

CBIZ, Inc.
Form S-3
July 21, 2006

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As filed with the Securities and Exchange Commission on July 21, 2006
Registration Statement No. 333-

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

Form S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CBIZ, INC.

(Exact name of registrant as specified in its charter)

Delaware <i>(State or other jurisdiction of incorporation or organization)</i>	22-2769024 <i>(I.R.S. Employer Identification No.)</i>
6050 Oak Tree Boulevard, South, Suite 500 Cleveland, Ohio 44131 (216) 447-9000	

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Michael W. Gleespen
Corporate Secretary
6050 Oak Tree Boulevard, South, Suite 500
Cleveland, Ohio 44131
(216) 447-9000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Julie M. Kaufer, Esq.
Akin Gump Strauss Hauer & Feld LLP
2029 Century Park East, Suite 2400

Los Angeles, CA 90067

(310) 728-3313

(310) 728-2313

Approximate date of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only the securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities being offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
3.125% Convertible Senior Subordinated Notes due 2026	\$ 100,000,000(1)	100%	\$ 100,000,000	\$ 10,700(2)
Common Stock, par value \$0.01 per share	9,410,350(3)			(4)

(1) Equals the aggregate principal amount of notes being registered.

(2) Calculated pursuant to Section 6(b) and Rule 457(o) under the Securities Act of 1933.

(3)

Represents the aggregate number of shares of our common stock that are issuable upon conversion of the notes at an initial conversion rate of 94.1035 shares per \$1,000 principal amount of notes, subject to adjustment in certain circumstances. Pursuant to Rule 416 under the Securities Act of 1933, we are also registering an indeterminate number of shares of common stock that may be issued from time to time upon conversion of the notes in connection with a stock split, stock dividend, or similar transactions or as a result of the anti-dilution provisions of the notes.

- (4) Pursuant to Rule 457(i) under the Securities Act of 1933, there is no additional filing fee with respect to the shares of common stock issuable upon conversion of the notes because no additional consideration will be received by the registrant in connection with the exercise of the conversion right.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 21, 2006

PROSPECTUS

CBIZ, Inc.

**\$100,000,000 OF 3.125% CONVERTIBLE SENIOR SUBORDINATED NOTES DUE 2026
COMMON STOCK ISSUABLE UPON CONVERSION OF THE NOTES**

The Notes and Common Stock

On May 30, 2006, we issued and sold \$100 million aggregate principal amount of our 3.125% Convertible Senior Subordinated Notes due 2026 (the Notes) in a private placement.

Interest on the Notes is payable on June 1 and December 1 of each year, beginning December 1, 2006.

Contingent interest on the Notes will be payable during any six-month period from June 1 to November 30 and from December 1 to May 31, commencing with the period beginning on June 6, 2011, if the average market price of a Note for the five consecutive trading days ending three trading days before the relevant six-month period equals 120% or more of the principal amount of the Notes. The contingent interest will equal 0.25% per year of the average market price of a Note during the measuring period.

The Notes mature on June 1, 2026, unless earlier converted, redeemed or repurchased.

We will not receive any proceeds from the sale of the Notes or shares of common stock issuable upon conversion of the Notes by any of the selling securityholders. The Notes and the shares of common stock may be offered in negotiated transactions or otherwise, at market prices prevailing at the time of sale or at negotiated prices. In addition, shares of our common stock may be offered from time to time through ordinary brokerage transactions on The Nasdaq National Market. See Plan of Distribution.

Ranking of the Notes

The Notes are our general unsecured obligations and are subordinated to all our senior debt and effectively junior to all liabilities of our subsidiaries.

Conversion of the Notes

Holders may convert the Notes into shares of our common stock at a conversion rate of 94.1035 shares per \$1,000 principal amount of Notes (equivalent to an initial conversion price of approximately \$10.63 per share), subject to adjustment, at any time before the close of business on June 1, 2026, from and after the date of any of the following events:

during any fiscal quarter after the fiscal quarter ending June 30, 2006, if the sale price of our common stock for at least 20 trading days in the 30 trading-day period ending on the last trading day of the previous fiscal quarter exceeds 130% of the conversion price on that 30th trading day;

subject to certain limitations, if the trading price of the Notes falls below a specified threshold;

if we have called the Notes for redemption; or

on the occurrence of the specified corporate transactions described in this prospectus.

On conversion, we will deliver cash equal to the lesser of the aggregate principal amount of the Notes to be converted and our total conversion obligation plus cash or shares of our common stock, at our election, in respect of the remainder, if any, of our conversion obligation. If certain corporate transactions occur on or before June 6, 2011, we will increase the conversion rate by a number of additional shares of common stock or, in lieu thereof, we may in certain circumstances, elect to adjust the conversion rate and related conversion obligation so that the Notes are convertible into shares of the acquiring or surviving company.

Redemption and Repurchase of the Notes

We may redeem some or all of the Notes for cash at any time on or after June 6, 2011.

Holders may require us to repurchase all or a portion of the Notes on June 1, 2011, 2016 and 2021 or, subject to specified exceptions, on a fundamental change (as described in this prospectus).

Listing

The Notes issued in the initial private placement are eligible for trading in The PORTAL Market of The National Association of Securities Dealers, Inc. However, the Notes sold using this prospectus will no longer be eligible for trading in The PORTAL Market. We do not intend to list the Notes for trading on any automated interdealer quotation system or national securities exchange.

Our common stock is listed on The Nasdaq National Market under the symbol CBIZ. The last reported sale price of our common stock on July 18, 2006 was \$6.91 per share.

This investment involves risks. See Risk Factors beginning on page 11 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is July 21, 2006

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IMPORTANT NOTICE TO READERS

This prospectus is part of a registration statement we filed with the Securities and Exchange Commission, which we refer to as the SEC, using a shelf registration process. Under this shelf registration process, the selling securityholders may, from time to time, offer Notes or shares of our common stock issued upon conversion of the Notes owned by them. Each time the selling securityholders offer Notes or common stock under this prospectus, they are required to provide to potential investors a copy of this prospectus and, if applicable, a copy of a prospectus supplement. You should read both this prospectus, and, if applicable, any prospectus supplement together with the information incorporated by reference in this prospectus. See Where You Can Find More Information for more information.

You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with information different from the information contained in or incorporated by reference in this prospectus. This document may be used only in jurisdictions where offers and sales of these securities are permitted. You should not assume that information contained in this prospectus or in any document incorporated by reference is accurate as of any date other than the date of the document that contains the information, regardless of when this prospectus is delivered or when any sale of our securities occurs.

The Notes and our common stock issuable upon their conversion have not been approved or recommended by any U.S. federal, state or foreign securities commission or regulatory authority. Furthermore, those authorities have not been requested to confirm the accuracy or determine the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

FORWARD-LOOKING STATEMENTS

You should carefully consider the risk factors included under the heading **Risk Factors** in this prospectus, and the risk factors included in the documents incorporated by reference in this prospectus. This prospectus, including the documents incorporated by reference in this prospectus, contains statements that may be deemed **forward-looking statements** within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. All statements other than statements of historical fact included or incorporated by reference in this prospectus regarding our 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, seeks,** and words or phrases of similar connection with any discussion of future operating or financial performance. You should read statements that contain these words carefully because they discuss future actions,

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future performance or results of current and anticipated services, sales efforts, expenses, and financial results or state other forward-looking information.

We believe that it is important to communicate our future expectations to our investors and potential investors. However, any or all of our forward-looking statements in this prospectus, and in the documents incorporated by reference in this prospectus, are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. These forward-looking statements can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Many factors included under the heading "Risk Factors" in this prospectus, and in the risk factors included in the documents incorporated by reference in this prospectus, will be important in determining future results. Consequently, no forward-looking statement can be guaranteed. Our actual future results may vary materially. In addition, other factors besides those described or incorporated by reference in this prospectus, could also adversely affect operating or financial performance. You should assume that the information appearing or incorporated by reference in this prospectus is accurate only as of the date on the front cover of this prospectus or the date of the document incorporated by reference, as applicable. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

INCORPORATION OF DOCUMENTS FILED WITH THE SEC

We incorporate by reference the documents, which have been filed with the SEC, listed below:

our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, filed on March 16, 2006, including portions of our Definitive Proxy Statement on Schedule 14A, filed on April 10, 2006, as amended by Amendment No. 1 to our Definitive Proxy Statement, filed on April, 11, 2006, that are incorporated by reference therein;

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, filed on May 10, 2006; and

our Current Reports on Form 8-K, filed on February 10, 2006, February 17, 2006, May 22, 2006, May 23, 2006, May 24, 2006 and May 30, 2006.

All documents we file pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, after the date of this prospectus and before all of the Notes and the common stock issued upon conversion of the Notes offered pursuant to this prospectus are sold, are incorporated by reference in this prospectus from the date of filing of the documents, except for information furnished under Items 2.02 and 7.01 of Form 8-K, which is not deemed filed or incorporated by reference herein. Information that we file with the SEC will automatically update and may replace information in this prospectus and information previously filed with the SEC.

Any statement contained or incorporated by reference in this prospectus shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein, or in any subsequently filed document which is also incorporated by reference herein, modifies or supersedes the earlier statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You may obtain any of these incorporated documents from us without charge, excluding any exhibits to these documents unless the exhibit is specifically incorporated by reference in the document, by requesting them from us in writing or by telephone at the following address:

Investor Relations
CBIZ, Inc.

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6050 Oak Tree Boulevard South
Suite 500
Cleveland, Ohio 44131
(216) 447-9000

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PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in or incorporated by reference into this prospectus. This summary is not complete and does not contain all of the information that you should consider before making an investment decision. For a more complete understanding of our company and this offering, we encourage you to read this entire document, including the Risk Factors section, the financial and other information included in or incorporated by reference into this prospectus and the documents to which we have referred. Except as otherwise indicated or required by the context, references in this prospectus to we, us, our, CBIZ or the company refer to CBIZ, Inc. and its subsidiaries.

Our Company

Overview

CBIZ is a diversified services company which, acting through its subsidiaries, provides professional business services to businesses of various sizes, as well as individuals, governmental entities, and not-for-profit enterprises throughout the United States and Toronto, Canada. We provide solutions that enable our clients to better manage their finances, employees, and technology. We deliver our integrated services through the following four practice groups: Financial Services, Employee Services, Medical Management Professionals, and National Practices. Our mission is to:

- enable our clients to grow and prosper by providing them with superior services and products,
- provide a professionally rewarding career for our employees, and
- create stockholder value.

Business Strategy

Our business strategy is to continue to grow in the professional business services industry by:

- offering a wide array of professional business services,
- cross-serving these services to our existing client base,
- attracting new clients with our diverse business services offerings, and
- developing our core service offerings in target markets through internal growth and selective acquisitions.

We built our professional services business through acquiring accounting, benefits, technology, valuation and other service firms throughout the United States. We intend to strengthen our operations and customer service capabilities by making selective acquisitions that are complementary in building out our service offerings in target markets. Our strategy is to acquire companies that generally:

- have a strong potential for cross-serving to our clients,
- can integrate quickly with our existing operations,

have strong and energetic leadership,

are accretive to earnings, and

help enhance our core service offering in a geographical market.

In accordance with our strategy to deliver services to clients locally and to promote cross-serving between our various service groups, we consolidate office locations wherever practical. Since 2001, we consolidated offices in Atlanta, Boca Raton, Chicago, Cleveland, Columbus, Dallas, Denver, Kansas City, Los Angeles, Minneapolis, Orlando, Philadelphia, Salt Lake City, San Diego, San Jose, St. Louis and Tucson. We may consolidate additional office locations in the future, and thus may incur additional costs associated with those consolidations.

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Financial Services

The business units that comprise the Financial Services group offer services in the following areas:

federal, state and local tax return preparation, planning and consulting for individuals, corporations, partnerships, estates and trusts,

strategic planning,

consulting,

record-keeping and financial statement preparation,

tax planning based on financial and investment alternatives,

tax structuring of business transactions such as mergers and acquisitions,

quarterly and year-end payroll tax reporting,

financial staffing services including chief financial officer services,

financial investment analysis,

succession, retirement, and estate planning,

cash flow management,

profitability, operational and efficiency enhancement consulting to a number of specialized industries,

litigation support services,

internal audit services,

Sarbanes-Oxley consulting and compliance services, and

valuation services including financial valuations, and tangible and intangible asset valuations.

Restrictions imposed by independence requirements and state accountancy laws and regulations preclude us from rendering audit and attest services (other than internal audit services). As such, we maintain joint-referral relationships and administrative service agreements, which we refer to as ASAs, with independent licensed Certified Public Accounting (which we refer to as CPA) firms under which audit and attest services may be provided to our clients by these CPA firms. These firms are owned by licensed CPAs, a vast majority of whom are also employed by our subsidiaries. Under these ASAs, we provide a range of services in exchange for fees 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.

We currently maintain administrative service agreements with seven CPA firms. Most of the members and/or stockholders of the CPA firms are also our employees, and we render services to the CPA firms as an independent

contractor. The number of firms with which we maintain 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., an independent national CPA firm headquartered in Kansas City, Kansas, which we refer to as MHM. Our association with MHM offers clients access to the multi-state resources and expertise of a national CPA firm.

We also are able to offer our clients access to multi-state and international resources through relationships maintained with professional organizations such as Kreston International. We joined Kreston International in the third quarter of 2005. Kreston International is an international organization of affiliated accounting firms that allows us to access accounting services in more than 70 countries around the world.

Our Financial Services practice is divided into three 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. Each of these regions is headed by a designated regional director, each of whom report to the Senior Vice President, Financial Services. The Financial Services group contributed \$89.4 million and \$263.9 million of revenue,

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representing approximately 52.3% and 46.8% of our consolidated revenue in the first quarter of 2006 and fiscal year 2005, respectively.

Employee Services

The business units that comprise our Employee Services group are organized into the following two groups: Retail and National Services. Each of the retail offices provides a broad range of primarily commercial employee benefit and property and casualty insurance services within its geographic area. Specific services provided by the Retail group include:

- consulting and brokerage of group health and welfare plans (group health, dental, vision, life and disability programs),
- the design, implementation and administration of qualified retirement plans, such as profit-sharing plans (including 401(k) plans), defined benefit plans, and money purchase plans,
- actuarial services for health and welfare plans and qualified retirement plans,
- communications services to educate employees about their benefit programs,
- executive benefits consulting on non-qualified retirement plans,
- business continuation plans, and
- wealth management services, including registered investment advisory services, investment policy statements, mutual fund selections, and ongoing mutual fund monitoring.

The Retail group also provides some personal lines brokerage for property and casualty and individual life and health insurance.

The National Services group is comprised of several specialty operations that provide unique services on a national scale. Specific services provided by the National Services group include:

- payroll processing services,
- brokerage services for specialty high-risk life insurance and clinical underwriting,
- wholesale insurance brokerage services,
- bank-owned executive life insurance,
- COBRA and Section 125 plan administration programs for employees,
- human capital advisory services, and
- wealth management services, including registered investment advisory services, investment policy statements, mutual fund selections, and ongoing mutual fund monitoring.

In addition, this group provides an on-line enrollment service, CBIZSolutions, that in concert with our payroll services, enables employers and employees of a client to access information such as health and welfare benefits, retirement fund balances and payroll information; enroll for benefit plans; and access certain human resource documents such as employee handbooks and policies.

Our Employee Services group maintains relationships with many different insurance carriers. Some of these carriers have compensation arrangements with us whereby some portion of payments due may be contingent upon meeting certain performance goals, or upon us providing client services that would otherwise be provided by the carriers. These compensation arrangements are provided to us as a result of our performance and expertise, and may result in enhancing our ability to access certain insurance markets and services on behalf of our clients. The aggregate of these payments received during the quarter ended March 31, 2006 was less than 2.5%, and for the years ended December 31, 2005 and 2004, was less than 2%, in each case, of our consolidated revenue.

Our Employee Services group operates under one Senior Vice President, who oversees the practice group, along with a senior management group which supports the practice group leader along: functional; product; and unit

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oversight lines. The Employee Services group contributed \$42.0 million and \$153.3 million of revenue, representing approximately 24.5% and 27.2% of our consolidated revenue in the first quarter of 2006 and fiscal year 2005, respectively.

Medical Management Professionals

Our wholly-owned subsidiary, CBIZ Medical Management Professionals, which we refer to as CBIZ MMP, provides coding and billing as well as full-practice management services for hospital-based physicians practicing anesthesiology, pathology, radiology, emergency medicine, and other areas. CBIZ MMP's billing services include: billing and accounts receivable management; claims processing and collection; comprehensive delinquent claims follow up; compliance programming to meet government regulations; and comprehensive statistical and operational reporting. The practice management services provided by CBIZ MMP include: financial reporting, accounts payable, payroll, and general ledger processing; design of physician employment, stock and compensation arrangements; and comprehensive budgeting, forecasting, and financial analysis. Additionally, CBIZ MMP conducts analyses of managed care contracts with a focus on negotiation strategies, pricing, cost containment and utilization tracking; reviews and negotiates contracts with hospitals and other entities; identifies and coordinates practice merger and integration opportunities; and coordinates practice expansion efforts.

CBIZ MMP reports to CBIZ's Chief Executive Officer. CBIZ MMP contributed \$28.2 million and \$97.6 million of revenue, representing approximately 16.5% and 17.3% of our consolidated revenue in the first quarter of 2006 and fiscal year 2005, respectively.

National Practices

The business units that comprise our National Practices group offer services in the following areas:

mergers and acquisitions services,

health care consulting,

government relations, and

information technology consulting, including strategic technology planning, project management, development, network design and implementation, software selection and implementation, and voice over internet protocol consulting and implementation.

The majority of the units within the National Practices group report to our President and Chief Operating Officer, with one unit reporting to our Chief Executive Officer. The National Practices group contributed \$11.4 million and \$48.6 million of revenue, representing approximately 6.7% and 8.6% of our consolidated revenue in the first quarter of 2006 and fiscal year 2005, respectively.

Our principal executive offices are located at 6050 Oak Tree Boulevard South, Suite 500, Cleveland, Ohio 44131. Our telephone number is (216) 447-9000. Our common stock is listed for quotation on The Nasdaq National Market under the symbol CBIZ. We maintain a website at www.cbiz.com; however, the information on our website is not part of this prospectus, and you should only rely on the information contained in this prospectus and in the documents incorporated by reference into this prospectus when making a decision whether to invest or not to invest in the Notes.

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The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Notes section of this prospectus contain a more detailed description of the terms and conditions of the Notes.

Issuer	CBIZ, Inc.
Securities Offered	\$100,000,000 aggregate principal amount of 3.125% Convertible Senior Subordinated Notes Due 2026
Maturity Date	June 1, 2026, unless earlier converted, redeemed or repurchased
Ranking	<p>The Notes are our direct, unsecured, senior subordinated obligations and rank junior in right of payment with all of our existing and future Senior Indebtedness (as defined under Description of the Notes Subordination) and equal in right of payment with any other future senior subordinated indebtedness. The Notes are effectively junior to our subsidiaries existing and future indebtedness and other liabilities, including trade payables.</p> <p>At March 31, 2006, we and our subsidiaries had approximately \$63.3 million aggregate principal amount of consolidated debt, capitalized lease obligations outstanding and other outstanding indebtedness, excluding intercompany indebtedness, and letters of credit in the amount of \$4.4 million, all of which would be Senior Indebtedness or effectively senior in right of payment to the Notes.</p>
Interest	<p>We will pay interest on the Notes on June 1 and December 1 of each year, beginning December 1, 2006, at an annual rate of 3.125%. In addition, we may be required to pay contingent interest, as set forth below under Contingent Interest. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.</p>
Contingent Interest	<p>We will also pay contingent interest to the holders of the Notes during any six-month period from June 1 to November 30 and from December 1 to May 31 commencing with the period beginning June 6, 2011, if the average market price of a Note for the five consecutive trading days ending three trading days before the relevant six-month period equals 120% or more of the principal amount of the Notes.</p> <p>The amount of contingent interest payable per Note in respect of any six-month period will equal 0.25% per year of the average market price of a Note for the five trading day period referred to above.</p>
Material U.S. Federal Income Tax Considerations	<p>Under the indenture, we and each holder of a Note have agreed, for U.S. federal income tax purposes, to treat the Notes as indebtedness that is subject to U.S. Treasury regulations that govern contingent payment debt instruments. Under such regulations, even if we do not pay any contingent interest on the Notes, a beneficial owner of the Notes who is a</p>

U.S. Holder, as defined below under Material U.S. Federal Income Tax Considerations Tax Consequences to U.S. Holders, will be required to include interest at the rate described below in its gross income for U.S. federal income tax purposes, regardless of whether that owner uses the cash or accrual method

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of tax accounting. This imputed interest, also referred to as original issue discount, will accrue at a rate equal to 9.0% per year (subject to certain adjustments), computed on a semi-annual bond equivalent basis, which represents the yield on non-contingent, non-convertible, fixed-rate debt with terms and conditions otherwise comparable to the Notes. The rate at which the original issue discount will accrue for U.S. federal income tax purposes will exceed the Notes' stated interest rate of 3.125% per annum.

Each U.S. Holder of Notes will recognize a gain or loss on the sale, exchange, conversion or retirement of a Note in an amount equal to the difference between the amount realized on the sale, exchange, conversion or retirement, including the fair market value of any common stock received on conversion or otherwise, and the holder's adjusted tax basis in the Notes. Any gain recognized by a holder on the sale, exchange, conversion or retirement of a Note generally will be treated as ordinary income; any loss will be ordinary loss to the extent of the interest previously included in income, and thereafter, capital loss. See Material U.S. Federal Income Tax Considerations.

You may in certain situations be deemed to have received a distribution subject to U.S. federal income tax as a dividend in the event of a taxable dividend distribution to holders of our common stock or in certain other situations requiring a conversion rate adjustment. For non-U.S. Holders (as defined herein), this deemed distribution may be subject to U.S. federal withholding tax requirements. See Material U.S. Federal Income Tax Considerations.

Conversion Rights

You may convert your Notes at any time before the stated maturity from and after the date of the following events:

during any fiscal quarter after the fiscal quarter ending June 30, 2006 (and only during such quarter), if the last reported sale price of our common stock for at least 20 trading days in the 30 trading-day period ending on the last trading day of the previous fiscal quarter exceeds 130% of the conversion price on that 30th trading day;

during the five business days immediately following any five consecutive trading-day period in which the trading price per \$1,000 principal amount Note (as defined under Description of the Notes) for each day of that period was less than 98% of the product of the closing price of our common stock and the conversion rate of the Notes on each such day; provided, however, that a holder may not convert the Notes in reliance on this provision after June 1, 2021 if on any trading day during such five consecutive trading-day period the closing price of our common stock was between 100% and 130% of the conversion price of the Notes;

if we have called the Notes for redemption; or

on the occurrence of the specified corporate transactions described under
Description of the Notes Conversion Rights.

For each \$1,000 principal amount of Notes surrendered for conversion,
you initially will receive cash and shares of our common stock, if any, at a
conversion rate of 94.1035 shares. This represents an initial

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conversion price of approximately \$10.63 per share of common stock. The conversion rate may be adjusted for certain reasons, but will not be adjusted for accrued interest or contingent interest, if any. On conversion, you generally will not receive any cash payment representing accrued interest, including contingent interest and additional amounts, if any. Instead, accrued interest, including contingent interest and additional amounts, if any, will be deemed paid by the common stock received by you on conversion. Notes called for redemption may be surrendered for conversion until the close of business on the business day before the redemption date.

On surrender of your Notes, we will deliver cash equal to the lesser of the aggregate principal amount of the Notes to be converted and our total conversion obligation and, at our election, cash or shares of our common stock in respect of the remainder, if any, of our conversion obligation.

If you elect to convert your Notes in connection with certain corporate transactions that occur on or prior to June 6, 2011, we will increase the conversion rate by a number of additional shares of common stock on conversion as described under [Description of the Notes](#) [Conversion Rights](#) [Conversion Rate Adjustments](#) [Make-Whole Amount and Adjustments for Conversion After a Public Acquirer Change of Control](#) or, in lieu thereof, we may in certain circumstances elect to adjust the conversion rate and related conversion obligation so that the Notes are convertible into shares of the acquiring or surviving company.

Payment at Maturity

Each holder of \$1,000 principal amount of the Notes shall be entitled to receive \$1,000 at maturity, plus accrued interest, including contingent interest, if any.

Optional Redemption

We may not redeem the Notes before June 6, 2011. We may redeem some or all of the Notes for cash on or after June 6, 2011, on at least 30 days but not more than 60 days notice by mail to holders of Notes at the redemption prices set forth under [Description of the Notes](#) [Optional Redemption by Us](#).

Repurchase Right of Holders

You may require us to repurchase all or a portion of your Notes on June 1, 2011, 2016 and 2021 at a purchase price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, including contingent interest and additional amounts, if any, to the date of repurchase.

Fundamental Change Put

On a fundamental change (as defined under [Description of the Notes](#) [Repurchase of Notes by CBIZ at Option of Holder upon a Fundamental Change](#)), you may require us, subject to certain conditions, to repurchase all or a portion of your Notes. We will pay a purchase price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, including contingent interest and additional amounts, if any, to the repurchase date.

Registration Rights

We filed the shelf registration statement of which this prospectus is a part pursuant to a registration rights agreement, dated as of May 30,

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2006, between the initial purchaser of the Notes and us. Under the registration rights agreement we also agreed that we will:

use reasonable best efforts to cause the shelf registration statement to become effective by November 26, 2006; and

use reasonable best efforts to keep the shelf registration statement effective until the earlier of:

the sale under the shelf registration statement or Rule 144 under the Securities Act of all of the Notes and any shares of our common stock issued on their conversion; and

the expiration of the holding period applicable to the Notes and the shares of our common stock issuable on their conversion held by persons that are not our affiliates under Rule 144(k) under the Securities Act, or any successor provision.

If we do not fulfill certain of our obligations under the registration rights agreement, we will be required to pay additional amounts to holders of the Notes. If you convert some or all of your Notes into common stock, you will not be entitled to additional amounts with respect to the common stock.

Use of Proceeds

We will not receive any of the proceeds from the resale by the selling securityholders of the Notes or the common stock issuable upon conversion of the Notes. See Use of Proceeds.

Absence of a Public Market for the Notes

The Notes issued in the initial private placement are eligible for trading in The PORTAL Market. However, the Notes sold using this prospectus will no longer be eligible for trading in The PORTAL Market and we cannot guarantee the liquidity or the development of any trading market for the Notes. We do not intend to list the Notes for trading on any automated interdealer quotation system or national securities exchange.

Trading Symbol for our common stock

Our common stock is listed on The Nasdaq National Market under the symbol CBIZ.

Indenture and Trustee

We have issued the Notes under an indenture, dated as of May 30, 2006, between US Bank National Association, as trustee, and us.

Risk Factors

You should carefully consider the information set forth in the section of this prospectus entitled Risk Factors as well as the other information included in or incorporated by reference into this prospectus before deciding whether to invest in the Notes.

Table of Contents**Summary of Historical Consolidated Financial Information**

The summary of historical consolidated financial data set forth below for each of the years in the three-year period ended December 31, 2005 are derived from our audited consolidated financial statements for the periods indicated which have been included in our current report on Form 8-K filed on May 22, 2006. The summary of historical consolidated financial data set forth below for the three-month periods ended March 31, 2006 and 2005 and as of March 31, 2006 and 2005 are derived from our unaudited consolidated financial statements included in our March 31, 2006 Quarterly Report on Form 10-Q, and includes all adjustments (consisting only of normal recurring adjustments) which we consider necessary for a fair presentation of our financial position and results of our operations and cash flows for those periods. Results for past periods are not necessarily indicative of results that may be expected for any future period, and results for the three-month period ended March 31, 2006 are not necessarily indicative of the results that can be expected for the full fiscal year. The summary of historical consolidated financial data should be read in conjunction with the consolidated financial statements and accompanying note disclosures in our current report on Form 8-K filed May 22, 2006 and our March 31, 2006 Quarterly Report on Form 10-Q. Our historical results of operations include the results of various acquired entities from their date of acquisition.

The Statement of Operations Data for the years ended December 31, 2005, 2004 and 2003, and the Other Data as of December 31, 2005 and 2004, have been updated to reflect discontinued operations relating to the sale of a business unit from our Financial Services practice group in April 2006, and to reflect certain reclassifications made during the first quarter of 2006 involving 1) interest income earned by our payroll unit which previously was reported as other income and is now reported as revenue, and 2) certain expenses reimbursable to us by our clients previously netted against revenue which are now reported as operating expenses.

For the purpose of computing the ratio of earnings to fixed charges, earnings consist of the sum of (i) income from continuing operations before income tax expense, and (ii) fixed charges. Fixed charges consist of the sum of (i) interest expense, (ii) amortization of capitalized expenses related to indebtedness, and (iii) that portion of rental expense that we believe to be a reasonable estimate of the interest factor (deemed to be one-third of rental expense).

	Year Ended December 31,			Three Months Ended	
	2003	2004	2005	2005	2006
	(In thousands, except per share data)				
<i>Statement of Operations Data:</i>					
Revenue	\$ 482,889	\$ 507,468	\$ 563,468	\$ 155,156	\$ 171,061
Operating expenses	420,579	440,991	488,763	127,015	138,731
Gross margin	62,310	66,477	74,705	28,141	32,330
Corporate general and administrative expense	18,745	24,099	24,911	6,421	6,732
Depreciation and amortization expense	16,565	15,963	15,139	3,894	4,071
Operating income	27,000	26,415	34,655	17,826	21,527
Other income (expense):					
Interest expense	(1,055)	(1,507)	(3,109)	(781)	(792)
Gain on sale of operations, net	2,519	996	314		
Other income (expense), net	(1,513)	3,219	4,171	388	1,289

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Total other income (expense)	(49)	2,708	1,376	(393)	497
Income from continuing operations before income tax expense	26,951	29,123	36,031	17,433	22,024
Income tax expense	11,814	7,945	14,525	7,225	8,788
Income from continuing operations	15,137	21,178	21,506	10,208	13,236
Loss from operations of discontinued operations, net of tax	(547)	(5,259)	(6,383)	(1,962)	(1,385)
Gain (loss) on disposal of discontinued operations, net of tax	726	132	3,550	(109)	167
Net income	\$ 15,316	\$ 16,051	\$ 18,673	\$ 8,137	\$ 12,018

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	Year Ended December 31,			Three Months Ended	
	2003	2004	2005	March 31,	2006
	(In thousands, except per share data)				
Basic weighted average common shares	90,400	79,217	74,448	75,738	74,849
Diluted weighted average common shares	92,762	81,477	76,827	77,718	77,354
Basic earnings (loss) per share:					
Continuing operations	\$ 0.17	\$ 0.27	\$ 0.29	\$ 0.13	\$ 0.18
Discontinued operations		(0.07)	(0.04)	(0.02)	(0.02)
Net income	\$ 0.17	\$ 0.20	\$ 0.25	0.11	0.16
Diluted earnings (loss) per share:					
Continuing operations	\$ 0.16	\$ 0.26	\$ 0.28	\$ 0.13	\$ 0.17
Discontinued operations	0.01	(0.06)	(0.04)	(0.03)	(0.01)
Net income	\$ 0.17	\$ 0.20	\$ 0.24	\$ 0.10	\$ 0.16
Other Data:					
Total assets	\$ 402,145	\$ 414,174	\$ 454,584	\$ 474,735	\$ 501,044
Long-term debt(1)	\$ 14,984	\$ 55,397	\$ 33,425	\$ 69,395	\$ 63,927
Total liabilities	\$ 124,307	\$ 167,677	\$ 199,923	\$ 219,852	\$ 226,442
Total stockholders equity	\$ 277,838	\$ 246,497	\$ 254,661	\$ 254,883	\$ 274,602
Ratio of earnings to fixed charges(2)	3.4x	3.4x	3.6x		7.0x

(1) Includes long term portion of bank debt, capitalized leases and accrued earn-out payments.

(2) The ratio of earnings to fixed charges was 1.1x and 2.2x for the years ended December 31, 2001 and 2002, respectively.

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RISK FACTORS

*An investment in the Notes involves a high degree of risk. You should carefully consider the risks described below, as well as the other information included or incorporated by reference in this prospectus, before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of the Notes and our common stock could decline due to any of these risks, and you may lose all or part of your investment. In addition, please read *Forward-Looking Statements* in this prospectus, where we describe additional uncertainties associated with our business and the forward-looking statements included or incorporated by reference in this prospectus. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere contained or incorporated by reference in this prospectus. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.*

Risks Relating to Our Business

A reversal of or decline in the current trend of outsourcing business services may have a material adverse effect on our business, financial condition and results of operations.

Our business and growth depend in large part on the trend toward outsourcing business services of various types. We cannot assure you that this trend will continue in the segments in which we operate. Current and potential customers may elect to perform these 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, depreciation and rent, 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 stockholders, 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, and 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 our 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 our executive officers and other key employees, the loss of any of whom may damage or result in the loss of client relationships and adversely affect our business.

Our success depends in large part upon the abilities, business generation capabilities and project execution skills of our executive officers and key employees, such as our business unit presidents. In particular, our business unit presidents' personal relationships with our clients are a critical element of obtaining and maintaining client engagements. Losing employees who manage substantial client relationships or possess substantial experience or expertise could adversely affect our ability to secure and complete engagements, which would adversely affect our

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results of operations. In addition, if any of our key employees were to join an existing competitor or form a competing company, some of our clients could choose to use the services of that competitor instead of our services. While we generally enter into employment agreements and non-competition agreements with key personnel, courts are at times reluctant to enforce non-competition agreements. In addition, we do not have employment contracts with several of our executive officers, including our Senior Vice President of Financial Services and Senior Vice President of Employee Services.

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 those firms to provide attestation services to clients of ours.

Restrictions imposed by independence requirements and state accountancy laws and regulations preclude us from rendering audit and attest services (other than internal audit services). As such, we maintain joint-referral relationships and ASAs with independent licensed CPA firms under which audit and attest services may be provided to our clients by those CPA firms. These firms are owned by licensed CPAs, a vast majority of whom are employed by our subsidiaries.

Under these ASAs, we provide 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 us 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 us 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 us 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 ATA 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. We 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 us on our 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 our revenues.

We cannot assure you 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 we assure you that the American Institute of Certified Public Accountants or 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.

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. Changes in laws and regulations, or the interpretation thereof, often result in changes in the amount or the type of business services

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required by businesses and individuals. For example, state insurance regulators have conducted inquiries, including inquiries of us that are ongoing, 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, our 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.

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

The high volume of client funds and data processed by us 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. Defending lawsuits arising out of any of our services could require substantial amounts of management attention, which could affect management's focus on operations, adversely affect our financial performance and result in increased insurance costs. 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. If we are unable effectively to manage 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 which could adversely affect our reputation and business.

All of our professional business services entail an inherent risk of professional malpractice and other similar claims. In addition to defense costs and liability exposure, malpractice claims may produce negative publicity that could hurt our reputation and business. In addition, although we believe that our errors and omissions 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 our 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 those 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.

Our principal stockholders may have substantial control over our operations.

As of March 24, 2006, the stockholders identified below owned the following aggregate amounts and percentages of our common stock, including shares that may be acquired by exercising options:

approximately 15.3 million shares, representing 20.2% of all our outstanding common stock, were owned by Michael G. DeGroote;

approximately 5.8 million shares, representing 7.7% of all our outstanding common stock, were owned by Cardinal Capital Management LLC;

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approximately 5.1 million shares, representing 6.8% of all our outstanding common stock, were owned by Dimensional Fund Advisors Inc.;

approximately 29.2 million shares, representing 38.4% of all our outstanding common stock, were owned by our executive officers, directors, and the foregoing as a group.

Because of their stock ownership, these stockholders may exert substantial influence over actions that require the consent of a majority of our outstanding shares, including the election of directors. Our 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 76 million shares at March 31, 2006. More than 47 million 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 March 31, 2006, approximately 460,159 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. As of March 31, 2006, we also have registered under the Securities Act of 1933, 15 million shares of our common stock, most of which remain available to be offered from time to time by us in connection with acquisitions under our acquisition shelf registration statement.

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.

We acquired three businesses during 2005, two in January 2006, and one in April 2006. It is our intention to selectively acquire businesses 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 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 existing credit facility that may limit our ability to acquire additional businesses. 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

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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.

Risks Related to the Notes***We may incur additional indebtedness.***

The indenture governing the Notes does not prohibit us from incurring substantial additional indebtedness in the future, which may rank senior or equal in right of payment with the Notes. We are also permitted to incur additional secured debt that would be senior in right of payment to these Notes. The indenture governing these Notes also permits unlimited additional borrowings by our subsidiaries that could be effectively senior to the Notes. In addition, the indenture does not contain any restrictive covenants limiting our ability to pay dividends, make any payments on junior or other indebtedness or otherwise limit our financial condition.

We may not have sufficient cash to repurchase the Notes at the option of the holder or on a fundamental change or to pay the cash payable on a conversion, which may increase your credit risk. Your right to require us to repurchase your Notes upon a fundamental change may not protect you upon the occurrence of certain events that might adversely affect our financial condition or business operations.

Our failure to repurchase tendered Notes at a time when the repurchase is required by the indenture or to pay any cash payable on a conversion of the Notes would constitute a default under the indenture. A default under the indenture or a fundamental change could lead to a default under our credit agreement or other existing and future agreements governing our indebtedness. In that event, the subordination provision of the Notes likely would prevent us from paying the Notes. On June 1, 2011, 2016 and 2021, holders of the Notes have the right to require us to repurchase for cash all or any portion of their Notes at 100% of their principal amount plus accrued and unpaid interest, including contingent interest and additional amounts, if any, up to but not including the date of repurchase. On a fundamental change, subject to certain conditions, we will be required to make an offer to repurchase for cash all outstanding Notes at 100% of their principal amount plus accrued and unpaid interest, including contingent interest and additional amounts, if any, up to but not including the date of repurchase. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of tendered Notes or settlement of converted Notes. Our credit agreement limits our ability to repurchase the Notes if our leverage exceeds a specific ratio. Any credit facility in place at the time of a repurchase or conversion of the Notes may also limit our ability to use borrowings to pay any cash payable on a repurchase or conversion of the Notes and may prohibit us from making any cash payments on the repurchase or conversion of the Notes if a default or event of default has occurred under that facility without the consent of the lenders under that credit facility. Our failure to purchase the Notes in those situations would be a default under the indenture and would likely cause a default under our other indebtedness. In that case, the subordination provisions would likely prohibit payments on the Notes.

In addition, the term **fundamental change** is limited to certain specified transactions and does not include other events that might adversely affect our financial condition or business operations. The provisions of the indenture which require us to repurchase Notes tendered to us by holders of the Notes upon the occurrence of a fundamental change

would not necessarily protect holders of the Notes if highly leveraged or other transactions involving us occur that may affect holders adversely. We could, in the future, enter into transactions, including certain recapitalizations, that would not constitute a fundamental change with respect to the fundamental change repurchase feature of the Notes but that would increase the amount of our (or our subsidiaries) outstanding indebtedness.

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The Notes are subordinated to our senior indebtedness, and our ability to make payments on the Notes, including on conversion, may be limited by our credit facility and other senior indebtedness.

The Notes are our general unsecured obligations and are subordinated in right of payment to any of our obligations under our Senior Indebtedness (as defined under Description of the Notes Subordination) including our existing credit facility, as supplemented, amended, modified, refinanced or replaced at any time or from time to time. If we make a payment or distribution of our assets to our creditors or if there is a total or partial liquidation or we are dissolved or we file for bankruptcy, receivership, or similar proceeding, the holders of the Senior Indebtedness will be paid in full before the holders of Notes would receive any payment with respect to the Notes. Until the Senior Indebtedness is paid in full, there would be no distribution to the holders of the Notes. In addition, we may not make any payments on the Notes, including payments of cash on conversion of the Notes and payments on exercise of any repurchase rights granted to the holders, in the event of payment defaults or other specified defaults on certain Senior Indebtedness. At March 31, 2006, our Senior Indebtedness totaled approximately \$63.3 million (which excludes letters of credit in the amount of \$4.4 million). Under the indenture, we will deliver cash upon conversion of the Notes equal to at least the lesser of the principal amount of the Notes or the conversion value. As a result of the subordination provisions of the indenture, there could be situations when we will be prohibited from making payments on the Notes upon conversion, which would be a default under the indenture. That default could cause a default under our Senior Indebtedness. In such event, the subordination provisions of the indenture would make it likely that you would not be paid.

The Notes are effectively subordinated to existing and future indebtedness and other liabilities of our subsidiaries.

Because we operate primarily through our direct and indirectly owned subsidiaries, we derive all our revenues from and hold substantially all of our assets through, these subsidiaries. As a result, we rely on distributions and advances from our subsidiaries in order to meet our payment obligations under the Notes and our other obligations. The Notes are only our obligation and are not guaranteed by our subsidiaries. Substantially all of our subsidiaries serve as guarantors with respect to our existing credit facility. Creditors of each of our subsidiaries, including trade creditors, generally will have priority with respect to the assets and earnings of the subsidiary over the claims of our creditors, including holders of the Notes. The Notes, therefore, are effectively subordinated to the claims of creditors, including trade creditors, of our subsidiaries. In addition, our rights and the rights of our creditors, including the holders of the Notes, to participate in the assets of a subsidiary during its liquidation or reorganization are effectively subordinated to all existing and future liabilities of that subsidiary.

We may depend on the cash flows of our subsidiaries in order to satisfy our obligations under the Notes.

If our subsidiaries are unable to pay us dividends or otherwise make payments to us, we will not be able to make debt service payments on the Notes. We are a holding company and conduct most of our operations through our subsidiaries. Our operating cash flows and consequently our ability to service our debt, including the Notes, is therefore principally dependent upon our subsidiaries' earnings and their distributions of those earnings to us and may also be dependent upon loans, advances or other payments of funds to us by those subsidiaries. Our subsidiaries are separate legal entities and have no obligation, contingent or otherwise, to pay any amount due pursuant to the Notes or to make any funds available for that purpose. Our subsidiaries' ability to make payments may be subject to the availability of sufficient surplus funds, the terms of such subsidiaries' indebtedness, the terms of our credit facility, applicable laws and other factors.

The additional shares of common stock payable on any Notes converted in connection with specified corporate transactions may not adequately compensate you for any loss you may experience as a result of such specified corporate transactions.

If certain specified corporate transactions occur on or before June 6, 2011, we will under certain circumstances increase the conversion rate on Notes converted in connection with the specified corporate transaction by a number of additional shares of common stock. The number of additional shares of common stock will be determined based

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on the date on which the specified corporate transaction becomes effective and the price paid per share of our common stock in the specified corporate transaction as described under **Description of the Notes Conversion Procedures Make-Whole Amount and Adjustments for Conversion After a Public Acquirer Change of Control**. The additional shares of common stock issuable on conversion of the Notes in connection with a specified corporate transaction may not adequately compensate you for any loss you may experience as a result of such specified corporate transaction. If the specified corporate transaction occurs after June 6, 2011 or if the price paid per share of our common stock in the specified corporate transaction is less than the common stock price at the date of issuance of the Notes or above a specified price, there will be no increase in the conversion rate. In addition, in certain circumstances on a fundamental change arising from our acquisition by a public company, we may elect to adjust the conversion rate as described under **Description of the Notes Conversion Procedures Conversion Rate Adjustment** and, if we so elect, holders of Notes will not be entitled to the increase in the conversion rate determined as described above.

Our obligation to adjust the conversion rate in connection with specified corporate transactions could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness and equitable remedies.

The conversion rate of the Notes may not be adjusted for all dilutive events.

The conversion rate of the Notes is subject to adjustment for certain events, including but not limited to the issuance of stock dividends on our common stock, the issuance of rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness or assets, certain cash dividends and certain tender or exchange offers as described under **Description of the Notes Conversion Rights**. The conversion rate will not be adjusted for other events, such as an issuance of common stock for cash, that may adversely affect the trading price of the Notes or the common stock. There can be no assurance that an event that adversely affects the value of the Notes, but does not result in an adjustment to the conversion rate, will not occur.

You should consider the U.S. federal income tax consequences of owning the Notes.

Under the indenture governing the Notes, we and each holder of a Note have agreed to treat the Notes for U.S. federal income tax purposes as indebtedness that is subject to the Treasury regulations governing contingent payment debt instruments.

Consequently, despite some uncertainty as to the proper application of these regulations, even if we do not pay any contingent interest on the Note, generally you will be required to accrue interest income at a constant rate of 9.0% per year (subject to certain adjustments), compounded semi-annually, which represents the estimated yield on our comparable nonconvertible, fixed-rate debt instruments with terms and conditions otherwise similar to the Notes. The amount of interest that you will be required to include in income for each year generally will be in excess of the stated interest payments on the Notes (including any contingent interest payments) for that year.

You will recognize gain or loss on the sale, exchange, conversion, redemption or repurchase of a Note in an amount equal to the difference between the amount realized, including the fair market value of any of our common stock received, and your adjusted tax basis in the Note. Any gain recognized by you on the sale, exchange, conversion, redemption or repurchase of a Note will be treated as ordinary interest income; any loss will be ordinary loss to the extent of interest previously included in income and thereafter will be treated as capital loss.

You may in certain situations be deemed to have received a distribution subject to U.S. federal income tax as a dividend in the event of a taxable dividend distribution to holders of common stock or in certain other situations requiring a conversion rate adjustment. For Non-U.S. Holders (as defined below under **Material U.S. Federal Income Tax Considerations Tax Consequences to Non-U.S. Holders**), this deemed distribution may be subject to U.S. federal

withholding tax requirements.

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Our interest deductions attributable to the Notes may be deferred, limited or eliminated under certain conditions.

The Code (as defined below under **Material U.S. Federal Income Tax Considerations – General**) prescribes certain tax rules that are applicable to high yield discount obligations. These rules generally apply to debt instruments with more than a de minimis amount of original issue discount that have a yield to maturity that equals or exceeds an amount equal to the applicable federal rate plus five percent. The manner of application of these rules to an instrument such as the Notes is subject to significant legal and factual uncertainty. Although we believe that the yield to maturity of the Notes is less than the threshold for application of such rules no assurances can be given that the IRS (as defined below under **Material U.S. Federal Income Tax Considerations – General**) or a court will concur with this determination. If the IRS takes a contrary position and a court sustains the IRS position, our tax deductions might be severely diminished with a resulting adverse effect on our cash flow and ability to service the Notes.

In addition, we believe that the Notes are subject to the contingent payment debt instrument regulations in a manner described in the projected payment schedule. See **Material U.S. Federal Income Tax Considerations**. This conclusion is subject to complex factual and legal uncertainty and is not binding on the IRS or the courts. If the IRS takes a contrary position and a court sustains the IRS position, our tax deductions would be severely diminished with a resulting adverse effect on our cash flow and ability to service the Notes.

Under the Code, no deduction is allowed for interest expense in excess of \$5 million on convertible subordinated indebtedness incurred to acquire stock or assets of another corporation reduced by any interest paid on other obligations which have provided consideration for an acquisition of stock in another corporation. If a significant portion of the proceeds from the issuance of the Notes by us to the initial purchaser on May 30, 2006, either alone or together with other debt proceeds, were used for a domestic acquisition and the Notes and other debt, if any, were deemed subordinated to certain trade creditors or were expressly subordinated to a substantial amount of unsecured creditors of the affiliated group, interest deductions for tax purposes in excess of \$5 million on that debt reduced by any interest paid on other obligations which have provided consideration for an acquisition of stock in another corporation would be disallowed. This would adversely impact our cash flow and our ability to pay down the Notes.

You may have to pay taxes with respect to distributions on our common stock that you do not receive.

The conversion rate of the Notes is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, certain cash dividends and certain other actions by us that modify our capital structure. See **Description of the Notes – Conversion Rights – Conversion Rate Adjustments**. If the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, you may be required to include an amount in income for federal income tax purposes, notwithstanding the fact that you do not actually receive such distribution. The amount that you would have to include in income will generally be equal to the amount of the distribution that you would have received if you had converted your Notes into our common stock. In addition, Non-U.S. Holders of Notes may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax requirements. See **Material U.S. Federal Income Tax Considerations**.

There is no established trading market for the Notes.

There is no established trading market for the Notes. Although the Notes issued in the initial private placement are eligible for trading in The PORTAL Market, the Notes sold pursuant to this prospectus will no longer be eligible for trading on The PORTAL Market. We do not intend to apply for listing of the Notes on any securities exchange or to arrange for quotation on any automated dealer quotation system. As a result, an active trading market for the Notes may not develop. If an active trading market does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. In that case, you may not be able to sell your Notes at a particular

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time or you may not be able to sell your Notes at a favorable price. Future trading prices of the Notes will depend on many factors, including:

- our operating performance and financial condition;
- the interest of securities dealers in making a market; and
- the market for similar securities.

Historically, the markets for non-investment grade debt securities have been subject to disruptions that have caused volatility in prices. It is possible that the markets for the Notes will be subject to disruptions. Any such disruptions may have a negative effect on a holder of the Notes, regardless of our prospects and financial performance.

Any adverse rating of the Notes may cause their trading price to fall.

If Moody's Investors Service, Standard & Poor's or another rating service rates the Notes and if any of such rating services lowers its rating on the Notes below the rating initially assigned to the Notes or otherwise announces its intention to put the Notes on credit watch, the trading price of the Notes could decline.

The trading prices for the Notes will be directly affected by the trading prices for our common stock, which are impossible to predict.

The price of our common stock could be affected by possible sales of our common stock by investors who view the Notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that may develop involving our common stock. The hedging or arbitrage could, in turn, affect the trading prices of the Notes.

The conditional conversion feature of the Notes could result in you not receiving the value of the common stock into which the Notes are convertible.

The Notes are convertible into cash and shares of common stock, if any, only if specific conditions are met. If the specific conditions for conversion are not met, you may not be able to receive the value of the common stock into which your Notes would otherwise be convertible.

On conversion of the Notes, you may receive less proceeds than expected because the value of our common stock may decline after you exercise your conversion right.

The conversion value that you will receive on conversion of your Notes in cash is determined by the average of the last reported sale prices of our common stock for the twenty trading days beginning on the second trading day after the day the Notes are tendered for conversion, or in the case of conversions within twenty days prior to the redemption or maturity, beginning on the second trading day after the date of redemption or maturity. Accordingly, if the price of our common stock decreases after you tender your Notes for conversion, the conversion value you will receive may be adversely affected, and if the price at the end of such period is below the average, the value of the cash and shares delivered may be less than the conversion value.

Future sales of our common stock in the public market could lower the market price for our common stock and adversely impact the trading price of the Notes.

The issuance and sales of substantial amounts of common stock, or the perception that issuances and sales may occur, could adversely affect the trading price of the Notes and the market price of our common stock. In the future, we may

sell additional shares of our common stock to raise capital. In addition, shares of our common stock are reserved for issuance on the exercise of stock options and on conversion of the Notes. As of March 31, 2006, we also have registered under the Securities Act, 15 million shares of our common stock, most of which remain available to

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be offered from time to time by us in connection with acquisitions under our acquisition shelf registration statement. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock.

Volatility in the market price of our common stock could result in a lower trading price than your conversion or purchase price and could adversely impact the trading price of the Notes.

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price of our common stock may be affected adversely by factors such as actual or anticipated changes in our operating results, acquisition activity, the impact of international markets, changes in financial estimates by securities analysts, general market conditions, rumors and other factors. The decrease in the market price of our common stock would likely adversely impact the trading price of the Notes.

Absence of dividends could reduce our attractiveness to investors, which could depress the price of the common stock into which the Notes are convertible.

We have not declared or paid cash dividends on our common stock since 1995 and do not intend to pay dividends in the foreseeable future. In addition, our credit facility does not permit us to declare or make any dividend payments. We intend to retain future earnings to finance the ongoing operations and growth of the business. As a result, our common stock may be less attractive to certain investors than the stock of dividend-paying companies.

If you hold Notes, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

If you hold Notes, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting the common stock. You will have rights with respect to our common stock only if and when we deliver shares of common stock to you upon conversion of your Notes and, in limited cases, under the conversion rate adjustments applicable to the Notes. For example, in the event that an amendment is proposed to our Restated Certificate of Incorporation or Bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to delivery of common stock to you, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

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The securities to be offered and sold using this prospectus will be offered and sold by the selling securityholders. We will not receive any proceeds from the sale by the selling securityholders of Notes or shares of common stock issued upon the conversion of Notes offered by this prospectus.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock is quoted on The Nasdaq National Market under the trading symbol CBIZ. The following table shows, for the periods indicated, the high and the low sales prices of our common stock as quoted on The Nasdaq National Market. The market price for our common stock may continue to be subject to wide fluctuations in response to a variety of factors, some of which are beyond our control. See Risk Factors Risks Related to our Common Stock.

	Price Range of Common Stock	
	High	Low
Fiscal Year Ended December 31, 2004		
First Quarter	\$ 5.15	\$ 3.34
Second Quarter	5.12	4.00
Third Quarter	4.95	3.85
Fourth Quarter	4.74	4.06
Fiscal Year Ended December 31, 2005		
First Quarter	4.60	3.89
Second Quarter	4.22	3.30
Third Quarter	5.10	3.92
Fourth Quarter	6.90	4.77
Fiscal Year Ending December 31, 2006		
First Quarter	8.09	5.71
Second Quarter	9.00	6.74
Third Quarter (through July 18, 2006)	7.53	6.58

On July 18, 2006, the last reported sale price for our common stock as reported on The Nasdaq National Market was \$6.91 per share. We encourage you to obtain current market quotations for our common stock before deciding whether to purchase our Notes pursuant to this offering.

As of March 31, 2006, there were 75,957,422 shares of our common stock outstanding, held by approximately 1,212 stockholders of record.

We have not paid cash dividends on our common stock since April 27, 1995, and do not anticipate paying cash dividends in the foreseeable future. Our Board of Directors, which we refer to as the Board, has discretion over the payment and level of dividends on our common stock. Our Board's decision is based, among other things, on results of operations and financial condition. In addition, our credit facility does not permit us to declare or make any dividend payments, other than dividend payments made by one of our wholly owned subsidiaries to us and dividend payments made by one of our less than wholly owned subsidiaries to us and the minority stockholders of that less than wholly owned subsidiary on a pro rata basis. We currently intend to retain future earnings to finance ongoing operations and

the growth of our business. Any future determination as to dividend policy will be made at the discretion of the Board and will depend on a number of factors, including future earnings, capital requirements, financial condition and future prospects, limitations on dividend payments pursuant to credit or other agreements and such other factors as the Board may deem relevant.

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The following table sets forth, as of March 31, 2006, our cash and capitalization on an actual basis and on an as adjusted basis to give effect to the receipt by us of net proceeds in the amount of approximately \$97.0 million from the sale of the Notes to the initial purchaser on May 30, 2006, and the application of (i) approximately \$52.5 million of the net proceeds to repurchase approximately 6.6 million shares of our common stock and (ii) the remaining net proceeds to reduce the indebtedness outstanding under our existing credit facility. You should read the following information in connection with our consolidated financial statements and related notes, and the section entitled

Management's Discussion and Analysis of Financial Condition and Results of Operations incorporated by reference into this prospectus from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.

You should read this table in connection with our consolidated financial statements and the notes to those statements, which are incorporated by reference in this prospectus.

	As of March 31, 2006	
	Actual	As Adjusted
	(Unaudited, in thousands)	
Cash and cash equivalents:	\$ 2,919	2,919
Debt:		
Bank debt	61,200	16,700
Other Senior Indebtedness	2,085	2,085
Notes offered hereby		100,000
Total Indebtedness	63,285	118,785
Stockholders' equity:		
Common stock, par value \$0.01 per share; shares authorized 250,000; shares issued 100,517,251; shares outstanding 75,957,422(1)	1,005	1,005
Additional paid-in capital	458,641	458,641
Accumulated deficit	(82,696)	(82,696)
Treasury stock	(102,317)	(154,817)
Accumulated other comprehensive loss	(31)	(31)
Total stockholders' equity	274,602	222,102
Total debt and stockholders' equity	337,887	340,887

(1) The number of shares of common stock to be outstanding after this offering does not reflect any repurchases of stock with proceeds of the offering and excludes:

4,933,027 shares of common stock reserved for issuance upon the conversion of outstanding stock options under our stock option plan as of March 31, 2006; and

the shares of common stock issuable upon conversion of the Notes sold in this offering.

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DESCRIPTION OF THE NOTES

We have summarized provisions of the Notes below. It is important for you to consider the information contained in this prospectus before making your decision to invest in the Notes.

We issued the Notes under an indenture, dated as of May 30, 2006, between us and U.S. Bank National Association, as trustee. The Notes and the shares of our common stock issuable on conversion of the Notes are covered by a registration rights agreement, dated as of May 30, 2006, pursuant to which the registration statement of which this prospectus is a part is being filed. Each holder may request a copy of the indenture and the registration rights agreement from us.

The following description is a summary of the material provisions of the Notes, the indenture and the registration rights agreement and does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the Notes and the indenture, including the definitions of certain terms used in the indenture, and to all provisions of the registration rights agreement. Wherever particular provisions or defined terms of the indenture or the Notes are referred to, these provisions or defined terms are incorporated in this prospectus by reference. We urge you to read the indenture because it, and not this description, defines each holder's rights as a holder of the Notes.

As used in this Description of the Notes section, references to CBIZ, the company, we, us and our refer only Inc., and do not include its subsidiaries.

General

The Notes mature on June 1, 2026 unless earlier converted, redeemed or repurchased. Each holder has the option, subject to certain qualifications and the satisfaction of certain conditions and during the periods described below, to convert its Notes into cash and shares, if any, of our common stock at an initial conversion rate of 94.1035 shares of common stock per \$1,000 principal amount of Notes. This is equivalent to an initial conversion price of approximately \$10.63 per share of common stock. The conversion rate is subject to adjustment if certain events occur. On a surrender of a holder's Notes for conversion, we will deliver cash equal to the lesser of the aggregate principal amount of the Notes to be converted and our total conversion obligation. We will deliver cash or shares of our common stock or a combination thereof in respect of the remainder, if any, of our conversion obligation, as described below under

Conversion Procedures Payment on Conversion. If we deliver shares of common stock on conversion of a Note, a holder will not receive fractional shares but a cash payment to account for any such fractional shares as described below. A holder will not receive any cash payment for interest (or contingent interest or additional amounts, if any) accrued and unpaid to the conversion date except as described under Interest under the limited circumstances described below, including under Registration Rights below.

If any interest payment date, maturity date, redemption date, repurchase date or settlement date (including on the occurrence of a fundamental change, as described below) falls on a day that is not a business day, then the required payment will be made on the next succeeding business day with the same force and effect as if made on the date that the payment was due, and no additional interest will accrue on that payment for the period from and after the interest payment date, maturity date, redemption date, repurchase date or settlement date (including on the occurrence of a fundamental change, as described below), as the case may be, to that next succeeding business day. As used in this prospectus, business day means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in The City of New York.

No sinking fund is provided for the Notes and the Notes are not subject to defeasance. The Notes were issued only in denominations of \$1,000 principal amount and integral multiples thereof. References to a Note or each Note in this prospectus refer to \$1,000 principal amount of the Notes. The Notes are limited to \$100.00 million aggregate principal amount.

Any reference to common stock means our common stock, par value \$.01 per share.

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Under the indenture governing the Notes, we and every holder agreed (in the absence of an administrative pronouncement or judicial ruling to the contrary), for U.S. federal income tax purposes, to treat the Notes as indebtedness that is subject to the special Treasury regulations governing contingent payment debt instruments, or the contingent debt regulations, and to be bound by our application of the contingent debt regulations to the Notes, including our determination of the rate at which interest will be deemed to accrue on the Notes, the related projected payment schedule determined by us, and our treatment of the fair market value of any of our common stock (and any cash) received upon conversion of a Note as a contingent payment. See Material U.S. Federal Income Tax Considerations.

Subordination

The Notes are our direct, unsecured, senior subordinated obligations. The payment of the principal of, interest on, and any cash due on conversion of, the Notes is subordinated in right of payment to the prior payment in full of our existing and future Senior Indebtedness on the terms set forth below. The Notes effectively rank junior to all of our existing and future secured Indebtedness to the extent of the collateral securing that Indebtedness. The Notes will be senior in right of payment to all of our future obligations, if any, that are designated as subordinated to the Notes.

The Notes are only our obligation and are not guaranteed by our subsidiaries. Creditors of each of our subsidiaries, including trade creditors, generally will have priority with respect to the assets and earnings of the subsidiary over the claims of our creditors, including holders of the Notes. The Notes, therefore, are effectively subordinated to the claims of creditors, including trade creditors, of our subsidiaries.

In addition, our rights and the rights of our creditors, including the holders of the Notes, to participate in the assets of a subsidiary during its liquidation or reorganization will be effectively subordinated to all existing and future liabilities of that subsidiary.

At March 31, 2006, after giving pro forma effect to the offering and the use of proceeds described in the offering memorandum, dated May 23, 2006, relating to the initial private placement of the Notes, we had \$18.8 million of Senior Indebtedness on an unconsolidated basis (which excludes letters of credit in the amount of \$4.4 million) and our subsidiaries had \$281.9 million of liabilities on a combined consolidated basis.

Upon any payment or distribution of our assets to our creditors upon any dissolution, winding up, liquidation or reorganization, the holders of the Senior Indebtedness will be paid in full before the holders of the Notes would receive any payment with respect to the Notes. Until the Senior Indebtedness is paid in full, there would be no distribution to the holders of the Notes (except that the holders may receive shares of stock and any debt securities that are subordinated to Senior Indebtedness to at least the same extent as the Notes).

We may not make any payments on account of principal of, redemption of, interest on or any other amounts due with respect to the Notes, including, without limitation, any payments of cash on conversion or on the holders' exercise of their fundamental change repurchase right, and no redemption, repurchase or other acquisition of the Notes may be made (except in our common stock or other securities into which the Notes are then convertible and certain subordinated debt obligations) if:

- a) any principal, premium, if any, or interest with respect to Designated Senior Indebtedness is not paid within any applicable grace period (including at maturity), or
- b) any other default on Designated Senior Indebtedness occurs and the maturity of such Designated Senior Indebtedness is accelerated in accordance with its terms,

unless, in either case,

the default has been cured or waived and such acceleration has been rescinded,

such Senior Indebtedness has been paid in full in cash, or

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we and the trustee receive written notice approving such payment from the representatives of each issue of Designated Senior Indebtedness.

During any default (other than a default described in clause (a) or (b) above) on any Designated Senior Indebtedness under which the maturity of the Designated Senior Indebtedness may be accelerated without further notice (except any notice required to effect the acceleration) or the expiration of any applicable grace periods, we may not make payments on the Notes for a period (the payment blockage period) starting on our receipt and the trustee's receipt of written notice of the election to effect a payment blockage period and ending 179 days thereafter. The payment blockage period may be terminated before its expiration by written notice by a representative of the holders of such Designated Senior Indebtedness to the trustee and to us from the person who gave the blockage notice, by repayment in full in cash of the Designated Senior Indebtedness with respect to which the blockage notice was given, or because the default giving rise to the payment blockage period is no longer continuing or has been waived. Unless the holders of the Designated Senior Indebtedness have accelerated the maturity of the Designated Senior Indebtedness, we may resume payments on the Notes after the expiration of the payment blockage period. Not more than one blockage notice may be given in any period of 360 consecutive days unless the first blockage notice within such 360-day period is given by or on behalf of holders of Designated Senior Indebtedness other than the Bank Indebtedness, in which case the representative of the Bank Indebtedness may give another blockage notice within such period. In no event, however, may the total number of days during which any payment blockage period or periods is in effect exceed 179 days in the aggregate during any period of 360 consecutive days. No default that existed or was continuing on the date of delivery of any payment blockage notice to the trustee will be, or can be made, the basis for the commencement of a subsequent payment blockage period whether or not within a period of 360 consecutive days. After all Senior Indebtedness is paid in full and until the Notes are paid in full, holders of the Notes shall be subrogated to the rights of holders of Senior Indebtedness to receive distributions applicable to Senior Indebtedness.

If the trustee or any holder of the Notes receives any payment or distribution of our assets in contravention of the subordination provisions of the Notes or the indenture before all Senior Indebtedness is paid in full in cash or other payment satisfactory to holders of Senior Indebtedness, then such payment or distribution will be held in trust for the benefit of holders of Senior Indebtedness or their representatives to the extent necessary to make payment in full in cash or payment satisfactory to the holders of Senior Indebtedness of all unpaid Senior Indebtedness.

As a result of the subordination provisions, in the event of our bankruptcy or insolvency, our creditors who are holders of Senior Indebtedness, as well as certain of our general creditors, may recover ratably more than the holders of the Notes.

The indenture does not limit the amount of additional Indebtedness, including Senior Indebtedness or secured debt, which we can create, incur, assume or guarantee, nor does the indenture limit the amount of Indebtedness and other liabilities that any subsidiary can create, incur, assume or guarantee.

Bank Indebtedness means any and all amounts payable under or in respect of (i) the Credit Agreement, and (ii) any lines of credit and letters of credit of the Company, in each case, including principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the company whether or not a claim for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof.

Capitalized Lease Obligation means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP; and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the stated maturity thereof shall be the date of the last payment of rent or any other amount due under such lease before the first

date on which such lease may be terminated by the lessee without payment of a penalty.

Credit Agreement means the Credit Agreement dated as of February 13, 2006, among CBIZ, as Borrower, and the Lenders party thereto, as supplemented, amended, modified, refinanced or replaced at any time or from time to time.

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Designated Senior Indebtedness means (i) the Bank Indebtedness and (ii) any other Senior Indebtedness the principal amount of which (or, in the case of a revolving credit, the commitments thereunder) is \$15.0 million or more and that at the time of determination has been designated by us as Designated Senior Indebtedness .

Indebtedness means, with respect to any person on any date of determination (without duplication),

the indebtedness of such person for borrowed money;

the obligations of such person evidenced by bonds, debentures, notes or other similar instruments;

all Capitalized Lease Obligations of such person;

all obligations of such person to pay the deferred and unpaid purchase price of property or services (except trade payables);

all obligations of such person in respect of letters of credit, banker's acceptances or other similar instruments or credit transactions (including reimbursement obligations with respect thereto), other than obligations with respect to letters of credit securing obligations (other than obligations described in the first four bullets above) entered into in the ordinary course of business of such person to the extent such letters of credit are not drawn on or, if and to the extent drawn on, such drawing is reimbursed no later than the third business day following receipt by such person of a demand for reimbursement following payment on the letter of credit;

all Indebtedness of other persons secured by a lien on any asset of such person, whether or not such Indebtedness is assumed by such person; *provided, however*, that the amount of such Indebtedness shall be the lesser of (A) the fair market value of such asset at such date of determination or (B) the amount of such Indebtedness of such other person; and

all indebtedness of other persons to the extent guaranteed by such person.

The amount of Indebtedness of any person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, on the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

Senior Indebtedness means the principal of, premium, if any, interest, including any interest accruing after the commencement of any bankruptcy or similar proceeding, whether or not a claim for post-petition interest is allowed as a claim in the proceeding, and rent payable on or in connection with, and all fees, costs, expenses and other amounts accrued or due on or in connection with, our Indebtedness (including our existing credit facility), whether secured or unsecured, absolute or contingent, due or to become due, outstanding on the date of the indenture or thereafter created, incurred, assumed, guaranteed or in effect guaranteed by us, including all deferrals, renewals, extensions or refundings of, or amendments, modifications or supplements to, the foregoing. Senior Indebtedness does not include:

indebtedness that expressly provides that such indebtedness will not be senior in right of payment to the Notes or expressly provides that such indebtedness is on parity with or junior in right of payment to the Notes;

any indebtedness to any of our subsidiaries;

any liability for federal, state, local or other taxes owed or owing by us; and

indebtedness for trade payables or the deferred purchase price of assets or services incurred in the ordinary course of business.

Interest

The Notes bear interest at a rate of 3.125% per year. We will also pay contingent interest on the Notes in the circumstances described under **Contingent Interest** and, if applicable, additional amounts in the circumstances described under **Registration Rights**. Interest, including contingent interest and additional amounts, if any,

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shall be payable semi-annually in arrears on June 1 and December 1 of each year, commencing December 1, 2006. Interest on a Note, including contingent interest and additional amounts, if any, will be paid to the person in whose name the Note is registered at the close of business on the May 15 or November 15, as the case may be (each, a record date), immediately preceding the relevant interest payment date (whether or not such day is a business day); *provided, however*, that accrued and unpaid interest, including contingent interest and additional amounts, if any, payable on redemption or repurchase by us will be paid to the person to whom principal is payable, unless the redemption date or repurchase date, as the case may be, is after an interest record date and on or before the corresponding interest payment date. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will accrue from May 30, 2006 or from the most recent date to which interest has been paid or duly provided for.

On conversion of a Note, a holder will not receive any cash payment of interest (including contingent interest and additional amounts, if any) unless, as described below, such conversion occurs between a record date and the interest payment date to which that record date relates or such conversion occurs during a registration default as described under Registration Rights below in which case the holder will receive the additional amounts. If we deliver shares of common stock on surrender of a Note for conversion, we will not issue fractional shares of common stock. Instead, we will pay cash in lieu of fractional shares based on the last reported sale price of the common stock on the trading day immediately before the conversion date. Our delivery to a holder of the full amount of cash and/or shares of common stock as described below under Payment on Conversion, together with any cash payment for any fractional share, will be deemed to satisfy our obligation to pay:

the principal amount of the Note; and

accrued but unpaid interest (including contingent interest, if any) to but excluding the conversion date.

As a result, accrued but unpaid interest (including contingent interest, if any) up to but excluding the conversion date will be deemed to be paid in full rather than cancelled, extinguished or forfeited. For a general discussion of the U.S. federal income tax treatment on receipt of our common stock on conversion, see Material United States Federal Income and Estate Tax Considerations.

Despite the preceding paragraph, if Notes are converted after the close of business on a record date but before the opening of business on the interest payment date to which that record date relates, holders of such Notes at the close of business on the record date will receive the interest, including contingent interest and additional amounts, if any, payable on the Notes on the corresponding interest payment date despite the conversion. Such Notes, on surrender for conversion, must be accompanied by funds equal to the amount of interest (including contingent interest and additional amounts, if any) payable on the Notes so converted on the next succeeding interest payment date; *provided* that no such payment need be made (1) if we have specified a redemption date or a repurchase date relating to a fundamental change that is after a record date and on or before the next interest payment date or (2) to the extent of any overdue interest (and any contingent interest and additional amounts) if any such interest exists at the time of conversion with respect to such Note.

Contingent Interest

Beginning with the period commencing on June 6, 2011 and ending on December 1, 2011, and for each six month period thereafter, we will pay contingent interest on the interest payment date for the applicable interest period if the average trading price (as defined below) of the Notes during the five consecutive trading days ending three trading days before the applicable interest period (each such trading day during the five trading-day period called the determination date) equals or exceeds 120% of the principal amount of the Notes.

On any interest payment date when contingent interest is payable, the contingent interest payable per Note will equal 0.25% per year of the average trading price of such Note during the applicable five trading-day reference period.

We will notify the holders of the Notes on making the determination that they will be entitled to receive contingent interest with respect to any six-month interest period.

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For purposes of this section, the trading price of the Notes on any date of determination means the average of the secondary market bid quotations per Note obtained by the bid solicitation agent for \$5.0 million aggregate principal amount of the Notes at approximately 3:30 p.m., New York City time, on the determination date from three independent nationally recognized securities dealers we select, *provided* that if:

three such bids cannot reasonably be obtained by the bid solicitation agent, but two such bids are obtained, then the average of the two bids shall be used, and

only one such bid can reasonably be obtained by the bid solicitation agent, that one bid shall be used;

provided further if no bids are received or, in our reasonable judgment, the bid quotations are not indicative of the secondary market value of the Notes, then

for purposes of any determination of whether contingent interest is payable or of the amount of any contingent interest, the trading price of the Notes on any date of determination will equal (1) the applicable conversion rate of the Notes as of the determination date multiplied by (2) the average last reported sale price (as defined below under Conversion Rights Conversion on Satisfaction of Sale Price Condition) of our common stock on the five trading days ending on the determination date; and

for purposes of any determination of whether the condition to conversion of Notes described under Conversion Rights Conversion on Satisfaction of Trading Price Condition is satisfied, the trading price per \$1,000 principal amount of Notes will be deemed to be less than 98% of the product of the closing price of our common stock and the applicable conversion rate.

The bid solicitation agent will initially be the trustee. We may change the bid solicitation agent, but the bid solicitation agent may not be an affiliate of ours.

Trading day means a day during which trading in securities generally occurs on The Nasdaq Stock Market or, if our common stock is not quoted on The Nasdaq Stock Market, then a day during which trading in securities generally occurs on the principal U.S. securities exchange on which our common stock is listed or, if our common stock is not listed on a U.S. national or regional securities exchange, then on the principal other market on which our common stock is then traded or quoted.

Optional Redemption by CBIZ

Before June 6, 2011, the Notes will not be redeemable at our option. On or after June 6, 2011, we may redeem the Notes for cash in whole or in part at any time for a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus any accrued and unpaid interest (including contingent interest and additional amounts, if any) up to but excluding the redemption date.

If the redemption date occurs after a record date and on or before an interest payment date, accrued and unpaid interest (including contingent interest and additional amounts, if any) shall be paid on such interest payment date to the record holder on the relevant record date.

We will provide not less than 30 nor more than 60 days notice of redemption by mail to each registered holder of Notes to be redeemed. If the redemption notice is given and funds are deposited as required, then interest will cease to accrue on and after the redemption date on those Notes or portions of Notes called for redemption.

Once we have called the Notes for redemption, Notes or portions of Notes will be convertible by the holder until the close of business on the business day before the redemption date unless we fail to pay the redemption price.

If we decide to redeem fewer than all of the outstanding Notes, the trustee will select the Notes to be redeemed (in principal amounts of \$1,000 or integral multiples thereof) by lot, on a pro rata basis or by another method the trustee considers fair and appropriate. If the trustee selects a portion of a holder's Notes for partial redemption and the holder converts a portion of its Notes, the converted portion will be deemed to be from the portion selected for redemption.

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We may not redeem the Notes if we have failed to pay any interest, including contingent interest and additional amounts on the Notes when due and such failure to pay is continuing.

Conversion Rights

General

Subject to the qualifications and the satisfaction of the conditions and during the periods described below, a holder may convert each of its Notes before the close of business on the business day immediately preceding the stated maturity into cash and shares, if any, of our common stock initially at a conversion rate of 94.1035 shares of common stock per \$1,000 principal amount of Notes (equivalent to an initial conversion price of approximately \$10.63 per share of common stock based on the issue price per Note). The conversion rate and the equivalent conversion price in effect at any given time are referred to as the applicable conversion rate and the applicable conversion price, respectively, and will be subject to adjustment as described below. A holder may convert fewer than all of its Notes so long as the Notes converted are an integral multiple of \$1,000 principal amount. On a surrender of a holder's Notes for conversion, we will deliver cash equal to the lesser of the aggregate principal amount of the Notes to be converted and our total conversion obligation. We will deliver cash or shares of our common stock or a combination thereof in respect of the remainder, if any, of our conversion obligation, as described below under Conversion Procedures Payment on Conversion. If we deliver shares of common stock on surrender of a Note for conversion, we will not issue fractional shares of common stock. Instead, we will pay cash in lieu of fractional shares based on the last reported sale price of the common stock on the trading day immediately before the conversion date.

A holder may convert its Notes in whole or in part only in the following circumstances, which are described in more detail below, and to the following extent:

- on satisfaction of the sale price condition;
- if the trading price of the Notes falls below a certain level;
- once we have called the Notes for redemption; or
- on the occurrence of specified corporate transactions.

We will notify holders by press release once the Notes have become convertible on any of the foregoing circumstances.

If we call a holder's Notes for redemption, the holder may convert the Notes only until the close of business on the business day before the redemption date unless we fail to pay the redemption price. If a holder has already delivered a repurchase election with respect to a Note as described under either Repurchase of Notes by CBIZ at Option of Holder or Repurchase of Notes by CBIZ at Option of Holder on a Fundamental Change, it may not surrender that Note for conversion until it has withdrawn the repurchase election in accordance with the indenture.

If a holder converts Notes, we will pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of our common stock on the conversion, unless the tax is due because a holder requests the shares to be issued or delivered to another person, in which case that holder will pay that tax.

Conversion on Satisfaction of Sale Price Condition

A holder may surrender its Notes for conversion during any fiscal quarter after the fiscal quarter ending June 30, 2006 (and only during such quarter) if the last reported sale price per share of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous fiscal quarter is more than 130% of the applicable conversion price per share of our common stock on such last trading day.

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The last reported sale price of our common stock on any date means the closing sale price per share (or, if no closing sale price is reported, the average of the bid and asked prices or, if more than one in either case, the average of the average bid and the average asked prices) on such date as reported by The Nasdaq Stock Market or, if our common stock is not reported by The Nasdaq Stock Market, in composite transactions for the principal U.S. national or regional securities exchange on which our common stock is traded. If our common stock is not listed for trading on a U.S. national or regional securities exchange and not reported by the NASDAQ Stock Market on the relevant date, the last reported sale price will be the last quoted bid price for our common stock in the over-the-counter market on the relevant date as reported by the National Quotation Bureau Incorporated or similar organization. If our common stock is not so quoted, the last reported sale price will be the average of the mid-point of the last bid and asked prices for our common stock on the relevant date from each of at least three independent nationally recognized investment banking firms selected by us for this purpose.

Conversion on Satisfaction of Trading Price Condition

A holder may surrender any of its Notes for conversion into our common stock before the stated maturity during the five business days immediately following any five consecutive trading-day period in which the trading price per \$1,000 principal amount of the Notes (as determined following a request by a holder of the Notes in accordance with the procedures described above under Contingent Interest) for each day of that period was less than 98% of the product of the closing price of our common stock and the conversion rate of the Notes on each such day; *provided, however*, that a holder may not convert Notes in reliance on this provision after June 1, 2021, if on any trading day during such five consecutive trading-day period the closing price of our common stock was between the applicable conversion price of the Notes and 130% of the conversion price of the Notes.

In connection with any conversion on satisfaction of the above trading price condition, the trustee shall have no obligation to determine the trading price of the Notes unless we have requested such determination; and we shall have no obligation to make such request unless a holder provides us with reasonable evidence that the trading price per \$1,000 principal amount of Notes would be less than 98% of the product of the closing price of our common stock and the conversion rate of the Notes. At such time, we shall instruct the trustee to determine the trading price of the Notes beginning on the next trading day and on each successive trading day until the trading price per \$1,000 principal amount of the Notes is greater than or equal to 98% of the product of the closing price of our common stock and the conversion rate of the Notes.

Conversion on Notice of Redemption

If we call any or all of the Notes for redemption, a holder may convert any of its Notes at any time before the close of business on the business day immediately before the redemption date.

Conversion on Specified Corporate Transactions

Certain Distributions

If we elect to:

distribute to all or substantially all holders of our common stock certain rights or warrants entitling them to purchase, for a period expiring within 60 days after the date of the distribution, shares of our common stock at less than the last reported sale price of a share of our common stock on the trading day immediately before the announcement date of the distribution; or

distribute to all or substantially all holders of our common stock, assets (including cash), debt securities or rights or warrants to purchase our securities, which distribution has a per share value as determined by our board of directors exceeding 10% of the last reported sale price of our common stock on the trading day immediately before the announcement date for such distribution,

we must notify holders of the Notes at least 20 business days before the ex-dividend date for such distribution. Once we have given such notice, holders may surrender their Notes for conversion at any time until the earlier of the close

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of business on the business day immediately before the ex-dividend date or any announcement that such distribution will not take place. No holder may exercise this right to convert if the holder otherwise could participate in the distribution without conversion. The ex-dividend date is the first date on which a sale of the common stock does not automatically transfer the right to receive the relevant distribution from the seller of the common stock to its buyer.

Certain Corporate Transactions

If:

a change of control occurs under clause (1) of the definition thereof set forth under **Repurchase of Notes by CBIZ at Option of Holder on a Fundamental Change** below, or

a change of control occurs under clause (3) of the definition thereof set forth under **Repurchase of Notes by CBIZ at Option of Holder on a Fundamental Change** below under which our common stock would be converted into cash, securities or other property,

in either case, regardless of whether a holder has the right to put the Notes as described under **Repurchase of Notes by CBIZ at Option of Holder on a Fundamental Change**, then a holder may surrender Notes for conversion at any time from and after the date which is 15 days before the anticipated effective date of the transaction until and including the date which is 15 days after the actual effective date of such transaction (or, if such transaction also results in holders having a right to require us to repurchase their Notes, until the fundamental change repurchase date). We will notify holders and the trustee at the same time we publicly announce such transaction (but in no event less than 15 days before the anticipated effective date of such transaction).

If a holder elects to convert its Notes during the period specified above and on or before June 6, 2011 and 10% or more of the consideration for the common stock in the corporate transaction consists of consideration other than common stock that is traded or scheduled to be traded immediately following such transaction on a U.S. national securities exchange or the NASDAQ National Market, we will increase the conversion rate by the additional shares as described below under **Conversion Procedures Conversion Rate Adjustments Make Whole Amount and Adjustments for Conversion After a Public Acquirer Change of Control** or, in lieu thereof, we may in certain circumstances elect to adjust the conversion rate and related conversion obligation so that the Notes are convertible into shares of the acquiring or surviving entity.

If a transaction described above occurs, a holder can, subject to certain conditions, require us to repurchase all or a portion of its Notes as described under **Repurchase of Notes by CBIZ at Option of Holder on a Fundamental Change**.

Conversion Procedures

To convert a Note, a holder must do each of the following:

complete and manually sign the conversion notice on the back of the Note, or a facsimile of the conversion notice, and deliver this irrevocable notice to the conversion agent;

surrender the Note to the conversion agent;

if required, furnish appropriate endorsements and transfer documents;

if required, pay all transfer or similar taxes; and

if required, pay funds equal to interest (including any contingent interest and additional amounts) payable on the next interest payment date.

If a holder's interest is a beneficial interest in a global Note, to convert a holder must comply with the last three requirements listed above and comply with the depositary's procedures for converting a beneficial interest in a global Note.

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The date a holder complies with these requirements is the conversion date under the indenture. Settlement of our obligation to deliver cash and shares of common stock (if any) with respect to a conversion will occur in the manner and on the dates described under Payment on Conversion below.

The conversion agent will initially be the trustee. The conversion agent will, on a holder's behalf, convert the Notes into cash and shares of common stock, if any. A holder may obtain copies of the required form of the conversion notice from the conversion agent. Payments of cash and, if shares of common stock are to be delivered, a stock certificate or certificates will be delivered to the holder, or a book-entry transfer through DTC will be made, by the conversion agent for the amount of cash and number of shares of common stock as set forth below under Payment on Conversion.

Payment on Conversion

In connection with any conversion, we will satisfy our obligation to convert the Notes (the conversion obligation) by delivering to holders in respect of each \$1,000 aggregate principal amount of Notes being converted a settlement amount consisting of:

- (1) cash equal to the lesser of \$1,000 and the conversion value, and
- (2) if the conversion value exceeds \$1,000, (x) a number of shares of common stock (the net shares) equal to the sum of, for each day of the cash settlement period described below, the greater of (i) zero and (ii) the quotient of (A) 5% of the difference between (1) the product of the conversion rate (plus any additional shares as described under Conversion Rights Conversion Rate Adjustments Make Whole Amount and Adjustments for Conversion After a Public Acquirer Change of Control) and the last reported sale price of our common stock for such date, and (2) \$1,000, divided by (B) the last reported sale price of our common stock for such day or (y) if the Company so elects, cash equal to the difference (such difference, the net share amount) between the conversion value and \$1,000 or (z) if the Company so elects, a combination of cash and shares of our common stock with a value equal to the difference between the conversion value and \$1,000, such amount to be determined as set out below.

We may elect to pay cash to holders of Notes surrendered for conversion in lieu of all or a portion of the net shares of common stock issuable upon conversion of such Notes only if payment of such cash would not be prohibited by the terms of our other indebtedness. If we do so elect to pay cash, we will notify you through the trustee of the dollar amount to be satisfied in cash (either 100% or a fixed dollar amount will be paid (the specified cash amount)) at any time on or before the date that is two business days following the conversion date.

If we elect to satisfy some but not all of the net share amount for any conversion in cash as set out in clause (z) above, (a) we will pay to converting holders cash in an amount equal to the lesser of (x) the net share amount for such conversion and (y) the specified cash amount, and (b) we will deliver to converting holders a number of shares of our common stock equal to the greater of (i) zero and (ii) the number of shares to which such holder would be entitled under 2(x), but replacing \$1,000 in 2(x)(A)(2) with \$1,000 plus the specified cash amount.

We will not issue fractional shares of common stock on conversion of the Notes. Instead, we will pay the cash value of such fractional shares based on the last reported sale price of our common stock on the trading day immediately before the conversion date. On conversion of a Note, a holder will not receive any cash payment of interest (including contingent interest, if any) unless such conversion date occurs between a record date and the interest payment date to which that record date relates. We will deliver the settlement amount on the third business day following the date the settlement amount is determined.

The conversion value means the product of (1) the conversion rate in effect (plus any additional shares as described under Conversion Rights Make Whole Amount and Adjustments for Conversion After a Public Acquirer Change of Control), and (2) the average of the last reported sale prices (as defined above under Conversion upon Satisfaction of Sale Price Condition) of our common stock for the trading days during the cash settlement period.

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The cash settlement period with respect to any Notes means the 20 consecutive trading days beginning on the second trading day after the conversion date for those Notes, except in circumstances where conversion occurs within 20 days leading up to the maturity date or a specified redemption date, in which case the cash settlement period will be the 20 consecutive trading days beginning on the second trading day following the maturity date or the redemption date, as the case may be. In addition, if we choose to settle all or any portion of the net shares in cash in connection with conversion within 20 days leading up to the maturity date or a specified redemption date, we will send, on or prior to the maturity date or the specified redemption date, as the case may be, a single notice to the trustee of the net shares to be satisfied in cash.

If a holder tenders Notes for conversion and the conversion value is being determined at a time when the Notes are convertible into other property in addition to or in lieu of our common stock, the conversion value of each Note will be determined based on the kind and amount of shares of stock, securities or other property or assets (including cash or any combination thereof) that a holder of a number of shares of our common stock equal to the conversion rate would have owned or been entitled to receive in such transaction and the value thereof during the cash settlement period. Settlement of Notes tendered for conversion after the effective date of any transaction giving rise to such change in conversion consideration will be as set forth above.

Upon the occurrence of a conversion triggering event, our option to elect to pay cash, or a combination of cash and shares of our common stock, for the net share amount, if any, of any Notes tendered for conversion is prohibited by our existing credit agreement and could be prohibited under future credit agreements or other agreements governing certain of our indebtedness.

Conversion Rate Adjustments

The applicable conversion rate will be subject to adjustment, without duplication, on the occurrence of any of the following events:

- (1) the payment to all or substantially all holders of common stock of dividends or other distributions payable in shares of our common stock;
- (2) subdivisions, splits and combinations of our common stock in which event the conversion rate shall be proportionately increased or decreased;
- (3) the issuance to all holders of our common stock of rights, warrants or options (other than under any dividend reinvestment or share purchase plans) entitling them, for a period of up to 60 days from the date of issuance of the rights, warrants or options, to subscribe for or purchase common stock at less than the current market price thereof; *provided* that the applicable conversion rate will be readjusted to the extent that such rights, warrants or options are not exercised before their expiration; or
- (4) distributions to all or substantially all holders of our common stock, of shares of capital stock, evidences of indebtedness or other assets, including securities (but excluding rights or warrants listed in (3) above, dividends or distributions listed in (1) above and distributions consisting exclusively of cash), in which event the conversion rate will be increased by multiplying it by a fraction,

the numerator of which will be the current market price of our common stock on the record date fixed for the distribution; and

the denominator of which will be the current market price of our common stock on the record date fixed for the distribution minus the fair market value, as determined by our board of directors, of the portion of those

assets, debt securities, shares of capital stock or rights or warrants so distributed applicable to one share of common stock.

If we distribute to holders of our common stock capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, then the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of our common stock, in each case based on the average of the last reported sale price of those securities (where such last reported sale prices are available) for the 10 trading days

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commencing on and including the fifth trading day after the ex-dividend date for such distribution on The Nasdaq Stock Market or such other national or regional exchange or market on which the securities are then listed or quoted.

(5) distributions of cash to all or substantially all holders of our common stock (excluding any dividend or distribution in connection with our liquidation, dissolution or winding-up), in which event the conversion rate will be increased by multiplying it by a fraction,

the numerator of which will be the current market price of our common stock on the record date fixed for the distribution; and

the denominator of which will be (i) the current market price of our common stock on the record date fixed for the distribution minus (ii) the amount per share of such dividend or distribution.

(6) we or one of our subsidiaries make a payment in respect of a tender offer or exchange offer for our common stock to the extent that the cash and value of any other consideration included in the payment per share of our common stock exceeds the last reported sale price of our common stock on the trading day following the last date on which tenders or exchanges may be made under such tender or exchange offer, in which event the conversion rate will be increased by multiplying it by a fraction,

the numerator of which will be the sum of (i) the fair market value, as determined by our board of directors, of the aggregate consideration payable for all shares of our common stock that we purchase in such tender or exchange offer and (ii) the product of the number of shares of our common stock outstanding less any such purchased shares and the closing price of our common stock on the trading day next succeeding the expiration of the tender or exchange offer; and

the denominator of which will be the product of the number of shares of our common stock outstanding, including any such purchased shares, and the closing price of our common stock on the trading day next succeeding the expiration of the tender or exchange offer.

(7) someone other than us or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer in which, as of the closing date of the offer, our board of directors is not recommending rejection of the offer, in which