

## 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, 2000 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)

(216) 447-9000

-----  
Registrant's telephone number, including area code

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 MarketIndicate 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 \$152 million as of March 23, 2001. The number of outstanding shares of the Registrant's common stock is 95,479,629 shares as of March 23, 2001.

## DOCUMENTS INCORPORATED BY REFERENCE

Part III Portions of the Registrant's Definitive Proxy Statement relative to the 2001 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, 2000

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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. Historically, CBIZ operated under four divisions. Beginning in 2001, CBIZ expects to deliver integrated services through the following divisions:

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

CBIZ provides services through a network of more than 200 offices in 35 states, Washington D.C., and Toronto, Canada.

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 began trading on the Nasdaq National Market under the symbol "RESI" until June 24, 1996, when it began trading under the symbol "IASI" in anticipation of the 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 a 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 144 companies, two of which were acquired in 2000. The majority of acquisitions made since CBIZ's inception were accounted for under the purchase method of accounting, resulting in significant increases to goodwill, (which is the excess of purchase price over the fair value of net assets of businesses acquired). At December 31, 2000, CBIZ had a net goodwill balance of \$281.3 million, representing approximately 43% of its consolidated total assets.

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:

- cross-serving CBIZ's business services to its existing customer base;
- attracting new customers with its diverse business services offerings; and

- realizing economies of scale through the integration of its business services to combine its purchasing of products and services on a national scale and reduce the costs of those products and services as a result of volume discounts.

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. CBIZ's system is highly configurable to meet the specialized needs of each client yet maintains the ability to provide high-volume processing. CBIZ's system integrates with the client's general ledger, human resources and time attendance systems. The ability to converge several services and offer them through one provider is more convenient for the client and distinguishes CBIZ from most other outsourced business services providers.

Although CBIZ's acquisition program has significantly slowed down due to its focus on integrating its acquired businesses, CBIZ may from time to time target 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 entrepreneurial leadership;
- have historic and expected future internal growth; and
- add to the level and breadth of services offered by CBIZ thereby enhancing its competitive advantage over other outsourced business services providers.

#### ACQUISITIONS

During fiscal 2000, CBIZ acquired two businesses that were accounted for under the purchase method of accounting. 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 with an 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.

During 1999, Century acquired the businesses of 35 complementary companies. These acquisitions were comprised as follows:

- Business Solutions -- twenty-one acquisitions
- Benefits, Insurance, Wealth Management, and Payroll Solutions -- eleven acquisitions
- Performance Consulting Solutions -- one acquisition
- Technology Solutions -- two acquisitions

Thirty of the acquisitions 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 \$77.7 million, comprised of \$29.7 million in cash, \$0.5 million in assumed liabilities, and 5.6 million shares of restricted common stock (estimated fair value of \$47.5 million at acquisition). The aggregate purchase price excludes future contingent consideration of up to \$21.7 million, comprised of \$10.1 million in cash and notes and 1.5 million shares of restricted common stock (estimated stock value of \$11.6 million at acquisition), which is based on the acquired companies' ability to meet or exceed certain performance goals. The aggregate purchase price, excluding future contingent consideration, 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 \$71.9 million and is being amortized over 15 years. As a result of the nature of

the assets and liabilities of the businesses acquired, there were no material identifiable intangible assets or liabilities. The remaining five acquisitions were accounted for under the pooling-of-interests method of accounting. Century exchanged 6.7 million shares of its common stock for all of the respective common stock of these five combined entities. See Note 2 to the consolidated financial statements contained herein.

#### OUTSOURCED BUSINESS SERVICES

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; and
- 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 enhance its national presence or expand its service offerings in a target market.

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. CBIZ does not currently offer audit services, does not intend to offer audit services in the future and does not purchase the "audit 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 services may be provided to its clients.

Under these service agreements with licensed CPA firms, CBIZ subsidiaries provide administrative services, including office, bookkeeping, accounting and other administrative services, preparing marketing and promotion materials, and leasing administrative and professional staff, in exchange for a fee. The CPA firms with which CBIZ and its subsidiaries maintain such agreements are, for example, 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. Provisions of the services agreements between CBIZ and its subsidiaries and the licensed firms with which it maintains such agreements may constrain CBIZ's flexibility to modify its operational structure in order to respond to changes in the regulatory environment. Limitations on CBIZ's ability to comply with applicable laws could impair its relationship with the licensed firms or their clients, harm CBIZ's business or reduce its revenues or earnings. Legislative changes may also expand or contract the types and amounts of business services that are required by individuals and businesses. There can be no assurance that future laws will provide the same or similar opportunities for business consulting and management services to individuals and businesses that exist today. See "Risk Factors -- Restrictions imposed by independence requirements and conflict of interest rules limit the clients to whom we and attest firms with which we have contractual relationships may provide attestation services."

**Benefits and Insurance Services.** The business units that comprise CBIZ's Benefits and Insurance division offer 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; 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 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, and government relations; performance consulting; and technology consulting, including strategic technology planning, project management, development, network design and implementation and software, selection and implementation.

#### SALES AND MARKETING NETWORK AND ACCOUNT MANAGEMENT

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

- established relationships and the ability to match client requirements with available services; and
- products at competitive prices.

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 as it expands through internal growth and acquisitions, 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.

#### 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 and geographic proximity. 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 will be 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 the mid-market businesses; and
- operational economies of scale.

#### CUSTOMERS

CBIZ provides professional outsourced business services to over 68,000 business clients. CBIZ's clients typically have fewer than 500 employees and prefer to focus their resources on operational competencies while allowing CBIZ to provide non-core administrative functions. 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 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 are focused on quality and quantity 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 outsourced business services are vulnerable to legislative changes, particularly with respect to provisions relating to payroll, benefits administration and insurance services, pension plan administration, tax and accounting. Accountancy laws, regulations and codes of ethics could change or be interpreted in a manner that restricts CBIZ's operations. CBIZ cannot ensure that any changes in the laws, regulations or codes of ethics of any state, their interpretations, state enforcement policies and practices and other elements of the regulatory environment will not materially 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, automobile, workers' compensation, errors and omission, directors and officers, fiduciary, and employer's liability insurance as required by law in the various states in which operations are conducted and umbrella policies to provide excess limits of liability over the underlying limits contained in the commercial general liability, automobile liability and employer's liability policies.

#### EMPLOYEES

At December 31, 2000, CBIZ employed approximately 5,300 employees. CBIZ believes that it has a good relationship with its employees.

#### SEASONALITY

CBIZ's accounting and tax practice is subject to seasonality related to the heavy volume of tax return preparation in the first four months of the year. CBIZ estimates that its accounting and tax practice generates approximately 30% of its revenue in the first quarter 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 also lease over 200 offices in 35 states and one in Toronto, Canada, as well as office equipment and company vehicles. 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. 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. Such statements are subject to certain risks, uncertainties or assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Key factors that could cause CBIZ's results of operations and financial condition to differ materially from the results discussed in the forward looking statements included below under "Risk Factors."

#### RISK FACTORS

The following factors may affect our actual operating 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 EXPERIENCE SLOWER COLLECTIONS IN OUR PROFESSIONAL SERVICES OPERATIONS, WHICH MAY AFFECT OUR LIQUIDITY.

Professional services firms like us often experience higher average accounts receivable days outstanding than businesses in many other industries. We are working to reduce the average number of days outstanding for our accounts receivable. If we are unable to reduce the amount of time it takes to collect for services rendered, our liquidity may be adversely affected.

##### WE ARE DEPENDENT ON THE SERVICES OF OUR EXECUTIVE OFFICERS.

Our success depends in large part upon the abilities and continued service of our executive officers and other key employees. We cannot assure you that we will be able to retain the services of our executive officers and other key employees. If we cannot retain the services of our executive officers and other key personnel, there could be a material adverse effect on our business, financial condition and results of operations. We generally have employment agreements and non-competition agreements with key personnel. Courts, however, are at times reluctant to enforce such non-competition agreements. In addition, many of our executive officers and other key personnel are either participants in our stock option plan or holders of a significant amount of our common stock. We believe that these interests provide additional incentives for these key employees to remain with us. In order to support our growth, we 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 operations.

##### 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, 2000, goodwill was \$281.3 million. During the fourth quarter of 2000, CBIZ wrote down the value of its goodwill by \$75.4 million. Of this total, \$48.2 million was related to impairment at 11 business units, and \$27.2 million resulting from the divestiture of two business units and the planned divestiture of two additional business units. We may not realize the full value of our remaining goodwill, and further adjustments are possible. Any future determination requiring a write-off of a significant portion of goodwill could have a material adverse effect on our business, financial condition and results of operations.



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

We completed a significant number of acquisitions from 1996 to 1999. While we have significantly slowed our strategic acquisition program, we would like to continue to grow through acquisitions of complementary businesses. 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.

We have traditionally financed our acquisitions by using our common stock as a significant portion of the purchase price. However, as the value of our common stock has markedly declined, or if potential acquisition candidates are otherwise unwilling to accept common stock as a part of the purchase price, then we may have to use more of our cash resources, to acquire new businesses. If such cash resources are not available, our growth through acquisitions may be limited if we are not able to raise additional capital through debt or equity financings. We believe we currently have funds available under our bank line of credit to fund our working capital needs; however, there are certain restrictions under our bank line of credit that may prohibit our ability to acquire additional businesses. In addition, we cannot be certain that we will be able to maintain this line of credit, access the public securities markets or obtain other financing for acquisitions in the future.

WE MAY NOT BE ABLE TO ADEQUATELY MANAGE OUR GROWTH.

Our business has grown significantly in size and complexity. Our success depends to a significant degree on our ability to successfully use our existing infrastructure to perform services for other clients, as well as on our ability to develop and successfully implement new marketing methods or channels for new services. Our success also depends on a number of other factors, including our ability to:

- maintain the high quality of the services that we provide to our customers;
- integrate the acquired businesses within the CBIZ group of companies;
- increase the number of services provided to our existing customers;
- recruit, motivate and retain qualified personnel; and
- economically train existing sales representatives or recruit new sales representatives.

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 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.

THE OUTSOURCING INDUSTRY IS COMPETITIVE AND FRAGMENTED.

We face competition from a number of sources in both the outsourced business services industry and the specialty insurance industry. 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 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.

**OUR PRINCIPAL STOCKHOLDERS HAVE SUBSTANTIAL CONTROL OVER OUR OPERATIONS.**

As of March 23, 2001, 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 16 million shares, representing 16.50% of all our outstanding common stock, were owned by Mr. DeGroot, our Chairman;
- approximately 7.6 million shares, representing 7.82% of all our outstanding common stock, were owned by Mr. Huizenga, a principal stockholder; and
- approximately 25.01 million shares, representing 24.72% 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, several of which expired in 2000. Once those contractual restrictions fall away, we cannot be sure when sales 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 23, 2001, we had approximately 4.6 million shares of common stock still under contractual restrictions. As of March 23, 2001, 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 MAY NOT PAY DIVIDENDS.**

We have not paid cash dividends on our common stock since April 27, 1995, and we do not anticipate paying cash dividends in the foreseeable future. Our board of directors decides on the payment and level of dividends on common stock. The board of directors' decision is based among other things on our results of operations and financial condition. In addition, under our credit facility, we cannot pay cash dividends without the prior written consent of the lenders. We currently intend to retain future earnings to finance the ongoing operations and growth of the business. See "Dividend Policy."

RESTRICTIONS IMPOSED BY INDEPENDENCE REQUIREMENTS AND CONFLICT OF INTEREST RULES LIMIT THE CLIENTS TO WHOM WE AND ATTEST FIRMS WITH WHICH WE HAVE CONTRACTUAL RELATIONSHIPS MAY 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 certain 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 have regularly contacted, and continue to contact, state accountancy regulators in jurisdictions in which we operate for approval of our business services model. To date, no state accountancy regulatory authority has prohibited our operations in any jurisdiction. In addition, we and the attest firms have agreed to implement policies and procedures designed to enable us to maintain independence 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, the attest firms and our clients.

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 services for existing or potential future clients, then our revenues could decline. To date, revenues derived from attestation services performed for SEC reporting clients have not been material to us.

GOVERNMENTAL REGULATIONS AND INTERPRETATIONS ARE SUBJECT TO CHANGES.

We are affected by changes in laws and regulations in two primary ways. First, changes in 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. Second, our specialty insurance business is affected by changes to surety bond coverage requirements. For instance, if the demand for surety bonds decreases, there could be a material adverse effect on our business, financial condition and results of operations.

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 incur additional indebtedness on acceptable terms. We cannot assure you that our cash flow and capital resources will be sufficient for payment of interest on 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.

PROTECTION OF PROPRIETARY PROGRAMS AND SERVICES MAY BE INADEQUATE TO PREVENT LEAKS OR THEIR USE BY OTHERS.

We regard many of our programs and services as proprietary and rely primarily on a combination of intellectual property laws, confidentiality agreements and contractual provisions to protect our proprietary rights. Trade secret and copyright laws afford limited protection. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of the programs or services we market or to obtain and use information that we regard as proprietary. We cannot be sure if these confidentiality agreements will prevent disclosure of proprietary information or that the proprietary programs we market will not be independently developed by competitors.

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.

### ITEM 3. LEGAL PROCEEDINGS

Since September 1999, seven purported stockholder class-action lawsuits were filed as follows: (i) Jim A. Darby, Individually and on Behalf of All Others Similarly Situated v. Century Business Services, Inc., Michael G. DeGroot, Keith W. Reeves, Charles D. Hamm, Jr., Craig L. Stout, Gregory J. Skoda, Edward F. Feighan and Douglas R. Gowland, Case No. 1:99CV2200; (ii) Joy Iannotta v. Century Business Services, Inc., Michael G. DeGroot, Keith W. Reeves, Charles D. Hamm, Jr., Craig L. Stout, Gregory J. Skoda, Edward F. Feighan and Douglas R. Gowland, Case No. 1:99CV2337; (iii) Robert M. DeBolt, Individually and on Behalf of All Others Similarly Situated v. Century Business Services, Inc. Michael G. DeGroot, Keith W. Reeves, Charles D. Hamm, Jr., Craig L. Stout, Gregory J. Skoda, Edward J. Feighan and Douglas R. Gowland, Case No. 1:99CV2467 (subsequently consolidated into a single case, Jim A. Darby, Individually and on Behalf of All Others Similarly Situated v. Century Business Services, Inc., Michael G. DeGroot, Keith W. Reeves, Charles D. Hamm, Jr., Craig L. Stout, Gregory J. Skoda and Edward F. Feighan, Case No. 1:99CV2200); (iv) David Gochman, Individually and on Behalf of All Others Similarly Situated v. Century Business Services, Inc., Michael G. DeGroot and Fred M. Winkler, Case No. 1:00CB0386; (v) Scott Korn, Individually and on Behalf of All Others Similarly Situated v. Century Business Services, Inc. Michael G. DeGroot and Fred M. Winkler, Case No. 1:00CV0440 and; (vi) Joe Marsh, Lee Marshall, Flats Entertainment, Inc., Bruce Kapp and Dave Kajganich, Individually and on Behalf of All Others Similarly Situated v. Century Business Services, Inc., Michael G. DeGroot, Fred M. Winkler, Charles D. Hamm, Jr., Jerry Grisko and Keith W. Reeves, Case No. 1:00CV0584, each filed in the United States District Court for the Northern District of Ohio against CBIZ and certain of its current and former directors and officers; and (vii) Talbot Jones Albert, IV, on Behalf of Himself and All Others Similarly Situated v. Century Business Services, Inc., Michael G. DeGroot and Fred M. Winkler, Case No. JFM00CV565, filed in the United States

District Court for the District of Maryland against CBIZ and certain of its current and former directors and officers. The plaintiffs in each of these cases 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 complaints seek damages in unspecified amounts.

CBIZ and the named officer and director defendants moved the United States District Court in the Northern District of Ohio to consolidate the six Ohio cases into a single action and appoint a single lead plaintiff and counsel and require the filing of a consolidated amended complaint. The United States District Court agreed, and is in the process of consolidating the cases and receiving motions from the various plaintiffs regarding who will serve as lead plaintiff and lead counsel.

CBIZ and the named officer and director defendants filed an agreed motion with the plaintiffs in the Maryland action to transfer that case from the District of Maryland to the Northern District of Ohio. CBIZ and the named officer and director defendants also filed a motion with the Northern District of Ohio to assign the case to District Judge Matia and consolidate it with the already-consolidated Ohio cases. Each of these motions has been granted, and the Maryland case has been consolidated into the other class action cases before District Judge Matia.

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 the Company 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. On July 31, 2000 the Company moved to dismiss the Complaint. On October 10, 2000, the Court denied Century's motion to dismiss, and on December 12, 2000, Century filed its answer and counterclaim against the plaintiffs. Discovery in this action has commenced, and a trial on the employment agreements is scheduled to commence on May 21, 2001. No trial date has been set on the remaining issues in this case. Plaintiffs have not specified the amount of damages they seek to recover.

CBIZ and the named former officer defendant deny all allegations of wrongdoing made against them in these actions and intend to vigorously defend this lawsuit. 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 the Company.

On February 25, 2000, CBIZ filed suit in the Missouri Circuit Court of the County of St. Louis against all of the former shareholders of a company it acquired in 1999, alleging breach of contract and fraud in connection with Agreement and Plan of Merger. On March 31, 2000, two of the defendants filed a counterclaim against CBIZ, alleging breach of contract, fraud, and violations of Section 12(2) of the Securities Act. On May 10, 2000, the same shareholders who filed the counterclaim against CBIZ in the Missouri State Court filed suit against CBIZ and 10 of its current and former officers and directors -- Fuchs et al. v. Century Business Services, Inc., Michael G. DeGroote, Charles D. Hamm, Jr., Fred M. Winkler, Daniel J. Clark, Jerome P. Grisko, Jr., Rick L. Burdick, Joseph S. DiMartino, Harve A. Ferrill, Hugh P. Lowenstein, and Richard C. Rochon, Case No. 1:00 CV 1193 (N.D. Oh.) -- alleging the same wrongdoing and that the named defendants violated Sections 10(b) and 20(a) of the Exchange Act and 12(2) and 15(a) of the Securities Act by making materially false statements contained in the SEC documents provided to the plaintiffs in connection with the Agreement and Plan of Merger as well as misrepresentation claims under the common law.

On July 31, 2000, CBIZ moved to dismiss the federal action. While the motion was pending, the parties recently settled all of the litigation between them on confidential terms that management believes were favorable to the Company.

On April 11, 2000, CBIZ and a wholly-owned subsidiary initiated a lawsuit in Toronto, Canada against former owners of a business acquired by CBIZ, claiming (1) that the former owner breached representations and warranties in the purchase agreement and (2) that a company owned by one of the shareholders owed CBIZ payment for services rendered. CBIZ E-Solutions, Inc. and Century Business Solutions, Inc. V. Paven R. Bratch, Review Worldwide Ltd., 1069904 Ontario Limited and Royal Bank of Canada Financial Corp. in its capacity and acting on behalf of the Bratch International Trust, Ontario Superior Ct. No. 00-CV-188556. In addition, CBIZ asked the Ontario Court to declare that CBIZ justifiably terminated the employment contract of one of the former shareholders. On August 1, 2000 the former shareholders and the company owned by a former shareholder filed counterclaims against CBIZ in the Ontario action, seeking damages from CBIZ for breach of contract, wrongful termination of employment, and defamation. The parties recently settled all of the litigation between them on confidential terms that management believes were favorable to the Company.

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 the Company.

#### 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	
	-----	
1999		
First Quarter.....	\$15.25	\$9.50
Second Quarter.....	14.50	9.75
Third Quarter.....	16.13	10.25
Fourth Quarter.....	12.75	8.00
2000		
First Quarter.....	\$ 9.06	\$2.06
Second Quarter.....	4.00	1.50
Third Quarter.....	2.38	1.25
Fourth Quarter.....	1.56	0.81

On December 29, 2000, the last reported sale price of CBIZ's Common Stock as reported on the Nasdaq National Market (Nasdaq Amex-Online) was \$1.13 per share. As of March 23, 2001, CBIZ had 1,716 holders of its common stock.

## 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,				
	2000	1999	1998	1997	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
<b>STATEMENT OF OPERATIONS DATA:</b>					
Revenue.....	\$ 567,815	\$546,393	\$359,468	\$179,516	\$110,035
Expenses:					
Operating.....	510,029	454,051	282,674	155,600	99,203
Corporate general and administrative.....	24,694	19,138	5,155	4,162	302
Depreciation and amortization.....	44,335	23,470	11,074	4,128	1,529
Merger-related.....	--	5,789	4,535	416	--
Total expense.....	579,058	502,448	303,438	164,306	101,034
Operating income (loss).....	(11,243)	43,945	56,030	15,210	9,001
Other income (expense):					
Interest expense.....	(12,113)	(6,602)	(3,241)	(1,216)	(47)
Goodwill impairment.....	(48,198)	--	--	--	--
Gain (loss) on sale of operations.....	(31,576)	(7,067)	1,450	--	--
Other income (expense), net.....	(7,509)	(4,397)	3,361	2,289	--
Total other income (expense).....	(99,396)	(18,066)	1,570	1,073	(47)
Income (loss) from continuing operations before income tax expense (benefit).....	(110,639)	25,879	57,600	16,283	8,954
Income tax expense (benefit).....	(3,379)	14,449	20,590	4,224	688
Income (loss) from continuing operations.....	(107,260)	11,430	37,010	12,059	8,266
Income (loss) from operations of discontinued business, net of tax.....	(1,214)	(3,596)	6,880	7,992	4,350
Loss on disposal of discontinued businesses, net of tax.....	(5,697)	(391)	--	(572)	--
Cumulative effect of change in accounting principle, net of tax.....	(11,905)	--	--	--	--
Net income (loss).....	\$(126,076)	\$ 7,443	\$ 43,890	\$ 19,479	\$ 12,616
Diluted shares.....	94,674	91,702	81,084	61,412	36,540
Diluted earnings (loss) per share:					
From continuing operations.....	\$ (1.13)	\$ 0.12	\$ 0.46	\$ 0.20	\$ 0.23
From discontinued operations.....	\$ (0.07)	\$ (0.04)	\$ 0.08	\$ 0.12	\$ 0.12
From cumulative effect of accounting change....	\$ (0.13)	\$ --	\$ --	\$ --	\$ --
<b>OTHER DATA:</b>					
Goodwill, net of accumulated amortization.....	\$ 281,268	\$379,922	\$293,553	\$ 89,236	\$ 5,916
Total assets.....	\$ 649,494	\$809,085	\$579,764	\$254,105	\$145,784
Total liabilities.....	\$ 262,556	\$295,953	\$175,403	\$ 92,689	\$ 39,835
Total stockholders' equity.....	\$ 386,938	\$513,132	\$404,361	\$161,416	\$105,949
<b>PRO FORMA AMOUNTS ASSUMING 2000 CHANGE IN ACCOUNTING PRINCIPLE WAS APPLIED RETROACTIVELY:</b>					
Net income (loss).....	\$(126,076)	\$ 2,571	\$ 42,224	\$ 18,093	\$ 11,659
Basic earnings (loss) per share.....	\$ (1.33)	\$ 0.03	\$ 0.62	\$ 0.37	\$ 0.38
Diluted earnings (loss) per share.....	\$ (1.33)	\$ 0.03	\$ 0.52	\$ 0.29	\$ 0.32



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, 2000, 1999 and 1998. This discussion should be read in conjunction with CBIZ's consolidated financial statements and notes thereto included herein. During 2000, CBIZ significantly slowed its strategic acquisition program, purchasing the businesses of two complementary companies. These acquisitions were accounted for under the purchase method of accounting, and accordingly, the operating results of the acquired companies have been included in CBIZ's consolidated financial statements since their date of acquisition.

RESULTS OF OPERATIONS -- CONTINUING OPERATIONS

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, on a pre-SAB 101 basis. Internal growth is based on the increase in revenues of companies that have a full period of operations for the year ended December 31, 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 corporate general and administrative expenses in 2000 was \$1.6 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. The necessity for this charge was based upon 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 at a loss 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 70.8%. In 2000, other expense was comprised primarily of a) \$1.6 million impairment of a note received in connection with the sale of certain environmental properties in 1997; b) \$3.8 million related to the settlement and reserve of certain legal proceedings; c) \$0.4 million related to the closing of operations in Toronto, Canada; and d) \$2.7 million related to software and other asset impairment, offset by interest income. In 1999, other expense was comprised of an \$8.9 million charge 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 million 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 14 to CBIZ's consolidated financial statements included herewith.

#### COMPARISON OF YEAR ENDED DECEMBER 31, 1999 TO YEAR ENDED DECEMBER 31, 1998

##### Revenues

Total revenues increased to \$546.4 million for the year ended December 31, 1999, from \$359.5 million for the comparable period in 1998, representing an increase of \$186.9 million, or 52.0%. The \$186.9 million increase was primarily attributable to (i) CBIZ's acquisitions completed in 1999 and 1998 that were accounted for under the purchase method of accounting, and (ii) internal growth. Acquisitions completed in 1999 under the purchase accounting method, which are included from the date of acquisition, accounted for \$33.7 million of such increase. Internal growth is based on the increase in revenues of companies that have a full period of operations for the year ended December 31, 1999, including companies that are accounted for as pooling-of-interests, as compared to the comparable period for 1998.

##### Expenses

Total expenses, including other income (expenses), increased to \$520.5 million for the year ended December 31, 1999, from \$301.9 million for the comparable period in 1998, representing an increase of \$218.6 million, or 72.4%. Such increase was primarily attributable to (i) the increase in operating expenses, (ii) the impact of CBIZ's acquisitions made in 1999 and 1998, (iii) \$27.4 million of consolidation and integration charges resulting from CBIZ's recently announced consolidation initiatives in December 1999, (iv) \$8.9 million reserve taken for impairment of a note receivable, and (v) \$4.2 million of additional amortization expense for the change in the goodwill amortization period to 15 years beginning October 1, 1999. As a percentage of total revenues, total expenses increased to 95.3% for the year ended December 31, 1999, from 84.0% for the comparable period of 1998. Excluding the consolidation and integration charges, the reserve for the note receivable, and the effect of the change in goodwill amortization period, the percentage of total expenses to total revenue for the year ended December 31, 1999 was 87.8%.

CBIZ announced on December 28, 1999 that its Board of Directors had approved a plan to consolidate several of its operations in multi-office markets and integrate certain back-office functions into a shared-services center. The plan includes 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, CBIZ recorded a consolidation and integration charge of \$27.4 million, of which \$13.9 million is included in operating expense, \$7.1 million is included in loss on sale of operations, and \$6.4 million is included in corporate general and administrative expense in the consolidated statements of operations. (See Note 16 to the CBIZ's Consolidated Financial Statements.)

Operating expenses increased to \$454.1 million for the year ended December 31, 1999, from \$282.7 million for the comparable period in 1998, representing an increase of \$171.4 million, or 60.6%. Such increase was primarily attributable to acquisitions completed in 1999 and 1998, and includes \$13.9 million of consolidation and integration charges, as discussed above. As a percentage of total revenues, operating expenses increased to 83.1% for the year ended December 31, 1999, from 78.6% for the comparable period in 1998. Excluding the consolidation and integration charges, the percentage of operating expenses to total revenue for the year ended December 31, 1999 was 80.6%.

Corporate general and administrative expenses increased to \$19.1 million for the year ended December 31, 1999, from \$5.2 million for the comparable period in 1998, representing an increase of \$13.9 million, or 271.3%. Such increase was attributable to growth of the corporate office needed to support CBIZ's infrastructure, corporate initiatives, and integration and consolidation costs, including \$6.4 million of consolidation and integration charges as discussed above. Corporate general and administrative expenses represented 3.5% of total revenues for the year ended December 31, 1999, compared to 1.4% for the comparable period in 1998. Excluding the consolidation and integration charges in the fourth quarter, the percentage of corporate general and administrative expenses represented 2.3% of total revenue for the year ended December 31, 1999.

Merger-related expenses increased to \$5.8 million for the year ended December 31, 1999, from \$4.5 million for the comparable period in 1998, representing an increase of \$1.3 million, or 27.7%. Such increase was attributable primarily to transaction costs related to acquisitions completed in 1999, and the build out of the mergers and acquisitions department throughout 1998, resulting in the full utilization of the department in 1999. Included in merger-related expenses are fees on two significant pooling transactions completed in the third quarter of 1999. The shareholders of one of the pooled transactions paid a \$1.0 million investment-banking fee, which was reflected on CBIZ's statement of operations in the third quarter and 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. Merger-related expenses increased through the first three quarters of 1999, but decreased during the fourth quarter of 1999 due to CBIZ's decision to slow the acquisition program and scale down the mergers and acquisitions department.

Depreciation and amortization expense increased to \$23.5 million for the year ended December 31, 1999, from \$11.1 million for the comparable period in 1998, representing an increase of \$12.4 million, or 111.9%. The increase is a result of the increase of goodwill amortization and depreciation expense resulting from the 30 acquisitions completed by CBIZ in 1999, and the 48 acquisitions completed in 1998, which were accounted for under the purchase method of accounting, as well as the change in the goodwill amortization period to 15 years beginning October 1, 1999. The change in the goodwill amortization resulted in approximately \$4.2 million in additional goodwill amortization expense in the fourth quarter and for the year ended December 31, 1999. As a percentage of total revenues, depreciation and amortization expense increased to 4.3% for the year ended December 31, 1999 from 3.1% for the comparable period in 1998. Excluding the effect of the change in the goodwill amortization period, depreciation and amortization expense increased to 3.5% of total revenues for the year ended December 31, 1999.

Interest expense was \$6.6 million for the year ended December 31, 1999, as compared to interest expense of \$3.2 million for the comparable period in 1998. Such fluctuation was due primarily to higher debt carried in 1999 from CBIZ's revolving credit facility as well as debt acquired in connection with 1999 acquisitions.

Other expense, net was \$4.4 million for the year ended December 31, 1999, as compared to other income, net of \$3.4 million for the comparable period in 1998, representing a change of approximately \$7.8 million, or 230.8%. In 1999, other expense was comprised of an \$8.9 million charge 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. In 1998, other income, net was attributable to interest income of \$3.4 million.

CBIZ recorded income taxes from continuing operations of \$14.4 million (\$16.2 million on a pro forma basis) for the year ended December 31, 1999 and \$20.6 million (\$22.4 million on a pro forma basis) for the comparable period in 1998. The effective income tax rate from continuing operations increased to 55.8% (62.6% on a pro forma basis) from 35.7% (38.9% on a pro forma basis) for the comparable period in 1998. Such increase in the effective tax rate was primarily attributable to the increase in goodwill amortization expense (which is primarily non-deductible), the write-down of four non-core business units to net realizable value, and the non-deductible investment banking fee paid in the third quarter.

#### 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 June 2000, CBIZ announced that it had entered into a binding agreement with Avalon National Corporation 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 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.

#### COMBINED AND OPERATING RATIOS

The following information represents the required disclosures for the Divested Entities at December 31, 1999 and 1998, and for the years then ended. Assets and liabilities are included in net assets of discontinued operations in the accompanying consolidated balance sheets, and operating results are included in income (loss) from operations of discontinued business in the accompanying consolidated statements of operations.

The combined ratio is the sum of the loss ratio and expense ratio and is the traditional measure of underwriting performance for insurance companies. The operating ratio is the combined ratio less the net investment income ratio (net investment income to net earned premium) excluding realized and unrealized capital gains and is used to measure overall company performance.

The following table reflects the loss, loss expense (LAE), expense, combined, net investment and operating ratios of Century on a generally accepted accounting principles (GAAP) basis for each of the years ended December 31, 1999 and 1998.

	YEAR ENDED DECEMBER 31,	
	1999	1998
Loss ratio.....	48.1%	36.2%
LAE ratio.....	17.4	16.6
Expense ratio.....	51.3	45.4
Combined ratio.....	116.8	98.2
Net investment ratio.....	(11.6)	(12.0)
Operating ratio.....	105.2	86.2

#### EXPENSES

The expense ratio reflected in the foregoing table is the relationship of operating costs to net written premiums on a GAAP basis. The statutory ratio differs from the GAAP ratio as a result of different treatment of acquisition costs. Expense ratios were unfavorably impacted by reinsurance contingencies in 1999, and were favorably impacted by reinsurance contingencies in 1998.

#### LIABILITY FOR LOSSES AND LOSS EXPENSES PAYABLE

As of December 31, 1999, the liability for losses and LAE constituted 31% of CBIZ's consolidated liabilities. CBIZ had established reserves that reflected its estimates of the total losses and LAE it will ultimately be required to pay under insurance and reinsurance policies. Such reserves included losses that were reported but not settled and losses that were incurred but not reported (IBNR). Loss reserves were established on an undiscounted basis after reductions for deductibles and estimates of salvage and subrogation.

For reported losses, CBIZ established reserves on a "case" basis within the parameters of coverage provided in the related policy. For IBNR losses, CBIZ estimated reserves using established actuarial methods. Case and IBNR loss reserve estimates reflected such variables as past loss experience, social trends in damage awards, changes in judicial interpretation of legal liability and policy coverages, and inflation. CBIZ took into account not only monetary increases in the cost of what is insured, but also changes in societal factors that influenced jury

verdicts and case law and, in turn, claim costs. CBIZ's loss reserves were certified in accordance with the requirements of the National Association of Insurance Commissioners.

The consolidated financial statements of CBIZ included the estimated liability for unpaid losses and LAE of CBIZ's insurance operations. Reserves for unpaid losses covered by insurance policies and bonds consisted of reported losses and IBNR losses. These reserves were determined by claims personnel and the use of actuarial and statistical procedures and they represented undiscounted estimates of the ultimate cost of all unpaid losses and LAE through year-end. Although management used many resources to calculate reserves, a degree of uncertainty was inherent in all such estimates. Therefore, no precise method for determining ultimate losses and LAE exists. These estimates were subject to the effect of future claims settlement trends and were continually reviewed and adjusted (if necessary) as experience develops and new information becomes known. Any such adjustments were reflected in current operations.

#### LIQUIDITY AND CAPITAL RESOURCES

##### FINANCIAL CONDITION

Cash and cash equivalents decreased \$8.7 million to \$16.0 million at December 31, 2000, from \$24.7 million at December 31, 1999. Most of the reduction resulted from an initiative in 2000 to consolidate multiple bank accounts to three primary depository banks.

Net cash provided by operating activities was \$17.5 million in 2000 versus a use of cash of \$25.9 million in 1999, an increase of \$43.4 million. Adjusting net income for non-cash operating expenses, but before considering changes in assets and liabilities, net cash generated from continuing operations was \$62.9 million in 2000 versus \$72.3 million in 1999. Changes in assets and liabilities resulted in a net use of cash of \$45.5 million in 2000 versus \$98.2 million in 1999; most of the reduction in use is related to the net change in accounts receivable \$36.7 million.

Cash provided by investing activities in 2000 consisted primarily of proceeds received from divestitures, offset by cash used for capital expenditures and the funding of acquisitions and contingent consideration for previous acquisitions. Cash used in investing activities in 2000 and 1999 consisted primarily of payments for business acquisitions (and contingent consideration) and purchases of fixed assets. Significant purchases of fixed assets in 1999 and 2000 were primarily attributable to the purchase of software from Oracle and related capital costs incurred to implement the enterprise-wide solution to integrate back office operations.

Cash used in financing activities in 2000 consisted primarily of payments made on the revolving credit facility (net of proceeds) and notes payable and capitalized leases. Cash provided by financing activities in 1999 consisted primarily of proceeds of \$43.8 million from stock issuances and exercise of stock options and warrants, proceeds from the revolving credit facility (net of repayments) of \$100.0 million, and payments on notes payable and capital leases (net of proceeds) of \$43.0 million.

##### SOURCES OF CASH

CBIZ's principal source of revenue 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 administration and insurance services, human resources and payroll services, performance consulting services and technology solutions.

CBIZ's bank line of credit is a \$172 million revolving credit facility with several financial institutions, of which \$117.5 million was outstanding at December 31, 2000. During 2000, CBIZ utilized cash from operations to pay down its facility by \$26.5 million. See Notes 6 and 18 to CBIZ's consolidated financial statements included herewith.

##### USES OF CASH AND LIQUIDITY OUTLOOK

CBIZ's capital expenditures from continuing operations totaled \$20.1 million, \$33.7 million and \$13.2 million for the years ended December 31, 2000, 1999 and 1998, respectively, which included expenditures for fixed

assets for normal replacement, compliance with regulations and market development. During the year ended December 31, 2000, CBIZ primarily funded capital expenditures from operating cash flow and financing activities. CBIZ anticipates that during 2001, it will continue to fund expenditures from operating cash flow supplemented by borrowings under its revolving credit facility, as necessary. Management believes that CBIZ currently has sufficient cash and lines of credit to fund current operations.

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

Quantitative Information About Market Risk. CBIZ's exposure to market risk, including interest rate risk, is not significant. If market interest rates were to increase or decrease immediately and uniformly by 100 basis points from levels at December 31, 2000, in each case the impact on CBIZ's financial condition and results of operations would not be significant. CBIZ does not engage in trading market risk sensitive instruments. CBIZ does not purchase as investments, hedges or for purposes "other than trading" instruments that are likely to expose CBIZ to market risk, whether interest rate, foreign currency exchange, commodity price or equity price risk. CBIZ has not issued debt instruments, entered into forward or futures contracts, purchased options or entered into swaps.

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.

CBIZ's strategy to manage this exposure is to keep its borrowings to a minimum.

#### 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 "Election of Directors" in CBIZ's definitive proxy statement relating to the 2001 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:		
Michael G. DeGroote(1).....	67	Chairman of the Board
Steven L. Gerard(1).....	55	Chief Executive Officer
Jerome P. Grisko, Jr.(1).....	39	President
Ware H. Grove(1).....	50	Senior Vice President and Chief Financial Officer
Douglas R. Gowland.....	59	Senior Vice President, Operations & Technology
Robert A. O'Byrne.....	44	Senior Vice President, Benefits Administration & Insurance Services Group
Rick L. Burdick(2).....	49	Director
Joseph S. DiMartino.....	57	Director
Harve A. Ferrill(2)(3).....	68	Director
Hugh P. Lowenstein(3)(4).....	69	Director
Richard C. Rochon(2)(3).....	43	Director
OTHER KEY EMPLOYEES:		
Leonard Miller.....	61	Business Solutions Practice Head
Teresa E. Bruce.....	36	Vice President
Chris Spurio.....	35	Vice President
Kelly J. Kuna.....	31	Controller
Michael W. Gleespen.....	42	Corporate Secretary

- - - - -

- (1) Member of Management Executive Committee.
- (2) Member of Audit Committee.
- (3) Member of Compensation Committee.
- (4) Mr. Lowenstein is retiring at the expiration of his current term as a director, on at the 2001 annual meeting of stockholders.

## EXECUTIVE OFFICERS AND DIRECTORS:

Michael G. DeGroote has served as Chairman of the Board of CBIZ since April 1995. Mr. DeGroote 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. DeGroote has served as Chief Executive Officer. Mr. DeGroote 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. DeGroote founded Laidlaw Inc., a Canadian waste services and transportation company in 1959. In 1988, Mr. DeGroote 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 and Aviation Sales Company.

Jerome P. Grisko, Jr. has served as President 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. Mr. Grisko is a member of the American, Ohio and Cleveland Bar Associations.

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, a privately held, \$2.5 billion worldwide computer sales and distribution company 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.

Robert A. O'Byrne has served as a Senior Vice President of CBIZ since December 1998 and is in charge of the Benefits Administration & Insurance Services Group. Mr. O'Byrne served as Chairman of the Board and Chief Executive Officer of Robert D. O'Byrne and Associates, Inc., an employee benefits brokerage/consulting firm prior to its acquisition by CBIZ in December 1997. Mr. O'Byrne remains President of CBIZ Benefits and Insurance Services, Inc.

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, Health Plan Services Corporation, Carlyle Industries, Inc.; 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 has served as Chief Executive Officer of Advance Ross Corporation, a company that provides tax refunding services ("ARC"), since 1991. Mr. Ferrill served as President of Advance Ross Corporation from 1990 to 1993 and as Chairman of the Board from 1992 to 1996. Since 1996, Advance Ross Corporation has been a wholly-owned subsidiary of Cendant Corporation since 1996. Mr. Ferrill has served as President of Ferrill-Plauche Co., Inc., a private investment company, since 1982. Mr. Ferrill also serves on the Board of Directors of Gaylord Container Corporation.

Richard C. Rochon has served as a Director of CBIZ since October 1996, when he was elected as an outside director. Mr. Rochon has served since 1988 as President of Huizenga Holdings, Inc., a management and holding company for diversified investments in operating companies, joint ventures and real estate, on behalf of its owner, Mr. H. Wayne Huizenga. Mr. Rochon also has 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.. From 1985 until 1988, Mr. Rochon served as Treasurer of Huizenga Holdings, Inc. and from 1979 until 1985, he was employed as a certified public accountant by the international public accounting firm of Coopers & Lybrand, L.L.P.

#### OTHER KEY EMPLOYEES:

Leonard Miller has served as CBIZ Business Solutions Practice Head since November 2000. 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, which was responsible for 11 offices in Chicago, Illinois for 15 years 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, the Arizona Society of Certified Public Accountants and the Illinois Society of Certified Public Accountants (ISCPA).

Teresa E. Bruce has served as Vice President of Human Resources since January 1999. From 1998 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 13 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 November 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 since March 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 to CBIZ's definitive proxy statement 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 to CBIZ's definitive proxy statement to be filed with the Securities and Exchange Commission no later than 120 days after the end of CBIZ's 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, in 2000, CBIZ paid approximately \$1.5 million under such leases, which were at competitive market rates.

A director of CBIZ is a partner of Akin, Gump, Strauss, Hauer & Feld, L.L.P. Akin, Gump performed legal work for CBIZ during 2000 for which the firm received approximately \$116,000 from CBIZ.

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 Century (filed as Exhibit 3.1 to Century'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 Century dated October 18, 1996 (filed as Exhibit 3.2 to Century'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 Century effective December 23, 1997 (filed as Exhibit 3.3 to Century'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 Century dated September 10, 1998 (filed as Exhibit 3.4 to Century'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 Century (filed as Exhibit 3.2 to Century'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 Century (filed as Exhibit 4.1 to Century's Annual Report Form 10-K for the year ended December 31, 1998, 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 Century 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 Century'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 Century and the Lenders party to the Credit Agreement (filed as Exhibit 10.2 to Century's Annual Report on Form 10-K for the year ended December 31, 1999, and incorporated herein by reference.)
10.4	Third Amendment to Amended and Restated Credit Agreement dated September 22, 2000, by and among Century and the Lenders party to the Credit Agreement (filed as Exhibit 99.6 to Century'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 Century and the Lenders party to the Credit Agreement.
10.6	Form of Warrant to purchase 900,000 shares of Century's common stock issued to Jackson National Life Insurance Company (filed as Exhibit 10.2 to Century's Annual Report Form 10-K for the year ended December 31, 1998, and incorporated herein by reference).
10.7	1996 Employee Stock Option Plan (filed as Appendix I to Century's Proxy Statement 1997 Annual Meeting of Stockholders dated April 1, 1997 and incorporated herein by reference).
10.8	Amendment to the 1996 Employee Stock Option Plan (filed as Exhibit 99.2 to Century's Current Report on Form 8-K dated December 14, 1998, and filed January 12, 1999 and incorporated herein by reference).
10.9*	Amendment to the 1996 Employee Stock Option Plan, as filed on Secretary's Certificate.
10.10	Agents 1997 Stock Option Plan (filed as Appendix II to Century's Proxy Statement 1997 Annual Meeting of Stockholders dated April 1, 1997 and incorporated herein by reference).
10.11*	Severance Protection Agreement by and between Century Business Services, Inc. and Jerome P. Grikso, Jr.
10.12*	Severance Protection Agreement by and between Century Business Services, Inc. and Charles D. Hamm, Jr.
10.13*	Employment Agreement by and between Century Business Services, Inc. and Steven L. Gerard.
10.14*	Employment Agreement by and between Century Business Services, Inc. and Ware H. Grove.

EXHIBIT NO. -----	DESCRIPTION -----
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).

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\* Indicates documents filed herewith.

(b) Reports on Form 8-K

Century Business Services, Inc. filed the following Current Reports on Form 8-K during the three months ended December 31, 2000:

Current Report on Form 8-K filed October 17, 2000. The Current Report covered the following items:

On September 26, 2000, Mr. Joseph J. Plumeri, Jr. resigned his position as Lead Director to pursue other interests.

On October 6, 2000, Century completed the sale of the risk-bearing insurance division previously announced.

On October 12, 2000, Century announced the appointment of Steven L. Gerard as Chief Executive Officer and Director.

## 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 30, 2001

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. DeGroote  
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/ HUGH P. LOWENSTEIN

-----  
Hugh P. Lowenstein  
Director

/s/ RICHARD C. ROCHON

-----  
Richard C. Rochon  
Director

## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

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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, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, 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 14 to the consolidated financial statements, the Company adopted Staff Accounting Bulletin No. 101 and changed certain revenue recognition policies effective January 1, 2000.

/s/ KPMG LLP

Cleveland, Ohio  
March 6, 2001, except as to paragraph 1 of note 18, which is as of March 30,  
2001



## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	2000	1999
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 15,970	\$ 24,740
Restricted cash and funds held for clients.....	80,590	59,666
Accounts receivable, less allowance for doubtful accounts of \$22,156 and \$13,272.....	142,682	188,359
Notes receivable -- current.....	667	3,209
Income taxes recoverable.....	22,519	14,835
Deferred income taxes.....	9,895	9,912
Other current assets.....	13,864	16,489
Net assets of discontinued operations.....	--	36,813
	-----	-----
Total current assets.....	286,187	354,023
Goodwill, net of accumulated amortization of \$47,261 and \$18,527.....	281,268	379,922
Property and equipment, net of accumulated depreciation of \$29,813 and \$21,792.....	59,349	56,148
Notes receivable -- non-current.....	3,564	4,856
Deferred income taxes -- non-current.....	2,028	--
Other assets.....	17,098	14,136
	-----	-----
Total Assets.....	\$649,494	\$809,085
	=====	=====
LIABILITIES		
Current liabilities:		
Accounts payable.....	\$ 35,220	\$ 41,228
Notes payable and capitalized leases -- current.....	4,382	6,534
Client fund obligations.....	39,719	18,254
Accrued expenses.....	45,455	54,321
	-----	-----
Total current liabilities.....	124,776	120,337
Bank debt.....	117,500	144,000
Notes payable and capitalized leases -- non-current.....	1,432	1,345
Deferred income taxes.....	--	11,968
Accrued expenses.....	18,848	18,303
	-----	-----
Total Liabilities.....	262,556	295,953
	-----	-----
STOCKHOLDERS' EQUITY		
Common stock, par value \$.01 per share		
Authorized -- 250,000 shares/share		
Issued and outstanding -- 94,697 shares at December 31, 2000; 93,341 shares at December 31, 1999.....		
	947	933
Additional paid-in capital.....	438,681	443,052
Retained earnings (deficit).....	(51,906)	74,170
Unearned ESOP.....	--	(1,795)
Treasury stock.....	(754)	(754)
Accumulated other comprehensive loss.....	(30)	(2,474)
	-----	-----
Total Stockholders' Equity.....	386,938	513,132
Commitments and Contingencies.....		
	-----	-----
Total Liabilities and Stockholders' Equity.....	\$649,494	\$809,085
	=====	=====

See the accompanying notes to the consolidated financial statements.

## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	2000	1999	1998
	-----	-----	-----
Revenue.....	\$ 567,815	\$546,393	\$359,468
Expenses:			
Operating.....	510,029	454,051	282,674
Corporate general and administrative.....	24,694	19,138	5,155
Depreciation and amortization.....	44,335	23,470	11,074
Merger-related.....	--	5,789	4,535
	-----	-----	-----
Total expenses.....	579,058	502,448	303,438
Operating income (loss).....	(11,243)	43,945	56,030
Other income (expense):			
Interest expense.....	(12,113)	(6,602)	(3,241)
Goodwill impairment.....	(48,198)	--	--
Gain (loss) on sale of operations.....	(31,576)	(7,067)	1,450
Other income (expense), net.....	(7,509)	(4,397)	3,361
	-----	-----	-----
Total other income (expense).....	(99,396)	(18,066)	1,570
Income (loss) from continuing operations before income tax expense (benefit).....	(110,639)	25,879	57,600
Income tax expense (benefit).....	(3,379)	14,449	20,590
	-----	-----	-----
Income (loss) from continuing operations.....	(107,260)	11,430	37,010
Income (loss) from operations of discontinued business (net of income tax (benefit) expense of \$(1,261) \$(1,068) and \$3,275, respectively).....	(1,214)	(3,596)	6,880
Loss on disposal of discontinued business (net of income tax benefit of \$3,002, \$210, and \$0, respectively).....	(5,697)	(391)	--
	-----	-----	-----
Income (loss) before cumulative effect of change in accounting principle.....	(114,171)	7,443	43,890
Cumulative effect of change in accounting principle, net of income tax benefit of \$7,936.....	(11,905)	--	--
	-----	-----	-----
Net income (loss).....	\$ (126,076)	\$ 7,443	\$ 43,890
	=====	=====	=====
Earnings (loss) per share:			
Basic:			
Continuing operations.....	\$ (1.13)	\$ 0.13	\$ 0.55
Discontinued operations.....	(0.07)	(0.04)	0.10
Cumulative effect of change in accounting principle.....	(0.13)	--	--
	-----	-----	-----
Net income (loss).....	\$ (1.33)	\$ 0.09	\$ 0.65
	=====	=====	=====
Diluted:			
Continuing operations.....	\$ (1.13)	\$ 0.12	\$ 0.46
Discontinued operations.....	(0.07)	(0.04)	0.08
Cumulative effect of change in accounting principle.....	(0.13)	--	--
	-----	-----	-----
Net income (loss).....	\$ (1.33)	\$ 0.08	\$ 0.54
	=====	=====	=====
Weighted-average common shares outstanding:			
Basic.....	94,674	86,851	67,880
	=====	=====	=====
Diluted.....	94,674	91,702	81,084
	=====	=====	=====

See the accompanying notes to the consolidated financial statements.

## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	SHARES	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	UNEARNED ESOP SHARES	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTALS
December 31, 1997.....	54,033	\$540	\$134,303	\$ 29,369	\$(2,888)	\$(1,655)	\$ 1,747	\$ 161,416
Comprehensive income:								
Net income.....	--	--	--	43,890	--	--	--	--
Foreign translation and other.....							(52)	--
Change in unrealized appreciation, net of tax.....	--	--	--	--	--	--	(1,576)	--
Total comprehensive income.....	--	--	--	43,890	--	--	(1,628)	42,262
Pre-merger transactions of pooled entities....	--	--	(708)	(3,932)	339	1,581	--	(2,720)
Stock issuances.....	3,800	38	47,657	--	--	--	--	47,695
Stock options.....	61	1	679	--	--	--	--	680
Warrants.....	8,902	88	35,378	--	--	--	--	35,466
Business acquisitions and contingent payments.....	12,764	128	119,434	--	--	--	--	119,562
December 31, 1998.....	79,560	795	336,743	69,327	(2,549)	(74)	119	404,361
Comprehensive income:								
Net income.....	--	--	--	7,443	--	--	--	--
Foreign translation and other.....							63	--
Change in unrealized appreciation, net of tax.....	--	--	--	--	--	--	(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 income:								
Net loss.....	--	--	--	(126,076)	--	--	--	--
Change in unrealized appreciation, net of tax.....	--	--	--	--	--	--	2,444	--
Total comprehensive income.....	--	--	--	(126,076)	--	--	2,444	(123,632)
Allocation of ESOP.....	--	--	(1,795)	--	1,795	--	--	--
Warrants.....	56	1	157	--	--	--	--	158
Business acquisitions and contingent payments.....	1,300	13	(2,733)	--	--	--	--	(2,720)
December 31, 2000.....	94,697	\$947	\$438,681	\$ (51,906)	\$ --	\$ (754)	\$ (30)	\$ 386,938

See the accompanying notes to the consolidated financial statements.

## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(IN THOUSANDS)

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Income (loss) from continuing operations.....	\$(107,260)	\$ 11,430	\$ 37,010
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used in) operating activities:			
Consolidation and integration accrual.....	--	20,366	--
Bad debt expense.....	26,693	9,831	2,306
Accounts receivable reduction due to change in accounting principle.....	19,209	--	--
Note impairment charge.....	1,640	8,952	--
Loss (gain) on sale of operations.....	31,576	7,067	(1,450)
Depreciation and amortization.....	44,335	23,470	11,074
Goodwill impairment.....	48,198	--	--
Deferred income taxes.....	(1,494)	(8,787)	(2,019)
Changes in assets and liabilities, net of acquisitions and dispositions:			
Accounts receivable, net.....	(20,946)	(57,661)	(40,029)
Other assets.....	(2,872)	(8,164)	(7,325)
Accounts payable.....	(6,715)	83	10,604
Income taxes.....	(7,734)	(22,766)	3,532
Accrued expenses and other liabilities.....	(8,251)	(14,485)	3,759
Other, net.....	1,068	4,791	(546)
	-----	-----	-----
Net cash provided by (used in) operating activities.....	17,447	(25,873)	16,916
	-----	-----	-----
Cash flows from investing activities:			
Business acquisitions, net of cash acquired and contingent consideration.....	(8,973)	(42,994)	(76,063)
Proceeds from dispositions of businesses.....	34,599	--	2,744
Additions to property and equipment.....	(20,136)	(33,725)	(13,194)
Net decrease in notes receivable.....	2,194	1,402	6,067
	-----	-----	-----
Net cash provided by (used in) investing activities.....	7,684	(75,317)	(80,446)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from bank debt.....	102,600	226,000	92,075
Proceeds from notes payable and capitalized leases.....	3,296	13,003	5,460
Payment of bank debt.....	(129,100)	(126,000)	(56,476)
Payment of notes payable and capitalized leases.....	(10,838)	(55,989)	(38,559)
Pre-merger equity transactions.....	--	(2,558)	(2,720)
Proceeds from stock issuances.....	17	25,000	47,695
Proceeds from exercise of stock options and warrants...	124	18,791	36,146
	-----	-----	-----
Net cash (used in) provided by financing activities.....	(33,901)	98,247	83,621
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(8,770)	(2,943)	20,091
Cash and cash equivalents at beginning of year.....	24,740	27,683	7,592
	-----	-----	-----
Cash and cash equivalents at end of year.....	\$ 15,970	\$ 24,740	\$ 27,683
	=====	=====	=====

See the accompanying notes to the consolidated financial statements.

## 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 in the following areas: accounting, tax, valuation, and advisory services; benefits administration and insurance services; human resources and payroll services; performance consulting services; and information technology services.

## Basis of Consolidation

The accompanying consolidated financial statements include the accounts of CBIZ and its wholly owned subsidiaries. All significant 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, 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 insurance carrier. A related liability for these funds is recorded in accrued expenses in the consolidated balance sheets.

## 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. The interest rate on the bank debt is variable and approximates current market rates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

## 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 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 businesses. In 2000, CBIZ recorded a goodwill impairment charge of \$48.2 million associated with eleven business units. CBIZ also recorded a \$27.2 million goodwill write-down in 2000 resulting from the divestiture of two business units and the planned divestiture of two additional business units. See notes 13 and 15 for additional information regarding these charges. Amortization expense from continuing operations was approximately \$29.2 million, \$12.7 million and \$4.8 million in 2000, 1999 and 1998, 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 carryforwards. 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

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 expense of approximately \$11.4 million, and a reduction in income from continuing operations (before cumulative effect of accounting change) of approximately \$6.8 million (pretax). See note 5 for the impact on deferred taxes and note 15 for the impact on previously reported quarterly financial information.

Revenues consist primarily of fees for preparation of tax returns, consulting services, brokerage and agency commissions, and fee income for administering health and retirement plans. 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. All reimbursements of out-of-pocket expenses are netted against the related expense item and reported in "operating expenses" in the consolidated statements of operations. The cumulative impact on any subsequent revision in the

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

estimated realizable value of unbilled fees for a particular client project is reflected in the period in which the change becomes known. 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. Commission revenues are reported net of sub-broker commission. Contingent commissions are generally recognized at the earlier of notification from the carrier, or receipt of payment. Fee income is recognized as services are rendered, with the exception of fees related to CBIZ's physician practice management services, which are recognized when collections are received on our clients' accounts.

## Earnings per Share

Basic earnings per share are computed by dividing net income 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 9 to the consolidated financial statements.

## Recent Accounting Pronouncements

Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" 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 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. We plan on adopting SFAS No. 133 on January 1, 2001; and do not believe that the adoption will have a material effect on our financial condition or results of operations.

## Reclassifications

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

## 2. ACQUISITIONS

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.

During fiscal 1999, CBIZ acquired thirty-five complementary businesses, thirty of which 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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

purchase price of these acquisitions was approximately \$77.7 million, comprised of \$29.7 million in cash, \$0.5 million in assumed liabilities, and 5.6 million shares of restricted common stock (estimated fair value of \$47.5 million at acquisition). The aggregate purchase price excludes future contingent consideration of up to \$21.7 million, comprised of \$10.1 million in cash and notes and 1.5 million shares of restricted common stock (estimated stock value of \$11.6 million at acquisition), which is based on the acquired companies' ability to meet or exceed certain performance goals. The aggregate purchase price, excluding future contingent consideration, 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 \$71.9 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 two acquisitions completed in fiscal 2000, had the acquisitions occurred at the beginning of 2000 and 1999, are not significant, and accordingly, have not been provided.

Several pooling-of-interests transactions completed in prior years involved enterprises that previously had not been subjected to income taxes. Accordingly, pro forma adjustments have been presented in the table below (in thousands).

	2000 -----	1999 -----	1998 -----
Pro forma income (loss) data -- unaudited:			
Income (loss) from continuing operations.....	\$(107,260)	\$11,430	\$37,010
Pro forma adjustment for income tax expense.....	--	1,762	1,767
	-----	-----	-----
Pro forma income (loss) from continuing operations.....	\$(107,260)	\$ 9,668	\$35,243
	=====	=====	=====
Pro forma earnings (loss) per share from continuing operations:			
Basic (loss) earnings per share.....	\$ (1.13)	\$ 0.11	\$ 0.52
Diluted (loss) earnings per share.....	\$ (1.13)	\$ 0.11	\$ 0.44

## 3. INVESTMENTS

Included in other assets (non-current) at December 31, 2000 and 1999, are investments accounted for under the cost method of accounting of \$2.7 million and \$2.5 million, respectively. CBIZ acquired an ownership interest of approximately 20% in Fundscape.com, which was being accounted for under the equity method in 1999. At December 31, 1999, CBIZ's investment in Fundscape.com was \$0.8 million, which includes its proportionate share of Fundscape.com's operating losses for 1999 of \$0.2 million. In 2000, CBIZ's ownership interest dropped to approximately 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, 2000 and 1999, CBIZ's investment in QuikCAT.com was \$1.8 million. In addition, CBIZ has an outstanding trade receivable from QuikCAT.com of \$0.5 million and \$1.3 million at December 31, 2000, and 1999, respectively. Although the market value of CBIZ's investments in Fundscape.com and QuikCAT.com are not readily determinable, management believes the fair value of these investments exceeds their carrying amounts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

## 4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net at December 31, 2000 and 1999 consisted of the following (in thousands):

	2000	1999
	-----	-----
Buildings and improvement.....	\$ 8,420	\$ 7,260
Furniture and fixtures.....	21,063	23,940
Equipment and capitalized software.....	59,679	46,740
	-----	-----
	89,162	77,940
Less accumulated depreciation.....	(29,813)	(21,792)
	-----	-----
	\$ 59,349	\$ 56,148
	=====	=====

Depreciation and amortization expense was approximately \$15.2 million in 2000, \$10.8 million in 1999 and \$6.3 million in 1998.

## 5. INCOME TAXES

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

	2000	1999	1998
	-----	-----	-----
Continuing operations:			
Current:			
Federal and international.....	\$ 1,789	\$20,991	\$19,099
State and local.....	798	2,245	3,510
	-----	-----	-----
	2,587	23,236	22,609
Deferred.....	(5,966)	(8,787)	(2,019)
	-----	-----	-----
Total continuing operations.....	(3,379)	14,449	20,590
Discontinued operations.....	(1,261)	(1,068)	3,275
Loss on sale of discontinued operations.....	(3,002)	(210)	--
Cumulative effect of change in accounting principle...	(7,936)	--	--
	-----	-----	-----
	\$(15,578)	\$13,171	\$23,865
	=====	=====	=====

The provision 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):

	2000	1999	1998
	-----	-----	-----
Tax at statutory rate.....	\$(38,724)	\$ 9,058	\$20,160
State taxes (net of federal benefit).....	(1,171)	658	2,085
Change in valuation allowance.....	700	--	(1,379)
Nondeductible goodwill.....	21,853	3,837	1,413
Acquired nontaxable entities.....	--	(1,762)	(1,767)
Disposal of non-core business units.....	13,022	2,163	--
Other, net.....	941	495	78
	-----	-----	-----
Provision for income taxes from continuing operations.....	\$ (3,379)	\$14,449	\$20,590
	=====	=====	=====
Effective income tax rate.....	3.1%	55.8%	35.7%
	=====	=====	=====
Pro forma effective income tax rate on pooled entities.....	3.1%	62.6%	38.9%
	=====	=====	=====

## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

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, 2000 and 1999, are as follows (in thousands):

	2000	1999
	-----	-----
Deferred Tax Assets:		
Net operating loss carryforwards.....	\$ 4,382	\$ 2,276
Deferred compensation.....	497	2,020
Allowance for doubtful accounts.....	5,612	3,660
Consolidation and integration.....	2,547	5,217
Note receivable impairment charge.....	--	3,133
Cumulative change in accounting principle (SAB 101).....	7,936	--
Goodwill impairment.....	4,014	--
Legal reserve.....	870	--
Severance payments.....	837	--
Other deferred tax assets.....	989	845
	-----	-----
Total gross deferred tax assets.....	27,684	17,151
Less: valuation allowance.....	(1,176)	(756)
	-----	-----
Net deferred tax assets.....	26,508	16,395
	-----	-----
Deferred Tax Liabilities:		
Change in accounting method.....	7,351	12,333
Deferred commission revenues.....	689	1,985
Disposal of non-core business units.....	1,816	--
Asset basis differential.....	3,345	2,607
Other deferred tax liabilities.....	1,384	1,526
	-----	-----
Total gross deferred tax liabilities.....	14,585	18,451
	-----	-----
Net deferred tax asset (liability).....	\$11,923	\$(2,056)
	=====	=====

CBIZ had U.S. net operating loss (NOL) carryforwards of approximately \$5,489,000 and \$5,135,000 at December 31, 2000 and 1999, respectively, 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 also had Canadian NOL carryforwards of approximately \$3,580,000 and \$0 for the years ended December 31, 2000 and 1999, respectively. The Canadian NOL carryforwards begin to expire in 2006.

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. and Canadian NOL carryforwards. The net change in the valuation allowance for the years ended December 31, 2000 was an increase of \$420,000. The net change included a \$700,000 increase that was recorded as an addition to income tax expense, and a \$280,000 decrease that was recorded as a reduction of acquired intangible assets. 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 \$476,000 and \$756,000 at December 31, 2000 and 1999, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

## 6. BANK DEBT, NOTES PAYABLE AND CAPITALIZED LEASES

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

	DECEMBER 31,	
	2000	1999
Bank debt:		
Revolving credit facilities, effective rates of 6.620% to 10.625%.....	\$117,500	\$144,000
	=====	=====
Weighted average rate.....	8.7%	6.1%
	=====	=====
Notes payable and capitalized leases:		
Promissory notes payable to former owners of acquired businesses, primarily non-interest bearing, due 2001 to 2003.....	\$ 367	\$ 2,291
Other notes payable, effective rates of 6.0% to 13.9%, due 2001 to 2006.....	4,742	4,691
Capitalized leases, effective rates of 6.9% to 22.3%, payable in installments through 2004.....	705	897
	-----	-----
	\$ 5,814	\$ 7,879
	=====	=====

CBIZ has a \$172 million revolving credit facility with a group of 12 banks. See Note 18 for discussion regarding the amendment to the bank credit agreement. 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 2004. As security for the payment of the credit facility, CBIZ has assigned to the lending group a continuing security interest in accounts receivables and stock of its subsidiaries, except for accounts receivable with any governmental authority.

The bank credit agreement contains certain financial covenants. These covenants require the Company to maintain (i) a minimum consolidated net worth; (ii) consolidated leverage ratio; and (iii) a minimum interest coverage ratio. As a result of an Amendment to its credit facility, completed March 30, 2001, CBIZ is in compliance with its covenants as of December 31, 2000. See Note 18 for discussion of the amendment to the bank credit agreement.

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, 2000, aggregate maturities of notes payable, bank debt and capitalized leases, were as follows (in thousands):

YEARS ENDING DECEMBER 31,	
-----	
2001.....	\$ 4,382
2002.....	701
2003.....	303
2004.....	117,707
2005.....	174
Thereafter.....	47
	-----
	\$123,314
	=====

Management believes that the carrying amounts of bank debt, notes payable and capitalized leases recorded at December 31, 2000 approximate fair values.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

## 7. COMMITMENTS AND CONTINGENCIES

## Operating Leases

CBIZ leases certain of its premises and equipment under various operating lease agreements. At December 31, 2000, future minimum rental commitments becoming payable under all operating leases are as follows (in thousands):

## YEARS ENDING DECEMBER 31,

2001.....	\$22,297
2002.....	18,165
2003.....	14,456
2004.....	12,072
2005.....	9,778
Thereafter.....	11,595
	-----
	\$88,363
	=====

Total rental expense incurred under operating leases was approximately \$27.4 million, \$26.3 million, and \$15.8 million in 2000, 1999 and 1998, respectively.

## Legal Proceedings

Since September 1999, seven purported stockholder class-action lawsuits were filed as follows: (i) Jim A. Darby, Individually and on Behalf of All Others Similarly Situated v. Century Business Services, Inc., Michael G. DeGroot, Keith W. Reeves, Charles D. Hamm, Jr., Craig L. Stout, Gregory J. Skoda, Edward F. Feighan and Douglas R. Gowland, Case No. 1:99CV2200; (ii) Joy Iannotta v. Century Business Services, Inc., Michael G. DeGroot, Keith W. Reeves, Charles D. Hamm, Jr., Craig L. Stout, Gregory J. Skoda, Edward F. Feighan and Douglas R. Gowland, Case No. 1:99CV2337; (iii) Robert M. DeBolt, Individually and on Behalf of All Others Similarly Situated v. Century Business Services, Inc., Michael G. DeGroot, Keith W. Reeves, Charles D. Hamm, Jr., Craig L. Stout, Gregory J. Skoda, Edward J. Feighan and Douglas R. Gowland, Case No. 1:99CV2467 (subsequently consolidated into a single case, Jim A. Darby, Individually and on Behalf of All Others Similarly Situated v. Century Business Services, Inc., Michael G. DeGroot, Keith W. Reeves, Charles D. Hamm, Jr., Craig L. Stout, Gregory J. Skoda and Edward F. Feighan, Case No. 1:99CV2200); (iv) David Gochman, Individually and on Behalf of All Others Similarly Situated v. Century Business Services, Inc., Michael G. DeGroot and Fred M. Winkler, Case No. 1:00CB0386; (v) Scott Korn, Individually and on Behalf of All Others Similarly Situated v. Century Business Services, Inc. Michael G. DeGroot and Fred M. Winkler, Case No. 1:00CV0440 and; (vi) Joe Marsh, Lee Marshall, Flats Entertainment, Inc., Bruce Kapp and Dave Kajganich, Individually and on Behalf of All Others Similarly Situated v. Century Business Services, Inc., Michael G. DeGroot, Fred M. Winkler, Charles D. Hamm, Jr., Jerry Grisko and Keith W. Reeves, Case No. 1:00CV0584, each filed in the United States District Court for the Northern District of Ohio against CBIZ and certain of its current and former directors and officers; and (vii) Talbot Jones Albert, IV, on Behalf of Himself and All Others Similarly Situated v. Century Business Services, Inc., Michael G. DeGroot and Fred M. Winkler, Case No. JFM00CV565, filed in the United States District Court for the District of Maryland against CBIZ and certain of its current and former directors and officers. The plaintiffs in each of these cases 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 complaints seek damages in unspecified amounts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

CBIZ and the named officer and director defendants moved the United States District Court in the Northern District of Ohio to consolidate the six Ohio cases into a single action and appoint a single lead plaintiff and counsel and require the filing of a consolidated amended complaint. The United States District Court agreed, and is in the process of consolidating the cases and receiving motions from the various plaintiffs regarding who will serve as lead plaintiff and lead counsel.

CBIZ and the named officer and director defendants filed an agreed motion with the plaintiffs in the Maryland action to transfer that case from the District of Maryland to the Northern District of Ohio. CBIZ and the named officer and director defendants also filed a motion with the Northern District of Ohio to assign the case to District Judge Matia and consolidate it with the already-consolidated Ohio cases. Each of these motions has been granted, and the Maryland case has been consolidated into the other class action cases before District Judge Matia.

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 the Company 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. On July 31, 2000 the Company moved to dismiss the Complaint. On October 10, 2000, the Court denied Century's motion to dismiss, and on December 12, 2000, Century filed its answer and counterclaim against the plaintiffs. Discovery in this action has commenced, and a trial on the employment agreements is scheduled to commence on May 21, 2001. No trial date has been set on the remaining issues in this case. Plaintiffs have not specified the amount of damages they seek to recover.

The Company and the named former officer defendant deny all allegations of wrongdoing made against them in these actions and intend to vigorously defend this lawsuit. 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 the Company.

On February 25, 2000, Century filed suit in the Missouri Circuit Court of the County of St. Louis against all of the former shareholders of a company it acquired in 1999, alleging breach of contract and fraud in connection with Agreement and Plan of Merger. On March 31, 2000, two of the defendants filed a counterclaim against the Company, alleging breach of contract, fraud, and violations of Section 12(2) of the Securities Act. On May 10, 2000, the same shareholders who filed the counterclaim against Century in the Missouri State Court filed suit against Century and 10 of its current and former officers and directors -- Fuchs et al. v. Century Business Services, Inc., Michael G. DeGroot, Charles D. Hamm, Jr., Fred M. Winkler, Daniel J. Clark, Jerome P. Grisko, Jr., Rick L. Burdick, Joseph S. DiMartino, Harve A. Ferrill, Hugh P. Lowenstein, and Richard C. Rochon, Case No. 1:00 CV 1193 (N.D. Oh.) -- alleging the same wrongdoing and that the named defendants violated Sections 10(b) and 20(a) of the Exchange Act and 12(2) and 15(a) of the Securities Act by making materially false statements contained in the SEC documents provided to the plaintiffs in connection with the Agreement and Plan of Merger as well as misrepresentation claims under the common law.

On July 31, 2000, Century moved to dismiss the federal action. While the motion was pending, the parties recently settled all of the litigation between them on confidential terms that management believes were favorable to the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

On April 11, 2000, Century and a wholly-owned subsidiary initiated a lawsuit in Toronto, Canada against former owners of a business acquired by Century, claiming (1) that the former owner breached representations and warranties in the purchase agreement and (2) that a company owned by one of the shareholders owed Century payment for services rendered. CBIZ E-Solutions, Inc. and Century Business Solutions, Inc. v. Paven R. Bratch, Review Worldwide Ltd., 1069904 Ontario Limited and Royal Bank of Canada Financial Corp. in its capacity and acting on behalf of The Bratch International Trust, Ontario Superior Ct. No. 00-CV-188556. In addition, Century asked the Ontario Court to declare that Century justifiably terminated the employment contract of one of the former shareholders. On August 1, 2000 the former shareholders and the company owned by a former shareholder filed counterclaims against Century in the Ontario action, seeking damages from Century for breach of contract, wrongful termination of employment, and defamation. The parties recently settled all of the litigation between them on confidential terms that management believes were favorable to the Company.

In addition to the above-disclosed items, the Company 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 the Company.

#### 8. EMPLOYEE BENEFITS

CBIZ has profit sharing plans covering substantially all of its employees. Participating employees may elect to contribute, on a tax-deferred basis, a portion of their compensation, in accordance with Section 401(k) of the Internal Revenue Code. Employer contributions made to the plans in 2000, 1999 and 1998, amounted to approximately \$5.6 million, \$4.7 million, and \$2.5 million, respectively.

Two acquisitions made in 1998 and 1999 had employee stock option plans (ESOP) which were subsequently frozen by CBIZ. The ESOP related to the 1999 was terminated in 2000, and as required under Statement of Position No. 93-6, the difference between the cost of the remaining unearned ESOP shares and the fair value of those shares of approximately \$1.8 million has been charged to additional paid-in capital in the accompanying consolidated statements of stockholders' equity.

#### 9. 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 Firststar Bank, N.A.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

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.

In February and May of 1998, CBIZ completed a private placement in which it sold an aggregate of 3,800,000 shares of Common Stock to qualified investors at an aggregate purchase price of \$13.25 per share and realized \$47.7 million in proceeds.

## 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 expire at various dates through December 2000. The holders of these warrants are able to exercise under the original terms of the warrants and will receive Company 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):

	2000	1999	1998
	-----	-----	-----
Outstanding at beginning of year.....	10,012	13,477	22,379
Granted/issued.....	--	900	--
Expired/cancelled.....	(3,786)	--	--
Exercised.....	(56)	(4,365)	(8,902)
	-----	-----	-----
Outstanding at end of year (a).....	6,170	10,012	13,477
Subject to Lock-Up Provisions.....	--	--	1,071
	-----	-----	-----
Exercisable at end of year.....	6,170	10,012	12,406
	=====	=====	=====

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(a) 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. Exercise prices for warrants outstanding at December 31, 1998 ranged from \$1.075 to \$13.06.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

## STOCK OPTIONS

Under the 1997 Agents Stock Option Plan, a maximum of 10,000,000 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 10,000,000 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 five-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 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):

	2000	1999	1998
	-----	-----	-----
Outstanding at beginning of year.....	5,394	3,581	2,061
Granted (a).....	4,501	1,951	1,625
Exercised (b).....	--	(2)	(61)
Expired or canceled.....	(2,037)	(136)	(44)
	-----	-----	-----
Outstanding at end of year (c).....	7,858	5,394	3,581
	=====	=====	=====
Exercisable at end of year (d).....	1,870	969	470
	=====	=====	=====
Available for future grant at the end of year.....	2,301	2,806	1,840
	=====	=====	=====

(a) Options were granted at average costs of \$2.98, \$14.05 and \$16.44 in 2000, 1999 and 1998, respectively.

(b) No options were exercised in 2000. Options were exercised at prices ranging from \$1.08 to \$9.63 and averaging \$5.35 in 1999, and prices ranging from \$1.08 to \$11.00 and averaging \$6.64 in 1998.

(c) Exercise price 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. Exercise prices for options outstanding at December 31, 1998 ranged from \$1.08 to \$17.75 and averaged \$13.72 with expiration dates ranging from June 2000 to October 2004.

(d) Exercise prices for options exercisable at December 31, 2000, 1999, and 1998 averaged \$11.59, \$11.67 and \$9.25, respectively.

## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

Had the cost of stock option plans been determined based on the fair value of options at the grant date, CBIZ's net income 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
2000				
Net loss.....	\$(126,076)	\$(126,076)	\$(129,112)	\$(129,112)
Net loss per share.....	\$ (1.33)	\$ (1.33)	\$ (1.36)	\$ (1.36)
1999				
Net income.....	\$ 7,443	\$ 7,443	\$ 5,067	\$ 5,067
Net income per share.....	\$ 0.09	\$ 0.08	\$ 0.06	\$ 0.06
1998				
Net income.....	\$ 43,890	\$ 43,890	\$ 42,807	\$ 42,807
Net income per share.....	\$ 0.65	\$ 0.54	\$ 0.63	\$ 0.53

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

CBIZ applied the Black-Scholes option-pricing model to determine the fair value of each option granted in 2000, 1999 and 1998. Below is a summary of the assumptions used in the calculation:

	2000	1999	1998
Risk-free interest rate.....	4.98%	6.30%	6.07%
Expected volatility.....	62.80%	30.00%	35.00%
Expected option life (in years).....	3.75	3.75	3.75

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

## 10. EARNINGS (LOSS) PER SHARE

For the years presented, CBIZ presents both basic and diluted earnings per share. The following data shows the amounts used in computing earnings per share and the effect on the weighted average number of shares of dilutive potential common stock (amounts in thousands, except per share data). Included in potential dilutive shares are contingent shares, which represent shares issued and placed in escrow that will not be released until certain performance goals have been met.

	FOR THE YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	-----		
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Numerator			
Net income (loss) (a).....	\$(126,076)	\$ 7,443	\$43,890
Denominator:			
Basic			
Weighted average common shares.....	94,674	86,851	67,880
Diluted			
Warrants (b).....	--	4,411	12,506
Options (b).....	--	228	458
Contingent shares (b).....	--	212	240
	-----	-----	-----
Total.....	94,674	91,702	81,084
	=====	=====	=====
Basic EPS (a).....	\$ (1.33)	\$ 0.09	\$ 0.65
	=====	=====	=====
Diluted EPS (a).....	\$ (1.33)	\$ 0.08	\$ 0.54
	=====	=====	=====
Pro forma (loss) income data -- unaudited (a):			
Pro forma net income (loss).....	\$(126,076)	\$ 5,681	\$42,123
	=====	=====	=====
Basic EPS.....	\$ (1.33)	\$ 0.07	\$ 0.62
	=====	=====	=====
Diluted EPS.....	\$ (1.33)	\$ 0.06	\$ 0.52
	=====	=====	=====

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- (a) Pro forma income (loss) data from continuing operations reflects pro forma tax adjustments for acquisitions accounted for under the pooling-of-interests transactions that were not subject to income taxes.
- (b) The effect of the incremental shares from warrants, options, and contingent shares of 325 in 2000 have been excluded from diluted weighted average shares, as the net loss for the period would cause the incremental shares to be antidilutive.

Basic earnings (loss) per share was computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share for the years 1999 and 1998 were determined on the assumption that the options, warrants and contingent shares were exercised or earned at the beginning of the period, or at time of issuance, if later.

## 11. SUPPLEMENTAL CASH FLOW DISCLOSURES

During 2000, CBIZ reduced approximately \$8.4 million of accruals for non-cancellable 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

During 1998, CBIZ provided aggregate consideration of \$18 million in the form of notes payable in early 1999 in lieu of cash in conjunction with two purchase acquisitions. In addition, CBIZ received a \$3 million note receivable in connection with the sale of M&N Risk Management and M&N Enterprise, Inc.

Cash paid during the year for (in thousands):

	2000	1999	1998
	-----	-----	-----
Interest.....	\$12,156	\$ 6,813	\$ 2,590
	=====	=====	=====
Income taxes.....	\$ 2,540	\$39,521	\$18,635
	=====	=====	=====

## 12. RELATED PARTIES

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 and \$2.1 million under such leases in 2000 and 1999, respectively, which were at competitive market rates.

A director of CBIZ is a partner of Akin, Gump, Strauss, Hauer & Feld, L.L.P. Akin, Gump performed legal work for CBIZ during 2000 for which the firm received approximately \$116,000 from CBIZ.

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.

## 13. DIVESTITURES

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 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.

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 were \$5.4 million, which resulted in loss on sale of approximately \$3.8 million.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

- In the fourth quarter of 2000, 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). 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 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 sale of operations in the accompanying consolidated statements of operations.

In December 1998, CBIZ sold M&N Risk Management, Inc. and M&N Enterprises, Inc. for cash and notes, resulting in a gain of approximately \$1.5 million which is included in gain on sale of operations in the accompanying consolidated statements of operations.

## 14. 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 \$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 at the earlier of notification from the carrier or receipt of payment. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

Adoption of the aforementioned revenue recognition policies retroactive to 1999 and 1998 would have produced the following pro forma results (in thousands, except per share amounts):

	1999	1998
	-----	-----
AS REPORTED:		
Net income before change in accounting principle.....	\$7,443	\$43,890
Net income per share, basic.....	\$ 0.09	\$ 0.65
Net income per share, diluted.....	\$ 0.08	\$ 0.54
PRO FORMA:		
Net income assuming new accounting principle is applied retroactively.....	\$2,571	\$42,224
Net income per share, basic.....	\$ 0.03	\$ 0.62
Net income per share, diluted.....	\$ 0.03	\$ 0.52

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.

## 15. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for fiscal years 2000 and 1999. The sum of the quarterly earnings (loss) per share amounts may not equal the annual amount due to changes in the number of shares outstanding during the year. CBIZ has included the following information below to demonstrate the effect on the first, second and third quarters of fiscal year 2000 as if the provisions of SAB No. 101 (See Note 14, Change in Accounting Principle), had been applied as of the beginning of the fiscal year (in thousands, except per share amounts):

	2000			
	RESTATED MARCH 31,	RESTATED JUNE 30,	RESTATED SEPT. 30,	DEC. 31,
	-----	-----	-----	-----
Revenues.....	\$170,469	\$144,873	\$132,623	\$ 119,850
	=====	=====	=====	=====
Income (loss) from continuing operations.....	\$ 10,013	\$ 1,287	\$ (3,681)	\$(114,879)
Income (loss) from discontinued operations.....	(1,083)	(9,098)	784	2,486
Cumulative effect of accounting change.....	(11,905)	--	--	--
	-----	-----	-----	-----
Net loss.....	\$ (2,975)	\$ (7,811)	\$ (2,897)	\$(112,393)
	=====	=====	=====	=====
Earnings (loss) per share:				
Basic --				
Continuing operations.....	\$ 0.11	\$ 0.01	\$ (0.04)	\$ (1.21)
Discontinued operations.....	(0.01)	(0.09)	0.01	0.03
Cumulative Effect.....	(0.13)	--	--	--
	-----	-----	-----	-----
Net loss.....	\$ (0.03)	\$ (0.08)	\$ (0.03)	\$ (1.18)
	=====	=====	=====	=====
Earnings (loss) per share:				
Diluted --				
Continuing operations.....	\$ 0.11	\$ 0.01	\$ (0.04)	\$ (1.21)
Discontinued operations.....	(0.01)	(0.09)	0.01	0.03
Cumulative Effect.....	(0.13)	--	--	--
	-----	-----	-----	-----
Net loss.....	\$ (0.03)	\$ (0.08)	\$ (0.03)	\$ (1.18)
	=====	=====	=====	=====

## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

	2000			
	RESTATED MARCH 31,	RESTATED JUNE 30,	RESTATED SEPT. 30,	DEC. 31,
Pro forma earnings (loss) per share (from continuing operations):				
Basic.....	\$ 0.11	\$ 0.01	\$ (0.04)	\$ (1.21)
Diluted.....	\$ .011	\$ 0.01	\$ (0.04)	\$ (1.21)
Basic shares.....	93,218	93,264	93,645	94,697
Diluted shares.....	94,516	94,938	94,345	94,697

	2000			
	AS PREVIOUSLY REPORTED MARCH 31,	AS PREVIOUSLY REPORTED JUNE 30,	AS PREVIOUSLY REPORTED SEPT. 30,	DEC. 31,
Revenues.....	\$172,120	\$148,264	\$139,434	\$ 119,850
Income (loss) from continuing operations.....	\$ 10,380	\$ 1,473	\$ (1,419)	\$(114,878)
Income (loss) from discontinued operations.....	(1,083)	(9,098)	784	2,486
Net income (loss).....	\$ 9,297	\$ (7,625)	\$ (635)	\$(112,392)
Earnings (loss) per share:				
Basic --				
Continuing operations.....	\$ 0.11	\$ 0.02	\$ (0.02)	\$ (1.21)
Discontinued operations.....	(0.01)	(0.10)	0.01	0.03
Net income (loss).....	\$ 0.10	\$ (0.08)	\$ (0.01)	\$ (1.18)
Earnings (loss) per share:				
Diluted --				
Continuing operations.....	\$ 0.11	\$ 0.02	\$ (0.02)	\$ (1.21)
Discontinued operations.....	(0.01)	(0.10)	0.01	0.03
Net income (loss).....	\$ 0.10	\$ (0.08)	\$ (0.01)	\$ (1.18)
Pro forma earnings (loss) per share (from continuing operations):				
Basic.....	\$ 0.11	\$ 0.02	\$ (0.02)	\$ (1.21)
Diluted.....	\$ 0.11	\$ 0.02	\$ (0.02)	\$ (1.21)
Basic shares.....	93,218	93,264	93,645	94,697
Diluted shares.....	94,516	94,938	94,345	94,697

	1999			
	RESTATED MARCH 31,	RESTATED JUNE 30,	RESTATED SEPT. 30,	RESTATED DEC. 31,
Revenues.....	\$134,309	\$128,833	\$131,841	\$ 129,716
Income (loss) from continuing operations.....	\$ 14,572	\$ 14,404	\$ 11,447	\$ (33,865)
Income (loss) from discontinued operations.....	706	163	(1,417)	(3,439)
Net income (loss).....	\$ 15,278	\$ 14,567	\$ 10,030	\$ (37,304)





## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

	1999			
	RESTATED MARCH 31,	RESTATED JUNE 30,	RESTATED SEPT. 30,	RESTATED DEC. 31,
Earnings (loss) per share:				
Basic --				
Continuing operations.....	\$ 0.18	\$ 0.17	\$ 0.14	\$ (0.37)
Discontinued operations.....	0.01	--	(0.02)	(0.04)
Net income (loss).....	\$ 0.19	\$ 0.17	\$ 0.12	\$ (0.41)
Diluted --				
Continuing operations.....	\$ 0.16	\$ 0.16	\$ 0.13	\$ (0.37)
Discontinued operations.....	0.01	--	(0.02)	(0.04)
Net income (loss).....	\$ 0.17	\$ 0.16	\$ 0.11	\$ (0.41)
Pro forma earnings (loss) per share (from continuing operations):				
Basic.....	\$ 0.18	\$ 0.16	\$ 0.13	\$ (0.37)
Diluted.....	\$ 0.17	\$ 0.15	\$ 0.12	\$ (0.37)
Basic shares.....	80,732	84,071	87,014	92,095
Diluted shares.....	88,199	90,632	94,011	92,095

	1999			
	AS PREVIOUSLY REPORTED MARCH 31,	AS PREVIOUSLY REPORTED JUNE 30,	AS PREVIOUSLY REPORTED SEPT. 30,	AS PREVIOUSLY REPORTED DEC. 31,
Revenues.....	\$138,372	\$132,252	\$138,119	\$137,650
Income (loss) from continuing operations.....	\$ 15,192	\$ 14,471	\$ 13,081	\$(31,314)
Income (loss) from discontinued operations.....	706	163	(1,417)	(3,439)
Net income (loss).....	\$ 15,898	\$ 14,634	\$ 11,664	\$(34,753)
Earnings (loss) per share:				
Basic --				
Continuing operations.....	\$ 0.19	\$ 0.17	\$ 0.15	\$ (0.34)
Discontinued operations.....	0.01	0.00	(0.02)	(0.04)
Net income (loss).....	\$ 0.20	\$ 0.17	\$ 0.13	\$ (0.38)
Diluted --				
Continuing operations.....	\$ 0.17	\$ 0.16	\$ 0.14	\$ (0.34)
Discontinued operations.....	0.01	--	(0.02)	(0.04)
Net income (loss).....	\$ 0.18	\$ 0.16	\$ 0.12	\$ (0.38)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

	1999			
	AS PREVIOUSLY REPORTED MARCH 31,	AS PREVIOUSLY REPORTED JUNE 30,	AS PREVIOUSLY REPORTED SEPT. 30,	AS PREVIOUSLY REPORTED DEC. 31,
Pro forma earnings (loss) per share (from continuing operations):				
Basic.....	\$ 0.18	\$ 0.16	\$ 0.15	\$ (0.34)
Diluted.....	\$ 0.17	\$ 0.15	\$ 0.14	\$ (0.34)
Basic shares.....	80,732	84,071	87,014	92,095
Diluted shares.....	88,199	90,632	94,011	92,095

Certain fourth quarter adjustments were made in 2000 and 1999 that are significant to the quarter and to comparisons between quarters. Presented below are the approximate amounts of adjustments that are the result of fourth quarter events and their effects recorded in the fourth quarter. The following table summarizes certain fourth quarter events discussed below that contributed to CBIZ's net loss reported in the fourth quarter of 2000 and 1999, respectively:

	2000	1999
SAB 101 adjustments:		
Reduction of revenue.....	\$ 6,268	\$ --
Reduction of expense.....	(4,192)	--
Subtotal.....	\$ 2,076	\$ --
Consolidation and integration charges:		
Lease consolidation.....	\$ 2,395	\$ 9,400
Severance.....	905	4,800
Shared services.....	--	2,500
Other consolidation related charges.....	651	--
Subtotal.....	\$ 3,951	\$16,700
Other charges:		
Effect of change in goodwill amortization period to 15 years.....	--	4,200
Goodwill impairment.....	48,198	--
Additional accounts receivable reserves and write-off's..	16,083	3,800
Loss on sale of operations.....	31,000	7,067
Note impairment.....	1,640	8,952
Litigation and other asset impairment.....	14,978	3,600
Total.....	\$117,926	\$44,319

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 14 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

accordingly, an impairment charge of approximately \$48.2 million was required to write-down 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, as compared to \$7.1 million for the year ended December 31, 1999. Such charges in 2000 are the result of a) the sale of CBIZ's franchise operations announced on November 2, 2000 at a loss of \$3.8 million, and b) the loss related to the planned divestiture of two additional business units to be completed in 2001 of \$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 7 regarding legal proceedings); asset impairment and write-downs in connection with closing the operations in Toronto, Canada and strategic changes in the business.

During the fourth quarter of 1999, CBIZ's Board of Directors approved a plan to consolidate several of its operations in multi-office markets and integrate certain back-office functions into a shared-services center. The plan includes 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, CBIZ recorded a consolidation and integration charge of \$27.4 million, of which \$13.9 million is included in operating expense, \$7.1 million is included in loss on sale of operations, and \$6.4 million is included in corporate general and administrative expense in the consolidated statements of operations. (See note 16 to the consolidated financial statements).

CBIZ also announced that it would shorten its goodwill amortization period from periods up to 40 years to periods up to 15 years, beginning October 1, 1999. In addition, CBIZ became aware of circumstances which led management to conclude that the collateral (i.e., guarantees from third parties) associated with notes received in connection with a transaction previously accounted for as a discontinued operation in 1997 were impaired, and accordingly, recorded a reserve at December 31, 1999 to adjust such to net realizable value.

#### 16. CONSOLIDATION AND INTEGRATION CHARGES

During the fourth quarter of fiscal 1999, Century's Board of Directors approved a 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, 1999, activity during the twelve-month period ended December 31, 2000, and the remaining reserve balances as of December 31, 2000, were as follows (in thousands):

	LEASE CONSOLIDATION	SEVERANCE & BENEFITS
	-----	-----
Reserve balance at December 31, 1999.....	\$9,400	\$ 4,150
Amounts adjusted to income (1).....	(5,901)	(2,445)
Payments.....	(656)	(1,256)
	-----	-----
Reserve balance at December 31, 2000.....	\$2,843	\$ 449
	=====	=====

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(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 period ended December 31, 2000. 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 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.

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. In 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.

## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

Consolidation and integration charges incurred for the twelve months ended December 31, 2000, were as follows (in thousands):

	OPERATING EXPENSE	CORPORATE GENERAL & ADMINISTRATIVE
	-----	-----
Consolidation and integration charges not in original plan:		
Severance expense.....	\$1,767	\$ 3,255
Lease consolidation and Abandonment.....	3,214	64
Shared service and consolidation.....	963	626
Write-down of non-core businesses.....	1,015	--
	-----	-----
Subtotal.....	\$6,959	\$ 3,945
Consolidation and integration charges in original plan:		
Adjustment to lease accrual.....	(5,901)	--
Adjustment to severance accrual.....	(64)	(2,381)
	-----	-----
Total consolidation and integration charges.....	\$ 994	\$ 1,564
	=====	=====

## 17. SEGMENT DISCLOSURES

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," established standards for reporting selected information about operating segments, products and services, geographic areas and major customers.

CBIZ's business units have been aggregated into four reportable segments: business solutions; benefits and insurance; performance consulting and technology solutions services. The business units have been aggregated based on the following factors: the products and services are similar, the services are provided to the same customers, and the long term financial performance of these units is affected by similar economic conditions, in addition to considering the regulatory environment of the insurance segment.

The business solutions segment provides accounting, tax, consulting and business valuation services. The benefits and insurance segment consists of two business units; the benefits and administration group and the insurance services group. The benefits and insurance segment provides benefits administration, business insurance, and payroll services. The performance consulting segment consists of one business unit; the human resources group. The performance consulting segment provides human resources services. The technology solutions segment consists of one business unit; the information technology group. The technology solutions segment provides information technology services. These services are provided to small to medium sized companies in a variety of different industries including, but not limited to, manufacturing, construction, healthcare, and automotive industries.

Corporate and other charges represent costs at the corporate office that are not allocated to the business units, which includes goodwill amortization for all acquisitions accounted for under the purchase method of accounting. Also included in corporate and other are consolidation and integration charges of approximately \$21.1 million during 1999. See Note 15 to the consolidated financial statements.

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

In November 2000, CBIZ changed its structure from four divisions to three divisions: Business Solutions, Benefits and Insurance, and National Practices. The performance consulting and technology solutions divisions were merged into the National Practices division, and certain business units that formerly reported under Business Solutions and Benefits and Insurance have also been moved to the National Practices division, as these units have a national platform to provide services to customers. CBIZ decided to begin managing the business according to

## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

these new divisions effective in November 2000, although the financial reports will not be fully functional until January 1, 2001. Therefore, the segment disclosures below depicts the business under four reportable segments, as previously reported.

Segment information for the years ended December 31, 2000, 1999, and 1998 was as follows (in thousands):

	2000					
	BUSINESS SOLUTIONS	BENEFITS & INSURANCE	PERFORMANCE CONSULTING	TECHNOLOGY SOLUTIONS	CORPORATE AND OTHER	TOTAL
Revenue.....	\$341,318	\$168,032	\$18,081	\$40,384	\$	\$ 567,815
Operating.....	306,654	141,033	13,782	42,901	5,659	510,029
Corporate gen. and admin...	--	--	--	--	24,694	24,694
Depreciation and amortization.....	6,910	3,336	174	502	33,413	44,335
Goodwill impairment.....	--	--	--	--	48,198	48,198
Interest expense.....	389	204	8	12	11,500	12,113
Loss on sale of operations.....	1,161	--	--	--	30,415	31,576
Other (income) expense, net.....	(626)	1,966	(27)	(9)	6,205	7,509
Income (loss) from continuing operations before income taxes.....	26,830	21,493	4,144	(3,022)	(160,084)	(110,639)

	1999					
	BUSINESS SOLUTIONS	BENEFITS & INSURANCE	PERFORMANCE CONSULTING	TECHNOLOGY SOLUTIONS	CORPORATE AND OTHER	TOTAL
Revenue.....	\$314,079	\$172,059	\$19,631	\$40,624	\$ --	\$546,393
Operating.....	256,099	133,832	12,390	39,063	12,667	454,051
Corporate gen. and admin...	--	--	--	--	19,138	19,138
Merger-related.....	--	--	--	--	5,789	5,789
Depreciation and amortization.....	17,738	3,418	121	382	1,811	23,470
Interest expense.....	895	365	30	232	5,080	6,602
Loss on sale of operations.....	--	1,126	--	--	5,941	7,067
Other (income) expense, net.....	(955)	(2,194)	(30)	(451)	8,027	4,397
Income (loss) from continuing operations before income taxes.....	40,302	35,512	7,120	1,398	(58,453)	25,879

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

	1998					
	BUSINESS SOLUTIONS	BENEFITS & INSURANCE	PERFORMANCE CONSULTING	TECHNOLOGY SOLUTIONS	CORPORATE AND OTHER	TOTAL
Revenue.....	\$150,333	\$150,763	\$14,637	\$43,735	\$ --	\$359,468
Operating.....	114,563	114,930	8,245	39,433	5,503	282,674
Corporate gen. and admin...	--	--	--	--	5,155	5,155
Merger-related.....	--	--	--	--	4,535	4,535
Depreciation and amortization.....	2,264	3,093	83	311	5,323	11,074
Interest expense.....	245	888	--	260	1,848	3,241
Gain on sale of operations.....	--	--	--	--	(1,450)	(1,450)
Other income, net.....	(241)	(1,385)	(10)	(124)	(1,601)	(3,361)
Income (loss) from continuing operations before income taxes.....	33,502	33,237	6,319	3,855	(19,313)	57,600

## 18. SUBSEQUENT EVENTS

On March 30, 2001, CBIZ completed an amendment to its original credit facility. The amendment takes into account the fourth quarter 2000 charges incurred as discussed in note 15 to the consolidated financial statements. Significant changes to the amendment are the following:

- The credit facility was reduced from \$172 million to \$140 million;
- Covenant resets were completed for the minimum consolidated net worth requirement, consolidated leverage ratio and minimum interest coverage ratio;
- A covenant measuring EBITDA versus operating plan was added to the amendment;
- The applicable margin pertaining to interest rates, was increased by 100 basis points at the highest level on the pricing grid; and
- The maturity date was changed from August 2004 to August 2003.

As a result of the amendment, CBIZ was in compliance with all of its debt covenants as of December 31, 2000.

On January 31, 2001, CBIZ completed the sale of Employers Select Plan Agency of Ohio, Inc. for \$1.5 million in cash, and St. James General Agency, Inc. for \$350,000 in cash. Net proceeds from these sales were used for debt reduction.

On February 26, 2001, CBIZ settled all litigation involving CBIZ E-Solutions, Inc. and Century Business Solutions, Inc. v. Paven R. Bratch, et al. See note 7 to the consolidated financial statements for additional information.

## 19. 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 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

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 and 1998, and for the years then ended. Assets and liabilities are included in net assets of discontinued operations in the accompanying consolidated balance sheets, and operating results are included in income (loss) from operations of discontinued business in the accompanying consolidated statements of operations.

At December 31, 1999, the net assets of discontinued operations for the specialty insurance segment consisted primarily of the following (in thousands):

	1999
	-----
Premium receivable.....	\$ 10,800
Investments:	
Fixed maturities.....	5,896
Securities available for sale.....	74,724
Mortgage loans.....	--
Short-term investments.....	5,713
	-----
Total investments.....	86,333
	-----
Deferred policy acquisition costs.....	4,536
Reinsurance recoverables.....	44,305
Other assets.....	26,793
	-----
Total assets.....	172,767
	-----
Losses and loss expenses payable.....	84,520
Unearned premiums.....	27,860
Other liabilities.....	23,574
	-----
Total liabilities.....	135,954
	-----
Net assets held for discontinued operations.....	\$ 36,813
	=====



## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

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

	1999	1998
	-----	-----
Revenues:		
Premiums earned.....	\$43,716	\$44,896
Net investment income.....	5,037	5,381
Net gain (loss) on investments.....	(13)	3,001
Other income.....	124	1,230
	-----	-----
Total revenues.....	48,864	54,508
Expenses:		
Loss and loss adjustments.....	28,644	23,714
Policy acquisition.....	16,728	14,932
Other, net.....	7,810	5,286
Depreciation and amortization.....	346	421
	-----	-----
Total expenses.....	53,528	44,353
	-----	-----
Income (loss) before taxes.....	(4,664)	10,155
Income tax (benefit) expense.....	(1,068)	3,275
	-----	-----
Income (loss) from discontinued operations.....	(3,596)	6,880
Loss from a previously discontinued operation, net of tax benefit.....	--	--
	-----	-----
Total (loss) income from discontinued operations.....	\$(3,596)	\$ 6,880
	=====	=====
Loss on disposal, net of tax.....	\$ (391)	\$ --
	=====	=====

## INVESTMENTS

The amortized cost and estimated fair value of fixed maturities held to maturity at December 31, 1999 were as follows (in thousands):

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
	-----	-----	-----	-----
U.S. Treasury securities and obligations of U.S. government corporations and agencies.....	\$5,588	\$10	\$159	\$5,439
Corporate securities.....	308	--	--	308
	-----	-----	-----	-----
Totals.....	\$5,896	\$10	\$159	\$5,747
	=====	====	=====	=====

## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

The amortized cost and estimated fair value of securities available for sale at December 31, 1999 were as follows (in thousands):

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
	-----	-----	-----	-----
Fixed Maturities:				
U.S. Treasury securities and obligations of U.S. government agencies.....	\$ 4,192	\$5	\$ 37	\$ 4,160
Corporate securities.....	19,744	--	1,470	18,274
Municipal bonds.....	21,082	--	728	20,354
Mortgage-backed securities.....	16,473	--	970	15,503
Other asset-backed securities....	11,308	3	436	10,875
	-----	-----	-----	-----
	72,799	8	3,641	69,166
Equity securities.....	5,903	0	345	5,558
	-----	-----	-----	-----
Totals.....	\$78,702	\$8	\$3,986	\$74,724
	=====	==	=====	=====

Expected maturities will differ from contractual maturities because the issuers may have the right to call or prepay obligations with or without call or prepayment penalties. The amortized cost and estimated fair value of fixed maturities held to maturity at December 31, 1999, by contractual maturity, were as follows (in thousands):

	AMORTIZED COST	ESTIMATED FAIR VALUE
	-----	-----
Due in one year or less.....	\$ 325	\$ 325
Due after one year through five years.....	5,495	5,337
Due after ten years.....	76	85
	-----	-----
	\$5,896	\$5,747
	=====	=====

The amortized cost and estimated fair value of fixed maturities available for sale at December 31, 1999, by contractual maturity, were as follows (in thousands):

	AMORTIZED COST	ESTIMATED FAIR VALUE
	-----	-----
Due in one year or less.....	\$ 1,506	\$ 1,501
Due after one year through five years.....	9,732	9,373
Due after five years through ten years.....	27,457	25,831
Due after ten years.....	6,323	6,083
	-----	-----
	45,018	42,788
Mortgage-backed securities.....	16,473	15,503
Other asset-backed securities.....	11,308	10,875
	-----	-----
	\$72,799	\$69,166
	=====	=====

## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

Net investment income was as follows (in thousands):

	1999	1998
	-----	-----
Interest.....	\$5,051	\$5,309
Dividends.....	327	391
	-----	-----
Total investment income.....	5,378	5,700
Less: investment expense.....	(341)	(319)
	-----	-----
Net investment income.....	\$5,037	\$5,381
	=====	=====

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

	1999	1998
	----	-----
Realized gains:		
Available for sale:		
Fixed maturities.....	\$ --	\$1,511
Equity securities.....	--	1,760
	-----	-----
Total realized gains.....	\$ --	\$3,271
	-----	-----
Realized losses:		
Available for sale:		
Fixed maturities.....	\$ 13	\$ 97
Equity securities.....	--	173
	-----	-----
Total realized losses.....	13	270
	-----	-----
Net realized (losses) gains on investments.....	\$(13)	\$3,001
	=====	=====

The change in net unrealized appreciation (depreciation) of investments is summarized as follows (in thousands):

	1999	1998
	-----	-----
Available for sale:		
Fixed maturities.....	\$(3,744)	\$ (683)
Equity securities.....	(280)	(1,495)
	-----	-----
	\$(4,024)	\$(2,178)
	=====	=====

The components of unrealized appreciation (depreciation) on securities available for sale at December 31, 1999 and 1998 were as follows (in thousands):

	1999	1998
	-----	-----
Gross unrealized appreciation (depreciation).....	\$(3,978)	\$ 46
Deferred income tax expense (benefit).....	1,352	(16)
	-----	-----
Net unrealized appreciation (depreciation).....	\$(2,626)	\$ 30
	=====	=====

## CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

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 and 1998 were as follows (in thousands):

	1999	1998
	-----	-----
Holding (losses) gains arising during the period.....	\$(4,037)	\$ 823
Reclassification adjustments for losses (gains) realized in net income.....	13	(3,001)
	-----	-----
Other comprehensive loss.....	(4,024)	(2,178)
Income tax benefit.....	(1,368)	(602)
	-----	-----
Other comprehensive loss, net of tax.....	\$(2,656)	\$(1,576)
	=====	=====

Fixed maturities held to maturity and certificates of deposit with a carrying value of approximately \$10,172,000 at December 31, 1999, were on deposit with regulatory authorities as required by law.

The following methods and assumptions were used by CBIZ in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents, short-term investments and premiums receivable: The carrying amounts reported in the consolidated balance sheets for these instruments are at cost, which approximates fair value.

Investment securities: Fair values for investments in fixed maturities are based on quoted market prices, where available. For fixed maturities not actively traded, fair values are estimated using values obtained from independent pricing services. The fair values for equity securities are based on quoted market prices.

Mortgage loans: The carrying amounts reported in the consolidated balance sheets are the aggregate unpaid balances of the loans, which approximates fair value.

## DEFERRED POLICY ACQUISITION COSTS

At December 31, 1999 and 1998 changes in deferred policy acquisition costs were as follows (in thousands):

	1999	1998
	-----	-----
Balance, beginning of year.....	\$ 5,746	\$ 4,478
Policy acquisition costs deferred.....	15,518	16,200
Amortized to expense during the year.....	(16,728)	(14,932)
	-----	-----
Balance, end of year.....	\$ 4,536	\$ 5,746
	=====	=====

## REINSURANCE

In the ordinary course of business, CBIZ assumed and ceded reinsurance with other insurers and reinsurers. These arrangements provide 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 were as follows (in thousands):

	1999	1998
	-----	-----
Premiums written:		
Direct.....	\$69,507	\$54,458
Assumed.....	12,278	28,475
Ceded.....	(41,240)	(34,836)
	-----	-----
Net.....	\$40,545	\$48,097
	=====	=====
Premiums earned:		
Direct.....	\$63,873	\$53,127
Assumed.....	19,289	23,226
Ceded.....	(39,446)	(31,457)
	-----	-----
Net.....	\$43,716	\$44,896
	=====	=====
Losses and loss expense incurred:		
Direct.....	\$44,120	\$24,066
Assumed.....	17,920	18,056
Ceded.....	(33,396)	(18,408)
	-----	-----
Net.....	\$28,644	\$23,714
	=====	=====

The reinsurance payables were \$16,766,500 at December 31, 1999.

Reinsurance recoverables were comprised of the following as of December 31, 1999 and 1998 (in thousands):

	1999	1998
	-----	-----
Recoverables on unpaid losses and loss expenses.....	\$34,964	\$16,438
Receivables on ceding commissions and other.....	3,817	5,365
Receivables on paid losses and expenses.....	5,524	2,115
	-----	-----
	\$44,305	\$23,918
	=====	=====

CBIZ evaluated the financial condition of its reinsurers and established a valuation allowance as reinsurance receivables were deemed uncollectible. 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. Century monitored concentrations of risks arising from similar geographic regions or activities to minimize its exposure to significant losses from catastrophic events.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

## LIABILITY FOR LOSSES AND LOSS EXPENSE PAYABLE

Activity in the liability for unpaid losses and loss expenses is summarized as follows (in thousands):

	1999	1998
	-----	-----
Balance at January 1.....	\$60,994	\$50,655
Less: reinsurance recoverables, net.....	(16,438)	(8,256)
	-----	-----
Net balance at January 1.....	44,556	42,399
	-----	-----
Incurred related to:		
Current year.....	26,629	26,742
Prior years.....	2,015	(3,028)
	-----	-----
Total incurred.....	28,644	23,714
	-----	-----
Paid related to:		
Current year.....	8,773	7,918
Prior years.....	14,871	13,639
	-----	-----
Total paid.....	23,644	21,557
	-----	-----
Net balance at December 31.....	49,556	44,556
Plus: reinsurance recoverables, net.....	34,964	16,438
	-----	-----
Balance at December 31.....	\$84,520	\$60,994
	=====	=====

CBIZ experienced higher than anticipated ultimate losses on prior year. CBIZ's environmental exposure from continuing operations related primarily to its coverage of remediation related risks, thus management believes CBIZ's exposure to historic pollution situations is minimal.

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 Century are domiciled. The RBC formula includes components for asset risk, liability risk, interest rate exposure and other factors. Century's insurance subsidiaries exceeded all required RBC levels as of December 31, 1999.

The CSC Group's statutory net income for the years ended December 31, 1999 and 1998, was approximately \$554,000 and \$4,889,000, respectively. The statutory capital and surplus as of December 31, 1999 was approximately \$29,512,000.

## CENTURY BUSINESS SERVICES, INC.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS AND RESERVES  
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998

(IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C			COLUMN D	COLUMN E
BALANCE AT BEGINNING OF PERIOD	(1) CHARGED TO COSTS AND EXPENSES	ADDITIONS (2) CHARGED TO OTHER ACCOUNTS	(3) ACQUISITIONS	DEDUCTIONS/ RECOVERIES	BALANCE AT END OF PERIOD	
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
	=====	=====	=====	=====	=====	=====
YEAR ENDED DECEMBER 31, 1998						
Allowance deducted from assets to which they apply:						
Allowance for doubtful accounts.....	\$ 1,472	\$ 2,306	\$ --	\$3,257	\$ (1,657)	\$ 5,378
	=====	=====	=====	=====	=====	=====

## CENTURY BUSINESS SERVICES, INC.

SCHEDULE III -- SUPPLEMENTARY INSURANCE INFORMATION  
 FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998  
 (IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
-----	-----	-----	-----	-----	-----
SEGMENT	DEFERRED POLICY ACQUISITION COST	FUTURE POLICY BENEFITS, LOSSES CLAIM AND LOSSES EXPENSE	UNEARNED PREMIUMS	OTHER POLICY CLAIMS AND BENEFITS PAYABLES	PREMIUM REVENUE
-----	-----	-----	-----	-----	-----
Year Ended:					
December 31, 1999.....	\$4,536	\$84,520	\$27,860	N/A	\$43,716
December 31, 1998.....	5,746	60,994	29,236	N/A	44,896
	COLUMN G	COLUMN H	COLUMN I	COLUMN J	COLUMN K
	-----	-----	-----	-----	-----
	NET INVESTMENT INCOME	LOSSES AND LOSS EXPENSE	AMORTIZATION OF DEFERRED POLICY ACQUISITION COSTS	OTHER OPERATING EXPENSES	DIRECT PREMIUMS WRITTEN
	-----	-----	-----	-----	-----
Year Ended:					
December 31, 1999.....	\$5,037	\$28,644	\$16,728	\$7,810	\$69,507
December 31, 1998.....	5,381	23,714	14,932	5,286	54,458



## CENTURY BUSINESS SERVICES, INC.

SCHEDULE IV -- REINSURANCE  
 FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998  
 (IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
	GROSS AMOUNT	CEDED TO OTHER COMPANIES	ASSUMED FROM OTHER COMPANIES	NET AMOUNT	PERCENTAGE OF AMOUNT ASSUMED TO NET
Year Ended December 31, 1999 Property -- Casualty Earned Premiums.....	\$63,873	\$39,446	\$19,289	\$43,716	44.12%
Year Ended December 31, 1998 Property -- Casualty Earned Premiums.....	53,127	31,457	23,226	44,896	51.73%

FOURTH AMENDMENT TO AMENDED  
AND RESTATED CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT, dated as of March 30, 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 "APPLICABLE MARGIN," "CHANGE OF CONTROL," "CONSOLIDATED INTEREST EXPENSE," "EBIT," "EBITDA," "ELIGIBLE RECEIVABLES," "LEVEL," "LEVEL I," "LEVEL II," "LEVEL III," "LEVEL IV," "LEVERAGE RATIO," "NET WORTH" AND "REVOLVING TERMINATION DATE" IN ARTICLE I OF THE CREDIT AGREEMENT ARE HEREBY AMENDED BY DELETING SAID DEFINITIONS IN THEIR ENTIRETY AND INSERTING THE FOLLOWING IN LIEU THEREOF:

"APPLICABLE MARGIN" shall mean on any date the applicable percentage set forth below based upon the Level as shown in the Compliance Certificate then most recently delivered to the Lenders:

Level	Revolving Loans		Letters of Credit		Commitment Fee
	Base Rate	Offshore Rate	Non-Financial	Financial	
I	2.125%	3.375%	2.1875%	3.375%	.50%
II	1.875%	3.000%	1.9375%	3.000%	.50%
III	1.625%	2.750%	1.6875%	2.750%	.50%
IV	1.250%	2.500%	1.3125%	2.500%	.45%
V	1.000%	2.250%	1.0625%	2.250%	.40%
VI	.750%	2.000%	.8125%	2.000%	.35%

; PROVIDED HOWEVER that, (i) for the period from the date of the Fourth Amendment to and including the date of the delivery of the Compliance Certificate for the period ending March 31, 2001, the Applicable Margin shall be deemed to be Level I and (ii) if the Company shall have failed to deliver to the Lenders by the date required hereunder any Compliance Certificate pursuant to SECTION 7.02(b), then from the date such Compliance Certificate was required to be delivered until the date of such delivery the Applicable Margin shall be deemed to be Level I. Each change in the Applicable Margin shall take effect with respect to all outstanding Loans on the third Business Day immediately succeeding the day on which such Compliance Certificate is received by the Agent. Notwithstanding the foregoing, no reduction in the Applicable Margin shall be effected if a Default or an Event of Default shall have occurred and be continuing on the date when such change would otherwise occur, it being understood that on the third Business Day immediately succeeding the day on which such Default or Event of Default is either waived or cured (assuming no other Default or Event of Default shall be then pending), the Applicable Margin shall be reduced (on a prospective basis) in accordance with the then most recently delivered Compliance Certificate.

"CHANGE OF CONTROL" means (a) any Person or any two or more Persons (in each case other than a Person that is a stockholder of the Company as of the date of this Agreement) acting in concert acquiring beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Exchange Act), directly or indirectly, of capital stock of the Company (or other securities convertible into such capital stock) representing 25% or more of the combined voting power of all capital stock of the Company entitled to vote in the election of directors, other than capital stock having such power only by reason of the happening of a contingency, or (b) during any period of twelve consecutive calendar months (other than pursuant to a disposition permitted pursuant to SECTION 8.02), the ceasing of more than 25% of the individuals who hold an office possessing the title Regional Directors or Local Directors Senior Vice President, Executive Vice President or such title that ranks senior thereto of the Company and the Company's direct Subsidiaries (collectively, "KEY MANAGEMENT"), on the first day of each such period to be part of the Key Management of the Company and its Subsidiaries taken as a whole.

"CONSOLIDATED INTEREST EXPENSE" means, for any period, gross consolidated interest expense for the period (including all commissions, discounts, fees and other charges in connection with standby letters of credit and similar instruments) for the Company and its Subsidiaries (other than Excluded Insurance Subsidiaries), PLUS the portion of the upfront costs and expenses for Swap Contracts (to the extent not included in gross interest expense) fairly allocated to such Swap Contracts as expenses for such period, as determined in accordance with GAAP and after giving effect to any Swap Contract then in effect.

"EBIT" means, for any period, for the Company and its Subsidiaries (other than Excluded Insurance Subsidiaries) on a consolidated basis, determined in accordance with GAAP, the sum of (a) Net Income (or net loss) for such period (excluding any income (or net loss) as a result of a Specified Asset Sale or a 2001 Specified Asset Sale) PLUS (b) all amounts treated as expenses for interest to the extent included in the determination of such Net Income (or loss), PLUS (c) all accrued taxes on or measured by income to the extent included in the determination of such Net Income (or loss); PROVIDED, HOWEVER, that Net Income (or loss) shall be computed for these purposes without giving effect to extraordinary losses or extraordinary gains; and PROVIDED FURTHER, that for purposes of determining compliance with SECTION 8.17, (x) for any period which includes the fourth fiscal quarter of the Company's 1999 fiscal year, there shall be excluded in determining EBIT any non-recurring restructuring expense recorded in such fiscal quarter to the extent excluded from the determination of Net Income, PROVIDED, that such restructuring expenses shall not be in excess of \$36,400,000, (y) for any period which includes a fiscal quarter of the Company's 2000 fiscal year, there shall be excluded in determining EBIT any charges recorded in such fiscal quarter relating to goodwill impairment, SAB 101 and other accounting adjustments, provided that the aggregate amount of such charges shall not exceed \$105,733,000, of which amount not more than (1) \$11,905,000 may be recorded in the first fiscal quarter of the Company's 2000 fiscal year and (2) \$93,828,000 may be recorded in the fourth fiscal quarter of the Company's 2000 fiscal year and (z) EBIT for any periods occurring after January 1, 2000 shall be determined as above, PLUS all amounts treated as expenses for the amortization of intangibles of any kind to the extent included in the determination of Net Income based on a fifteen (15) year amortization schedule.

"EBITDA" means, for any period, for the Company and its Subsidiaries (other than Excluded Insurance Subsidiaries) on a consolidated basis, determined in accordance with GAAP, the sum of (a) the Net Income (or net loss) for such period (excluding any income (or net loss) as a result of a Specified Asset Sale or a 2001 Specified Asset Sale) PLUS (b) all amounts treated as expenses for depreciation and interest and the amortization of intangibles of any kind to the extent included in the determination of such Net Income (or loss), PLUS (c) all accrued taxes on or measured by income to the extent included in the determination of such net income (or loss); provided, HOWEVER, that net income (or loss) shall be computed for these purposes without giving effect to extraordinary losses or extraordinary gains; and PROVIDED FURTHER, that for purposes of determining compliance with SECTION 8.16, (x) for any period which includes the fourth fiscal quarter of the Company's 1999 fiscal year, there shall be excluded in determining EBITDA any non-recurring restructuring expense recorded in such fiscal quarter to the extent excluded

from the determination of Net Income, PROVIDED, that such restructuring expenses shall not be in excess of \$36,400,000 and (y) for any period which includes a fiscal quarter of the Company's 2000 fiscal year, there shall be excluded in determining EBITDA any charges recorded in such fiscal quarter relating to goodwill impairment, SAB 101 and other accounting adjustments, provided that the aggregate amount of such charges shall not exceed \$105,733,000, of which amount not more than (1) \$11,905,000 may be recorded in the first fiscal quarter of the Company's 2000 fiscal year and (2) \$93,828,000 may be recorded in the fourth fiscal quarter of the Company's 2000 fiscal year.

"ELIGIBLE RECEIVABLES" means:

(i) at any time on or prior to March 31, 2001, (x) WIP 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 December 31, 2001, (x) WIP 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.

"LEVEL" means, and includes, Level I, Level II, Level III, Level IV, Level V and Level VI, whichever is in effect at the relevant time.

"LEVEL I" shall exist at any time the Leverage Ratio is equal to or greater than 3.25:1.0.

"LEVEL II" shall exist at any time the Leverage Ratio is greater than or equal to 3.00:1.0 but less than 3.25:1.0.

"LEVEL III" shall exist at any time the Leverage Ratio is greater than or equal to 2.50:1.0 but less than 3.00:1.0.

"LEVEL IV" shall exist at any time the Leverage Ratio is greater than or equal to 2.00:1.0 but less than 2.50:1.0.

"LEVEL V" shall exist at any time the Leverage Ratio is greater than or equal to 1.50:1.0 but less than 2.00:1.0.

"LEVEL VI" shall exist at any time the Leverage Ratio is less than 1.50:1.0.

"LEVERAGE RATIO" means, with respect to any period, the ratio of total consolidated Indebtedness (other than Indebtedness of an Excluded Insurance Subsidiary) as of the end of that period to EBITDA for that period.

"NET WORTH" means shareholders' equity as determined in accordance with GAAP, excluding the aggregate book loss from all Specified Asset Sales and all 2001 Specified Asset Sales.

"REVOLVING TERMINATION DATE" means the earlier to occur of:

(a) August 24, 2003; and

(b) the date on which the Revolving Loan Commitments terminate in accordance with the provisions of this Agreement.

(b) ARTICLE I OF THE CREDIT AGREEMENT IS AMENDED BY INSERTING

THE FOLLOWING DEFINITIONS IN ALPHABETICAL ORDER:

"BUDGETED EBITDA" has the meaning set forth in SECTION 7.02(d).

"EXCLUDED ASSET SALE" has the meaning set forth in SECTION 2.05(b).

"EXCLUDED INSURANCE SUBSIDIARY" means each of American Inspection and Audit Services, Inc., Century Surety Company, Continental Heritage Insurance Company, CSC Insurance Agency and Evergreen National Indemnity Company.

"FOURTH AMENDMENT" means the Fourth Amendment to the Amended and Restated Credit Agreement, dated as of March 23, 2001.

"2001 SPECIFIED ASSET SALE" means each Asset disposition described in Schedule A to the Fourth Amendment.

(c) ARTICLE II OF THE CREDIT AGREEMENT IS HEREBY AMENDED BY DELETING CLAUSE (b) OF SECTION 2.05 AND INSERTING THE FOLLOWING NEW CLAUSE (b):

"(b) On the date of receipt thereof by the Company or any of its Subsidiaries, the Company shall permanently reduce the Revolving Loan Commitment by an amount equal to (x) 100% of the Net Proceeds received by any such Person from the sale or other disposition of an Insurance Subsidiary (including any sale of any asset of an Insurance Subsidiary) and (y) 75% of the Net Proceeds from any Specified Asset Sale, any 2001 Specified Asset Sale or any other Disposition excluding the disposition of the capital stock or assets of Continuous Learning Group, Inc., CBIZ Benefits & Insurance Services of Ohio, Inc., ESP Holdings of Ohio, Inc., and St. James General Agency, Inc. (each an "Excluded Asset Sale")."

(d) ARTICLE VII OF THE CREDIT AGREEMENT IS HEREBY AMENDED BY:

(i) DELETING THE PERIOD AT THE END OF CLAUSE (d) OF SECTION 7.01 AND INSERTING "; AND" IN LIEU THEREOF AND ADDING THE FOLLOWING NEW CLAUSE (e):

"(e) as soon as available, but not later than 30 days after the end of each calendar month of each fiscal year (commencing with the calendar month ended

February 28, 2001), a copy of the unaudited consolidated statements of income for the period commencing on the first day and ending on the last day of such calendar month, and certified by a Responsible Officer as fairly presenting (subject to ordinary, good faith year-end audit adjustments) the results described therein of the Company and the Subsidiaries;"; and

(ii) DELETING CLAUSE (d) OF SECTION 7.02 IN ITS ENTIRETY AND INSERTING THE FOLLOWING IN LIEU THEREOF:

"(d) as soon as available, but in any event not later than the last day of each fiscal year, a copy of the plan and forecast (including a projected consolidated balance sheet, income statement and cash flow statement by business services and insurance segments) of the Company and its Subsidiaries (other than Excluded Insurance Subsidiaries) for the next fiscal year and (y) (1) on the date of the Fourth Amendment and (2) on each February 15 thereafter, not later than the last day of each fiscal year, a copy of projected quarterly EBITDA of the Company and its Subsidiaries (other than Excluded Insurance Subsidiaries), in each case for its then current fiscal year ("Budgeted EBITDA");".

(e) ARTICLE VIII OF THE CREDIT AGREEMENT IS HEREBY AMENDED BY:

(i) DELETING CLAUSE (e) OF SECTION 8.02 IN ITS ENTIRETY AND INSERTING THE FOLLOWING IN LIEU THEREOF:

"(e) each (x) Specified Asset Sale, PROVIDED however, that in the case of a Specified Asset Sale of an Excluded Insurance Subsidiary, such Sale is completed on or prior to October 31, 2000 and (y) 2001 Specified Asset Sale; and".

(ii) DELETING CLAUSE (1) OF SECTION 8.04 IN ITS ENTIRETY AND INSERTING THE FOLLOWING IN LIEU THEREOF:

"(1) On and after August 15, 2001:

(1) Investments constituting repurchases of capital stock of the Company, PROVIDED, that at the time of any such repurchase: (w) aggregate outstanding Loans shall not exceed \$100,000,000, (x) EBITDA for the two fiscal quarters preceding such repurchase is at least 85% of Budgeted EBITDA, (y) any such repurchase is effected with proceeds retained by the Company in connection with a Disposition (other than an Excluded Asset Sale), a Specified Asset Sale or a 2001 Specified Asset Sale and (z) the aggregate amount of all such repurchases shall not exceed \$5,000,000; and

(2) other Investments, PROVIDED, that at the time of such Investment, (x) EBITDA for the two fiscal quarters preceding such Investment is at least 85% of Budgeted EBITDA, (y) any such Investment

is effected with proceeds retained by the Company in connection with a Disposition (other than an Excluded Asset Sale), Specified Asset Sale or 2001 Specified Asset Sale and (z) the aggregate cash consideration for all such Investments does not exceed \$3,000,000 during any fiscal year of the Company, PROVIDED, HOWEVER, that the Company shall be permitted to make up to an aggregate of \$1,000,000 of Investments pursuant to this clause (2) with proceeds described in subclause (y) during the period of May 15, 2001 through but excluding August 15, 2001 in the event that EBITDA for the fiscal quarter preceding such Investment is at least equal to Budgeted EBITDA;"

(iii) DELETING SECTION 8.15 IN ITS ENTIRETY AND INSERTING THE FOLLOWING IN LIEU THEREOF:

"8.15 MINIMUM NET WORTH. The Company shall not permit its Consolidated Net Worth at any time for the period from and including the last day of the fiscal quarter ended on December 31, 2000 and thereafter, to be less than an amount equal to the sum of (w) \$348,249,000 PLUS (x) 70% of the Company's positive Net Income, if any, for each such fiscal quarter PLUS (y) an amount equal to 100% of the net cash and non-cash proceeds of any equity securities issued by the Company after the date of the Fourth Amendment.";

(iv) DELETING SECTION 8.16 IN ITS ENTIRETY AND INSERTING THE FOLLOWING IN LIEU THEREOF:

"8.16 LEVERAGE RATIO. The Company shall not permit, at any time, its Leverage Ratio at such time for the twelve month period (taken as one accounting period) last ended prior to the date of determination, to be greater than the ratio set forth below opposite the respective period in which the determination is being made:

Period -----	Ratio -----
From and including the last day of the fiscal quarter ended December 31, 2000 to but excluding the last day of the fiscal quarter ended on March 31, 2001	3.40:1.0
From and including the last day of the fiscal quarter ended March 31, 2001 to but excluding the last day of the fiscal quarter ended on June 30, 2001	3.40:1.0
From and including the last day of the fiscal quarter ended June 30, 2001 to but excluding the last day of the fiscal quarter ended on September 30, 2001	2.90:1.0



From and including the last day of the fiscal quarter ended September 30, 2001 to but excluding the last day of the fiscal quarter ended on December 31, 2001	2.50:1.0
Thereafter	2.50:1.0";

(v) DELETING SECTION 8.17 IN ITS ENTIRETY AND  
INSERTING THE FOLLOWING IN LIEU THEREOF:

"8.17 INTEREST COVERAGE RATIO. The Company shall not permit, at any time during a period listed below, its Interest Coverage Ratio at such time for the twelve month period (taken as one accounting period) last ended prior to the date of determination, to be less than the ratio set forth below opposite the respective period in which the determination is being made:

Period -----	Ratio -----
From and including the last day of the fiscal quarter ended December 31, 2000 to but excluding the last day of the fiscal quarter ended on March 31, 2001	1.55:1.0
From and including the last day of the fiscal quarter ended March 31, 2001 to but excluding the last day of the fiscal quarter ended on June 30, 2001	1.55:1.0
From and including the last day of the fiscal quarter ended June 30, 2001 to but excluding the last day of the fiscal quarter ended on September 30, 2001	1.70:1.0
From and including the last day of the fiscal quarter ended September 30, 2001 to but excluding the last day of the fiscal quarter ended on December 31, 2001	2.30:1.0
Thereafter	4.50:1.0"; and

(vi) INSERTING THE FOLLOWING AS NEW SECTION 8.19:

(f) "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 March 31, 2001	\$26,839,000
January 1, 2001 through and including June 30, 2001	\$44,335,000
January 1, 2001 through and including September 30, 2001	\$58,188,000
January 1, 2001 through and including December 31, 2001	\$80,328,000
Thereafter, the period of four fiscal quarters ending on the last day of each succeeding fiscal quarter	\$80,328,000;

PROVIDED, HOWEVER, that on the date of the completion of a Specified Asset Sale or a 2001 Specified Asset Sale, each amount listed above shall be permanently reduced by an amount equal to the positive EBITDA, if any, attributable to the assets subject to such Specified Asset Sale or 2001 Specified Asset Sale."

(f) EXHIBIT C OF THE CREDIT AGREEMENT IS HEREBY AMENDED IN ITS ENTIRETY TO READ AS SET FORTH ON EXHIBIT A HERETO.

(g) THE UNDERSIGNED LENDERS HEREBY WAIVE ANY DEFAULT OR EVENT OF DEFAULT ARISING OUT OF THE COMPANY'S NON-COMPLIANCE WITH SECTIONS 8.15, 8.16 AND 8.17 OF THE CREDIT AGREEMENT FOR THE PERIODS ENDING MARCH 31, 2000, JUNE 30, 2000, SEPTEMBER 30, 2000 AND DECEMBER 31, 2000.

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 \$140,000,000; 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 .20% 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:



## EXHIBIT A TO FOURTH AMENDMENT

## EXHIBIT C

## TO CREDIT AGREEMENT

## FORM OF COMPLIANCE CERTIFICATE

Bank of America, N.A.,  
 as Agent for the Lenders party to the Credit  
 Agreement referred to below  
 231 South LaSalle Street  
 Chicago, Illinois 60697

Attn:

Ladies and Gentlemen:

This certificate is furnished to you by Century Business Services, Inc. (the "Company"), pursuant to Section 7.02(b) of that certain Amended and Restated Credit Agreement, dated as of October 3, 1997, as amended and restated as of August 10, 1998 and as amended and restated as of August 24, 1999, among the Company, the financial institutions party thereto (the "Lenders"), and Bank of America, N.A., as agent for such Lenders (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), concurrently with the delivery of the financial statements required pursuant to SECTION 7.01 [(a)][(b)] of the Credit Agreement. Terms not otherwise defined herein are used herein as defined in the Credit Agreement.

The undersigned, on behalf of the Company, hereby certifies that:

(A) no Default or Event of Default has occurred and is continuing, except as described in ATTACHMENT 1 hereto;

(B) the financial data and computations set forth in Schedule 1 below, evidencing compliance with the covenants set forth in [SECTIONS 8.01(i), (j) and (m), 8.02, 8.05(d), 8.15, 8.16, 8.17, 8.18(1) and 8.19] of the Credit Agreement, are true and correct as of \_\_\_\_\_, \_\_\_\_ (2) (the "Computation Date");

(C) if the financial statements of the Company being concurrently delivered were not prepared in accordance with GAAP, ATTACHMENT 2 hereto sets forth any derivations required to conform the relevant data in such financial statements to the computations set forth below; and

- - - - -
- (1) Insert Section numbers as appropriate. Section 8.18 is computed on a monthly basis.
  - (2) The last day of the accounting period for which financial statements are being concurrently delivered.

(D) during the preceding 12 month period there has been a \_\_\_% turnover in Key Management.

The foregoing certifications, together with the computations set forth in SCHEDULE 1 hereto and the financial statements delivered with this Compliance Certificate in support hereof, are made and delivered as of this \_\_\_\_ day of

- -----, ----.

CENTURY BUSINESS SERVICES, INC.

By: -----

Name: -----

Its: (3) -----

- -----  
(3) To be executed by a Responsible Officer of the Company.

## SCHEDULE 1

-----  
Computations  
-----I. Section 8.01 Liens  
-----

A.	Cluses (a), (i) and (j)	
1.	Aggregate amount of Indebtedness permitted to be secured:	\$ _____ (4)
2.	Actual amount of Indebtedness secured as of the date of determination:	
	- Attributable to 8.01(a):	\$ _____
	- Attributable to 8.01(i):	\$ _____
	- Attributable to 8.01(j):	\$ _____
		\$ _____
B.	Clause (m)	
	-----	
1.	Aggregate amount of obligations permitted to be secured:	\$1,000,000
2.	Actual amount of obligations secured as of the date of determination:	\$ _____

II. Section 8.02 Disposition of Assets  
-----

A.	Aggregate amount permitted during the immediately preceding twelve month period:	\$ _____ (5)
B.	Actual amount during the immediately preceding twelve month period:	\$ _____
C.	Aggregate amount permitted from August 24, 1999:	\$ _____ (6)
D.	Actual amount from August 24, 1999:	\$ _____

III. Section 8.05 Indebtedness  
-----

A.	Clause (d)	
	-----	
1.	Aggregate principal amount of Indebtedness permitted:	\$ _____

- 
- (4) Insert amount equal to 3% of total tangible assets as of the end of the most recent fiscal quarter.
- (5) Insert amount equal to 5% of net tangible assets as of the end of the most recent fiscal quarter.
- (6) Insert amount equal to 15% of net tangible assets as of the Closing Date.

2.	Actual amount of Indebtedness as of the date of determination:	
	- Attributable to 8.01(a):	\$ _____
	- Attributable to 8.01(i):	\$ _____
	- Attributable to 8.01(j):	\$ _____
	- Attributable to Section 8.05(d):	\$ _____

IV. Section 8.15 Minimum Net Worth

-----

1.	Required Net Worth:	
(a)	Base Amount:	\$348,249,000
(b)	70% of the Company's Positive Net Income for each fiscal quarter ending after December 31, 2000:	\$ _____
(c)	100% of the net cash and non-cash proceeds of any equity securities issued by the Company after December 31, 2000:	\$ _____
(d)	The sum of (a) PLUS (b) PLUS (c):	\$ _____
(e)	Actual Net Worth:	\$ _____

V. Section 8.16 Leverage Ratio

-----

Period:	Twelve months ended _____, ____.	
1.	Required:	_____ :1.0
2.	Actual:	_____ :_____
(a)	Consolidated Indebtedness as of the end of the period referred to above:	\$ _____
	- Attributable to the fiscal quarter ended:	
	- _____:	\$ _____
	- _____:	\$ _____
	- _____:	\$ _____
	- _____:	\$ _____
(b)	EBITDA for the period referred to above:	\$ _____
	- Attributable to the fiscal quarter ended:	\$ _____
	- _____:	\$ _____
	- _____:	\$ _____
	- _____:	\$ _____
	- _____:	\$ _____
(c)	Ratio of (a) TO (b):	_____ :1.0

VI. Section 8.17 Interest Coverage Ratio

-----

Period:	Twelve months ended _____, ____.	
1.	Required:	_____ :1.0

2.	Actual:		
	(a)	EBITA for the period referred to above:	\$ _____
		- Attributable to Insurance Subsidiaries	\$ _____
	(b)	Consolidated Interest Expense for the period referred to above:	\$ _____

VII. Section 8.18 Eligible Receivables Ratio

-----

Period: Month ended \_\_\_\_\_, \_\_\_\_\_. \_\_\_\_\_

1.	Required:		_____ :1.0
2.	Actual:		
	(a)	Trade Receivables (less than or equal to 90 or 120 days, as provided in the definition "ELIGIBLE RECEIVABLES"):	\$ _____
	(b)	Work-in-progress (less than or equal to 90 or 120 days, as provided in the definition "ELIGIBLE RECEIVABLES"):	\$ _____
	(c)	The sum of (a) plus (b):	\$ _____
	(d)	Outstanding Principal of Loans:	\$ _____
	(e)	Ratio of (c) to (d):	_____ :1.0

VIII. Section 8.19 Minimum EBITDA

-----

Period: Fiscal Quarter ended \_\_\_\_\_, \_\_\_\_\_. \_\_\_\_\_

1.	Required Per Credit Agreement:		\$ _____
2.	Adjustment attributable to Specified Asset Sales and 2001 Specified Asset Sales:		\$ _____
3.	Adjusted Required:		\$ _____
4.	Actual:		\$ _____

ATTACHMENT 1

-----

DESCRIPTION OF ANY DEFAULTS OR EVENTS OF DEFAULT

-----

ATTACHMENT 2

-----

DERIVATIONS REQUIRED TO CONFORM RELEVANT DATA IF FINANCIAL  
STATEMENTS WERE NOT PREPARED IN ACCORDANCE WITH GAAP

-----

SCHEDULE A  
-----

2001 SPECIFIED ASSET SALES  
-----

(See Attached)



## CENTURY BUSINESS SERVICES, INC.

## SECRETARY'S CERTIFICATE

I, Michael W. Gleespen, hereby certify that I am the duly elected and incumbent Corporate Secretary of Century Business Services, Inc., a Delaware corporation (the "Company"), and that, as such, I am authorized to execute and deliver this certificate on behalf of the Company, and do hereby certify as follows:

The Board of Directors of Century Business Services, Inc. on March 7, 2001 duly adopted a certain resolution to further amend the Amended and Restated 1996 Employee Stock Option Plan (the "Plan"), to add 3,000,000 options to the Plan and reserve 3,000,000 shares of stock for issuance upon exercise of such options to bring the total number of option available under the Plan to 13,000,000; and

Section 4. of the Plan, GRANTING OF OPTIONS, has therefore been amended to read as follows:

"Options under which a total of not in excess of 13,000,000 shares of the \$.01 par value common stock of the Company ("Common Stock") may be purchased from the Company, subject to adjustment as provided in Section 10. In the event that an option expires or is terminated, canceled or unexercised as to any shares, such released shares may again be optioned (including a grant in substitution for a canceled option). Shares subject to options may be made available from unissued or reacquired shares of Common Stock. Nothing contained in the Plan or in any option granted pursuant thereto shall confer upon any Optionee any right to be continued in the employment of the Company or as a director or consultant to the Company, or interfere in any way with the right of the Company to terminate his employment or consulting relationship at any time."

Such resolutions are in full force and effect and have not been amended or modified as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Company's seal this 7th day of March, 2001.

CENTURY BUSINESS SERVICES, INC.

By: /s/ Michael W. Gleespen  
-----  
Michael W. Gleespen  
Corporate Secretary

February 1, 2000

Mr. Michael G. DeGroote  
Chief Executive Officer  
Century Business Services, Inc.  
6480 Rockside Woods Blvd., South  
Suite 330  
Cleveland, OH 44131

RE: EMPLOYMENT TERMS

Dear Mike:

This letter confirms our understanding relating to the compensation I will receive as President of Century Business Services, Inc. As we discussed, my initial annual base salary will be \$300,000, I will be entitled to a bonus payment of \$50,000 upon the earlier of February 1, 2001, the termination of my employment or the date on which a new President is appointed, and I will be granted not less than 75,000 options under Century's employee stock option plan at an exercise price equal to the closing price of the stock on the date of this letter. In addition, I will be entitled to all benefits generally available to senior level executives of Century and those additional benefits that have been made available to me in my capacity as a Senior Vice President of Century, including a company-paid membership at a club of my choice.

If the foregoing accurately reflects our understanding, please sign below and return a copy of this letter to me.

Sincerely,

/s/ Jerome P. Grisko, Jr.

Jerome P. Grisko, Jr.

Acknowledged and Agreed:

/s/ Michael G. DeGroote

Michael G. DeGroote  
Chairman and Chief Executive Officer

## SEVERANCE PROTECTION AGREEMENT

-----

THIS SEVERANCE PROTECTION AGREEMENT is entered into as of the 1st day of February, 2000, between Century Business Services, Inc., a Delaware corporation ("Century"), and Jerome P. Grisko, Jr. ("Executive").

## RECITALS:

-----

A. Executive currently serves Century in the capacity of President;

B. Century and Executive desire to enter into this Severance Agreement to (i) insure Century the continued services of Executive as its President, (ii) provide for compensation and other benefits to be paid and provided by Century to Executive in connection with the termination of Executive's employment with Century, and (iii) set forth the rights and duties of the parties in connection with the termination of Executive's employment with Century.

NOW, THEREFORE, based on the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Century and Executive agree as follows:

1. SEVERANCE PAYABLE UPON TERMINATION. (a) If at any time after the date of this Agreement Executive's employment with Century is Terminated Without Cause (as defined below) or if Executive voluntarily terminates his employment for Good Reason (as defined below) or if the Chairman of the Board requests Executive to voluntarily resign his employment with the Company, then the following shall occur:

(i) within five (5) business days following the effective date of such termination, Century shall pay to Executive an amount determined by multiplying two (2) times the sum of (A) Executive's annual base salary in effect at the effective date of such termination plus (B) the maximum amount payable, whether or not earned as of the effective date of such termination, to Executive as incentive or bonus compensation for the year in which such termination occurs;

(ii) commencing on the effective date of such termination, Century shall make available to Executive and his dependants its medical and dental plans, at no cost to Executive, for a period of twenty-four (24) months following the effective date of such termination; provided, however, that Century's obligations under this clause (ii) shall cease on the date Executive accepts future employment if Executive and his dependants are eligible for medical and dental benefits, at no cost to Executive, from such future employer and shall be reduced with respect to any particular benefit to the extent that Executive receives substantially the same benefit, at no cost to Executive, from such future employer;

(iii) immediately upon the effectiveness of such termination, all stock options held by Executive immediately prior to the effectiveness of such termination under Century's Amended and Restated 1996 Employee Stock Option Plan (or any successor plan) or any other employee stock option plans of Century shall become one hundred percent (100%) vested and shall be immediately exercisable by Executive;

(iv) the Committee (as such term is defined in the Amended and Restated 1996 Employee Stock Option Plan) shall by resolution provide that any option held by Executive following the effective date of termination of Executive's employment may be exercised by Executive, in whole or in part, at any time subsequent to such termination of employment and prior to expiration of the

option pursuant to its original terms (as set forth in the Option Agreement setting forth the terms of such option grant) without regard to any vesting or other limitations on exercise;

(v) immediately upon the effectiveness of such termination, Century shall transfer title (free and clear of any liens or obligations to make future payments) to Executive to the company vehicle used by Executive as of the effective date of such termination; and

(vi) if Century has not previously paid membership in a club of Executive's choice, Century shall make such payment at the direction of Executive.

(b) For purposes of this Section 1, the following terms shall have the following meanings:

(i) "Terminated Without Cause" shall mean termination of Executive's employment for any reason other than Cause (as defined below).

(ii) "Cause" shall mean fraud, embezzlement, conviction of a felony or of a crime involving moral turpitude, or continued use of illegal drugs.

(iii) "Good Reason" shall mean (A) a decrease in Executive's base salary below \$300,000 or if Executive's base salary is increased to an amount in excess of \$300,000 at any time after the date of this Agreement, then a decrease in Executive's base salary below such greater amount, (B) a decrease in the employee benefits available to Executive, which decrease is materially different from the decreases that are generally applicable to senior management personnel of Century taken as a whole, (C) a change in Executive's duties or responsibilities as President without Executive's consent, (D) the removal of Executive as President or the appointment by Century of a new President or a Chief Operating Officer, (E) the permanent non-voluntary relocation of Executive's current principal place of performance of services for Century to a location more than 50 miles from Executive's current principal place of performance of services for Century; or (F) there occurs a Change in Control (as defined below) of Century.

(iv) "Change in Control" shall mean the first to occur of the following events (A) any person or group of persons (including, without limitation, Century and any shareholder of Century) purchases twenty percent (20%) or more of the voting control or value of the capital stock of Century, in one transaction or in a series of transactions (a "Transaction"), excluding, however, any repurchase of capital stock by Century after the date of a Transaction; (B) the shareholders of Century approve an agreement to merge or consolidate with another corporation or other entity resulting (whether separately or in connection with a series of transactions) in a change in ownership of twenty percent (20%) or more of the voting control or value of the capital stock of Century, or an agreement to sell or otherwise dispose of all or substantially all of Century's assets (including, without limitation, a plan of liquidation or dissolution), or otherwise approve of a fundamental alteration in the nature of Century's business, provided that the 20% change of control does not result from a repurchase of capital stock by Century after such merger, consolidation or sale of assets; or (C) Michael G. DeGroot resigns or is removed as Chief Executive Officer or Chairman of the Board of Century and a new Chief Executive Officer of Century is appointed.

(c) In the event of a termination claimed by Century to be for Cause, Executive shall have the right to have the justification for said termination determined by arbitration in Cleveland, Ohio. In such event, Executive shall serve on Century within thirty (30) days after termination a written request for arbitration. Century immediately shall request the appointment of an arbitrator by the American Arbitration Association and thereafter the question of Cause shall be determined under the rules of the American Arbitration Association, and the decision of the arbitrator shall be final and binding on both parties. The parties shall use all reasonable efforts to facilitate and expedite the arbitration, and shall act

to cause the arbitration to be completed as promptly as possible. During the pendency of the arbitration, Executive shall continue to receive all compensation and benefits as if he had not been terminated. Expenses of the arbitration shall be borne equally by the parties.

2. NONDISCLOSURE. Executive acknowledges that during the course of his performance of services for Century he has acquired and will continue to acquire technical knowledge with respect to Century's business operations, including, by way of illustration, Century's investment plans or strategies, trade secrets, customer lists, customer or consultant contracts and the details thereof, pricing policies, operational methods, marketing and merchandising plans or strategies, business acquisition plans, personnel acquisition plans, and all other information pertaining to the business of Century or any Affiliate (as defined below) of Century that is not publicly available (all of such information herein referred to as the "CONFIDENTIAL INFORMATION"); provided, however that the term "CONFIDENTIAL INFORMATION" shall not include (a) any information which is or becomes publicly available otherwise than through breach of this Agreement by Executive, or (b) any information which is or becomes known or available to Executive on a non-confidential basis and not in contravention of applicable law from a source which is entitled to disclose such information to Executive. Executive agrees that he will not, while he is employed by Century, divulge to any person, directly or indirectly, except to Century or its officers and agents or as reasonably required in connection with his duties on behalf of Century, or use, except on behalf of Company, any Confidential Information acquired by Executive during the term of his employment. Executive agrees that he will not, at any time after his employment with Century has ended, divulge to any person directly or indirectly any Confidential Information nor use Confidential Information in any way detrimental to Century. Executive further agrees that if his relationship with Century is terminated (for whatever reason) he shall not take with him but will leave with Century all records, papers and computer software and data and any copies thereof relating to the Confidential Information (or if such papers, records, computer software and data or copies are not on the premises of Century, Executive agrees to return such papers, records and computer software and data immediately upon his termination). Executive acknowledges that all such papers, records, computer software and data or copies thereof are and remain the property of Century. For purposes of this Agreement, "Affiliate" shall mean any entity, directly or indirectly, controlled by, controlling or under common control with Century or any corporation or other entity acquiring, directly or indirectly, all or substantially all the assets and business of Century, whether by operation of law or otherwise.

3. NONCOMPETE. Executive agrees that:

(a) During the term he performs services for Century and for a period of two (2) years after the termination thereof, he will not knowingly or purposefully interfere with the relationship of Century and any employee, agent or representative of Century.

(b) During the term he performs services for Century and for a period of two (2) years after the termination thereof, he will not knowingly or purposefully, directly or indirectly interfere with the relationships of Century with customers, dealers, distributors, vendors or sources of supply.

(c) After discussing the matter with Executive, Century shall have the right, subject to applicable law, to inform any other third party that Century reasonably believes to be, or to be contemplating, participating with Executive or receiving from Executive assistance in violation of this Agreement, of the terms of this Agreement and of the rights of Century hereunder, and that participation by any such third party with the Executive in activities in violation of this Paragraph 3 may give rise to claims by Century against such third party.

4. NONDISPARAGEMENT.

(a) Executive shall refrain, both during the term he performs services for Century and after his employment with Century has ended, from publishing any oral or written statements, to any

person or entity (other than, during the term he performs services for Century, to Century, any Affiliates, or any of Century's or Affiliates' directors, officers, employees, agents, or representatives) that damage or disparage the reputation of Century or any Affiliates, or any of Century's or Affiliates' directors, officers, employees, agents or representatives. A violation or threatened violation of this prohibition may be enjoined by the courts. The rights afforded Century and the Affiliates under this Paragraph 4 are in addition to any and all rights and remedies otherwise afforded by law.

(b) Century shall refrain, and shall use its reasonable best efforts to cause the Affiliates to refrain, both during the term Executive performs services for Century and after his employment with Century has ended, from publishing any oral or written statements, to any person or entity (other than during the term Executive performs services for Century, to Century, any Affiliates or any of Century's or Affiliates' directors, officers, employees, agents or representatives) that damage or disparage the reputation of Executive. A violation or threatened violation of this prohibition may be enjoined by the courts. The rights afforded Executive under this Paragraph 4 are in addition to any and all rights and remedies otherwise afforded by law.

5. NOTICE. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing, shall be signed by Executive if to Century or by a duly authorized officer of Century if to Executive, and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, or by reputable courier service addressed to the respective addresses last given by each party to the other, provided that all notices to Century shall be directed to the attention of the Chairman of the Board. All notices and communications shall be deemed to have been received on the date of delivery thereof or on the third business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt.

6. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and Century. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by any party which are not expressly set forth in this Agreement.

7. SUCCESSORS; BINDING AGREEMENT. Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by either party hereto. The rights and obligations of Century under this Agreement shall inure to the benefit of, and shall be binding on, Century and its permitted successors and assigns, and the rights of Executive under this Agreement shall inure to the benefit of, and shall be binding upon, Executive and his heirs, personal representatives and successors and permitted assigns.

8. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Ohio without giving effect to the conflict of laws principles thereof. Except as otherwise provided in Paragraph 1(c) hereof, any action brought by any party to this Agreement shall be brought and maintained in a court of competent jurisdiction in Cuyahoga County in the State of Ohio.

9. SEVERABILITY. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

10. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties hereto, and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto, with respect to the subject matter hereof, except for any stock option agreement executed by Executive, which shall be deemed amended hereby.

IN WITNESS WHEREOF, Century has caused this Agreement to be executed by its duly authorized officers and Executive has executed this Agreement as of the day and year first above written.

CENTURY BUSINESS SERVICES, INC.

By: /s/ Michael G. DeGroot  
-----  
Michael G. DeGroot  
Chairman and Chief Executive Officer

EXECUTIVE:  
  
/s/ Jerome P. Grisko, Jr.  
-----  
Jerome P. Grisko, Jr.

SEVERANCE PROTECTION AGREEMENT  
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THIS SEVERANCE PROTECTION AGREEMENT (this "AGREEMENT") is made as of the 3rd day of February, 2000, by and between Century Business Services, Inc. (the "COMPANY") and Charles D. Hamm, Jr. (the "EXECUTIVE").

WHEREAS, in order to induce the Executive to remain in the employ of the Company, the Company desires to enter into this Agreement with the Executive to provide the Executive with certain benefits in the event the Executive's employment is terminated.

NOW, THEREFORE, in consideration of the respective agreements of the parties contained herein, it is agreed as follows:

1. TERM OF AGREEMENT. For purposes of PARAGRAPHS 2 AND 3, this Agreement shall commence as of February 3, 2000, and shall continue in effect until the first anniversary of such date (the "TERM").

2. SEVERANCE.

(a) Subject to PARAGRAPH 3 below:

(i) upon execution of this Agreement, the Company shall have paid the Executive \$256,000 (the "ADVANCE PAYMENT"). The Executive hereby acknowledges receipt of the Advance Payment from the Company.

(ii) if the Executive's employment with the Company is terminated during the Term and after the 10-K Filing Date (as defined below), the Company shall pay Executive (A) \$256,000, which amount will be paid in a lump sum payment to be made on the date that is the second regular pay day to occur after the date of such termination (the "TERMINATION DATE"), and (B) an additional \$256,000, which amount will be paid in equal bi-monthly installments over a twenty-four month period commencing on the third regular pay day to occur after the Termination Date and continuing on each successive regular pay day to occur thereafter until paid in full (the amounts to be paid to Executive under this subparagraph (ii) are hereinafter referred to as the "SEVERANCE PAYMENTS").

(iii) if the Executive's employment with the Company is terminated during the Term and after the 10-K Filing Date, the Company shall make available to the Executive its medical plan, at no cost to the Executive, for a period that is the shorter of: (A) two (2) years after the Termination Date, and (B) the period beginning on the Termination Date and ending on the date the Executive accepts future employment.

(iv) if the Executive's employment with the Company is terminated during the Term and after the 10-K Filing Date, all stock options held by Executive immediately prior to the Termination Date shall become one hundred percent (100%) vested and shall be exercisable in accordance with the terms of the Company's Amended and Restated 1996 Employee Stock Option Plan, as the same may be amended from time to time.



(b) The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise and, except as provided in PARAGRAPH 2(a)(iii), no such payment shall be offset or reduced by the amount of any compensation or benefits provided to the Executive in any subsequent employment.

(c) The severance pay and benefits provided for in this PARAGRAPH 2 shall be in lieu of any other severance pay to which the Executive may be entitled under any plan, agreement or arrangement of the Company or any Affiliate.

(d) All taxes incurred by the Executive associated with the benefits provided to the Executive hereunder are the responsibility of the Executive.

### 3. TERMINATION OR BREACH.

(a) In the event that the Company terminates the Executive's employment for Cause (as defined in PARAGRAPH 3(c) below) at any time during the Term or that the Executive terminates his employment with the Company for any reason on or before the date on which the Form 10-K of the Company for the year ended December 31, 1999 is filed (the "10-K FILING DATE"), each of the following shall occur:

(i) the Executive shall promptly pay to the Company an amount equal to the Advance Payment plus accrued interest thereon from the date of this Agreement through the date of such repayment at a rate equal to the prime rate as reported by The Wall Street Journal (National Edition) on the date of such termination;

(ii) the Executive shall forfeit all rights to, and shall no longer be entitled to, the Severance Payments; and

(iii) the Executive shall forfeit all rights to, and shall no longer be entitled to, the benefits described in PARAGRAPHS 2(a)(iii) and 2(a)(iv).

(b) In the event that the Executive breaches any of the representations, warranties and covenants set forth in PARAGRAPHS 4, 5, 6 AND 7 below, the Company will have no further obligation to make any Severance Payments pursuant to PARAGRAPH 2(a)(ii) or provide medical coverage pursuant to PARAGRAPH 2(a)(iii), and may pursue all other available remedies, including equitable remedies.

(c) For purposes of this Agreement, any of the following reasons shall be "CAUSE" for the Company to terminate the Executive's employment:

(i) the willful breach of any provision of PARAGRAPHS 4, 5, 6, OR 7 hereof or a refusal to follow reasonable and lawful directives of the Board of Directors of the Company (the "BOARD"); provided, however, that to the extent that such breach is curable, the Board will give the Executive written notice of such breach and the Executive will have 15 days from the receipt of such notice to cure such breach;

(ii) any act of fraud or dishonesty with respect to any aspect of the Company's or any Affiliate's business;

(iii) continued use of illegal drugs;

(iv) as a result of the Executive's gross negligence or willful misconduct, the Executive shall commit any act that causes, or shall knowingly fail to take reasonable and appropriate action to prevent, any material injury to the financial condition or business reputation of the Company or any Affiliate; or

(v) conviction of a felony or of a crime involving moral turpitude.

4. NONDISCLOSURE. The Executive acknowledges that during the course of his performance of services for the Company he has acquired and will continue to acquire technical knowledge with respect to the Company's business operations, including, by way of illustration, the Company's investment plans or strategies, trade secrets, customer lists, customer or consultant contracts and the details thereof, pricing policies, operational methods, marketing and merchandising plans or strategies, business acquisition plans, personnel acquisition plans, and all other information pertaining to the business of the Company or any Affiliate that is not publicly available (all of such information herein referred to as the "CONFIDENTIAL INFORMATION"); provided, however that the term "CONFIDENTIAL INFORMATION" shall not include (a) any information which is or becomes publicly available otherwise than through breach of this Agreement or (b) any information which is or becomes known or available to the Executive on a non-confidential basis and not in contravention of applicable law from a source which is entitled to disclose such information to the Executive. The Executive agrees that he will not, while he is employed by the Company, divulge to any person, directly or indirectly, except to the Company or its officers and agents or as reasonably required in connection with his duties on behalf of the Company, or use, except on behalf of the Company, any Confidential Information acquired by the Executive during the term of his employment. The Executive agrees that he will not, at any time after his employment with the Company has ended, divulge to any person directly or indirectly any Confidential Information nor use Confidential Information in any way detrimental to the Company. The Executive further agrees that if his relationship with the Company is terminated (for whatever reason) he shall not take with him but will leave with the Company all records, papers and computer software and data and any copies thereof relating to the Confidential Information (or if such papers, records, computer software and data or copies are not on the premises of the Company, the Executive agrees to return such papers, records and computer software and data immediately upon his termination). The Executive acknowledges that all such papers, records, computer software and data or copies thereof are and remain the property of the Company.

5. INVENTIONS AND PATENTS. The Executive agrees that all inventions, innovations or improvements relating to the Company's business or method of conducting business (including new contributions, improvements, ideas and discoveries, whether patentable or not) conceived or made by him during his employment with the Company belong to the Company. The Executive will promptly disclose such inventions, innovations or improvements to the Board and perform all actions reasonably requested by the Board to establish and confirm such ownership.

6. NONCOMPETITON. The Executive agrees that:

(a) During the term he performs services for the Company and for a period of three (3) years after the termination thereof, he will not interfere with the relationship of the Company and any employee, agent or representative.

(b) During the term he performs services for the Company and for a period of three (3) years after the termination thereof, he will not directly or indirectly interfere with the relationships of the Company with customers, dealers, distributors, vendors or sources of supply.

(c) After discussing the matter with the Executive, the Company shall have the right, subject to applicable law, to inform any other third party that the Company reasonably believes to be, or to be contemplating, participating with the Executive or receiving from the Executive assistance in violation of this Agreement, of the terms of this Agreement and of the rights of the Company hereunder, and that participation by any such third party with the Executive in activities in violation of this PARAGRAPH 6 may give rise to claims by the Company against such third party.

7. NONDISPARAGEMENT.

(a) The Executive shall refrain, both during the term he performs services for the Company and after his employment with the Company has ended, from publishing any oral or written statements, to any person or entity (other than, during the term he performs services for the Company, to the Company, any Affiliates, or any of the Company's or Affiliates' directors, officers, employees, agents, or representatives) that damage or disparage the reputation of the Company or any Affiliates, or any of the Company's or Affiliates' directors, officers, employees, agents or representatives. A violation or threatened violation of this prohibition may be enjoined by the courts. The rights afforded the Company and the Affiliates under this PARAGRAPH 7 are in addition to any and all rights and remedies otherwise afforded by law.

(b) The Company shall refrain, and shall use its reasonable best efforts to cause the Affiliates to refrain, both during the term the Executive performs services for the Company and after his employment with the Company has ended, from publishing any oral or written statements, to any person or entity (other than during the term the Executive performs services for the Company, to the Company, any Affiliates or any of the Company's or Affiliates' directors, officers, employees, agents or representatives) that damage or disparage the reputation of the Executive. A violation or threatened violation of this prohibition may be enjoined by the courts. The rights afforded the Executive under this PARAGRAPH 7 are in addition to any and all rights and remedies otherwise afforded by law.

8. TRANSFER OF EMPLOYMENT. Notwithstanding any other provision herein to the contrary, the Company shall cease to have any further obligation or liability to the Executive under this Agreement if (a) the Executive's employment with the Company terminates as a result of the transfer of his or her employment to any Affiliate, (b) this Agreement is assigned to such other Affiliate, and (c) such other Affiliate expressly assumes and agrees to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no assignment had taken place. Any Affiliate to which this Agreement is so assigned shall be treated as the "Company" for all purposes of this Agreement on or after the

date as of which such assignment to the Affiliate, and the Affiliate's assumption and agreement to so perform this Agreement, becomes effective.

9. NOTICE. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing, shall be signed by the Executive if to the Company or by a duly authorized officer of the Company if to the Executive, and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, or by reputable courier service addressed to the respective addresses last given by each party to the other, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company. All notices and communications shall be deemed to have been received on the date of delivery thereof or on the third business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt.

10. NATURE OF RIGHTS. The Executive shall have the status of a mere unsecured creditor of the Company with respect to his or her right to receive any payment under this Agreement. This Agreement shall constitute a mere promise by the Company to make payments in the future of the benefits provided for herein. It is the intention of the parties hereto that the arrangements reflected in this Agreement shall be treated as unfunded for tax purposes and, if it should be determined that Title I of ERISA is applicable to this Agreement, for purposes of Title I of ERISA. Except as provided in PARAGRAPH 2(c), nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company or any Affiliate and for which the Executive may qualify, nor shall anything herein limit or reduce such rights as the Executive may have under any other agreements with the Company or any Affiliate. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any Affiliate shall be payable in accordance with such plan or program, except as explicitly modified by this Agreement.

11. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by any party which are not expressly set forth in this Agreement.

12. SUCCESSORS; BINDING AGREEMENT.

(a) This Agreement shall be binding upon and shall inure to the benefit of the Company and its successors and assigns. The Company shall require its successors and assigns to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place.

(b) Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, his or her beneficiaries or legal representatives,

except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative.

13. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Ohio without giving effect to the conflict of laws principles thereof. Any action brought by any party to this Agreement shall be brought and maintained in a court of competent jurisdiction in Cuyahoga County in the State of Ohio.

14. SEVERABILITY. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

15. COOPERATION. From and after the date on which Executive's employment with the Company is terminated for any reason:

(a) Executive agrees to cooperate with and make himself available to the Company, for reasonable periods of time, upon reasonable notice, during normal business hours, in connection with any matters arising out of or in connection with matters for which Executive had responsibility during his tenure as an employee of the Company, including, without limitation, any matters arising out of or related to any audit, litigation or similar occurrence affecting the Company; provided, however, that such cooperation shall not unreasonably interfere with Executive's employment obligations with Executive's future employer; and

(b) The Company agrees to cooperate with and make its representatives available to Executive, for reasonable periods of time, upon reasonable notice, during normal business hours, in connection with any matters arising out of or in connection with matters for which Executive had responsibility during his tenure as an employee of the Company, including, without limitation, any matters arising out of or related to any audit, litigation, or similar occurrence affecting Executive.

16. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties hereto, and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto, with respect to the subject matter hereof, except for the Stock Option Agreements, dated as of November 24, 1997, February 12, 1998 and January 4, 1999, between the Company and the Executive, which shall be amended to the extent provided herein.

17. WITHHOLDINGS. All payments to be made to Executive hereunder shall be reduced by applicable taxes and other withholdings.

18. CERTAIN DEFINITIONS.

(a) AFFILIATE. For purposes of this Agreement, "AFFILIATE" means any entity, directly or indirectly, controlled by, controlling or under common control with the Company or any corporation or other entity acquiring, directly or indirectly, all or substantially all the assets and business of the Company, whether by operation of law or otherwise.

(b) COMPANY. For purposes of this Agreement, all references to the Company shall include its successors and assigns.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officers and the Executive has executed this Agreement as of the day and year first above written.

CENTURY BUSINESS SERVICES, INC.

By: /s/ Jerome P. Grisko, Jr.  
-----  
Jerome P. Grisko, Jr.  
President

ATTEST:

By: -----  
Name: -----  
Title: -----

EXECUTIVE:

/s/ Charles D. Hamm, Jr.  
-----  
Charles D. Hamm, Jr.

## EMPLOYMENT AGREEMENT

AGREEMENT, dated as of October 11, 2000, by and between Century Business Services, Inc., with its principal offices at 6480 Rockside Woods Blvd., Suite 330, Cleveland, Ohio 44131 (the "Company") and Steven L. Gerard ("Executive") 150 East 61st Street, Suite 14D, New York, New York 10021.

IN CONSIDERATION of the premises and the mutual covenants set forth below, the parties hereby agree as follows:

1. EMPLOYMENT. The Company hereby agrees to employ Executive as the Chief Executive Officer of the Company, and Executive hereby accepts such employment, on the terms and conditions hereinafter set forth.

2. TERM. The period of employment of Executive by the Company hereunder (the "Employment Period") shall commence on October 11, 2000 (the "Commencement Date") and shall continue through October 10, 2003; PROVIDED, THAT, commencing on October 10, 2002, and on each October 10th thereafter, the Employment Period shall automatically be extended for one (1) additional year unless either party gives written notice not to extend this Agreement prior to three (3) months before such extension would be effectuated. The Employment Period may be sooner terminated by either party in accordance with Section 6 of this Agreement.

3. POSITION AND DUTIES. During the Employment Period, Executive shall serve as the Chief Executive Officer of the Company, and shall report to the Board of Directors of the Company (the "Board"). Subject to the supervisory powers of the Board, Executive shall have those powers and duties normally associated with the position of Chief Executive Officer and such other powers and duties as may be prescribed by the Board; PROVIDED, THAT, such other powers and duties are consistent with Executive's position. Executive shall devote substantially all of his working time, attention and energies to the performance of his duties for the Company. In addition, during the Employment Period, Executive shall serve as a member of the Board for no additional compensation. Notwithstanding the above, Executive shall be permitted, to the extent such activities do not substantially interfere with the performance by Executive of his duties and responsibilities hereunder or violate Section 10 of this Agreement, to (i) manage Executive's personal, financial and legal affairs, and (ii) to serve on no more than three corporate boards; PROVIDED, THAT, following the first anniversary of the Commencement Date, Executive shall not serve on more than two corporate boards.

4. PLACE OF PERFORMANCE. The principal place of employment of Executive shall be at the Company's principal executive offices in Cleveland, Ohio; PROVIDED, THAT, Executive shall be required to travel to other Company offices and on Company business.

5. COMPENSATION AND RELATED MATTERS.

(a) BASE SALARY AND BONUS. During the Employment Period the Company shall pay Executive a base salary at the rate of not less than \$500,000 per year ("Base



Salary"). Executive's Base Salary shall be paid in approximately equal installments in accordance with the Company's customary payroll practices. If Executive's Base Salary is increased by the Company, such increased Base Salary shall then constitute the Base Salary for all purposes of this Agreement. In addition, for the 2001, 2002 and 2003 calendar years, Executive shall be paid an annual bonus of at least \$150,000 and shall be eligible for an additional bonus upon the achievement of pre-established performance goals which are set by the Compensation Committee of the Board after consultation with Executive (the "Bonus"). Such Bonus shall be paid at such time as the Company customarily pays bonuses to senior executive officers.

(b) COMPANY SHARE OPTION. The Company shall grant to Executive a non-qualified stock option (the "Company Stock Option") to acquire 1,000,000 shares of the common stock of the Company (the "Company Stock"), pursuant to the Company's stock option plan (the "Company Option Plan"). The Company Stock Option shall be granted on the date hereof, and shall be granted at an exercise price per share equal to the fair market value of the Company Stock on the date of grant and shall be subject to the terms set forth in a stock option agreement and the Company Option Plan. Such Company Stock Option shall vest as to 33-1/3% of the shares subject thereto on each of the first, second and third anniversaries of the date of grant; PROVIDED, THAT, Executive is then employed on the relevant vesting date; PROVIDED, FURTHER, THAT, if Executive's employment is terminated pursuant to Sections 6(d) or 6(e) of this Agreement, the Company Stock Option shall become immediately vested and shall remain exercisable for ninety days following such termination of employment.

(c) AUTOMOBILE. The Company will provide Executive with an automobile in Cleveland, Ohio for purposes of conducting Company business.

(d) EXPENSES. The Company shall promptly reimburse Executive for all reasonable business expenses upon the presentation of reasonably itemized statements of such expenses in accordance with the Company's policies and procedures now in force or as such policies and procedures may be modified with respect to all senior executive officers of the Company.

(e) VACATION. Executive shall be entitled to four (4) weeks of vacation per year.

(f) SERVICES FURNISHED. During the Employment Period, the Company shall furnish Executive with office space, stenographic and secretarial assistance and such other facilities and services comparable to those provided to the Company's senior executive officers.

(g) WELFARE, PENSION AND INCENTIVE BENEFIT PLANS. During the Employment Period, Executive shall be entitled to participate in and be covered under all the welfare benefit plans or programs maintained by the Company from time to time for the benefit of its senior executives including, without limitation, all medical, hospitalization, dental, disability, accidental death and dismemberment and travel accident insurance plans and programs. The Company shall at all times provide to Executive (subject to modifications affecting all senior executive officers) the same type and levels of participation and benefits as are being provided to other senior executives officers on the Commencement Date. In addition,

during the Employment Period, Executive shall be eligible to participate in all pension, retirement, savings and other employee benefit plans and programs maintained from time to time by the Company for the benefit of its senior executives.

(h) SIGNING BONUS. Upon the Commencement Date, Executive shall be paid a cash signing bonus of \$150,000.

(i) OTHER BENEFITS. During the Employment Period, the Company shall provide Executive with the benefits described below:

(i) a \$ 2,000,000 renewable term life insurance policy;

(ii) reimbursement for travel between Cleveland, Ohio and New York, New York; and

(iii) reimbursement for reasonable housing expenses in Cleveland, Ohio.

6. TERMINATION. Executive's employment hereunder may be terminated during the Employment Period under the following circumstances:

(a) DEATH. Executive's employment hereunder shall terminate upon his death.

(b) DISABILITY. If, as a result of Executive's incapacity due to physical or mental illness, Executive shall have been substantially unable to perform his duties hereunder for an entire period of three (3) consecutive months, and within thirty (30) days after written Notice of Termination is given after such three (3) month period, Executive shall not have returned to the substantial performance of his duties on a full-time basis, the Company shall have the right to terminate Executive's employment hereunder for "Disability", and such termination in and of itself shall not be, nor shall it be deemed to be, a breach of this Agreement.

(c) CAUSE. The Company shall have the right to terminate Executive's employment for Cause, and such termination in and of itself shall not be, nor shall it be deemed to be, a breach of this Agreement. For purposes of this Agreement, the Company shall have "Cause" to terminate Executive's employment upon Executive's:

(i) conviction of, or plea of guilty or nolo contendere to, a felony or engaging in fraud, embezzlement or other dishonest acts against the Company; or

(ii) willful and continued failure to use reasonable best efforts to substantially perform his duties hereunder (other than such failure resulting from Executive's incapacity due to physical or mental illness) after demand for substantial performance is delivered by the Company in writing that specifically identifies the manner in which the Company believes Executive has not used reasonable best efforts to substantially perform his duties; or

(iii) willful misconduct (including, but not limited to, a breach of the provisions of Section 10) that is materially economically injurious to the Company or to any entity in control of, controlled by or under common control with the Company ("Affiliates"); or

(iv) habitual drug or alcohol abuse which materially impairs his abilities to perform his duties; or

(v) any other material breach of this Agreement.

For purposes of this Section 6(c), no act, or failure to act, by Executive shall be considered "willful" unless committed in bad faith and without a reasonable belief that the act or omission was in the best interests of the Company, or any Affiliates thereof.

(d) GOOD REASON. Executive may terminate his employment for "Good Reason" within one hundred and twenty (120) days after Executive has actual knowledge of the occurrence, without the written consent of Executive, of one of the following events that has not been cured within thirty (30) days after written notice thereof has been given by Executive to the Company:

(i) the failure of Executive to be appointed to the position set forth in Section 3;

(ii) the assignment to Executive of duties materially and adversely inconsistent with Executive's status as Chief Executive Officer of the Company or a material and adverse alteration in the nature of Executive's duties and/or responsibilities, reporting obligations, titles or authority;

(iii) a reduction by the Company in Executive's Base Salary;

(iv) for any reason within thirty (30) days following a Change in Control of the Company; or

(v) the Company's material breach of this Agreement.

(e) WITHOUT CAUSE. The Company shall have the right to terminate Executive's employment hereunder without Cause by providing Executive with a Notice of Termination, and such termination shall not in and of itself be, nor shall it be deemed to be, a breach of this Agreement.

(f) WITHOUT GOOD REASON. Executive shall have the right to terminate his employment hereunder without Good Reason by providing the Company with a Notice of Termination, and such termination shall not in and of itself be, nor shall it be deemed to be, a breach of this Agreement.

For purposes of this Agreement, a "Change in Control" of the Company means the occurrence of one of the following events:

(1) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes, after the Commencement Date, a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Company Voting Securities"); PROVIDED, HOWEVER, that an event described in this paragraph (1) shall not be deemed to be a Change in Control if any of following becomes such a beneficial owner: (A) the Company or any majority-owned subsidiary (provided, that this exclusion applies solely to the ownership levels of the Company or the majority-owned subsidiary), (B) any tax-qualified, broad-based employee benefit plan sponsored or maintained by the Company or any majority-owned subsidiary, (C) any underwriter temporarily holding securities pursuant to an offering of such securities, (D) any person pursuant to a Non-Qualifying Transaction (as defined in paragraph (2)), (E) Westbury (Bermuda) Ltd. and its successors and assigns and Michael DeGroot and his immediately family members (collectively, the "DeGroot Group"), (F) Executive or any group of persons including Executive (or any entity controlled by Executive or any group of persons including Executive) (the "Executive Group"), or (G) any combination of (A) through (F) above, including, without limitation, any transaction to take the Company private by the DeGroot Group, the Executive Group and/or any other persons working alone or in concert with the DeGroot Group and/or the Executive Group;

(2) the consummation of a merger, consolidation, share exchange or similar form of transaction involving the Company or any of its subsidiaries, or the sale of all or substantially all of the Company's assets (a "Business Transaction"), unless immediately following such Business Transaction (i) more than 50% of the total voting power of the entity resulting from such Business Transaction or the entity acquiring the Company's assets in such Business Transaction (the "Surviving Corporation") is beneficially owned, directly or indirectly, by the Company's shareholders immediately prior to any such Business Transaction, and (ii) no person (other than the persons set forth in clauses (A), (B), (C), (D), (E), (F) or (G) of paragraph (1) above or any tax-qualified, broad-based employee benefit plan of the Surviving Corporation or its Affiliates) beneficially owns, directly or indirectly, 50% or more of the total voting power of the Surviving Corporation (a "Non-Qualifying Transaction");

(3) Board approval of a liquidation or dissolution of the Company, unless the voting common equity interests of an ongoing entity (other than a liquidating trust) are beneficially owned, directly or indirectly, by the Company's shareholders in substantially the same proportions as such shareholders owned the Company's outstanding voting common equity interests immediately prior to such liquidation; or

(4) within the first three years of the Employment Period, the DeGroot Group ceases to own the same number of shares of the common stock of the Company as it owned as of the Commencement Date (excluding, for this purpose, any shares of common stock of the Company subject to acquisition by the DeGroot Group or any other person(s) pursuant to the exercise of stock options, warrants or similar derivative securities), other than a reduction caused by a Non-Qualifying Transaction.

Notwithstanding the foregoing, a Change in Control of the Company shall not be deemed to occur solely because any person acquires beneficial ownership of more than 50% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which, by reducing the number of Company Voting Securities outstanding, increases the percentage of shares beneficially owned by such person; PROVIDED, THAT if a Change in Control of the Company would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, then a Change in Control of the Company shall occur.

#### 7. TERMINATION PROCEDURE.

(a) NOTICE OF TERMINATION. Any termination of Executive's employment by the Company or by Executive during the Employment Period (other than termination pursuant to Section 6(a)) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 14. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

(b) DATE OF TERMINATION. "Date of Termination" shall mean (i) if Executive's employment is terminated by his death, the date of his death, (ii) if Executive's employment is terminated pursuant to Section 6(b), thirty (30) days after Notice of Termination (provided that Executive shall not have returned to the substantial performance of his duties on a full-time basis during such thirty (30) day period), and (iii) if Executive's employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date (within thirty (30) days after the giving of such notice) set forth in such Notice of Termination.

8. COMPENSATION UPON TERMINATION OR DURING DISABILITY. In the event Executive is disabled or his employment terminates during the Employment Period, the Company shall provide Executive with the payments and benefits set forth below. Executive acknowledges and agrees that the payments set forth in this Section 8 constitute liquidated damages for termination of his employment during the Employment Period and that prior to receiving any such payments and as a material condition thereof, Executive and the Company shall sign and agree to be bound by a general release of claims in a form reasonably satisfactory to the Company.

(a) TERMINATION BY COMPANY WITHOUT CAUSE OR BY EXECUTIVE FOR GOOD REASON. If Executive's employment is terminated by the Company without Cause or by Executive for Good Reason:

(i) the Company shall pay to Executive (A) his Base Salary and accrued vacation pay through the Date of Termination, as soon as practicable following the Date of Termination, and (B) a cash payment equal to two times the sum of Executive's then current Base Salary and average Bonus paid to Executive in the three year period immediately preceding the year of termination ("Average Bonus"); PROVIDED, THAT, for the first three years of the Employment Period, the Average Bonus shall not be less than \$150,000.

(ii) the Company shall maintain in full force and effect, for the continued benefit of Executive for a period of two (2) years following the Date of Termination the medical, hospitalization, dental, and life insurance programs in which Executive was participating immediately prior to the Date of Termination at the level in effect and upon substantially the same terms and conditions (including without limitation contributions required by Executive for such benefits) as existed immediately prior to the Date of Termination; PROVIDED, THAT, if Executive cannot continue to participate in the Company programs providing such benefits, the Company shall arrange to provide Executive with the economic equivalent of such benefits which they otherwise would have been entitled to receive under such plans and programs ("Continued Benefits"), PROVIDED, THAT, such Continued Benefits shall terminate on the date or dates Executive receives equivalent coverage and benefits, without waiting period or pre-existing condition limitations, under the plans and programs of a subsequent employer (such coverage and benefits to be determined on a coverage-by-coverage or benefit-by-benefit, basis); and

(iii) the Company shall reimburse Executive pursuant to Section 5(d) for reasonable expenses incurred, but not paid prior to such termination of employment; and

(iv) Executive shall be entitled to any other rights, compensation and/or benefits as may be due to Executive in accordance with the terms and provisions of any agreements, plans or programs of the Company.

(b) CAUSE OR BY EXECUTIVE WITHOUT GOOD REASON. If Executive's employment is terminated by the Company for Cause or by Executive (other than for Good Reason):

(i) the Company shall pay Executive his Base Salary and, to the extent required by law or the Company's vacation policy, his accrued vacation pay through the Date of Termination, as soon as practicable following the Date of Termination; and

(ii) the Company shall reimburse Executive pursuant to Section 5(d) for reasonable expenses incurred, but not paid prior to such termination of employment, unless such termination resulted from a misappropriation of Company funds; and

(iii) Executive shall be entitled to any other rights, compensation and/or benefits as may be due to Executive in accordance with the terms and provisions of any agreements, plans or programs of the Company.

(c) DISABILITY. During any period that Executive fails to perform his duties hereunder as a result of incapacity due to physical or mental illness ("Disability Period"), Executive shall continue to receive his full Base Salary set forth in Section 5(a) until his employment is terminated pursuant to Section 6(b). In the event Executive's employment is terminated for Disability pursuant to Section 6(b):

(i) the Company shall pay to Executive his Base Salary and accrued vacation pay through the Date of Termination, as soon as practicable following the Date of Termination; and

(ii) the Company shall reimburse Executive pursuant to Section 5(d) for reasonable expenses incurred, but not paid prior to such termination of employment; and

(iii) Executive shall be entitled to any other rights, compensation and/or benefits as may be due to Executive in accordance with the terms and provisions of any agreements, plans or programs of the Company.

death: (d) DEATH. If Executive's employment is terminated by his

(i) the Company shall pay in a lump sum to Executive's beneficiary, legal representatives or estate, as the case may be, Executive's Base Salary through the Date of Termination;

(ii) the Company shall reimburse Executive's beneficiary, legal representatives, or estate, as the case may be, pursuant to Section 5(d) for reasonable expenses incurred, but not paid prior to such termination of employment; and

(iii) Executive's beneficiary, legal representatives or estate, as the case may be, shall be entitled to any other rights, compensation and benefits as may be due to any such persons or estate in accordance with the terms and provisions of any agreements, plans or programs of the Company.

(e) FAILURE TO EXTEND. A failure to extend the Agreement pursuant to Section 2 by either party shall not be treated as a breach of this Agreement and Executive shall be entitled to the benefits described in Section 8(b).

9. MITIGATION. Executive shall not be required to mitigate amounts payable under this Agreement by seeking other employment or otherwise, and there shall be no offset against amounts due Executive under this Agreement on account of subsequent employment except as specifically provided herein.

## 10. RESTRICTIVE COVENANTS.

(a) CONFIDENTIAL INFORMATION. Except (i) as required in order to perform his obligations under this Agreement or (ii) as may otherwise be required by law or any legal process (in which case Executive shall use his reasonable best efforts in cooperating with the Company in obtaining a protective order against disclosure by a court of competent jurisdiction), Executive shall not, without the express prior written consent of the Company, disclose or divulge to any other person or entity, or use or modify for use, directly or indirectly, in any way, for any person or entity any of the Company's or any Affiliate's Confidential Information at any time (during or after Executive's employment). For purposes of this Agreement, "Confidential Information" of the Company shall mean any valuable, competitively sensitive data and information related to the Company's or any Affiliate's business (the "Business"), including, without limitation, Trade Secrets (as defined below), that are not generally known by or readily available to the Company's or any Affiliate's competitors other than as a result of an improper disclosure directly or indirectly by Executive. "Trade Secrets" shall mean information or data of the Company or any Affiliate in connection with the Business, including, but not limited to, technical or non-technical data, financial information, programs, devices, methods, techniques, drawings, processes, financial plans, product plans, or lists of actual or potential customers or suppliers, that: (A) derive economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from their disclosure or use; and (B) are the subject of efforts that are reasonable under the circumstances to maintain their secrecy.

(b) COMPANY PROPERTY. All records, files, drawings, documents, models, equipment, and the like containing Confidential Information or needed in the Business which Executive has control over shall not be removed from the Company's premises without its written consent, unless such removal is in the furtherance of the Business or is in connection with Executive's carrying out his duties under this Agreement and, if so removed, shall be returned to the Company promptly after termination of Executive's employment hereunder, or otherwise promptly after removal if such removal occurs following termination of employment. The Company shall be the owner of all Trade Secrets and other products relating to the Business developed by Executive alone or in conjunction with others as part of his employment with the Company.

(c) INTELLECTUAL PROPERTY. In the scope of Executive's employment with the Company, Executive may be requested, alone or with others, to create, invent, enhance, and modify items which are or could be deemed to be Confidential Information. Executive acknowledges and agrees that all of such information is intended to be, and will remain, the sole and exclusive property of the Company. In addition, Executive agrees that any and all intellectual property that Executive invents, discovers, originates, makes, conceives, creates or authors either solely or jointly with others and that is the result of or is substantially derived from Confidential Information ("Intellectual Property") shall be the sole and exclusive property of the Company unless in the public domain. If Executive's employment with the Company terminates for any reason, he shall promptly and fully disclose all such Intellectual Property to the Company, shall provide the Company with any information that it may reasonably request about such property and shall execute such agreements, assignments or other instruments as may be reasonably requested by the Company to reflect such ownership by the Company and shall fully



cooperate with the Company to protect the business relationships of the Company and to insure that there will be no unreasonable interference or disruption of such business relationships.

(d) NON-COMPETITION. Executive covenants that he will not, without the prior written consent of the Company, during the Employment Period and during the twelve (12) month period following his termination of employment for any reason (other than a termination of employment pursuant to Section 6(d) or Section 6(e)), engage in any way, directly or indirectly, in any business whose product or activities directly or indirectly competes with the accounting and/or benefits consulting business of the Company anywhere where the Company or any Affiliate conducts such business ("Competitive Business"), other than in his capacity as an employee of the Company or become associated with or interested in any Competitive Business as an individual, partner, shareholder, creditor, director, officer, principal, agent, employee, trustee, consultant, advisor or in any other relationship or capacity.

(e) NON-SOLICITATION - EMPLOYEES. Executive hereby covenants and agrees that, during the Employment Period and during the twenty-four (24) month period following his termination of employment for any reason (the "Restricted Period"), Executive shall not employ or seek to employ any person employed at that time by the Company or any Affiliate, or otherwise encourage or entice such person to leave such employment.

(f) NON-SOLICITATION - CUSTOMERS. During the Restricted Period, Executive shall not, directly or indirectly, solicit, contact, interfere with, or endeavor to entice away from the Company or their Affiliates any of their current investors, customers or clients or any such persons or entities that were investors, customers or clients of the Company within the twelve (12) month period immediately prior to Executive's termination of employment.

(g) NON-DISPARAGEMENT. During the Employment Period and for all time thereafter, Executive acknowledges and agrees that he will not defame or publicly criticize the services, business, integrity, veracity or personal or professional reputation of the Company or any Affiliate and any of their officers, directors, partners, employees, or agents thereof in either a professional or personal manner.

(h) BLUE PENCIL. If, at any time, the provisions of this Section 10 shall be determined to be invalid or unenforceable under any applicable law, by reason of being vague or unreasonable as to area, duration or scope of activity, this Section 10 shall be considered divisible and shall become and be immediately amended to only such area, duration and scope of activity as shall be determined to be reasonable and enforceable by the court or other body having jurisdiction over the matter, and Executive and the Company agree that this Section 10 as so amended shall be valid and binding as though any invalid or unenforceable provision had not been included herein.

(i) ACKNOWLEDGEMENTS. Executive acknowledges that: (i) as a result of Executive's employment by the Company, Executive has obtained and will obtain Confidential Information; (ii) the Confidential Information has been developed and created by the Company at substantial expense and the Confidential Information constitutes valuable proprietary assets and the Company will suffer substantial damage and irreparable harm which will be difficult to compute if, during the term of employment and thereafter, Executive should

divulge such Confidential Information in violation of the provisions of this Agreement; (iii) the nature of the Business is such that it could be conducted anywhere in the world and that it is not limited to a geographic scope or region; (iv) the Company will suffer substantial damage which will be difficult to compute if, during the term of employment or thereafter, Executive should compete with Company or solicit or interfere with the Company's employees, clients or customers in violation of this Agreement; (v) the provisions of this Agreement are reasonable and necessary for the protection of the Business; (vi) Executive will not be precluded from earning a living following his termination of employment if the provisions of Section 10 are fully enforced; and (vii) the Company would not have entered into this Agreement unless Executive agreed to be bound by the terms of Section 10.

(j) REMEDY. Should Executive engage in or perform any of the acts prohibited by this Section 10, it is agreed that the Company shall be entitled to full injunctive relief, to be issued by any competent court of equity, enjoining and restraining Executive and each and every other person, firm, organization, association, or corporation concerned therein, from the continuance of such volatile acts. In addition, notwithstanding any other provision of this Agreement to the contrary, upon a breach of any of the provisions of Section 10, the Company shall be entitled to cease making any payments or provide any benefits to Executive as contemplated by this Agreement, including, without limitation, those contemplated under Section 8 of the Agreement. The foregoing remedy available to the Company shall not be deemed to limit or prevent the exercise by the Company of any or all further rights and remedies which may be available to the Company hereunder or at law or in equity.

11. INDEMNIFICATION. Executive shall be entitled throughout the Employment Period in his capacity as an officer and/or director of the Company or any of its subsidiaries, or as a member of any other governing body or any partnership or joint venture in which the Company has an equity interest to the benefit of the indemnification provisions contained in the Certificate of Incorporation and By-laws of the Company as in effect from time to time, to the extent not prohibited by applicable law at the time of the assertion of any liability against Executive.

12. LEGAL FEES AND EXPENSES; ARBITRATION. The Company shall reimburse Executive promptly following the Commencement Date for all reasonable legal fees and expenses reasonably incurred by Executive in connection with Executive and the Company entering into this Agreement in an amount not to exceed \$5,000, upon receipt of reasonable written evidence of such fees and expenses. Except as otherwise necessary to secure the remedy specified in Section 10 of this Agreement, any dispute arising between the Company and Executive with respect to the performance or interpretation of this Agreement shall be submitted to arbitration, in Cleveland, Ohio, for resolution in accordance with the commercial arbitration rules of the American Arbitration Association, modified to provide that the decision by the arbitrators shall be final and binding on the parties, shall be furnished in writing, separately and specifically stating the findings of fact and conclusions of law on which the decision is based, and shall be rendered within 90 days following impanelment of the arbitrators. Following a decision by the arbitrators, the costs of arbitration shall be divided and legal fees shall be awarded as directed by the arbitrators.

## 13. SUCCESSORS; BINDING AGREEMENT.

(a) COMPANY'S SUCCESSORS. No rights or obligations of the Company under this Agreement may be assigned or transferred except that the Company may assign this Agreement to any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company. As used in this Agreement, "Company" shall mean the Company as herein before defined and any successor to its business and/or assets (by merger, purchase or otherwise).

(b) EXECUTIVE'S SUCCESSORS. No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than his rights to payments or benefits hereunder, which may be transferred only by will or the laws of descent and distribution. Upon Executive's death, this Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's beneficiary or beneficiaries, personal or legal representatives, or estate, to the extent any such person succeeds to Executive's interests under this Agreement. Executive shall be entitled to select and change a beneficiary or beneficiaries to receive any benefit or compensation payable hereunder following Executive's death by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to his beneficiar(y)(ies), estate or other legal representative(s). If Executive should die following his Date of Termination while any amounts would still be payable to him hereunder if he had continued to live, all such amounts unless otherwise provided herein shall be paid in accordance with the terms of this Agreement to such person or persons so appointed in writing by Executive, or otherwise to his legal representatives or estate.

(c) BINDING AGREEMENT. This Agreement shall be binding upon and shall inure to the benefit of Executive, his heirs, executors, administrators, beneficiaries and assigns and shall be binding upon and shall inure to the benefit of the Company and its successors and assigns.

14. NOTICE. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered either personally or by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the parties as provided in the recitals hereto or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

15. MISCELLANEOUS. No provisions of this Agreement may be amended, modified, or waived unless such amendment or modification is agreed to in writing signed by Executive and by a duly authorized officer of the Company, and such waiver is set forth in writing and signed by the party to be charged. No waiver by either party hereto at any time of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by

either party which are not set forth expressly in this Agreement. The respective rights and obligations of the parties hereunder of this Agreement shall survive Executive's termination of employment and the termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Ohio without regard to its conflicts of law principles.

16. **VALIDITY.** The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

17. **COUNTERPARTS.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

18. **ENTIRE AGREEMENT.** This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto in respect of such subject matter. Any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

19. **WITHHOLDING.** All payments hereunder shall be subject to any required withholding of Federal, state and local taxes pursuant to any applicable law or regulation.

20. **NONCONTRAVENTION.** Executive represents that he is not prevented from entering into, or performing this Agreement by the terms of any law, order, rule or regulation or any agreement to which he is a party. Executive acknowledges and agrees that the Company has relied upon this representation as a material inducement for it to enter into this Agreement and a breach of this representation by Executive shall be deemed to be a material breach of this Agreement.

21. **SECTION HEADINGS.** The section headings in this Agreement are for convenience of reference only, and they form no part of this Agreement and shall not affect its interpretation.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

CENTURY BUSINESS SERVICES, INC.

By: /s/ Michael G. DeGroot

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Chairman of the Board

/s/ Steven L. Gerard

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Steven L. Gerard

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement"), dated as of December 12, 2000, is between Ware H. Grove, an individual (the "Employee"), and Century Business Services, Inc., a Delaware corporation (the "Company").

## PRELIMINARY STATEMENT:

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The Company desires to procure the services of Employee and Employee desires to be employed by the Company on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration and as a condition of the Employee's employment by the Company and the mutual covenants and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties hereby agree as follows:

1. EMPLOYMENT AT WILL. The Employee shall commence employment with the Company on December 12, 2000 (the "Commencement Date"). The Employee shall be employed by the Company on an "at will" basis as that term is construed under Ohio law and the Employee's employment shall continue until such employment is terminated by Employee or by the Company, with or without Cause (as defined in Section 2 below). It is expressly understood and agreed between the Company and the Employee that the duration of the Employee's employment is unspecified and rests in the sole discretion of the Company.

2. DISCONTINUATION OF POSITION. Notwithstanding anything to the contrary contained in Section 1 hereof, if there is a Change of Control (as defined in Exhibit A attached hereto) at any time while the Employee is employed by the Company, the Employee may voluntarily terminate his employment with the Company and the Company shall continue to pay the Employee his then current base salary for a period of twenty-four (24) months following the date of such Change of Control. Similarly, if at any time while the Employee is employed by the Company the Company terminates the Employee without Cause at any time, the Company shall continue to pay the Employee his then current base salary in accordance with the Company's standard payroll practices for a period of twelve (12) months following the date of such termination without Cause. In addition, if the Employee voluntarily terminates his employment as a result of a Change of Control or is terminated without Cause as described above, the Company will continue to provide health and welfare benefits to the Employee and his dependents at the same levels and for the same costs as exist on the date of Change of Control or termination for a period of twelve (12) months thereafter; provided, however, that the Company's obligations to provide health and welfare benefits shall expire prior to such twelve (12) month period if the Employee accepts other employment during such period and Employee is eligible to

receive health and welfare benefits pursuant to such employment; provided, however, that the Company's obligations to provide health and welfare benefits prior to such twelve (12) month period if the Employee accepts other employment and Employee is eligible to receive health and welfare benefits pursuant to such employment. As used herein, the term "Cause" shall mean (i) fraud, misappropriation, embezzlement, or willful conduct, gross misconduct or dishonesty on the part of the Executive that is materially injurious to the Company, (ii) the conviction of a felony or the commission of an act involving moral turpitude, (iii) the Employee's failure to perform his duties with the Company or to carry out the reasonable and lawful directives of the Chief Executive Officer, which failure has not been cured within thirty (30) days after notice of such failure is given to the Employee by the Company, (iv) the Employee's breach of any provision of this Agreement, which breach has not been cured within thirty (30) days after notice of such breach is given to the Employee by the Company, or (v) termination occurring as a result of the Employee's death or permanent disability. The Employee will be deemed to be permanently disabled if the Employee is unable to fully perform his duties and responsibilities hereunder by reason of physical or mental illness, injury or incapacity for ninety (90) days in any twelve (12) month period.

3. TITLE; DUTIES. The Employee's title shall be Senior Vice President and Chief Financial Officer and he shall report directly to the Chief Executive Officer of the Company. The Employee shall devote his full business time and efforts solely to the business and interests of the Company; provided, however, that nothing contained herein shall prohibit the Employee from serving on the board of directors or an advisory counsel of no more than three companies or otherwise participating on the board of any charitable, community or similar organization so long as such activities do not, in the reasonable opinion of the Chief Executive Officer, unreasonably interfere with the Employee's duties and responsibilities to the Company. During his employment with the Company, the Employee shall not engage in any activity which would be inconsistent with such duties or with the objectives and business of the Company and shall diligently perform his obligations and discharge his duties under this Agreement. The Employee shall adhere to all ethical practices and other rules and regulations established by the Company.

4. SALARY AND BENEFITS. During the term of the Employee's employment with the Company, the Employee shall receive the following salary and benefits:

(a) ANNUAL SALARY. The Employee's base annual compensation during his first year of employment shall be Two Hundred Forty Thousand Dollars (\$240,000). The Employee's base annual compensation shall be reviewed on an annual basis and may be adjusted based on the performance of the Employee.

(b) DISCRETIONARY BONUS. The Employee shall be eligible to participate in all bonus programs of the Company that are generally provided for the benefit of the senior executives of the Company; provided that the amount of any such bonus shall be based on the criteria established for measuring the performance of Employee as determined by the Chief Executive Officer of the Company or the Board of Directors of the Company.

(c) BENEFITS. The Employee shall be eligible to participate in all health and welfare benefit plans and other employee benefit plans, practices, policies and programs provided by the Company and applicable to similarly situated employees of the Company, as the same may be amended from time to time.

(d) AUTOMOBILE ALLOWANCE. During the term of the Employee's employment with the Company, the Employee shall receive an automobile allowance equal to \$500 per month.

(e) STOCK OPTIONS. In consideration of the Employee's acceptance of employment with the Company, the Compensation Committee of the Board of Directors will be requested to grant to the Employee options to purchase 75,000 shares of the Company's common stock at the NASDAQ closing price on the date of such grant (the "Initial Grant of Stock Options"). The Initial Grant of Stock Options shall be held by the Employee pursuant to the terms and conditions described in the Amended and Restated 1996 Stock Option Plan (as the same may be amended from time to time); provided, however, that thirty-eight thousand (38,000) options of the Initial Grant of Stock Options shall be 100% vested on the date of grant and the remainder of the Initial Grant of Stock Options (i.e. 37,000 options) shall be 100% vested on the first anniversary of the date of grant. The right of the Employee to purchase shares under the Initial Grant of Stock Options shall expire on the sixth anniversary of the date of grant. The Employee shall also be eligible to participate in additional stock option awards ("Additional Awards") made available to senior management of the Company after his first year of employment, which stock option awards shall be at the discretion of the Board of Directors of the Company and any stock options granted pursuant to Additional Awards shall immediately vest upon a Change of Control or termination of Employee's employment without Cause.

5. NONCOMPETITION During the applicable Restriction Period (as defined below), the Employee shall not, directly or indirectly (whether individually or as a shareholder or other owner, investor, partner, director, officer, employee, consultant, creditor or agent of any person, firm, association, organization, or other entity other than the Company):

(a) Enter into, engage in, promote, assist (financially or otherwise), or consult with any business (the "Business") which competes with the business of the Company anywhere in the United States;

(b) Induce (or attempt to induce) or encourage any employee, officer, director, representative, agent, vendor, or independent contractor of the Company to terminate or materially alter its relationship with the Company, or otherwise interfere or attempt to interfere in any way with the Company's relationships with its employees, officers, directors, representatives, agents, vendors, independent contractors, or others;

(c) Employ or engage any person who, at any time within the twelve (12) month period immediately preceding such employment or engagement, was an employee, officer, director, representative, agent, vendor, or independent contractor of any the Company; or

(d) Take any other action that would impair the value of the Business or the assets of the Company, including, without limitation, any action that would tend to disparage or diminish the reputation of the Company.

For purposes of this agreement, the term "Restriction Period" shall mean the period commencing on the date hereof and continuing for one (1) year after the date on which the Employee's employment with the Company is terminated (for any reason).



The Employee acknowledges that (i) the provisions of Sections 5 and 6 of this Agreement are fundamental and essential for the protection of the Company's legitimate business and proprietary interests, and (ii) such provisions are reasonable and appropriate in all respects.

Notwithstanding the foregoing, nothing contained in this Section 5 shall be deemed to preclude the Employee from owning less than five percent (5%) of the combined voting power of all issued and outstanding voting securities of any publicly held corporation whose stock is traded on a major stock exchange or quoted on NASDAQ.

6. NONDISCLOSURE. The Employee agrees that he shall not at any time after the date of this Agreement directly or indirectly copy, disseminate or use, for the Employee's personal benefit or the benefit of any third party, any Confidential Information (as defined below), regardless of how such Confidential Information may have been acquired, except for the disclosure or use of such Confidential Information as may be (a) required by Employee in connection with his employment with the Company, (b) required by law, or (c) authorized in writing by the Company. For purposes of this Agreement, the term "Confidential Information" shall mean all information or knowledge belonging to, used by, or which is in the possession of the Company or relating to the Company's business, business plans, strategies, or clients (including, without limitation, the names, addresses or telephone numbers of such clients), vendors, technology, programs, finances, costs, employees (including, without limitation, the names, addresses or telephone numbers of any employees), employee compensation rates or policies, marketing plans, development plans, computer programs, computer systems, inventions, developments, trade secrets, know-how or confidences of the Company, without regard as to whether any of such Confidential Information may be deemed confidential or material to any third party, and the Employee hereby stipulates to the confidentiality and materiality of such Confidential Information. Notwithstanding anything to the contrary contained in the preceding sentence, Confidential Information shall not include information that is or becomes generally available to the public other than as a direct or indirect result of a disclosure by the Employee or a representative of the Employee. The Employee acknowledges that all of the Confidential Information is and shall continue to be the exclusive proprietary property of the Company, whether or not prepared in whole or in part by the Employee and whether or not disclosed to or entrusted to the custody of the Employee. The Employee agrees upon the termination of Employee's employment with the Company (for any reason), the Employee will return promptly to the Company all memoranda, notes, records, reports, manuals, pricing lists, prints and other documents (and all copies thereof) relating to the Company's business which the Employee may then possess or have within the Employee's control, regardless of whether any such documents constitute Confidential Information. The Employee further agrees that he shall forward to the Company or its designee all Confidential Information which at any time comes into the Employee's possession or the possession of any other person, firm or entity with which the Employee is affiliated in any capacity.

7. REMEDIES. The Employee acknowledges and agrees that the Company would suffer irreparable harm from a breach by the Employee of the restrictive covenants set forth in Sections 5 or 6. Therefore, in the event of the actual or threatened breach by the Employee under Sections 5 or 6, the Company may, in addition and supplementary to any other

rights and remedies existing in its favor (including, without limitation, its right to terminate the Employee's employment for Cause), apply to any court of law or equity of competent jurisdiction for specific performance or injunctive or other relief in order to enforce or prevent any violation of the provisions of Sections 5 or 6. The Employee agrees not to raise the defense of an adequate remedy at law in any such proceeding. The Employee agrees that the existence of any claim or cause of action by the Employee against the Company, whether predicated upon this Agreement or any other contract, shall not constitute a defense to the enforcement by the Company of the provisions of Sections 5 or 6.

8. NOTICE. All notices and other communications required or permitted under this Agreement shall be deemed to have been duly given and made if in writing and if served either by personal delivery to the party for whom intended (which shall include delivery by Federal Express or similar service) or three (3) business days after being deposited, postage prepaid, certified or registered mail, return receipt requested, in the United States mail bearing the address shown in this Agreement for, or such other address as may be designated in writing hereafter by, such party:

If to the Employee:           Mr. Ware H. Grove  
  7678 Mannheim Court  
  Hudson, Ohio 44236

If to the Company:           Century Business Services, Inc.  
  6480 Rockside Woods Blvd., South  
  Suite 330  
  Cleveland, Ohio 44131  
  Attention: Chief Executive Officer  
  General Counsel

9. REFORMATION; SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is finally determined by a court of competent jurisdiction to be unenforceable or invalid under applicable law, such provision shall be effective only to the extent of its enforceability or validity, without affecting the enforceability or validity of the remainder of this Agreement, and such court shall have jurisdiction to reform this Agreement to the maximum extent permitted by law. In the event that any such provision of this Agreement cannot be reformed, such provision shall be deemed severed from this Agreement, but every other provision of this Agreement shall remain in full force and effect.

10. BINDING EFFECT; WAIVER. The terms and provisions of this Agreement shall be binding on and inure to the benefit of the Employee, his heirs, executors, administrators, and other legal representatives and shall be binding on and inure to the benefit of the Company, its affiliates, successors or assigns. The failure of the Company at any time or from time to time to require performance of any of the Employee's obligations under this Agreement shall in no manner affect the Company's right to enforce any provision of this Agreement at a subsequent time, and the waiver of any rights arising out of any breach shall not be construed as a waiver of any rights arising out of any subsequent or prior breach.

11. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement and understanding between the Employee and the Company with respect to the subject matter hereof, and supersedes all prior agreements and understandings relating to the subject matter hereof.

12. AMENDMENT. No amendment, modification, or waiver of any provision of this Agreement, or consent to any departure by the Employee therefrom, shall be effective unless the same shall be in writing and signed by the parties hereto.

13. ASSIGNMENT. This Agreement is for personal services to be performed by the Employee and may not be assigned or transferred by the Employee, or the obligations of the Employee performed by any other party. All of the rights and obligations of the Company under this Agreement are fully assignable and transferable by the Company.

14. COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

15. HEADINGS. The various headings of this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any provisions hereof.

16. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

IN WITNESS WHEREOF, the parties hereto have executed or caused to be executed this instrument as of the date first above written.

EMPLOYEE:

/s/ Ware H. Grove  
-----  
Ware H. Grove

THE COMPANY:

Century Business Services, Inc.

/s/ Steven L. Gerard  
-----  
Steven L. Gerard, Chief Executive Officer

## EXHIBIT A

## CHANGE IN CONTROL

CHANGE IN CONTROL. A "Change in Control" shall mean the occurrence during the term of Employee's employment with the Company of:

(a) The purchase (other than directly from the Company) of any common stock of the Company ("Common Stock") or other voting securities of the Company entitled to vote generally for the election of directors (together with the Common Stock, the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than fifty percent (50%) of the then outstanding shares of Common Stock or the combined voting power of the Company's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred under this Section, Voting Securities that are acquired in a Non-Control Acquisition (as hereinafter defined) shall not constitute an acquisition that would cause a Change in Control under this Section. A "Non-Control Acquisition" shall mean an acquisition by (i) the Company or any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company (a "Subsidiary"), or (ii) any Person in connection with a Non-Control Transaction (as hereinafter defined);

(b) The consummation of:

(1) A merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued or exchanged, unless such merger, consolidation or reorganization is a "Non-Control Transaction." A "Non-Control Transaction" shall mean a merger, consolidation or reorganization with or into the Company in which securities of the Company are issued or exchanged where the stockholders of the Company, immediately before such merger, consolidation or reorganization, own directly or indirectly immediately after such merger, consolidation or reorganization, at least fifty percent (50%) of the combined voting power of the outstanding voting securities of the corporation resulting from such merger or consolidation or reorganization.

(2) A complete liquidation or dissolution of the Company; or

(3) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

SUBSIDIARY COMPANIES OF  
CENTURY BUSINESS SERVICES, INC.  
AS OF 12/31/00

COMPANY NAME	STATE OF INCORPORATION
1 AH Business Services, Inc.	Ohio
2 BA Business Services, Inc.	Ohio
3 Bass Consultants of Ohio, Inc.	Ohio
4 BBGPR, LLC	Texas
5 BCC Business Services, Inc.	Ohio
6 Beatty Satchell Business Services, Inc.	Maryland
7 The Benefits Group Agency, Inc.	Ohio
8 Benchmark, Inc.	Georgia
9 Broker Benefit Consultants Business Services, Inc.	Ohio
10 BVKT Business Services, 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 Ohio, Inc.	Ohio
14 CBIZ Benefits & Insurance Services of Pennsylvania, Inc.	Delaware
15 CBIZ Benefits & Insurance Services, Inc.	Missouri
16 CBIZ Business Services, Inc.	Ohio
17 CBIZ Business Solutions, Inc.	Ohio
18 CBIZ Business Solutions, Inc.	Virginia
19 CBIZ e-Solutions, Inc.	Ontario
20 CBIZ HealthCare Solutions Group, Inc.	Ohio
21 CBIZ Property Tax Solutions, Inc.	Ohio
22 CBIZ Retirement Services, Inc.	Ohio
23 CBIZ Technologies, Inc.	Ohio
24 CBIZ Valuation, Inc.	Ohio
25 CBIZ Worksite Services, Inc.	Missouri
26 CBSI Management Co.	Ohio
27 Century Capital Group, Inc.	Ohio
28 Century Payroll, Inc.	Ohio
29 Century Retirement & Wealth Management Services, Inc.	Ohio
30 Century Risk Services Company	Ohio
31 Century Surety Underwriters, Inc.	Indiana
32 CKS Business Services, Inc.	Ohio
33 CMG Consulting, Inc.	California
34 Commercial Surety Agency, Inc.	Ohio
35 Competitive Technologies Business Services, Inc.	Ohio
36 Connecticut Escrow, Inc.	Ohio
37 Conrad Business Services, Inc.	Ohio
38 Continuous Learning Group, Inc.	Ohio
39 Contract Operations Planning, Inc.	Ohio
40 Contract Surety Reinsurance Corp.	Ohio
41 Cornerstone Broker Insurance Services Agency, Ltd.	Ohio
42 DP & Co. Business Services, Inc.	Ohio
43 Dutch Franklin Business Services, Inc.	Ohio
44 EDG Business Services, Inc.	Ohio
45 Employers Select Plan Agency of Ohio, Inc.	Ohio
46 Envision Development Group, Inc.	Ohio
47 ERIC Agency, Inc.	Colorado

SUBSIDIARY COMPANIES OF  
CENTURY BUSINESS SERVICES, INC.  
AS OF 12/31/00

COMPANY NAME	STATE OF INCORPORATION
48 FPG Business Services, Inc.	Ohio
49 Funds Administration Services, Inc.	Ohio
50 G & C Business Services, Inc.	Ohio
51 Gibraltar Real Estate Services Corporation	Illinois
52 Gordon, Zucarelli & Handley Business Services, Inc.	Ohio
53 Health Administration Services, Inc.	Ohio
54 HHR&S Business Services, Inc.	Ohio
55 Highwood Associates, Inc.	Illinois
56 Hunt & Associates Business Services, Inc.	Ohio
57 Information Technology Advisors and Consultants, Inc.	Ohio
58 JF Consulting Services, Inc.	Ohio
59 KA Consulting Services, Inc.	Ohio
60 Karling Health Care Consulting, Inc.	Ohio
61 Kaufman Davis Business Services, Inc.	Ohio
62 Kessler & Associates Business Services, Inc.	Ohio
63 Lake Business Services, Inc.	Ohio
64 M. T. Donahoe & Associates, Inc.	Ohio
65 McClain & Company Business Services, Inc.	Ohio
66 Medical Management Professionals, Inc.	Ohio
67 MHM Business Services, Inc.	Ohio
68 Miller Wagner Business Services, Inc.	Ohio
69 Millisor Firm Co., Inc.	Ohio
70 Moore, Tyler & Company, Inc.	Ohio
71 MRC Business Services, Inc.	Ohio
72 MRP Business Solutions Group, Inc.	Ohio
73 National Benefit Systems, Inc.	Arizona
74 Nemphos, Weber Business Services, Inc.	Ohio
75 Next Risk Management, Inc.	Ohio
76 Niederhoffer-Henkel & Company, Inc.	Ohio
77 Norman Barken Associates, Inc.	Ohio
78 Parks Palmer Business Services, Inc.	Ohio
79 PDA Business Services, Inc.	Ohio
80 Philip-Rae Business Services, Inc.	Ohio
81 Riggleman, Smyth & Associates Business Services, Inc.	Ohio
82 Rootberg Business Services, Inc.	Ohio
83 Ross Gordon & Associates, Inc.	California
84 RRSS & Company Business Services, Inc.	Ohio
85 RS & A Business Services, Inc.	Colorado
86 S & B Business Services, Inc.	Ohio
87 S & S Business Services, Inc.	Ohio
88 Shilling & Kenyon/SK Consulting, Inc.	Ohio
89 SK&B Business Services, Inc.	Ohio
90 SKB Business Services, Inc.	Ohio
91 SLW Business Services, Inc.	Ohio
92 SMR & Co. Business Services	Ohio
93 Southern Ohio Benefits Agency, Inc.	Ohio
94 SR Business Services, Inc.	Ohio

SUBSIDIARY COMPANIES OF  
CENTURY BUSINESS SERVICES, INC.  
AS OF 12/31/00

COMPANY NAME	STATE OF INCORPORATION
95 SRTDA Business Services, Inc.	Ohio
96 St. James General Agency Inc.	Texas
97 Sustman Business Services, Inc.	Texas
98 TBG Investment Advisors Agency, Inc.	Ohio
99 Trilogy Associates, Inc.	Ohio
100 Tri-Tek Business Services, Inc.	Ohio
101 Varney Business Services, Inc.	Ohio
102 Vine Street Partners, Inc.	Illinois
103 WC & M Business Services, Inc.	Ohio
104 The Weiss Group, Inc.	Ohio

## CONSENT OF INDEPENDENT AUDITORS

The Board of Directors  
Century Business Services, Inc.:

We consent to incorporation by reference in the Registration Statements Nos. 333-35049, 333-74647 and 333-98382 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 March 6, 2001, except as to paragraph 1 of note 18, which is as of March 30, 2001, relating to the consolidated balance sheets of Century Business Services, Inc. and Subsidiaries as of December 31, 2000 and 1999, 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, 2000, and related schedules, which report appears in the December 31, 2000, annual report on Form 10-K of Century Business Services, Inc. and Subsidiaries.

/s/ KPMG LLP

Cleveland, Ohio  
March 30, 2001