEMBER 31, 2007
Assets:		
Current assets	$ 192	$ 1,251
Goodwill and other intangible assets, net		569
Other assets	27	38
Assets of discontinued operations	$ 219	$ 1,858
Liabilities:		
Accounts payable	$ 137	$ 610
Accrued personnel costs	124	151
Other liabilities	2,171	2,699
Liabilities of discontinued operations	$ 2,432	$ 3,460

Divestitures

Gains or losses from divested operations and assets that do not qualify for treatment as discontinued operations are recorded as gain on sale of operations, net in the consolidated statements of operations.

During the nine months ended September 30, 2008, CBIZ sold an operation and two client lists that were previously reported in the Employee Services practice group. During the nine months ended September 30, 2007, CBIZ sold two client lists that were previously reported in the Employee Services practice group. Additionally, gains were recognized during the nine months ended September 30, 2008 and 2007 related to client lists that were sold in previous years. Gain on sale of operations, net totaled $0.5 million and $0.1 million, for the nine months ended September 30, 2008 and 2007, respectively. Proceeds for the nine months ended September 30, 2008 consisted of cash and notes totaling $2.7 million and $0.1 million, respectively. Proceeds for the nine months ended September 30, 2007 consisted of cash and notes totaling $0.1 million and $0.2 million, respectively.

In addition to the cash proceeds described under discontinued operations and divestitures above, CBIZ received cash payments totaling $0.6 million and $2.0 million during the nine months ended September 30, 2008 and 2007, respectively, on outstanding notes receivable related to divestitures made in previous years. The gains and losses related to these divestitures were recorded in previous years.

14. Segment Disclosures

CBIZ is a diversified services company which, acting through its subsidiaries, provides professional business services primarily to small and medium-sized businesses, as well as individuals, governmental entities, and not-for-profit enterprises throughout the United States and Canada. CBIZ delivers its integrated services through the following four practice groups: Financial Services, Employee Services, Medical Management Professionals (MMP), and National Practices. The business units have been aggregated based on the following factors: similarity of the products and services provided to clients; similarity of the regulatory environment; and similarity of economic conditions affecting long-term performance. The business units are managed along these segment lines. A general description of services provided by practice group is listed in the table below.

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Wealth Management

Life Insurance

Human Capital Management

Payroll Services

Actuarial Services

MMP

Coding and Billing

Accounts Receivable Management

Full Practice Management Services

National Practices

Managed Networking and Hardware Services

IT Consulting

Project Management

Software Solutions

Mergers & Acquisitions

Health Care Consulting

Corporate and Other. Included in Corporate and Other are operating expenses that are not directly allocated to the individual business units. These costs include items such as incentive compensation, gains or losses attributable to assets held in the Company s deferred compensation plan, stock based compensation, and certain advertising expenses.

Accounting policies for the practice groups are the same as those described in Note 1 to the Annual Report on Form 10-K for the year ended December 31, 2007. Upon consolidation, all intercompany accounts and transactions are eliminated; thus inter-segment revenue is not included in the measure of profit or loss for the practice groups. Performance of the practice groups is evaluated on operating income excluding the expenses reported in the Corporate and Other segment.

Segment information for the three and nine months ended September 30, 2008 and 2007 was as follows (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30, 2008					
	Financial Services	**Employee Services**	**MMP**	**National Practices**	**Corporate and Other**	**Total**
Revenue	$ 70,204	$ 44,513	$ 41,345	$ 12,133	$	$ 168,195
Operating expenses	63,690	37,029	35,764	11,202	1,072	148,757
Gross margin	6,514	7,484	5,581	931	(1,072)	19,438
Corporate general & admin					7,270	7,270
Operating income (loss)	6,514	7,484	5,581	931	(8,342)	12,168
Other income (expense):						
Interest expense	(2)	(5)			(1,797)	(1,804)
Gain on sale of operations, net					229	229
Other income (expense), net	48	271	85	2	(3,424)	(3,018)
Total other income (expense)	46	266	85	2	(4,992)	(4,593)
Income (loss) from continuing operations before income tax expense	$ 6,560	$ 7,750	$ 5,666	$ 933	$ (13,334)	$ 7,575

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CBIZ, INC. AND SUBSIDIARIES
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	THREE MONTHS ENDED SEPTEMBER 30, 2007					
	Financial Services	Employee Services	MMP	National Practices	Corporate and Other	Total
Revenue	$ 64,893	$ 42,343	$ 32,420	$ 11,524	$	$ 151,180
Operating expenses	58,963	35,168	27,991	10,633	4,422	137,177
Gross margin	5,930	7,175	4,429	891	(4,422)	14,003
Corporate general & admin					7,143	7,143
Operating income (loss)	5,930	7,175	4,429	891	(11,565)	6,860
Other income (expense):						
Interest expense	(8)	(11)			(1,265)	(1,284)
Gain on sale of operations, net					20	20
Other income, net	58	462	50	8	169	747
Total other income (expense)	50	451	50	8	(1,076)	(517)
Income (loss) from continuing operations before income tax expense	$ 5,980	$ 7,626	$ 4,479	$ 899	$ (12,641)	$ 6,343

	NINE MONTHS ENDED SEPTEMBER 30, 2008					
	Financial Services	Employee Services	MMP	National Practices	Corporate and Other	Total
Revenue	$ 243,964	$ 139,075	$ 124,010	$ 34,232	$	$ 541,281
Operating expenses	199,840	114,272	108,174	32,381	7,303	461,970
Gross margin	44,124	24,803	15,836	1,851	(7,303)	79,311
Corporate general & admin					22,313	22,313
Operating income (loss)	44,124	24,803	15,836	1,851	(29,616)	56,998
Other income (expense):						
Interest expense	(10)	(18)			(5,381)	(5,409)
Gain on sale of operations, net					470	470
Other income (expense), net	226	1,079	221	17	(5,573)	(4,030)
	216	1,061	221	17	(10,484)	(8,969)

Total other income (expense)						
Income (loss) from continuing operations before income tax expense	$ 44,340	$ 25,864	$ 16,057	$ 1,868	$ (40,100)	$ 48,029

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

	NINE MONTHS ENDED SEPTEMBER 30, 2007					
	Financial Services	Employee Services	MMP	National Practices	Corporate and Other	Total
Revenue	$ 226,037	$ 130,217	$ 94,144	$ 35,884	$	$ 486,282
Operating expenses	184,558	105,174	82,252	32,556	14,934	419,474
Gross margin	41,479	25,043	11,892	3,328	(14,934)	66,808
Corporate general & admin					23,233	23,233
Operating income (loss)	41,479	25,043	11,892	3,328	(38,167)	43,575
Other income (expense):						
Interest expense	(38)	(19)			(4,193)	(4,250)
Gain on sale of operations, net					125	125
Other income, net	237	1,376	143	24	1,562	3,342
Total other income (expense)	199	1,357	143	24	(2,506)	(783)
Income (loss) from continuing operations before income tax expense	$ 41,678	$ 26,400	$ 12,035	$ 3,352	$ (40,673)	$ 42,792

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

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

The following discussion is intended to assist in the understanding of CBIZ s financial position at September 30, 2008 and December 31, 2007, results of operations for the three and nine months ended September 30, 2008 and 2007, and cash flows for the nine months ended September 30, 2008 and 2007, and should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2007.

Overview

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

Financial Services

Accounting

Tax

Financial Advisory

Litigation Support

Valuation

Internal Audit

Fraud Detection

Real Estate Advisory

Employee Services

Group Health

Property & Casualty

COBRA / Flex

Retirement Planning

Wealth Management

Life Insurance

Human Capital Management

Payroll Services

Actuarial Services

MMP

Coding and Billing

Accounts Receivable Management

Full Practice Management Services

National Practices

Managed Networking and Hardware Services

IT Consulting

Project Management

Software Solutions

Mergers & Acquisitions

Health Care Consulting

Certain external relationships, regulatory factors and economic conditions currently impacting CBIZ s operations are provided in the discussion below.

Financial Services

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

Under these ASAs, CBIZ provides a range of services to the CPA firms, including (but not limited to): administrative functions such as office management, bookkeeping, and accounting; preparing marketing and promotion materials; providing office space, computer equipment, and systems support; and leasing administrative and professional staff. Services are performed in exchange for a fee. Fees earned by CBIZ under the ASAs are recorded as revenue in the accompanying consolidated statements of operations and were approximately $18.8 million and $16.6 million for the three months and $70.0 million and $64.6 million for the nine months ended September 30, 2008 and 2007, respectively. The majority of these fees related to services rendered to privately-held clients. In the event that accounts receivable and unbilled work in process become uncollectible by the CPA firms, the service fee due to CBIZ is reduced on a pro rata basis. The ASAs have terms ranging up to eighteen years, are renewable upon agreement by both parties, and have certain rights of extension and termination.

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

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

Although the ASAs do not constitute control, CBIZ is one of the beneficiaries of the agreements and may bear certain economic risks. As such, the CPA firms with which CBIZ maintains administrative service agreements qualify as variable interest entities under FASB Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46), as amended. CBIZ does not consolidate variable interest entities as the impact would not be material to the financial condition, results of operations or cash flows of CBIZ. See further discussion in Note 1 of the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2007.

Employee Services

CBIZ s Employee Services group maintains relationships with many different insurance carriers. Some of these carriers have compensation arrangements with CBIZ whereby some portion of payments due may be contingent upon meeting certain performance goals, or upon CBIZ providing client services that would otherwise be provided by the carriers. These compensation arrangements are provided to CBIZ as a result of our performance and expertise, and may result in enhancing CBIZ s ability to access certain insurance markets and services on behalf of CBIZ clients. Total revenue recognized under these arrangements during the three and nine months ended September 30, 2008 and 2007 were less than 2% of consolidated CBIZ revenue for the respective periods.

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

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Medical Management Professionals (MMP)

Changes in some managed care plans, and federal Medicare and state Medicaid physician and practice expense reimbursement rules and rates have impacted revenues and margins in our existing physician and medical billing and accounts receivable management business. The Deficit Reduction Act of 2005 (DRA) created a reduction and a cap on reimbursement that began in 2007 for certain fees and charges related to imaging services, physician offices, imaging centers and independent diagnostic testing facilities. In addition, certain managed care payors may impose precertification and other clinical/reimbursement management programs which could limit or control the use of, and reimbursement for, imaging and diagnostic services. Certain payors may institute pay for performance and quality initiative programs that could limit or control physician and facility services and procedures as well as the corresponding reimbursements. Since a majority of our physician and medical billing and accounts receivable management business is typically paid a portion of the revenue collected on behalf of our clients, any reduction in the volume of services or reimbursement rates for such services for which our clients are eligible to be paid may adversely affect our ability to generate revenue and maintain margins. As part of the Company s efforts to maintain margins in this business, two acquisitions were made during 2007. The acquired businesses were not impacted by the DRA changes in the same magnitude as the traditional MMP operation, as the acquired businesses provide services to physician groups specializing in emergency medicine and anesthesiology. CBIZ continuously monitors the regulatory factors that impact the Medical Management business.

Auction Rate Securities (ARS)

As a result of liquidity issues experienced in the credit and capital markets during 2008, CBIZ s ARS have experienced failed auctions during the first nine months of 2008 and one of the investments was downgraded below the minimum rating required by the Company s investment policy. While CBIZ continues to earn and receive interest on these investments at the contractual rates, the estimated fair value of our investments in ARS no longer approximates their face value.

At September 30, 2008, CBIZ had four outstanding investments in ARS with par values totaling $19.4 million. One ARS is recorded at its par value of $6.0 million as Funds held for clients current in the accompanying consolidated balance sheet at September 30, 2008, as this ARS was redeemed at par value in October. The remaining ARS are recorded as Funds held for clients non-current at their fair values which totaled $11.8 million at September 30, 2008. The decline in fair value of one ARS was determined to be other than temporary and an impairment charge totaling approximately $1.4 million has been recorded as Other income (expense), net in the consolidated statements of operations of the three and nine months ended September 30, 2008. The decline in fair value of the remaining two ARS totaled $0.2 million. These declines in fair value are currently considered to be temporary and are recorded as unrealized losses in accumulated other comprehensive loss. The fair value of ARS outstanding at September 30, 2008 and June 30, 2008 was 91.7% of face value.

CBIZ continues to monitor the market for ARS and consider its impact on the fair value of its investments. If the current market conditions deteriorate further, or the anticipated recovery in fair values does not occur, CBIZ may be required to record additional unrealized losses in other comprehensive income or impairment charges which would be recorded against net income in future periods. The principal associated with failed auctions will not be accessible until successful auctions occur, a buyer is found outside of the auction process, the issuers establish a different form of financing to replace these securities, issuers repay principal over time from cash flows prior to final maturity, or final payments come due according to contractual maturities ranging from 20 to 40 years. We understand that issuers and financial markets are working on alternatives that may improve liquidity, although it is not yet clear when or if such efforts will be successful.

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Executive Summary

During the nine months ended September 30, 2008, CBIZ acquired a payroll business, an insurance agency and a national executive search firm, all three of which are reported in the Employee Services practice group. The payroll business is located in Palm Desert, California and provides payroll processing services to a large number of clients primarily in California and Arizona. The insurance business is located in Frederick, Maryland and is a broker of innkeepers insurance programs. The national executive search firm is headquartered in Overland Park, Kansas and provides services to commercial and industrial companies as well as development-stage and non-profit organizations.

During the first nine months of 2008, CBIZ divested two businesses that were classified as discontinued operations. These businesses were formerly reported in the Financial Services and National Practices groups. CBIZ also sold the assets of an Employee Services business that did not qualify for classification as a discontinued operation. See Note 13 to the accompanying consolidated financial statements for further disclosure.

CBIZ believes that repurchasing shares of its common stock is a use of cash that provides value to its shareholders and, accordingly, CBIZ purchased approximately 4.3 million shares of its common stock at a total cost of $37.8 million during the nine months ended September 30, 2008.

Effective April 3, 2008, CBIZ entered into an agreement to amend its credit facility with Bank of America, N.A. and other participating banks. The amendment serves to increase the commitment from $100.0 million to $150.0 million.

During the third quarter of 2008, CBIZ recognized an impairment charge of approximately $1.4 million related to an ARS which is recorded in Other income (expense), net in the consolidated statements of operations. ARS are further discussed in Note 7 to the accompanying consolidated financial statements.

Effective January 1, 2008, CBIZ converted its comprehensive health benefit plan from a fully-insured plan to a self-funded program. The financial statements reflect accrued liabilities and expenses for this plan, with the liability based on estimates of costs to settle known claims as well as incurred but not reported claims. CBIZ maintains stop-loss coverage with third-party insurers to limit the exposure for both individually significant claims and the overall aggregate amount of claims made under the self-funded plan.

In July 2008, the Internal Revenue Service completed its examination of the Company s federal income tax returns for the years 2003 through 2006. The Company paid $0.1 million in May 2008 and $0.8 million in July 2008 to settle the audits. Reserves for uncertain tax positions decreased $1.2 million during the nine months ended September 30, 2008 primarily due to settlement of the IRS audits.

Effective September 1, 2008, CBIZ Accounting, Tax & Advisory Services, LLC changed their name to CBIZ MHM, LLC. CBIZ believes that this name change will provide prospective clients a better understanding of the association between CBIZ and Mayer Hoffman McCann P.C.

Results of Operations Continuing Operations

Same-unit revenue represents total revenue adjusted to reflect comparable periods of activity for acquisitions and divestitures. For example, for a business acquired on September 1, 2007, revenue for the month of September would be included in same-unit revenue for both years; revenue for the period January 1, 2008 through August 31, 2008 would be reported as revenue from acquired businesses. Revenue from divested operations represents operations that were sold or closed and did not meet the criteria for treatment as discontinued operations.

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Three Months Ended September 30, 2008 and 2007

Revenue

The following table summarizes total revenue for the three months ended September 30, 2008 and 2007 (in thousands, except percentages).

	THREE MONTHS ENDED SEPTEMBER 30,					
	2008	% of Total	2007	% of Total	$ Change	% Change
Same-unit revenue						
Financial Services	$ 70,204	41.7%	$ 64,893	42.9%	$ 5,311	8.2%
Employee Services	42,509	25.3%	41,942	27.8%	567	1.4%
MMP	34,311	20.4%	32,420	21.4%	1,891	5.8%
National Practices	12,133	7.2%	11,524	7.6%	609	5.3%
Total same-unit revenue	159,157	94.6%	150,779	99.7%	8,378	5.6%
Acquired businesses	9,038	5.4%			9,038	
Divested operations			401	0.3%	(401)	
Total revenue	$ 168,195	100.0%	$ 151,180	100.0%	$ 17,015	11.3%

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

Gross margin and operating expenses The majority of CBIZ s operating expenses are relatively fixed in the short term, thus gross margin as a percentage of revenue generally improves with revenue growth. The primary components of operating expenses for the three months ended September 30, 2008 and 2007 are illustrated below:

	2008		2007		
	% of Operating Expense	% of Revenue	% of Operating Expense	% of Revenue	Change in % of Revenue
Personnel costs	72.2%	63.8%	73.3%	66.5%	(2.7)%
Occupancy costs	6.8%	6.0%	6.8%	6.2%	(0.2)%
Other (1)	21.0%	18.6%	19.9%	18.0%	0.6%
Total operating expenses		88.4%		90.7%	(2.3)%
Gross margin		11.6%		9.3%	2.3%

(1) Other operating expenses include office expense, travel related expenses, depreciation and

amortization expense, equipment and computer expenses, professional fees and other expenses, none of which are individually significant as a percentage of total operating expenses.

Personnel costs as a percentage of revenue declined 2.7% to 63.8% for the three months ended September 30, 2008 compared to the same period in 2007. The decline in personnel costs was primarily the result of adjustments to the fair value of investments held in relation to the deferred compensation plan which totaled a loss of $1.6 million and a gain of $0.3 million for the three months ended September 30, 2008 and 2007, respectively. These adjustments are recorded as compensation expense and are offset by the same adjustments to other income (expense), 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. 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 .

Corporate general and administrative expense Corporate general and administrative (G&A) expenses increased by $0.2 million to $7.3 million for the three months ended September 30, 2008, from $7.1 million for the comparable period of 2007. The primary components of corporate general and administrative expenses for the three months ended September 30, 2008 and 2007 are illustrated below:

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	2008		2007		
	% of G&A Expense	**% of Revenue**	**% of G&A Expense**	**% of Revenue**	**Change in % of Revenue**
Personnel costs	44.3%	1.9%	43.9%	2.1%	(0.2)%
Professional services	20.9%	0.9%	18.5%	0.9%	
Depreciation and amortization	2.9%	0.1%	6.7%	0.3%	(0.2)%
Other (1)	31.9%	1.4%	30.9%	1.4%	
Total corporate general and administrative expenses		4.3%		4.7%	(0.4)%

(1) Other corporate general and administrative expenses include office expense, travel related expenses, equipment and computer expenses, insurance expense and other expenses, none of which are individually significant as a percentage of total corporate general and administrative expenses.

Interest expense Interest expense increased by $0.5 million to $1.8 million for the third quarter of 2008 from $1.3 million for the comparable period in 2007. The increase in interest expense relates to higher average debt outstanding under the credit facility in the third quarter of 2008 versus the comparable period in 2007, partially offset by a decrease in average interest rates. Average debt outstanding under the credit facility was $62.6 million and $7.7 million and weighted average interest rates were 4.5% and 7.6% for the third quarters of 2008 and 2007, respectively. Outstanding debt and interest expense related to the convertible notes was the same in both periods, as the notes carry a fixed interest rate of 3.125%.

Other income (expense), net Other income (expense), net is comprised of interest income, adjustments to the fair value of investments held in a rabbi trust related to the deferred compensation plan and gains and losses on sales of assets. Adjustments to the fair value of investments related to the deferred compensation plan are offset by the same adjustments to compensation costs which are recorded as operating and corporate general administrative expenses in the consolidated statements of operations, and thus do not have an impact on CBIZ s net income. Other income

(expense), net for the three months ended September 30, 2008 primarily relates to a $1.9 million decline in fair value of investments related to the deferred compensation plan and an impairment charge of approximately $1.4 million related to the Company s investment in an ARS. Other income (expense), net for the three months ended September 30, 2007 primarily related to $0.4 million increase in the fair value of investments related to the deferred compensation plan.
Income tax expense CBIZ recorded income tax expense from continuing operations of $2.7 million and $2.5 million for the three months ended September 30, 2008 and 2007, respectively. The effective tax rate for the three months ended September 30, 2008 was 35.5%, compared to an effective tax rate of 39.9% for the comparable period in 2007. The decrease in the effective tax rate for the third quarter of 2008 versus the comparable period in 2007 was primarily the result of a reversal of estimated tax reserves related to the settlement of a portion of the IRS audit during the third quarter of 2008.
Operating Practice Groups
CBIZ delivers its integrated services through four practice groups: Financial Services, Employee Services, Medical Management Professionals (MMP) and National Practices. A brief description of these groups operating results and factors affecting their businesses is provided below.

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Financial Services

	THREE MONTHS ENDED SEPTEMBER 30,			
	2008	2007	$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Same-unit	$ 70,204	$ 64,893	$ 5,311	8.2%
Acquired businesses				
Divested operations				
Total revenue	$ 70,204	$ 64,893	$ 5,311	8.2%
Operating expenses	63,690	58,963	4,727	8.0%
Gross margin	$ 6,514	$ 5,930	$ 584	9.8%
Gross margin percent	9.3%	9.1%		

Approximately 60% of the growth in same-unit revenue was attributable to an increase in the aggregate number of hours charged to clients for consulting, valuation and litigation support services, and 40% was attributable to price increases for traditional accounting and tax services.

The largest components of operating expenses for the Financial Services group are personnel costs, occupancy costs and travel related expenses, representing 89.3% and 90.0% of total operating expenses for the third quarters of 2008 and 2007, respectively. Personnel costs increased $3.4 million, but decreased to 71.6% of revenue for the third quarter of 2008 from 72.2% for the comparable period in 2007. The increase in personnel costs was primarily related to annual merit increases to existing employees and salaries and benefits for new employees. Personnel costs decreased as a percentage of revenue due to an improvement in the utilization of professionals. Travel related expenses increased $0.2 million for the third quarter of 2008 from the comparable period in 2007 and was 3.1% of revenue for each period. Occupancy costs are relatively fixed in nature and were 6.2% and 6.5% of revenue for the third quarters of 2008 and 2007, respectively.

The improvement in gross margin is attributable to the aforementioned improvement in the utilization of personnel, partially offset by an increase in bad debt expense to 2.0% of revenue for the third quarter of 2008 from 1.1% of revenue for the comparable period in 2007. The increase in bad debt expense is related to cash flow pressures experienced by certain clients, many of which are related to the housing and construction industries.

Employee Services

	THREE MONTHS ENDED SEPTEMBER 30,			
	2008	2007	$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Same-unit	$ 42,509	$ 41,942	$ 567	1.4%
Acquired businesses	2,004		2,004	
Divested operations		401	(401)	
Total revenue	$ 44,513	$ 42,343	$ 2,170	5.1%

Operating expenses	37,029	35,168	1,861	5.3%
Gross margin	$ 7,484	$ 7,175	$ 309	4.3%
Gross margin percent	16.8%	16.9%		

The increase in same-unit revenue was primarily attributable to 3.5% growth in the employee benefits business which was partially offset by soft market conditions in pricing for property and casualty insurance and a decline in asset values which impacted revenues from the Company s retirement investment advisory services. Same-unit payroll service revenue increased approximately 5.7% as a result of an increase in number of clients served and related volume increases. The growth in revenue from acquired businesses was provided by a property and casualty business in Frederick, Maryland, a payroll services business in Palm Desert, California, and a specialty recruiting business headquartered in Overland Park, Kansas, all of which were acquired during 2008. The decline in revenue from divested businesses relates to a retirement investment advisory business in Atlanta, Georgia which was sold in the third quarter of 2008.

The largest components of operating expenses for the Employee Services group are personnel costs, including commissions paid to third party brokers, and occupancy costs, representing 82.2% and 84.0% of total operating expenses for the third quarters of 2008 and 2007, respectively. Personnel costs increased $0.9 million but decreased as a percentage of revenue to 62.9% for the third quarter of 2008 from 64.1% for the comparable period in 2007. The increase in personnel costs was primarily attributable to the acquired businesses and the decline in personnel costs as a percentage of revenue was a result of growth in non-commissionable revenue. Occupancy costs are relatively fixed in nature and were approximately $2.4 million for the third quarters of 2008 and 2007.

The decline in gross margin was primarily due to revenue growth in the payroll and human capital advisory businesses, including those acquired in 2008, which typically provide lower margins than the retail businesses.

Medical Management Professionals

	THREE MONTHS ENDED SEPTEMBER 30,			
	2008	**2007**	**$ Change**	**% Change**
	(In thousands, except percentages)			
Revenue				
Same-unit	$ 34,311	$ 32,420	$ 1,891	5.8%
Acquired businesses	7,034		7,034	
Divested operations				
Total revenue	$ 41,345	$ 32,420	$ 8,925	27.5%
Operating expenses	35,764	27,991	7,773	27.8%
Gross margin	$ 5,581	$ 4,429	$ 1,152	26.0%
Gross margin percent	13.5%	13.7%		

Same-unit revenue consists of revenue from existing clients and net new business sold. Revenue from existing clients increased by approximately 1.2% for the third quarter of 2008 versus the comparable period in 2007. Growth from existing clients was provided by an increase in volume of approximately 5.5%, offset by declines in pricing and the mix of medical specialties which collectively totaled 4.3%. Revenue from new business sold (net of clients lost) contributed approximately 5.0% of the increase in same-unit revenue. Growth in revenue from acquired businesses was provided by a business headquartered in Ponte Vedra Beach, Florida which provides coding, billing and accounts receivable management services for emergency medicine physician practices along the east coast of the United States. This business was acquired in the fourth quarter of 2007.

The largest components of operating expenses for MMP are personnel costs, occupancy costs and office expenses (primarily postage related to statement mailing services provided to clients), representing 82.1% and 84.6% of total operating expenses for the third quarters of 2008 and 2007, respectively. Personnel costs increased $4.5 million, but declined as a percentage of revenue to 56.4% for the third quarter of 2008 from 58.1% for the comparable period in 2007. Acquired businesses contributed $3.3 million of the increase in personnel costs with the remainder being attributable to annual merit increases to existing employees and the addition of certain internal support personnel to position the unit for continued growth. The improvement in personnel costs as a percentage of revenue relates to the business that was acquired

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in the fourth quarter of 2007 as this business utilizes off-shore resources in a greater capacity than the traditional MMP operation.

Occupancy costs increased by approximately $0.5 million for the third quarter of 2008 versus the comparable period in 2007. The increase in occupancy costs was attributable to the acquired business and additional office locations that were opened subsequent to September 30, 2007 in order to support new business. Office expenses increased $0.7 million, but decreased as a percentage of revenue to 8.2% at September 30, 2008 from 8.4% at September 30, 2007. The increase in office expenses primarily relates to the acquired business, and the decrease in office expenses as a percentage of revenue relates to a change in the frequency of statement mailing.

The decline in gross margin for the third quarter of 2008 versus the comparable period in 2007 was attributable to pricing, costs associated with the transition to off-shoring in MMP s traditional operations and the addition of certain internal support personnel to position the unit for continued growth. Approximately 5.0% of the growth in same-unit revenue was provided by new clients which provides lower margins than growth from existing clients. In addition to the impact of lower pricing, new clients typically provide lower margins for a period of time as costs are incurred before any revenue is realized. The transition to off-shoring resulted in a duplication of costs as an increase in third party processing fees was not offset by a simultaneous reduction in internal resources and related costs. The duplication of costs is not expected to continue after the transition period.

National Practices

	THREE MONTHS ENDED SEPTEMBER 30,			
	2008	2007	$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Same-unit	$ 12,133	$ 11,524	$ 609	5.3%
Acquired businesses				
Divested operations				
Total revenue	$ 12,133	$ 11,524	$ 609	5.3%
Operating expenses	11,202	10,633	569	5.4%
Gross margin	$ 931	$ 891	$ 40	4.5%
Gross margin percent	7.7%	7.7%		

The increase in revenue was attributable to the mergers and acquisitions business completing a transaction during the third quarter of 2008 verses no transactions during the third quarter of 2007. Revenue for the technology businesses declined by $0.1 million for the third quarter of 2008 verses the comparable period of 2007, but was offset by a $0.1 million increase in revenue in the healthcare consulting business.

The largest components of operating expenses for the National Practices group are personnel costs, direct costs and occupancy costs, representing 93.1% and 93.9% of total operating expenses for the third quarters of 2008 and 2007, respectively. Personnel costs increased $0.6 million to 64.9% of revenue for the third quarter of 2008 from 63.0% of revenue for the comparable period in 2007. Approximately half of the increase in personnel costs have a corresponding increase in revenue and relate to CBIZ s largest client. The remainder of the increase in personnel costs relates to annual merit increases to existing employees and an overall increase in headcount.

Direct costs primarily relate to the technology businesses and consist of product costs, sales commissions and third party labor. Direct costs decreased as a percentage of revenue to 18.4% for the third quarter of 2008 from 20.6% of revenue for the comparable period in 2007, as a result of a change in revenue mix between the technology businesses and other national practice businesses. Occupancy costs are relatively fixed in nature and were $0.3 million for the third quarters of 2008 and 2007.

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Nine Months Ended September 30, 2008 and 2007

Revenue

The following table summarizes total revenue for the nine months ended September 30, 2008 and 2007 (in thousands, except percentages).

	NINE MONTHS ENDED SEPTEMBER 30,					
	2008	**% of Total**	**2007**	**% of Total**	**$ Change**	**% Change**
Same-unit revenue						
Financial Services	$ 243,964	45.1%	$ 226,037	46.5%	$ 17,927	7.9%
Employee Services	133,655	24.7%	129,816	26.7%	3,839	3.0%
MMP	100,342	18.5%	94,144	19.3%	6,198	6.6%
National Practices	34,232	6.3%	35,884	7.4%	(1,652)	(4.6)%
Total same-unit revenue	512,193	94.6%	485,881	99.9%	26,312	5.4%
Acquired businesses	29,088	5.4%			29,088	
Divested operations			401	0.1%	(401)	
Total revenue	$ 541,281	100.0%	$ 486,282	100.0%	$ 54,999	11.3%

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

Gross margin and operating expenses - The majority of CBIZ s operating expenses are relatively fixed in the short term, thus gross margin as a percentage of revenue generally improves with revenue growth. The primary components of operating expenses for the nine months ended September 30, 2008 and 2007 are illustrated below:

	2008		2007		
	% of Operating Expense	**% of Revenue**	**% of Operating Expense**	**% of Revenue**	**Change in % of Revenue**
Personnel costs	72.8%	62.1%	73.5%	63.4%	(1.3)%
Occupancy costs	6.5%	5.6%	6.5%	5.6%	
Other (1)	20.7%	17.6%	20.0%	17.3%	0.3%
Total operating expenses		85.3%		86.3%	(1.0)%
Gross margin		14.7%		13.7%	1.0%

(1) Other operating expenses include office expense, travel related expenses, depreciation and amortization

expense, equipment and computer expenses, professional fees and other expenses, none of which are individually significant as a percentage of total operating expenses.

Personnel costs as a percentage of revenue declined 1.3% to 62.1% for the nine months ended September 30, 2008 compared to the same period in 2007. The decline in personnel costs was primarily the result of adjustments to the fair value of investments held in relation to the deferred compensation plan which totaled a loss of $3.2 million and a gain of $1.6 million for the nine months ended September 30, 2008 and 2007, respectively. These adjustments are recorded as compensation expense and are offset by the same adjustments to other income (expense), 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. 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 .

Corporate general and administrative expense Corporate G&A expenses decreased by $0.9 million to $22.3 million for the nine months ended September 30, 2008, from $23.2 million for the comparable period of 2007. The primary components of corporate G&A expenses for the nine months ended September 30, 2008 and 2007 are illustrated below:

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	2008		2007		
	% of G&A Expense	**% of Revenue**	**% of G&A Expense**	**% of Revenue**	**Change in % of Revenue**
Personnel costs	52.9%	2.2%	48.9%	2.3%	(0.1)%
Professional services	17.8%	0.7%	14.1%	0.7%	
Depreciation and amortization	4.0%	0.2%	8.1%	0.4%	(0.2)%
Other (1)	25.3%	1.0%	28.9%	1.4%	(0.4)%
Total corporate general and administrative expenses		4.1%		4.8%	(0.7)%

(1) Other corporate general and administrative expenses include office expense, travel related expenses, equipment and computer expenses, insurance expense and other expenses, none of which are individually significant as a percentage of total corporate general and administrative expenses.

The decrease in G&A expense was primarily attributable to legal-related expenses, compensation expense as it relates to the deferred compensation plan, and depreciation and amortization expense. Legal-related expenses decreased $1.2 million for the nine months ended September 30, 2008 versus the comparable period of 2007. Legal-related expenses are inherently unpredictable and therefore the decline for the nine months ended September 30, 2008 versus the comparable period of 2007 may not be sustainable for the remainder of the year. Adjustments to the fair value of investments held in relation to the deferred compensation plan are recorded as compensation expense and contributed $0.9 million to the decline in G&A expenses. These adjustments are offset by the same adjustment to other income (expense), and thus do not have an impact on net income. Depreciation and amortization expense decreased by $1.0 million primarily due to certain capitalized software that became fully depreciated during 2007.

Interest expense Interest expense increased by $1.1 million to $5.4 million for the nine months ended September 30, 2008 from $4.3 million for the comparable period in 2007. The increase in interest expense relates to higher average debt outstanding under the credit facility during the nine months ended September 30, 2008 versus the comparable period in 2007, partially offset by a decrease in average interest rates. Average debt outstanding under the credit facility was $61.7 million and $16.2 million and weighted average interest rates were 4.8% and 7.4% for the nine months ended September 30, 2008 and 2007, respectively. Outstanding debt and interest expense related to the convertible notes was the same in both periods, as the notes carry a fixed interest rate of 3.125%.

Other income (expense), net Other income (expense), net is comprised of interest income, adjustments to the fair value of investments held in a rabbi trust related to the deferred compensation plan, gains and losses on sales of assets. Adjustments to the fair value of investments related to the deferred compensation plan are offset by the same adjustments to compensation costs which are recorded as operating and general and administrative expenses in the consolidated statements of operations, and thus do not have an impact on CBIZ s net income. Other income (expense), net for the nine months ended September 30, 2008 primarily relates to a $3.8 million decline in fair value of investments related to the deferred compensation plan and an impairment charge of approximately $1.4 million related to the Company s investment in an ARS, partially offset by interest income totaling $0.7 million. Other income (expense), net for the nine months ended September 30, 2007 primarily related to $1.9 million increase in the fair value of investments related to the deferred compensation plan and interest income totaling $1.2 million.

Income tax expense CBIZ recorded income tax expense from continuing operations of $18.4 million and $17.6 million for the nine months ended September 30, 2008 and 2007, respectively. The effective tax rate for the nine months ended September 30, 2008 was 38.4%, compared to an effective tax rate of 41.2% for the comparable period in 2007. The decrease in the effective tax rate for the nine months ended September 30, 2008 from the comparable period in 2007 was primarily the result of a reversal of estimated tax reserves related to the settlement of the IRS audit.

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Operating Practice Groups
Financial Services

	NINE MONTHS ENDED SEPTEMBER 30,			
	2008	2007	$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Same-unit	$ 243,964	$ 226,037	$ 17,927	7.9%
Acquired businesses				
Divested operations				
Total revenue	$ 243,964	$ 226,037	$ 17,927	7.9%
Operating expenses	199,840	184,558	15,282	8.3%
Gross margin	$ 44,124	$ 41,479	$ 2,645	6.4%
Gross margin percent	18.1%	18.4%		

Approximately 60% of the growth in same-unit revenue was attributable to an increase in the aggregate number of hours charged to clients for consulting, valuation and litigation support services, and 40% was attributable to price increases for traditional accounting and tax services.

The largest components of operating expenses for the Financial Services group are personnel costs, occupancy costs and travel related expenses, representing 89.2% and 89.4% of total operating expenses for the nine months ended September 30, 2008 and 2007, respectively. Personnel costs increased $12.4 million to 65.0% of revenue for the nine months ended September 30, 2008 from 64.7% for the comparable period in 2007. The increase in personnel costs was primarily related to annual merit increases to existing employees and salaries and benefits for new employees. Travel related expenses increased $0.6 million for the nine months ended September 30, 2008 from the comparable period in 2007 and was 2.8% of revenue for each period. Occupancy costs are relatively fixed in nature and were 5.2% and 5.5% of revenue for nine months ended September 30, 2008 and 2007, respectively.

The decline in gross margin is attributable to the aforementioned increase in personnel costs, and an increase in bad debt expense to 1.4% of revenue for the nine months ended September 30, 2008 from 1.0% of revenue for the comparable period in 2007. The increase in bad debt expense is related to cash flow pressures experienced by certain clients, many of which are related to the housing and construction industries.

Employee Services

	NINE MONTHS ENDED SEPTEMBER 30,			
	2008	2007	$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Same-unit	$ 133,655	$ 129,816	$ 3,839	3.0%
Acquired businesses	5,420		5,420	
Divested operations		401	(401)	
Total revenue	$ 139,075	$ 130,217	$ 8,858	6.8%

Operating expenses	114,272	105,174	9,098	8.7%
Gross margin	$ 24,803	$ 25,043	$ (240)	(1.0)%
Gross margin percent	17.8%	19.2%		

The increase in same-unit revenue was primarily attributable to growth in the Company s retail and payroll service businesses. The retail growth was due primarily to a 4.0% increase in revenue from group health products, but was impacted by soft market conditions in pricing for property and casualty insurance and a decline in asset values which impacted revenues from the Company s retirement investment advisory services. Same-unit payroll service revenue increased approximately 6% as a result of an increase in number of clients served and related volume increases. The growth in revenue from acquired businesses was provided by a property and casualty business in Frederick, Maryland, a payroll services business in Palm Desert, California, and a specialty recruiting business headquartered in Overland Park, Kansas, all of which were acquired during 2008. The decline in revenue from divested businesses relates to the sale of a retirement investment advisory business in Atlanta, Georgia in the third quarter of 2008.

The largest components of operating expenses for the Employee Services group are personnel costs, including commissions paid to third party brokers, and occupancy costs, representing 82.5% and 83.4% of total operating expenses for the nine months ended September 30, 2008 and 2007, respectively. Personnel costs increased $6.1 million to 62.5% of revenue for the nine months ended September 30, 2008 from 62.1% for the comparable period in 2007. Acquired businesses contributed $3.0 million of the increase in personnel costs. The increase in personnel costs as a percentage of revenue was primarily related to merit increases and investments in additional personnel to support growth of the business. Occupancy costs increased $0.5 million, largely due to the acquired businesses.

The decline in gross margin was primarily attributable to the aforementioned increase in personnel costs, as well as revenue growth in the payroll and human capital advisory businesses, including those acquired in 2008, which typically provide lower margins than the retail businesses.

Medical Management Professionals

	NINE MONTHS ENDED SEPTEMBER 30,			
	2008	2007	$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Same-unit	$ 100,342	$ 94,144	$ 6,198	6.6%
Acquired businesses	23,668		23,668	
Divested operations				
Total revenue	$ 124,010	$ 94,144	$ 29,866	31.7%
Operating expenses	108,174	82,252	25,922	31.5%
Gross margin	$ 15,836	$ 11,892	$ 3,944	33.2%
Gross margin percent	12.8%	12.6%		

Same-unit revenue consists of revenue from existing clients and net new business sold. Revenue from existing clients increased by approximately 2.1% for the nine months ended September 30, 2008 versus the comparable period in 2007. Growth from existing clients was provided by an increase in volume of approximately 4.5%, offset by certain reductions in Medicare reimbursement rates, declines in pricing and the mix of medical specialties which collectively totaled 2.4%. Revenue from new business sold (net of clients lost) contributed approximately 4.8% of the increase in same-unit revenue. Growth in revenue from acquired businesses was provided by a business located in Montgomery, Alabama which provides billing services, practice management and consulting services to anesthesia and pain management providers primarily in the southern United States, and a business headquartered in Ponte Vedra Beach, Florida which provides coding, billing and accounts receivable management services for emergency medicine physician practices along the east coast of the United States. These businesses were acquired in the second and fourth quarters of 2007, respectively.

The largest components of operating expenses for MMP are personnel costs, occupancy costs and office expenses (primarily postage related to statement mailing services provided to clients), representing 82.0% and 85.0% of total operating expenses for the nine months ended September 30, 2008 and 2007,

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respectively. Personnel costs increased $14.6 million, but declined as a percentage of revenue to 56.8% for the nine months ended September 30, 2008 from 59.4% for the comparable period in 2007. Acquired businesses contributed $10.9 million of the increase in personnel costs with the remainder being attributable to annual merit increases to existing employees and the addition of certain internal support personnel to position the unit for continued growth. The improvement in personnel costs as a percentage of revenue relates to the business that was acquired in the fourth quarter of 2007 as this business utilizes off-shore resources in a greater capacity than the traditional MMP operation. Occupancy costs increased by $2.0 million for the nine months ended September 30, 2008 versus the comparable period of 2007 and did not change as a percentage of revenue. The increase in occupancy costs was attributable to the acquired businesses and additional office locations that were opened subsequent to September 30, 2007 in order to support new business. Office expenses increased $2.3 million for the nine months ended September 30, 2008 versus the comparable period of 2007, but decreased as a percentage of revenue to 8.2% at September 30, 2008 from 8.4% at September 30, 2007. The increase in office expenses primarily relates to the acquired businesses, and the decrease in office expenses as a percentage of revenue relates to a change in the frequency of statement mailing.

The overall improvement in gross margin for the nine months ended September 30, 2008 versus the comparable period in 2007 was attributable to acquired businesses offset by decreases attributable to pricing, costs associated with the transition to off-shoring in MMP s traditional operations and the addition of certain internal support personnel to position the unit for continued growth. The acquired businesses service anesthesia and emergency medicine practices which typically provide higher margins than MMP s same-unit revenue which is primarily attributable to services rendered to radiology practices. Additionally, the business that was acquired during the fourth quarter of 2007 has a greater ability to utilize off-shore resources than the traditional MMP operation. The size of this acquired company combined with its higher margin business model resulted in a favorable impact on total MMP gross margin.

National Practices

	NINE MONTHS ENDED SEPTEMBER 30,			
	2008	**2007**	**$ Change**	**% Change**
	(In thousands, except percentages)			
Revenue				
Same-unit	$ 34,232	$ 35,884	$ (1,652)	(4.6)%
Acquired businesses				
Divested operations				
Total revenue	$ 34,232	$ 35,884	$ (1,652)	(4.6)%
Operating expenses	32,381	32,556	(175)	(0.5)%
Gross margin	$ 1,851	$ 3,328	$ (1,477)	(44.4)%
Gross margin percent	5.4%	9.3%		

The decrease in revenue was attributable to the technology businesses and consisted of declines in product, service agreement and consulting revenue of $1.2 million, $0.8 million and $0.2 million, respectively. These declines were partially offset by an increase in revenue in the healthcare consulting and mergers and acquisitions businesses of $0.4 million and $0.2 million, respectively. The decline in product and consulting revenue primarily relates to delays in larger capital projects as clients are deferring investment decisions in response to the current economic environment. The decline in service agreement revenue relates to certain clients not renewing their annual service agreements.

The largest components of operating expenses for the National Practices group are personnel costs, direct costs and occupancy costs, representing 92.8% and 93.4% of total operating expenses for the nine months ended September 30, 2008 and 2007, respectively. Personnel costs increased $1.1 million to 68.4% of revenue for the nine months ended September 30, 2008 from 62.1% of revenue for the comparable period in 2007. Approximately half of the increase in personnel costs have a corresponding increase in revenue

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and relate to CBIZ s largest client. The remainder of the increase in personnel costs relates to annual merit increases to existing employees and an overall increase in headcount.

Direct costs primarily relate to the technology businesses and consist of product costs, sales commissions and third party labor. Direct costs decreased $1.5 million for the nine months ended September 30, 2008 versus the comparable period in 2007 as a result of the decrease in revenue in the technology businesses. Direct costs decreased as a percentage of revenue to 16.5% for the nine months ended September 30, 2008 from 19.8% of revenue for the comparable period in 2007, as a result of a change in revenue mix between the technology businesses and other national practice businesses. Occupancy costs are relatively fixed in nature and were $1.0 million for the nine months ended September 30, 2008 and 2007.

The decline in gross margin was due to the overall decline in revenue. As personnel and facilities costs are relatively fixed in the short-term, margins generally improve with revenue growth and deteriorate when revenue declines.

Financial Condition

Cash and cash equivalents decreased by $4.6 million to $7.5 million at September 30, 2008 from December 31, 2007. Restricted cash was $14.2 million at September 30, 2008, a decrease of $1.2 million from December 31, 2007. Restricted cash represents those funds held in connection with CBIZ s NASD regulated operations and funds held in connection with the pass through of insurance premiums to various carriers. Cash and restricted cash fluctuate during the year based on the timing of cash receipts and related payments.

Accounts receivable, net were $133.4 million at September 30, 2008, an increase of $18.0 million from December 31, 2007. Days sales outstanding (DSO) represents accounts receivable (before the allowance for doubtful accounts) and unbilled revenue (net of realization adjustments) at the end of the period, divided by trailing twelve month daily revenue. CBIZ provides DSO data because such data is commonly used as a performance measure by analysts and investors and as a measure of the Company s ability to collect on receivables in a timely manner. DSO from continuing operations was 71 days, 64 days and 71 days at September 30, 2008, December 31, 2007 and September 30, 2007, respectively.

Other current assets were $9.5 million and $10.1 million at September 30, 2008 and December 31, 2007, respectively. Other current assets are primarily comprised of prepaid assets. Balances may fluctuate during the year based upon the timing of cash payments and amortization of prepaid expenses.

Funds held for clients (current and non-current) fluctuate during the year based on the timing of cash receipts and related payments, and are further described in Note 1 to the accompanying consolidated financial statements.

Notes receivable, net (current and non-current) decreased by $0.7 million at September 30, 2008 versus December 31, 2007. Notes receivable decreased as the result of payments received during the first nine months of 2008, primarily from notes that were issued in relation to businesses that were sold in previous years.

Goodwill and other intangible assets, net of accumulated amortization, increased by $10.8 million at September 30, 2008 from December 31, 2007. Acquisitions, including contingent consideration earned, resulted in a $17.4 million increase in goodwill and intangible assets during the nine months ended September 30, 2008. Intangible assets decreased by $5.9 million due to amortization expense and by $0.7 million as a result of divestitures.

Assets of the deferred compensation plan represent participant deferral accounts, and totaled $23.2 million and $22.2 million at September 30, 2008 and December 31, 2007, respectively. The assets are held in a rabbi trust and are directly offset by deferred compensation plan obligations representing amounts due to the participants. Although the assets of the plan are specifically designated as available to CBIZ solely for the purpose of paying benefits under the deferred compensation plan, in the event that CBIZ became insolvent, the assets would be available to all unsecured general creditors. The plan is described in further detail in our Annual Report on Form 10-K for the year ended December 31, 2007.

Other assets (non-current) decrease $0.5 million at September 30, 2008 from December 31, 2007 primarily due to amortization of debt issuance costs related to the credit facility and the convertible notes.

The accounts payable balance of $28.2 million at September 30, 2008 reflects amounts due to suppliers and vendors; balances fluctuate during the year based on the timing of cash payments. Accrued personnel costs were $35.9 million at September 30, 2008 and represent amounts due for payroll, payroll taxes, employee benefits and incentive compensation; balances fluctuate during the year based on the timing of payments and our estimate of incentive compensation costs.

Notes payable relate primarily to contingent proceeds earned by acquired businesses. Notes payable current decreased by $8.7 million to $1.9 million at September 30, 2008 from $10.6 million at December 31, 2007 due to the payment of contingent proceeds related to acquired businesses of approximately $15.2 million offset by an increase in contingent proceeds earned by acquired businesses of approximately $6.5 million.

Other liabilities (current and non-current) increased by $4.6 million at September 30, 2008 from December 31, 2007. This increase is attributable to a $5.6 million liability related to CBIZ s self-funded health benefit plan, offset by a $2.0 million decrease in the consolidation and integration reserve. CBIZ converted its comprehensive health benefit plan from a fully-insured plan to a self-funded program in January 2008. See further discussion of this plan in Note 6 of the accompanying consolidated financial statements. The decrease in the consolidation and integration reserve resulted from payments made during the nine months ended September 30, 2008.

Income taxes payable (current and non-current) increased by $0.1 million to $8.4 million at September 30, 2008 from $8.3 million at December 31, 2007. This increase was primarily due to the provision for current income taxes less estimated tax payments, tax benefits related to the exercise of stock options, and the reversal of certain estimated tax reserves related to settlement of IRS audits.

Bank debt for amounts due on CBIZ s credit facility increased by $30.0 million at September 30, 2008 from December 31, 2007. Cash provided from operations supplemented with additional borrowings under the credit facility was used to fund various strategic initiatives, including acquisitions and share repurchases. During the nine months ended September 30, 2008, cash payments for acquisitions and share repurchases totaled $25.8 million and $37.8 million, respectively.

Stockholders equity increased by $0.4 million to $226.8 million at September 30, 2008 from $226.4 million at December 31, 2007. The increase in stockholders equity was primarily attributable to net income of $29.0 million, stock awards and related tax benefits which contributed $5.7 million and $2.8 million related to the recognition of stock compensation expense. These increases were offset by share repurchases totaling $37.8 million (4.3 million shares).

Liquidity and Capital Resources

CBIZ s principal source of net operating cash is derived from the collection of fees and commissions for professional services and products rendered to its clients. CBIZ supplements net operating cash with an unsecured credit facility. The unsecured credit facility expires November 16, 2012 and was amended effective April 3, 2008 to increase the commitment from $100.0 million to $150.0 million. At September 30, 2008, CBIZ had outstanding borrowings of $60.0 million under its credit facility, and had letters of credit and performance guarantees totaling $5.2 million. Available funds under the facility based on the terms of the commitment were approximately $81.1 million at September 30, 2008. Management believes that cash generated from operations, combined with the available funds from the credit facility, provides CBIZ the financial resources needed to meet business requirements for the foreseeable future, including capital expenditures, working capital requirements, and strategic investments.

The facility allows for the allocation of funds for strategic initiatives, including acquisitions and the repurchase of CBIZ common stock. Under the credit facility, CBIZ is required to meet certain financial covenants with respect to (i) minimum net worth; (ii) maximum leverage ratio; and (iii) a minimum fixed charge coverage ratio. CBIZ believes it is in compliance with its covenants at September 30, 2008.

CBIZ may also obtain funding by offering equity or debt securities, through public or private markets. CBIZ currently has an effective shelf registration statement under which it can offer such securities to the public. See Note 12 to the Annual Report on Form 10-K for the year ended December 31, 2007 for a description of the shelf registration statement. CBIZ issued $100 million of convertible senior subordinated notes (Notes) on May 30, 2006. The Notes mature on June 1, 2026 and may be redeemed by CBIZ in whole or in part anytime after June 6, 2011.

Sources and Uses of Cash

The following table summarizes our cash flows from operating, investing and financing activities for the nine months ended September 30, 2008 and 2007 (in thousands):

	2008	2007
Total cash provided by (used in):		
Operating activities	$ 23,774	$ 19,048
Investing activities	(25,789)	2,783
Financing activities	(2,628)	(13,268)
Increase (decrease) in cash and cash equivalents	$ (4,643)	$ 8,563

Cash flows from operating activities represent net income adjusted for certain non-cash items and changes in assets and liabilities. CBIZ typically experiences a net use of cash from operations during the first quarter of its fiscal year, as accounts receivable balances grow in response to the seasonal increase in first quarter revenue generated by the Financial Services practice group (primarily for accounting and tax services). This net use of cash is followed by strong operating cash flow during the second and third quarters, as a significant amount of revenue generated by the Financial Services practice group during the first four months of the year are billed and collected in subsequent quarters. Net cash provided by operating activities increased $4.8 million to $23.8 million for the nine months ended September 30, 2008 from $19.0 million for the comparable period in 2007. Approximately $4.6 million of the increase in cash provided by operating activities relates to a change in the timing of health benefit payments as CBIZ converted its comprehensive health benefit plan from a fully-insured plan to a self-funded program effective January 1, 2008.

Cash flows from investing activities include payments toward capital expenditures and business acquisitions, proceeds from divested and discontinued operations and the collection of notes receivable. CBIZ used $25.8 million in net cash for investing activities during the nine months ended September 30, 2008, compared to cash provided by investing activities of $2.8 million during the comparable period in 2007. Investing uses of cash during the nine months ended September 30, 2008 primarily consisted of $25.8 million of net cash used towards the acquisition of businesses and other intangible assets and $5.1 million for capital expenditures (net), offset by $4.9 million in proceeds received from the sale of divested and discontinued operations and $0.2 million in net payments received on notes receivable. Investing uses of cash during the first nine months of 2007 primarily consisted of $20.5 million of net cash used towards the acquisition of businesses and other intangible assets and $4.2 million for capital expenditures (net), offset by $28.0 million in proceeds received from the sale of divested and discontinued operations and $0.2 million in payments received on notes receivable. Capital expenditures primarily consisted of investments in technology, leasehold improvements and purchases of furniture and equipment.

Cash flows from financing activities include net borrowing and payment activity from the credit facility, repurchases of CBIZ common stock, and proceeds from the exercise of stock options. Net cash used in financing activities during the nine months ended September 30, 2008 was $2.6 million compared to $13.3 million for the comparable period in 2007. Financing uses of cash during the nine months ended September 30, 2008 included $37.8 million in cash used to repurchase shares of CBIZ common stock offset by $30.0 million in net proceeds from the credit facility and $5.7 million in proceeds from the exercise of stock options (including tax benefits). Net cash used in financing activities during the nine months ended

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September 30, 2007 included $30.8 million in cash used to repurchase shares of CBIZ common stock, offset by $12.0 million in net proceeds from the credit facility and $5.9 million in proceeds from the exercise of stock options (including tax benefits).

Obligations and Commitments

CBIZ s aggregate amount of future obligations at September 30, 2008 for the next five years and thereafter is set forth below (in thousands):

	Total	2008 (1)	2009	2010	2011	2012	Thereafter
Convertible notes	$ 100,000	$	$	$	$	$	$ 100,000
Interest on convertible notes	56,251	1,563	3,125	3,125	3,125	3,125	42,188
Credit facility	60,000					60,000	
Income taxes payable (2)	1,237	1,237					
Notes payable	1,856	145	1,711				
Capitalized leases	94	20	74				
Restructuring lease obligations(3)	12,516	991	2,420	1,925	1,872	1,799	3,509
Non-cancelable operating lease obligations (3)	182,070	8,728	32,933	28,959	24,950	21,668	64,832
Letters of credit in lieu of cash security deposits	3,699		2,386	535	200		578
Performance guarantees for non-consolidated affiliates	1,497	342	1,155				
License bonds and other letters of credit	1,714	249	1,450		15		
Total	$ 420,934	$ 13,275	$ 45,254	$ 34,544	$ 30,162	$ 86,592	$ 211,107

(1) Represents contractual obligations from October 1, 2008 to December 31, 2008.

(2) Excludes unrecognized tax benefits of

approximately $7.1 million as the Company is unable to determine a reasonably reliable estimate of the timing of the future payments.

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

Off-Balance Sheet Arrangements

CBIZ maintains administrative service agreements with independent CPA firms (as described more fully under Overview Financial Services), which qualify as variable interest entities under FASB Interpretation No. 46, Consolidation of Variable Interest Entities, as amended. The impact to CBIZ of this accounting pronouncement is not material to the financial condition, results of operations, or cash flows of CBIZ, and is further discussed in Note 1 to the Annual Report on Form 10-K for the year ended December 31, 2007.

CBIZ provides guarantees of performance obligations for a CPA firm with which CBIZ maintains an administrative service agreement. Potential obligations under the guarantees totaled $1.5 million and $1.4 million at September 30, 2008 and December 31, 2007, respectively. In accordance with FASB Interpretation No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others , as amended, CBIZ has recognized a liability for the fair value of the obligations undertaken in issuing these guarantees. The liability is recorded as other current liabilities in the accompanying consolidated balance sheets. CBIZ does not expect it will be required to make payments under these guarantees.

CBIZ provides letters of credit to landlords (lessors) of its leased premises in lieu of cash security deposits, which totaled $3.7 million at September 30, 2008 and December 31, 2007. In addition, CBIZ provides license bonds to various state agencies to meet certain licensing requirements. The amount of license bonds outstanding at September 30, 2008 and December 31, 2007 totaled $1.7 million and $1.4 million, respectively.

CBIZ has various agreements under which we may be obligated to indemnify the other party with respect to certain matters. Generally, these indemnification clauses are included in contracts arising in the normal course of business under which we customarily agree to hold the other party harmless against losses arising from a breach of representations, warranties, covenants or agreements, related to matters such as title to assets sold and certain tax matters. Payment by CBIZ under such indemnification clauses are generally conditioned upon the other party making a claim. Such claims are typically subject to challenge by CBIZ and to dispute resolution procedures specified in the particular contract. Further, CBIZ s obligations under these agreements may be limited in terms of time and/or amount and, in some instances, CBIZ may have recourse against third parties for certain payments made by CBIZ. It is not possible to predict the maximum potential amount of future payments under these indemnification agreements due to the conditional nature of CBIZ s obligations and the unique facts of each particular agreement. Historically, CBIZ has not made any payments under these agreements that have been material individually or in the aggregate. As of September 30, 2008, CBIZ was not aware of any material obligations arising under indemnification agreements that would require payments.

Interest Rate Risk Management

CBIZ has used interest rate swaps to manage the interest rate mix of its credit facility and related overall cost of borrowing. Interest rate swaps involve the exchange of floating for fixed rate interest payments to effectively convert floating rate debt into fixed rate debt based on a one, three, or six-month U.S. dollar LIBOR. Interest rate swaps allow CBIZ to maintain a target range of fixed to floating rate debt. In December 2007, CBIZ entered into an arrangement effective in January 2008 to swap $10.0 million of its floating rate debt into fixed rate debt for two years to mitigate our interest rate risk. Management will continue to evaluate the potential use of interest rate swaps as it deems appropriate under certain operating and market conditions.

CBIZ carries $100.0 million in convertible senior subordinated notes (Notes) bearing a fixed interest rate of 3.125%. The Notes mature on June 1, 2026 and have call protection such that they may not be redeemed until June 6, 2011; we believe this low cost of borrowing mitigates our interest rate risk.

In connection with payroll services provided to clients, CBIZ collects funds from its clients accounts in advance of paying these client obligations. These funds held for clients are segregated and invested in short-term investments and ARS, which have historically been highly liquid. In accordance with our investment policy, all investments carry an investment grade rating at the time of initial investment. See Item 3, Quantitative and Qualitative Disclosures about Market Risk, for further discussion of ARS. Investments of client funds are generally variable in nature and, therefore, the income earned on these investments fluctuates based upon the changes in short-term rates. The interest income on these short-term investments mitigates the interest rate risk for the borrowing costs of CBIZ s credit facility, as the rates on both the investments and the unhedged outstanding borrowings against the credit facility float based on market conditions.

Critical Accounting Policies

The SEC defines critical accounting policies as those that are most important to the portrayal of a company s financial condition and results and that require management s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

There have been no material changes to CBIZ s critical accounting policies from the information provided in Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, under the heading Critical Accounting Policies in the Annual Report on Form 10-K for the year ended December 31, 2007.

New Accounting Pronouncements

Effective January 1, 2008, CBIZ adopted Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. For financial assets and liabilities, this statement is effective for fiscal periods beginning after November 15, 2007 and does not require any new fair value measurements, but rather expands the disclosure of fair value measurements. In February 2008, the FASB issued Staff Position No. 157-2 Effective Date of FASB Statement No. 157 which delayed the effective date of SFAS No. 157 to fiscal years ending after November 15, 2008 for non-financial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). See Note 8 to these consolidated financial statements for further discussion of the adoption of SFAS No. 157.

Effective January 1, 2008, CBIZ adopted SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115 . This statement permits entities to choose to measure many financial instruments and certain other items at fair value. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, including interim periods within that fiscal year. The Company did not elect the fair value option for any of its existing financial instruments and has not determined whether or not it will elect this option for financial instruments it may acquire in the future.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) Business Combinations (SFAS No. 141R), which replaces SFAS No. 141, Business Combinations. SFAS No. 141R establishes principles and requirements for how an acquirer, a) recognizes and measures the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree, b) recognizes and measures the goodwill acquired, and c) determines what information to disclose. SFAS No. 141R also requires that all acquisition-related costs, including restructuring, be recognized separately from the acquisition, and that changes in acquired tax contingencies, including those existing at the date of adoption, be recognized in earnings if outside the maximum allocation period (generally one year). SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning after December 15, 2008. CBIZ is currently evaluating the impact of adoption of SFAS No. 141R on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51 (SFAS No. 160). SFAS 160 establishes requirements for ownership interests in subsidiaries held by parties other than the Company (sometimes called minority interests) be clearly identified, presented, and disclosed in the consolidated statement of financial position within equity, but separate from the parent s equity. All changes in the parent s ownership interests are required to be accounted for consistently as equity transactions and any noncontrolling equity investments in deconsolidated subsidiaries must be measured initially at fair value. This statement is effective for CBIZ beginning January 1, 2009. CBIZ is currently evaluating the potential impact of the adoption of SFAS No. 160 on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS No. 161) as an amendment to SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities . SFAS No. 161 requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. SFAS No. 161 is effective for CBIZ beginning January 1, 2009. The Company is currently evaluating the impact of the adoption of SFAS No. 161 on its consolidated financial statements.

On May 9, 2008, the FASB issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1). FSP APB 14-1 requires issuers of convertible debt instruments that may be settled wholly or partly in cash, to separately account for the liability and equity components of the instruments in a manner that reflects the nonconvertible debt borrowing rate when interest expense is recognized in subsequent periods. The resulting debt discount is amortized over the period the convertible debt is expected to be outstanding as additional non-cash interest expense.

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FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 and will impact the accounting associated with CBIZ s $100.0 million convertible senior subordinated notes (described in Note 5). The provisions of APB 14-1 must be applied retrospectively to all periods presented and will result in additional non-cash interest expense from what has been reported in historical financial statements. Management estimates that when retrospectively applied to the year ended December 31, 2008, the adoption of FSP APB 14-1 will impact diluted earnings per share by less than $0.05. This impact is based upon preliminary analysis that requires the use of estimates and assumptions. As the analysis has not been finalized, the estimate and assumptions are subject to change.

Uncertainty of Forward-Looking Statements

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

A more detailed description of risk factors may be found in CBIZ s Annual Report on Form 10-K for the year ended December 31, 2007. CBIZ undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in the quarterly, periodic and annual reports we file with the SEC. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

CBIZ s floating rate debt under its credit facility exposes the Company to interest rate risk. Interest rate risk results when the maturity or repricing intervals of interest-earning assets and interest-bearing liabilities are different. A change in LIBOR, or the reference rate set by Bank of America, N.A., would affect the rate at which CBIZ could borrow funds under its credit facility. The balance outstanding under the credit facility at September 30, 2008 was $60.0 million. If market rates were to increase or decrease 100 basis points from

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the levels at September 30, 2008, interest expense would increase or decrease approximately $0.5 million annually. CBIZ does not engage in trading market risk sensitive instruments. CBIZ has used interest rate swaps to manage the interest rate mix of its credit facility and related overall cost of borrowing. Interest rate swaps involve the exchange of floating for fixed rate interest payments to effectively convert floating rate debt into fixed rate debt based on a one, three, or six-month U.S. dollar LIBOR. Interest rate swaps allow CBIZ to maintain a target range of fixed to floating rate debt. In December 2007, CBIZ entered into an arrangement effective in January 2008 to swap $10.0 million of its floating rate debt into fixed rate debt for two years to mitigate the Company s interest rate risk. Management will continue to evaluate the potential use of interest rate swaps as it deems appropriate under certain operating and market conditions.

In connection with CBIZ s payroll business, funds held for clients are segregated and invested in short-term investments and ARS. ARS are variable debt instruments with longer stated maturities whose interest rates are reset at pre-determined short-term intervals through a Dutch auction system. CBIZ invested a portion of funds held for clients in ARS as they typically generated higher rates of return than money market investment alternatives. In accordance with our investment policy, all investments carry an investment grade rating at the time of the initial investment.

As a result of liquidity issues experienced in the credit and capital markets during 2008, CBIZ s ARS have experienced failed auctions during the first nine months of 2008 and one of the investments was downgraded below the minimum rating required by the Company s investment policy. While CBIZ continues to earn and receive interest on these investments at the contractual rates, the estimated fair value of our investments in ARS no longer approximates their face value.

At September 30, 2008, CBIZ had four outstanding investments in ARS with par values totaling $19.4 million. One ARS was redeemed in October at its par value of $6.0 million. This ARS is recorded at par value in Funds held for clients current in the accompanying consolidated balance sheets.

The fair values of the remaining ARS do not approximate their par values. The declines in fair values of two of the ARS are currently considered to be temporary. These declines in fair value totaled $0.2 million at September 30, 2008 and are recorded as unrealized losses in accumulated other comprehensive loss. ARS with temporary declines in fair value are classified as Funds held for clients non-current , as CBIZ intends and has the ability to hold these investments until anticipated recovery of par value occurs.

The decline in fair value for one ARS was determined to be other-than-temporary. Accordingly, CBIZ recorded an impairment charge totaling approximately $1.4 million for the three and nine months ended September 30, 2008, which is included in Other income (expense), net in the accompanying consolidated statements of operations. The fair value of this ARS is recorded in Funds held for clients non-current in the accompanying consolidated balance sheets.

CBIZ continues to monitor the market for ARS and consider its impact on the fair value of its investments. If the current market conditions deteriorate further, or the anticipated recovery in fair values does not occur, CBIZ may be required to record additional unrealized losses in other comprehensive income or impairment charges which would be recorded against net income in future periods.

Although we have experienced failed auctions with regards to ARS, CBIZ believes it has adequate liquidity to operate and settle client obligations as the majority of CBIZ s client funds are invested in highly-liquid short-term money market funds.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our Disclosure Controls or our internal controls over financial reporting (Internal Controls) will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of a control system are met. Further, any control system reflects limitations on resources, and the benefits of a control system must be considered relative to its costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within CBIZ have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of a control. A design of a control system is also based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Conclusions

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

There were no changes in our Internal Controls that occurred during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, our Internal Controls.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Factors that may affect CBIZ s actual operating and financial results are described in Item 1A. Risk Factors of CBIZ s Annual Report on Form 10-K for the year ended December 31, 2007.

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

On February 7, 2008, CBIZ s Board of Directors authorized the purchase of up to 5.0 million shares of CBIZ common stock through March 31, 2009. The shares may be repurchased in the open market or in privately negotiated transactions according to SEC rules. The repurchase plans do not obligate CBIZ to acquire any specific number of shares and may be suspended at any time.

Stock repurchase activity during the three months ended September 30, 2008 (reported on a trade-date basis) is summarized in the table below (in thousands, except per share data).

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares That May Yet Be Purchased Under the Plans
July 1 July 31, 2008 (2)	552	$7.93	552	3,042
August 1 August 31, 2008 (2)	9	$8.03	9	3,033
September 1 September 30, 2008 (2)		$		3,033
Total third quarter purchases (3)	561	$7.93	561	

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

(2) Open market purchases.

(3) The Company utilized, and may utilize in the future, a Rule 10b5-1 trading plan to allow for repurchases by the Company during periods when it would not normally be

active in the trading market due to regulatory restrictions. Under the Rule 10b5-1 trading plan, a broker is granted discretion to repurchase shares on the Company s behalf, and the broker is unable to repurchase shares above a pre-determined price per share. Additionally, the maximum number of shares that may be purchased by the Company each day is governed by Rule 10b-18.

According to the terms of CBIZ s credit facility, CBIZ is not permitted to declare or make any dividend payments, other than dividend payments made by one of its wholly owned subsidiaries to the parent company. See Note 5 to the accompanying consolidated financial statements for a description of working capital restrictions and limitations upon the payment of dividends.

Item 6. Exhibits

31.1 *	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.2 *	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 *	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 *	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates documents filed herewith.

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SIGNATURE

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

	CBIZ, Inc. (Registrant)
Date: November 10, 2008	By: /s/ Ware H. Grove Ware H. Grove Chief Financial Officer