

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2001 or

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_ .

COMMISSION FILE NUMBER 0-25890

CENTURY BUSINESS SERVICES, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

22-2769024

-----  
(State or other jurisdiction  
of incorporation or organization)

-----  
(IRS Employer  
Identification No.)

6480 ROCKSIDE WOODS BOULEVARD, SOUTH,  
SUITE 330  
CLEVELAND, OHIO

44131

-----  
(Address of principal executive offices)

-----  
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (216) 447-9000

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:  
COMMON STOCK, PAR VALUE \$.01  
(TITLE OF CLASS)

Name of Each Exchange on Which Registered:  
The Nasdaq Stock Market

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the Registrant is approximately \$310.4 MILLION as of March 25, 2002. The number of outstanding shares of the Registrant's common stock is 95,513,623 shares as of March 25, 2002.

DOCUMENTS INCORPORATED BY REFERENCE

Part III Portions of the Registrant's Definitive Proxy Statement relative to the 2002 Annual Meeting of Stockholders.

Part IV Portions of previously filed reports and registration statements.

CENTURY BUSINESS SERVICES, INC.

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

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THE FOLLOWING TEXT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION AND CONSOLIDATED FINANCIAL STATEMENTS (INCLUDING THE NOTES THERETO) APPEARING ELSEWHERE IN THIS ANNUAL REPORT ON FORM 10-K. UNLESS THE CONTEXT OTHERWISE REQUIRES, REFERENCES IN THIS ANNUAL REPORT TO "WE", "OUR", "CBIZ", OR THE "COMPANY" SHALL MEAN CENTURY BUSINESS SERVICES, INC., A DELAWARE CORPORATION, AND ITS OPERATING SUBSIDIARIES.

## PART I

### ITEMS 1 AND 2. BUSINESS AND PROPERTIES

#### OVERVIEW

CBIZ is a diversified services company which, acting through its subsidiaries, provides professional outsourced business services primarily to small and medium-sized businesses, as well as individuals, governmental entities and not-for-profit enterprises throughout the United States and in Toronto, Canada. CBIZ delivers integrated services through the following three divisions:

- Business Solutions;
- Benefits and Insurance; and
- National Practices.

CBIZ provides services through 76 business units with more than 200 offices located in 33 states, Washington D.C., and Toronto, Canada. Included in this total is the Company's physician management practice business unit which has 61 offices.

Formed as a Delaware corporation in 1987 under the name Stout Associates, CBIZ was acquired by Republic Industries, Inc. in 1992. In April 1995, Republic spun-off its hazardous waste operations, including CBIZ's predecessor company, to stockholders. Re-named Republic Environmental Systems, Inc., CBIZ's common stock began trading on the Nasdaq National Market under the symbol "RESI" until June 24, 1996. On that date, the trading symbol changed to "IASI" in anticipation of our merger with Century Surety Company and Commercial Surety Agency, Inc., which resulted in a change of its name to "International Alliance Services, Inc." This name change signaled our move away from the hazardous waste business. CBIZ divested all remaining hazardous waste operations in 1997. On December 23, 1997, CBIZ changed its name to Century Business Services, Inc. and began trading under the symbol "CBIZ."

CBIZ initiated an acquisition program in November 1996 to expand its operations in the professional outsourced business services industry. Since that time, CBIZ has acquired the businesses of 145 companies, one of which was acquired in 2001. Through its subsidiaries, CBIZ provides a wide range of integrated services primarily to small and medium-sized businesses, as well as individuals, governmental entities and not-for-profit enterprises throughout the United States and in Toronto, Canada. CBIZ's goal is to be a leading provider of outsourced business services within its target markets. CBIZ's strategies to achieve this goal include:

- providing clients with a broad range of high-quality products and services;
- expanding locally through internal growth by:
  - increasing the number of clients it serves;
  - increasing the number of services it provides to existing clients; and
- from time to time, completing acquisitions to expand its service offerings in a target market.

CBIZ'S PRINCIPAL EXECUTIVE OFFICE IS LOCATED AT 6480 ROCKSIDE WOODS BLVD., SOUTH, SUITE 330, CLEVELAND, OHIO 44131 AND ITS TELEPHONE NUMBER IS 216-447-9000.

## BUSINESS STRATEGY

CBIZ's business strategy is to grow in the professional outsourced business services industry by:

- offering a wide array of infrastructure support services;
- cross-serving CBIZ's business services to its existing customer base;
- attracting new customers with its diverse business services offerings;
- realizing economies of scale to leverage its purchasing power from national vendors and leverage practice-area expertise across all business units; and
- developing our core service offerings in target markets through selective acquisitions from time to time.

Providing a range of outsourced business services to a client results in efficiencies for both the client and for CBIZ. For example, CBIZ can process time and attendance data to calculate and produce employee paychecks, direct deposits and reports for its clients. The same data can be used by CBIZ as a group health and welfare insurance agent and benefits consultant to provide the most appropriate benefits package to a client's employee base. The ability to combine several services and offer them through one provider is more convenient for the client and distinguishes CBIZ from most other outsourced business services providers.

CBIZ also may from time to time make acquisitions in markets where it currently operates and where the prospects are favorable to increase its market share to become a significant provider of a comprehensive range of outsourced business services. CBIZ's strategy is to acquire companies that generally:

- have a strong potential for cross-serving among CBIZ's subsidiaries;
- have strong and energetic leadership;
- have historic and expected future internal growth; and
- complete the core CBIZ service offering in a geographical market.

In accordance with its strategy to deliver services to clients conveniently, and to promote cross-serving between its various service groups, CBIZ consolidates office locations wherever practical. In late 2000 and in 2001, CBIZ consolidated offices in Atlanta, Chicago, Cleveland, Columbus, Dallas, Los Angeles, and Orlando, and will continue to combine offices, with further consolidations planned for Minneapolis, Philadelphia, St. Louis, San Diego, and San Jose in 2002 and Denver and Kansas City in 2003. As further consolidations occur, it is likely the Company will incur restructuring costs associated with these consolidations.

## OUTSOURCED BUSINESS SERVICES

The following is a description of the outsourced business services currently offered by CBIZ.

**Business Solutions.** The business units that comprise CBIZ's Business Solutions division offer services in the following areas: tax planning and preparation; cash flow management; strategic planning; consulting; record-keeping; federal, state and local tax return 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; corporate, partnership and fiduciary tax planning and return preparation; outsourced chief financial officer services and other financial staff services; financial investment analysis, succession, retirement, and estate planning; and profitability, operational and efficiency enhancement consulting to a number of specialized industries. Other than internal audit services, CBIZ does not currently offer audit and attest services, does not intend to offer audit and attest services in the future and does not purchase the "audit and attest divisions" of any accounting businesses it acquires. However, CBIZ and its subsidiaries maintain joint-referral relationships and service agreements with licensed Certified Public Accounting or CPA firms under which audit and attest services may be provided to CBIZ's clients and vice versa.

Under these service agreements with licensed CPA firms, CBIZ subsidiaries provide administrative services, including office, bookkeeping, accounting and other administrative services; prepare marketing and promotion materials; and lease administrative and professional staff, in exchange for a fee. The CPA firms with which CBIZ

and its subsidiaries maintain such agreements are those that have reorganized in order to merge their non-attest (non-attest business services include any services other than those which only licensed certified public accountants, licensed public accountants, or licensed CPA or PA firms may perform in accordance with accountancy laws) business services activities with and into CBIZ subsidiaries. Under these agreements, each party has agreed to maintain its own liability and risk of loss in connection with performance of its respective services. CBIZ currently undergoes an annual peer review administered to ensure compliance with independence requirements in its relationships with associated CPA firms and clients. The peer review has found CBIZ in compliance with these rules every year since the review was first administered.

The Company's Business Solutions division is made up of four groups, representing the East, Midwest, Great Lakes, and West regions of the country. Each of these regions is headed by a designated regional director, all of whom report to the Senior Vice President, Business Solutions. While all of the business units in the Business Solutions group can offer most of the core accounting, tax and consulting services clients need, CBIZ operates various practice groups within this division with a deeper expertise in certain areas, which business units across the country can utilize as a resource. These include a national tax office, which provides guidance on complex tax issues; a recovery solutions office, which assists clients nationwide in realizing lost monies by examining and rectifying inaccurate accounts payable; and a restructuring and bankruptcy group, which specializes in assisting firms undergoing financial difficulties.

The Business Solutions division contributed approximately 44% of CBIZ's annual revenue in 2001.

**Benefits and Insurance Services.** The business units that comprise CBIZ's Benefits and Insurance division offer services in the following areas: employee benefits, insurance brokerage, consulting, and administration, including the design, implementation and administration of qualified plans, such as 401(k) plans, profit-sharing plans, defined benefit plans, and money purchase plans; actuarial services; health and welfare benefits consulting, including group health insurance plans; dental and vision care programs; group life insurance programs; accidental death and dismemberment and disability programs; COBRA administration and voluntary insurance programs; health care and dependent care spending accounts; premium reimbursement plans; communications services to inform and educate employees about their benefit programs; executive benefits consulting on non-qualified retirement plans and business continuation plans; specialty high-risk life insurance; employee benefit worksite marketing; and wealth management services, including Registered Investment Advisory Services, Investment Policy Statements, also known as IPS, mutual fund selection based on IPS and ongoing mutual fund monitoring. CBIZ's Benefits and Insurance group also provides an on-line service, CBIZSolutions.com, that enables clients' employees to access benefits information such as retirement funds and payroll balances, update their personal information, and access company documents like employee handbooks.

CBIZ's Benefits and Insurance Services division operates under one Senior Vice President, who oversees three regional divisions and their respective directors, representing the Eastern, Central, and Western states. Additionally, CBIZ operates wholesale insurance and other specialty insurance divisions, which also report directly to CBIZ's Senior Vice President of Benefits and Insurance Services.

The Benefits and Insurance division contributed approximately 28% of CBIZ's annual revenue in 2001.

**National Practices.** The business units that comprise CBIZ's National Practices division offer services in the following areas: payroll processing and administration; valuations of commercial, tangible, and intangible assets and financial securities; mergers and acquisitions and capital advisory services; physician practice management; health care consulting; government relations; process improvement; and technology consulting, including strategic technology planning, project management, development, network design and implementation and software selection and implementation. Changes in accounting methods dictated by the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 142 (SFAS 142), which will take effect in 2002, will require new valuation techniques in accounting for intangible assets. These changes are expected to increase demand for CBIZ's valuation services. Additionally, CBIZ's payroll division recently adopted a new payroll system utilizing improved database technology which offers clients a single point of data entry for multiple uses for benefits, human resources and payroll functions.

The business units within the group report to CBIZ's President and Chief Operating Officer. CBIZ's physician practice management subsidiary, a National Practice business unit which oversees billing and records compliance for medical professionals, generated approximately 23% of the divisions's revenue, or 7% of CBIZ's annual revenue in 2001.

The National Practices division contributed approximately 28% of CBIZ's annual revenue in 2001.

#### SALES AND MARKETING NETWORK AND ACCOUNT MANAGEMENT

CBIZ's key competitive factors in obtaining clients for business services are:

- established relationships;
- strong regional presence;
- the ability to match client requirements with available services;
- the ability to offer a number of services from one provider; and
- the ability to offer services at competitive rates.

CBIZ believes that by combining a local entrepreneurial marketing strategy and the name and resources of a nationally branded company, it will be able to maximize its market penetration. CBIZ expects that it can take advantage of economies of scale in purchasing a range of services and products and cross-serving new products and services to existing clients who do not currently utilize all of the services CBIZ offers.

CBIZ's primary marketing strategy is to deepen its relationships with clients by providing them with additional CBIZ services that would be in the best interest of their business. CBIZ refers to this strategy of penetrating its existing client base as cross-serving. Because cross-serving is only effective when it makes outsourcing more convenient for the client, the location of the service provider is a key consideration, and requires marketing functions to be carried out on a geographic basis. Using major metropolitan areas as its marketing focal points, CBIZ is developing marketing plans that consider the needs of all CBIZ business units in an area. While each business unit continues to be individually responsible for creating its own marketing plan and is accountable for its own performance, a number of marketing resources are shared via the Company's intranet. These resources include intellectual capital, advertisements, printed material such as brochures and stationery, and CBIZ-branded merchandise for trade shows and other client-oriented events. New clients are generated via networking, referrals from existing clients, and participation in trade shows.

The Company expanded its marketing capabilities in October 2001 by entering into an agreement with HarborView Partners, a Stamford, Connecticut-based provider of internal audit and business advisory services. Under the terms of the agreement between the two companies, CBIZ will be the exclusive provider of professional staff to HarborView Partners to conduct internal audits for engagements that HarborView Partners secures within the United States. This agreement was entered into to take advantage of the SEC's auditor independence rules, effective in August 2002, which will limit the amount of internal audit services a company may place with their independent auditor, and thus require the redistribution of internal auditing work to either in-house personnel or other outside providers.

#### ACQUISITIONS

In May 2001, CBIZ acquired one business that was accounted for under the purchase method of accounting. The aggregate purchase price of the acquisition was approximately \$300,000 in cash. The aggregate purchase price has been allocated to the net assets of the acquired company based upon its respective fair market value. The excess of the purchase price over fair value of net assets acquired (goodwill) approximated \$100,000. Due to the nature of the assets and liabilities of the business acquired, there were no material identifiable intangible assets or liabilities. This acquisition was executed in order to increase CBIZ's web hosting capacity.

## DIVESTITURES

In 2001, CBIZ divested, consolidated or closed 20 operating entities in order to rationalize its business operations by shedding business units that are either underperforming, located in secondary markets, or do not provide the level of synergistic cross-serving opportunities with other CBIZ businesses that is desired. These divestitures are consistent with the Company's plan to focus on metropolitan markets in which it currently has or can easily gain a full array of its core service offerings. It is likely the Company will recognize additional gains and/or losses on these divestitures as they occur in the future.

## COMPETITION

The professional outsourced business services industry is a highly fragmented and competitive industry, with a majority of industry participants, such as accounting, employee benefits, payroll firms or professional employee organizations, offering only one or a limited number of services. Competition is based primarily on customer relationships, range and quality of services or product offerings, customer service, timeliness, geographic proximity, and competitive rates. CBIZ competes with a small number of multi-location regional or national operators and a large number of relatively small independent operators in local markets. CBIZ's competitors in the professional outsourced business services industry include independent consulting services companies, divisions of diversified enterprises, insurance carriers and banks. Some of these competitors are public companies and some may have greater financial resources than CBIZ.

CBIZ believes that it is able to compete effectively based on its:

- broad range of high-quality services and products;
- knowledgeable and trained personnel;
- entrepreneurial culture;
- large number of locations;
- focused target on small and mid-market businesses; and
- operational economies of scale.

## CUSTOMERS

CBIZ provides professional outsourced business services to over 65,000 clients. CBIZ's clients typically have fewer than 500 employees and prefer to focus their resources on operational competencies while outsourcing non-core administrative functions to CBIZ. In many instances, outsourcing administrative functions allows clients to enhance productivity, reduce costs and improve service, quality and efficiency by focusing on the client's core business. Depending on a client's size and capabilities, it may choose to utilize some or many of CBIZ's broad array of services, which it typically accesses through a single CBIZ representative.

None of CBIZ's major business services groups has a single homogeneous client base. Rather, CBIZ's clients come from a large variety of industries and markets, and, with the exception of one customer which contributes approximately 3.1% of the Company's revenue, no one customer individually comprises more than 3% of CBIZ's total consolidated revenue. Management believes that such diversity helps insulate CBIZ from a downturn in a particular industry. In addition, CBIZ's clients value the quality of services and established relationships. Nevertheless, economic conditions among selected clients and groups of clients may have an impact on the demand for such services.

## REGULATION

CBIZ's operations are subject to regulations by federal, state, and local governing bodies. Accordingly, our outsourced business services may be impacted by legislative changes by these bodies, particularly with respect to provisions relating to payroll, benefits administration and insurance services, pension plan administration, tax and accounting. CBIZ remains abreast of regulatory changes affecting its business, as these changes often affect clients' procedures with respect to employment, taxation, benefits, and accounting. For instance, changes in

income, estate, or property tax laws may require additional consultation with clients subject to these changes to ensure their procedures comply with revised regulations.

CBIZ itself is subject to industry regulation and changes within it, including changes in laws, regulations, and codes of ethics governing the accounting industry, the interpretation of which may restrict CBIZ's operations. Accordingly, CBIZ's ability to continue to operate in, or expand its operations in or to, some states may depend on its flexibility to modify its operational structure in response to these changes.

#### LIABILITY INSURANCE

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

#### EMPLOYEES

At December 31, 2001, CBIZ employed approximately 4,900 employees, approximately half of whom are professionals. The Company believes that it has a good relationship with its employees. CBIZ realizes that as a professional services company that differentiates itself from competitors through the quality and diversity of its service offering, the Company's employees are its most important asset. Accordingly, CBIZ strives to remain competitive as an employer while increasing the capabilities and performance of its employees. In 2001, the Company commenced an employee stock purchase program and began to offer continuing professional education (CPE) credit opportunities on-line to its employees. Additionally, in 2001 CBIZ standardized its benefit programs and revised its incentive compensation plan to recognize and reward performance that is in line with the Company's strategic goals.

#### SEASONALITY

A disproportionately large amount of CBIZ's revenue occurs in the first half of the year. This is due primarily to the Company's accounting and tax practice, which is subject to seasonality related to the heavy volume in the first four months of the year. CBIZ estimates that its Business Solutions group generates approximately 35% of its revenue in the first quarter of the year. Like most professional service companies, most of CBIZ's operating costs are fixed, resulting in much higher operating margins in the first half of the year.

#### PROPERTIES

CBIZ's corporate headquarters are located at 6480 Rockside Woods Blvd., South, Suite 330, Cleveland, Ohio 44131, in leased premises. Some of CBIZ's property and equipment are subject to liens securing payment of indebtedness of CBIZ and its subsidiaries. CBIZ and its subsidiaries lease more than 200 offices in 33 states and one in Toronto, Canada, as well as office equipment and company vehicles. As CBIZ continues to consolidate and rationalize its operations, it expects to reduce the number of leases it currently holds. CBIZ believes that its facilities are sufficient for its needs.

#### UNCERTAINTY OF FORWARD-LOOKING STATEMENTS

This Annual Report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this Annual Report, including without limitation, "Business and Properties" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding CBIZ's financial position, business strategy and plans and objectives for future performance are forward-looking statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Forward-looking statements are commonly identified by the use of such terms and phrases as "intends," "believes," "estimates," "expects," "projects," "anticipates," "foreseeable future," "seeks," and words or phrases of similar import in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of



current and anticipated services, sales efforts, expenses, and financial results. From time to time, we also may provide oral or written forward-looking statements in other materials we release to the public. Any or all of our forward-looking statements in this 10-K, in the 2001 Annual Report and in any other public statements that we make, may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Many factors mentioned in the discussion above will be important in determining future results. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our 10-Q, 8-K and 10-K reports to the SEC. Also note that we provide the following cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our businesses. These are factors that we think could cause our actual results to differ materially from expected and historical results. Other factors besides those listed here could also adversely affect operating or financial performance. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

#### RISK FACTORS

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

##### WE ARE DEPENDENT ON THE CURRENT TREND OF OUTSOURCING BUSINESS SERVICES.

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

##### WE MAY BE MORE SENSITIVE TO REVENUE FLUCTUATIONS THAN OTHER COMPANIES, WHICH COULD RESULT IN FLUCTUATIONS IN THE MARKET PRICE OF OUR COMMON STOCK.

A substantial majority of our operating expenses, particularly personnel and related costs, depreciation and rent, are relatively fixed in the short run. As a result, we may not be able to quickly cut costs in response to any decrease in revenue. For example, any decision by a 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, and the current weakness in the economy, has and will continue to affect our business. Potential new clients may defer from switching service providers in light of these economic conditions. Any of these factors could cause our quarterly results to be lower than expectations of securities analysts, which could result in a decline in the price of our common stock.

##### WE MAY NOT REALIZE THE VALUE OF OUR GOODWILL.

Acquisitions have resulted in significant amounts of goodwill on our financial statements. Goodwill is the excess of the purchase price over the fair value of the net identifiable assets of the businesses that we have acquired. We anticipate that such increases will continue if we make future acquisitions. At December 31, 2001, goodwill was \$247.5 million. During the fourth quarter of 2001, CBIZ divested operations which resulted in a reduction of its goodwill by \$13.8 million. We may not realize the full value of our remaining goodwill, and further adjustments are possible. The implementation of SFAS 142, "Goodwill and Other Intangible Assets," in 2002 requires the determination of fair value of goodwill and subsequent evaluation of its fair value against its book value. This test may result in impairment and reduction of the Company's goodwill. Any future determination requiring a reduction of a significant portion of goodwill could have a material adverse effect on our business, financial condition and results of operations, compliance with our debt covenants and on the market price of our stock.

WE HAVE A RISK THAT PAYMENTS ON ACCOUNTS RECEIVABLE OR NOTES RECEIVABLE MAY BE SLOWER THAN EXPECTED, OR THAT AMOUNTS DUE ON RECEIVABLES OR NOTES MAY NOT BE FULLY COLLECTIBLE.

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

WE ARE DEPENDENT ON THE SERVICES OF OUR EXECUTIVE OFFICERS AND OTHER KEY EMPLOYEES.

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

RESTRICTIONS IMPOSED BY INDEPENDENCE REQUIREMENTS AND CONFLICT OF INTEREST RULES MAY LIMIT THE CLIENTS WE SERVICE AND THE ABILITY OF THE ATTEST FIRMS WITH WHICH WE HAVE CONTRACTUAL RELATIONSHIPS TO PROVIDE ATTESTATION SERVICES.

We have entered into administrative services agreements with separate attest firms owned by the CPA owners of each professional services firm under which we provide professional staffing and other services. Revenues and income from these agreements are reflected in our financial statements.

With respect to attest firm clients that are required to file audited financial statements with the Securities and Exchange Commission, or SEC, the SEC staff views us and the attest firms with which we have contractual relationships as a single entity in applying independence rules established by the accountancy regulators and the SEC. According to the SEC staff, we are required to abide by all of the independence rules that the attest firms must follow in order to be independent of an SEC-reporting attest client. According to the SEC staff, these independence rules prohibit us, and our officers, directors, affiliates and significant stockholders, to the extent an attest firm is so prohibited, from:

- holding any financial interest in an SEC-reporting attest client;
- entering into any business relationship with an SEC-reporting attest client; or
- selling any services to an SEC-reporting attest client.

In addition, under these rules, the SEC staff views an attest firm and us as lacking independence with respect to:

- an SEC-reporting attest client where that client, or its directors, officers, affiliates or significant stockholders, own stock in us or our affiliates; or
- entities involved in an offering of our stock or in making a market for, or otherwise facilitating the trading of, our stock in the secondary market, including any entity that is a member of a syndicate underwriting an offering of our stock, that is a broker-dealer exercising discretionary buy and sell authority over

customer accounts holding significant positions in our stock, or that employs securities analysts that follow us.

We remain in contact with state accountancy regulators in jurisdictions in which we operate to ensure our business services model complies with independence regulations. To date, no state accountancy regulatory authority has prohibited our operations in any jurisdiction. In addition, we and the attest firms have implemented policies and procedures designed to enable us to maintain independence and freedom from conflicts of interest in accordance with applicable standards. These procedures include independence screening in connection with the selection of attest clients as well as periodic confirmations of independence by officers, directors and professionals of us and the attest firms.

There can be no assurance that following the policies and procedures implemented by us and the attest firms will enable us and the attest firms to avoid circumstances that would cause us and them to lack independence from an SEC-reporting attest client. If, as a result of the independence rules, we or the attest firms are required to discontinue attestation or other services for existing or potential future clients, then our revenues could decline. To date, revenues derived from providing services in connection with attestation engagements of the attest firms performed for SEC-reporting clients have not been material.

#### GOVERNMENTAL REGULATIONS AND INTERPRETATIONS ARE SUBJECT TO CHANGES.

Laws and regulations often result in changes in the amount or the type of business services required by businesses and individuals. We cannot be sure that future laws and regulations will provide the same or similar opportunities for us to provide business consulting and management services to businesses and individuals. In response to recent auditing problems experienced by several publicly traded companies, the SEC is currently contemplating a number of rule changes that would affect the accounting profession. While it appears that most of these possible changes pertain to the auditing of publicly traded companies, a line of business we do not offer, there is a chance that modifications of the law could adversely impact our business by reducing or eliminating our ability to provide consulting services to the clients audited by our associated attest firms. To the extent that licensed CPA firms for whom our subsidiaries provide administrative and other services are affected, we may experience a decline in fee revenue from these businesses as well. The revenue derived from public companies for whom these associated attest firms perform auditing services is nominal.

#### ANY FAILURE TO MEET OUR DEBT OBLIGATIONS OR DEBT COVENANTS COULD HARM OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

If our cash flow and capital resources are insufficient to fund our debt obligations, we may be forced to sell assets, seek additional equity or debt capital or restructure our debt. In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness or to remain in compliance with our debt covenants would likely result in a reduction of our credit rating, which could harm our ability to obtain additional financing on acceptable terms. In the past, CBIZ has, from time to time, been in violation of certain debt covenants. In each case, we have successfully negotiated waivers and/or amendments to the covenants to re-establish compliance. However, we cannot assure you that we will be similarly successful if we are in violation of debt covenants in the future; nor can we assure you that our cash flow and capital resources will be sufficient for payment of interest and principal of our debt in the future, or that any such alternative measures would be successful or would permit us to meet scheduled debt service obligations.

#### WE ARE SUBJECT TO RISK AS IT RELATES TO PROCESSING CUSTOMER TRANSACTIONS FOR OUR 401(K), PAYROLL, PROPERTY TAX MANAGEMENT, AND CERTAIN OTHER TRANSACTION PROCESSING BUSINESSES.

The high volume of client funds processed by us in our 401(k), payroll, and certain other businesses entails risks for which we may be held liable if the accuracy or timeliness of the transactions processed is not correct. We could incur significant legal expense to defend any claims against us, even those claims without merit. While we carry insurance against these potential liabilities, we cannot be certain that circumstances surrounding such an error would be entirely reimbursed through insurance coverage.

WE ARE SUBJECT TO RISK AS IT RELATES TO SOFTWARE THAT WE LICENSE FROM THIRD PARTIES.

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

WE COULD BE HELD LIABLE FOR ERRORS AND OMISSIONS.

All of our professional business services entail an inherent risk of professional malpractice and other similar claims. Therefore, we maintain errors and omissions insurance coverage. Although we believe that our insurance coverage is adequate, we cannot be certain that actual future claims or related legal expenses would not exceed the coverage amounts. If we have a large claim on our insurance, the rates for such insurance may increase, but contractual arrangements with clients may constrain our ability to incorporate such increases into service fees. Such insurance rate increases, as well as any underlying malpractice claim, could have a material adverse effect on our business, financial condition and results of operations.

OUR PRINCIPAL STOCKHOLDERS HAVE SUBSTANTIAL CONTROL OVER OUR OPERATIONS.

As of March 25, 2002, the following groups owned the following aggregate amounts and percentages of our common stock, including shares that may be acquired by exercising options or warrants:

- approximately 14,613,138 shares, representing 15.30% of all our outstanding common stock, were owned by Mr. DeGroote, our Chairman;
- approximately 5,422,222 shares, representing 5.68% of all our outstanding common stock, were owned by Mr. Huizenga, a principal stockholder; and
- approximately 22,253,099 shares, representing 23.30% of all our outstanding common stock, were owned by our executive officers, directors, and Mr. Huizenga, as a group.

Because of their stock ownership, these persons can substantially influence actions that require the consent of a majority of our outstanding shares, including the election of directors.

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 95 million shares. More than 47 million of these shares have been issued in connection with acquisitions. As part of many acquisition transactions, the shares were contractually restricted from sale for periods up to two years, most of which expired by the end of 2001. By March 25, 2002, no shares of common stock were still 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 25, 2002, we also have registered under the Securities Act the following shares of common stock for the following purposes:

- \$125 million in shares of our common stock, debt securities, and warrants to purchase common stock or debt securities, of which \$100 million remain available to be offered from time to time by us to the public under our universal shelf registration statement;
- 15,000,000 shares of our common stock, all of which remain available to be offered from time to time by us in connection with acquisitions under our acquisition shelf registration statement; and
- Approximately six million shares of our common stock, part of a shelf registration statement, of which a majority have yet to be sold thereunder.

#### WE ARE RELIANT ON INFORMATION PROCESSING SYSTEMS.

Our ability to provide outsourced 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 outsourced business services.

#### WE MAY NOT BE ABLE TO ACQUIRE AND FINANCE ADDITIONAL BUSINESSES.

We completed a significant number of acquisitions from 1996 through 1999. While we have significantly slowed our strategic acquisition program, we would like to continue to grow through acquisitions of complementary businesses to build out our service offerings in our target markets. However, we cannot be certain that we will be able to continue identifying appropriate acquisition candidates and acquire them on satisfactory terms. We cannot assure you that such acquisitions, even if obtained, will perform as expected or will contribute significant 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. Management believes that funds available under the credit facility, along with cash generated from operations, will be sufficient to meet its liquidity needs in the foreseeable future; however, there are certain restrictions under our bank line of credit that may prohibit our ability to acquire additional businesses.

#### THE OUTSOURCING INDUSTRY IS COMPETITIVE AND FRAGMENTED.

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

#### ITEM 3. LEGAL PROCEEDINGS

Since September 1999, seven purported stockholder class-action lawsuits were filed against Century and certain of its current and former directors and officers, including Michael G. DeGroote, Charles D. Hamm, Jr., Gregory J. Skoda, Keith W. Reeves, Fred M. Winkler, and Jerome P. Grisko, and have been consolidated as In Re Century Business Services Securities Litigation, Case No. 1:99CV2200, in the United States District Court for the Northern District of Ohio. The plaintiffs alleged that the named defendants violated certain provisions of the Securities Exchange Act of 1934 and certain rules promulgated thereunder in connection with certain statements made during various periods from February 1998 through January 2000 by, among other things, improperly amortizing goodwill and failing adequately to monitor changes in operating results. The consolidated complaint seeks damages in an unspecified amount. The United States District Court has appointed lead plaintiff and lead counsel. CBIZ has filed a motion to dismiss. Responses and replies have been filed by the parties. The Court has not yet ruled on the motion. There has been no discovery in any of these actions.

CBIZ and the named officer and director defendants deny all allegations of wrongdoing made against them in these actions and intend to vigorously defend each of these lawsuits. Although the ultimate outcome of such litigation is uncertain, based on the allegations contained in the complaints, management does not believe that these lawsuits will have a material adverse effect on the financial condition, results of operations or cash flows of CBIZ.

On or about May 6, 2000, certain former shareholders of a company acquired by Century filed suit -- Hanan et al. v. Century Business Services, Inc. and Gregory J. Skoda, Case No. 407495 (Ohio Ct. Common Pleas) -- alleging that CBIZ fraudulently induced them to enter into merging with the company and breached the Agreement and Plan of Merger and Executive Employment Agreements plaintiffs entered into in connection with the merger. Following the commencement of discovery and prior to trial, the parties settled all of the litigation between them on confidential terms that management believes were favorable to CBIZ.

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

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

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

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

PRICE RANGE OF COMMON STOCK

The common stock of CBIZ is quoted on the Nasdaq National Market under the trading symbol "CBIZ". The table below sets forth the range of high and low sales prices for the Common Stock as reported on the Nasdaq National Market for the periods indicated.

PRICE RANGE OF COMMON STOCK	HIGH	LOW
----- 2000 First		
Quarter.....	\$9.06	\$2.06
Quarter.....	4.00	1.50
Quarter.....	2.38	1.25
Quarter.....	1.56	0.81
Quarter.....	2.63	1.16
Quarter.....	5.50	1.59
Quarter.....	4.78	2.02
Quarter.....	2.75	1.50

On December 31, 2001, the last reported sale price of CBIZ's Common Stock as reported on the Nasdaq National Market (Nasdaq Amex-Online) was \$2.30 per share. As of March 25, 2002, CBIZ had 10,831 holders of record of its common stock, and the last sale of CBIZ's common stock as of that date was \$3.25.

DIVIDEND POLICY

CBIZ has not paid cash dividends on its common stock since April 27, 1995, and does not anticipate paying cash dividends in the foreseeable future. CBIZ's Board of Directors decides on the payment and level of dividends on common stock. The Board of Director's decision is based among other things on results of operations and financial condition. In addition, CBIZ's credit facility contains a requirement for lender consent prior to the declaration of any dividends. CBIZ currently intends to retain future earnings to finance the ongoing operations and growth of the business. Any future determination as to dividend policy will be made at the discretion of the Board of Directors 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 of Directors may deem relevant.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected historical financial data for CBIZ and is derived from the historical consolidated financial statements and notes thereto, which are included elsewhere in this Annual Report of CBIZ. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements of CBIZ and the notes thereto, which are included elsewhere in this Annual Report.

YEAR ENDED DECEMBER 31, -----	-----	-----	-----	-----	-----
-----	2001	2000	1999	1998	-----
1997 -----	-----	-----	-----	-----	-----
- (IN THOUSANDS, EXCEPT PER SHARE DATA) STATEMENT OF OPERATIONS DATA:					
Revenue.....	\$526,867	\$ 567,815	\$546,393	\$359,468	\$179,516
Operating expenses.....	510,029	454,051	282,674	155,600	-----
margin.....	66,312	57,786	92,342	76,794	23,916
Corporate general and administrative.....	19,797	24,694	19,138	5,155	4,162
Depreciation and amortization.....	23,470	11,074	4,128	Merger-related.....	-----
Operating income (loss).....	43,945	56,030	15,210	Other income (expense):	-----
Interest expense.....	(6,819)	(12,113)	(6,602)	(3,241)	(1,216)
Goodwill impairment.....	(48,198)	--	--	Gain (loss) on sale of operations, net.....	(7,113)
Other income (expense), net.....	(7,067)	1,450	--	3,838	(7,509)
Total other income (expense).....	3,361	2,289	-----	-----	-----
Income (loss) from continuing operations.....	(16,000)	(107,260)	11,430	Income (loss) from operations of discontinued business, net of tax.....	(1,214)
Loss on disposal of discontinued business, net....	(3,596)	6,880	7,992	Loss on disposal of discontinued business, net....	(5,697)
Cumulative effect of change in accounting principle, net of tax.....	(11,905)	-----	-----	-----	-----
Net income (loss).....	\$(16,000)	\$7,443	\$43,890	\$19,479	=====
Diluted shares.....	94,674	91,702	81,084	61,412	Diluted earnings (loss) per share:
From continuing operations.....	\$ (0.17)	\$ (1.13)	\$ 0.12	\$ 0.46	\$ 0.20
From discontinued operations.....	\$ --	\$ (0.07)	\$ (0.04)	\$ 0.08	\$ 0.12
From cumulative effect of accounting change.....	\$ --	\$ (0.13)	\$ --	\$ --	\$ --
OTHER DATA: Goodwill, net of accumulated amortization.....	\$247,462	\$281,268	\$379,922	\$293,553	\$89,236
Total assets.....	\$523,408	\$649,494	\$809,085	\$579,764	\$254,105
Total liabilities.....	\$152,761	\$262,556	\$295,953	\$175,403	\$92,689
Total stockholders' equity.....	\$370,647	\$386,938	-----	-----	-----
PRO FORMA AMOUNTS ASSUMING 2000 CHANGE IN ACCOUNTING PRINCIPLE WAS	-----	-----	-----	-----	-----



APPLIED RETROACTIVELY: Net income					
(loss).....					\$(16,000)
	\$(114,171)	\$ 2,571	\$ 42,224	\$ 18,093	Basic
earnings (loss) per share.....					\$
	(0.17)	\$ (1.21)	\$ 0.03	\$ 0.62	\$ 0.37 Diluted
earnings (loss) per share.....					\$
	(0.17)	\$ (1.21)	\$ 0.03	\$ 0.52	\$ 0.29

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to assist in the understanding of CBIZ's financial position and results of operations for each of the years ended December 31, 2001, 2000 and 1999. This discussion should be read in conjunction with CBIZ's consolidated financial statements and notes thereto included elsewhere in this Annual Report.

### RECENT DEVELOPMENTS

In mid-2001, the SEC mandated that no more than 40% of a company's internal audit function could be outsourced to the company's independent auditor. Recent events and turmoil in the accounting profession may serve to limit this further, thereby changing the environment in which accounting firms provide services to their clients. During the fourth quarter of 2001, CBIZ entered into an agreement with HarborView Partners, LLC (HarborView), whereby CBIZ will loan HarborView up to \$2.5 million in working capital, and HarborView will market and originate internal audit outsource engagements exclusively for and staffed by CBIZ. We believe this will provide an additional source of revenue to CBIZ primarily during the third and fourth quarters, when typical seasonal work results in underutilized resources at CBIZ.

During 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." Among other requirements, these pronouncements change the rules for goodwill impairment and the valuation requirements used to measure impairment. As a result of the adoption of SFAS No. 142, of which full adoption is required during 2002, many companies are expected to look to outside experts as a resource to assist with valuation of goodwill, tangible assets, and other intangible assets. CBIZ has two business units, Valuation Counselors and Business Valuation Services, that are experienced in this type of work. It is expected that the broad-scale implementation of SFAS 141 and 142 will provide an additional source of revenue for both business units during 2002.

During 2001, CBIZ rationalized and sharpened the focus of its operations by divesting 20 businesses. CBIZ will continue to divest those non-strategic businesses that are either under-performing, are located in secondary markets, or that do not provide the level of synergistic cross-serving opportunities with other CBIZ businesses that is desired. Although we can not predict the proceeds for certain units or the resulting gain or loss, additional gains/losses are expected as future transactions are completed. In conjunction with the focus to rationalize the business, CBIZ is also focused on acquiring businesses that will complement its service offerings in those primary markets where CBIZ already has a significant presence.

### OPERATING SEGMENTS

CBIZ currently delivers products and services through three operating segments. Below is a brief description of these segments' operating results and factors affecting their businesses. The services offered under each of these segments are described in Part 1 of this report.

Business Solutions comprised 44% of CBIZ's annual revenue in 2001. A portion of the revenue from Business Solutions derives from consulting projects that are discretionary on the part of the client. Demand for such projects softened in 2001 as a result of slower economic conditions. CBIZ expects its Business Solutions group to benefit from internal audit engagements through its agreement with HarborView, wherein internal audit services marketed by HarborView are staffed by CBIZ employees. This arrangement is expected to benefit from new regulations effective in August of 2002 requiring a client's independent auditor to limit the amount of internal audit services it provides to the client to 40%. In light of recent developments in the accounting industry, the five largest independent auditors in the country have already voluntarily discontinued providing both internal and external audit services to the same client.

Benefits and Insurance Services contributed 28% of CBIZ's annual revenue in 2001. CBIZ's Benefits and Insurance division has benefited in the last year from a firming of premium prices. Due to a number of factors, including the increasing costs of health care and an aging population, CBIZ expects premium pricing to remain stable.

National Practices contributed approximately 28% of CBIZ's annual revenue in 2001. CBIZ's physician practice management subsidiary, which oversees billing and records compliance for medical professionals, generates approximately 7% of CBIZ's revenue and has grown 2001 revenue 48% over 2000 revenue. This growth is attributable to the addition of new clients as well as rising healthcare prices. Revenue for this practice group is based on a percentage of amounts billed for their clients.

#### RESULTS OF OPERATIONS -- CONTINUING OPERATIONS

#### COMPARISON OF YEAR ENDED DECEMBER 31, 2001 TO YEAR ENDED DECEMBER 31, 2000

##### Revenues

Total revenue for the year ended December 31, 2001 was \$526.9 million as compared to \$567.8 million for the year ended December 31, 2000, representing a decrease of \$40.9 million, or 7.2%. The decrease in revenue was primarily attributable to (i) divestitures completed during the year ended December 31, 2001, and (ii) lower than expected revenue resulting from generally weak economic conditions. The decrease in revenues attributable to divestitures was \$30.9 million. For business units with a full period of operations for the years ended December 31, 2001 and 2000, revenue decreased \$10.0 million, or 1.9%. From the period of September through December, the company experienced lower revenues in most of its business units due to weak economic conditions. Lower revenues were particularly significant in several lines of business including eleven business units providing capital markets, IT and other consulting, and 401(k) administration services. Same unit revenue in these business units fell \$17.2 million, or 20.9% in 2001 compared to 2000. During the fourth quarter, same unit revenue from these business units declined by \$6.1 million, or 30.7% compared to the fourth quarter a year ago.

##### Expenses

Total expenses (including other expense) decreased to \$532.5 million for the year ended December 31, 2001, from \$678.5 million for the comparable period in 2000, representing a decrease of \$146.0 million, or 21.5%. Such decrease was primarily attributable to (i) lower personnel and facility costs, partially as a result of divestitures, (ii) lower technology expenditures, (iii) reductions in goodwill amortization as a result of goodwill impairment charges recorded in 2000, and (iv) a decrease in bad debt expense. Although bad debt expense was higher than management's expectation in 2001 due to client bankruptcies and weaker economic conditions, the levels of bad debt in 2001 decreased by approximately \$17.4 million from 2000. In 2000, CBIZ recorded bad debt expense of \$26.7 million, of which \$15.5 million was recorded in the fourth quarter. This fourth quarter charge was primary related to disruption and management turnover in 2000 that caused deterioration in the receivables portfolio.

Operating expenses decreased to \$460.6 million for the year ended December 31, 2001, from \$510.0 million for the comparable period in 2000, representing a decrease of \$49.4 million, or 9.7%. Such decrease was primarily attributable to reductions in personnel costs of \$15.5 million, facility costs of \$1.3 million, and the reduction in bad debt expense of \$17.4 million. These reductions in expenses were primarily from ongoing operations, although a portion of the reductions are a result of divestitures completed subsequent to December 31, 2000. Other operating costs such as commission expense and product costs have also decreased due to decreased revenue. As a percentage of revenue, operating expenses for the year ended December 31, 2001 were 87.4% compared to 89.8% for the year ended December 31, 2000, representing a decrease of 2.4%.

Corporate general and administrative expenses decreased to \$19.8 million for the year ended December 31, 2001, from \$24.7 million for the comparable period in 2000, representing a decrease of \$4.9 million, or 19.8%. Such decrease was attributable to lower personnel costs of \$1.2 million and lower technology expenditures of \$2.8 million. Corporate general and administrative expenses represented 3.8% of total revenues for the year ended December 31, 2001, compared to 4.3% for the comparable period in 2000.

Depreciation and amortization expense decreased to \$42.1 million for the year ended December 31, 2001, from \$44.3 million for the comparable period in 2000, representing a decrease of \$2.2 million, or 5.0%. The decrease is primarily attributable to lower goodwill amortization of \$4.1 million as a result of goodwill impairment recorded in the fourth quarter of 2000 and a reduction in goodwill related to divestitures completed in 2000 and 2001. The decrease is primarily offset by an increase in depreciation expense related to capital

expenditures, a significant amount of which occurred in 2000, which were primarily related to consolidation efforts. As a percentage of revenue, depreciation and amortization expense increased to 8.0% for the year ended December 31, 2001 from 7.8% for the comparable period in 2000.

Interest expense decreased to \$6.8 million for the year ended December 31, 2001, from \$12.1 million for the same period in 2000, a decrease of \$5.3 million, or 43.8%. The decrease is a result of CBIZ paying down its bank debt during 2001 from \$117.5 million to \$55 million, a reduction in debt of \$62.5 million. Additionally, CBIZ's average interest rate on bank debt dropped throughout 2001. The weighted average interest rate on bank debt was 7.6% for the year ended December 31, 2001 compared to 8.7% for the same period in 2000, and includes the effect of the interest rate swap in 2001.

CBIZ recorded a loss on sale of operations of \$7.1 million for the year ended December 31, 2001, as compared to \$31.6 million for the year ended December 31, 2000. Such charges in 2001 are related to i) the sale of three non-core operations in the first quarter for \$2.4 million; ii) the sale of three business units for \$9.4 million and the closure of three non-core business unit in the second quarter; iii) the sale of a book of business in the third quarter for \$0.2 million; and iv) the sale of five non-core operations in the fourth quarter for proceeds of \$4.5 million, and the estimated loss for five business units to be closed or divested, based on estimated proceeds. Such charges in 2000 are the result of i) the divestiture of three business units previously announced in December 1999, ii) the sale of CBIZ's franchise operations announced on November 2, 2000 for \$3.8 million, and iii) the loss related to the planned divestiture of two additional business units to be completed in 2001 of \$27.2 million.

Other income (expense), net was \$3.8 million of income for the year ended December 31, 2001, as compared to \$7.5 million of expense for the comparable period in 2000, representing a change of approximately \$11.3 million, or 150.7%. In 2001, other expense is comprised primarily of \$2.7 million of interest income and \$2.2 million of miscellaneous income offset by \$0.6 million of loss on sale of assets and \$0.6 million of other expenses. In 2000, other expense is comprised primarily of \$1.6 million impairment of note received in connection with the sale on environmental properties in 1997, \$3.8 million related to the settlement of and reserve for certain legal proceedings, \$0.4 million related to the closing of operations; and \$2.7 million related to software and other asset impairment, offset by interest income of \$3.9 million.

CBIZ recorded income tax expense from continuing operations of \$10.3 million for the year ended December 31, 2001, compared with an income tax benefit of \$3.4 million in 2000. CBIZ expensed goodwill amortization of \$21.9 million in 2001, a majority of which was not deductible for tax purposes. In addition, CBIZ reduced goodwill by \$13.8 million in 2001 in connection with divestitures, of which \$11.4 million was not deductible for tax purposes. As a result of these adjustments, CBIZ's taxable income was significantly higher than the \$5.7 million pretax loss reported, resulting in a tax expense of \$10.3 million.

#### COMPARISON OF YEAR ENDED DECEMBER 31, 2000 TO YEAR ENDED DECEMBER 31, 1999

##### Revenues

Total revenue for the year ended December 31, 2000 was \$567.8 million under the new revenue recognition policy adopted under Staff Accounting Bulletin No. 101 (SAB 101) as compared to \$546.4 million under CBIZ's historical accounting policy (pre-SAB 101), representing an increase of \$21.4 million, or 3.9%. Had CBIZ reported 2000 revenue in accordance with its pre-SAB 101 policy, revenue would have been approximately \$585.9 million, representing an increase over the prior year of \$39.5 million, or 7.2%. The increase in revenue was primarily attributable to (i) CBIZ's acquisitions completed in 2000 and 1999 that were accounted for under the purchase method of accounting, and (ii) internal growth. Acquisitions completed in 2000 and 1999 under the purchase accounting method, which are included from the date of acquisition, accounted for \$33.9 million of such increase. Internal growth is based on the increase in revenues of companies that have a full period of operations for the years ended December 31, 2000 and 1999, including companies that are accounted for as pooling-of-interests, as compared to the comparable period for 1999.

## Expenses

Total expenses (including other expense) increased to \$678.5 million (post-SAB 101) for the year ended December 31, 2000, from \$520.5 million (pre-SAB 101) for the comparable period in 1999, representing an increase of \$158.0 million, or 30.3%. Had CBIZ reported 2000 total expenses in accordance with its pre-SAB 101 policy, operating expenses would have been approximately \$689.9 million, representing an increase over the prior year of \$169.4 million, or 32.5%. Such increase, on a pre-SAB 101 basis, was primarily attributable to (i) an increase in operating expenses, (ii) the impact of CBIZ's acquisitions made in 2000 and 1999, (iii) goodwill impairment and other asset write-downs, (iv) losses on businesses sold or to be divested of, and (v) \$10.5 million of additional amortization expense for the change in the goodwill amortization period from 40 to 15 years beginning October 1, 1999.

Operating expenses increased to \$510.0 million (post-SAB 101) for the year ended December 31, 2000, from \$454.1 million (pre-SAB 101) for the comparable period in 1999, representing an increase of \$55.9 million, or 12.3%. Had CBIZ reported 2000 operating expenses in accordance with its pre-SAB 101 policy, operating expenses would have been approximately \$521.4 million, representing an increase of \$67.3 million, or 14.8%. Such increase, on a pre-SAB 101 basis, was primarily attributable to acquisitions completed in 2000 and 1999, and an increase in bad debt expense over prior year levels of \$16.9 million. Included in operating expenses in 2000 was \$1.0 million of consolidation and integration charges (net of \$5.9 million reversal of lease accrual), compared to \$13.9 million of consolidation and integration charges in 1999. As a percentage of total revenues, operating expenses increased to 89.8% for the year ended December 31, 2000, from 83.1% for the comparable period in 1999.

Corporate general and administrative expenses increased to \$24.7 million for the year ended December 31, 2000, from \$19.1 million for the comparable period in 1999, representing an increase of \$5.6 million, or 29.0%. Such increase was attributable to growth of the corporate office needed to support CBIZ's infrastructure (including the Shared Services Center), corporate initiatives, and legal expenses. Included in operating expenses in 2000 was \$1.5 million of consolidation and integration charges (net of \$2.4 million reversal of severance accrual), compared to \$6.4 million of consolidation and integration charges in 1999. Corporate general and administrative expenses represented 4.3% of total revenues for the year ended December 31, 2000, compared to 3.5% for the comparable period in 1999.

Depreciation and amortization expense increased to \$44.3 million for the year ended December 31, 2000, from \$23.5 million for the comparable period in 1999, representing an increase of \$20.8 million, or 88.9%. The increase in depreciation and amortization expense in 2000 is a result of a) goodwill associated with acquisitions completed in 1999 and 2000, b) the change in the goodwill amortization period from 40 years to 15 years beginning October 1, 1999, and c) increased depreciation expense related to the Oracle application placed in service on January 1, 2000, and other capital expenditures. The change in the goodwill amortization period resulted in an additional \$10.5 million of goodwill amortization expense for 2000 as compared to 1999. As a percentage of total revenues, depreciation and amortization expense increased to 7.8% for the year ended December 31, 2000 from 4.3% for the comparable period in 1999.

CBIZ incurred merger-related expenses of \$5.8 million for the year ended December 31, 1999. Merger-related expenses are comprised primarily of professional fees incurred in transactions accounted for as pooling-of-interests and the salaries of employees dedicated to merger activities. There were no merger-related expenses in 2000 as a result of the significant reduction in CBIZ's acquisition program, and there were no transactions accounted for as pooling-of-interests in such period.

Interest expense was \$12.1 million for the year ended December 31, 2000, as compared to \$6.6 million for the same period in 1999. During 2000, CBIZ began the year with a credit facility balance of \$144.0 million and ended the year with a balance of \$117.5 million, a decrease of \$26.5 million. Notwithstanding, the average debt carried during 2000 was \$144.6 million versus \$95.2 million in 1999. In addition, the average effective interest rate was 8.7% in 2000 versus 6.1% in 1999. Both factors contributed to interest expense increasing \$5.5 million, year over year.

A goodwill impairment charge of \$48.2 million was recorded for the year ended December 31, 2000. This charge was a result of management's continual evaluation of the recoverability of goodwill and other long-lived assets. During the fourth quarter, management concluded that goodwill associated with eleven business units was no longer recoverable through future operations based upon a recent deterioration in current and projected operating performance at such units and an impairment charge of approximately \$48.2 million was required in the fourth quarter to write-down such goodwill to estimated fair value.

CBIZ recorded a loss on sale of operations of \$31.6 million for the year ended December 31, 2000, as compared to \$7.1 million for the year ended December 31, 1999. Such charges in 2000 are the result of a) the divestiture of three business units previously announced in December 1999, b) the sale of CBIZ's franchise operations announced on November 2, 2000 of \$3.8 million, and c) the loss related to the planned divestiture of two additional business units to be completed in 2001 of \$27.2 million.

Other expense, net was \$7.5 million for the year ended December 31, 2000, as compared to \$4.4 million for the comparable period in 1999, representing a change of approximately \$3.1 million, or 70.7%. In 2000, other expense is comprised primarily of: a) \$1.6 million impairment of note received in connection with the sale on environmental properties in 1997; b) \$3.8 million related to the settlement and reserve of certain legal proceeds; c) \$0.4 million related to the closing of operations; and d) \$2.7 million related to software and other asset impairment, offset by interest income. In 1999, other expense of \$8.9 million was incurred due to the impairment of notes received in connection with a transaction accounted for as a discontinued operation in 1997, offset by interest income and other income of \$4.5 million.

CBIZ recorded an income tax benefit from continuing operations of \$3.4 for the year ended December 31, 2000, compared with income tax expense of \$14.4 million (\$16.2 million on a pro forma basis) for the comparable period in 1999. The effective income tax rate from continuing operations decreased to 3.1% from 55.8% (62.6% on a proforma basis) for the comparable period in 1999. Such decrease in the effective income tax rate was primarily attributable to the pretax loss from continuing operations, the goodwill impairment charge (which was primarily non-deductible), and the write-down of several non-core business units to net realizable value.

As previously noted, CBIZ implemented a change in certain accounting policies as a result of adopting SAB 101. The cumulative effect of this change as of the beginning of 2000 was \$11.9 million, net of tax benefit. See notes 1 and 17 to CBIZ's consolidated financial statements included herewith.

#### RESULTS OF OPERATIONS -- DISCONTINUED OPERATIONS

In April 1999, Century adopted a formal plan to divest its risk-bearing specialty insurance segment, which was no longer part of CBIZ's strategic long-term growth objectives. The risk-bearing specialty insurance segment, which included Century Surety Company, Evergreen National Indemnity Company, and Continental Heritage Insurance Company, was reported as a discontinued operation and its net assets and results of operations were reported separately in the consolidated financial statements in 2000 and 1999.

In June 2000, CBIZ announced that it had entered into a binding agreement with Avalon National Corporation (ANC) for the sale of its risk-bearing specialty insurance segment, as well as American Inspection and Audit Services, Inc. and CSC Insurance Agency, Inc., collectively referred to as the Divested Entities for \$31 million, subject to regulatory approval. In July, 2000, ANC assigned its rights under the purchase agreement to Pro Finance Holdings Corporation, which is a consortium of financial entities, and certain former members of CBIZ's management.

In October 2000, CBIZ renegotiated the aforementioned sale agreement with Pro Finance Holding Corporation. In consideration for a \$2.0 million reduction in sale proceeds, CBIZ was able to restructure the agreement for tax purposes that provided CBIZ an additional tax benefit of approximately \$5.0 million. Furthermore, the sale proceeds were reduced by an additional \$1.0 million due to severance and bonus payments due at the Divested Entities. Accordingly, in October 2000, CBIZ completed the sale of the Divested Entities for \$28 million. See notes 16 and 21 to CBIZ's consolidated financial statements contained herewith.

## FINANCIAL CONDITION

Total assets were \$523.4 million and total liabilities were \$152.8 million as of December 31, 2001 and shareholders equity was \$370.6 million. Current assets of \$197.2 million exceeded current liabilities of \$96.0 million by \$101.2 million at December 31, 2001.

Cash and restricted cash held for clients was \$55.1 million at December 31, 2001, a decline of \$41.4 million from a year ago. The decline in cash balances was due to the divestiture or closure of certain operations that carried restricted cash held for clients and due to more active management of operating cash balances. Surplus operating cash balances are utilized to reduce debt whenever possible. Accounts receivable were \$119.6 million at December 31, 2001, and declined by \$23.1 million from a year ago. The decline in receivables was due to quicker collection of amounts due, divestitures, and the write-off of certain accounts that were deemed uncollectible. Other assets, including notes receivable and property and equipment, are carried at amounts that CBIZ reasonably estimates reflect the value of these assets, considering current circumstances and future expectations.

Liabilities include debt for amounts due on CBIZ's credit facility. At December 31, 2001, the balance due was \$55.0 million, a reduction of \$62.5 million from a year ago. The reduction in debt is a result of CBIZ's positive cash flow that has been applied to reduce debt. The accounts payable balance of \$22.1 million reflects amounts due to suppliers and vendors. Client fund obligations of \$36.1 million reflect those liabilities where CBIZ temporarily holds client cash in connection with processing transactions such as payroll processing or the payment of insurance premiums and reflects liabilities related to restricted cash held for clients.

## LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents decreased \$11.6 million to \$4.3 million at December 31, 2001, from \$16.0 million at December 31, 2000. Net cash provided by operating activities in 2001 was \$56.3 million, as compared to \$17.4 million in 2000, an increase of \$38.8 million. In line with management's objective of reducing debt during 2001, net cash provided by operating activities was the principal source of funds used to reduce CBIZ's bank debt by \$62.5 million.

Cash used in investing activities during 2001 of \$1.4 million consisted of \$14.0 million in proceeds from the disposition of non-core and underperforming business units, offset by \$12.9 million used for capital expenditures, and \$1.7 million used toward the acquisition of a technology services business, funding provided under the HarborView agreement, and contingent consideration for previous acquisitions (earn-outs). Capital expenditures consisted of leasehold improvements and equipment in connection with the consolidation of certain offices and equipment purchases in relation to normal replacement.

Net cash provided by investing activities in 2000 of \$7.7 million primarily consisted of \$34.6 million in proceeds received from divestitures, netted against cash used for capital expenditures of \$20.1 million and the funding of acquisitions and contingent consideration for previous acquisitions of \$9.0 million. A significant portion of fixed asset purchases in 2000 were attributable to the implementation of the enterprise-wide solution to integrate back office operations.

During the year ended December 31, 2001, cash used in financing activities of \$66.5 million consisted of a net reduction in the bank credit facility of \$62.5 million and net payments of \$3.7 million used toward the reduction of notes payable and capitalized leases. In addition, approximately \$0.4 million in cash was used toward the purchase of 170,000 shares of CBIZ's common stock, in accordance with CBIZ's Share Repurchase Program approved by the Board of Directors on August 8, 2001. During the fourth quarter 2001, CBIZ's credit facility was amended, which restricts CBIZ from repurchasing CBIZ stock in accordance with the CBIZ Share Repurchase Program.

Cash used in financing activities in 2000 of \$33.9 million consisted primarily of net reduction of \$26.5 million in the revolving credit facility and net payments of \$7.5 million toward notes payable and capitalized leases.

## SOURCES OF CASH

CBIZ's principal source of net operating cash is derived from the collection of fees from professional services rendered to its clients and commissions earned in the areas of accounting, tax, valuation and advisory services, benefits consulting and administration services, insurance, human resources and payroll solutions, capital advisory, retirement and wealth management services and technology solutions.

CBIZ's bank line of credit is a \$90 million revolving credit facility with several financial institutions, of which \$55 million was outstanding at December 31, 2001. CBIZ's credit facility is subject to commitment reductions, in connection with business assets that are divested, by an amount equal to the net proceeds from divestitures. Additionally, the credit facility has a planned commitment reduction on June 30, 2002, which will bring the facility to \$80 million.

See Note 7 to CBIZ's consolidated financial statements included herewith.

## USES OF CASH AND LIQUIDITY OUTLOOK

CBIZ's capital expenditures from continuing operations totaled \$12.9 million, \$20.1 million and \$33.7 million for the years ended December 31, 2001, 2000 and 1999, respectively, which included expenditures for fixed assets for normal replacement, implementation of the enterprise-wide solution to integrate back office operations and other initiatives, office consolidations, compliance with regulations and market development. During the year ended December 31, 2001, CBIZ principally funded capital expenditures from operating cash flow and financing activities. In 2002, capital expenditures are expected to be approximately \$10.0 million, and CBIZ anticipates that during 2002, it will continue to fund these expenditures from operating cash flow supplemented by borrowings under its revolving credit facility, as necessary.

CBIZ currently has \$33.5 million of available funds under its credit facility. Management believes that those available funds, along with cash generated from operations, will be sufficient to meet its liquidity needs in the foreseeable future.

During the fourth quarter of 2001, CBIZ completed an amendment to its existing credit facility with its lenders. CBIZ is currently in compliance with all debt covenants under the amended credit facility. The amendment provided CBIZ with a waiver of default arising out of its non-compliance with the interest coverage and leverage ratios for the period ended September 30, 2001. The amendment also provided for the following changes to the credit facility: 1) EBITDA targets were reset for the periods ended September 30, 2001, and each quarter thereafter through December 31, 2002; 2) the covenant that ties the level of borrowing to the level of accounts receivable was revised so that the base for accounts receivable and work-in-process were both set at 90 days; 3) the loan commitment was reduced from \$140 million to \$90 million at December 31, 2001, with a subsequent planned reduction to \$80 million at June 30, 2002; 4) the applicable margin pertaining to interest rates was increased by 25 basis points for each level on the pricing grid, and 5) the use of funds for the repurchase of CBIZ stock was restricted.

CBIZ is currently in compliance with its debt covenants; however, in prior periods CBIZ has been in violation of its debt covenants from time to time. CBIZ has been successful in obtaining waivers and amendments to remedy such violations when they have occurred. However, CBIZ can not be assured that it will be successful in obtaining waivers or amendments, should CBIZ become in violation of any covenants in the future. If CBIZ is not able to obtain waivers or amendments, we could be restricted from borrowing any additional funds from our credit facility, or required to pay down the outstanding balance on the line of credit.

To fund operations, capital expenditures and potential acquisitions, CBIZ may also obtain funding by offering securities or debt, through the public markets or the private markets. CBIZ currently has a number of shelf registrations active, under which we can offer such securities. See Note 11 to the consolidated financial statements contained herein for a description of the aforementioned registration filings.



## INTEREST RATE RISK MANAGEMENT

CBIZ entered into an interest rate swap agreement in the third quarter of 2001 to reduce the impact of potential rate increases on variable rate debt through its credit facility. The interest rate swap has a notional amount of \$25 million, a fixed LIBOR rate of 3.58%, and a maturity date of August 2003. CBIZ accounts for the interest rate swap as a cash flow hedge, whereby the fair value of the interest rate swap is reflected as an asset or liability in the accompanying consolidated balance sheet. The interest rate swap (hedging instrument) matches the notional amount, interest rate index and re-pricing dates as those that exist under the variable rate debt through its credit facility (hedged item). When the interest rate index is below the fixed rate LIBOR, the change in fair value of the instrument represents a change in intrinsic value, which is an effective hedge. This portion of change in value will be recorded as other comprehensive income (loss). For the year ended December 31, 2001, the change in fair value resulted in a loss of approximately \$0.2 million, which is recorded as other comprehensive income (loss).

## CRITICAL ACCOUNTING POLICIES

The policies discussed below are considered by management to be critical to the understanding of CBIZ's consolidated financial statements because their application places significant demand on management's judgment, with financial reporting results relying on estimation about the effects of matters that are inherently uncertain. Specific risks for these critical accounting policies are described in the following paragraphs. For all of these policies, management cautions that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment.

## REVENUE RECOGNITION

Revenue is recognized only when all of the following are present: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, our fee to the client is fixed or determinable, and collectibility is reasonably assured. CBIZ offers a vast array of products and outsourced business services to its clients. Those services are delivered through three divisions. A description of revenue recognition, as it relates to those divisions, is provided below:

**BUSINESS SOLUTIONS** -- Revenue consists primarily of fees for accounting services, preparation of tax returns and consulting services. Revenues are recorded in the period in which they are earned. CBIZ bills clients based upon a predetermined agreed upon fixed fee or actual hours incurred on client projects at expected net realizable rates per hour, plus any out-of-pocket expenses. The cumulative impact on any subsequent revision in the estimated realizable value of unbilled fees for a particular client project is reflected in the period in which the change becomes known.

**BENEFITS & INSURANCE** -- Revenue consists primarily of brokerage and agency commissions, and fee income for administering health and retirement plans. Commissions relating to brokerage and agency activities whereby CBIZ has primary responsibility for the collection of premiums from insureds are generally recognized as of the latter of the effective date of the insurance policy or the date billed to the customer. Commissions to be received directly from insurance companies are generally recognized when the amounts are determined. Life insurance commissions are recorded on the accrual basis. Commission revenue is reported net of sub-broker commissions. Contingent commissions are generally recognized when received. Fee income is recognized as services are rendered.

**NATIONAL PRACTICES** -- The business units that comprise this division offer a variety of services. A description of revenue recognition associated with the primary services is provided below:

- Mergers & Acquisitions and Capital Advisory -- Revenue associated with non-refundable retainers are recognized on a straight-line basis over the life of the engagement. Revenue associated with success fee transactions are recognized when the transaction is completed.
- Technology Consulting -- Revenue associated with hardware and software sales are recognized upon delivery and acceptance. Revenue associated with installation and service agreements are recognized as services are performed. Consulting revenue is recognized on an hourly or per diem fee basis.

- Valuation and Property Tax -- Revenue associated with retainer contracts are recognized on a straight-line basis over the life of the contract, which is generally twelve months. Revenue associated with contingency arrangements is recognized once written notification is received from an outside third party (e.g., assessor in the case of a property tax engagement) acknowledging that the revenue cycle has been completed.
- Surety -- Revenue is recognized as bonds are written. With regard to a retrospective contingent arrangement with a certain carrier, revenue is recognized based on performance measured by comparing loss ratios for each respective underwriting year to target loss ratios set by the carrier.
- Physician Practice Management -- Revenue is recognized when collections are received on our clients' patient accounts.

#### VALUATION OF ACCOUNTS RECEIVABLE

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specifically, management must make estimates of the collectability of our accounts receivable, including work-in-progress (unbilled accounts receivable), related to current period service revenue. Management analyzes historical bad debts, client credit-worthiness, and current economic trends and conditions when evaluating the adequacy of the allowance for doubtful accounts. Significant management judgments and estimates must be made and used in connection with establishing the allowance for doubtful accounts in any accounting period. Material differences may result if management made different judgments or utilized different estimates. Our accounts receivable balance was \$119.6 million, net of allowance for doubtful accounts of \$13.3 million as of December 31, 2001.

#### VALUATION OF GOODWILL

At December 31, 2001, CBIZ had approximately \$247.5 million of goodwill associated with prior acquisitions. Goodwill is amortized on a straight-line basis over the expected periods to be benefited, not to exceed 15 years. We evaluate continually the period of amortization and recoverability of goodwill based on an evaluation of such factors as the occurrence of a significant adverse event or change in the environment in which the business operates or if the expected future net cash flows, undiscounted and without interest, would become less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related business. Beginning in fiscal 2002, CBIZ will adopt the provisions of SFAS 142, and accordingly, will cease amortization of our remaining goodwill balance and evaluate goodwill for impairment using the new fair value impairment guidelines of SFAS 142. In 2001, CBIZ recorded \$21.9 million of goodwill amortization expense. This change to a new method of accounting for goodwill could result in an impairment charge in fiscal 2002, although such charge (if any) has yet to be determined.

#### LOSS CONTINGENCIES

Loss contingencies, including litigation claims, are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Disclosure is required when there is a reasonable possibility that the ultimate loss will exceed the recorded provision. Contingent liabilities are often resolved over long time periods. Estimating probable losses requires analysis that often depends on judgment about potential actions by third parties.

#### OTHER SIGNIFICANT POLICIES

Other significant accounting policies not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the consolidated financial statements. Those policies are described in Note 1 to the consolidated financial statements contained herein.

## NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" and Statement No. 142, "Goodwill and Other Intangible Assets". SFAS 141 provides for the elimination of the pooling-of-interests method of accounting for business combinations completed on or after July 1, 2001. SFAS 142 will require that goodwill and other intangible assets with indefinite useful lives no longer be amortized, but rather tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 is effective for fiscal years beginning after December 15, 2001. CBIZ plans to adopt SFAS 142 in its fiscal year beginning January 1, 2002. As of the date of adoption, CBIZ will have \$247.5 million of unamortized goodwill, which will be subject to the transition provisions of SFAS 142. Amortization expense related to goodwill was approximately \$21.9 million and \$29.2 million for the years ended December 31, 2001 and 2000, respectively. Because of the extensive effort required to comply with the new pronouncements, it is not practicable to reasonably estimate the impact of adopting these statements on CBIZ's consolidated financial statements at this time, including whether any transitional impairment losses will be required to be recognized as a cumulative effect of a change in accounting principle.

In August 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations." SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, and (or) the normal operation of a long-lived asset, except for certain obligations of lessees. The provisions of SFAS 143 will be effective for fiscal years beginning after June 15, 2002, however earlier application is permitted. CBIZ does not believe SFAS 143 will have a significant impact on our financial position and results of operations.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISK

**Quantitative Information About Market Risk.** CBIZ's floating rate debt under its credit facility exposes the Company to interest rate risk. A change in the Federal Funds Rate, or the Reference Rate set by the Bank of America (San Francisco), would affect the rate at which CBIZ could borrow funds under its credit facility. If market interest rates were to increase or decrease immediately and uniformly by 100 basis points from the levels at December 31, 2001, interest expense would increase or decrease by \$0.6 million annually. CBIZ has entered into an interest rate swap to minimize the potential impact of future increases in interest rates. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Interest Rate Risk Management," for a further discussion of this financial instrument.

CBIZ does not engage in trading market risk sensitive instruments. Except for the interest rate swap discussed above, CBIZ does not purchase instruments, hedges, or "other than trading" instruments that are likely to expose CBIZ to market risk, whether foreign currency exchange, commodity price or equity price risk. CBIZ has not issued debt instruments, entered into forward or futures contracts, or purchased options.

**Qualitative Information About Market Risk.** CBIZ's primary market risk exposure is that of interest rate risk. A change in the Federal Funds Rate, or the reference rate set by the Bank of America (San Francisco), would affect the rate at which CBIZ could borrow funds under its credit facility. See "Quantitative Information about Market Risk" for a further discussion on the potential impact of a change in interest rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements and Supplementary Data required hereunder are included in this Annual Report as set forth in Item 14(a) hereof.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information appearing under the caption "Proposal No. 1 -- Election of Directors" in CBIZ's definitive proxy statement relating to the 2002 Annual Stockholders Meeting is incorporated herein by reference.

The following table sets forth certain information regarding the directors, executive officers and certain key employees of CBIZ. Each executive officer of CBIZ named in the following table has been elected to serve until his successor is duly appointed or elected or until his earlier removal or resignation from office. No arrangement or understanding exists between any executive officer of CBIZ and any other person pursuant to which he or she was selected as an officer.

NAME	AGE	POSITION(S)
----- EXECUTIVE OFFICERS AND DIRECTORS:		
(1).....	68	Chairman of the Board
Michael G. DeGroot		
(1).....	56	Chief Executive Officer and Director
Steven L. Gerard		
(1).....	40	President and Chief Operating Officer
Ware H. Grove		
(1).....	51	Senior Vice President and Chief Financial Officer
Douglas R. Gowland		
.....	60	Senior Vice President
Leonard Miller		
.....	62	Senior Vice President, Business Solutions
Robert A. O'Byrne		
.....	45	Senior Vice President, Benefits Administration & Insurance Services Group
Rick L. Burdick		
(2).....	50	Director
Joseph S. DiMartino		
(3).....	58	Director
Harve A. Ferrill		
(3).....	69	Director
Richard C. Rochon		
(3).....	44	Director
OTHER KEY EMPLOYEES:		
.....	56	Chief Technology Officer
Teresa E. Bruce		
.....	37	Vice President, Human Resources
Chris Spurio		
.....	36	Vice President, Finance
Kelly J. Kuna		
.....	32	Controller
Michael W. Gleespen		
.....	43	Corporate Secretary and General Counsel

- (1) Member of Management Executive Committee
- (2) Member of Audit Committee
- (3) Member of Compensation Committee

EXECUTIVE OFFICERS AND DIRECTORS:

Michael G. DeGroot has served as Chairman of the Board of CBIZ since April 1995. Mr. DeGroot also served as Chief Executive Officer and President of CBIZ from April 1995 to October 1996 and from November 1997 to April 1999. Since April 1999 to October 2000, Mr. DeGroot has served as Chief Executive Officer. Mr. DeGroot served as Chairman of the Board, President and Chief Executive Officer of Republic Industries, Inc., now known as AutoNation, Inc., from May 1991 to August 1995. Mr. DeGroot founded Laidlaw Inc., a Canadian waste services and transportation company in 1959. In 1988, Mr. DeGroot sold his controlling interest in Laidlaw to Canadian Pacific Limited. Mr. DeGroot served as President and Chief Executive Officer of Laidlaw from 1959 until 1990. Mr. DeGroot currently serves on the Board of Directors of AutoNation, Inc.

Steven L. Gerard was appointed Chief Executive Officer and Director on

October 12, 2000. Mr. Gerard was Chairman and CEO of Great Point Capital, Inc., a provider of operational and advisory services from 1997 to

October 2000. From 1991 to 1997, he was Chairman and CEO of Triangle Wire & Cable, Inc. and its successor Ocean View Capital, Inc. Mr. Gerard's prior experience includes 16 years with Citibank, N.A. in various senior corporate finance and banking positions, including ultimately Senior Managing Director, responsible for the risk management of Citibank's commercial and investment banking activities in the United States, Europe, Australia and Japan. Further, Mr. Gerard served seven years with the American Stock Exchange, where he last served as Vice President of the Securities Division. Mr. Gerard also serves on the Boards of Directors of Fairchild Company, Inc., Lennar Corporation, Aviation Sales Company and Joy Global, Inc.

Jerome P. Grisko, Jr. has served as President and Chief Operating Officer of CBIZ since February 1, 2000. Mr. Grisko joined CBIZ as Vice President, Mergers & Acquisitions in September 1998 and was promoted to Senior Vice President, Mergers & Acquisitions and Legal Affairs in December of 1998. Prior to joining CBIZ, Mr. Grisko was associated with the law firm of Baker & Hostetler LLP, where he practiced from September 1987 until September 1998, serving as a partner of such firm from January 1995 to September 1998. While at Baker & Hostetler, Mr. Grisko concentrated his practice in the area of mergers, acquisitions and divestitures.

Ware H. Grove has served as Senior Vice President and Chief Financial Officer of CBIZ since December 2000. Before joining CBIZ, Mr. Grove served as Senior Vice President and Chief Financial Officer of Bridgestreet Accommodations, Inc., which he joined in early 2000 to restructure financing, develop strategic operating alternatives, and assist with merger negotiations. Prior to joining Bridgestreet, Mr. Grove served for three years as Vice President and Chief Financial Officer of Lesco, Inc. In 1994, Mr. Grove joined Revco D.S., Inc., as Vice President and Treasurer. During his tenure at Revco, a publicly held company acquired by CVS Corporation in 1997, Mr. Grove helped integrate an acquisition that doubled Revco's size and restructured the company's credit facility. Since beginning his career in corporate finance in 1972, Mr. Grove has held various financial positions with large companies representing a variety of industries, including Computerland/Vanstar, Manville Corporation, The Upjohn Company, and First of America Bank.

Douglas R. Gowland has served as a Senior Vice President since November 1997. Mr. Gowland served as a Director of CBIZ from April 1995 through November 1997. From April 1995 until October 1996, Mr. Gowland served as CBIZ's Executive Vice President and Chief Operating Officer. From January 1992 to April 1995, Mr. Gowland served as Vice President -- Hazardous Waste Operations of Republic Industries, Inc., the predecessor of AutoNation, Inc. From March 1991 to January 1992, Mr. Gowland served as Vice President of DRG Environmental Management, Inc. Prior thereto, he served as President of Great Lakes Environmental Systems, Ltd.

Leonard Miller has served as CBIZ Business Solutions Practice Head since November 2000 and was appointed Senior Vice President in February 2002. Mr. Miller was the President and Director of Financial Operations for Miller Wagner & Company, Ltd. in Phoenix, Arizona for 22 years before the firm joined the Century Business Services family and became Miller Wagner Business Services, Inc. and Miller Wagner & Company, PLLC. Mr. Miller was the Regional Managing Partner for Lester Witte and Company, and was responsible for 11 of its offices prior to co-founding Miller Wagner & Company, Ltd. With over 38 years of experience, Mr. Miller is a recognized expert in the fields of finance, real estate, general business consulting and various litigation support matters. Professional affiliations include the American Institute of Certified Public Accountants (AICPA), the Arizona Society of Certified Public Accountants (ASCPA) and the Illinois Society of Certified Public Accountants (ISCPA).

Robert A. O'Byrne has serves as a Senior Vice President of CBIZ since December 1998 and is responsible for CBIZ's Benefits Administration & Insurance Services Group. Mr. O'Byrne served as President and Chief Executive Officer of employee benefits brokerage/consulting firms Robert D. O'Byrne and Associates, Inc. and The Grant Nelson Group, Inc. prior to their acquisition by CBIZ in December 1997. Mr. O'Byrne has more than 23 years of experience in the insurance and benefits consulting field.

Rick L. Burdick has served as a Director of CBIZ since November 1997, when he was elected as an outside director. Mr. Burdick has been a partner at the law firm of Akin, Gump, Strauss, Hauer & Feld, L.L.P. since April 1988. Mr. Burdick serves on the Board of Directors of AutoNation, Inc.

Joseph S. DiMartino has served as a Director of CBIZ since November 1997, when he was elected as an outside director. Mr. DiMartino has been Chairman of the Board of the Dreyfus Family of Funds since January 1995. Mr. DiMartino served as President, Chief Operating Officer and Director of The Dreyfus Corporation from October 1982 until December 1994 and also served as a director of Mellon Bank Corporation. Mr. DiMartino also serves on the Board of Directors of Quikcat.com, Plan Vista Corporation, Carlyle Industries, Inc., The Newark Group, and the Muscular Dystrophy Association.

Harve A. Ferrill has served as a Director of CBIZ since October 1996, when he was elected as an outside director. Mr. Ferrill served as Chief Executive Officer and Chairman of Advance Ross Corporation, a company that provides tax refunding services ("ARC"), from 1992 to 1996. Mr. Ferrill served as President of Advance Ross Corporation from 1990 to 1992. Since 1996, Advance Ross Corporation has been a wholly-owned subsidiary of Cendant Corporation. Mr. Ferrill has served as President of Ferrill-Plauche Co., Inc., a private investment company, since 1982.

Richard C. Rochon has served as a Director of CBIZ since October 1996, when he was elected as an outside director. Mr. Rochon is Chairman and Chief Executive Officer of Royal Palm Capital Partners, a private investment and management fund. From 1985 to February 2002, Mr. Rochon served in various capacities with, and most recently as, President of Huizenga Holdings, Inc., a management and holding company owned by H. Wayne Huizenga. Mr. Rochon also served, as a director since September 1996 and as Vice Chairman since April 1997, of Boca Resorts, Inc., the owner and operator of luxury resort properties in South Florida. From 1979 until 1985, Mr. Rochon was employed as a certified public accountant by the public accounting firm of Coopers & Lybrand, L.L.P. Mr. Rochon also serves on the Board of Directors of Citizens Bancshares of South Florida.

#### OTHER KEY EMPLOYEES:

George A. Dufour was appointed Chief Technology Officer in July 2001. Prior to joining CBIZ, Mr. Dufour served as Corporate Director of Information Access Services for University Hospitals Health Systems (UHHS), where he achieved substantial cost savings by consolidating IS resources throughout the health system. Prior to joining UHHS in 1999, Mr. Dufour acted as Vice President and CIO for Akron General Health Systems. From 1986 through 1994, Mr. Dufour was with Blue Cross/Blue Shield of Ohio and served most recently there as Director of Information Systems Development. Mr. Dufour commenced his career in information technology, which includes tenures at Cook United, Cole National Corporation, General Tire & Rubber, Picker Corporation, and Sherwin Williams, in 1971 as the Director of Education for the Institute of Computer Management, a division of Litton Industries. Mr. Dufour is a member of the northeast Ohio chapter of the Healthcare Information Management Systems Society.

Teresa E. Bruce has served as Vice President of Human Resources since January 1999. From 1995 to 1999 Ms. Bruce served as Director of Human Resources for Robert D. O'Byrne & Associates, Inc. and The Grant Nelson Group, Inc., subsidiaries of CBIZ now known as CBIZ Benefits and Insurance Services, Inc. Ms. Bruce has over 15 years of experience in human resources and is an active member of the Greater Kansas City Chapter of The Human Resources Management Association and Society of Human Resources Management.

Chris Spurio has served as Vice President of Finance since July 1999. Previously, Mr. Spurio was Controller since January 1998. Mr. Spurio also served as Acting Chief Financial Officer from May 2000 to December 2000. Mr. Spurio was associated with KPMG LLP, an international accounting firm, from July 1988 to January 1998, serving as a Senior Manager of such firm from July 1995 to January 1998. Mr. Spurio is a CPA and a member of the American Institute of Certified Public Accountants and the Ohio Society of Certified Public Accountants.

Kelly J. Kuna has served as Corporate Controller since July 1999. Mrs. Kuna served as Manager of External Reporting from December 1998 to June 1999. Prior to joining CBIZ, Mrs. Kuna was associated with KPMG LLP, an international accounting firm, from 1992 to December 1998, serving as a Senior Manager of such firm from July 1998 to December 1998. Mrs. Kuna is a CPA and a member of the American Institute of Certified Public Accountants and the Ohio Society of Certified Public Accountants.

Michael W. Gleespen has served as Corporate Secretary and General Counsel since June 2001 and General Counsel since June 2001. Mr. Gleespen is an attorney and has served as CBIZ's Vice President of Regulatory Compliance and Accountancy Compliance Officer and Technical Director since February 1998. Prior to joining



CBIZ, Mr. Gleespen was an Assistant Ohio Attorney General in the Business & Government Regulation Section and the Court of Claims Defense Section from 1988 until 1998, during which time he was counsel to the Ohio Accountancy Board, the Ohio State Teachers Retirement System and represented many other state departments and agencies. Mr. Gleespen also held the post of Associate Attorney General for Pension, Disability and Annuity Plans and was the Co-Chairman of the Public Pension Plan Working Group. Mr. Gleespen is a member of the Board of Directors of the Cancer Hope Foundation and is a member of the American Society of Corporate Secretaries.

#### ITEM 11. EXECUTIVE COMPENSATION

Information with respect to this item is incorporated by reference from the discussion under the heading "Executive Compensation" in CBIZ's definitive proxy statement for the 2002 Annual Stockholders' Meeting to be filed with the Securities and Exchange Commission no later than 120 days after the end of CBIZ's fiscal year.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to this item is incorporated by reference from CBIZ's definitive proxy statement for the 2002 Annual Stockholders' Meeting to be filed with the Securities and Exchange Commission no later than 120 days after the end of CBIZ's 2001 fiscal year.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following is a summary of certain agreements and transactions between or among CBIZ and certain related parties. It is CBIZ's policy to enter into transactions with related parties on terms that, on the whole, are no less favorable than those that would be available from unaffiliated parties. Based on CBIZ's experience and the terms of its transactions with unaffiliated parties, it is the Board of Directors' belief that the transactions described below met these standards at the time of the transactions.

A number of the businesses acquired since October 1996 are located in properties owned indirectly by and leased from persons employed by CBIZ. In the aggregate, CBIZ paid approximately \$1.5 million, \$1.5 million and \$2.1 million for the years ended 2001, 2000 and 1999, respectively, under such leases which management believes were at market rates.

Rick L. Burdick, a director of CBIZ, is a partner of Akin, Gump, Strauss, Hauer & Feld, L.L.P. (Akin, Gump.) Akin, Gump performed legal work for CBIZ during 2001, 2000 and 1999 for which the firm received \$68,540, \$116,000 and \$458,742 from CBIZ, respectively.

CBIZ and/or its subsidiaries maintain joint-referral relationships and service agreements with licensed CPA firms under which CBIZ subsidiaries provide administrative services (including office, bookkeeping, accounting, and other administrative services, preparing marketing and promotion materials, and leasing of administrative and professional staff) in exchange for a fee. A number of CBIZ employees own interests in the independent companies maintaining administrative services agreements with CBIZ. Leonard Miller, a Senior Vice President, owned a 14.29% interest in an independent company maintaining an administrative services agreement with a CBIZ subsidiary. Under the agreement, the independent company paid CBIZ \$2,438,026 to pay for costs related to the use of CBIZ office space and facilities, and administrative and professional staff in the engagements of the independent company.

Robert A. O'Byrne, a Senior Vice President, was indebted to CBIZ in the amount of \$325,000 at December 31, 2001 and 2000. Mr. O'Byrne also has an interest in a partnership that receives commissions from CBIZ that are paid to certain eligible benefits and insurance producers in accordance with a formal program to provide benefits in the event of death, disability, retirement or other termination. The note and the program were both in existence at the time CBIZ acquired the former company, of which Mr. O'Byrne was an owner.

CBIZ has divested several operations during 2001, in an effort to rationalize the business and sharpen the focus on non-strategic businesses. In accordance with this strategy, CBIZ has sold and may sell in the future businesses to former employees or shareholders. Management believes these transactions were priced at market rates, competitively bid, and entered into at arm's length terms and conditions.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Annual Report or incorporated by reference:

1. Financial Statements.

As to financial statements and supplementary information, reference is made to "Index to Financial Statements" on page F-1 of this Annual Report.

2. Financial Statement Schedules.

As to financial statement schedules, reference is made to "Index to Financial Statements" on page F-1 of this Annual Report.

3. Exhibits.

The following documents are filed as exhibits to this Form 10-K pursuant to Item 601 of Regulation S-K.

EXHIBIT NO.  
DESCRIPTION

- - - - -  
- - - - -

- 3.1

Amended and Restated Certificate of

Incorporation of CBIZ (filed as Exhibit 3.1 to CBIZ's Registration Statement on Form 10, file no. 0-25890, and incorporated herein by reference).

3.2

Certificate of Amendment of the Certificate of

Incorporation of CBIZ dated October 18, 1996 (filed as Exhibit 3.2 to CBIZ's Annual Report on Form 10-K for the year ended December 31, 1996, and incorporated herein by reference).

3.3

Certificate of Amendment of the Certificate of

Incorporation of CBIZ effective December 23, 1997 (filed as Exhibit 3.3 to CBIZ's

Annual  
Report on  
Form 10-K  
for the year  
ended  
December 31,  
1997, and  
incorporated  
herein by  
reference).

3.4

Certificate  
of Amendment  
of the  
Certificate  
of  
Incorporation  
of CBIZ  
dated  
September  
10, 1998  
(filed as  
Exhibit 3.4  
to CBIZ's  
Annual  
Report on  
Form 10-K  
for the year  
ended  
December 31,  
1998, and  
incorporated  
herein by  
reference).

3.5 Amended  
and Restated  
Bylaws of  
CBIZ (filed  
as Exhibit  
3.2 to  
CBIZ's

Registration  
Statement on  
Form 10,  
file no. 0-  
25890, and  
incorporated  
herein by  
reference).

4.1 Form of  
Stock  
Certificate  
of Common  
Stock of  
CBIZ (filed  
as Exhibit  
4.1 to  
CBIZ's  
Annual

Report Form  
10-K for the  
year ended  
December 31,  
1998, and  
incorporated  
herein by  
reference).

4.4 CBIZ  
Business  
Services  
Employee  
Stock

Investment  
Plan (filed  
as exhibit  
4.4 to  
CBIZ's

Report on  
Form S-8  
filed June  
1, 2001, and  
incorporated  
herein by  
reference).

10.1 Amended  
and Restated

Credit Agreement dated as of October 3, 1997, and as Amended and Restated as of August 10, 1998 and August 24, 1999 by and among CBIZ and Bank of America, N.A. as Agent and Letter of Credit Issuing Bank and Swing Line Bank and Other Financial Institutions (filed as Exhibit 99.9 to CBIZ's Report on Form 10-Q for the period ended September 30, 1999, and incorporated herein by reference).

10.2 First Amendment to Amended and Restated Credit Agreement dated March 24, 2000, by and among CBIZ and the Lenders party to the Credit Agreement (filed as exhibit 10.2 to CBIZ's Annual Report on Form 10-K for the year ended December 31, 2000, and incorporated herein by reference).

10.3 Second Amendment to Amended and Restated Credit Agreement dated May 12, 2000, by and among CBIZ and the Lenders party to the Credit Agreement (filed as exhibit 10.3 to CBIZ's Annual Report on Form 10-K for the year ended

December 31,  
2000, and  
incorporated  
herein by  
reference).

EXHIBIT NO.  
DESCRIPTION

-----  
--- 10.4  
Third  
Amendment  
to Amended  
and  
Restated  
Credit  
Agreement  
dated  
September  
22, 2000,  
by and  
among CBIZ  
and the  
Lenders  
party to  
the Credit  
Agreement  
(filed as  
Exhibit  
99.6 to  
CBIZ's  
Quarterly  
Report on  
Form 10-Q  
for the  
period  
ended  
September  
30, 2000,  
and  
incorporated  
herein by  
reference).  
10.5 Fourth  
Amendment  
to Amended  
and  
Restated  
Credit  
Agreement,  
dated March  
30, 2001,  
by and  
among CBIZ  
and the  
Lenders  
party to  
the Credit  
Agreement  
(filed as  
exhibit  
10.5 to  
CBIZ's  
Report on  
Form 10-K  
for the  
year ended  
December  
31, 2000,  
and  
incorporated  
herein by  
reference).  
10.6\* Fifth  
Amendment  
to Amended  
and  
Restated  
Credit  
Agreement,  
dated  
November 9,  
2001, by  
and among  
CBIZ and  
the Lenders  
party to  
the Credit

Agreement.

10.7 Form of Warrant to purchase 900,000 shares of CBIZ's common stock issued to Jackson National Life Insurance Company (filed as Exhibit 10.2 to CBIZ's Annual Report Form 10-K for the year ended December 31, 1998, and incorporated herein by reference).

10.8 1996 Employee Stock Option Plan (filed as Appendix I to CBIZ's Proxy Statement 1997 Annual Meeting of Stockholders dated April 1, 1997 and incorporated herein by reference).

10.9 Amendment to the 1996 Employee Stock Option Plan (filed as Exhibit 99.2 to CBIZ's Current Report on Form 8-K dated December 14, 1998, and filed January 12, 1999 and incorporated herein by reference).

10.10 Amendment to the 1996 Employee Stock Option Plan (filed on Secretary's Certificate as Exhibit 10.10 to CBIZ's Annual Report on Form 10-K for the year ended

December  
31, 2000,  
and  
incorporated  
herein by  
reference).

10.11  
Agents 1997  
Stock  
Option Plan  
(filed as  
Appendix II  
to CBIZ's  
Proxy  
Statement  
1997 Annual  
Meeting of  
Stockholders  
dated April  
1, 1997 and  
incorporated  
herein by  
reference).

10.12  
Severance  
Protection  
Agreement  
by and  
between  
Century  
Business  
Services,  
Inc. and  
Jerome P.  
Grisko, Jr.  
(filed as  
exhibit  
10.11 to  
CBIZ's  
Report on  
Form 10-K  
for the  
year ended  
December  
31, 2000,  
and  
incorporated  
herein by  
reference).

10.13  
Severance  
Protection  
Agreement  
by and  
between  
Century  
Business  
Services,  
Inc. and  
Charles D.  
Hamm, Jr.  
(filed as  
exhibit  
10.12 to  
CBIZ's  
Report on  
Form 10-K  
for the  
year ended  
December  
31, 2000,  
and  
incorporated  
herein by  
reference).

10.14  
Employment  
Agreement  
by and  
between  
Century  
Business  
Services,  
Inc. and  
Steven L.  
Gerard.



(filed as exhibit 10.13 to CBIZ's Report on Form 10-K for the year ended December 31, 2000, and incorporated herein by reference).

10.15 Employment Agreement by and between Century Business Services, Inc. and Ware H. Grove.

(filed as exhibit 10.14 to CBIZ's Report on Form 10-K for the year ended December 31, 2000, and incorporated herein by reference).

10.16\* Note and Warrant Purchase agreement by and between HarborView Partners, LLC, and Century Business Services, Inc, dated September 26, 2001.

21.1\* List of Subsidiaries of Century Business Services, Inc. 23\* Consent of KPMG LLP 24\* Powers of attorney (included on the signature page hereto).

-----  
\* Indicates documents filed herewith.

(b) Reports on Form 8-K

There were no Current Reports on Form 8-K filed during the three months ended December 31, 2001.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Century has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CENTURY BUSINESS SERVICES, INC.  
(Registrant)

By: /s/ WARE H. GROVE

-----  
Ware H. Grove  
Chief Financial Officer March 29,  
2002

KNOW ALL MEN BY THESE PRESENTS that each person whose signature appears below on this Annual Report hereby constitutes and appoints Steven L. Gerard and Ware Grove, and each of them, with full power to act without the other, his true and lawful attorney-in-fact and agent, with full power of substitution for him and his name, place and stead, in all capacities (until revoked in writing), to sign any and all amendments to this Annual Report of Century Business Services, Inc. and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary fully to all intents and purposes as he might or could do in person, thereby ratifying and confirming all that each attorney-in-fact and agent, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report has been signed below by the following persons on behalf of Century Business Services, Inc. and in the capacities and on the date indicated above.

/s/ STEVEN L. GERARD

-----  
Steven L. Gerard  
Chief Executive Officer and Director

/s/ MICHAEL G. DEGROOTE

-----  
Michael G. DeGroot  
Chairman of the Board

/s/ WARE H. GROVE

-----  
Ware H. Grove  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

/s/ RICK L. BURDICK

-----  
Rick L. Burdick  
Director

/s/ JOSEPH S. DIMARTINO

-----  
Joseph S. DiMartino  
Director

/s/ HARVE A. FERRILL

-----  
Harve A. Ferrill  
Director

/s/ RICHARD C. ROCHON

-----  
Richard C. Rochon  
Director

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

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1999..... F-  
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for the year ended December 31,  
1999..... F-36 Schedule IV --  
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1999.....  
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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Century Business Services, Inc.:

We have audited the consolidated financial statements of Century Business Services, Inc. and Subsidiaries (Company) as listed in the accompanying index on page F-1. In connection with our audits of the consolidated financial statements, we also have audited the consolidated financial statement schedules as listed in the accompanying index on page F-1. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Century Business Services, Inc. and Subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in note 1 and note 17 to the consolidated financial statements, the Company adopted Securities and Exchange Commission Staff Accounting Bulletin No. 101 and changed certain revenue recognition policies effective January 1, 2000.

/s/ KPMG LLP

Cleveland, Ohio  
February 19, 2002

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2001 AND 2000

(IN THOUSANDS, EXCEPT PER SHARE DATA)

2001	2000	ASSETS
		Current assets: Cash and cash equivalents..... \$
4,340	\$ 15,970	Restricted cash and funds held for clients..... 50,847 80,590
		Accounts receivable, less allowance for doubtful accounts of \$13,319 and \$22,156.....
		119,612 142,682
		Notes receivable -- current..... 2,260 667
		Income taxes recoverable..... 2,798
		22,519
		Deferred income taxes..... 6,213 9,895
		Other current assets..... 11,133
		13,864 ----- Total current assets..... 197,203 286,187
		Goodwill, net of accumulated amortization of \$73,145 and \$47,261.....
		247,462 281,268
		Property and equipment, net of accumulated depreciation of \$39,514 and \$29,813..... 54,189
		59,349
		Notes receivable -- non-current..... 5,000 3,564
		Deferred income taxes -- non-current..... 7,429
		2,028
		Other assets.....
		12,125 17,098 ----- Total Assets..... \$523,408
		\$649,494 =====
		LIABILITIES
		Current liabilities: Accounts payable..... \$
22,116	\$ 35,220	Notes payable and capitalized leases -- current..... 1,201 4,382
		Client fund obligations..... 36,108
		39,719
		Accrued expenses..... 36,554
		45,455 ----- Total current liabilities..... 95,979 124,776
		Bank debt.....
		55,000 117,500
		Notes payable and capitalized leases -- non-current..... 951 1,432
		Accrued expenses..... 831
		18,848 ----- Total Liabilities..... 152,761
		262,556 ----- STOCKHOLDERS' EQUITY
		Common stock, par value \$.01 per share Authorized -- 250,000 shares Issued and outstanding -- 94,879 shares at December 31, 2001; 94,697 shares at December 31, 2000..... 949
		947
		Additional paid-in capital..... 439,136 438,681
		Accumulated deficit..... (67,906)
		(51,906)
		Treasury stock.....
		(1,308) (754)
		Accumulated other comprehensive loss..... (224) (30) -----
		Total Stockholders' Equity.....
370,647	386,938	Commitments and Contingencies -----
		Total Liabilities and Stockholders' Equity.....
		\$523,408 \$649,494 =====

See the accompanying notes to the consolidated financial statements.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	2001	2000	1999	
Revenue.....	\$526,867	\$ 567,815	\$546,393	Operating
expenses.....	510,029	454,051		Gross
margin.....	66,312	57,786	92,342	Corporate general and
administrative.....			19,797	24,694
			19,138	
			42,084	44,335
			23,470	Merger-
related.....				
5,789				Operating income
(loss).....	4,431	(11,243)		
43,945				Other income (expense):
Interest expense.....	(6,819)	(12,113)	(6,602)	Goodwill
impairment.....	(48,198)	--	--	Loss on sale of operations,
net.....	(7,113)	(31,576)	(7,067)	
Other income (expense), net.....	3,838	(7,509)	(4,397)	Total
other expense, net.....	(10,094)			
(99,396)	(18,066)			Income (loss) from continuing operations
before income tax expense				
(benefit).....	(5,663)			
(110,639)	25,879			Income tax expense
(benefit).....	10,337	(3,379)		
14,449				Income (loss) from
continuing operations.....	(16,000)			
(107,260)	11,430			Loss from operations of discontinued
business, net of income tax benefit of \$0, \$1,261 and				
\$1,068, respectively.....	--	(1,214)	(3,596)	Loss on
disposal of discontinued business, net of income tax				
benefit of \$0, \$3,002 and \$210, respectively.....	--	(5,697)	(391)	Income (loss)
--	(5,697)	(391)		before cumulative effect of change in accounting
principle.....	(16,000)			
(114,171)	7,443			Cumulative effect of change in accounting
principle, net of income tax benefit of				
\$7,936.....	--	(11,905)	--	
				Net income
(loss).....	\$ (16,000)			
\$(126,076)	\$ 7,443			Earnings
(loss) per share: Basic: Continuing				
operations.....	\$ (0.17)	\$		
(1.13)	\$ 0.13			Discontinued
operations.....	--	(0.07)	(0.04)	
Cumulative effect of change in accounting principle....	--			
(0.13)	--			Net income
(loss).....	\$ (0.17)	\$		
(1.33)	\$ 0.09			Diluted:
Continuing operations.....	\$			
(0.17)	\$ (1.13)	\$ 0.12		Discontinued
operations.....	--	(0.07)	(0.04)	
Cumulative effect of change in accounting principle....	--			
(0.13)	--			Net income
(loss).....	\$ (0.17)	\$		
(1.33)	\$ 0.08			Weighted-average
common shares outstanding:				
Basic.....				
94,818	94,674	86,851		
Diluted.....				
94,818	94,674	91,702		

See the accompanying notes to the consolidated financial statements.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(IN THOUSANDS)

RETAINED ACCUMULATED  
 ADDITIONAL EARNINGS  
 UNEARNED OTHER COMMON  
 PAID-IN (ACCUM. ESOP  
 TREASURY COMPREHENSIVE  
 SHARES STOCK CAPITAL  
 DEFICIT) SHARES STOCK  
 INCOME (LOSS) TOTALS --  
 -----  
 -----

---- December 31,  
 1998..... 79,560  
 \$795 \$336,743 \$ 69,327  
 \$(2,549) \$ (74) \$ 119  
 \$404,361 Comprehensive  
 income: Net  
 income..... -- --  
 - - 7,443 - - - -  
 7,443 Foreign  
 translation and  
 other..... -- --  
 - - - - 63 63  
 Change in unrealized  
 appreciation, net of  
 tax..... -- --  
 - - - - (2,656)  
 (2,656) -----

-----  
 - Total comprehensive  
 income..... -- --  
 - 7,443 - - - (2,593)  
 4,850 -----

-----  
 Pre-merger transactions  
 of pooled entities....  
 - - (32) (2,600) - -  
 74 - - (2,558)

Allocation of ESOP  
 shares.....  
 - - 164 - - - -  
 164 Purchase of  
 treasury  
 stock.....  
 - - - - 754 (754) -  
 - - Stock

issuances.....  
 1,744 18 24,982 - - -  
 - - 25,000 Stock  
 options..... 1 --  
 267 - - - - 267

Warrants.....  
 4,365 44 18,480 - - -  
 - - 18,524 Business  
 acquisitions and  
 contingent  
 payments.....  
 7,671 76 62,448 - - -  
 - - 62,524 -----

-----  
 ----- December 31,  
 1999..... 93,341  
 933 443,052 74,170  
 (1,795) (754) (2,474)  
 513,132 Comprehensive  
 loss: Net  
 loss..... -- --  
 - - (126,076) - - - -  
 (126,076) Change in  
 unrealized  
 appreciation, net of  
 tax..... -- --





## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(IN THOUSANDS)

2001	2000	1999	
			Cash flows
			from operating activities: Income (loss) from
			continuing operations..... \$(16,000)
			\$ (107,260) \$ 11,430 Adjustments to reconcile net
			income (loss) from continuing operations to net cash
			provided by (used in) operating activities:
			Consolidation and integration
			accrual..... -- -- 20,366 Bad debt
			expense, net of recoveries..... 8,725
			26,693 9,831 Accounts receivable reduction due to
			change in accounting
			principle..... -- 19,209 -
			- Note impairment
			charge..... -- 1,640 8,952
			Loss on sale of
			operations..... 7,113 31,576
			7,067 Depreciation and
			amortization..... 42,084 44,335
			23,470 Goodwill
			impairment..... --
			48,198 -- Deferred income
			taxes..... (1,719)
			(1,494) (8,787) Changes in assets and liabilities, net
			of acquisitions and dispositions: Accounts receivable,
			net..... 4,238 (20,946)
			(57,661) Other
			assets.....
			3,107 (2,872) (8,164) Accounts
			payable.....
			(10,035) (6,715) 83 Income
			taxes.....
			19,721 (7,734) (22,766) Accrued expenses and other
			liabilities..... (1,018) (8,251) (14,485)
			Other,
			net..... 34
			1,068 4,791 ----- Net cash
			provided by (used in) operating
			activities.....
			56,250 17,447 (25,873) -----
			Cash flows from investing activities: Business
			acquisitions, net of cash acquired and contingent
			consideration.....
			(1,665) (8,973) (42,994) Proceeds from dispositions of
			businesses..... 14,005 34,599 --
			Additions to property and
			equipment..... (12,926) (20,136)
			(33,725) Net (increase) decrease in notes
			receivable..... (842) 2,194 1,402 ----- -
			----- Net cash provided by (used in)
			investing
			activities.....
			(1,428) 7,684 (75,317) -----
			Cash flows from financing activities: Proceeds from
			bank debt..... 27,900
			102,600 226,000 Proceeds from notes payable and
			capitalized leases..... 478 3,296 13,003 Payment of
			bank debt.....
			(90,400) (129,100) (126,000) Payment of notes payable
			and capitalized leases..... (4,135) (10,838)
			(55,989) Pre-merger equity
			transactions..... -- -- (2,558)
			Proceeds from stock issuances, net of treasury
			repurchase.....
			(410) 17 25,000 Proceeds from exercise of stock
			options and warrants..... 115 124 18,791 ----- ---
			----- Net cash provided by (used in)
			financing
			activities.....
			(66,452) (33,901) 98,247 -----
			Net decrease in cash and cash
			equivalents..... (11,630) (8,770)
			(2,943) Cash and cash equivalents at beginning of
			year..... 15,970 24,740 27,683 -----
			----- Cash and cash equivalents at end of

year..... \$ 4,340 \$ 15,970 \$ 24,740  
=====

See the accompanying notes to the consolidated financial statements.  
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CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Century Business Services, Inc. and subsidiaries (CBIZ) is a diversified services company, which, acting through its subsidiaries, provides professional outsourced business services primarily to small and medium-sized businesses, as well as individuals, governmental entities, and not-for-profit enterprises throughout the United States and Toronto, Canada. CBIZ offers integrated services through its three divisions: business solutions, benefits and insurance services, and national practices.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of CBIZ and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Accounting Estimates

In preparing the consolidated financial statements, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term highly liquid investments with a maturity of three months or less at the date of purchase. The carrying amount approximates fair value because of the short maturity of those instruments.

Restricted Cash and Funds Held for Clients

Restricted cash represents funds on deposit from clients related to its payroll and payroll tax filing services, and insurance related services. In addition, a portion of restricted cash pertains to fees earned by CBIZ in relation to its capital and investment advisory services, as those funds are restricted in accordance with applicable NASD regulations.

As part of its payroll and payroll tax filing services, CBIZ is engaged in the preparation of payroll checks, federal, state, and local payroll tax returns, and the collection and remittance of payroll obligations. In relation to its payroll services, CBIZ collects payroll funds from its client's account in advance of paying the client's employees. Likewise, for its payroll tax filing services, CBIZ collects payroll taxes from its clients in advance of paying the various taxing authorities. Those funds that are collected before they are due are invested in short-term investment grade instruments. The funds held for clients and the related client fund obligations are included in the consolidated balance sheets as current assets and current liabilities, respectively. The amount of collected but not yet remitted funds for CBIZ's payroll and tax filing services varies significantly during the year.

For its insurance business, funds on deposit from clients, pertains to the administering and settling of claims, and the pass through of insurance premiums to the carrier. A related liability for these funds is recorded in accrued expenses and other liabilities in the consolidated balance sheets.

Derivative Instruments and Hedging Activities

In January 2001, CBIZ adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 requires that entities recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Gains and losses resulting from

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

changes in the fair values of those derivatives are to be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. CBIZ entered into an interest rate swap agreement which qualifies as a cash flow hedge in 2001. For the year ended December 31, 2001, the change in fair value relating to CBIZ's hedging activity resulted in a loss of approximately \$0.2 million, which is recorded in stockholders equity under accumulated other comprehensive loss.

#### Other Financial Instruments

The carrying amount of CBIZ's accounts receivable and payables approximates fair value because of the short maturity of these instruments. The carrying value of bank debt approximates fair value, as the interest rate on the bank debt is variable and approximates current market rates.

#### Goodwill

Goodwill is being amortized on a straight-line basis over the expected periods to be benefited. During the fourth quarter of 1999, CBIZ shortened its goodwill amortization period from periods up to 40 years to 15 years, beginning October 1, 1999. It is CBIZ's policy to evaluate continually the period of amortization and recoverability of goodwill based on an evaluation of such factors as the occurrence of a significant adverse events or change in the environment in which the business operates, or if the expected future net cash flows, undiscounted and without interest, would become less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related businesses.

During 2001, CBIZ reduced goodwill by \$13.8 million as a result of the divestiture or closing of eight business units in 2001 and the planned divestiture or closing of an additional two business units in 2002. During 2000, CBIZ recorded a goodwill impairment charge of \$48.2 million, and goodwill was reduced by \$27.2 million as a result of the divestiture of two business units and the planned divestiture of two additional business units in 2000. See notes 16 and 18 for additional information regarding these charges.

Amortization expense from continuing operations was approximately \$21.9 million, \$29.2 million, and \$12.7 million in 2001, 2000, and 1999, respectively.

#### Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided on the straight-line basis over estimated useful lives.

#### Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

#### Revenue Recognition and SAB 101

Revenue is recognized only when all of the following are present: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, our fee to the client is fixed or determinable, and collectibility is reasonably assured. CBIZ offers a vast array of outsourced business services to its clients. Those

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

services are delivered through three divisions. A description of revenue recognition, as it relates to those divisions, is provided below:

**BUSINESS SOLUTIONS** -- Revenue consists primarily of fees for accounting services, preparation of tax returns and consulting services. Revenues are recorded in the period in which they are earned. CBIZ bills clients based upon a predetermined agreed upon fixed fee or actual hours incurred on client projects at expected net realizable rates per hour, plus any out-of-pocket expenses. The cumulative impact on any subsequent revision in the estimated realizable value of unbilled fees for a particular client project is reflected in the period in which the change becomes known.

**BENEFITS & INSURANCE** -- Revenue consists primarily of brokerage and agency commissions, and fee income for administering health and retirement plans. Commissions relating to brokerage and agency activities whereby CBIZ has primary responsibility for the collection of premiums from insureds are generally recognized as of the latter of the effective date of the insurance policy or the date billed to the customer. Commissions to be received directly from insurance companies are generally recognized when the amounts are determined. Life insurance commissions are recorded on the accrual basis. Commission revenue is reported net of sub-broker commissions. Contingent commissions are generally recognized when received. Fee income is recognized as services are rendered.

**NATIONAL PRACTICES** -- The business units that comprise this division offer a variety of services. A description of revenue recognition associated with the primary services is provided below:

- Mergers & Acquisitions and Capital Advisory -- Revenue associated with non-refundable retainers are recognized on a straight-line basis over the life of the engagement. Revenue associated with success fee transactions are recognized when the transaction is completed.
- Technology Consulting -- Revenue associated with hardware and software sales are recognized upon delivery and acceptance. Revenue associated with installation and service agreements are recognized as services are performed. Consulting revenue is recognized on an hourly or per diem fee basis.
- Valuation and Property Tax -- Revenue associated with retainer contracts are recognized on a straight-line basis over the life of the contract, which is generally twelve months. Revenue associated with contingency arrangements is recognized once written notification is received from an outside third party (e.g., assessor in the case of a property tax engagement) acknowledging that the revenue cycle has been completed.
- Surety -- Revenue is recognized as bonds are written. With regard to a retrospective contingent arrangement with a certain carrier, revenue is recognized based on performance measured by comparing loss ratios for each respective underwriting year to target loss ratios set by the carrier.
- Physician Practice Management -- Revenue is recognized when collections are received on our clients' patient accounts.

During the fourth quarter of 2000, CBIZ adopted Securities and Exchange Commission Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in the Financial Statements." SAB 101 summarizes certain of the Commission's views in applying generally accepted accounting principles to revenue recognition in financial statements. In light of the guidance given by SAB 101 and the SEC's "Frequently Asked Questions and Answers" bulletin released on October 12, 2000, CBIZ changed certain revenue recognition policies effective January 1, 2000.

Due to this change, CBIZ recorded a cumulative adjustment in the first quarter 2000 of \$11.9 million (net of tax benefit of \$7.9 million). The impact in 2000 of adopting SAB 101 resulted in a reduction in revenue of approximately \$18.2 million, a reduction in operating expense of approximately \$11.4 million, and a reduction in income from continuing operations (before cumulative effect of accounting change) of approximately \$6.8 mil-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

lion (pretax). See note 6 for the impact on deferred taxes and note 18 for the impact on previously reported quarterly financial information.

Earnings per Share

Basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of shares outstanding for the period. Diluted earnings per share include the dilutive effect of stock options, warrants and contingent shares.

Stock Options

Compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. CBIZ provides pro forma net income and pro forma earnings per share disclosures for employee stock option grants as if the fair-value-based method had been applied. See note 11 to the consolidated financial statements.

Reclassifications

Certain amounts in the prior periods consolidated financial statements have been reclassified to conform to the current year's presentation.

2. ACCOUNTS RECEIVABLE

Accounts receivable for the year ended December 31, 2001 and 2000 were as follows:

2001	2000	-----	-----	Trade accounts
receivable.....				receivable.....
\$110,046	\$132,558			Work-in-process, at net
				realizable value.....
32,280		-----	-----	22,885
receivable.....				Total accounts
132,931	164,838			receivable.....
				Less allowance for doubtful
				accounts.....
(22,156)		-----	-----	(13,319)
				Accounts
				receivable,
net.....				net.....
\$119,612	\$142,682	=====	=====	\$119,612

3. NOTES RECEIVABLE

At December 31, 2001 and 2000, notes receivable consist largely of a note receivable taken in connection with the spin off of the hazardous waste operations to the stockholders of Republic Industries, Inc. in 1997. The remaining balance consists of notes from divestitures, which occurred during 2001, and a note receivable totaling \$1 million related to HarborView Partners LLC (HarborView). In accordance with the agreement between HarborView and CBIZ, CBIZ may provide working capital up to \$2.5 million contingent upon the growth of HarborView.

4. INVESTMENTS

Included in other assets (non-current) at December 31, 2001 and 2000, are investments accounted for under the cost method of accounting of \$2.2 million and \$2.7 million, respectively. CBIZ acquired an ownership interest of approximately 20% in Fundscape.com, which was being accounted for under the equity method in 1999. In 2000, CBIZ's ownership interest dropped to 11% and is currently being accounted for under the cost method. CBIZ also has a 3% ownership interest in QuikCAT.com, which is being accounted for under the cost method. At December 31, 2001 and 2000, CBIZ's investment in QuikCAT.com was \$1.3 million and \$1.8 million, respectively. In addition, CBIZ has an outstanding trade receivable from QuikCAT.com of \$0.5 million at both December 31, 2001 and 2000. Although the market value of CBIZ's investments in

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

Fundscape.com and QuikCAT.com are not readily determinable, management believes the fair value of these investments approximates their carrying amounts.

5. PROPERTY AND EQUIPMENT

Property and equipment, net at December 31, 2001 and 2000 consisted of the following (in thousands):

2001	2000	-----	-----	Buildings and improvement.....
\$ 10,428	\$ 8,420			Furniture and fixtures.....
21,160	21,063			Equipment and capitalized software.....
59,679		-----	-----	93,703 89,162
				Accumulated depreciation and amortization.....
(29,813)		-----	-----	(39,514)
				\$ 54,189 \$ 59,349
		=====	=====	

Depreciation and amortization expense (excluding goodwill amortization expense) was approximately \$20.2 million, \$15.2 million and \$10.8 million 2001, 2000 and 1999, respectively.

6. INCOME TAXES

A summary of income tax expense (benefit) included in the consolidated statements of operations is as follows (in thousands):

2001	2000	1999	-----	-----	-----	Continuing operations: Current: Federal and international.....
						\$ 7,894 \$ 1,789 \$20,991 State and local.....
						4,162 798 2,245 -----
						12,056 2,587 23,236
						Deferred.....
						(1,719) (5,966) (8,787) -----
						Total continuing operations.....
						10,337 (3,379) 14,449 Discontinued operations.....
						-- (1,261) (1,068) Loss on sale of discontinued operations.....
						-- (3,002) (210) Cumulative effect of change in accounting principle.....
						-- (7,936) -----
						\$10,337 \$(15,578) \$13,171 =====

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

The provision (benefit) for income taxes attributable to earnings (loss) from continuing operations differed from the amount obtained by applying the federal statutory income tax rate to income (loss) from continuing operations before income taxes, as follows (in thousands):

2001	2000	1999	-----	-----	-----	Tax at
						statutory rate.....
\$ (1,982)	\$ (38,724)	\$ 9,058				State taxes (net of
			(129)	(1,171)		federal benefit).....
			658			Change in valuation
				1,503	700	--
						Nondeductible
					6,432	goodwill.....
			21,853	3,837		Acquired nontaxable
						entities..... -- --
					(1,762)	Disposal of non-core business
			3,998	13,022	2,163	Other,
					515	net.....
941	495					Provision (benefit)
						for income taxes from continuing
						operations.....
\$10,337	\$ (3,379)	\$14,449	=====	=====	=====	Effective income tax
						rate..... (182.6)% 3.1%
55.8%	=====	=====	=====	=====	=====	Pro forma effective
						income tax rate on pooled
						entities.....
			(182.6)%	3.1%	62.6%	=====

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities from continuing operations at December 31, 2001 and 2000, are as follows (in thousands):

2001	2000	-----	-----	Deferred Tax Assets: Net
				operating loss
carryforwards.....		\$ 7,062		
		\$ 4,382		Allowance for doubtful
accounts.....		4,530	5,612	
				Consolidation and
integration.....		1,357		
2,547				Cumulative change in accounting principle
(SAB 101).....		3,723	7,936	Goodwill
impairment.....				
		5,597	4,014	Nondeductible
reserve.....				
		1,387	1,707	Other deferred tax
assets.....		670		
1,486				Total gross deferred tax
assets.....		24,326	27,684	
				Less: valuation
allowance.....		(2,679)		
(1,176)				Net deferred tax
assets.....		21,647		
26,508				Deferred Tax Liabilities:
				Change in accounting
method.....		2,940		
7,351				Disposal of non-core business
units.....		1,333	1,816	Asset
				basis
differential.....				
		3,632	3,345	Other deferred tax
liabilities.....		100		
2,073				Total gross deferred tax
liabilities.....		8,005	14,585	
				Net deferred tax
asset.....				
		\$13,642	\$11,923	=====

CBIZ had U.S. net operating loss (NOL) carryforwards of approximately \$5.5 million at December 31, 2001 and 2000, from the separate return years of certain acquired entities. These losses are subject to limitations regarding the offset of CBIZ's future taxable income and will begin to expire in 2007. CBIZ has a Canadian NOL carryforward, of which the balance was approximately \$3.3 million and \$3.6 million at December 31, 2001, and



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

2000, respectively. The Canadian NOL carryforward begins to expire in 2006. CBIZ also had state NOL carryforwards with a tax benefit of \$3.5 million and \$0.8 million at December 31, 2001 and 2000, which have various expiration dates. The availability of all the NOL's is reported in the financial statements as deferred tax assets, net of the applicable valuation allowance.

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. CBIZ determines a valuation allowance based on its analysis of amounts available in the statutory carryback period, consideration of future deductible amounts, and assessment of the separate company profitability of certain acquired entities. CBIZ has established valuation allowances for portions of the U.S., Canadian, and state NOL carryforwards. The net change in the valuation allowance for the years ended December 31, 2001 and 2000 was an increase of \$1.5 million and \$0.4 million, respectively, and was recorded as an addition to income tax expense. The portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill of acquired entities is \$0.5 million at December 31, 2001 and 2000.

CBIZ made income tax payments of \$14.8 million in 2001, and received refunds in the amount of \$23.8 million.

7. BANK DEBT, NOTES PAYABLE AND CAPITALIZED LEASES

Bank debt, notes payable and capitalized leases, consist of the following (in thousands):

DECEMBER 31, -----	2001	2000	-----	----
---- Bank debt: Revolving credit facilities, effective rates of 4.9% to 10.625%.....	\$55,000	\$117,500	=====	=====
Weighted average rate.....			7.6%	8.7%
===== Notes payable and capitalized leases: Promissory notes payable to former owners of acquired businesses, primarily non-interest bearing.....	\$ 170	\$ 367		
Other notes payable, effective rates of 4.75% to 7.0%, due 2002 to 2007.....			1,610	
Capitalized leases, effective rates of 6.5% to 22.4%, payable in installments through 2005.....	372	705	-----	-----
	2,152	\$ 5,814	=====	=====

CBIZ has a \$90 million revolving credit facility with a group of 11 banks. Under the facility, loans are charged an interest rate consisting of a base rate (offshore or domestic) plus an applicable margin. Additionally, a commitment fee of 35 to 50 basis points is charged on the unused portion of the facility. Borrowings and commitments by the banks under the credit facility mature in August 2003. As security for the payment on the credit facility debt, CBIZ has assigned to the lending group a continuing security interest in accounts receivables of its subsidiaries, except for accounts receivable with any governmental authority.

In the ordinary course of business, CBIZ provides letters of credit to certain lessors in lieu of security deposits. Letters of credit under the credit facility were \$1.5 million and \$0.6 million as of December 31, 2001, and 2000, respectively. Management does not believe it is practicable to estimate the fair value of these financial instruments, and does not expect any material losses to result from these off-balance sheet instruments because performance is not expected to be required.

In November, 2001 CBIZ completed an amendment to its existing credit facility with its lenders. The amendment provided the following changes to the credit facility: 1) EBITDA targets were reset for the periods

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

ended September 30, 2001 and each quarter thereafter through December 31, 2002; 2) the covenant that ties the level of borrowing to the level of accounts receivable was revised to set the borrowing base for accounts receivable and work-in-process to 90 days; 3) the loan commitment was reduced from \$140 million to \$90 million, with a subsequent planned reduction to \$80 million at June 30, 2002; 4) the applicable margin pertaining to the interest rates was increased by 25 basis points for each level on the pricing grid, and 5) restrictions were placed on the use of funds for the repurchase of CBIZ stock.

The bank credit agreement contains certain financial covenants. These covenants require CBIZ to maintain (i) minimum consolidated net worth; (ii) minimum consolidated leverage ratio; (iii) maximum interest coverage ratio; and (iv) minimum EBITDA levels. CBIZ is in compliance with its covenants as of December 31, 2001.

The bank credit agreement also places significant restrictions on CBIZ's ability to create liens or other encumbrances, to make certain payments (including dividends), investments, loans and guarantees and to sell or otherwise dispose of a substantial portion of assets, or to merge or consolidate with an unaffiliated entity. The agreement contains a provision that, in the event of a defined change in control, the agreement may be terminated.

At December 31, 2001, aggregate maturities of notes payable, bank debt and capitalized leases, were as follows (in thousands):

YEARS ENDING DECEMBER 31, -	-----
2002.....	\$ 1,201
2003.....	55,419
2004.....	264
2005.....	183
2006.....	38
Thereafter.....	47 ----- \$57,152 =====

Management believes that the carrying amounts of bank debt, notes payable and capitalized leases recorded at December 31, 2001 approximate fair values.

8. COMMITMENTS AND CONTINGENCIES

Operating Leases

CBIZ leases certain of its premises and equipment under various operating lease agreements. At December 31, 2001, future minimum rental commitments becoming payable under all operating leases are as follows (in thousands):

YEARS ENDING DECEMBER 31, -	-----
2002.....	\$ 23,531
2003.....	19,331
2004.....	16,908
2005.....	13,328
2006.....	11,242
Thereafter.....	26,236 ----- \$110,576 =====

Total rental expense incurred under operating leases was approximately \$30.4 million, \$27.4 million, and \$26.3 million in 2001, 2000 and 1999, respectively.

## Legal Proceedings

Since September 1999, seven purported stockholder class-action lawsuits were filed against Century and certain of its current and former directors and officers, including Michael G. DeGroote, Charles D. Hamm, Jr., Gregory J. Skoda, Keith W. Reeves, Fred M. Winkler, and Jerome P. Grisko, and have been consolidated as In Re Century Business Services Securities Litigation, Case No. 1:99CV2200, in the United States District Court for the Northern District of Ohio. The plaintiffs alleged that the named defendants violated certain provisions of the Securities Exchange Act of 1934 and certain rules promulgated thereunder in connection with certain statements made during various periods from February 1998 through January 2000 by, among other things, improperly amortizing goodwill and failing adequately to monitor changes in operating results. The consolidated complaint seeks damages in an unspecified amount. The United States District Court has appointed lead plaintiff and lead counsel. CBIZ has filed a motion to dismiss. Responses and replies have been filed by the parties. The Court has not yet ruled on the motion. There has been no discovery in any of these actions.

CBIZ and the named officer and director defendants deny all allegations of wrongdoing made against them in these actions and intend to vigorously defend each of these lawsuits. Although the ultimate outcome of such litigation is uncertain, based on the allegations contained in the complaints, management does not believe that these lawsuits will have a material adverse effect on the financial condition, results of operations or cash flows of CBIZ.

On or about May 6, 2000, certain former shareholders of a company acquired by Century filed suit -- Hanan et al. v. Century Business Services, Inc. and Gregory J. Skoda, Case No. 407495 (Ohio Ct. Common Pleas) -- alleging that CBIZ fraudulently induced them to enter into merging with the Company and breached the Agreement and Plan of Merger and Executive Employment Agreements plaintiffs entered into in connection with the merger. Following the commencement of discovery and prior to trial, the parties settled all of the litigation between them on confidential terms that management believes were favorable to CBIZ.

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

## 9. CONSOLIDATION AND INTEGRATION RESERVE

During the fourth quarter of fiscal 1999, Century's Board of Directors approved a plan (the 1999 Plan) to consolidate several operations in multi-office markets and integrate certain back-office functions into a shared-services center. The plan included the consolidation of at least 60 office locations, the elimination of more than 200 positions (including Corporate), and the divestiture of four small, non-core businesses. Pursuant to the plan, Century recorded a consolidation and integration pre-tax charge of \$27.4 million, which included \$4.8 million for severance and \$9.4 million for obligations under various noncancellable leases that were committed to prior to plan approval, for which no economic benefit to Century would be subsequently realized.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

Consolidation and integration reserve balances as of December 31, 2001, 2000 and 1999, and activity during the twelve-month periods ended December 31, 2001 and 2000 were as follows (in thousands):

1999 PLAN OTHER PLANS -----				
----- LEASE SEVERANCE & LEASE				
CONSOLIDATION BENEFITS CONSOLIDATION -----				
----- Reserve				
balance at December 31, 1999.....	\$			
9,400	\$ 4,150	\$ --	Amounts adjusted to income	
(1).....	(5,901)	(2,445)	2,385	
Payments.....				
(656)	(1,256)	--	-----	
Reserve balance at December 31,				
2000.....	2,843	449	2,385	Amounts
adjusted to income (1).....			(495)	
(234)	940			
Payments.....				
(1,251)	(215)	(1,030)	-----	
Reserve balance at December 31,				
2001.....	\$ 1,097	\$ --	\$ 2,295	=====
	=====	=====		

(1) Amounts adjusted to income are included in operating expense and corporate general and administrative expense in the accompanying consolidated statement of operations for the twelve-month periods then ended. See the table below for the respective amounts recorded in each line item.

As a result of executive management changes (including the replacement of Century's President and Chief Operating Officer) and certain strategic changes in the first quarter of fiscal 2000, Century revisited the extent of its planned integration and consolidation initiatives and extended the timing of certain office consolidations beyond one year. Century's Board of Directors approved the revision to the plan on March 31, 2000. Accordingly, Century reduced approximately \$4.4 million and \$1.4 million of accruals originally provided for in the plan related to the aforementioned noncancellable lease obligations and severance obligations, respectively. During the third quarter of 2000, Century reduced the lease accrual by \$1.5 million for the planned consolidation in the Philadelphia market place that has been postponed. Severance amounts of \$1.1 million were reversed during the third quarter, representing several leaders business managers originally accrued for in the plan, which were either not terminated or did not receive a severance package.

During 2000, the consolidation of offices in Atlanta, Dallas, Orlando, and Phoenix were completed, with the remaining planned consolidations in progress.

During 2001, CBIZ reduced approximately \$0.6 million of accruals related to non-cancelable lease obligations, due to the fact that the consolidations in the San Jose and St. Louis markets will not be completed within the original timeframe, offset by the addition of \$0.1 million of accruals to cover lease costs under the original plan not subleased in the original time frame. CBIZ also reduced approximately \$0.2 million of accruals related to severance due to the accrual being higher than the actual severance expense for those consolidations that have been completed.

In addition to the consolidation activity described above that relates to the original accrual, CBIZ has incurred expenses related to noncancellable lease obligations related to consolidations in other markets, abandonment of leases, and severance obligations related to these consolidations, as well as expense-reduction initiatives. For the twelve month periods ended December 31, 2001, charges related primarily to the consolidation activity in the Chicago, Philadelphia, Phoenix, Cleveland, Columbus, and Southern California markets. During the fourth quarter of 2000, expenses were incurred related to the consolidation of two operating units in the Los Angeles market place. Also, CBIZ incurred costs (net of sublease income) related to abandonment of lease space in Philadelphia and Columbia, Maryland.



statements of stockholders' equity.

#### 11. COMMON STOCK

CBIZ's authorized common stock consists of 250,000,000 shares of common stock, par value \$0.01 per share (Common Stock). The holders of CBIZ's common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. There are no cumulative voting rights with respect to the election of directors. Accordingly, the holder or holders of a majority of the outstanding shares of Common Stock will be able to elect the directors of CBIZ then standing for election as terms expire. Holders of Common Stock have no preemptive rights and are entitled to such dividends as may be declared by the Board of Directors of CBIZ out of funds legally available therefor. The Common Stock is not entitled to any sinking fund, redemption or conversion provisions. On liquidation, dissolution or winding up of CBIZ, the holders of Common Stock are entitled to share ratably in the net assets of CBIZ remaining after the payment of any and all creditors. The outstanding shares of Common Stock are duly authorized, validly issued, fully paid and nonassessable. The transfer agent and registrar for the Common Stock is U.S. Bank, N.A.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

CBIZ completes registration filings related to its Common Stock to register shares under the Securities Act of 1933. To date, CBIZ has registered the following shares of Common Stock for the following purposes: (i) approximately six million shares of our common stock, part of a Shelf Registration Statement, of which a majority has yet to be sold thereunder;; (ii) \$125 million in shares of our Common stock, debt securities, and warrants to purchase common stock or debt securities, of which \$100 million remain available to be offered from time to time to the public under our universal shelf registration statement; and (iii) 15,000,000 shares of our Common Stock, all of which remain available to be offered from time to time in connection with acquisitions under our acquisition shelf registration statement.

In February 1999, CBIZ issued 1,800,000 restricted shares of common stock and 900,000 warrants to an outside party for a \$25 million equity investment in CBIZ. Fifty percent of the common stock is subject to a one-year lock-up restriction, while the remaining common stock is subject to a two-year lock-up restriction, and warrants to purchase shares of common stock may be exercised under the following terms: 300,000 shares for three years at \$20 per share; 300,000 shares for four years at \$25 per share; and 300,000 for five years at \$30 per share.

## TREASURY STOCK

In August 2001, CBIZ's Board of Directors authorized the implementation of a share repurchase plan. The initial plan authorized the purchase of up to one million shares of CBIZ's common stock over the first six months of the plan. In accordance with the plan, CBIZ purchases shares through the open market and can privately negotiate purchases and reserve them for possible use in the future in connection with acquisitions, the employee stock investment plan and other general purposes. The repurchase program does not obligate CBIZ to acquire any specific number of shares and may be suspended at any time. As of December 31, 2001, CBIZ repurchased 170,000 shares at a cost of \$0.4 million.

During the fourth quarter 2001, CBIZ's credit facility was amended, which included the removal of a certain provision that had allowed a portion of the credit facility to be used toward CBIZ's Share Repurchase Program.

## EMPLOYEE STOCK INVESTMENT PLAN

Effective June 1, 2001, CBIZ announced the Employee Stock Investment Plan which provides CBIZ employees with a method of purchasing shares of CBIZ's common stock, \$.01 par value per share. Participation in the plan is open to all CBIZ employees whose payroll is processed by the designated CBIZ payroll provider. CBIZ pays all opening and transaction charges, other than those due upon the sale of the shares.

Participants may also purchase shares of CBIZ Stock by making optional cash investments in accordance with the provisions of the Plan. Shares of CBIZ Stock purchased by participants in the Plan may be treasury or new issue stock, or at CBIZ's option, CBIZ Stock purchased in the open market or negotiated transactions. Treasury or new issue stock is purchased from CBIZ at the market price on the applicable investment date. The price of CBIZ Stock purchased in the open market or in negotiated transactions is the weighted average price at which the shares are actually purchased.

## WARRANTS

In connection with the spin off of the hazardous waste operations (including CBIZ's predecessor company) to the stockholders of Republic Industries, Inc. (the "RESI Transaction") in 1996, RESI agreed to issue to holders of unexpired warrants of its former parent, additional RESI warrants to acquire shares of RESI's Common Stock equal to one fifth of the number of shares available. At the Distribution date, RESI adjusted the per share exercise price of the RESI warrants to reflect the effect of the distribution on the market prices of RESI and its former parent's common stock. These warrants are designated as stapled warrants and expired at various

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

dates through December 2000. Prior to the expiration of such warrants, the holders of these warrants were able to exercise under the original terms of the warrants and receive CBIZ stock.

In addition to warrants issued through the RESI Transaction, CBIZ also issued warrants in connection with private placements completed in October 1996, December 1996, and April 1997, and granted warrants in connection with certain acquisitions made during 1997. Portions of the warrants issued in connection with 1997 acquisitions are restricted from being transferred in accordance with various lock-up agreements between the former shareholders of the acquired entities and CBIZ.

During 1999, certain holders of warrants issued in connection with 1997 acquisitions gave up demand registration rights due to them. In November 1999, the Board of Directors extended the expiration dates of the aforementioned warrant holders by an additional twelve months in consideration of forgoing demand registration rights. In December 1999, the Board of Directors extended the expiration dates of certain warrants outstanding from the December 1996 and April 1997 private placements through June 2000. As consideration for the extension of the term, the holders of the warrants will pay the original exercise price, plus a premium for each month from the original expiration date to the exercise date, upon exercise of the warrants.

Information relating to warrants to purchase common stock is summarized below (in thousands):

	2001	2000	1999	-----	-----	-----	Outstanding at
beginning of year.....							6,170 10,012
						13,477	
Granted/issued.....						-- -- 900	
Expired/cancelled.....						(4,370) (3,786) --	
Exercised.....						-- (56) (4,365) -----	Outstanding at end of
year (a).....						1,800 6,170 10,012	
						=====	Exercisable at end of
year.....						1,800 6,170 10,012	
						=====	

- - - - -

(a) Exercise prices for warrants outstanding at December 31, 2001 ranged from \$13.00 to \$30.00. Exercise prices for warrants outstanding at December 31, 2000 ranged from \$3.875 to \$30.00. Exercise prices for warrants outstanding at December 31, 1999 ranged from \$1.60 to \$30.00.

STOCK OPTIONS

Under the 1997 Agents Stock Option Plan, a maximum of 1,200,000 options may be awarded. The purpose of the plan is to provide performance-based compensation to certain insurance agencies and individual agents who write quality surety business for CBIZ's insurance subsidiaries. The options vest only to the extent the agents satisfy minimum premium commitments and certain loss ratio performance criteria. The options terminate in June 2002, or earlier under certain conditions, including termination of the agency agreement.

Under the 1996 Employee Stock Option Plan, a maximum of 13,000,000 options may be awarded. The options awarded are subject to a 20% incremental vesting schedule over a five-year period commencing from the date of grant. The options are awarded at a price not less than fair market value at the time of the award and expire six years from the date of grant. Further, under the 1996 plan 250,000 options were granted to non-employee directors. These options became exercisable immediately upon being granted with a six-year expiration term from the date of grant.

Prior to the RESI Transaction, certain options were granted to employees, directors and affiliates of RESI's former parent company. When RESI was spun-off in April 1995 (the "Distribution Date"), optionees received options to acquire RESI Common Stock at the ratio of one RESI option for each five options under the former parent's 1990 and 1991 Stock Option plans. The outstanding options at the Distribution Date and the RESI options granted with respect thereto are stapled and are only exercisable if exercised together. As a result of the



CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

sale of RESI in July 1997, options under these plans became fully vested. These options remain vested as long as the optionee is employed by the former parent, RESI or their affiliates. The option price is based on the fair market value of the common shares on the date of grant.

Information relating to the stock option plans is summarized below (in thousands):

2001	2000	1999	-----	-----	-----	Outstanding at
beginning of year.....						7,858
	5,394	3,581	Granted			
(a).....	3,420	4,501	1,951	Exercised		
(b).....	(34)	--	(2)	Expired or		
canceled.....	(1,592)	(2,037)	(136)	-----	-----	-----
				Outstanding at end of year		
(c).....	9,652	7,858	5,394			
=====	=====	=====	=====	Exercisable at end of year		
(d).....	3,086	1,870	969			
=====	=====	=====	=====	Available for future grant at		
the end of year.....	3,472	2,301	2,806			
	=====	=====	=====			

- (a) Options were granted at average prices of \$1.54, \$2.98 and \$14.05 in 2001, 2000 and 1999, respectively.
- (b) Options were exercised at a price of \$3.41 in 2001. No options were exercised in 2000. Options were exercised at prices ranging from \$1.08 to \$9.63 and averaging \$5.35 in 1999.
- (c) Exercise prices for options outstanding at December 31, 2001 ranged from \$1.08 to \$17.75 and averaged \$5.49 with expiration dates ranging from May 2002 to December 2007. Exercise prices for options outstanding at December 31, 2000 ranged from \$1.08 to \$17.75 and averaged \$8.17 with expiration dates ranging from May 2002 to December 2006. Exercise prices for options outstanding at December 31, 1999 ranged from \$1.08 to \$17.75 and averaged \$13.83 with expiration dates ranging from June 2000 to June 2005.
- (d) Exercise prices for options exercisable at December 31, 2001, 2000, and 1999 averaged \$8.50, \$11.59 and \$11.67, respectively.

Had the cost of stock option plans been determined based on the fair value of options at the grant date, CBIZ's net income (loss) and earnings (loss) per share pro forma amounts would be as follows (amounts in thousands, except per share data):

AS REPORTED PRO FORMA	-----	-----	-----
BASIC DILUTED	BASIC DILUTED	-----	-----
	-----	-----	-----
	2001 Net		
loss.....	\$ (16,000)	\$ (16,000)	\$ (19,205)
	(19,205)	=====	=====
	=====	=====	=====
	Net loss per		
share.....	\$ (0.17)	\$ (0.17)	\$ (0.20)
	=====	=====	=====
	=====	=====	=====
	2000 Net		
loss.....	\$(126,076)	\$(126,076)	\$(129,112)
	\$(129,112)	=====	=====
	=====	=====	=====
	Net loss per		
share.....	\$ (1.33)	\$ (1.33)	\$ (1.36)
	=====	=====	=====
	=====	=====	=====
	1999 Net		
income.....	\$ 7,443	\$ 7,443	\$ 5,067
	=====	=====	=====
	=====	=====	=====
	Net income per		
share.....	\$ 0.09	\$ 0.08	\$ 0.06
	=====	=====	=====
	=====	=====	=====

The above results may not be representative of the effects on net income for future years.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

## 13. SUPPLEMENTAL CASH FLOW DISCLOSURES

During 2001, CBIZ received consideration for divestitures of \$1.0 million in the form of notes receivable in lieu of cash. CBIZ also reduced approximately \$0.5 million of accruals for non-cancelable lease obligations and \$0.2 million for severance obligations due to changes in the consolidation and integration plan.

During 2000, CBIZ reduced approximately \$8.4 million of accruals for non-cancelable lease obligations and severance obligations due to changes in the consolidation and integration plan.

During 1999, CBIZ provided aggregate consideration of \$0.5 million in the form of notes payable (to mature within one year at a specified time) in lieu of cash in conjunction with two purchases of client lists.

## CASH PAID (RECEIVED) DURING THE YEAR FOR (IN THOUSANDS):

	2001	2000	1999	-----	-----	-----
Interest.....	\$ 6,916	\$12,156	\$ 6,813	=====	=====	===== Income
taxes.....	\$(8,982)	\$ 2,540	\$39,521	=====	=====	=====

## 14. RELATED PARTIES

The following is a summary of certain agreements and transactions between or among CBIZ and certain related parties. It is CBIZ's policy to enter into transactions with related parties on terms that, on the whole, are no less favorable than those that would be available from unaffiliated parties. Based on CBIZ's experience and the terms of its transactions with unaffiliated parties, it is the Board of Directors' belief that the transactions described below met these standards at the time of the transactions.

A number of the businesses acquired since October 1996 are located in properties owned indirectly by and leased from persons employed by CBIZ. In the aggregate, CBIZ paid approximately \$1.5 million, \$1.5 million and \$2.1 million for the years ended 2001, 2000 and 1999, respectively, under such leases which management believes were at market rates.

Rick L. Burdick, a director of CBIZ, is a partner of Akin, Gump, Strauss, Hauer & Feld, L.L.P. (Akin, Gump.) Akin, Gump performed legal work for CBIZ during 2001, 2000 and 1999 for which the firm received \$68,540, \$116,000 and \$458,742 from CBIZ, respectively.

CBIZ and/or its subsidiaries maintain joint-referral relationships and service agreements with licensed CPA firms under which CBIZ subsidiaries provide administrative services (including office, bookkeeping, accounting, and other administrative services, preparing marketing and promotion materials, and leasing of administrative and professional staff) in exchange for a fee. A number of CBIZ employees own interests in the independent companies maintaining administrative services agreements with CBIZ. Leonard Miller, a Senior Vice President, owned a 14.29% interest in an independent company maintaining an administrative services agreement with a CBIZ subsidiary. Under the agreement, the independent company paid CBIZ \$2,438,026 to pay for costs related to the use of CBIZ office space and facilities, and administrative and professional staff in the engagements of the independent company.

Robert A. O'Byrne, a Senior Vice President, was indebted to CBIZ in the amount of \$325,000 at December 31, 2001 and 2000. Mr. O'Byrne also has an interest in a partnership that receives commissions from CBIZ that are paid to certain eligible benefits and insurance producers in accordance with a formal program to provide benefits in the event of death, disability, retirement or other termination. The note and the program were both in existence at the time CBIZ acquired the former company, of which Mr. O'Byrne was an owner.

CBIZ has divested several operations during 2001, in an effort to rationalize the business and sharpen the focus on non-strategic businesses. In accordance with this strategy, CBIZ has sold and may sell in the future businesses to former employees or shareholders. Management believes these transactions were priced at market rates, competitively bid, and entered into at arm's length terms and conditions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

## 15. ACQUISITIONS

In May 2001, CBIZ acquired one business solutions firm which was accounted for under the purchase method of accounting. Accordingly, the operating results of the acquired company have been included in the accompanying consolidated financial statements since the date of the acquisition. The aggregate purchase price of this acquisition was approximately \$0.3 million in cash. The excess of the purchase price over fair value of the net assets acquired (goodwill) was approximately \$0.1 million, and is being amortized over a 15-year period.

During fiscal 2000, CBIZ acquired two businesses that were accounted for under the purchase method of accounting, and accordingly, the operating results of the acquired companies have been included in the accompanying consolidated financial statements since the dates of acquisition. The aggregate purchase price of these acquisitions was approximately \$2.5 million, comprised of \$1.4 million in cash, a \$0.8 million note payable, and 39,209 shares of restricted common stock (estimated fair value of \$0.3 million at acquisition). The aggregate purchase price has been allocated to the net assets of the acquired companies based upon their respective fair market values. The excess of the purchase price over fair value of net assets acquired (goodwill) approximated \$3.4 million and is being amortized over a 15-year period.

As a result of the nature of the assets and liabilities of the businesses acquired, there were no material identifiable intangible assets or liabilities. Future contingent consideration is recorded as additional purchase price when performance goals have been met and shares and cash have been released from escrow.

The pro forma revenue and results of operations for the acquisitions completed in 2001, 2000 and 1999, had the acquisitions occurred at the beginning of such fiscal years, are not significant, and accordingly, have not been provided.

Several pooling-of-interests transactions completed in 1999 involved enterprises that previously had not been subjected to income taxes. Accordingly, pro forma adjustments have been presented in the table below (\$ in thousands, except per share amounts).

1999 ----- Pro forma	
income data -- unaudited:	
Income (loss) from	
continuing	
operations.....	
\$11,430 Pro forma adjustment	
for income tax	
expense.....	1,762
----- Pro forma income	
from continuing	
operations.....	\$
9,668 ===== Pro forma	
earnings (loss) per share	
from continuing operations:	
Basic earnings (loss) per	
share.....	
\$ 0.11 ===== Diluted	
earnings (loss) per	
share.....	
\$ 0.11 =====	

## 16. DIVESTITURES

During fiscal 2001, CBIZ recorded a charge of \$7.1 million related to a) the divestiture of two business units previously announced in December 2000, b) the divestiture or closing of thirteen business units throughout 2001, and c) loss related to the planned divestiture or closing of five additional business units to be completed in 2002. The components of the charge recorded in fiscal 2001 are provided below:

- In the first quarter of 2001, CBIZ completed the sale of three non-core business operations for an aggregate price of \$2.4 million, which resulted in a pretax loss of \$0.1 million. CBIZ also recorded an additional charge of \$2.2 million related to the divestiture of another business unit that was completed in the second quarter of 2001.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

- In the second quarter of 2001, CBIZ completed the sale of three business units for an aggregate price of \$9.4 million, which resulted in a pretax gain of \$0.9 million. In addition, CBIZ closed three non-core business for a loss of less than \$0.1 million.
- In the third quarter of 2001, CBIZ completed the sale of a small insurance operation for an aggregate price of \$0.2 million, which resulted in a pretax gain of \$0.2 million.
- In the fourth quarter of 2001, CBIZ completed the sale of five non-core business operations for an aggregate price \$4.5 million, which resulted in a pretax gain of \$0.3 million. In addition, CBIZ identified five business units to be divested or closed, the expected proceeds from which are \$5.7 million. Based on the expected proceeds from these sales, CBIZ recorded a provision for loss on sale of approximately \$6.1 million.

During fiscal 2000, CBIZ recorded a charge of \$31.6 million related to a) the divestiture of three business units previously announced in December 1999, b) the sale of CBIZ's franchise operations announced on November 2, 2000, and c) loss related to the planned divestiture of two additional business units to be completed in 2001. The components of the charge recorded in fiscal 2000 are provided below:

- In the fourth quarter of 2000, CBIZ completed the sale of its franchise operation, Century Small Business Solutions, Inc. Proceeds from the sale were \$5.4 million, which resulted in loss on sale of approximately \$3.8 million. In addition, CBIZ identified two business units to be divested, the expected proceeds from which are \$15.5 million (comprised of \$9.5 million in cash and a \$6.0 million contingent note.) During 2001, CBIZ received \$0.5 million in cash, against this contingent note, which was recorded in other income. Based on the expected proceeds from these sales, CBIZ recorded a loss on sale of approximately \$27.2 million.
- In the first quarter of 2000, CBIZ completed the divestiture of three business units that were previously announced in December 1999 (see below) for an aggregate purchase price of \$1.2 million, resulting in an additional write-down of \$0.6 million.

In October 2000, CBIZ completed the sale of its risk-bearing specialty insurance segment (which included Century Surety Company, Evergreen National Indemnity Company, and Continental Heritage Insurance Company) for \$28 million, resulting in a loss on disposal of discontinued business, net of tax, of \$5.7 million for the year ended December 31, 2000. See Note 21 for further information regarding the risk-bearing specialty insurance segment.

In December 1999, CBIZ announced the divestiture of four smaller non-core business units. The assets of these businesses were written down to net realizable value (based on estimated sales proceeds), and resulted in an estimated loss of approximately \$7.1 million which is included in loss on operations held for sale in the accompanying consolidated statement of operations.

#### 17. CHANGE IN ACCOUNTING PRINCIPLE

During the fourth quarter of 2000, CBIZ adopted Securities and Exchange Commission Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognized in Financial Statements." SAB 101 summarizes certain of the Commission's views in applying generally accepted accounting principles to revenue recognition in financial statements. In light of the guidance given by SAB 101 and the SEC's "Frequently Asked Questions and Answers" bulletin released on October 12, 2000, CBIZ changed certain revenue recognition policies effective January 1, 2000.

Due to this change, CBIZ recorded a cumulative adjustment in the first quarter 2000 of \$11.9 million (net of tax benefit of \$7.9 million). The impact in 2000 of adopting SAB 101 resulted in a reduction in revenue of approximately \$18.2 million, a reduction in operating expenses of approximately \$11.4 million, and an increase in pretax loss from continuing operations (before cumulative effect of accounting change) of approximately

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

\$6.8 million. Prior to the issuance of SAB 101, CBIZ recorded revenue in a manner consistent with generally accepted accounting principles and industry practice. Based upon our review of SAB 101, CBIZ elected to change its revenue recognition policies for the following items.

- Commissions revenue due from insurance carriers from single-premium bank-owned life insurance policies (BOLI) are recorded based on the amounts due at the time of sale, thereby eliminating a substantial portion of commission receivable and resulted in an increase in deferred tax assets. Prior to SAB 101, CBIZ accrued for commission revenue from BOLI products based on the estimated commission to be received over the life of the insurance policy.
- Commission revenue contingent on meeting volume-based bonus levels are recorded once the volume threshold has been met. Prior to SAB 101, CBIZ accrued for such commission revenue periodically based on the probability of meeting or exceeding the required threshold.
- Revenue related to CBIZ's physician practice management services are recorded once payment is received for our client by the third-party payor, thereby eliminating unbilled receivables and resulted in an increase in deferred tax assets. Prior to SAB 101, CBIZ recognized revenue as services were provided to the client.
- Commission revenue at certain wholesale insurance businesses is reported net of sub-broker commissions, thereby reducing revenue and operating expense proportionately. Prior to SAB 101, commission revenue recognized at these units was reported on a "gross" basis. This change has no impact on net income.

Adoption of the aforementioned revenue recognition policies retroactive to 1999 would have produced the following pro forma results (in thousands, except per share amounts):

1999 ----- AS REPORTED:	Income before change in	
	accounting principle.....	\$7,443
	Income per share, basic.....	\$ 0.09
	Income per share,	
	diluted.....	\$ 0.08
	PRO	
	FORMA: Income assuming new accounting principle is	
	applied	
retroactively.....		
	\$2,571	Income per share,
	basic.....	\$ 0.03
	Income per share, diluted.....	\$
		0.03

CBIZ recognized \$10.1 million of revenue in 2000 which was included as a component of the cumulative effect of a change in accounting principle. During 2001, CBIZ recognized \$1.0 million of revenue.

18. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for fiscal years 2001 and 2000. CBIZ has included the following restated information below to demonstrate the effect on the first, second and

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

third quarters of fiscal year 2000 as if the provisions of SAB No. 101 (See Note 17, Change in Accounting Principle), had been applied as of the beginning of the fiscal year (in thousands, except per share amounts):

2001 -----				
-----				
	MARCH 31,	JUNE		
	30,	SEPTEMBER 30,	DECEMBER 31,	-----
-----				
	--			
Revenues.....				
\$162,375	\$132,663	\$117,931	\$113,898	
=====	=====	=====	=====	
Income (loss) from continuing				
operations.....				
\$ 9,347	\$ 1,964	\$ (9,155)	\$(18,156)	
=====	=====	=====	=====	
Net income				
(loss).....	\$ 9,347	\$		
1,964	\$ (9,155)	\$(18,156)	=====	
=====	=====	=====	Earnings	
(loss) per share: Basic -- Continuing				
operations.....	\$ 0.10	\$ 0.02		
\$ (0.10)	\$ (0.19)	=====	=====	
=====	=====	Net income		
(loss).....	\$ 0.10	\$ 0.02		
\$ (0.10)	\$ (0.19)	=====	=====	
=====	=====	Earnings (loss) per		
share: Diluted -- Continuing				
operations.....	\$ 0.10	\$ 0.02		
\$ (0.10)	\$ (0.19)	=====	=====	
=====	=====	Net income		
(loss).....	\$ 0.10	\$ 0.02		
\$ (0.10)	\$ (0.19)	=====	=====	
=====	=====	Basic		
shares.....				
94,825	94,903	94,919	94,754	=====
=====	=====	=====	Diluted	
shares.....	95,301			
97,099	94,919	94,754	=====	
=====	=====	=====		





CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

quarter events discussed below that contributed to CBIZ's net loss reported in the fourth quarter of 2000 (in thousands):

2000 ----- SAB 101 adjustments: Reduction of revenue.....	\$ 6,268
Reduction of expense.....	(4,192) ---
-----	
Subtotal.....	\$ 2,076
Consolidation and integration charges: Lease consolidation.....	\$ 2,395
Severance.....	
905 Other consolidation related charges.....	651 -----
Subtotal.....	\$ 3,951
3,951 Other charges: Goodwill impairment.....	48,198
Additional accounts receivable reserves and write-off's... 16,083 Loss on sale of divested businesses.....	31,576 Note
impairment.....	
1,640 Litigation and other asset impairment.....	14,978 -----
Total.....	\$118,502 =====

During the fourth quarter of 2000, CBIZ adopted SAB 101 which resulted in a change in accounting policy at certain business units. The change in accounting policy resulted in a \$6.3 million and \$18.1 million reduction of revenue for the three and twelve-month periods ended December 31, 2000. See Note 17 to the consolidated financial statements.

In connection with management's continual evaluation of the recoverability of goodwill and other long-lived assets, management considers in its evaluation, amongst other things, historical and projected operating performance of each business unit. Accordingly, and in connection with our fourth-quarter evaluation, management concluded that the goodwill associated with eleven business units was no longer recoverable through future operations based on a recent deterioration in current and projected operating performance at such units and accordingly, an impairment charge of approximately \$48.2 million was required to reduce such goodwill to estimated fair value.

During the latter half of 2000, CBIZ experienced significant disruption and management turnover at certain business units, which resulted in a deterioration of our accounts receivable portfolio in the fourth quarter of 2000. As a result, an extensive review was performed of all past due items in the fourth quarter, which resulted in a write-off of approximately \$8.8 million of accounts receivable, and an increase in the allowance for doubtful accounts by approximately \$7.3 million.

CBIZ recorded a loss on sale of operations of \$31.0 million in the fourth quarter of 2000. Such charges are the result of the sale of CBIZ's franchise operations announced November 2, 2000 at a loss of \$3.8 million, and the loss related to the planned divestiture of two additional business units to be completed in 2001 for \$27.2 million.

Litigation and other asset impairment recorded in the fourth quarter 2000 are primarily comprised of litigation matters that were either settled or reserved for (see Note 8 regarding legal proceedings); asset impairment and write-downs in connection with closing the operations in Toronto, Canada; and strategic changes in the business.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

## 19. SEGMENT DISCLOSURES

CBIZ's business units have been aggregated into three reportable segments: business solutions, benefits and insurance and national practices. The business units have been aggregated based on the following factors: similarity of the products and services; similarity of the regulatory environment; the long term performance of these units is affected by similar economic conditions; and the business is managed along these segment lines, which each report to a Practice Group Leader.

**Business Solutions.** The business solutions division offers services in the following areas: tax planning and preparation; cash flow management; strategic planning; consulting; record-keeping; federal, state and local tax return 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; corporate, partnership and fiduciary tax planning and return preparation; outsourced chief financial officer services and other financial staff services; financial investment analysis, succession, retirement, and estate planning; and profitability, operational and efficiency enhancement consulting to a number of specialized industries.

**Benefits and Insurance Services.** The Benefits and Insurance division offers services in the following areas: employee benefits, brokerage, consulting, and administration, including the design, implementation and administration of qualified plans, such as 401(k) plans, profit-sharing plans, defined benefit plans, and money purchase plans; actuarial services; health and welfare benefits consulting, including group health insurance plans; dental and vision care programs; group life insurance programs; accidental death and dismemberment and disability programs; COBRA administration and voluntary insurance programs; health care and dependent care spending accounts; premium reimbursement plans; communications services to inform and educate employees about their benefit programs; executive benefits consulting on non-qualified retirement plans and business continuation plans; specialty high-risk life insurance; employee benefit worksite marketing; and wealth management services, including Registered Investment Advisory Services, Investment Policy Statements, also known as IPS, mutual fund selection based on IPS and ongoing mutual fund monitoring.

**National Practices.** The National Practices division offers services in the following areas: payroll processing and administration; valuations of commercial, tangible, and intangible assets and financial securities; mergers and acquisitions and capital advisory services, physician practice management, health care consulting, government relations; process improvement; and technology consulting, including strategic technology planning, project management, development, network design and implementation and software selection and implementation.

Corporate and other charges represent costs at the corporate office that are not allocated to the business units, which include goodwill amortization for all acquisitions accounted for under the purchase method of accounting. Also included in corporate and other charges are consolidation and integration charges of approximately \$21.1 million during 1999.

Prior to 2001, CBIZ reported under four reportable segments: business solutions, benefits and insurance, performance consulting, and technology services. CBIZ reorganized its management structure and changed from four reportable segments to the three described above. Segment information for the years ended December 31, 2000 and 1999 have been reclassified in accordance with the new segments.

CBIZ operates in the United States and Toronto, Canada and there is no one customer that represents a significant portion of sales.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

Segment information for the years ended December 31, 2001, 2000, and 1999 was as follows (in thousands):

2001	-----		
	----- BUSINESS		
	BENEFITS & NATIONAL CORPORATE		
	SOLUTIONS INSURANCE PRACTICES AND		
	OTHER TOTAL -----		
	-----		
Revenue.....			
\$234,944	\$144,905	\$147,018	\$ -- \$
	526,867	Operating	
expenses.....	202,027		
117,112	132,918	8,498	460,555 -----
	-----		
Gross margin.....			
32,917	27,793	14,100	(8,498) 66,312
	Corporate gen. and		
admin.....	-- -- --	19,797	
	19,797	Depreciation and	
	amortization.....	4,712	4,857
3,366	29,149	42,084	-----
	----- Operating		
income (loss).....	28,205		
22,936	10,734	(57,444)	4,431 Other
	income (expense): Interest		
expense.....	(91)		
(155)	(79)	(6,494)	(6,819) Loss on
	sale of operations, net..... -- -- --		
	(7,113)	(7,113)	Other income
(expense), net.....	551	757	2,557
(27)	3,838	-----	-----
	----- Total other income		
(expense).....	460	602	
2,478	(13,634)	(10,094)	-----
	-----		
	Income (loss) from continuing		
	operations, before taxes.....		
\$ 28,665	\$ 23,538	\$ 13,212	\$ (71,078)
\$ (5,663)	=====	=====	=====
	=====	=====	

2000	-----		
	----- BUSINESS		
	BENEFITS & NATIONAL CORPORATE		
	SOLUTIONS INSURANCE PRACTICES AND		
	OTHER TOTAL -----		
	-----		
Revenue.....			
\$244,691	\$157,879	\$165,245	\$ -- \$
	567,815	Operating	
expenses.....	215,620		
126,600	158,294	9,515	510,029 -----
	-----		
Gross margin.....			
29,071	31,279	6,951	(9,515) 57,786
	Corporate gen. and		
admin.....	-- -- --	24,694	
	24,694	Depreciation and	
	amortization.....	4,767	2,836
3,320	33,412	44,335	-----
	----- Operating		
income (loss).....	24,304		
28,443	3,631	(67,621)	(11,243) Other
	income (expense): Interest		
expense.....	(329)		
(149)	(138)	(11,497)	(12,113) Goodwill
	impairment..... -- -- --		
	(48,198)	(48,198)	Loss on sale of
	operations, net..... -- -- --		
	(31,576)	(31,576)	Other income
(expense), net.....	293	(1,098)	
306	(7,010)	(7,509)	-----
	----- Total		
	other income		
(expense).....	(36)		
(1,247)	168	(98,281)	(99,396) -----
	-----		
	Income (loss) from continuing		

operations, before taxes.....  
\$ 24,268 \$ 27,196 \$ 3,799 \$(165,902)  
\$(110,639) =====  
=====

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

1999	-----		
	----- CORPORATE		
	BUSINESS BENEFITS & NATIONAL AND		
	SOLUTIONS INSURANCE PRACTICES OTHER		
TOTAL	-----		
	-----		
Revenue.....			
\$217,975	\$158,776	\$169,642	\$ -- \$546,393
	Operating		
expenses.....			173,080
122,116	140,188	18,667	454,051
	-----		
Gross margin.....			
44,895	36,660	29,454	(18,667) 92,342
	Corporate gen. and		
admin.....			-- -- 19,138
	19,138 Depreciation and		
amortization.....			3,580 2,863
2,663	14,364	23,470	Merger related
cost.....			-- -- --
5,789	5,789		-----
	----- Operating Income		
(Loss).....			41,315 33,797
26,791	(57,958)	43,945	Other income
	(expense): Interest		
expense.....			(144)
(640)	(305)	(5,513)	(6,602) Loss on sale
	of operations..... -- -- --		
(7,067)	(7,067)		Other (income) expense,
net.....			617 584 1,301 (6,899)
(4,397)			-----
	----- Total other income		
(expense)...			473 (56) 996 (19,479)
(18,066)			-----
	----- Income (loss) from		
	continuing operations, before		
taxes.....			\$
41,788	\$ 33,741	\$ 27,787	\$(77,437) \$
25,879	=====	=====	=====
	=====	=====	=====

20. SUBSEQUENT EVENTS

CBIZ has divested several operations during 2002, in an effort to rationalize the business and sharpen the focus on non-strategic businesses. In accordance with this strategy, CBIZ may sell certain businesses to former employees or shareholders. Management believes these transactions are priced at market rates, competitively bid, and entered into at arm's length.

21. DISCONTINUED OPERATIONS

In April 1999, CBIZ adopted a formal plan to divest its risk-bearing specialty insurance segment, which was no longer part of CBIZ's strategic long-term growth objectives. The risk-bearing specialty insurance segment, which included Century Surety Company, Evergreen National Indemnity Company, and Continental Heritage Insurance Company, was reported as a discontinued operation and its net assets and results of operations were reported separately in the consolidated financial statements.

In June 2000, CBIZ announced that it had entered into a binding agreement for the sale of its risk-bearing specialty insurance segment, as well as American Inspection and Audit Services, Inc. and CSC Insurance Agency, Inc. (collectively, the Divested Entities) with Avalon National Corporation (ANC) for \$31 million, subject to regulatory approval. In July 2000, ANC assigned its rights under the purchase agreement to Pro Finance Holdings Corporation, (which is a consortium of financial entities), and certain former members of CBIZ's management.

In October 2000, CBIZ renegotiated the aforementioned sale agreement with Pro Finance Holding Corporation. In consideration for a \$2.0 million reduction in sale proceeds, CBIZ was able to restructure the agreement for tax purposes that provided CBIZ a significant tax benefit. Furthermore, the sale proceeds were reduced by an additional \$1.0 million due to severance and bonus payments due at the Divested Entities. Accordingly, in October 2000, CBIZ completed the sale of the Divested Entities for \$28 million.

The following information represents the required disclosures for the Divested Entities at December 31, 1999 for the year then ended. Assets and liabilities had been historically included in net assets of discontinued



CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

operations in the Company's past balance sheets, and operating results are included in income (loss) from operations of discontinued business in the accompanying consolidated statements of operations.

Operating results of the discontinued segment were as follows (in thousands):

1999 -----	Revenues: Premiums	
earned.....		
	\$43,716 Net investment	
income.....		5,037
	Net gain (loss) on	
investments.....	(13) Other	
income.....		
	124 ----- Total	
Revenues.....		
	48,864 Expenses: Loss and loss	
adjustments.....		28,644
	Policy	
acquisition.....		
	16,728 Other,	
net.....		
	7,810 Depreciation and	
amortization.....		346 -----
	- Total	
expenses.....		
	53,528 ----- Loss before	
taxes.....		
	(4,664) Income	
benefit.....		
	(1,068) ----- Loss from discontinued	
operations.....		\$(3,596)
	===== Loss on disposal, net of	
tax.....		\$ (391) =====

Net investment income was as follows (in thousands):

1999 -----	
Interest.....	\$5,051
Dividends.....	
	327 ----- Total investment
income.....	5,378 Less:
investment expense.....	
	(341) ----- Net investment
income.....	\$5,037 =====

Realized losses on investments were are as follows (in thousands):

1999 ----	Realized losses: Available for sale:
	Fixed
maturities.....	
	\$ 13 Equity
securities.....	
	-- ---- Total realized
losses.....	\$(13) ---
	- Net realized loss on
investments.....	\$(13)
	====



CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

The change in net unrealized depreciation of investments is summarized as follows:

1999 ----- Available for sale: Fixed	
maturities.....	
	\$(3,744) Equity
maturities.....	
(280) -----	\$(4,024) =====

The components of unrealized depreciation on securities available for sale at December 31, 1999 were as follows:

1999 ----- Gross unrealized	
depreciation.....	
	\$(3,978) Deferred income
tax.....	
1,352 ----- Net unrealized	
depreciation.....	
	\$(2,626) =====

As a result of the adoption of SFAS 130 in 1998, reclassification adjustments related to gains on securities available for sale at December 31, 1999 were as follows (in thousands):

1999 ----- Holding losses arising during the	
period.....	\$(4,037) Reclassification
adjustments for losses realized in net	
income.....	
13 ----- Other comprehensive	
loss.....	(4,024) Income tax
benefit.....	(1,368) -
----- Other comprehensive loss, net of	
tax.....	\$(2,656) =====

DEFERRED POLICY ACQUISITION COSTS

At December 31, 1999 the changes in deferred policy acquisition costs were as follows (in thousands):

1999 ----- Balance, beginning of	
year.....	\$
5,746 Policy acquisition costs	
deferred.....	15,518
Amortized expense during the	
year.....	(16,728) --
----- Balance, end of	
year.....	
	\$ 4,536 =====

REINSURANCE

In the ordinary course of business, CBIZ assumed and ceded reinsurance with other insurers and reinsurers. These arrangements provided CBIZ with a greater diversification of business and generally limit the maximum net loss potential on large risks. Although the ceding of reinsurance did not discharge an insurer from its primary legal liability to a policyholder, the reinsuring company assumes the related liability. Excess of loss reinsurance contracts in effect through December 31, 1999 generally protected individual property losses over \$200,000 and casualty losses over \$200,000. Additionally, most contract surety business was reinsured on a 92.5% quota share basis of the first \$500,000 in losses. Workers compensation business was 100% ceded on a quota share basis to reinsurers. Catastrophe coverage is also maintained.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

The impact of reinsurance was as follows (in thousands):

1999 ----- Premiums written:

Direct.....	\$ 69,507	
Assumed.....	12,278	
Ceded.....	(41,240) -----	
Net.....	40,545 =====	\$
		===== Premiums earned:
Direct.....	\$ 63,873	
Assumed.....	19,289	
Ceded.....	(39,446) -----	
Net.....	43,716 =====	\$
		===== Losses and loss expense incurred:
Direct.....	\$ 44,120	
Assumed.....	17,920	
Ceded.....	(33,396) -----	
Net.....	28,644 =====	\$

During 1999, the majority of ceded amounts were ceded to General Insurance Company, Continental Casualty Company, Republic Western Insurance Company, American Reinsurance Company, Signet Star Reinsurance Company, and Underwriters Reinsurance Company. CBIZ monitored concentrations of risks arising from similar geographic regions or activities to minimize its exposure to significant losses from catastrophic events.

Ohio law limits the payment of dividends by an insurance company to its parent. The maximum dividend that may be paid without prior approval of the Director of Insurance is limited to the greater of the statutory net income of the preceding calendar year or 10% of total statutory surplus as of the prior December 31.

The consolidated financial statements were prepared in accordance with generally accepted accounting principles (GAAP). CBIZ's insurance subsidiaries filed annual financial statements with the Ohio Department of Insurance and are prepared on the basis of accounting practices prescribed by such regulatory authorities, which differ from GAAP. Prescribed statutory accounting practices included a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not prescribed. All material transactions recorded by Century's insurance subsidiaries are in accordance with prescribed practices.

In December 1993, the NAIC adopted the property and casualty Risk-Based Capital (RBC) formula. This model act requires every property and casualty insurer to calculate its total adjusted capital and RBC requirement, and provides for an insurance commissioner to intervene if the insurer experiences financial difficulty. The model act became law in Ohio in March 1996, states where certain subsidiaries of CBIZ are domiciled. The RBC formula includes components for asset risk, liability risk, interest rate exposure and other factors. CBIZ's insurance subsidiaries exceeded all required RBC levels as of December 31, 1999.

The Divested Entities statutory net income for the years ended December 31, 1999, was approximately \$0.5 million. The statutory capital and surplus as of December 31, 1999 was approximately \$29.5 million.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS AND RESERVES  
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999

(IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
-----	-----	-----	-----	-----
ADDITIONS	BALANCE AT	CHARGED TO	CHARGED	
BALANCE BEGINNING OF	COSTS AND TO OTHER	DEDUCTIONS/	AT END	
PERIOD EXPENSES	ACCOUNTS ACQUISITIONS	RECOVERIES OF	PERIOD	-
-----	-----	-----	-----	-----
YEAR ENDED DECEMBER	31, 2001	Allowance	deducted from Assets	to which they apply:
Allowance for doubtful	accounts.....			
\$22,156	\$ 8,754			
\$(3,459)	--	\$(14,132)		
\$13,319	=====			
=====	=====	=====		
=====	=====	YEAR	ENDED DECEMBER 31,	
2000	Allowance	deducted from Assets	to which they apply:	
Allowance for doubtful	accounts.....			
\$13,272	\$26,693	\$		
3,042	--	\$(20,851)		
\$22,156	=====			
=====	=====	=====		
=====	=====	YEAR	ENDED DECEMBER 31,	
1999	Allowance	deducted from Assets	to which they apply:	
Allowance for doubtful	accounts.....			
\$ 5,378	\$ 9,831	\$		
3,347	\$1,116	\$ (6,400)		
\$13,272	=====			
=====	=====	=====		
=====	=====			





FIFTH AMENDMENT TO AMENDED  
AND RESTATED CREDIT AGREEMENT

THIS FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT, dated as of November 9, 2001 (this "AGREEMENT"), is by and among CENTURY BUSINESS SERVICES, INC., a Delaware corporation (the "COMPANY"), the Lenders party to the Credit Agreement referred to below (the "LENDERS"), BANK OF AMERICA, N.A. as agent (the "AGENT"), and FLEET NATIONAL BANK, BANK ONE, MICHIGAN, LASALLE BANK NATIONAL ASSOCIATION AND PNC BANK, NATIONAL ASSOCIATION, each as Co-Agent (the "CO-AGENTS").

RECITALS:

WHEREAS, the Company, Agent, Co-Agents and the Lenders are parties to that certain Amended and Restated Credit Agreement dated as of October 3, 1997, as amended and restated as of August 10, 1998, as amended and restated as of August 24, 1999 (as amended, restated, supplemented or otherwise modified and in effect from time to time, the "CREDIT AGREEMENT"); and

WHEREAS, the Company, Agent, Co-Agents and the Lenders wish to amend the Credit Agreement in certain respects as set forth herein, subject to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

SECTION 1. DEFINED TERMS. Unless otherwise defined herein, all capitalized terms used herein shall have the meanings given them in the Credit Agreement.

SECTION 2. AMENDMENTS AND WAIVERS TO CREDIT AGREEMENT. The Credit Agreement is, as of the Effective Date (as defined below), hereby amended as follows:

(a) THE DEFINITIONS OF "ELIGIBLE RECEIVABLES" AND "OFFSHORE RATE" IN ARTICLE I OF THE CREDIT AGREEMENT ARE HEREBY AMENDED BY DELETING SAID DEFINITIONS IN THEIR ENTIRETY AND INSERTING THE FOLLOWING IN LIEU THEREOF:

"ELIGIBLE RECEIVABLES" means:

(i) at any time on or prior to March 31, 2001, (x) work-in-progress of the Company and each of its Wholly Owned Subsidiaries which are party to a Security Agreement (each, a "Tested Person") less than or equal to 120 days plus (y) the total face of the trade receivables less than or equal to 120 days (related to the sale of goods and services other than to affiliates of the Company) of each Tested Person, calculated in accordance with GAAP, consistently applied;

(ii) thereafter but on and prior to September 29, 2001, (x) work-in-progress of each Tested Person less than or equal to 90 days plus (y) the total face of the trade receivables less than or equal to 120 days (related to the sale of goods and services other than to affiliates of the Company) of each Tested Person, calculated in accordance with GAAP, consistently applied; and

(iii) at any time thereafter, (x) work-in-progress of each Tested Person less than or equal to 90 days plus (y) the total face of the trade receivables less than or equal to 90 days (related to the sale of goods and services other than to affiliates of the Company) of each Tested Person, calculated in accordance with GAAP, consistently applied.

"OFFSHORE RATE" means, for any Interest Period, with respect to Offshore Rate Loans comprising part of the same Borrowing, the rate of interest per annum (rounded upward to the next 1/100th of 1%) determined by the agent as follows:

$$\text{Offshore Rate} : \frac{\text{IBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Where,

"EURODOLLAR RESERVE PERCENTAGE" means for any day for any Interest Period the maximum reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day (whether or not applicable to any Lender) under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency Liabilities"); and

"IBOR" means the rate of interest per annum determined by the Agent as the rate at which dollar deposits in the approximate amount of B of A's Offshore Rate Loan for such Interest Period would be offered by B of A's Grand Cayman Branch, Grand Cayman B.W.I. (or such other office as may be designated for such purpose by B of A), to major banks in the offshore dollar interbank market at their request at approximately 10:00 a.m. (Chicago time) two Business Days prior to the commencement of such Interest Period.

The Offshore Rate shall be adjusted automatically as to all Offshore Rate Loans then outstanding as of the effective date of any change in the Eurodollar Reserve Percentage.

(b) ARTICLE I OF THE CREDIT AGREEMENT IS AMENDED BY INSERTING THE FOLLOWING DEFINITIONS IN ALPHABETICAL ORDER:

"FIFTH AMENDMENT" means the Fifth Amendment to the Amended and Restated Credit Agreement, dated as of November 9, 2001.

(c) ARTICLE VIII OF THE CREDIT AGREEMENT IS HEREBY AMENDED BY DELETING SECTION 8.19 IN ITS ENTIRETY AND INSERTING THE FOLLOWING IN LIEU THEREOF:

"8.19 EBITDA. The Company shall not, as of the last day of each period set forth below, permit its consolidated EBITDA for such period then ending to be less than the amount set forth below for such period:

PERIOD	AMOUNT
January 1, 2001 through and including September 30, 2001	\$50,000,000
January 1, 2001 through and including December 31, 2001	\$50,000,000
Thereafter through and including June 30, 2002, the period of four fiscal quarters ending on the last day of each succeeding fiscal quarter	\$50,000,000
Thereafter, the period of four fiscal quarters ending on the last day of each succeeding fiscal quarter	\$55,000,000".

(d) THE UNDERSIGNED LENDERS HEREBY WAIVE ANY DEFAULT OR EVENT OF DEFAULT ARISING OUT OF THE COMPANY'S NON-COMPLIANCE WITH SECTIONS 8.16 AND 8.17 OF THE CREDIT AGREEMENT FOR THE PERIOD ENDING SEPTEMBER 30, 2001.

SECTION 3. CONDITIONS PRECEDENT TO EFFECTIVENESS OF AGREEMENT. This Agreement shall become effective upon the date (the "EFFECTIVE DATE") each of the following conditions have been satisfied:

(a) EXECUTION AND DELIVERY. The Company and the Majority Lenders shall have executed and delivered this Agreement;

(b) NO DEFAULTS. No Default or Event of Default under the Credit Agreement (as amended hereby) shall have occurred and be continuing;

(c) REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Company contained in this Agreement, the Credit Agreement (as amended hereby) and the other Loan Documents shall be true and correct in all material respects as of the Effective Date, with the same effect as though made on such date, except to the extent that any such representation or warranty expressly refers to an earlier date, in which case such representation or warranty shall be true and correct in all material respects as of such earlier date;

(d) REDUCTION OF COMMITMENT. The Company shall have delivered a notice to the Agent pursuant to SECTION 2.05 of the Credit Agreement permanently reducing the Revolving Loan Commitment to \$100,000,000; and



(e) AMENDMENT FEE. The receipt by the Agent, for distribution to the relevant Lender, from the Company of an amendment fee payable to each Lender executing this Amendment in an amount equal to .125% of such Lender's Revolving Loan Commitment (after giving effect to the reduction referred to in Section 3(d)).

#### SECTION 4. REPRESENTATIONS AND WARRANTIES.

(a) The Company represents and warrants (i) that it has full power and authority to enter into this Agreement and perform its obligations hereunder in accordance with the provisions hereof, (ii) that this Agreement has been duly authorized, executed and delivered by such party and (iii) that this Agreement constitutes the legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally and by general principles of equity.

(b) The Company represents and warrants that the following statements are true and correct:

(i) The representations and warranties contained in the Credit Agreement and each of the other Loan Documents are and will be true and correct in all material respects on and as of the Effective Date; except to the extent such representations and warranties expressly refer to an earlier date, in which case they were true and correct in all material respects on and as of such earlier date.

(ii) No event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Agreement that would constitute an Event of Default.

(iii) The execution, delivery and performance of this Agreement by the Company do not and will not violate its respective certificate or articles of incorporation or by-laws, any law, rule, regulation, order, writ, judgment, decree or award applicable to it or any contractual provision to which it is a party or to which it or any of its property is subject.

(iv) No authorization or approval or other action by, and no notice to or filing or registration with, any governmental authority or regulatory body is required in connection with its execution, delivery and performance of this Agreement and all agreements, documents and instruments executed and delivered pursuant to this Agreement.

#### SECTION 5. REFERENCES TO AND EFFECT ON THE CREDIT AGREEMENT.

(a) On and after the Effective Date each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import, and each reference to the Credit Agreement in the Loan Documents and all other documents (the "ANCILLARY DOCUMENTS") delivered in connection with the Credit Agreement shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except as specifically amended above, the Credit Agreement, the Loan Documents and all other Ancillary Documents shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver (except as specifically waived above) of any right, power or remedy of the Lenders or the Agent under the Credit Agreement, the Loan Documents or the Ancillary Documents.

SECTION 6. EXECUTION IN COUNTERPARTS. This Agreement may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 7. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO THE INTERNAL CONFLICTS OF LAWS PROVISIONS THEREOF.

SECTION 8. HEADINGS. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purposes.

[signature pages to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the date above first written.

CENTURY BUSINESS SERVICES, INC.

By \_\_\_\_\_  
Name:  
Title:

BANK OF AMERICA, N.A., as Agent

By \_\_\_\_\_  
Name:  
Title:

BANK OF AMERICA, N.A., Individually as a  
Lender and as the Issuing Bank

By \_\_\_\_\_  
Name:  
Title:

FLEET NATIONAL BANK, as a Co-Agent  
and individually as a Lender

By

-----  
Name:  
Title:

BANK ONE, MICHIGAN, as a Co-Agent and  
individually as a Lender

By

-----

Name:

Title:

LASALLE BANK NATIONAL ASSOCIATION, as  
a Co-Agent and individually as a Lender

By

-----

Name:

Title:

PNC BANK, NATIONAL ASSOCIATION, as a Co-Agent and individually as a Lender

By \_\_\_\_\_  
Name:  
Title:

COMERICA BANK

By

-----  
Name:

Title:



FIFTH THIRD BANK, NORTHEASTERN OHIO

By

-----  
Name:  
Title:

HUNTINGTON NATIONAL BANK

By

-----  
Name:  
Title:

FIRSTAR BANK, N.A.

By

-----  
Name:  
Title:

FIRSTMERIT BANK, N.A.

By

-----  
Name:  
Title:

FIRST UNION NATIONAL BANK

By

-----  
Name:  
Title:

U.S. BANK, N.A.

By

-----  
Name:  
Title:

NOTE AND WARRANT  
PURCHASE AGREEMENT

THIS NOTE AND WARRANT PURCHASE AGREEMENT (this "Agreement"), dated as of September 26, 2001, is between HarborView Partners, LLC, a Delaware limited liability company (the "COMPANY"), and Century Business Services, Inc., a Delaware corporation (with its successors and assignees and transferees of its Note and Warrant, the "PURCHASER").

STATEMENT OF PURPOSE

The Company proposes to issue and sell to the Purchaser (i) its 11% Promissory Note due September 1, 2004, in the aggregate principal amount of up to \$2,500,000, dated as of the date hereof (as the same may be amended, modified or supplemented from time to time, the "NOTE"), and (ii) a warrant to purchase in the aggregate up to 2,000,000 units of the Company, representing 20% of the fully-diluted units of the Company if fully vested (as the same may be amended, modified or supplemented from time to time, the "WARRANT"), in each case, pursuant to the terms and subject to the conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1  
DEFINITIONS

1.01. DEFINITIONS. Capitalized terms used in this Agreement shall have the meanings ascribed thereto in EXHIBIT A attached hereto.

1.02. ACCOUNTING TERMS; FINANCIAL STATEMENTS. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time ("GAAP"); PROVIDED that, if the Company notifies the Purchaser that the Company wishes to amend any covenant in Article 9 or any related definition to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Purchaser notifies the Company that the Purchaser desires to amend Article 9 or any related definition for such purpose), then the Company's compliance with such covenant, shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Company and the Purchaser.

1.03. OTHER DEFINITIONAL PROVISIONS. References in this Agreement to "Articles", "Sections", "Schedules" or "Exhibits" shall be to Articles, Sections, Schedules or Exhibits of or to this Agreement unless otherwise specifically provided. Any of the terms defined in EXHIBIT A may, unless the context otherwise requires, be used in the singular or plural depending on the reference. "Include", "includes" and "including" shall be deemed to be followed by "without limitation" whether or not they are in fact followed by such words or words of like import. "Writing", "written" and comparable terms refer to printing, typing and other means of reproducing words in a visible form. References to any agreement or contract are to such agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. References to any Person include the successors and assigns of such Person. References "from" or "through" any date mean, unless otherwise specified, "from and including" or "through and including", respectively.

ARTICLE 2  
PURCHASE AND SALE OF NOTE AND WARRANT

2.01. PURCHASE AND SALE OF NOTE. Subject to the terms and conditions herein set forth, the Company agrees that it will issue to Purchaser, and Purchaser agrees that it will acquire from the Company, on the date hereof (the "Initial Closing"), a Note in the original aggregate principal amount of up to \$2,500,000, with such Note being substantially in the form attached hereto as EXHIBIT B, appropriately completed in conformity herewith. Any request for an advance under the Note (an "Advance") shall be in writing and must be given by the Company so as to be received by Purchaser not later than 25 days prior to the requested loan date (the "Applicable Closing Date"), provided, that (i) no more than one such request shall be made in any period of 90 consecutive days and (ii) the Applicable Closing Date occurs on or before December 31, 2002. Each request for an Advance shall be irrevocable and shall be deemed a representation by the Company that on the Applicable Closing Date and after giving effect to the requested Advance the applicable conditions specified in Article III have been and will be satisfied. Each request for an Advance hereunder shall specify (i) the Applicable Closing Date and (ii) the aggregate amount of the Advance to be made on such date which shall be in increments of \$250,000 and shall not exceed \$500,000. Purchaser is authorized by the Company to enter on a schedule attached to the Note a record of the Advances; provided, however, that the failure by Purchaser to make any such entry or any error in making such entry shall not limit or otherwise affect the obligation of the Company hereunder and under the Note, and, in all events, the principal amount owing by the Company in respect of the Note shall be the aggregate amount of all Advances made by Purchaser less all payments of principal thereof made by the Company.

Each Advance shall be payable in immediately available funds on the Applicable Closing Date.

2.02. PURCHASE AND SALE OF WARRANT. Subject to the terms and conditions herein set forth, the Company agrees that it will issue to Purchaser, and Purchaser agrees that it will acquire from the Company, on the Initial Closing Date, a Warrant to purchase up to 2,000,000 Units in the form attached hereto as EXHIBIT C, appropriately completed in conformity herewith.



2.03. PURCHASE PRICE ALLOCATION. The Company and the Purchaser hereby agree that for each \$1,000 paid by the Purchaser to acquire Securities hereunder, \$0.01 shall be allocated to the Company for the purchase of the Warrant.

2.04. CLOSINGS. The consummation of the transactions contemplated to take place on the Initial Closing Date shall be held at the offices of Baker & Hostetler LLP, 3200 National City Center, 1900 East 9th Street, Cleveland, Ohio at 10:00 a.m., Cleveland, Ohio time, on the Initial Closing Date. The parties shall use reasonable efforts to conduct the consummation of the transactions contemplated to take place on Applicable Closing Dates through the use of escrow arrangements.

ARTICLE 3  
CONDITIONS TO THE OBLIGATIONS OF THE PURCHASER

3.01. CONDITIONS TO THE OBLIGATIONS OF THE PURCHASER TO CLOSE. The obligation of the Purchaser to purchase the Securities, to pay the purchase price therefor and to perform any obligations hereunder shall be subject to the satisfaction as determined by, or waiver by, the Purchaser of the following conditions on or before the Applicable Closing Date. The Purchaser shall be under no obligation to fund any Advance if any of the following conditions have not been satisfied as of the Applicable Closing Date. The Purchaser shall not be obligated to purchase the Note unless the purchase and sale of the Warrant related thereto occurs simultaneously therewith and shall not be obligated to purchase the Warrant unless the purchase and sale of the Note occurs simultaneously therewith.

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Company contained in this Agreement or made by the Company in each other Transaction Document shall be true and correct at and as of the Applicable Closing Date as if made at and as of such date.

(b) PROCEEDINGS. The Purchaser shall have received certificates of the Secretary of the Company as of the Applicable Closing Date as to (i) true copies of the certificate of formation (or other constituent documents) of the Company in effect on such date (which, in the case of its certificate of formation or other constituent documents filed or required to be filed with the Secretary of State or other Governmental Authority in its jurisdiction of organization, shall be certified to be true, correct and complete by such Secretary of State or other Governmental Authority not more than ten days before the Applicable Closing Date), which, in each case, shall be in form and substance satisfactory to the Purchaser, (ii) true copies of all actions taken by the Company approving and otherwise relating to this Agreement and the other Transaction Documents to which it is a party, and (iii) the incumbency and signature of the officers of the Company, together with satisfactory evidence of the incumbency of such Secretary or Assistant Secretary. The Purchaser shall have received certificates from the appropriate Secretaries of State or other applicable Governmental Authorities dated not more than ten days before the Applicable Closing Date showing the good standing of the Company in its state of organization and in each state in which the Company does business.

(c) NO DEFAULTS. No Default shall have occurred and be continuing on the Applicable Closing Date or after giving effect to the purchases required to be made on the Applicable Closing Date.

(d) LEGAL OPINIONS. The Purchaser shall have received the opinion, addressed to the Purchaser dated the Applicable Closing Date, of Franco & Associates, counsel to the Company, as to such matters as may be requested by the Purchaser and in form and substance in the form attached hereto as EXHIBIT D.

(e) FEES, EXPENSES, ETC. All fees and other compensation required to be paid to the Purchaser or its counsel pursuant to this Agreement and any other written agreement on or prior to the Applicable Closing Date shall have been paid or received.

(f) MATERIAL ADVERSE CHANGE. The Purchaser shall be satisfied in its reasonable discretion as to the absence of any material adverse change in any aspect of the business, operations, properties, prospects or condition (financial or otherwise) of the Company as of the Applicable Closing Date, or any event or condition that could result in a Material Adverse Effect on the Applicable Closing Date.

(g) CAPITALIZATION, ETC. The organization and capital structure of the Company, its certificate of formation and limited liability company agreement (or other constituent documents), and the terms, conditions, amounts and holders of all equity, debt and other indebtedness, obligations and liabilities of the Company, shall be satisfactory to the Purchaser.

(h) DOCUMENTS. The Purchaser shall have received true, complete and correct copies of such documents as it may reasonably request in connection with or relating to the purchase and sale of the Securities and the transactions contemplated hereby, all in form and substance satisfactory to the Purchaser and the Purchaser shall have received all documents it may reasonably request relating to the existence of the Company, the authority for and the validity of the Transaction Documents, and any other matters relevant hereto, all in form and substance satisfactory to the Purchaser in its sole good faith discretion.

(i) PURCHASE PERMITTED BY APPLICABLE LAWS. The acquisition of and payment for the Securities to be acquired by the Purchaser hereunder and the consummation of the transactions contemplated hereby (i) shall not be prohibited by any Requirement of Law and (ii) shall not subject the Purchaser to any penalty or, in their judgment, other onerous condition under or pursuant to any Requirement of Law.

(j) CONSENTS AND APPROVALS. All consents, exemptions, authorizations, or other actions by, or notices to, or filings with, Governmental Authorities and other Persons in respect of all Requirements of Law, including without limitation with respect to those Contractual Obligations of the Company and with respect to State Regulatory Laws, necessary or required in connection with the execution, delivery or performance (including, without limitation, the payment of interest on the Note and the issuance of Units upon exercise of the Warrant) by the Company or enforcement against the Company of the Transaction Documents shall have been obtained and be in full force and effect, and the Purchaser shall have been furnished with appropriate evidence

thereof, and all waiting periods shall have lapsed without extension or the imposition of any conditions or restrictions.

(k) EXECUTION AND DELIVERY OF THIS AGREEMENT. The Company shall have duly executed and delivered to the Purchaser this Agreement.

(l) REGISTRATION RIGHTS AGREEMENT. The Company shall have duly executed and delivered to the Purchaser the Registration Rights Agreement, no event of default shall exist thereunder and the same shall be in full force and effect and binding and enforceable against the Company.

(m) WARRANTHOLDER'S RIGHTS AGREEMENT. The Company and the other parties thereto shall have executed and delivered to the Purchaser the Warrantholder's Rights Agreement, no event of default shall exist thereunder and the same shall be in full force and effect and binding and enforceable against the Company and the other parties thereto.

(n) SECURITY AGREEMENT. The Company shall have duly executed and delivered to the Purchaser the Security Agreement, no event of default shall exist thereunder and the same shall be in full force and effect and binding and enforceable against the Company.

(o) PERSONNEL SUPPORT AGREEMENT. The Company shall have duly executed and delivered to the Purchaser the Personnel Support Agreement, no event of default shall exist thereunder, the same shall be in full force and effect and binding and enforceable against the Company and the Purchaser shall have received fees under Section 4 of the Personnel Support Agreement in the minimum amounts set forth below for the periods indicated:

(i) with respect to the period between the Initial Closing and March 31, 2002, an amount not less than \$200,000;

(ii) with respect to the period between April 1, 2002 and June 30, 2002, an amount not less than \$250,000; and

(iii) with respect to the period between July 1, 2002 and September 30, 2002, an amount not less than \$250,000;

provided, however, that if the Purchaser does not accept an Engagement (as defined in the Personnel Support Agreement) that the Company offers to the Purchaser and performs, then the Purchaser will be deemed to have received an amount of fees for that Engagement that shall be determined based on the hour and personnel requirements that are set forth in the Company's Engagement Notice (as defined in the Personnel Support Agreement).

(p) NOTE AND WARRANT. The Company shall have duly executed and delivered to the Purchaser the Note and the Warrant, each in the form provided for herein, all duly executed and registered in such name or names and in such denominations as the Purchaser shall have requested.

(q) MATERIAL CONTRACTS. True and correct copies of the Material Contracts as executed by the parties thereto shall have been delivered to the Purchaser, all in a form satisfactory to the Purchaser.

(r) OFFICERS' CERTIFICATE. The Purchaser shall have received a certificate signed by the Chief Executive Officer and the Chief Financial Officer or treasurer of the Company (i) to the effect that, both before and immediately after the making of the Loans, the purchase of the Warrant and the consummation of the other transactions contemplated to take place on the Applicable Closing Date, (A) no Default shall have occurred and be continuing, (B) the Company has performed and complied with all of the agreements and conditions set forth or contemplated herein that are required to be performed or complied with by the Company on or before the Applicable Closing Date, and (C) the representations and warranties of the Company made in or pursuant to the Transaction Documents are true, correct and complete and (ii) setting forth the calculations required to establish compliance with the provisions of Sections 9.08, 9.09, 9.10, 9.11 and 9.12 of this Agreement, which certificate shall in the case of the each Applicable Closing Date be accompanied, to the extent then available, by the financial statements provided for in Section 8.01(b).

(s) FINANCIAL STATEMENTS. The Purchaser shall have received (i) the pro forma balance sheet referred to in Sections 5.04(a), (ii) a statement of sources and uses of funds covering all payments reasonably expected to be made by the Company in connection with the transactions contemplated by the Transaction Documents to be consummated on the Applicable Closing Date and (iii) payment instructions with respect to each wire transfer to be made by the Purchaser on the Applicable Closing Date setting forth the amount of such transfer, the purpose of such transfer, the name and number of the account to which such transfer is to be made, the name and ABA number of the bank or other financial institution where such account is located and the name and telephone number of an individual that can be contacted to confirm receipt of such transfer.

(t) SOLVENCY CERTIFICATE. The Purchaser shall have received a Solvency Certificate, in form and substance satisfactory to the Purchaser, executed by the Chief Financial Officer of the Company on behalf of the Company as of the Applicable Closing Date.

#### ARTICLE 4

##### CONDITIONS TO THE OBLIGATIONS OF THE COMPANY TO CLOSE

The obligation of the Company to issue and sell the Securities and to perform any other obligations hereunder shall be subject to the satisfaction as determined by, or waiver by, the Company of the following conditions on or before the Applicable Closing Date:

4.01. REPRESENTATIONS AND WARRANTIES TRUE. The representations and warranties of the Purchaser contained in Article 6 shall be true and correct in all material respects at and as of the Applicable Closing Date as if made at and as of such date.

4.02. COMPLIANCE WITH THIS AGREEMENT. The Purchaser shall have performed and complied with all of their agreements and conditions set forth or contemplated herein that are required to be performed or complied with by the Purchaser on or before the Applicable Closing Date.

4.03. ISSUANCE PERMITTED BY APPLICABLE LAWS. The issuance of the Securities to be issued by the Company hereunder and the consummation of the transactions contemplated hereby (i) shall not be prohibited by any Requirement of Law and (ii) shall not subject the Company to any penalty or, in its reasonable judgment, other onerous condition under or pursuant to any Requirement of Law.

4.04. CONSENTS AND APPROVALS. All consents, exemptions, authorizations, or other actions by, or notices to, or filings with, Governmental Authorities and other Persons in respect of all Requirements of Law necessary or required in connection with the execution, delivery or performance by the Purchaser or enforcement against the Purchaser of this Agreement shall have been obtained and be in full force and effect, and the Company shall have been furnished with appropriate evidence thereof.

## ARTICLE 5

### REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Purchaser that:

5.01. EXISTENCE AND POWER. The Company is a limited liability company duly organized, validly existing and in full force and effect, under the laws of the State of Delaware. The Company has all power and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted. The Company is qualified to do business as a foreign limited liability company or other business entity, as the case may be, in each jurisdiction in which it is required to be so qualified, except where failure to be qualified could not have a Material Adverse Effect.

5.02. CORPORATE AND GOVERNMENTAL AUTHORIZATION; NO CONTRAVENTION. The execution, delivery and performance by the Company of the Transaction Documents are within the Company's powers, have been duly authorized by all necessary action, require no action by or in respect of, or filing with, any Governmental Authority and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of formation of the Company or the limited liability company agreement of the Company, any judgment, injunction, order or decree or any agreement or other instrument binding upon the Company or result in the creation or imposition of any Lien (other than the Liens created by the Note) on any asset of the Company.

5.03. BINDING EFFECT. Each of the Transaction Documents constitutes a valid and binding agreement of the Company, enforceable in accordance with its terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity. The Company has

reserved, and will keep available for issuance upon exercise of the Warrant, the total number of Warrant Units deliverable upon exercise of the Warrant from time to time outstanding. The issuance of the Warrant Units has been duly and validly authorized and, when issued and sold in accordance with the Warrant, the Warrant Units will be duly and validly issued, fully paid and nonassessable and free of preemptive rights.

#### 5.04. FINANCIAL INFORMATION.

(a) The pro forma balance sheet of the Company as of the date hereof, copies of which have been delivered to the Purchaser, fairly presents in conformity with GAAP, the financial position of the Company as of such date, adjusted to give effect (as if such events had occurred on such date) to (i) the making of the Loans and the issuance of the Warrant, (ii) the application of the proceeds therefrom as contemplated by the Financing Documents, and (iii) the payment of all legal, accounting and other fees related thereto to the extent known at the time of the preparation of such balance sheet. As of the date of such balance sheet, the Company had and has no liabilities, contingent or otherwise, including liabilities for taxes, long-term leases or forward or long-term commitments that are not properly reflected on such balance sheet.

(b) After giving effect to the Loans and all other transactions contemplated by the Transaction Documents, the Company is and will be Solvent.

5.05. LITIGATION. There is no action, suit or proceeding pending against, or to the knowledge of the Company threatened against or affecting, the Company before any Governmental Authority in which an adverse decision could have a Material Adverse Effect. There is no action, suit or proceeding pending against, or to the knowledge of the Company threatened against or affecting any party to any of the Transaction Documents, before any Governmental Authority that in any manner draws into question the validity of any of the Transaction Documents.

5.06. OWNERSHIP OF PROPERTY, LIENS. The Company has marketable title to and is in lawful possession of, or has valid leasehold interests in, all properties and other assets (real or personal, tangible, intangible or mixed) described on the financial statements described in Section 5.04 delivered to the Purchaser. None of the Company's properties or other assets is subject to any Liens, except Liens permitted pursuant to Section 9.04. The Company conducts and has conducted its business without infringement or claim of infringement of any license, patent, trademark, trade name, service mark, copyright, trade secret or other intellectual property right of others and there is no infringement or claim of infringement by others of any license, patent, trademark, trade name, service mark, copyright, trade secret or other intellectual property right of the Company, except for infringements and claims of infringement that in the aggregate could not have a Material Adverse Effect.

5.07. NO DEFAULT. No Default has occurred and is continuing. The Company is not in default under or with respect to any contract, agreement, lease or other instrument to which it is a party or by which it or its property is bound or affected except for such defaults that in the aggregate could not have a Material Adverse Effect.

5.08. NO BURDENSOME RESTRICTIONS. No contract, lease, agreement or other instrument to which the Company is a party or by which any of its property is bound or affected, no charge,

corporate restriction, judgment, decree or order and no provision of any Requirement of Law adversely affects the business, operations, properties, prospects or condition (financial or otherwise) of the Company, except in de minimus respects.

5.09. LABOR MATTERS. There are no strikes or other labor disputes pending or, to the best knowledge of the Company, threatened against the Company, except for strikes and labor disputes that in the aggregate could not have a Material Adverse Effect. Hours worked and payments made to the employees of the Company, have not been in violation in any material respect of the Fair Labor Standards Act or any other applicable law dealing with such matters. All material payments due from the Company, or for which any claim may be made against any of them, on account of wages and employee and retiree health and welfare insurance and other benefits have been paid or accrued as a liability on their books, as the case may be. The consummation of the transactions contemplated by the Transaction Documents will not give rise to a right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which the Company is a party or by which it is bound.

5.10. SUBSIDIARIES; OTHER EQUITY INVESTMENTS. The Company has no Subsidiaries or Investments on the date hereof. The Company is not engaged in any joint venture or partnership with any other Person.

5.11. TAXES. The Company's federal tax identification number is 06-1612351. All federal, state and local tax returns, reports and statements required to be filed by or on behalf of the Company have been filed with the appropriate governmental agencies in all jurisdictions in which such returns, reports and statements are required to be filed, and all taxes (including real property taxes) and other charges shown to be due and payable have been timely paid prior to the date on which any fine, penalty, interest, late charge or loss may be added thereto for nonpayment thereof, except to the extent such taxes are the subject of a Permitted Contest or are de minimus in amount. All state and local sales and use taxes required to be paid by the Company have been paid, except to the extent such taxes are the subject of a Permitted Contest. All federal and state returns have been filed by the Company for all periods for which returns were due with respect to employee income tax withholding, social security and unemployment taxes, and the amounts shown thereon to be due and payable have been paid in full or adequate provisions therefor have been made, except to the extent such taxes are the subject of a Permitted Contest.

5.12. COMPLIANCE WITH ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code, or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

5.13. BROKERS. No broker, finder or other intermediary engaged by the Company has brought about the obtaining, making or closing of the transactions contemplated by the Transaction Documents, and none of the Company or the Purchaser has or will have any obligation to any Person (other than Persons engaged by the Purchaser) in respect of any finders' or brokerage fees in connection herewith or therewith.

5.14. EMPLOYMENT, SHAREHOLDERS AND SUBSCRIPTION AGREEMENTS. Except for the Transaction Documents and the other agreements described in SCHEDULE 5.14 (the agreements described in SCHEDULE 5.14 are collectively referred to as the "MATERIAL CONTRACTS" and each is a "MATERIAL CONTRACT"), true and complete copies of which have been delivered to the Purchaser on or prior to the date hereof, there are no (i) employment agreements covering the management of the Company, (ii) collective bargaining agreements or other labor agreements covering any employees of the Company, (iii) agreements for managerial, consulting or similar services to which the Company is a party or by which it is bound, or (iv) agreements regarding the Company or its assets or operations or any investment therein to which any of their respective stockholders is a party or by which the Company is bound.

5.15. FULL DISCLOSURE. None of the information (financial or otherwise) furnished by or on behalf of the Company to the Purchaser in connection with the consummation of the transactions contemplated by any of the Transaction Documents, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading in the light of the circumstances under which such statements were made. All financial projections delivered to the Purchaser have been prepared on the basis of the assumptions stated therein. The most recent projections delivered to the Purchaser represent the Company's best estimate (as of their date) of the Company's future financial performance and such assumptions are believed by the Company to be fair and reasonable in light of current business conditions.

5.16. CAPITALIZATION. Set forth on SCHEDULE 5.16 is a schedule of the capitalization of the Company as of the date hereof, after giving effect to the transactions contemplated to take place on the date hereof and the issuance of the Warrant Units upon exercise of the Warrant, specifying each class of interest held and the amount and holder thereof. Assuming that all of the Warrant Units vest under the Warrant, the number of Warrant Units constitutes 20% of the Units (on a fully diluted basis) as of the date hereof. All outstanding Units will be duly authorized and validly issued, fully paid, nonassessable and free and clear of any Lien created by the Company. Except as described in SCHEDULE 5.16, (a) no other ownership interest of the Company is authorized or outstanding and (b) there are no outstanding Equity Rights with respect to the Company. There are no outstanding obligations of the Company to repurchase, redeem, or otherwise acquire any of the equity interests in the Company nor are there any outstanding obligations of the Company to make payments to any Person, such as "phantom stock" payments, where the amount thereof is calculated with reference to the fair market value or equity value of the Company.

5.17. REAL PROPERTY INTERESTS. Except for the ownership, leasehold or other interests set forth in SCHEDULE 5.17, the Company has no ownership, leasehold or other interest in real property.



5.18. INSURANCE. Set forth on SCHEDULE 5.18 is a complete and accurate summary of the property and casualty insurance program of the Company as of the date hereof (including the names of all insurers, policy numbers, expiration dates, amounts and types of coverage, annual premiums, exclusions, deductibles, self-insured retention, and a description in reasonable detail of any self-insurance program, retrospective rating plan, fronting arrangement or other risk assumption arrangement involving the Company).

## ARTICLE 6

### REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants as follows:

6.01. EXISTENCE; AUTHORIZATION; NO CONTRAVENTION. The Purchaser is an entity validly existing and in good standing under the laws of the State of Ohio. The execution, delivery and performance by the Purchaser of this Agreement and the transactions contemplated hereby: (i) is within the Purchaser's power and authority and has been duly authorized by all necessary action of the Purchaser; (ii) does not contravene the terms of the Purchaser's organizational documents or any amendment thereof; (iii) will not violate, conflict with or result in any breach or contravention of or the creation of any Lien under, any Contractual Obligation of the Purchaser, or any order or decree directly relating to the Purchaser; and (iv) will not violate any Requirement of Law or any Contractual Obligation of the Purchaser.

6.02. BINDING EFFECT. This Agreement has been duly executed and delivered by the Purchaser, and this Agreement constitutes the legal, valid and binding obligation of the Purchaser enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

#### 6.03. INVESTMENT REPRESENTATION.

(a) The Purchaser represents and warrants to the Company that the Purchaser is acquiring the Warrant for investment, and not with a view to selling or otherwise distributing the Warrant and has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness or commitment providing for the distribution thereof; PROVIDED, HOWEVER, that the disposition of the Purchaser's property shall at all times be and remain in the Purchaser's control.

(b) The Purchaser understands that the Warrant has not been registered under the Securities Act on the grounds that the offer and sale of the Warrants to the Purchaser are exempt from the registration requirements of the Securities Act under Section 4(2) thereof as a transaction not involving any public offering of the Warrant. The Purchaser understands that the Company's reliance on such exemption is predicated in part on the representations of the Purchaser that are contained herein. The Purchaser understands that the Purchaser must bear the economic risk of its investment in the Warrant for an indefinite period of time because the Warrant has not been registered under the Securities Act and, therefore, cannot be sold unless they are subsequently registered under the Securities Act or an exemption from such registration

is available. The Purchaser covenants that, in the absence of an effective registration statement covering the Warrants, the Purchaser will sell, transfer, or otherwise dispose of the Warrants only pursuant to an exemption from registration. In connection therewith, the Purchaser acknowledges that the Company will make a notation on its stock books regarding the restrictions on transfers set forth in this Section and will transfer securities on the books of the Company only to the extent not inconsistent therewith.

(c) The Purchaser has carefully reviewed the representations concerning the Company contained in this Agreement and has made detailed inquiry concerning the Company, its business and its personnel. The Company has made available to the Purchaser any and all written information that the Purchaser has requested and has answered to the Purchaser's satisfaction all inquiries made by the Purchaser. The Purchaser has adequate net worth and means of providing for its current needs and contingencies to sustain a complete loss of its investment in the Company. The Purchaser's overall commitment to investments that are not readily marketable is not disproportionate to its net worth and such Purchaser's investment in the Company will not cause such overall commitment to become excessive.

(d) The Purchaser is an Accredited Investor within the definition set forth in Rule 501(a) of the Securities Act.

(e) The Purchaser understands that no public market now exists for any of the securities issued by the Company, and while the Company may make a public offering sometime in the future, that there can be no assurance that a public market will ever exist for the Warrants or Units.

(f) The Purchaser, in making the decision to purchase the Warrants, has relied upon an independent investigation made by it and/or its representatives and has not relied on any information or representations made by third parties or on any oral or written representations or assurances from the Company or any representative or agent of the Company other than as set forth in this Agreement or delivered in connection therewith. The Purchaser and its representatives have been afforded full and free access to corporate books, financial statements, records, contracts, documents, and other information concerning the Company, to the extent such exists, and to its offices and facilities, have been afforded an opportunity to ask such questions of the Company's officers, employees, agents, accountants and representatives concerning the Company's proposed business, operations, financial condition, assets, liabilities and other relevant matters as it has deemed necessary or desirable, and has been given all such information as has been requested, in order to evaluate the merits and risks of the prospective investment contemplated herein. The Purchaser acknowledges that the price and terms of the Warrants offered hereby have been determined by negotiation and that it does not necessarily bear any relationship to the assets, book value or potential performance of the Company or any other recognized criteria of value.

## ARTICLE 7

FEES, EXPENSES AND INDEMNITIES;  
GENERAL PROVISIONS RELATING TO PAYMENTS

7.01. COMPUTATION OF INTEREST. All interest hereunder and under the Note shall be calculated on the basis of a 365-day year for the actual number of days elapsed.

7.02. GENERAL PROVISIONS REGARDING PAYMENTS. All payments (including prepayments) to be made by the Company under any Transaction Document, including payments of principal of and premium (if any) and interest on the Note, fees, expenses and indemnities, shall be made without set-off or counterclaim and in immediately available funds. If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day and, with respect to payments of principal, the interest thereon shall be payable at the then applicable rate during such extension. The Company shall make all payments in immediately available funds to the Purchaser's Payment Account before 2:00 p.m. (Cleveland, Ohio Time) on the date when due.

7.03. INDEMNIFICATION.

(a) In addition to all other sums due hereunder or provided for in this Agreement, the Company agrees to indemnify and hold harmless the Purchaser and its Affiliates and its officers, directors, agents, employees, subsidiaries, partners, members and controlling persons (each, an "INDEMNIFIED PARTY") to the fullest extent permitted by law from and against any and all losses, claims, damages, expenses (including reasonable fees, disbursements and other charges of counsel) or other liabilities (collectively, "LIABILITIES") resulting from or arising out of (i) any breach of any representation or warranty, covenant or agreement of the Company in this Agreement, the Note, the Warrant or any of the other Transaction Documents, including, without limitation, the failure to make payment when due of amounts owing pursuant to the Note on the due date thereof (whether at the scheduled maturity, by acceleration or otherwise), or (ii) any legal, administrative or other actions (including actions brought by the Purchaser or the Company or any equity holders of the Company or derivative actions brought by any Person claiming through or in the Company's name), proceedings or investigations (whether formal or informal), or written threats thereof (provided the same are written on attorney's letterhead and contain material allegations based on fact), based upon, relating to or arising out of any of the Transaction Documents, the transactions contemplated thereby, or an Indemnified Party's role therein or in the transactions contemplated thereby; PROVIDED, HOWEVER, that the Company shall not be liable under this Section 7.03 to an Indemnified Party to the extent that it is finally judicially determined by a court of competent jurisdiction that such Liabilities resulted from the willful misconduct or gross negligence of such Indemnified Party; PROVIDED, FURTHER, that if and to the extent that such indemnification is unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of such indemnified liability that shall be permissible under applicable Laws. In connection with the obligation of the Company to indemnify for expenses as set forth above, the Company further agrees, upon presentation of appropriate invoices containing reasonable detail, to reimburse each Indemnified Party for all such expenses (including reasonable fees, disbursements and other charges of counsel) as they are incurred by such Indemnified Party; PROVIDED, HOWEVER, that if an Indemnified Party is reimbursed hereunder for any expenses, such reimbursement of expenses shall be refunded to the

extent it is finally judicially determined by a court of competent jurisdiction that the Liabilities in question resulted primarily from the willful misconduct or gross negligence of such Indemnified Party.

(b) Each Indemnified Party under this Section 7.03 will, promptly after the receipt of notice of the commencement of any action, investigation, claim, or other proceeding against such Indemnified Party in respect of which indemnity may be sought from the Company under this Section 7.03, notify the Company in writing of the commencement thereof. The omission of any Indemnified Party so to notify the Company of any such action shall not relieve the Company from any liability that it may have to such Indemnified Party under this Section 7.03 unless, and only to the extent that, such omission actually materially prejudices the Company's substantive rights or defenses. In case any such action, claim or other proceeding shall be brought against any Indemnified Party and it shall notify the Company of the commencement thereof, the Company shall be entitled to assume the defense thereof at its own expense, with counsel satisfactory to such Indemnified Party in its reasonable judgment; PROVIDED, HOWEVER, that any Indemnified Party may, at its own expense, retain separate counsel to participate in such defense. Notwithstanding the foregoing, in any action, claim or proceeding in which the Company, on the one hand, and an Indemnified Party, on the other hand, is, or is reasonably likely to become, a party, such Indemnified Party shall have the right to employ separate counsel at the Company's expense and to control its own defense of such action, claim or proceeding if, in the reasonable opinion of counsel to such Indemnified Party, a conflict or potential conflict exists between the Company, on the one hand, and such Indemnified Party, on the other hand, that would make such separate representation advisable. The Company agrees that it will not, without the prior written consent of an Indemnified Party, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding relating to the matters contemplated hereby (if that Indemnified Party is a party thereto or has been actually threatened to be made a party thereto) unless such settlement, compromise or consent includes an unconditional release of that Indemnified Party from all liability arising or that may arise out of such claim, action or proceeding. The Company shall not be liable for any settlement of any claim, action or proceeding effected against an Indemnified Party without its written consent, which consent shall not be unreasonably withheld. The rights accorded to Indemnified Parties hereunder shall be in addition to any rights that any Indemnified Party may have at common law, by separate agreement or otherwise.

## ARTICLE 8

### AFFIRMATIVE COVENANTS

Until the earlier of (a) payment by the Company of all principal of and interest on the Note and all other amounts due at the time of payment of such principal and interest to the Purchaser under this Agreement or the Note, including, without limitation, all fees, expenses and amounts due at such time in respect of indemnity obligations under Article 7, and for so long as the Warrant remains outstanding or the Purchaser holds any Warrant Units and (b) the completion of an initial public offering of the Company's securities pursuant to the Securities Act, the Company hereby covenants and agrees with the Purchaser as follows:

8.01. REPORTING REQUIREMENTS. The Company will furnish to the Purchaser:

(a) ANNUAL FINANCIAL STATEMENTS. As soon as available and in any event within 90 days after the end of each fiscal year thereafter, the balance sheet of the Company as at the end of such year and the related statements of income, of shareholders' equity and of cash flows for such fiscal year, in each case setting forth comparative figures for the preceding year, all in reasonable detail and reviewed by independent public accountants selected by the Company and reasonably acceptable to the Purchaser.

(b) MONTHLY/QUARTERLY FINANCIAL STATEMENTS. As soon as available and in any event within 30 days after the end of each month until December 31, 2002 (provided, for the first six months ending after the date hereof, 45 days after the end of each such month), and within 30 days after the end of each quarter thereafter, the unaudited balance sheet of the Company as at the end of such month and the related unaudited statements of income and of cash flows for that month and for the fiscal year to date, and setting forth, in the case of such unaudited statements of income and of cash flows, comparative figures for the related periods in the prior fiscal year, and which financial statements must be certified on behalf of the Company by its chief financial or accounting officer, subject to changes resulting from normal year-end audit adjustments.

(c) OFFICER'S COMPLIANCE CERTIFICATES; MANAGEMENT DISCUSSION AND ANALYSIS. At the time of the delivery of the financial statements provided for in Sections 8.01(a) and (b), a certificate, in form and substance satisfactory to the Purchaser, on behalf of the Company by its chief financial or accounting officer to the effect that no Default or Event of Default exists or, if any Default or Event of Default does exist, specifying the nature and extent thereof and the actions the Company proposes to take with respect thereto, which certificate, if delivered with respect to a year-or month-ending period, must set forth the calculations required to establish compliance with the provisions of Sections 9.08, 9.09, 9.10, 9.11 and 9.12 of this Agreement.

(d) NOTICE OF DEFAULT AND CERTAIN OTHER MATTERS. Promptly, and in any event within five days after the Company obtains knowledge thereof, notice of:

(i) the occurrence of any event that constitutes a Default or an Event of Default, which notice must specify the nature thereof, the period of existence thereof and what action the Company proposes to take with respect thereto; and

(ii) any other event or circumstance that causes a Material Adverse Effect or creates a reasonable possibility of a Material Adverse Effect.

(e) BUDGET. No later than January 31 of each fiscal year of the Company, the Company's budget for such fiscal year broken down by month, in usual and customary detail, which budget shall be subject to the approval of the Purchaser (the "Budget").

(f) ERISA EVENTS. As soon as possible, and in any event within ten days after the Company knows or has reason to believe that any of the events or conditions specified below with respect to any Plan or Multiemployer Plan has occurred or exists, a statement signed by a senior financial officer of the Company setting forth details respecting such event or condition

and the action, if any, that any ERISA Affiliate proposes to take with respect thereto (and a copy of any report or notice required to be filed with or given to PBGC by the Company or a member of the ERISA Group with respect to such event or condition):

(i) any reportable event, as defined in Section 4043(b) of ERISA and the regulations issued thereunder, with respect to a Plan, as to which PBGC has not by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event (provided that a failure to meet the minimum funding standard of Section 412 of the Code or Section 302 of ERISA, including, without limitation, the failure to make on or before its due date a required installment under Section 412(m) of the Code or Section 302(e) of ERISA, shall be a reportable event regardless of the issuance of any waivers in accordance with Section 412(d) of the Code); and any request for a waiver under Section 412(d) of the Code for any Plan;

(ii) the distribution under Section 4041 of ERISA of a notice of intent to terminate any Plan or any action taken by any ERISA Affiliate to terminate any Plan;

(iii) the institution by PBGC of proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by PBGC with respect to such Multiemployer Plan;

(iv) the complete or partial withdrawal from a Multiemployer Plan by any ERISA Affiliate that results in liability under Section 4201 or 4204 of ERISA (including the obligation to satisfy secondary liability as a result of a purchaser default) or the receipt by any ERISA Affiliate of notice from a Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA;

(v) the institution of a proceeding by a fiduciary of any Multiemployer Plan against any ERISA Affiliate to enforce Section 515 of ERISA, which proceeding is not dismissed within 30 days; and

(vi) the adoption of an amendment to any Plan that, pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA, would result in the loss of tax-exempt status of the trust of which such Plan is a part if any ERISA Affiliate fails to timely provide security to the Plan in accordance with the provisions of said Sections;

(g) ADDITIONAL INFORMATION. From time to time such other information regarding the financial condition, operations, business or prospects of the Company including, without limitation, any Plan or Multiemployer Plan and any reports or other information required to be filed under ERISA) as any Purchaser may reasonably request.

8.02. MANAGER MEETINGS. Until the payment by the Company of all principal of and interest on the Note and all other amounts due at the time of payment of such principal and interest to the Purchaser under this Agreement or the Note, including, without limitation, all fees, expenses and amounts due at such time in respect of indemnity obligations under Article 7, and for so long as

the Purchaser holds Units or Warrants Units that aggregate not less than five percent of the Units outstanding on a fully diluted basis, the Purchaser shall have the right to appoint one of the Company's managers.

8.03. RESERVATION OF UNITS. The Company shall at all times reserve and keep available out of its authorized Units, solely for the purpose of issue or delivery upon exercise of the Warrant as provided therein, the maximum number of Units that may be issuable or deliverable upon such exercise. Such Units shall, when issued and delivered in accordance with the Warrant, be duly and validly issued and fully paid and non-assessable. The Company shall issue such Units in accordance with the provisions of the Warrant and shall otherwise comply with the terms thereof.

8.04. LITIGATION. The Company will promptly give to the Purchaser notice of all legal or arbitral proceedings, and of all proceedings by or before any Governmental Authority, and any material development in respect of such legal or other proceedings, affecting the Company, except proceedings that, if adversely determined, would not (either individually or in the aggregate) have a Material Adverse Effect. Without limiting the generality of the foregoing, the Company will give to the Purchaser notice of the assertion of any Environmental Claim by any Person against, or with respect to the activities of, the Company and notice of any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations, other than any Environmental Claim or alleged violation that, if adversely determined, would not (either individually or in the aggregate) have a Material Adverse Effect.

8.05. EXISTENCE, ETC. The Company will:

(a) preserve and maintain its legal existence and all of its material rights, privileges, licenses and franchises (provided that nothing in this Section 8.05 shall prohibit any transaction expressly permitted under Section 9.03 hereof);

(b) comply with the requirements of all applicable laws, rules, regulations and orders of governmental or regulatory authorities if failure to comply with such requirements could (either individually or in the aggregate) have a Material Adverse Effect;

(c) pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its Property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained;

(d) maintain all of its Properties used or useful in its business in good working order and condition, ordinary wear and tear excepted;

(e) keep adequate records and books of account, in which complete entries will be made in accordance with generally accepted accounting principles consistently applied; and

(f) permit representatives of any Purchaser, during normal business hours and with reasonable advance notice, to examine, copy and make extracts from its books and records, to

inspect any of its Properties, and to discuss its business and affairs with its officers, all to the extent reasonably requested by such Purchaser.

#### ARTICLE 9

##### 8.06. INSURANCE.

(a) The Company will maintain insurance with financially sound and reputable insurance companies, and with respect to Property and risks of a character usually maintained by corporations engaged in the same or similar business similarly situated, against loss, damage and liability of the kinds and in the amounts customarily maintained by such corporations.

(b) All premiums on insurance policies required under this Section 8.06 shall be paid by the Company. The Company will deliver to the Purchaser, promptly upon request, (i) the originals of all policies evidencing all insurance required to be maintained under Section 8.06(a) hereof or certificates thereof by the insurers together with a counterpart of each policy and (ii) evidence as to the payment of all premiums then due thereon (or with respect to any insurance policies providing for payment other than by a single lump sum, all installments for the current year due thereon to such date).

#### ARTICLE 9

##### NEGATIVE COVENANTS

Until the earlier of (a) payment by the Company of all principal of and interest on the Note and all other amounts due at the time of payment of such principal and interest to the Purchaser under this Agreement or the Note, including, without limitation, all fees, expenses and amounts due at such time in respect of indemnity obligations under Article 7, and for so long as the Warrant remains outstanding or the Purchaser holds any Warrant Units and (b) the completion of an initial public offering of the Company's securities pursuant to the Securities Act, the Company hereby covenants and agrees with the Purchaser as follows:

9.01. AMENDMENTS OR WAIVERS. Without the prior written consent of the Purchaser, the Company will not agree to any amendment to or waiver of or in respect of any of the Transaction Documents, or the certificate of formation of the Company or the Limited Liability Company Agreement.

9.02. NO INCONSISTENT AGREEMENTS; AMENDMENTS. The Company shall not enter into any loan or other agreement, or enter into any amendment or other modification to any currently existing agreement, that by its terms prevents the Company from paying the principal of or premium, if any, or interest on the Note at the times or in the amounts as provided therein or from otherwise observing or performing any of the Company's obligations under the Transaction Documents.

9.03 PROHIBITION OF FUNDAMENTAL CHANGES. The Company will not without the prior written consent of the Purchaser, which consent shall not be unreasonably withheld:

(a) enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution).



(b) acquire any business or Property from, or capital stock of, or be a party to any acquisition of, any Person except for Permitted Acquisitions, purchases of inventory and other Property to be sold or used in the ordinary course of business, Investments permitted under Section 9.06 hereof, and Capital Expenditures permitted under Section 9.11 hereof; provided, however, that once the Company has paid all principal of and interest on the Note and all other amounts due at the time of payment of such principal and interest to the Purchaser under this Agreement or the Note, the Company shall be permitted to make such an acquisition so long as such acquisition would not cause a Default under this Agreement, as determined in the reasonable judgment of the Purchaser.

(c) convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any material part of its business or Property, whether now owned or hereafter acquired (including, without limitation, receivables and leasehold interests, but excluding (i) obsolete or worn-out Property, tools or equipment no longer used or useful in its business and (ii) any inventory or other Property sold or disposed of in the ordinary course of business and on ordinary business terms).

9.04. LIMITATION ON LIENS. The Company will not without the prior written consent of the Purchaser, which consent shall not be unreasonably withheld, create, incur, assume or suffer to exist any Lien upon any of its Property, whether now owned or hereafter acquired, except:

(a) Liens created pursuant to the Security Agreement;

(b) Liens imposed by any Governmental Authority for taxes, assessments or charges not yet due or that are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Company in accordance with GAAP;

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith and by appropriate proceedings and Liens securing judgments but only to the extent for an amount and for a period not resulting in an Event of Default under Section 10.01(j) hereof;

(d) pledges or deposits under worker's compensation, unemployment insurance and other social security legislation;

(e) deposits to secure the performance of bids, trade contracts (other than for Debt), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, easements, licenses, restrictions on the use of Property or minor imperfections in title thereto that, in the aggregate, are not material in amount, and that do not in any case materially detract from the value of the Property subject thereto or interfere with the ordinary conduct of the business of the Company;

(g) Liens upon real and/or tangible personal Property acquired after the date hereof (by purchase, construction or otherwise) by the Company, each of which Liens was created solely for the purpose of securing Debt representing, or incurred to finance, refinance or refund, the cost (including the cost of construction) of such Property; provided that (i) no such Lien shall extend to or cover any Property of the Company other than the Property so acquired and improvements thereon and (ii) the principal amount of Debt secured by any such Lien shall at no time exceed the fair market value (as determined in good faith by a senior financial officer of the Company) of such Property at the time it was acquired (by purchase, construction or otherwise);

(h) judgment Liens that do not otherwise constitute an Event of Default;

(i) Liens arising from precautionary UCC financing statements regarding operating leases;

(j) leases or subleases granted to third Persons not interfering in any material respect with the business of the Company;

(k) Liens arising out of consignment or similar arrangements for the sale of goods entered into by the Company in the ordinary course of business;

(l) licenses of patents, trademarks, or other intellectual property rights granted in the ordinary course of business;

(m) Liens on Property subject to Capital Lease Obligations,

(n) Liens (not securing Debt) covering Property with a fair market value (or, if a lesser amount, securing obligations in an aggregate amount) not exceeding \$5,000; and

(o) Liens incurred after the Company has paid all principal of and interest on the Note and all other amounts due at the time of payment of such principal and interest to the Purchaser under this Agreement or the Note that would not cause a Default under this Agreement, as determined in the reasonable judgment of the Purchaser.

9.05. DEBT. The Company will not without the prior written consent of the Purchaser, which consent shall not be unreasonably withheld, create, incur or suffer to exist any Debt except:

(a) Debt listed on SCHEDULE 9.05;

(b) the Note;

(c) Debt (not secured by any Lien) incurred to finance Permitted Acquisitions, in an aggregate principal amount not to exceed \$35,000;

(d) Debt (not secured by any Lien): (i) that has terms and conditions (including subordination terms) that are satisfactory to the Purchaser, and (ii) as to which the Purchaser have been furnished calculations (in form and substance satisfactory to it) demonstrating that, after giving effect to such Debt, the Company will be in compliance with its obligations under

Sections 9.08, 9.09 and 9.10 hereafter on a pro forma basis after giving effect to the incurrence of such Debt;

(e) Debt, the proceeds of which would be used to pay all principal of and interest on the Note and all other amounts due at the time of payment of such principal and interest to the Purchaser under this Agreement or the Note;

(f) the loan from Paulette Kingsford ("Kingsford") to the Company in an aggregate amount of up to \$500,000; provided, that such loan shall be subordinated to all obligations of the Company to the Purchaser on terms satisfactory to the Purchaser, which shall include that no payments shall be made on the principal of such loan or any unscheduled interest payments so long as any obligations of the Company to the Purchaser remains outstanding and Kingsford shall not take any action to recover on such loan until all obligations outstanding with respect to the Note have been satisfied.

(g) additional Debt of the Company (including, without limitation, Capital Lease Obligations and other Debt secured by Liens permitted under Section 9.04(h)) up to but not exceeding \$25,000 at any one time outstanding.

9.06. INVESTMENTS. The Company will not without the prior written consent of the Purchaser, which consent shall not be unreasonably withheld, make or permit to remain outstanding any Investments except:

(a) Investments outstanding on the date hereof and identified in SCHEDULE 9.06;

(b) operating deposit accounts with banks;

(c) Permitted Investments; and

(d) Investments consisting of Permitted Acquisitions.

9.07. RESTRICTED PAYMENTS; COMPENSATION.

(a) The Company will not declare or make any Dividend Payment at any time, provided, however, that the Company may make Dividend Payments to its members to the extent necessary to enable the members of the Company (or the respective equity holders in such members) to pay their respective United States, state and local income tax liability arising out of their membership in the Company (assuming for this purpose that such members are taxed at the highest marginal rate).

(b) The Company will not pay any cash management fee or like fee in cash to any Affiliate at any time.

(c) The Company will not make any Earn-out Payments at any time, unless

(i) immediately prior to making such payment and after giving effect thereto, no Default or Event of Default shall be continuing, and

(ii) the Company shall have furnished to the Purchaser calculations demonstrating that after giving effect to making such Earn-out Payment the Company will be in compliance with its covenants in Sections 9.08, 9.09 and 9.10 hereof on a pro forma basis after giving effect to making such Earn-out Payment.

(d) Except as set forth on SCHEDULE 9.07(d), the Company will not directly or indirectly set, establish or increase the compensation payable or to become payable by the Company to any managing members or members holding collectively more than 50% of the Units without the prior approval of Purchaser.

9.08. TOTAL DEBT TO EBITDA RATIO. The Company will not permit the Total Debt to EBITDA Ratio to exceed the following respective ratios at any time during the following respective periods:

Period	Ratio
January 1, 2002 through December 31, 2002	4.0 to 1
January 1, 2003 through December 31, 2003	3.5 to 1
January 1, 2004 through December 31, 2004	3.0 to 1

9.09. INTEREST COVERAGE RATIO. The Company will not permit the Interest Coverage Ratio to be less than the following respective ratios at any time during the following respective periods:

Period	Ratio
January 1, 2002 through December 31, 2002	3.0 to 1
January 1, 2003 through December 31, 2003	4.0 to 1
January 1, 2004 through December 31, 2004	4.5 to 1

9.10. EBITDA. For each fiscal quarter, the Company will not permit EBITDA to be less than 85% of the amount projected for EBITDA in the Budget for that fiscal quarter.

9.11. FEES UNDER PERSONNEL SUPPORT AGREEMENT. The Company will not permit fees paid to Purchaser under Section 4 of the Personnel Support Agreement to be less than the following amounts for the following respective periods:

Period	Ratio
October 1, 2001 through March 31, 2002	\$200,000
April 1, 2002 through June 30, 2002	\$250,000
July 1, 2002 through September 30, 2002	\$250,000
October 1, 2002 through December 31, 2002	\$375,000
January 1 through March 31 of each year thereafter	\$200,000
April 1 through June 30 of each year thereafter	\$500,000
July 1 through September 30 of each year thereafter	\$500,000
October 1 through December 31 of each year thereafter	\$500,000

9.12. CAPITAL EXPENDITURES. The Company will not permit the aggregate amount of Capital Expenditures by the Company to exceed \$50,000 in any fiscal year of the Company.

9.13. LINES OF BUSINESS. The Company will not engage to any substantial extent in any line or lines of business activity other than the business of providing internal audit service outsourcing and business advisory services.

9.14. TRANSACTIONS WITH AFFILIATES. Except as expressly permitted by this Agreement, the Company will not directly or indirectly: (a) make any Investment in an Affiliate; (b) transfer, sell, lease, assign or otherwise dispose of any Property to an Affiliate; (c) merge into or consolidate with or purchase or acquire Property from an Affiliate; or (d) enter into any other transaction directly or indirectly with or for the benefit of an Affiliate (including, without limitation, Guarantees and assumptions of obligations of an Affiliate); PROVIDED that (x) any Affiliate who is an individual may serve as a director, officer or employee of the Company and, subject to Section 9.07(d), receive reasonable compensation for his or her services in such capacity and (y) the Company may enter into transactions (other than extensions of credit by the Company to an Affiliate) providing for the leasing of Property, the rendering or receipt of services or the purchase or sale of inventory and other Property in the ordinary course of business if the monetary or business consideration arising therefrom would be substantially as advantageous to the Company as the monetary or business consideration that the Company would obtain in a comparable transaction with a Person not an Affiliate.

9.15. MANAGER BONUSES. The Company shall not pay any bonus to a Manager for his performance in either fiscal year 2001 and 2002. The Company may pay bonuses to a Manager for his performance in fiscal year 2003 and each year thereafter in accordance with the formula set forth on Schedule 9.15; provided, that immediately prior to making such bonus payments and after giving effect thereto, no Default or Event of Default shall be continuing. Notwithstanding anything to the contrary in this Agreement, after the exercise of any portion of the Warrants by the Purchaser, the Company shall not pay any compensation (including such bonuses) other than

those set forth on Schedule 9.07(d) to a Manager; provided, however, the Company may make distributions to its Members, on a pro rata basis, with the funds otherwise intended for such bonuses.

## ARTICLE 10

### DEFAULTS

10.01. EVENTS OF DEFAULT. If any one or more of the following events (each an "EVENT OF DEFAULT") shall occur and be continuing for any reason whatsoever (whether voluntary or involuntary, by operation of law or otherwise):

(a) the Company shall fail to pay when due any principal of the Note, or shall fail to pay on the due date thereof any interest or premium on the Note, or any fees or any other amount payable hereunder and such failure continues for at least five Business Days;

(b) the Company shall fail to observe or perform any covenant in Section 8.01(d)(i), 8.02, 8.03 or 8.04 or in Article 9 hereof;

(c) the Company shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause (a) or (b) above) or any Transaction Document for 15 days after the earlier of the date written notice of such failure has been given to the Company by the Purchaser and the date the Company first has knowledge of such failure;

(d) any representation, warranty, certification or statement made by the Company in any Financing Document or in any certificate, financial statement or other document delivered pursuant to the Financing Documents shall prove to have been incorrect in any respect (or in any material respect if such representation, warranty, certification, or statement is not by its terms already qualified as to materiality) when made (or deemed made);

(e) the Company shall fail to make any payment or payments in respect of any Debt (other than the Note) arising in one or more related or unrelated transactions, and such failure shall continue beyond any period of grace, if any, specified therein, except to the extent that the Company actively is contesting the payment of such Debt in good faith.

(f) any event or condition shall occur that (i) results in the acceleration of the maturity of any Debt of the Company arising in one or more related or unrelated transactions, or (ii) enables (or, with the giving of notice or lapse of time or both, would enable) the holder of such Debt or any Person or Persons acting on behalf of such holder or holders to accelerate the maturity thereof, or (iii) results in a violation of, or a default under, any provision of the Company's certificate of formation, limited liability company agreement or other governing document;

(g) (i) the Company shall cease to be Solvent or shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any

substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or (ii) the Company shall take any action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against the Company seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Company under the federal bankruptcy laws as now or hereafter in effect;

(i) any ERISA Affiliate shall fail to pay when due an amount or amounts aggregating in excess of \$15,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any ERISA Affiliate, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to one or more Multiemployer Plans that could cause one or more members of the ERISA Group to incur a current payment obligation in excess of \$15,000;

(j) one or more judgments or orders for the payment of money aggregating in excess of \$10,000 shall be rendered against the Company and such judgments or orders shall continue unsatisfied and unstayed for a period of 30 consecutive days;

(k) any person or group of persons (within the meaning of Rule 13d-3 promulgated by the Commission under the Exchange Act) shall have acquired beneficial ownership (within the meaning of such Rule 13d-3) of 50% or more of the outstanding equity of the Company, other than Michael Corcoran and Robert Eason; at any time the then chief executive officer shall cease to be chief executive officer of the Company and a successor shall not have been appointed by the Company within 120 days thereafter; Michael Corcoran and Robert Eason cease to own, either directly or indirectly, at least 51% of the outstanding voting securities of the Company, cease to possess the power to direct or cause the direction of the management or policies of the Company, or cease to possess the right, either directly or indirectly, to elect a majority of the Company's managers (each, a "CHANGE OF CONTROL");

(l) any material adverse change that results in a Material Adverse Effect occurs to the business property, assets, operations or condition, financial or otherwise, of the Company;

(m) the auditor's report or reports on the audited statements delivered pursuant to Section 8.01 shall include any qualification (including with respect to the scope of audit) or exception

and shall not have been replaced within 30 days after the delivery thereof by an auditor's report that does not include any qualification (including with respect to the scope of audit) or exception;

(n) the Company shall be prohibited or otherwise restrained from conducting the business theretofore conducted by it by virtue of any determination, ruling, decision, decree or order of any court or regulatory authority of competent jurisdiction and such determination, ruling, decision, decree or order remains unstayed and in effect for any period of five days beyond any period for which any business interruption insurance policy of the Company shall provide full coverage to the Company of any losses and lost profits;

(o) any of the Transaction Documents shall for any reason fail to constitute the valid and binding agreement of any party thereto; or

(p) a reasonable basis shall exist for the assertion against the Company, predecessor in interest of the Company or Affiliates, of (or there shall have been asserted against the Company) an Environmental Claim that, in the judgment of the Purchaser is reasonably likely to be determined adversely to the Company, and the amount thereof (either individually or in the aggregate) is reasonably likely to have a Material Adverse Effect (insofar as such amount is payable by the Company but after deducting any portion thereof that is reasonably expected to be paid by other creditworthy Persons jointly and severally liable therefor);

then, and in every such event and at any time thereafter during the continuance of such event, the Purchaser by notice to the Company may declare the Note (together with accrued interest thereon) to be, and the Note shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company; PROVIDED that in the case of any of the Events of Default specified in clause (g)(i) or (h) above with respect to the Company, without any notice to the Company or any other act by the Purchaser, the Note (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company.

#### ARTICLE 11

#### PREPAYMENT

The Company shall prepay outstanding principal (together with accrued interest) on the Note in accordance with the "Mandatory Prepayment" provisions set forth in the Note. The Company may prepay outstanding principal of (together with accrued interest on) the Note only if the Note is prepaid in accordance with the "Optional Prepayment" provisions set forth in the Note.



ARTICLE 12

MISCELLANEOUS

12.01. SURVIVAL OF AGREEMENTS, REPRESENTATIONS AND WARRANTIES. All of the agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement, any investigation by or on behalf of the Purchaser, acceptance of the Securities and payment therefor, exercise of the Warrant or termination of this Agreement.

12.02. NOTICES. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, telecopier, courier service or personal delivery:

(a) if to the Purchaser:

Century Business Services, Inc.  
6480 Rockside Woods Blvd., South  
Suite 330  
Cleveland, Ohio 44131  
Phone: (216) 447-9000; Fax: (216) 447-9007  
Attn: Michael Kouzelos, Vice President

With a copy to:

Baker & Hostetler LLP  
3200 National City Center  
1900 East Ninth Street  
Cleveland, Ohio 44114-3485  
Phone: (216) 621-0200; Fax: (216) 696-0740  
Attn: Ronald A. Stepanovic., Esq.

(b) If to the Company:

HarborView Partners, LLC  
3 Stamford Landing, Suite 330  
46 Southfield Avenue  
Stamford, Connecticut 06902  
Phone: (203) 357-9700; Fax: (203) 357-0428  
Attn: Michael Corcoran, Chief Executive Officer

With a copy to:

Michael J. Franco  
Franco & Associates  
125 Elm Street  
New Canaan, Connecticut 06840  
Phone: (203) 972-7339; Fax: (203) 972-7321

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; when delivered by

courier, if delivered by commercial overnight courier service; five Business Days after being deposited in the mail, postage prepaid, if mailed; and when receipt is acknowledged, if telecopied.

12.03. SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns and permitted transferees of the parties hereto.

12.04 ASSIGNMENTS AND PARTICIPATIONS. The Company may not assign any of its rights or obligations under this Agreement without the prior written consent of the Purchaser. The Purchaser may, at any time or from time to time, sell, agree to sell or assign to one or more other Persons, who agree to be bound by all of the terms of this Agreement, any portion of the Note.

12.05. AMENDMENT AND WAIVER.

(a) No failure or delay on the part of the Company or the Purchaser in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to the Company or the Purchaser at law, in equity or otherwise.

(b) Any amendment, supplement or modification of or to any provision of this Agreement, any waiver of any provision of this Agreement, and any consent to any departure by the Company from the terms of any provision of this Agreement, shall be effective (i) only if it is made or given in writing and signed by the Company and the Purchaser, and (ii) only in the specific instance and for the specific purpose for which made or given.

(c) Except where notice is specifically required by this Agreement, no notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances.

12.06. COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

12.07. HEADINGS; SECTION REFERENCES. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. Unless otherwise specified, all references to Sections and Articles are references to Sections and Articles of this Agreement, and all references to Exhibits and Schedules are to Exhibits and Schedules to this Agreement.

12.08. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without reference to principles of conflicts of law.

12.09. JURISDICTION. EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY AGREES THAT ANY LEGAL ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY AGREEMENTS OR TRANSACTIONS CONTEMPLATED HEREBY MAY BE BROUGHT IN THE COURTS OF THE STATE

OF OHIO LOCATED IN THE CITY OF CLEVELAND OR OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF OHIO AND HEREBY EXPRESSLY SUBMITS TO THE PERSONAL JURISDICTION AND VENUE OF SUCH COURTS FOR THE PURPOSES THEREOF AND EXPRESSLY WAIVES ANY CLAIM OF IMPROPER VENUE AND ANY CLAIM THAT SUCH COURTS ARE AN INCONVENIENT FORUM. EACH PARTY HEREBY IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE ADDRESS SET FORTH IN SECTION 12.02, SUCH SERVICE TO BECOME EFFECTIVE TEN DAYS AFTER SUCH MAILING.

12.10. SEVERABILITY. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

12.11. RULES OF CONSTRUCTION. Unless the context otherwise requires, "or" is not exclusive, and references to sections or subsections refer to sections or subsections of this Agreement.

12.12. ENTIRE AGREEMENT. This Agreement, together with the exhibits and schedules hereto and the other Transaction Documents, is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein or therein. This Agreement, together with the exhibits and schedules hereto and the other Transaction Documents, supersedes all prior agreements and understandings between the parties with respect to such subject matter.

12.13. FURTHER ASSURANCES. Each of the parties shall execute such documents and perform such further acts (including, without limitation, obtaining any consents, exemptions, authorizations, or other actions by, or giving any notices to, or making any filings with, any Governmental Authority or any other Person) as may be reasonably required or desirable to carry out or to perform the provisions of this Agreement.

12.14. WAIVER OF JURY TRIAL. THE COMPANY AND THE PURCHASER HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE FINANCING DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY AND TO THE FULLEST EXTENT PERMITTED BY LAW WAIVE ANY RIGHTS THAT THEY MAY HAVE TO CLAIM OR RECEIVE CONSEQUENTIAL OR SPECIAL DAMAGES IN CONNECTION WITH ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE FINANCING DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective officers hereunto duly authorized as of the date first above written.

HARBORVIEW PARTNERS, LLC

By: \_\_\_\_\_  
\_\_\_\_\_, \_\_\_\_\_

CENTURY BUSINESS SERVICES, INC.

By: \_\_\_\_\_  
Jerome P. Grisko, Jr. President

EXHIBIT A

DEFINED TERMS

"AFFILIATE" means, with respect to any Person, any of (i) a manager, partner, director or executive officer of such Person, (ii) any Person that, directly or indirectly through one or more intermediaries, controls such Person and (iii) any Person that is controlled by or is under common control with such Person. For the purpose of this definition, "control" (including the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to vote five percent or more of any class of voting securities of such Person or to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities or by contract or agency or otherwise.

"AGREEMENT" means this Agreement as the same may be amended, supplemented or modified in accordance with the terms hereof.

"APPLICABLE CLOSING DATE" has the meaning assigned to that term in Section 2.01.

"BANKRUPTCY CODE" means the Bankruptcy Code of 1978, as amended.

"BENEFIT ARRANGEMENT" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA that is not a Plan or a Multiemployer Plan and that is maintained or otherwise contributed to by any ERISA Affiliate.

"BUSINESS DAY" means any day other than a Saturday, Sunday or public holiday under the laws of the State of Ohio, or other day on which banking institutions generally are authorized or obligated to close in Cleveland, Ohio.

"CAPITAL EXPENDITURES" means, for any period, expenditures (including, without limitation, the aggregate amount of Capital Lease Obligations incurred during such period) made by the Company to acquire or construct fixed assets, plant and equipment (including renewals, improvements and replacements, but excluding repairs and excluding amounts paid in respect of the purchase price for any Permitted Acquisition) during such period computed in accordance with GAAP.

"CAPITAL LEASE OBLIGATIONS" means, for any Person, all obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) Property to the extent such obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP, and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

"CAPITAL SECURITIES" means, with respect to any Person, any and all shares, interests (including partnership interests or limited liability company interests), participations or other equivalents (however designated, whether voting or non-voting) of such Person's capital, whether now outstanding or issued hereafter.

"CASUALTY EVENT" means, with respect to any Property of any Person, any loss of or damage to, or any condemnation or other taking of, such Property for which such Person or any of its Subsidiaries receives insurance proceeds, or proceeds of a condemnation award or other compensation.

"CHANGE OF CONTROL" has the meaning assigned to that term in Section 10.01(k).

"CLOSING" has the meaning assigned to that term in Section 2.04.

"CODE" means the Internal Revenue Code of 1986, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time. References to sections of the Code shall be construed also to refer to any successor sections.

"COMMISSION" means the Securities and Exchange Commission or any similar agency then having jurisdiction to enforce the Securities Act.

"COMPANY" has the meaning assigned to that term in the preamble hereto.

"CONTRACTUAL OBLIGATIONS" means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument to which such Person is a party or by which it or any of its property (now or hereafter acquired) is bound.

"DEBT" of a Person means at any date, without duplication, (i) all obligations of such Person for borrowed money (whether by loan, the issuance and sale of debt securities or the sale of Property to another Person subject to an understanding or agreement, contingent or otherwise, to repurchase such Property from such Person), (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price or acquisition price of Property or services, except trade accounts payable (other than for borrowed money) arising, and accrued expenses incurred, in the ordinary course of business (excluding any Earn-out Payments), so long as such trade accounts payable are payable within 90 days of the date the respective goods are delivered or the respective services are rendered (or, if overdue for more than 90 days, as to which a bona fide dispute exists and adequate reserves in conformity with GAAP have been established on the books of such Person), (iv) all Capital Lease Obligations of such Person, (v) all obligations of such Person to purchase securities (or other Property) that arise out of or in connection with the sale of the same or substantially similar securities (or Property), (vi) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (vii) all equity securities of such Person subject to repurchase or redemption otherwise than at the sole option of such Person, (viii) all indebtedness secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, and (ix) all Debt of others Guaranteed by such Person.

"DEBT SERVICE" means, for any period, the sum, for the Company (determined in accordance with GAAP), of the following: (a) all payments of principal of Debt (including, without limitation, the principal component of any payments in respect of Capital Lease

Obligations) scheduled to be made during such period plus (b) all Interest Expense for such period.

"DEFAULT" means any condition or event that constitutes an Event of Default or that with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"DISPOSITION" means any sale, assignment, transfer or other disposition of any Property (whether now owned or hereafter acquired) by the Company to any other Person excluding any sale, assignment, transfer or other disposition of any Property sold or disposed of in the ordinary course of business and on ordinary business terms.

"DIVIDEND PAYMENT" means dividends (in cash, Property or obligations) on, or other payments or distributions on account of, or the setting apart of money for a sinking or other analogous fund for, or the purchase, redemption, retirement or other acquisition of, any Capital Securities of the Company or of any warrants, options or other rights to acquire the same (or to make any payments to any Person, such as "phantom stock" payments, where the amount thereof is calculated with reference to the fair market or equity value of the Company), but excluding dividends payable solely in shares of common stock of the Company, the exercise of the Warrant or the exercise of any rights by the Purchaser under the Warrantholder's Rights Agreement.

"DOLLAR," "DOLLARS" and the symbol "\$" means lawful money of the United States of America.

"EARN-OUT PAYMENTS" means, with respect to any Permitted Acquisition, any payment that may be required to be made by the Company in connection with such Permitted Acquisition, the payment of which is contingent on the performance of the business acquired in such Permitted Acquisition or similar contingencies.

"EBITDA" means, for any period, the sum, for the Company (determined in accordance with GAAP) of the following:

(a) net operating income (calculated before taxes, Interest Expense, extraordinary and unusual items and income or loss attributable to equity in Affiliates) for such period, plus

(b) depreciation, amortization and other non-cash charges (in each case, to the extent deducted in determining net operating income) for such period;

PROVIDED that for purposes of calculating EBITDA for any period of four fiscal quarters, EBITDA for such period shall be adjusted (in a manner reasonably satisfactory to the Purchaser) to include the EBITDA of Persons acquired in connection with any Permitted Acquisitions made during such period, as if such Permitted Acquisition had been consummated on the first day of such period.

"EQUITY ISSUANCE" means (a) any issuance or sale by the Company after the date hereof of (i) any Capital Securities, (ii) any warrants or options exercisable in respect of Capital Securities or (iii) any other security or instrument representing a Capital Security (or the right to



obtain any Capital Security) in the Company or (b) the receipt by the Company after the date hereof of any capital contribution (whether or not evidenced by any Capital Security issued by the recipient of such contribution); provided that Equity Issuance shall not include the issuance of Capital Securities upon the exercise of the Warrant.

"EQUITY RIGHT" means, with respect to any Person, any subscriptions, options, warrants, commitments, preemptive rights or agreement of any kind (including, without limitation, any stockholders' or voting trust agreements) for the issuance, sale, registration or voting of, or securities convertible into, any additional shares of capital stock of any class, or partnership or other ownership interests of any type in, such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor statute.

"ERISA AFFILIATE" shall mean the Company and any corporation or trade or business that is a member of any group of organizations (i) described in Section 414(b) or (c) of the Code of which the Company is a member and (ii) solely for purposes of potential liability under Section 302(c)(11) of ERISA and Section 412(c)(11) of the Code and the lien created under Section 302(f) of ERISA and Section 412(n) of the Code, described in Section 414(m) or (o) of the Code of which the Company is a member.

"EVENT OF DEFAULT" has the meaning assigned to that term in Section 10.01.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder.

"FINANCING DOCUMENTS" means this Agreement, the Security Agreement and the Note.

"FISCAL YEAR" means a fiscal year of the Company.

"FIXED CHARGES COVERAGE RATIO" means, as at any date, the ratio of the following:

(a) the sum of the following:

(i) EBITDA for the period of four consecutive fiscal quarters ended on, or most recently ended prior to, such date, minus

(ii) Capital Expenditures made during such period, to

(b) Debt Service for such period.

"GAAP" shall have the meaning assigned to that term in Section 1.02.

"GOVERNMENTAL AUTHORITY" means any government or political subdivision or any agency, authority, bureau, central bank, commission, department, instrumentality or official of either, or any court, tribunal, grand jury or public or private mediator or arbitrator, in each case whether foreign or domestic.

"GUARANTEE" shall mean a guarantee, an endorsement, a contingent agreement to purchase or to furnish funds for the payment or maintenance of, or otherwise to be or become contingently liable under or with respect to, the Debt, other obligations, net worth, working capital or earnings of any Person, or a guarantee of the payment of dividends or other distributions upon the stock or equity interests of any Person, or an agreement to purchase, sell or lease (as lessee or lessor) Property, products, materials, supplies or services primarily for the purpose of enabling a debtor to make payment of such debtor's obligations or an agreement to assure a creditor against loss, and including, without limitation, causing a bank or other financial institution to issue a letter of credit or other similar instrument for the benefit of an other Person, but excluding endorsements for collection or deposit in the ordinary course of business. The terms "Guarantee" and "Guaranteed" used as a verb shall have a correlative meaning.

"INDEMNIFIED PARTY" has the meaning assigned to that term in Section 7.03(a).

"INTEREST COVERAGE RATIO" means, as at any date, the ratio of the following:

(a) EBITDA for the period of four consecutive fiscal quarters ended on, or most recently ended prior to, such date, to

(b) Interest Expense for such period.

"INTEREST EXPENSE" means, for any period, the sum, for the Company (determined in accordance with GAAP), of the following: (a) interest in respect of Debt (including, without limitation, the interest component of any payments in respect of Capital Lease Obligations) accrued or capitalized during such period (whether or not actually paid during such period) plus (b) the net amount accrued to be paid (or minus the amount accrued to be received) under Interest Rate Protection Agreements during such period (whether or not paid (or received) during such period), minus (c) any interest income accrued during such period.

"INTEREST RATE PROTECTION AGREEMENT" means, for any Person, an interest rate swap, cap or collar agreement or similar arrangement between such Person and one or more financial institutions providing for the transfer or mitigation of interest risks either generally or under specific contingencies.

"INVESTMENT" means, for any Person: (a) the acquisition (whether for cash, Property, services or securities or otherwise) of capital stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person or any agreement to make any such acquisition (including, without limitation, any "short sale" or any sale of any securities at a time when such securities are not owned by the Person entering into such sale); (b) the making of any deposit with, or advance, loan or other extension of credit to, any other Person (including the purchase of Property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such Property to such Person), but excluding any such advance, loan or extension of credit having a term not exceeding 90 days representing the purchase price of inventory or supplies sold by such Person in the ordinary course of business); (c) the entering into of any Guarantee of, or other contingent obligation with respect to, Debt or other liability of any other Person and (without duplication) any amount committed to be

advanced, lent or extended to such Person; or (d) the entering into of any Interest Rate Protection Agreement.

"LAW" means any law (including common law), constitution, statute, treaty, convention, regulation, rule, ordinance, order, injunction, writ, decree or award of any Governmental Authority.

"LIABILITIES" has the meaning assigned to that term in Section 7.03(a).

"LIEN" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset. For the purposes of this Agreement and the other Financing Documents, the Company shall be deemed to own subject to a Lien any asset that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"LIMITED LIABILITY COMPANY AGREEMENT" means the Limited Liability Company Agreement, dated as of September 26, 2001, among all of the members of the Company, as the same may be amended, modified, supplemented from time to time in accordance with the terms thereof and hereof.

"LOANS" means the loans to the Company evidenced by the Note.

"MATERIAL ADVERSE EFFECT" means a material adverse effect in (i) the condition (financial or otherwise), operations, business, prospects or Property of the Company, or the Company taken as a whole, (ii) the enforceability of, or the right, power or ability of the Company to perform its obligations under, any of the Transaction Documents or (iii) the ability of any Purchaser to enforce this Agreement or any of the other Transaction Documents.

"MATERIAL CONTRACTS" has the meaning assigned to that term in Section 5.14.

"MATERIAL PLAN" means at any time a Plan having Unfunded Liabilities.

"MULTIEMPLOYER PLAN" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any ERISA Affiliate is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person that ceased to be an ERISA Affiliate during such five-year period.

"NET AVAILABLE PROCEEDS" means:

(a) in the case of any Disposition, the amount of Net Cash Payments received in connection with such Disposition;

(b) in the case of any Casualty Event, the aggregate amount of proceeds of insurance, condemnation awards and other compensation received by the Company in respect of such

Casualty Event net of (A) reasonable and customary expenses incurred by the Company in connection therewith and (B) contractually required repayments of Debt to the extent secured by a Lien on such Property and any taxes and other governmental costs and expenses paid or payable by the Company in respect of such Casualty Event; and

(c) in the case of any Equity Issuance or any incurrence of Debt, the aggregate amount of all cash received by the Company in respect of such Equity Issuance or such incurrence of Debt, net of reasonable and customary expenses incurred by the Company in connection therewith.

"NET CASH PAYMENTS" means, with respect to any Disposition, the aggregate amount of all cash payments received by the Company directly or indirectly in connection with such Disposition; provided that (a) Net Cash Payments shall be net of (i) the amount of any legal, title and recording tax expenses, commissions and other fees and expenses paid by the Company in connection with such Disposition and (ii) any Federal, state and local income or other taxes estimated to be payable by the Company as a result of such Disposition (but only to the extent that such estimated taxes are in fact paid to the relevant Governmental Authority within three months of the date of such Disposition) and (b) Net Cash Payments shall be net of any repayments by the Company of Debt to the extent that (i) such Debt is secured by a Lien on the Property that is the subject of such Disposition and (ii) the transferee of (or holder of a Lien on) such Property requires that such Debt be repaid as a condition to the purchase of such Property.

"NOTE" has the meaning assigned to that term in the recitals of this Agreement.

"PAYMENT ACCOUNT" means with respect to the Purchaser, the account specified on the signature pages hereof into which all payments from the Company, shall be made, or such other account as the Purchaser shall from time to time specify by notice to the Company.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"PERMITTED ACQUISITION" means an acquisition (whether pursuant to an acquisition of Capital Securities, Property (only in the event of an acquisition of all or substantially all of the Property of another Person) or otherwise) by the Company from any Person of a business in which the following conditions are satisfied:

(a) immediately before, and immediately after giving effect to, such acquisition, no Event of Default or Default shall have occurred and be continuing, or would result therefrom;

(b) the Company shall have delivered to the Purchaser a compliance certificate (in form and substance satisfactory to the Purchaser) for the period of four fiscal quarters immediately preceding such acquisition (prepared in good faith and in a manner and using a methodology consistent with the most recent financial statements delivered pursuant to Section 8.01 hereof) giving pro forma effect to the consummation of such acquisition, and the incurrence of any Debt in connection therewith, and demonstrating pro forma compliance by the Company with its obligations under Sections 9.08, 9.09, 9.10 and 9.11 hereof after giving effect to such acquisition (provided that Capital Expenditures and repayments of Debt made by the business to

be acquired before the acquisition date will not be included in the pro forma calculations or in subsequent calculations of the financial covenants on a consolidated basis following such acquisition);

(c) the business to be acquired (on a consolidated basis) shall have generated positive EBITDA in the immediately preceding 12-month (after giving pro forma effect, in a manner satisfactory to the Purchaser, to identified cost savings), and the Purchaser shall have received calculations (in such detail as it may reasonably request) demonstrating the foregoing;

(d) after giving effect to such acquisition the Company shall be in compliance with respect to its obligations under Section 9.12 hereof with respect to the business acquired in such acquisition;

(e) the Purchaser shall have received copies of all agreements and instruments evidencing or governing such acquisition; and

(f) either of the following:

(i) the aggregate consideration payable in connection with all such Permitted Acquisitions (whether such consideration is payable upon the consummation of such Permitted Acquisition or as deferred payments, but excluding any Earn-out Payments) shall not exceed the sum of (x) \$50,000, plus (y) the Net Available Proceeds of any Equity Issuance to the extent used to finance the payment of the consideration for such Permitted Acquisition, or

(ii) such acquisition shall have been approved by the Purchaser.

"PERMITTED CONTEST" means a contest maintained in good faith by appropriate proceedings promptly instituted and diligently conducted and with respect to which an adequate reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made; PROVIDED that compliance with the obligation that is the subject of such contest is effectively stayed during such challenge.

"PERMITTED INVESTMENTS" means: (a) direct obligations of the United States of America, or of any agency thereof, or obligations guaranteed as to principal and interest by the United States of America, or of any agency thereof, in either case maturing not more than 90 days from the date of acquisition thereof; (b) certificates of deposit issued by any bank or trust company organized under the laws of the United States of America or any state thereof and having capital, surplus and undivided profits of at least \$500,000,000, maturing not more than 90 days from the date of acquisition thereof; (c) commercial paper rated A-1 or better or P-1 by Standard & Poor's Corporation or Moody's Holdings Services, Inc., respectively, maturing not more than 90 days from the date of acquisition thereof; (d) Investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers, in each case in the ordinary course of business; (e) Investments constituting (i) accounts receivable arising, or (ii) deposits made in connection with the purchase price of goods or services, in each case in the ordinary course of business; and (f) Investments consisting of any deferred portion of the sales price received by the Company in connection with any Disposition permitted hereunder.

"PERSON" means any natural person, corporation, limited partnership, general partnership, joint stock company, joint venture, association, company, trust, bank, trust company, land trust, business trust or other organization, whether or not a legal entity, and any government agency or political subdivision thereof.

"PERSONNEL SUPPORT AGREEMENT" means the Personnel Support Agreement, dated as of the date hereof, between the Company and the Purchaser, as the same may be amended, modified and supplemented from time to time in accordance with the terms thereof.

"PLAN" means at any time an employee pension benefit plan (other than a Multiemployer Plan) that is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained, or contributed to, by any ERISA Affiliate for employees of any ERISA Affiliate or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person that was at such time a member of the ERISA Group for employees of any Person that was at such time a member of the ERISA Group.

"PROPERTY" means any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

"PURCHASER" has the meaning assigned to that term in the preamble hereto.

"REGISTRATION RIGHTS AGREEMENT" means the Registration Rights Agreement, dated as of the date hereof, between the Company and the Purchaser, as the same may be amended, modified and supplemented from time to time in accordance with the terms thereof.

"REQUIREMENTS OF LAW" means as to any Person, the certificate or articles of organization, operating agreement or other organizational or governing documents of such Person, and any Law, right, privilege, qualification, license or franchise or determination of an arbitrator or a court or other Governmental Authority, in each case applicable or binding upon such Person or any of its property (now owned or hereafter acquired) or to which such Person or any of its property is subject.

"SECURITIES" means, collectively, the Note and the Warrant.

"SECURITIES ACT" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder.

"SECURITY AGREEMENT" means the Security Agreement, dated as of the date hereof, between the Company and the Purchaser, as the same may be amended, modified and supplemented from time to time in accordance with the terms thereof.

"SOLVENT" means, with respect to any Person at any time, that at such time (a) the sum of the Debts and liabilities (including contingent liabilities) of such Person is not greater than all of the Property of such Person at a fair valuation, (b) the present fair salable value of the Property of such Person is not less than the amount that will be required to pay the probable liability of such Person on its Debts as they become absolute and matured, (c) such Person has

not incurred, will not incur, does not intend to incur, and does not believe that it will incur, Debts or liabilities (including contingent liabilities) beyond such Person's ability to pay as such Debts and liabilities mature, (d) such Person is not engaged in, and is not about to engage in, a business or a transaction for which such Person's property constitutes or would constitute unreasonably small capital, and (e) such Person is not otherwise insolvent as defined in, or otherwise in a condition that could in any circumstances then or subsequently render any transfer, conveyance, obligation or act then made, incurred or performed by it avoidable or fraudulent pursuant to, any Law that may be applicable to such Person pertaining to bankruptcy, insolvency or creditors' rights (including but not limited to the Bankruptcy Code, and, to the extent applicable to such Person, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act, or any other applicable law pertaining to fraudulent conveyances or fraudulent transfers or preferences).

"STATE REGULATORY LAWS" means the Laws of any Governmental Authority of any state, including "blue sky" laws, for which any consent, approval or expiration of any waiting period is necessary in connection with the proposed purchase and sale of Securities contemplated hereby.

"SUBSIDIARY" of any Person means any corporation, partnership, joint venture, limited liability company, association or other business entity in respect of which that Person owns securities or other ownership interests having ordinary voting power to elect a majority of the board of directors, partnership committee, board of managers or trustees or other managerial body thereof, whether directly or indirectly through one or more of the other Subsidiaries of such Person or a combination thereof. Unless otherwise indicated, "Subsidiary" refers to a Subsidiary of the Company.

"TOTAL DEBT TO EBITDA RATIO" means, as at any date, the ratio of the following:

(a) the following:

(i) the aggregate outstanding principal amount of all Debt of the Company on such date, to

(b) EBITDA for the period of four consecutive fiscal quarters ended on, or most recently ended prior to, such date.

"TRANSACTION DOCUMENTS" means collectively this Agreement, the Note, the Warrant, the Registration Rights Agreement, the Personnel Support Agreement, the Warrantholder's Rights Agreement, the Security Agreement and the Limited Liability Company Agreement, and all other agreements, instruments, certificates and documents executed by the Company with or in favor of or for the benefit of the Purchaser, each as amended, modified, restated or supplemented from time to time in accordance with the terms thereof and hereof.

"UNFUNDED LIABILITIES" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the

then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"UNITS" means the units of the Company and any other equity security into which such Units are reclassified or reconstituted.

"WARRANT" has the meaning assigned to that term in the recitals of this Agreement.

"WARRANT UNITS" means the Units issuable upon exercise of the Warrant.

"WARRANTHOLDER'S RIGHTS AGREEMENT" means the Warrantholder's Rights Agreement, dated as of the date hereof, among the Company, the Purchaser and the other Persons who are parties thereto, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof.



SUBSIDIARY COMPANIES OF  
CENTURY BUSINESS SERVICES, INC.

Exhibit 21.1

COMPANY NAME	STATE OF INCORPORATION
1 AH Business Services, Inc.	Ohio
2 BA Business Services, Inc.	Ohio
3 BBGPR, LLC	Texas
4 BCC Business Services, Inc.	Ohio
5 Beatty Satchell Business Services, Inc.	Maryland
6 Benmark, Inc.	Georgia
7 BGS&G Insurance Services, Inc.	Maryland
8 Broker Benefit Consultants Business Services, Inc.	Ohio
9 BVKT Business Services, Inc.	Ohio
10 CBIZ Actuarial & Benefit Consultants, Inc.	Ohio
11 CBIZ Benefits & Insurance Services of Florida, Inc.	Ohio
12 CBIZ Benefits & Insurance Services of Maryland, Inc.	Maryland
13 CBIZ Benefits & Insurance Services of Pennsylvania, Inc.	Delaware
14 CBIZ Benefits & Insurance Services, Inc.	Missouri
15 CBIZ Business Services, Inc.	Ohio
16 CBIZ Business Solutions of Cleveland, Inc.	Ohio
17 CBIZ Business Solutions of Northeast Ohio, Inc.	Ohio
18 CBIZ Business Solutions of St. Louis, Inc.	Ohio
19 CBIZ Business Solutions of Tampa Bay, Inc.	Ohio
20 CBIZ Business Solutions, Inc.	Ohio
21 CBIZ Business Solutions, Inc.	Virginia
22 CBIZ Colorado, Inc.	Ohio
23 CBIZ e-Solutions, Inc.	Ontario
24 CBIZ Financial Solutions, Inc.	Ohio
25 CBIZ HealthCare Solutions Group, Inc.	Ohio
26 CBIZ Property Tax Solutions, Inc.	Ohio
27 CBIZ Retirement Services, Inc.	Ohio
28 CBIZ Southern California, Inc.	Ohio
29 CBIZ Special Risk Insurance Services, Inc.	Ohio
30 CBIZ Technologies, Inc.	Ohio
31 CBIZ Trilinc Consulting, Inc.	Ohio
32 CBIZ Valuation, Inc.	Ohio
33 CBIZ Vine Street Holding Corp.	Ohio
34 CBIZ Worksite Services, Inc.	Missouri
35 CBSI Management Co.	Ohio
36 Century Capital Group, Inc.	Illinois
37 Century Risk Services Company	Ohio
38 Century Surety Underwriters, Inc.	Indiana
39 CMG Consulting, Inc.	California
40 Commercial Surety Agency, Inc.	Ohio
41 Competitive Technologies Business Services, Inc.	Ohio
42 Connecticut Escrow, Inc.	Ohio
43 Conrad Business Services, Inc.	Ohio
44 Contract Surety Reinsurance Corp.	Ohio
45 CSU of Arizona, Inc.	Arizona
46 EDG Business Services, Inc.	Ohio
47 FPG Business Services, Inc.	Ohio

SUBSIDIARY COMPANIES OF  
CENTURY BUSINESS SERVICES, INC.

COMPANY NAME	STATE OF INCORPORATION
48 Funds Administration Services, Inc.	Ohio
49 G & C Business Services, Inc.	Ohio
50 Gibraltar Real Estate Services Corporation	Illinois
51 Gordon, Zucarelli & Handley Business Services, Inc.	Ohio
52 Government Employee Benefits Corporation of Georgia	Georgia
53 Health Administration Services, Inc.	Ohio
54 Hunt & Associates Business Services, Inc.	Ohio
55 Information Technology Advisors and Consultants, Inc.	Ohio
56 JF Consulting Services, Inc.	Ohio
57 KA Consulting Services, Inc.	Ohio
58 Karling Health Care Consulting, Inc.	Ohio
59 Kaufman Davis Business Services, Inc.	Ohio
60 Kessler & Associates Business Services, Inc.	Ohio
61 M. T. Donahoe & Associates, Inc.	Ohio
62 McClain & Company Business Services, Inc.	Ohio
63 Medical Management Professionals, Inc.	Ohio
64 MHM Business Services, Inc.	Ohio
65 Moore, Tyler & Company, Inc.	Ohio
66 MRC Business Services, Inc.	Ohio
67 MRP Business Solutions Group, Inc.	Ohio
68 M & S Consulting Services, Inc.	Ohio
69 Nemphos, Weber Business Services, Inc.	Ohio
70 Niederhoffer-Henkel & Company, Inc.	Ohio
71 Parks Palmer Business Services, Inc.	Ohio
72 PDA Business Services, Inc.	Ohio
73 Philip-Rae Business Services, Inc.	Ohio
74 Riggelman, Smyth & Associates Business Services, Inc.	Ohio
75 RRSS & Company Business Services, Inc.	Ohio
76 S & B Business Services, Inc.	Ohio
77 Shilling & Kenyon/SK Consulting, Inc.	Ohio
78 SKB Business Services, Inc.	Ohio
79 SK&B Business Services, Inc.	Ohio
80 SR Business Services, Inc.	Ohio
81 SRTDA Business Services, Inc.	Ohio
82 Surety Associates II, Inc.	Connecticut
83 The Benefits Group Agency, Inc.	Ohio
84 Tri-Tek Business Services, Inc.	Ohio
85 Varney Business Services, Inc.	Ohio
86 Vine Street Partners, Inc.	Illinois
87 WC & M Business Services, Inc.	Ohio

INDEPENDENT AUDITORS' CONSENT

The Board of Directors  
Century Business Services, Inc.:

We consent to the incorporation by reference in the registration statement Nos. 333-35049, 333-74647 and 333-62148 on Form S-8; Nos. 333-64109, 333-76179 and 333-27825 on Form S-3; Nos. 333-15413, 333-46687, 333-90749 and 333-40331 on Form S-3, as amended; and Nos. 333-40313 and 333-81039 on Form S-4, as amended, of Century Business Services, Inc. and Subsidiaries of our report dated February 19, 2002, with respect to the consolidated balance sheets of Century Business Services, Inc. as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2001, and all related financial statement schedules, which report appears in the December 31, 2001, annual report on Form 10-K of Century Business Services, Inc.

/s/ KPMG LLP

Cleveland, Ohio  
March 29, 2002