

CBIZ, Inc.  
Form 10-Q  
August 09, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended June 30, 2012

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-32961

**CBIZ, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**22-2769024**  
(I.R.S. Employer  
Identification No.)

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

**44131**  
(Zip Code)

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

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

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

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

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

Large accelerated filer ☐ Accelerated filer ☒  
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐  
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

Class of Common Stock	Outstanding at July 31, 2012
Common Stock, par value \$0.01 per share	49,872,432

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**CBIZ, INC. AND SUBSIDIARIES**

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

	<b>JUNE 30, 2012</b>	<b>DECEMBER 31, 2011</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,069	\$ 1,613
Restricted cash	21,770	19,838
Accounts receivable, net	164,083	137,073
Income taxes refundable		3,898
Deferred income taxes current	9,652	8,056
Other current assets	10,723	11,438
Assets of discontinued operations	505	559
Current assets before funds held for clients	209,802	182,475
Funds held for clients	83,846	109,854
Total current assets	293,648	292,329
Property and equipment, net	20,854	21,802
Goodwill and other intangible assets, net	465,463	458,340
Assets of deferred compensation plan	37,405	33,585
Other assets	5,468	6,301
Total assets	\$ 822,838	\$ 812,357
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 46,709	\$ 34,960
Income taxes payable current	6,623	
Accrued personnel costs	30,795	33,658
Notes payable current	1,222	13,986
Other current liabilities	31,177	33,579
Liabilities of discontinued operations	185	199
Current liabilities before client fund obligations	116,711	116,382
Client fund obligations	83,620	109,800
Total current liabilities	200,331	226,182
Convertible notes, net	121,073	119,778
Bank debt	149,200	145,000
Income taxes payable non-current	4,667	4,441
Deferred income taxes non-current, net	1,829	1,893
Deferred compensation plan obligations	37,405	33,585
Other non-current liabilities	24,945	21,320

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Total liabilities	539,450	552,199
<b>STOCKHOLDERS' EQUITY</b>		
Common stock	1,117	1,111
Additional paid-in capital	554,254	551,205
Retained earnings	98,618	73,985
Treasury stock	(369,818)	(365,364)
Accumulated other comprehensive loss	(783)	(779)
Total stockholders' equity	283,388	260,158
Total liabilities and stockholders' equity	\$ 822,838	\$ 812,357

See the accompanying notes to the consolidated financial statements

**Table of Contents****CBIZ, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)****(In thousands, except per share data)**

	<b>THREE MONTHS ENDED JUNE 30,</b>		<b>SIX MONTHS ENDED JUNE 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Revenue	\$ 188,606	\$ 183,464	\$ 409,433	\$ 393,533
Operating expenses	166,691	160,395	346,696	330,122
Gross margin	21,915	23,069	62,737	63,411
Corporate general and administrative expenses	7,638	6,744	18,182	16,304
Operating income	14,277	16,325	44,555	47,107
Other income (expense):				
Interest expense	(4,146)	(4,407)	(8,268)	(9,322)
Gain on sale of operations, net	50	2	2,639	2,745
Other (expense) income, net	(840)	27	2,598	3,108
Total other expense, net	(4,936)	(4,378)	(3,031)	(3,469)
Income from continuing operations before income tax expense	9,341	11,947	41,524	43,638
Income tax expense	3,512	5,095	16,928	18,682
Income from continuing operations after income tax expense	5,829	6,852	24,596	24,956
Gain (loss) from discontinued operations, net of tax	1	(331)	(3)	(570)
Gain on disposal of discontinued operations, net of tax	18	30	40	70
Net income	\$ 5,848	\$ 6,551	\$ 24,633	\$ 24,456
<b>Earnings (loss) per share:</b>				
Basic:				
Continuing operations	\$ 0.12	\$ 0.14	\$ 0.50	\$ 0.50
Discontinued operations		(0.01)		(0.01)
Net income	\$ 0.12	\$ 0.13	\$ 0.50	\$ 0.49
Diluted:				
Continuing operations	\$ 0.12	\$ 0.14	\$ 0.50	\$ 0.50
Discontinued operations		(0.01)		(0.01)
Net income	\$ 0.12	\$ 0.13	\$ 0.50	\$ 0.49
Basic weighted average shares outstanding	49,040	49,615	49,074	49,469
Diluted weighted average shares outstanding	49,244	49,958	49,391	49,880

**Comprehensive Income:**

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Net income	5,848	6,551	24,633	24,456
Other comprehensive (loss) income, net of tax	(84)	(59)	(4)	341
Comprehensive income	\$ 5,764	\$ 6,492	\$ 24,629	\$ 24,797

See the accompanying notes to the consolidated financial statements

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

	<b>SIX MONTHS ENDED JUNE 30,</b>	
	<b>2012</b>	<b>2011</b>
<b><u>Cash flows from operating activities:</u></b>		
Net income	\$ 24,633	\$ 24,456
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
(Gain) loss from discontinued operations, net of tax	(37)	500
Gain on sale of operations, net	(2,639)	(2,745)
Depreciation and amortization expense	10,534	9,995
Amortization of discount on notes and deferred financing costs	1,789	2,814
Bad debt expense, net of recoveries	2,321	2,155
Adjustment to contingent earnout liability	(7)	(1,069)
Deferred income taxes	(1,685)	(4,060)
Employee stock awards	2,869	2,914
Excess tax benefits from share based payment arrangements		(171)
<i>Changes in assets and liabilities, net of acquisitions and divestitures:</i>		
Restricted cash	(1,626)	260
Accounts receivable, net	(28,827)	(19,751)
Other assets	890	1,370
Accounts payable	11,420	(2,040)
Income taxes payable/refundable	9,792	11,220
Accrued personnel costs and other liabilities	(3,864)	(2,365)
 Net cash provided by continuing operations	 25,563	 23,483
Operating cash flows used in discontinued operations	36	(599)
 Net cash provided by operating activities	 25,599	 22,884
<b><u>Cash flows from investing activities:</u></b>		
Business acquisitions and contingent consideration, net of cash acquired	(21,119)	(10,866)
Purchases of client fund investments	(4,042)	(15,114)
Proceeds from the sales and maturities of client fund investments	3,301	9,196
Proceeds from sales of divested and discontinued operations	1,215	694
Net decrease (increase) in funds held for clients	27,321	(12,656)
Additions to property and equipment, net	(2,068)	(941)
Other	10	14
 Net cash provided by (used in) investing activities	 4,618	 (29,673)
<b><u>Cash flows from financing activities:</u></b>		
Proceeds from bank debt	293,650	277,750
Payment of bank debt	(289,450)	(247,650)
Repurchase of convertible notes		(39,250)
Payment for acquisition of treasury stock	(4,454)	(648)
Net (decrease) increase in client funds obligations	(26,526)	16,174
Proceeds from exercise of stock options		768
Payment of contingent consideration of acquisitions	(1,832)	(330)
Excess tax benefit from exercise of stock awards		171



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Debt issuance costs		(560)	
Other	(149)		(149)
Net cash (used in) provided by financing activities	(28,761)		6,276
Net increase (decrease) in cash and cash equivalents	1,456		(513)
Cash and cash equivalents at beginning of year	1,613		724
Cash and cash equivalents at end of period	\$ 3,069	\$	211

See the accompanying notes to the consolidated financial statements

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**CBIZ, INC. AND SUBSIDIARIES**

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

**1. Summary of Significant Accounting Policies**

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

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting solely of normal recurring adjustments) considered necessary to present fairly the financial position of CBIZ, Inc. and its consolidated subsidiaries ( CBIZ or the Company ) as of June 30, 2012 and December 31, 2011, the consolidated results of their operations for the three and six months ended June 30, 2012 and 2011, and the cash flows for the six months ended June 30, 2012 and 2011. 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, 2011.

***Principles of Consolidation***

The accompanying consolidated financial statements reflect the operations of CBIZ, Inc. and all of its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The accompanying consolidated financial statements do not reflect the operations or accounts of variable interest entities as the impact is not material to the financial condition, results of operations or cash flows of CBIZ. See CBIZ's Annual Report on Form 10-K for the year ended December 31, 2011 for further discussion.

***Use of Estimates***

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

***Reclassifications***

Certain amounts in the 2011 consolidated financial statements and disclosures have been reclassified to conform to the current year presentation.

***Revenue Recognition and Valuation of Unbilled Revenues***

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

CBIZ offers a vast array of products and business services to its clients. Those services are delivered through four practice groups. A description of revenue recognition policies is included in the Annual Report on Form 10-K for the year ended December 31, 2011.

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

In June 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2011-05 ( ASU 2011-05 ) Comprehensive Income (Topic 220): Presentation of Comprehensive Income , which states that comprehensive income should be presented in either one or two consecutive financial statements. Companies have the option to either present other comprehensive income on the same statement as net income, or as a separate statement that immediately follows the statement of net income. ASU 2011-05 was effective for the first reporting period after December 15, 2011, and was applied retrospectively. CBIZ adopted the provisions of ASU 2011-05 for the first quarter of 2012.

In May 2011, the FASB issued ASU No. 2011-04 ( ASU 2011-04 ) Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 provides a consistent definition of fair value to ensure that the fair value measurement and disclosure requirements are similar between GAAP and International Financial Reporting Standards. ASU 2011-04 does not extend the use of fair value, but rather provides additional disclosure guidance about the application of fair value in those areas where fair value is already required or permitted, especially for Level 3 fair value measurements. ASU 2011-04 was effective for the first reporting period after December 15, 2011 and is to be applied prospectively. CBIZ adopted the provisions of ASU 2011-04 for the first quarter of 2012 and has provided additional disclosure in its discussion of fair value, especially for the Company's level 3 fair value disclosures.

**2. Accounts Receivable, Net**

Accounts receivable balances at June 30, 2012 and December 31, 2011 were as follows (in thousands):

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
Trade accounts receivable	\$ 128,340	\$ 113,143
Unbilled revenue	46,226	33,150
<b>Total accounts receivable</b>	<b>174,566</b>	<b>146,293</b>
Allowance for doubtful accounts	(10,483)	(9,220)
<b>Accounts receivable, net</b>	<b>\$ 164,083</b>	<b>\$ 137,073</b>

**Table of Contents****CBIZ, INC. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****3. Goodwill and Other Intangible Assets, Net**

The components of goodwill and other intangible assets, net at June 30, 2012 and December 31, 2011 were as follows (in thousands):

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
Goodwill	\$ 384,523	\$ 377,281
<i>Intangible assets:</i>		
Client lists	135,309	128,537
Other intangible assets	8,388	9,826
<b>Total intangible assets</b>	<b>143,697</b>	<b>138,363</b>
<b>Total goodwill and intangibles assets</b>	<b>528,220</b>	<b>515,644</b>
<i>Accumulated amortization:</i>		
Client lists	(57,513)	(50,969)
Other intangible assets	(5,244)	(6,335)
<b>Total accumulated amortization</b>	<b>(62,757)</b>	<b>(57,304)</b>
<b>Goodwill and other intangible assets, net</b>	<b>\$ 465,463</b>	<b>\$ 458,340</b>

**4. Depreciation and Amortization**

Depreciation and amortization expense for property and equipment and intangible assets for the three and six months ended June 30, 2012 and 2011 was as follows (in thousands):

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Operating expenses	\$ 5,219	\$ 4,877	\$ 10,366	\$ 9,815
Corporate general and administrative expenses	87	88	168	180
<b>Total depreciation and amortization expense</b>	<b>\$ 5,306</b>	<b>\$ 4,965</b>	<b>\$ 10,534</b>	<b>\$ 9,995</b>

**5. Borrowing Arrangements**

CBIZ had two primary debt arrangements at June 30, 2012 that provided the Company with the capital necessary to meet its working capital needs as well as the flexibility to continue with its strategic initiatives, including business acquisitions and share repurchases: the 2010 Convertible Senior Subordinated Notes ( 2010 Notes ) totaling \$130 million and a \$275 million unsecured credit facility. In addition to the discussion below, refer to the Annual Report on Form 10-K for the year ended December 31, 2011 for additional details of CBIZ's borrowing arrangements.

2010 Convertible Senior Subordinated Notes

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

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CBIZ separately accounts for the debt and equity components of the 2010 Notes. The carrying amount of the debt and equity components at June 30, 2012 and December 31, 2011 were as follows (in thousands):

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
Principal amount of notes	\$ 130,000	\$ 130,000
Unamortized discount	(9,677)	(10,972)
<b>Net carrying amount</b>	<b>\$ 120,323</b>	<b>\$ 119,028</b>
Additional paid-in-capital, net of tax	\$ 8,555	\$ 8,555

The discount is being amortized at an annual effective rate of 7.5% over the term of the 2010 Notes, which is five years from the date of issuance. At June 30, 2012, the unamortized discount had a remaining amortization period of approximately 39 months.

**2006 Convertible Senior Subordinated Notes**

At June 30, 2012, CBIZ still has \$750,000 outstanding of its 3.125% Convertible Senior Subordinated Notes that were issued in 2006 ( 2006 Notes ). These 2006 Notes are direct, unsecured, senior subordinated obligations of CBIZ. The 2006 Notes bear interest at a rate of 3.125% per annum, payable in cash semi-annually in arrears on each June 1 and December 1. The 2006 Notes mature on June 1, 2026 unless earlier redeemed, repurchased or converted.

CBIZ separately accounts for the debt and equity components of the 2006 Notes. The carrying amount of the debt and equity components at June 30, 2012 and December 31, 2011 were as follow (in thousands):

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
Principal amount of notes	\$ 750	\$ 750
Unamortized discount		
<b>Net carrying amount</b>	<b>\$ 750</b>	<b>\$ 750</b>
Additional paid-in-capital, net of tax	\$ 11,425	\$ 11,425

During the three and six months ended June 30, 2012 and 2011, CBIZ recognized interest expense on the 2010 Notes and 2006 Notes as follows (in thousands):

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Contractual coupon interest	\$ 1,591	\$ 1,795	\$ 3,181	\$ 3,692
Amortization of discount	659	912	1,295	1,953

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Amortization of deferred financing costs	180	217	360	449
Total interest expense	\$ 2,430	\$ 2,924	\$ 4,836	\$ 6,094

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

CBIZ maintains a \$275 million unsecured credit facility ( credit facility ) with Bank of America as agent for a group of seven participating banks. The balance outstanding under the credit facility was \$149.2 million and \$145.0 million at June 30, 2012 and December 31, 2011, respectively. Rates for the six months ended June 30, 2012 and 2011 were as follows:

	<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Weighted average rates	3.22%	3.52%
Range of effective rates	2.69% - 3.91%	2.66% - 5.75%

CBIZ had approximately \$8.8 million of available funds under the credit facility at June 30, 2012. The credit facility provides CBIZ operating flexibility and funding to support seasonal working capital needs and other strategic initiatives such as acquisitions and share repurchases. The maturity date of the credit facility is June 2015. CBIZ believes it is in compliance with its debt covenants at June 30, 2012.

**6. Commitments and Contingencies*****Letters of Credit and Guarantees***

CBIZ provides letters of credit to landlords (lessors) of its leased premises in lieu of cash security deposits which totaled \$2.5 million as of June 30, 2012 and December 31, 2011. In addition, CBIZ provides license bonds to various state agencies to meet certain licensing requirements. The amount of license bonds outstanding at June 30, 2012 and December 31, 2011 was \$2.8 million and \$1.6 million, respectively.

CBIZ acted as guarantor on various letters of credit for a CPA firm with which it has an affiliation, which totaled \$5.2 million as of June 30, 2012 and December 31, 2011. CBIZ has recognized a liability for the fair value of the obligations undertaken in issuing these guarantees, which is recorded as other current liabilities in the accompanying consolidated balance sheets. Management does not expect any material changes to result from these instruments as performance under the guarantees is not expected to be required.

***Legal Proceedings***

In May, June, July, August and September of 2010, CBIZ, Inc. and its subsidiary, CBIZ MHM, LLC (fka CBIZ Accounting, Tax & Advisory Services, LLC) ( the CBIZ Parties ), were named as defendants in lawsuits filed in the United States District Court for the District of Arizona (Robert Facciola, et al v. Greenberg Traurig LLP, et al.) and in the Superior Court for Maricopa County Arizona (Victims Recovery, LLC v. Greenberg Traurig LLP, et al.; Roger Ashkenazi, et al v. Greenberg Traurig LLP, et al.; Mary Marsh, et al v. Greenberg Traurig LLP, et al.; and ML Liquidating Trust v. Mayer Hoffman McCann PC, et al.), respectively. The Maricopa County cases were removed to the United States District Court or Bankruptcy Court and all have since been remanded to the Superior Court for Maricopa County. Additionally, in November 2009, CBIZ MHM, LLC was named as a defendant in the United States District Court for the District of Arizona (Jeffery C. Stone v. Greenberg Traurig LLP, et al.). The Stone case has been voluntarily dismissed by the plaintiff in that matter.

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





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**CBIZ, INC. AND SUBSIDIARIES**

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

The plaintiffs, except for those in the Stone and ML Liquidating Trust cases, are all alleged to have directly or indirectly invested in real estate mortgages through Mortgages Ltd. The Victims Recovery, Ashkenazi and Marsh plaintiffs seek monetary damages equivalent to the amounts of their investments. The plaintiff in the ML Liquidating Trust matter asserts errors and omissions and breach of contract claims, and is seeking monetary damages. The plaintiffs in these suits also seek pre- and post-judgment interest, punitive damages and attorneys' fees.

Mortgages Ltd. had been audited by Mayer Hoffman McCann PC (Mayer Hoffman), a CPA firm which has an administrative services agreement with CBIZ. The claims against the CBIZ Parties seek to impose auditor-type liabilities upon the CBIZ Parties for audits it did not conduct. Specific claims include securities fraud, common law fraud, negligent misrepresentation, Arizona Investment Management Act violations, control-person liability, aiding and abetting and conspiracy. CBIZ is not a CPA firm, does not provide audits, and did not audit any of the entities at issue in these lawsuits.

In June 2011 the Facciola court, in which the plaintiffs were seeking to certify a class of all Mortgages Ltd. investors, granted the motions to dismiss filed by the CBIZ Parties and Mayer Hoffman. After that dismissal order, the plaintiffs moved the court to amend their complaint in an attempt to state a claim against the CBIZ Parties and Mayer Hoffman. In November 2011, the Facciola court denied the plaintiffs' request to amend the complaint as to the CBIZ Parties and Mayer Hoffman. The Facciola case is now proceeding only against the remaining defendants.

The CBIZ Parties deny all allegations of wrongdoing made against them in these actions and are vigorously defending the proceed