CBIZ, Inc.
Form 10-K
March 17, 2008

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

FORM 10-K

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

For the fiscal year ended December 31, 2007 or

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

For the transition period from to

Commission file number 0-25890

CBIZ, INC.
(Exact Name of Registrant as Specified in Its charter)

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

Registrant s Telephone Number, Including Area Code: (216) 447-9000

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

Common Stock, par value $0.01	**New York Stock Exchange**
(Title of class)	(Name of exchange on which registered)

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

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

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

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, and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 x	Non-accelerated filer o	Smaller reporting Company o
		(Do not check if a smaller reporting company)	

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $482.0 million as of June 30, 2007.

The number of outstanding shares of the registrant s common stock is 63,118,000 as of February 29, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Part III Portions of the Registrant s Definitive Proxy Statement relative to the 2008 Annual Meeting of Stockholders to be filed with the Securities and Exchanges Commission no later than 120 days after the end of the Registrant s fiscal year.

CBIZ, INC.

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

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

Available Information

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

PART I

Item 1 Business.

Overview and History

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 Toronto, Canada. CBIZ delivers its integrated services through the following four practice groups:

Financial Services	Medical Management Professionals
Employee Services	National Practices

CBIZ believes that our diverse and integrated service offerings result in advantages for both the client and for CBIZ. By providing custom solutions that help our clients manage their finances, employees and technology, CBIZ enables our clients to focus their resources on their own core business and operational competencies. Additionally, working with one provider for several solutions enables our clients to utilize their resources more efficiently by eliminating the need to coordinate with multiple service providers. For example, the employee data used to process payroll can also be used by a CBIZ health and welfare insurance agent and benefits consultant to provide an appropriate benefits package to a client s employee base. In addition, the relationship our accounting and tax advisors have with their clients allows us to identify financial planning, wealth management, and other business opportunities. The ability to combine several services and offer them through one trusted provider distinguishes CBIZ from other service providers.

Effective August 1, 2005, CBIZ changed its corporate name from Century Business Services, Inc. to CBIZ, Inc. , and effective August 4, 2006, CBIZ transferred the listing of its common stock to the New York Stock Exchange (NYSE) under the symbol CBZ . Prior to August 4, 2006, CBIZ s common stock was traded on the NASDAQ National Market under the symbol CBIZ . CBIZ has been operating as a professional services business since 1997, and built its professional services business through acquiring accounting, benefits, technology, valuation, medical billing and other service firms throughout the United States.

Business Strategy

CBIZ s business strategy is to grow in the business services industry through: internal organic growth, cross-serving our existing clients, and targeted acquisitions. Each of these components is critical to our long-term growth strategy, and we expect each component to contribute to our long-term revenue growth.

CBIZ has capitalized on organic growth opportunities, and believes it can continue to capitalize on opportunities, including:

Local market presence supported by national resource experts;

Expansion of the medical billing and practice management business;

Payroll processing services;

A unique web-based employee benefits platform offering;

Growth of human capital advisory, retirement planning and wealth management services;

Valuation services; and

A generally underserved market.

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

Our acquisition strategy is to selectively acquire businesses that expand our market position and strengthen our existing service offerings. Strategic businesses that CBIZ seeks to acquire generally have a strong potential for cross-serving to CBIZ s clients, can integrate quickly with existing CBIZ operations, have strong and energetic leadership, and are accretive to earnings.

CBIZ continually strives to create value for its shareholders, and believes that repurchasing shares of its common stock is a use of cash that provides such value. Accordingly, CBIZ continually evaluates share repurchase opportunities and may repurchase shares of its common stock when capital resources are available and such repurchases are accretive to shareholders.

Services

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

Financial Services

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

National Practices

Managed Networking and Hardware Services

IT Consulting

Project Management

Software Solutions

Mergers & Acquisitions

Health Care Consulting

MMP

Coding and Billing

Accounts Receivable
Management

Full Practice
Management Services

Practice Groups

During the year ended December 31, 2007, CBIZ s operating practice groups contributed to consolidated revenue as follows: Financial Services, 45.2%; Employee Services, 26.5%; MMP, 20.6%; and National Practices, 7.7%. Revenue by practice group for the years ended December 31, 2007, 2006 and 2005, is provided in the table below (in thousands):

	Year Ended December 31,		
	2007	**2006**	**2005**
Financial Services	$ 290,984	$ 262,800	$ 247,416
Employee Services	170,846	156,449	142,446
MMP	132,853	117,369	98,175
National Practices	49,216	50,610	48,681
Total CBIZ	$ 643,899	$ 587,228	$ 536,718

A discussion of CBIZ s practice groups and certain external relationships and regulatory factors that currently impact those practice groups are provided in the paragraphs below. See Note 20 of the accompanying consolidated financial statements for further discussion of CBIZ s practice groups.

Financial Services

The Financial Services practice is divided into three geographic regions, representing the East, Midwest, and West regions of the United States, and a national service division consisting of those units that provide their services nationwide. The East, Midwest and West regions are each headed by a designated regional director, each of whom report to the Senior Vice President, Financial Services. Those units within the national service division report either directly to a designated regional director or to the Senior Vice President, Financial Services, who reports to CBIZ s President and Chief Operating Officer.

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

Under these ASAs, CBIZ provides a range of services to the CPA firms, including (but not limited to): administrative functions such as office management, bookkeeping, and accounting; preparing marketing and promotion materials; providing office space, computer equipment, and systems support; and leasing administrative and professional staff. Services are performed in exchange for a fee. Fees earned by CBIZ under the ASAs are recorded as revenue in the accompanying consolidated statements of operations and amounted to approximately $75.3 million, $70.7 million and $68.0 million for the years ended December 31, 2007, 2006 and 2005, respectively, a majority of which is related to services rendered to privately-held clients. In the event that accounts receivable and unbilled work in process become uncollectible by the CPA firms, the service fee due to CBIZ is reduced typically on a proportional basis. The ASAs have terms ranging up to eighteen years, are renewable upon agreement by both parties, and have certain rights of extension and termination.

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

SEC-reporting attest clients of an associated CPA firm. CBIZ and the CPA firms with which we are associated have implemented policies and procedures designed to enable us to maintain independence and freedom from conflicts of interest in accordance with applicable standards. Given the pre-existing limits set by CBIZ on its relationships with SEC-reporting attest clients of associated CPA firms, and the limited number and size of such clients, the imposition of Sarbanes-Oxley Act independence limitations did not and is not expected to materially affect CBIZ revenues.

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

At December 31, 2007, CBIZ maintained ASAs with four CPA firms. Most of the members and/or shareholders of the CPA firms are also CBIZ employees, and CBIZ renders services to the CPA firms as an independent contractor. The number of firms with which CBIZ maintains administrative service agreements decreased when a majority of the partners of the CPA firms with whom we previously maintained ASAs joined Mayer Hoffman McCann, P.C. (MHM P.C.), an independent national CPA firm headquartered in Kansas City, Kansas. MHM P.C. has 208 shareholders, a vast majority of whom are also employees of CBIZ. MHM maintains a six member Board of Directors. There are no board members of MHM P.C. who hold senior officer positions at CBIZ. CBIZ s association with MHM P.C. offers clients access to the multi-state resources and expertise of a national CPA firm. The advantage to CBIZ of these consolidations is a reduction in the number of different firms with which we maintain ASAs.

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

Employee Services

CBIZ s Employee Services group operates under one Senior Vice President who oversees the practice group, along with a senior management team which supports the practice group leader along functional, product, and unit management lines. The Employee Services Senior Vice President reports to CBIZ s Chief Executive Officer. The business units that comprise CBIZ s Employee Services group are organized between Retail and National Services. The Retail offices generally provide services locally, within their geographic area. The National group is comprised of several specialty operations that provide unique services on a national scale.

CBIZ s Employee Services group maintains relationships with many different insurance carriers. Some of these carriers have compensation arrangements with CBIZ whereby some portion of payments due may be contingent upon meeting certain performance goals, or upon CBIZ providing client services that would otherwise be provided by the carriers. These compensation arrangements are provided to CBIZ as a result of our performance and expertise, and may result in enhancing CBIZ s ability to access certain insurance markets and services on behalf of CBIZ clients. The aggregate of these payments received during the years ended December 31, 2007, 2006 and 2005 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.

Medical Management Professionals

Medical Management Professionals (MMP) provides billing, coding and collection as well as full-practice management services for hospital-based physicians practicing anesthesiology, pathology, radiology and emergency medicine. MMP has a business unit President who reports to CBIZ s Chief Executive Officer. MMP s President is supported by an executive management team which oversees MMP s operating units along functional and product lines. MMP s operating units are organized into three geographic regions representing the East, Central and West regions of the United States. Each region is managed by a two person management team, focused on finance and operations.

Changes in some managed care plans and federal Medicare and Medicaid physician and practice expense reimbursement rules and rates have, and may continue to, adversely affect revenue in our existing physician and medical billing and collections business. The Deficit Reduction Act of 2005 also provides for a reduction and cap that began in 2007 of reimbursement for certain fees and charges related to imaging services and facilities of offices, imaging centers and independent diagnostic testing facilities. In addition, certain managed care payors may impose precertification and other management programs which could limit or control the use of, and reimbursement for, imaging and diagnostic services. Certain managed care payors may institute pay for performance and quality initiative programs that could limit or control physician, office and facility, and practice services and procedures, as well as reimbursement costs, and replace volume-based payment methods. Since our physician and medical billing and collections business is typically paid a portion of the revenue collected on behalf of our clients, any reduction in the volume of services or reimbursement rates for such services or expenses for which our clients are eligible to be paid may adversely affect our ability to generate revenue and maintain margins. CBIZ will make its best efforts to take appropriate actions to maintain margins in this business, however there is no assurance that we will be able to maintain margins at historic levels.

National Practices

The National Practices group offers technology and other services, including health care consulting and mergers and acquisitions. The units within the National Practices group each have a business unit President. The majority of these business unit Presidents report to CBIZ s President and Chief Operating Officer, with one unit reporting to CBIZ s Chief Executive Officer.

Sales and Marketing

CBIZ s branding strategy has historically focused on providing CBIZ with a consistent image and value proposition within each of its primary geographic and industry markets. Beginning in 2005, CBIZ capitalized on those successful efforts by refining its message to reinforce the CBIZ Client Centric model a more intuitive way of taking the wide array of CBIZ service offerings to market, based on the fundamental needs of businesses to manage their financial, employee and technology challenges. These efforts included an evolution of the CBIZ advertising strategy, focusing on our three primary service offerings: financial management; employee management; and technology management, as well as the development of a revised web presence, new collateral materials, and the introduction of several new direct marketing and e-marketing vehicles. The Client Centric model was also used as a basis to begin to better understand and define each client s unique areas of need, through the use of our proprietary database, CNECT. CBIZ believes that this level of client information is strategically important for revenue generation as it enhances CBIZ s ability to identify the most appropriate cross-serving opportunities.

In 2007, CBIZ focused on three key strategies: thought leadership; market segmentation; and sales/sales management process development.

Thought leadership: CBIZ marketing efforts have continued to capitalize on the extensive knowledge and expertise of CBIZ associates. This has been accomplished through increased media visibility, speaking engagements, and the creation of a wide variety of white papers, technical documents, newsletters, books, and other information offerings.

Market segmentation: A significant number of our marketing initiatives have been targeted specifically to those industries and areas where CBIZ has a particularly deep experience. These efforts involve a comprehensive, integrated plan for each vertical market segment, including trade show participation and speaking engagements, trade publication advertising, targeted direct marketing, and industry specific micro-sites, newsletters, etc.

Sales/sales management process development: In 2007, CBIZ brought together three key aspects of sales and sales management: training through the CBIZ Sales Academy , enhanced productivity and management visibility through the adoption of Salesforce.com, and the development and implementation of a consistent set of performance management scorecards and business development pipeline tools. Together, we believe these initiatives create the foundation for a more effective, efficient and successful sales management process.

At the end of 2007, CBIZ announced an enterprise-wide branding campaign for 2008 to clearly position and differentiate CBIZ and our array of services to our core audience. Based on the theme *Our business is growing yours* , the campaign helps clients and prospects understand the unique ability of CBIZ to help them grow and succeed in a broad variety of ways. The campaign relies on an integrated set of tactics including print and radio advertising as well as online and direct marketing, and is supported via sales tools and collateral.

Customers

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

CBIZ s clients come from a large variety of industries and markets. No single client individually comprises more than 10% of CBIZ s consolidated revenue and our largest client, Edward Jones, contributed less than 3% of our consolidated revenue in 2007. Management believes that such diversity helps insulate CBIZ from a downturn in a particular industry or geographic market. Nevertheless, economic conditions among select clients and groups of clients may have an impact on the demand for such services.

Competition

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

Acquisitions and Divestitures

CBIZ seeks to strengthen its operations and customer service capabilities by selectively acquiring businesses that expand our market position and strengthen our existing service offerings. During 2007, CBIZ acquired three businesses. Segal Miller McClain, Ltd. which is reported with our Financial Services practice group, is based in Phoenix, Arizona and provides accounting, tax and consulting services. Ichthus Consulting, Inc. (ICON) and Healthcare Business Resources, Inc. (HBR) are reported in the Medical Management Professionals group. ICON is located in Montgomery, Alabama and provides billing services, practice management and consulting services to anesthesia and pain management providers primarily in the southeastern United States. HBR is headquartered in Ponte Vedra Beach, Florida and provides coding, billing and collection services for emergency medicine physician practices along the east coast of the United States.

CBIZ has divested, and may continue to divest, business units that do not contribute to our long-term objectives for growth, or that are not complementary to our target service offerings and markets. During 2007, CBIZ sold four businesses, three of which were previously reported in the Financial Services practice group and offered accounting, tax and consulting services, and one business previously reported in the Employee Services practice group that offered specialty insurance services.

Regulation

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

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

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

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

Liability Insurance

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

Employees

At December 31, 2007, CBIZ employed approximately 5,500 employees, and CBIZ believes that it has a good relationship with its employees. A large number of our employees hold professional licenses or degrees. As a professional services company that differentiates itself from competitors through the quality and diversity of our service offerings, CBIZ believes that our employees are our most important asset. Accordingly, CBIZ strives to remain competitive as an employer while increasing the capabilities and performance of our employees.

Seasonality

A disproportionately large amount of CBIZ s revenue occurs in the first half of the year. This is due primarily to accounting and tax services provided by our Financial Services practice group, which is subject to seasonality related to heavy volume in the first four months of the year. CBIZ s Financial Services group generated more than 40% of its revenue in the first four months of 2007. Like most professional service companies, most of CBIZ s operating costs are relatively fixed in the short term, which generally results in higher operating margins in the first half of the year.

Uncertainty of Forward-Looking Statements

This Annual Report 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 Annual Report including, without limitation, Business and Management s Discussion and Analysis of Financial Condition and Results of Operations regarding CBIZ s financial position, business strategy and plans and objectives for future performance are forward-looking statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Forward-looking statements are commonly identified by the use of such terms and phrases as intends, believes, estimates, expects, projects, anticipates, foreseeable future, 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 Form 10-K, in the 2007 Annual Report 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. Many factors mentioned in Item 1A. Risk Factors will be important in determining future results. Consequently, no forward-looking statement can be guaranteed. Our actual future results may vary materially. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in the quarterly, periodic and annual reports we file with the SEC. Also note that we provide the following cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our businesses. These are factors that we think could cause our actual results to differ materially from expected and historical results. Other factors besides those described here could also adversely affect operating or financial performance. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

Item 1A. Risk Factors.

The following factors may affect our actual operating and financial results and could cause results to differ materially from those in any forward-looking statements. There may be other factors, and new risk factors may emerge in the future. You should carefully consider the following information.

A reversal of or decline in the current trend of businesses utilizing third-party service providers may have a material adverse effect on our business, financial condition and results of operations.

Our business and growth depend in part on the trend toward businesses utilizing third-party service providers. We can give you no assurance that this trend will continue. Current and potential customers may elect to perform such services with their own employees. A significant reversal of, or a decline in, this trend would have a material adverse effect on our business, financial condition and results of operations.

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

A substantial majority of our operating expenses such as personnel and related costs and occupancy costs, are relatively fixed in the short term. As a result, we may not be able to quickly reduce costs in response to any decrease in revenue. For example, any decision by a significant client to delay or cancel our services may cause significant variations in operating results and could result in losses for the applicable quarters. Additionally, the general condition of the United States economy has and will continue to affect our business. Potential new clients may defer from switching service providers when they believe economic conditions are unfavorable. Any of these factors could cause our quarterly results to be lower than expectations of securities analysts and shareholders, which could result in a decline in the price of our common stock.

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

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

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

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

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

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 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. 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.

With respect to CPA firm clients that are required to file audited financial statements with the SEC, the SEC staff views CBIZ and the CPA firms with which we have contractual relationships as a single entity in applying independence rules established by the accountancy regulators and the SEC. Accordingly, we do not hold any financial interest in, nor do we enter into any business relationship with, an SEC-reporting attest client that the CPA firm performing an audit could not maintain; further, we do not sell any non-audit services to an SEC-reporting attest client that the CPA firm performing an audit could not maintain, under the auditor independence limitations set out in the Sarbanes-Oxley Act of 2002 and other professional accountancy independence standards. Applicable professional standards generally permit the Financial Services practice group to provide additional services to privately-held companies, in addition to those services which may be provided to SEC-reporting attest clients of an associated CPA firm. CBIZ and the CPA firms with which we are associated have implemented policies and procedures designed to enable us to maintain independence and freedom from conflicts of interest in accordance with applicable standards. Given the pre-existing limits set by CBIZ on its relationships with SEC-reporting attest clients of associated CPA firms, and the limited number and size of such clients, the imposition of Sarbanes-Oxley Act independence limitations did not and is not expected to materially affect CBIZ revenues.

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

Governmental regulations and interpretations are subject to changes.

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

Changes in government and managed care reimbursement rules and rates, as well as other practices, may adversely affect the revenue of our current medical management business.

Changes in some managed care plans and federal Medicare and Medicaid physician and practice expense reimbursement rules and rates have and may continue to adversely affect revenue in our existing physician and medical billing and collections business. The Deficit Reduction Act of 2005 also provides for a reduction and cap that began in 2007 of reimbursement for certain fees and charges related to imaging services and facilities of offices, imaging centers and independent diagnostic testing facilities. In addition, certain managed care payors may impose precertification and other management programs which could limit or control the use of, and reimbursement for, imaging and diagnostic services. Certain managed care payors may institute pay for performance and quality initiative programs that could limit or control physician, office and facility, and practice services and procedures, as well as reimbursement costs, and replace volume-based payment methods. Since our physician and medical billing and collections business is typically paid a portion of the revenue collected on behalf of our clients, any reduction in the volume of services or reimbursement rates for such services or expenses for which our clients are eligible to be paid may adversely affect our ability to generate revenue and maintain margins.

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

The high volume of client funds and data processed by us, or by our out-sourced resources abroad, in our transaction related businesses entails risks for which we may be held liable if the accuracy or timeliness of the transactions processed is not correct. We could incur significant legal expense to defend any claims against us, even those claims without merit. While we carry insurance against these potential liabilities, we cannot be certain that circumstances surrounding such an error would be entirely reimbursed through insurance coverage. We believe we have controls and procedures in place to address our fiduciary responsibility and mitigate these risks. However, if we are not successful in managing these risks, our business, financial condition and results of operations may be harmed.

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

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

We could be held liable for errors and omissions.

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

We invest in auction rate securities which are subject to risks that may cause losses and affect our liquidity.

We invest a portion of our funds held for clients in auction rate securities (ARS). ARS are variable-rate debt instruments with longer stated maturities whose interest rates are reset at predetermined short-term intervals through a Dutch auction system. Historically, investments in ARS have been highly liquid, however, if an auction for the securities we own fails, the investments may not be readily convertible to cash until a future auction of these investments is successful. CBIZ believes that if such an event occurred, it has adequate liquidity to operate and settle client fund obligations. We invest only in those securities which carry investment grade ratings at the time of our investment, but if the credit rating of either the security issuer or the third-party insurer underlying the investment deteriorates, we may be required to adjust the carrying value of the investment through an impairment charge.

Our principal stockholders may have substantial control over our operations.

As of December 31, 2007, the stockholders identified below owned the following aggregate amounts and percentages of our common stock, including shares that may be acquired by exercising options:

	Number of Shares (in millions)	**% of CBIZ s Outstanding Common Stock**
Michael G. DeGroote	15.3	23.7%
Cardinal Capital Management LLC	3.0	4.6%
Skyline Asset Management L.P	2.5	3.9%
Dimensional Fund Advisors LP	2.2	3.4%
Barclays Global Investors, NA & Barclays Global Fund Advisors	2.2	3.4%

CBIZ Executive Officers and Directors	3.2	5.0%
The foregoing as a group	28.4	44.0%

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

We have shares eligible for future sale that could adversely affect the price of our common stock.

Future sales or issuances of common stock, or the perception that sales could occur, could adversely affect the market price of our common stock and dilute the percentage ownership held by our stockholders. We have authorized 250 million shares, and have issued and outstanding approximately 63 million shares at February 29, 2008. A substantial number of these shares have been issued in connection with acquisitions. As part of many acquisition transactions, shares are contractually restricted from sale for periods up to two years, and as of February 29, 2008, approximately 320,000 shares of common stock were under lock-up contractual restrictions. We cannot be sure when sales by holders of our stock will occur, how many shares will be sold or the effect that sales may have on the market price of our common stock.

In 2006, CBIZ filed a registration statement with the SEC to register an undeterminable number of shares of Common Stock issuable by the Company upon conversion (the Conversion Shares) of the Company s issued and outstanding 3.125% Convertible Senior Subordinated Notes due 2026 (the Notes). The registration statement has been declared effective. Although the Company cannot at this time determine the number of Conversion Shares it will issue upon conversion of the Notes, if any, the number of Conversion Shares will be calculated as set out in the Registration Statement on Form S-3 filed by the Company with the SEC on July 21, 2006.

We are reliant on information processing systems.

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

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

CBIZ acquired three businesses and five client lists during 2007. It is our intention to selectively acquire businesses or client lists that are complementary in building out our service offerings in our target markets. However, we cannot be certain that we will be able to continue identifying appropriate acquisition candidates and acquire them on satisfactory terms. We cannot assure you that such acquisitions, even if completed, will perform as expected or will contribute significant synergies, revenues or profits. In addition, we may also face increased competition for acquisition opportunities, which may inhibit our ability to complete transactions on terms that are favorable to us. There are certain provisions under our credit facility that may limit our ability to acquire additional businesses. In the event that we are not in compliance with certain covenants as specified in our credit facility, we could be restricted from making acquisitions, restricted from borrowing funds from our credit facility for other uses, or required to pay down the outstanding balance on the line of credit. However, management believes that funds available under the credit facility, along with cash generated from operations, will be sufficient to meet our liquidity needs, including planned acquisition activity in the foreseeable future. To the extent we are unable to find suitable acquisition candidates, an important component of our growth strategy may not be realized.

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

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

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties

CBIZ s corporate headquarters is located at 6050 Oak Tree Boulevard, South, Suite 500, Cleveland, Ohio 44131, in leased premises. CBIZ and its subsidiaries lease more than 140 offices (including MMP which has 80 offices) in 35 states, the District of Columbia and one in Toronto, Canada. Some of CBIZ s properties are subject to liens securing payment of indebtedness of CBIZ and its subsidiaries. CBIZ believes that its current facilities are sufficient for its current needs.

Item 3. Legal Proceedings.

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 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of CBIZ s stockholders during the fourth quarter of the fiscal year covered by this Annual Report.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Price Range of Common Stock

Effective August 4, 2006, CBIZ s common stock began trading on the New York Stock Exchange (NYSE) under the trading symbol CBZ . Prior to August 4, 2006, CBIZ s common stock was traded on the NASDAQ National Market under the trading symbol CBIZ . The table below sets forth the range of high and low sales prices for CBIZ s common stock as reported on the NYSE and NASDAQ National Market for the periods indicated.

	2007		2006	
	High	**Low**	**High**	**Low**
First quarter	$ 7.34	$ 6.31	$ 8.09	$ 5.71
Second quarter	$ 7.76	$ 6.85	$ 9.00	$ 6.74
Third quarter	$ 8.10	$ 6.70	$ 7.92	$ 6.58
Fourth quarter	$ 9.83	$ 7.94	$ 7.74	$ 6.50

On December 31, 2007, the last reported sale price of CBIZ s Common Stock as reported on the New York Stock Exchange was $9.81 per share. As of February 29, 2008, CBIZ had approximately 6,600 holders of record of its common stock, and the last sale of CBIZ s common stock as of that date was $8.90.

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

Dividend Policy

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

Issuer Purchases of Equity Securities

(a) Recent sales of unregistered securities

On December 31, 2007, approximately 181,800 shares of CBIZ common stock became issuable as contingent consideration owed to former owners of businesses that were acquired by CBIZ.

The above referenced shares were issued in transactions not involving a public offering in reliance on the exemption from registration afforded by Section 4(2) of the Securities Act of 1933. The persons to whom the shares were issued had access to full information about CBIZ and represented that they acquired the shares for their own account and not for the purpose of distribution. The certificates for the shares contain a restrictive legend advising that the shares may not be offered for sale, sold, or otherwise transferred without having first been registered under the Securities Act or pursuant to an exemption from the Securities Act.

(c) Issuer purchases of equity securities

On February 7, 2008, CBIZ s Board of Directors authorized the purchase of up to 5.0 million shares of CBIZ common stock from April 1, 2008 through March 31, 2009, or upon the prior exhaustion of the remaining shares available under the Company s February 8, 2007 Share Repurchase Plan. The shares may be repurchased in the open market or in privately negotiated transactions according to SEC rules.

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

On February 9, 2006, CBIZ s Board of Directors authorized a share repurchase program allowing for share repurchases of up to 5.0 million shares of CBIZ common stock. On May 18, 2006, CBIZ s Board of Directors authorized a supplemental share repurchase program allowing for share repurchases of up to 10.0 million shares of CBIZ common stock, in addition to the 5.0 million shares previously authorized. Under these programs, shares may be repurchased in the open market or in privately negotiated transactions according to SEC rules. The programs expired March 31, 2007.

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 year ended December 31, 2007 (reported on a trade-date basis) is summarized in the table below (in thousands, except per share data).

Issuer Purchases of Equity Securities

Period(1) (2)	**Total Number of Shares Purchased**	**Average Price Paid Per Share(3)**	**Total Number of Shares Purchased as Part of Publicly Announced Plan**	**Maximum Number of Shares That May Yet Be Purchased Under the Plan(4)**
Total first quarter purchases(5)	2,546	$ 6.93	2,546	5,000
Total second quarter purchases	970	$ 7.10	970	4,030
Total third quarter purchases	847	$ 7.22	847	3,183
Fourth Quarter Purchases by Month				
October 1 October 31, 2007				3,183
November 1 November 30, 2007	441	$ 9.14	441	2,742
December 1 December 31, 2007	372	$ 9.25	372	2,370
Total fourth quarter purchases	813	$ 9.19	813	
Total purchases during the year ended December 31, 2007	5,176	$ 7.36	5,176	

(1) Open market purchases.

(2) CBIZ 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, CBIZ was 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.

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

(4) Calculated under the share repurchase plan expiring March 31, 2008.

(5) Shares were purchased under the share repurchase plan that expired March 31, 2007.

Performance Graph

The following graph compares the cumulative five-year total return provided to shareholders on CBIZ, Inc. s common stock relative to the cumulative total returns of the S&P 500 index, and a customized Peer Group of six companies that includes: American Express Company, Arthur J Gallagher & Company, Brown & Brown Inc, H & R Block Inc, Hackett Group Inc and Paychex Inc. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common stock, in each index and in the peer group on December 31, 2002, and its relative performance is tracked through December 31, 2007.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among CBIZ, Inc., The S&P 500 Index
And A Peer Group

* $100 invested on 12/31/02 in stock or index-including reinvestment of dividends.
Fiscal year ending December 31.

www.researchdatagroup.com/S&P.htm

	12/02	**12/03**	**12/04**	**12/05**	**12/06**	**12/07**
CBIZ, Inc.	100.00	168.68	164.53	227.17	263.02	370.19
S&P 500	100.00	128.68	142.69	149.70	173.34	182.87
Peer Group	100.00	135.66	150.16	160.65	181.80	158.85

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

Item 6. Selected Financial Data.

The following table presents selected historical financial data for CBIZ and is derived from the historical consolidated financial statements and notes thereto. The information set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations , the consolidated financial statements and the notes thereto, which are included elsewhere in this Annual Report. The financial results for 2003 through 2006 have been reclassified to include depreciation and amortization in operating expenses and corporate general and administrative expenses to conform to the current year presentation. See Note 1 of the accompanying consolidated financial statements for further discussion of this and other reclassifications.

	Year Ended December 31,				
	2007	2006	2005	2004	2003
	(In thousands, except per share data)				
Statement of Operations Data:					
Revenue	$ 643,899	$ 587,228	$ 536,718	$ 479,449	$ 451,552
Operating expenses	563,540	516,255	472,121	425,534	407,550
Gross margin	80,359	70,973	64,597	53,915	44,002
Corporate general and administrative expense	30,609	30,374	30,103	30,162	24,835
Operating income	49,750	40,599	34,494	23,753	19,167
Other income (expense):					
Interest expense	(4,617)	(3,357)	(3,109)	(1,507)	(1,054)
Gain on sale of operations, net	144	21	314	996	2,519
Other income (expense), net(1)	10,604	4,936	4,004	3,097	(1,601)
Total other income (expense)	6,131	1,600	1,209	2,586	(136)
Income from continuing operations before income tax expense	55,881	42,199	35,703	26,339	19,031
Income tax expense	22,592	16,709	14,415	6,888	8,739
Income from continuing operations	33,289	25,490	21,288	19,451	10,292
(Loss) income from operations of discontinued operations, net of tax	(2,331)	(2,000)	(6,165)	(3,532)	4,298
Gain on disposal of discontinued operations, net of tax	3,882	911	3,550	132	726
Net income	$ 34,840	$ 24,401	$ 18,673	$ 16,051	$ 15,316
Basic weighted average common shares	65,061	71,004	74,448	79,217	90,400
Diluted weighted average common shares	66,356	73,052	76,827	81,477	92,762
Basic earnings (loss) per share:					
Continuing operations	$ 0.51	$ 0.36	$ 0.29	$ 0.25	$ 0.11
Discontinued operations	0.03	(0.02)	(0.04)	(0.05)	0.06
Net income	$ 0.54	$ 0.34	$ 0.25	$ 0.20	$ 0.17

Diluted earnings (loss) per share:					
Continuing operations	$ 0.50	$ 0.35	$ 0.28	$ 0.24	$ 0.11
Discontinued operations	0.03	(0.02)	(0.04)	(0.04)	0.06
Net income	$ 0.53	$ 0.33	$ 0.24	$ 0.20	$ 0.17
Other Data:					
Total assets	$ 577,992	$ 518,282	$ 454,515	$ 413,773	$ 402,145
Long-term debt(2)	$ 130,774	$ 102,220	$ 33,425	$ 55,398	$ 14,985
Total liabilities	$ 351,546	$ 301,704	$ 199,854	$ 167,276	$ 124,307
Total stockholders equity(3)	$ 226,446	$ 216,578	$ 254,661	$ 246,497	$ 277,838

(1) During 2007, CBIZ sold its investment in Albridge Solutions, Inc., which resulted in a $7.3 million pre-tax gain.

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

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

The following discussion is intended to assist in the understanding of CBIZ s financial position at December 31, 2007 and 2006, and results of operations and cash flows for each of the years ended December 31, 2007, 2006 and 2005. This discussion should be read in conjunction with CBIZ s consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion and analysis contains forward-looking statements and should also be read in conjunction with the disclosures and information contained in Uncertainty of Forward-Looking Statements and Item 1A. Risk Factors in this Annual Report on Form 10-K.

Overview

During the year ended December 31, 2007, CBIZ acquired three businesses. Segal Miller McClain LTD., which is reported with our Financial Services practice group, is based in Phoenix, Arizona and provides accounting, tax and consulting services. Ichthus Consulting, Inc. (ICON) and Healthcare Business Resources, Inc. (HBR) are reported in the Medical Management Professionals practice group. ICON is located in Montgomery, Alabama and provides billing services, practice management and consulting services to anesthesia and pain management providers primarily in the southeastern United States. HBR is headquartered in Ponte Vedra Beach, Florida and provides coding, billing and collection services for emergency medicine physician practices along the east coast of the United States.

During the year ended December 31, 2007, CBIZ divested four business units that did not contribute to our long-term objectives for growth, two of which were classified as discontinued operations at December 31, 2006 and two that were committed to divestiture and classified as discontinued operations during 2007. Three of these businesses were previously reported in the Financial Services practice group and offered accounting, tax and consulting services. The remaining business was previously included in the Employee Services practice group and offered specialty insurance services.

CBIZ purchased 5.2 million shares of its common stock at a total cost of $38.1 million during the year ended December 31, 2007. 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 through privately negotiated purchases according to SEC rules. During the period January 1 through February 29, 2008, CBIZ repurchased approximately 2.1 million shares of its common stock at a total cost of approximately $19.3 million.

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

Effective November 16, 2007, CBIZ entered into an agreement to amend its credit facility with Bank of America, N.A., and other participating banks. The amendment extends the maturity date of the credit facility by 21 months to November, 2012, reduces borrowing costs by lowering the margin charged on the base rate and Eurodollar loans, and reduces the commitment fee charged on the unused portion of the credit facility. CBIZ maintains the option to increase the commitment from $100 million to $150 million at any time to fund working capital or strategic initiatives, including acquisitions and share repurchases.

Effective December 10, 2007, CBIZ sold its investment in Albridge Solutions, Inc. for cash proceeds of $7.9 million, which resulted in a $7.3 million pre-tax gain reported in Other income, net in the consolidated statements of operations.

CBIZ began to self-fund its employee health insurance programs effective January 1, 2008. Accordingly, our 2008 financial statements will reflect accrued liabilities and costs associated with these programs, and those accruals will be based upon our estimate of the costs to settle known claims as well as estimates of incurred but not reported claims as of the balance sheet dates. CBIZ has obtained stop-loss coverage with third-party insurers to limit our total exposure for claims made under the self-funded plan. Prior to January 1, 2008, our employee health insurance plans were fully insured.

Results of Operations Continuing Operations

CBIZ provides professional business services that help clients manage their finances, employees and technology. CBIZ delivers its integrated services through the following 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.

Same-unit revenue represents total revenue adjusted to reflect comparable periods of activity for acquisitions and divestitures. For example, for a business acquired on July 1, 2006, revenue for the period January 1, 2007 through June 30, 2007 would be reported as revenue from acquired businesses; same-unit revenue would include revenue for the periods July 1 through December 31 of both years. Revenue from divested operations represents operations that did not meet the criteria for treatment as discontinued operations.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Revenue

The following table summarizes total revenue for the years ended December 31, 2007 and 2006 (in thousands, except percentages):

	Year Ended December 31,			
	2007	2006	$ Change	% Change
Same-unit revenue				
Financial Services	$ 289,019	$ 262,253	$ 26,766	10.2%
Employee Services	169,136	156,449	12,687	8.1%
MMP	124,303	117,369	6,934	5.9%
National Practices	49,216	50,610	(1,394)	(2.8)%
Total same-unit revenue	631,674	586,681	44,993	7.7%
Acquired businesses	12,225		12,225	
Divested operations		547	(547)	
Total revenue	$ 643,899	$ 587,228	$ 56,671	9.7%

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 costs are relatively fixed in the short term, thus gross margin as a percentage of revenue generally improves with revenue growth. Although operating expenses increased by $47.2 million, they declined as a percentage of revenue by 0.4% as a result of CBIZ s ability to leverage personnel and occupancy costs. The primary components of operating expenses for the years ended December 31, 2007 and 2006 are illustrated below:

	2007	2006
	% of	% of

	Operating Expense	% of Revenue	Operating Expense	% of Revenue	Change in % of Revenue
Personnel costs	72.8%	63.7%	72.7%	63.9%	(0.2)%
Occupancy costs	6.6%	5.8%	6.9%	6.1%	(0.3)%
Other(1)	20.6%	18.0%	20.4%	17.9%	0.1%
Total operating expense		87.5%		87.9%	(0.4)%
Gross margin		12.5%		12.1%	0.4%

(1) Other operating expenses include office expense, depreciation and amortization expense, equipment costs, professional fees and other expenses, none of which are individually significant as a percentage of total operating expenses.

The improvement in gross margin was hindered by certain reductions in the 2007 Medicare reimbursement rates (including those that occurred as a result of the Deficit Reduction Act) in the MMP practice group. A more comprehensive analysis of operating expenses and gross margin by practice group is discussed under Operating Practice Groups below.

Corporate general and administrative expense Corporate general and administrative (G&A) expenses increased by $0.2 million to $30.6 million during the year ended December 31, 2007, from $30.4 million during the comparable period of 2006. The primary components of corporate general and administrative expenses for the years ended December 31, 2007 and 2006 are illustrated below:

	2007		2006		
	% of G&A Expense	**% of Revenue**	**% of G&A Expense**	**% of Revenue**	**Change in % of Revenue**
Personnel costs	48.7%	2.3%	42.9%	2.2%	0.1%
Depreciation and amortization	15.3%	0.7%	18.8%	1.0%	(0.3)%
Professional services	13.0%	0.6%	12.3%	0.6%	
Other(1)	23.0%	1.2%	26.0%	1.4%	(0.2)%
Total corporate general and administrative expenses		4.8%		5.2%	(0.4)%

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

The improvement in corporate general and administrative expense as a percentage of revenue was primarily due to a decrease in depreciation and amortization expense related to certain capitalized software. This decrease was partially offset by an increase in corporate personnel costs related to merit increases, additional corporate support staff and incentive compensation.

Interest expense Interest expense increased by $1.2 million to $4.6 million for the year ended December 31, 2007, from $3.4 million for the comparable period in 2006. Average debt was $118.4 million for the year ended December 31, 2007, compared to $80.4 million for the comparable period in 2006, and average interest rates were 3.8% and 4.0% during the years ended December 31, 2007 and 2006, respectively. The increase in average debt in 2007 compared to 2006 was due to $100.0 million of convertible senior subordinated notes being issued on May 30, 2006, and additional borrowings on the credit facility during 2007. Debt is further discussed under Liquidity and Capital Resources .

Other income, net Other income, 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, and miscellaneous income such as contingent royalties from previous divestitures. Adjustments to the fair value of investments related to the deferred compensation plan do not impact CBIZ s net income, as they are offset by the same adjustments to compensation expense (recorded as operating or corporate general and administrative expenses in the consolidated statements of operations).

Other income, net was $10.6 million for the year ended December 31, 2007 and $4.9 million for the comparable period in 2006. The $5.7 million increase in other income, net was primarily the result of a $7.3 million pre-tax gain related to the sale of an investment, offset by a decline in contingent royalties from previous divestitures of $0.5 million (due to the expiration of certain royalty agreements), and a decrease in the fair value of investments related to the deferred compensation plan of approximately $0.3 million. Additionally, other income, net for the year ended December 31, 2006 included $0.4 million in proceeds received on a life insurance contract that did not occur in 2007.

Income Taxes CBIZ recorded income tax expense from continuing operations of $22.6 million and $16.7 million for the years ended December 31, 2007 and 2006, respectively. The effective tax rate for the year ended December 31, 2007 was 40.4%, compared to an effective tax rate of 39.6% for the comparable period in 2006.

The increase in the effective tax rate for the year ended December 31, 2007 from the comparable period in 2006 was primarily the result of an increase in estimated tax reserves related to the IRS audit discussed in Note 6, Income Taxes to the consolidated financial statements.

Operating Practice Groups

Financial Services

	Year Ended December 31,			
	2007	2006	$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Same-unit	$ 289,019	$ 262,253	$ 26,766	10.2%
Acquired businesses	1,965		1,965	
Divested operations		547	(547)	
Total revenue	290,984	262,800	28,184	10.7%
Operating expenses	245,840	225,292	20,548	9.1%
Gross margin	$ 45,144	$ 37,508	$ 7,636	20.4%
Gross margin percent	15.5%	14.3%		

The growth in same-unit revenue was equally attributable to an increase in the aggregate number of hours charged to clients for consulting, valuation and litigation support services, and increases in rates realized for traditional accounting and tax services. The growth in revenue from acquired businesses was provided by a firm in Phoenix, Arizona which was acquired during the first quarter of 2007. The decrease in revenue from divested operations related to the sale of a portion of the Company s Utah operations in January 2007.

The largest components of operating expenses for the Financial Services practice group are personnel costs, occupancy costs, and travel related expenses representing 89.1% and 88.9% of total operating expenses for the years ended December 31, 2007 and 2006, respectively. Personnel costs increased $17.6 million but decreased as a percent of revenue to 66.5% for the year ended December 31, 2007 from 67.0% for the comparable period in 2006. The dollar increase in personnel costs was primarily due to additional salary costs incurred for new employees, annual merit increases, and an increase in benefit costs. CBIZ continues to add personnel in the Financial Services practice group in order to accommodate the growth in revenue. Occupancy costs are relatively fixed in nature but were $1.0 million higher for the year ended December 31, 2007 versus the comparable period in 2006 due to additional space required to accommodate growth. Travel related expenses remained consistent for the year ended December 31, 2007 compared to December 31, 2006. Both occupancy costs and travel related expenses decreased as a percentage of revenue for the year ended December 31, 2007 versus the comparable period in 2006.

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

Employee Services

	Year Ended December 31,			
	2007	2006	$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Same-unit	$ 169,136	$ 156,449	$ 12,687	8.1%
Acquired businesses	1,710		1,710	
Divested operations				
Total revenue	170,846	156,449	14,397	9.2%
Operating expenses	138,059	126,067	11,992	9.5%
Gross margin	$ 32,787	$ 30,382	$ 2,405	7.9%
Gross margin percent	19.2%	19.4%		

The increase in same-unit revenue was primarily attributable to growth in our retail, payroll service and specialty life insurance businesses. The retail growth was due primarily to an approximate 7% growth in the group health products. Payroll service revenue increased approximately 15% and specialty life insurance sales increased approximately 16% for the year ended December 31, 2007 versus the comparable period in 2006. The growth in revenue from acquired businesses was provided by a property and casualty business with offices in St. Joseph and Kansas City, Missouri, which was acquired during the second quarter of 2006.

The largest components of operating expenses for the Employee Services practice group are personnel costs, including commissions paid to third party brokers, and occupancy costs, representing 82.9% and 83.7% of total operating expenses for the years ended December 31, 2007 and 2006, respectively. Personnel costs increased $8.7 million, but decreased as a percentage of revenue to 61.7% for the year ended December 31, 2007 from 61.8% for the comparable period in 2006. Acquired businesses contributed $0.8 million of the increase in personnel costs and the remainder of the increase was primarily the result of the growth in revenue (as the sales force is typically compensated on a variable basis) and the addition of client service personnel to accommodate growth. Occupancy costs increased $0.2 million or 2.3% for the year ended December 31, 2007 versus the comparable period in 2006, due to improvements to existing facilities.

Gross margin as a percentage of revenue decreased by 0.2% for the year ended December 31, 2007 from the comparable period in 2006 primarily due to an increase in lower margin businesses such as the payroll services and specialty life insurance businesses described above.

Medical Management Professionals (MMP)

	Year Ended December 31,			
	2007	2006	$ Change	% Change
	(In thousands, except percentages)			

Revenue				
Same-unit	$ 124,303	$ 117,369	$ 6,934	5.9%
Acquired businesses	8,550		8,550	
Divested operations				
Total revenue	132,853	117,369	15,484	13.2%
Operating expenses	115,876	100,691	15,185	15.1%
Gross margin	$ 16,977	$ 16,678	$ 299	1.8%
Gross margin percent	12.8%	14.2%		

Approximately 45% of the increase in same-unit revenue was provided by net new business sold, and the remaining 55% increase was provided by existing clients. Total revenue from existing clients increased by 4% in 2007 versus 2006, which was provided by a 6% increase in volume, offset by a 2% decline that occurred as the result of certain reductions in the 2007 Medicare reimbursement rates, including those that occurred as the result of the Deficit Reduction Act which is further described under Overview Medical Management Professionals.

Growth in revenue from acquired businesses was provided by a business acquired during the second quarter of 2007 which is located in Montgomery, Alabama and provides billing services, practice management and consulting services to anesthesia and pain management providers primarily in the southern United States, and a business acquired during the fourth quarter of 2007 that is headquartered in Ponte Vedra Beach, Florida and provides coding, billing and collection services for emergency medicine physician practices along the east cost of the United States.

The largest components of operating expenses for MMP are personnel costs, occupancy costs and office expenses (primarily postage related to our statement mailing services), representing 83.8% and 85.4% of total operating expenses for the years ended December 31, 2007 and 2006, respectively. Personnel costs increased by $10.2 million to 58.4% of revenue for the year ended December 31, 2007 from 57.4% of revenue for the comparable period in 2006. Acquired businesses contributed $3.8 million of the increase in personnel costs; the remaining increase was primarily the result of annual merit increases and an increase in client service staff to support the growth in same-unit revenue. Occupancy costs and office expenses increased for the year ended December 31, 2007 versus the comparable period in 2006, but declined as a percentage of revenue. The dollar increases for occupancy costs and office expenses were $0.6 million and $0.3 million for the years ended December 31, 2007 and 2006, respectively, primarily due to the two businesses acquired during 2007.

The decrease in gross margin as a percentage of revenue was primarily due to the impacts of certain reductions in the 2007 Medicare reimbursement rates, including those that occurred as the result of the Deficit Reduction Act. Since MMP is typically paid a portion of the revenue collected on behalf of its clients, reductions in client revenue that resulted from the reduction in reimbursement rates had an adverse affect on MMP s revenue and margins. Additionally, MMP reduced the carrying value of certain internally developed software by $0.5 million, as the software is not being utilized at as many locations as originally intended.

National Practices

	Year Ended December 31,			
	2007	2006	$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Same-unit	$ 49,216	$ 50,610	$ (1,394)	(2.8)%
Acquired businesses				
Divested operations				
Total revenue	49,216	50,610	(1,394)	(2.8)%
Operating expenses	45,076	44,825	251	0.6%
Gross margin	$ 4,140	$ 5,785	$ (1,645)	(28.4)%

Gross margin percent	8.4%	11.4%

Approximately $2.0 million of the decrease in revenue was attributable to the mergers and acquisitions business earning success fees related to three transactions that closed during 2006 versus no transactions or related success fees in 2007. This decrease was partially offset by an overall $0.9 million increase in revenue in our technology businesses which consisted of a $2.9 million increase in consulting revenue (a large portion of which related to a special project with our largest customer), offset by declines in product and service agreement revenue of $1.2 million and $0.8 million, respectively.

The largest components of operating expenses for the National Practices group are personnel costs, direct costs and occupancy costs, representing 91.0% and 90.6% of total operating expenses for the years ended December 31, 2007 and 2006, respectively. Personnel costs increased $0.8 million to 61.5% of revenue for the year ended December 31, 2007 from 58.2% of revenue for the comparable period in 2006. The increase in personnel costs relates to annual merit increases and additional employees primarily in relation to the special project noted above. This increase was partially offset by lower personnel costs in our mergers and acquisitions business as a portion of these personnel costs are variable with completing transactions. Direct costs decreased $0.4 million to 18.6% of revenue for the year ended December 31, 2007 from 18.9% of revenue for the comparable period in 2006, and consisted of an increase in third party service fees offset by a decrease in product costs. The increase in third party service fees was related to the special project noted above, and the decrease in product costs was a result of an overall decline in product sales. Occupancy costs are relatively fixed in nature and were $1.6 million for the years ended December 31, 2007 and 2006.

The decline in gross margin was primarily the result of success fees earned by the mergers and acquisitions business during 2006 versus no fees being earned in 2007. Transactions completed by the mergers and acquisitions business typically result in a large amount of revenue for CBIZ with minimal incremental cost, other than variable compensation. Thus the number and size of transactions completed by the mergers and acquisition business may have a significant impact to gross margin. This decline in gross margin by the mergers and acquisitions business was partially offset by an overall improvement in gross margin by the technology businesses.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Revenue

The following table summarizes total revenue for the years ended December 31, 2006 and 2005 (in thousands, except percentages):

	Year Ended December 31,			
	2006	**2005**	**$ Change**	**% Change**
Same-unit revenue				
Financial Services	$ 262,542	$ 247,416	$ 15,126	6.1%
Employee Services	151,385	142,446	8,939	6.3%
MMP	104,536	98,175	6,361	6.5%
National Practices	50,610	48,681	1,929	4.0%
Total same-unit revenue	$ 569,073	$ 536,718	$ 32,355	6.0%
Acquired businesses	18,155		18,155	
Divested operations				
Total revenue	$ 587,228	$ 536,718	$ 50,510	9.4%

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

Gross margin and operating expenses The majority of CBIZ s operating costs are relatively fixed in the short term, thus gross margin as a percentage of revenue generally improves with revenue growth. For the year ended December 31, 2006 versus the comparable period in 2005, gross margin as a percentage of revenue increased by 0.1%. The primary components of operating expenses for the years ended December 31, 2006 and 2005 are illustrated below:

	2006		2005		
	% of Operating Expense	% of Revenue	% of Operating Expense	% of Revenue	Change in % of Revenue
Personnel costs	72.7%	63.9%	71.6%	63.0%	0.9%
Occupancy costs	6.9%	6.1%	7.0%	6.1%	%
Other(1)	20.4%	17.9%	21.4%	18.9%	(1.0)%
Total operating expense		87.9%		88.0%	(0.1)%
Gross margin		12.1%		12.0%	0.1%

(1) Other operating expenses include office expense, depreciation and amortization expense, equipment costs, professional fees and other expenses, none of which are individually significant as a percentage of total operating expenses.

Gross margin did not improve in proportion to the growth in revenue primarily as the result of an increase in compensation expense. The increase in compensation expense was primarily the result of: an increase in the number of personnel in our Financial Services practice group (including many senior level positions); an increase in expenses related to CBIZ s employee benefit programs; and $1.1 million related to the expensing of employee stock options as required by SFAS No. 123(R), Share-Based Payment . In addition, compensation expense increased by approximately $0.9 million as the result of appreciation in the fair value of investments held in relation to our deferred compensation plan. This increase in compensation expense did not impact CBIZ s net income, as adjustments to the fair value of investments are offset by the same adjustments to other income, net . These increases were partially offset by a decrease in compensation expense related to our incentive compensation plan.

Other operating expenses include consolidation and integration charges which were 0.2% and 0.7% of revenue for the years ended December 31, 2006 and 2005, respectively. For the year ended December 31, 2006 there were no significant charges incurred or programs implemented. Consolidation and integration charges incurred during 2005 primarily related to co-location activities in the Denver and Chicago markets. Consolidation and integration charges are further discussed in Note 10 of the accompanying consolidated financial statements. A more comprehensive analysis of operating expenses and their impact on gross margin is discussed under Operating Practice Groups below.

Corporate general and administrative expense Corporate general and administrative expenses increased by $0.3 million to $30.4 million during the year ended December 31, 2006, from $30.1 million during the comparable period of 2005. The primary components of corporate general and administrative expenses for the years ended December 31, 2006 and 2005 are illustrated below:

	2006		**2005**		
	% of G&A Expense	**% of Revenue**	**% of G&A Expense**	**% of Revenue**	**Change in % of Revenue**
Personnel costs	42.9%	2.2%	43.7%	2.5%	(0.3)%
Depreciation and amortization	18.8%	1.0%	17.4%	1.0%	
Professional services	12.3%	0.6%	14.7%	0.8%	(0.2)%
Other(1)	26.0%	1.4%	24.2%	1.3%	0.1%
Total corporate general and administrative expenses		5.2%		5.6%	(0.4)%

(1) Other corporate general and administrative expenses include office expense, equipment and computer costs, insurance expense and other expenses, none of which individually exceed 5% of total corporate general and administrative expenses.

The increase in corporate general and administrative expenses was primarily attributable to compensation costs of $0.5 million related to the expensing of employee stock options as required by SFAS No. 123(R), Share-Based Payment .

Interest expense Interest expense increased by $0.3 million to $3.4 million for the year ended December 31, 2006, from $3.1 million for the comparable period in 2005. Average debt was $80.4 million for the year ended December 31, 2006, compared to $51.6 million for the comparable period in 2005, and average interest rates were 4.0% and 5.4% during the years ended December 31, 2006 and 2005, respectively. The increase in average debt was primarily the result of CBIZ s $100.0 million convertible senior subordinated notes which were sold on May 30, 2006 and carry a fixed interest rate of 3.125%. Proceeds from the offering were used by CBIZ to repurchase 9.7 million shares of its common stock at a cost of approximately $74.5 million and to pay off the debt balance under the $100.0 million credit facility. Debt is further discussed under Liquidity and Capital Resources .

Other income, net Other income, net was $4.9 million for the year ended December 31, 2006, and $4.0 million for the comparable period in 2005. Other income, net is comprised primarily of interest income, adjustments to the fair value of investments held in a rabbi trust related to the deferred compensation plan, gains and losses on sales of assets, and miscellaneous income such as contingent royalties from previous divestitures. Adjustments to the fair value of investments related to the deferred compensation plan do not impact CBIZ s net income, as they are offset by the same adjustments to compensation expense (recorded as operating or corporate general and administrative expenses in the consolidated statements of operations). The increase in other income for the year ended December 31, 2006 from the comparable period in 2005 was primarily the result of an increase in interest income earned on short-term investments of $0.4 million, an increase in the fair value of investments related to the deferred compensation plan of $1.1 million, and proceeds received on a life insurance policy of $0.4 million. These increases in other income were offset by lower contingent royalties received from previous divestitures due to the expiration of certain royalty arrangements.

Income Taxes CBIZ recorded income tax expense from continuing operations of $16.7 million and $14.4 million for the years ended December 31, 2006 and 2005, respectively. The effective tax rate for the year ended December 31, 2006 was 39.6%, compared to an effective rate of 40.4% for the comparable period in 2005. The effective tax rate for the year ended December 31, 2006 decreased from the comparable period in 2005, primarily due to the 2006 reduction of a valuation allowance for state tax credit carryforwards based upon an improved ability to utilize such carryforwards. The impact of this reduction was partially offset by an increase in state income tax expense due to state tax law changes that became effective during 2006.

Operating Practice Groups

Financial Services

	Year Ended December 31,			
	2006	2005	$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Same-unit	$ 262,542	$ 247,416	$ 15,126	6.1%
Acquired businesses	258		258	
Divested operations				
Total revenue	262,800	247,416	15,384	6.2%
Operating expenses	225,292	210,761	14,531	6.9%
Gross margin	$ 37,508	$ 36,655	$ 853	2.3%
Gross margin percent	14.3%	14.8%		

Approximately 60% of the increase in same-unit revenue was due to the aggregate number of hours charged to clients and approximately 40% of the increase was due to rates realized for traditional accounting and tax services provided to clients. The increase in same-unit revenue was partially offset by a $1.0 million decline in revenue from Sarbanes-Oxley consulting services. The growth in revenue from acquired businesses was provided by a valuation business in Milwaukee, Wisconsin which was acquired during the first quarter of 2005.

The largest components of operating expenses for the Financial Services practice group are personnel costs, occupancy costs and travel related expenses, representing 88.9% and 88.2% of total operating expenses for the years ended December 31, 2006 and 2005, respectively. Personnel costs increased $14.0 million to 67.0% of revenue for the year ended December 31, 2006 from 65.5% of revenue for the comparable period in 2005. The increase in personnel costs was primarily related to annual merit increases to existing employees, as well as an increase in salaries and benefits for new employees, including several senior level positions, as CBIZ continues to expand its professional workforce to accommodate revenue growth. Occupancy costs are relatively fixed in nature but increased $0.6 million for the year ended December 31, 2006 from the comparable period in 2005, primarily due to additional space required in certain facilities to accommodate the additional work force. Travel related expenses decreased to 3.3% of revenue for the year ended December 31, 2006, from 3.5% for the comparable period in 2005. The decrease in travel related expenses as a percentage of revenue was primarily the result of the decrease in revenue generated from Sarbanes-Oxley consulting services, which typically involves a higher level of travel.

Gross margin as a percent of revenue decreased for the year ended December 31, 2006 from the comparable period in 2005. The decrease in gross margin was primarily the result of a decline in revenue from Sarbanes-Oxley consulting services and an increase in personnel costs as described above.

Employee Services

	Year Ended December 31,			
	2006	2005	$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Same-unit	$ 151,385	$ 142,446	$ 8,939	6.3%
Acquired businesses	5,064		5,064	
Divested operations				
Total revenue	156,449	142,446	14,003	9.8%
Operating expenses	126,067	114,036	12,031	10.6%
Gross margin	$ 30,382	$ 28,410	$ 1,972	6.9%
Gross margin percent	19.4%	19.9%		

The increase in same-unit revenue was primarily attributable to growth in the payroll, human capital advisory and retail businesses. Payroll service revenue increased approximately 17%, revenue from the human capital advisory businesses increased by approximately 45% and the retail growth was due primarily to an approximate 5% growth in group health products. This growth was partially offset by a decline in specialty insurance sales of approximately 15%. The growth in revenue from acquired businesses was provided by a property and casualty business in San Jose, California which was acquired during the first quarter of 2006, and a property and casualty business with offices in St. Joseph and Kansas City, Missouri, which was acquired during the second quarter of 2006.

The largest components of operating expenses for the Employee Services practice group are personnel costs including commissions paid to third party brokers, and occupancy costs, representing 83.7% of total operating expenses for the each of the years ended December 31, 2006 and 2005. Personnel costs increased $9.2 million to 61.8% of revenue for the year ended December 31, 2006 from 61.4% of revenue for the comparable period in 2005. Approximately $3.3 million of the increase in personnel costs was attributable to acquired businesses; the remainder of the increase was primarily the result of an increase in commissions paid to the sales force as a result of increased revenue and investments made in sales and support personnel to promote organic growth. Occupancy costs increased $0.9 million for the year ended December 31, 2006 from the comparable period of 2005, and were 5.7% of revenue for both years. The increase in occupancy costs was primarily due to new facilities and acquired businesses.

Gross margin as a percent of revenue decreased for the year ended December 31, 2006 from the comparable period in 2005. The decrease in gross margin was primarily a result of an increase in personnel costs to 61.8% of revenue as described above.

Medical Management Professionals (MMP)

	Year Ended December 31			
	2006	2005	$ Change	% Change

	(In thousands, except percentages)			
Revenue				
Same-unit	$ 104,536	$ 98,175	$ 6,361	6.5%
Acquired businesses	12,833		12,833	
Divested operations				
Total revenue	117,369	98,175	19,194	19.6%
Operating expenses	100,691	83,398	17,293	20.7%
Gross margin	$ 16,678	$ 14,777	$ 1,901	12.9%
Gross margin percent	14.2%	15.1%		

Approximately 55% of the increase in same-unit revenue was provided by net new business sold, and the remaining 45% increase was provided by existing clients. The growth in revenue from acquired businesses was provided by a medical billing business based in Flint, Michigan which was acquired during the first quarter of 2006.

The largest components of operating expenses for MMP are personnel costs, occupancy costs and office expenses (primarily postage), representing 85.4% and 85.2% of total operating expenses for the years ended December 31, 2006 and 2005, respectively. Personnel costs increased by $10.8 million but decreased as a percentage of revenue to 57.4% for the year ended December 31, 2006, from 57.6% for the year ended December 31, 2005. Acquired businesses contributed $6.8 million of the increase in personnel costs; the remainder of the increase was due to an increase in the number of client service staff employed by MMP during 2006 compared to 2005, as required to support the growth in revenue. The decrease in personnel costs as a percent of revenue was the result of the acquired business s operating expense structure. Occupancy costs increased $1.1 million, but decreased as a percentage of revenue to 6.8% from 7.0% for the years ended December 31, 2006 and 2005, respectively. The increase in occupancy costs was primarily due to the medical billing business that was acquired during the first quarter of 2006, and additional space required and expenses incurred to accommodate overall growth of the unit. Office expenses for the year ended December 31, 2006 increased $3.0 million to 9.1% of revenue from 7.8% of revenue for the year ended December 31, 2005, primarily due to the impact of an increase in postage rates, and the medical billing business that was acquired during the first quarter of 2006. In addition to medical billing services, the acquired business provides statement printing and mailing services to their clients, and thus incurs higher postage costs as a percentage of revenue than the typical MMP billing office.

Gross margin as a percentage of revenue decreased for the year ended December 31, 2006 from the year ended December 31, 2005. The decrease in gross margin was primarily the result of a decrease in revenue in certain market places and the impact of the postage rate increase described above.

National Practices

	Year Ended December 31,			
	2006	2005	$ Change	% Change
	(In thousands, except percentages)			
Revenue				
Same-unit	$ 50,610	$ 48,681	$ 1,929	4.0%
Acquired businesses				
Divested operations				
Total revenue	50,610	48,681	1,929	4.0%
Operating expenses	44,825	44,098	727	1.6%
Gross margin	$ 5,785	$ 4,583	$ 1,202	26.2%
Gross margin percent	11.4%	9.4%		

Approximately $1.7 million of the increase in same-unit revenue was provided by growth in our technology businesses, and $0.4 million was provided by our mergers and acquisitions unit. The growth in revenue by the technology businesses consisted of a $1.1 million increase in service revenue and a $0.3 million increase in both product and service agreement revenue. The increase in revenue at our mergers and acquisitions unit was related to success fees earned on three closed transactions during the year ended December 31, 2006 versus two closed transactions during the year ended December 31, 2005.

The largest components of operating expenses for the National Practices group are personnel costs, direct costs and occupancy costs, representing 90.6% and 89.0% of total operating expenses for the years ended December 31, 2006 and 2005, respectively. Personnel costs increased $1.2 million to 58.2% of revenue for the year ended December 31, 2006 from 58.0% of revenue for the comparable period in 2005. The increase in personnel costs was primarily due to additional personnel in our technology business and commissions related to the mergers and acquisition transactions that closed during the year ended December 31, 2006. Direct costs (which consist primarily of product costs associated with hardware sales in the technology businesses) increased $0.2 million, but decreased as a percentage of revenue to 18.9% for the year ended December 31, 2006 from 19.3% for the comparable period in 2005. The increase in direct costs occurred as a result of higher product sales during 2006 versus 2005; the decrease in direct costs as a percentage of revenue occurred as a result of the mix of products that were sold. Occupancy costs are relatively fixed in nature and were $1.6 million for the years ended December 31, 2006 and 2005.

Gross margin as a percent of revenue increased for the year ended December 31, 2006 from the year ended December 31, 2005. The improvement in gross margin was primarily the result of growth in service-related revenue combined with expense management efforts.

Financial Condition

Total assets were $578.0 million, total liabilities were $351.6 million and shareholders equity was $226.4 million as of December 31, 2007. Current assets of $249.1 million exceeded current liabilities of $184.0 million by $65.1 million.

Cash and cash equivalents decreased by $0.8 million to $12.1 million at December 31, 2007 from December 31, 2006. Restricted cash was $15.4 million at December 31, 2007, a decrease of $2.1 million from December 31, 2006. Restricted cash represents those funds held in connection with CBIZ s NASD regulated operations and funds held in connection with the pass through of insurance premiums to various carriers. Cash and restricted cash fluctuate during the year based on the timing of cash receipts and related payments.

Accounts receivable, net were $116.3 million at December 31, 2007, an increase of $12.0 million from December 31, 2006. Days sales outstanding (DSO) from continuing operations was 65 days and 67 days at December 31, 2007 and December 31, 2006, respectively. 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.

Other current assets were $10.1 million and $9.0 million at December 31, 2007 and December 31, 2006, 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 are directly offset by client fund obligations. Funds held for clients fluctuate during the year based on the timing of cash receipts and related payments, and are further described in Note 1 to the accompanying consolidated financial statements.

Notes receivable, net (current and non-current) decreased by $0.9 million at December 31, 2007 from December 31, 2006, primarily related to divestiture activity. Additions to notes receivable totaled $2.0 million, of which $1.9 million related to consideration received for 2007 divestitures. These additions were offset by total payments of $2.6 million, of which $2.0 million related to divestitures.

Goodwill and other intangible assets, net of accumulated amortization, increased by $62.4 million at December 31, 2007 from December 31, 2006. Acquisitions, including contingent consideration earned, resulted in a $68.5 million increase in goodwill and other intangible assets during the year ended December 31, 2007. The acquisition of businesses in the MMP practice group during 2007 contributed $54.0 million to goodwill and intangible assets. Intangible assets decreased by $5.9 million as a result of amortization expense.

Assets of the deferred compensation plan represent participant deferral accounts. The assets are held in a rabbi trust and are directly offset by obligations of the plan, representing obligations due to the participants. Although the assets of the plan are specifically designated as available to CBIZ solely for the purpose of paying benefits under the deferred compensation plan, in the event that CBIZ became insolvent, the assets would be available to all unsecured general creditors. The plan is described in further detail in Note 11 to the accompanying consolidated financial statements.

Other assets decreased by $1.3 million, to $4.1 million at December 31, 2007, from $5.4 million at December 31, 2006. The decrease in other assets was the result of $0.9 million in amortization expense related to deferred debt costs and the sale of a long-term investment that had a carrying value of approximately $0.6 million.

The accounts payable balance of $27.3 million at December 31, 2007 reflects amounts due to suppliers and vendors. The accounts payable balances fluctuate during the year based on the timing of cash payments. Accrued personnel costs were $40.3 million at December 31, 2007 and represent amounts due for payroll, payroll taxes, employee benefits and incentive compensation. Accrued personnel costs fluctuate during the year based on the timing of payments and our estimate of incentive compensation costs.

Notes payable current increased by $2.3 million to $10.6 million at December 31, 2007 from $8.3 million at December 31, 2006. This was due to an increase in contingent proceeds earned by acquired businesses.

Other liabilities (current and non-current) increased by $1.9 million at December 31, 2007 from December 31, 2006. This increase was comprised of several components, including: $1.8 million increase in the consolidation and integration reserve primarily related to 2007 divestiture activity (discussed in Note 10 to the accompanying consolidated financial statements); $0.4 million increase in interest payable as a result of increased borrowings under the credit facility at the end of 2007 compared to the same period in 2006; $0.4 million increase in deferred revenue primarily related to businesses acquired during 2007; and $0.5 million increase in other liabilities related to client lists that were acquired during 2007. These increases were partially offset by a $1.1 million decrease in non-current notes payable as a result of notes related to the purchase of certain intangible assets becoming due within one year.

Income taxes payable, current and non-current, increased from $3.7 million at December 31, 2006 to $8.0 million at December 31, 2007. This increase was primarily due to reserves related to current year acquisitions, the provision for current income taxes, and increases in estimated tax reserves related to the federal and state audits discussed in Note 6, Income Taxes of the accompanying consolidated financial statements. These increases were partially offset by estimated tax payments and tax benefits related to the exercise of stock options.

Bank debt increased to $30.0 million at December 31, 2007 due to borrowings on the Company s credit facility. See Liquidity and Capital Resources for further discussion of the Company s debt.

Stockholders equity increased $9.8 million to $226.4 million at December 31, 2007 from $216.6 million at December 31, 2006. The increase was due to net income of $34.8 million, the exercise of stock options and related tax benefits which contributed $7.7 million, the issuance of $2.5 million in common shares related to business acquisitions, $2.3 million related to the recognition of stock compensation expense and a one-time adjustment to accumulated deficit of $0.7 million as a result of adopting FIN 48 on January 1, 2007. These increases were offset by an increase in Treasury stock of approximately $38.1 million as a result of the Company s repurchase of 5.2 million shares of its common stock.

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 and with $100.0 million in convertible senior subordinated notes (Notes). The Notes were sold to qualified institutional buyers on May 30, 2006, mature on June 1, 2026, and may be redeemed by CBIZ in whole or in part anytime after June 6, 2011.

CBIZ s $100.0 million unsecured credit facility was amended with an effective date of November 16, 2007 to extend the maturity date to November 16, 2012, to lower borrowing costs by reducing the margin charged on the base rate and Eurodollar loans, and to reduce the commitment fee on the unused portion of the credit facility. CBIZ maintains the option to increase the commitment to $150.0 million. At December 31, 2007, CBIZ had $30.0 million outstanding under its credit facility and had letters of credit and performance guarantees totaling $5.1 million. Available funds under the facility based on the terms of the commitment were approximately $51.7 million at December 31, 2007.

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 credit facility also 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 as of December 31, 2007. The third amendment to the credit facility dated November 16, 2007 is filed as Exhibit 10.9 to this Annual Report on Form 10-K.

CBIZ may also obtain funding by offering securities or debt, through public or private markets. CBIZ currently has a shelf registration under which it can offer such securities. See Note 12 to the consolidated financial statements included herewith for a description of the shelf registration statement.

Sources and Uses of Cash

The following table summarizes cash flows from operating, investing and financing activities for the years ended December 31, 2007, 2006 and 2005 (in thousands):

	2007	2006	2005
Total cash provided by (used in):			