

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

FORM 10-K

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

For the fiscal year ended December 31, 2004 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.)

6050 OAK TREE BOULEVARD, SOUTH
SUITE 500
CLEVELAND, OHIO

44131

(Address of Principal Executive Offices)

(Zip Code)

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

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
COMMON STOCK, PAR VALUE \$0.01
(TITLE OF CLASS)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the proceeding 12 months, and (2) has been subject to such filing
requirements for the past 90 days. Yes 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.

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of
the registrant was approximately \$339.1 million as of June 30, 2004. The number
of outstanding shares of the registrant's common stock is 75,873,931 as of
February 28, 2005.

DOCUMENTS INCORPORATED BY REFERENCE

Part III Portions of the Registrant's Definitive Proxy Statement relative to
the 2005 Annual Meeting of Stockholders.

CENTURY BUSINESS SERVICES, INC.

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

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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 business services to businesses of various sizes, as well as individuals, governmental entities and not-for-profit enterprises throughout the United States and Toronto, Canada. CBIZ delivers integrated services through the following three practice groups:

- Accounting, Tax and Advisory;
- Benefits and Insurance; and
- National Practices.

CBIZ provides services through 69 reporting business units with more than 140 offices located in 34 states, the District of Columbia, and Toronto, Canada. Included in this total, and managed within the National Practices group, is the Company's medical practice management business unit which has 76 offices.

CBIZ's goal is to be the leading provider of business services within its target markets by providing clients with a broad range of high-quality products and services while expanding locally through internal growth, acquisitions and cross-serving. CBIZ built its professional services business through acquiring accounting, benefits, valuation and other service firms throughout the United States, and has been established as a national provider over the last several years. During 2004, CBIZ acquired four businesses that enhance our technology, benefits and insurance and accounting and tax services in our existing markets. Our intention is to continue to selectively acquire businesses with complementary services in target markets.

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

CBIZ'S PRINCIPAL EXECUTIVE OFFICE IS LOCATED AT 6050 OAK TREE BOULEVARD, SOUTH, SUITE 500, CLEVELAND, OHIO 44131, AND OUR TELEPHONE NUMBER IS (216) 447-9000.

BUSINESS STRATEGY

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

- offering a wide array of infrastructure support services;
- cross-serving these services to our existing customer base;
- attracting new customers with our diverse business services offerings;
- leveraging our practice area expertise across all our businesses; and
- developing our core service offerings in target markets through selective acquisitions.

Providing a range of business services to a client results in advantages for both the client and for CBIZ. Working with one provider for several tasks saves the client the time of having to coordinate with multiple vendors. For example, the employee data used to process payroll can also be used by a CBIZ health and welfare insurance agent and benefits consultant to provide appropriate benefits package to a client's employee base. In addition, the relationship our accounting and tax advisors have with their clients allows us to identify financial planning, wealth management, and other business opportunities. The ability to combine several services and offer them through one trusted provider distinguishes CBIZ from other service providers.

CBIZ is looking to strengthen our operations and customer service capabilities by making selective acquisitions in markets where we currently operate and where the prospects are favorable to increase our market share and become a significant provider of a comprehensive range of business services. CBIZ's strategy is to acquire companies that generally:

- have a strong potential for cross-serving to CBIZ's clients;
- can integrate quickly with existing CBIZ operations;
- have strong and energetic leadership;
- are accretive to earnings; and
- help enhance the core CBIZ service offering in a geographical market.

In accordance with our strategy to deliver services to clients locally and to promote cross-serving between our various service groups, CBIZ consolidates office locations wherever practical. Since 2000, CBIZ consolidated offices in Atlanta, Boca Raton, Chicago, Cleveland, Columbus, Dallas, Denver, Kansas City, Los Angeles, Minneapolis, Orlando, Philadelphia, Salt Lake City, San Jose and St. Louis. CBIZ will continue to combine offices, with consolidations planned in the Denver, Atlanta, and San Diego markets in 2005. As further consolidations occur, the Company may incur additional costs associated with these consolidations.

BUSINESS SERVICES

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

Accounting, Tax and Advisory. The business units that comprise CBIZ's Accounting, Tax and Advisory (ATA) group offer services in the following areas: federal, state and local tax return preparation, planning and consulting for individuals, corporations, partnerships, estates and trusts; strategic planning; consulting; record-keeping and financial statement preparation; tax planning based on financial and investment alternatives; tax structuring of business transactions such as mergers and acquisitions; quarterly and year-end payroll tax reporting; outsourced chief financial officer services and other financial staffing services; financial investment analysis; succession, retirement, and estate planning; cash flow management; profitability, operational and efficiency enhancement consulting to a number of specialized industries; litigation support services; internal audit services and Sarbanes-Oxley consulting and compliance services.

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

Under these ASAs, CBIZ provides a range of services to the CPA firms, including (but not limited to): administrative functions such as office, bookkeeping, and accounting; preparing marketing and promotion materials; providing office space, computer equipment, and systems support; and leasing administrative and professional staff. Services are performed in exchange for a fee. Fees earned by CBIZ under the ASAs are recorded as revenue in the accompanying consolidated statements of operations and amounted to approximately \$46.3 million and \$39.8 million for the years ended December 31, 2004 and 2003, respectively, a majority of which is related to services rendered to privately-held clients. In the event that accounts receivable and unbilled

work in process become uncollectible by the CPA firms, the service fee due to CBIZ is reduced on a pro-rata basis.

With respect to CPA firm clients that are required to file audited financial statements with the SEC, the SEC staff views CBIZ and the CPA firms with which we have contractual relationships as a single entity in applying independence rules established by the accountancy regulators and the SEC. Accordingly, we do not hold any financial interest in an SEC-reporting attest client of an associated CPA firm, enter into any business relationship with an SEC-reporting attest client that the CPA firm performing an audit could not maintain, or sell any non-audit services to an SEC-reporting attest client that the CPA firm performing an audit could not maintain, under the auditor independence limitations set out in the Sarbanes-Oxley Act of 2002 and other professional accountancy independence standards. Applicable professional standards generally permit the ATA practice group to provide additional services to privately-held companies, in addition to those services which may be provided to SEC-reporting attest clients of an associated CPA firm. CBIZ and the CPA firms with which we are associated have implemented policies and procedures designed to enable us to maintain independence and freedom from conflicts of interest in accordance with applicable standards. Given the pre-existing limits set by CBIZ on its relationships with SEC-reporting attest clients of associated CPA firms, and the limited number and size of such clients, the imposition of Sarbanes-Oxley Act independence limitations did not and is not expected to materially affect CBIZ revenues.

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

At December 31, 2004, CBIZ maintained administrative service agreements with 16 CPA firms, which has decreased from 41 during 2002. Most of the members and/or shareholders of the CPA firms are also CBIZ employees, and CBIZ renders services to the CPA firms as an independent contractor. The number of firms with which CBIZ maintains administrative service agreements decreased when a majority of the partners of CPA firms with whom we previously maintained ASAs joined Mayer Hoffman McCann, P.C. (MHM P.C.) an independent national CPA firm headquartered in Kansas City, Kansas. MHM P.C. has 178 shareholders, a vast majority of which are also employees of CBIZ. MHM maintains a six member Board of Directors. There are no board members of MHM P.C. who hold senior officer positions at CBIZ. CBIZ's association with MHM P.C. offers clients access to the multi-state resources and expertise of a national CPA firm. The advantage to CBIZ of these consolidations is a reduction in the number of different firms with which we maintain ASAs.

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

CBIZ's ATA practice is divided into four regions, representing the East, Midwest, Great Lakes, and West regions of the United States. Each of these regions is headed by a designated regional director, all of whom report to the Senior Vice President, Accounting, Tax and Advisory Services. The Accounting, Tax and Advisory group contributed approximately \$209.1 million of revenue, representing approximately 40.2% of CBIZ's annual revenue in 2004.

Benefits & Insurance Services. The business units that comprise CBIZ's Benefits & Insurance group are organized by the following two groups: Retail and National Services. The Retail group is divided into three geographical regions representing the East, Central, and West regions of the United States. Each of the retail operations provides a broad range of primarily commercial employee benefit and property and casualty insurance

services within their geographic area. Specific services include: consulting and brokerage of group health and welfare plans (group health, dental, vision, life and disability programs); the design, implementation and administration of qualified retirement plans, such as profit-sharing plans (including 401-k plans), defined benefit plans, and money purchase plans; actuarial services for health and welfare plans and qualified retirement plans; COBRA and Section 125 plan administration and voluntary insurance programs for employees; communications services to educate employees about their benefit programs; executive benefits consulting on non-qualified retirement plans; and business continuation plans. In addition, the Benefits & Insurance Services group provides some personal lines brokerage for property and casualty and individual life and health insurance.

The National Services group is comprised of several specialty operations that provide unique services on a national scale. The services include: specialty high-risk life insurance and clinical underwriting; employee benefit worksite marketing; wholesale insurance brokerage services; bank-owned executive life insurance; and wealth management services, including registered investment advisory services, investment policy statements; mutual fund selections; and ongoing mutual fund monitoring.

CBIZ's Benefits and Insurance group also provides an on-line enrollment service, CBIZolutions that in concert with our payroll services, enables employers and employees of a client to access information such as health and welfare benefits, retirement fund balances and payroll information; enroll for benefit plans; and access certain human resource documents like employee handbooks and policies.

CBIZ's Benefits and Insurance Services group maintains relationships with some but not all insurance carriers. Some of these carriers have compensation arrangements with CBIZ whereby some portion of payments due may be contingent upon meeting certain performance goals. These compensation arrangements are provided to CBIZ as a result of our performance and expertise by which products and services are provided to the client and may result in enhancing CBIZ's ability to access certain insurance markets and services on behalf of CBIZ clients. The aggregate of these payments received in 2004 was less than 2.0% of consolidated CBIZ revenues.

During 2004, state insurance regulators have conducted inquiries to clarify the nature of compensation arrangements within the insurance brokerage industry. To date, CBIZ, along with other major insurance brokerage operations, has received several requests for information regarding our compensation arrangements related to these practices from such authorities. CBIZ has discussed the nature of these inquiries and compensation arrangements with each of the major insurance carriers with whom we have established these arrangements, and we believe that our arrangements are appropriate and that any changes to compensation arrangements in the future will have minimal impact on CBIZ, barring future regulatory action. Future regulatory action may limit or eliminate our ability to enhance revenue through all current compensation arrangements, and may result in a diminution of future revenue from these sources.

CBIZ's Benefits & Insurance Services group operates under one Senior Vice President, who oversees the three retail regions and their respective regional directors, as well as each of the National Services companies.

The Benefits & Insurance group has grown in recent years due to acquisitions, the expansion of our client base, and in part due to rising healthcare costs which positively impacted the group benefits business and increased demand for benefits consulting. In addition, the life insurance product line, including executive compensation, bank compensation plans and individual life sales, has also prospered due to continued favorable tax treatment and estate planning concerns among the general public. CBIZ expects growth to continue in the benefits and insurance group based on our intention to aggressively pursue appropriate acquisitions, continue to provide superior consulting and brokerage services for our commercial clients, increase our sales staff in select markets, and seek cross-serving opportunities within CBIZ to garner new business and grow market share and strengthen existing client relationships in order to promote retention.

The Benefits & Insurance group contributed approximately \$152.2 million of revenue, or 29.3% of CBIZ's annual revenue, in 2004.

National Practices. The business units that comprise CBIZ's National Practices group offer services in the following areas: payroll processing and administration; valuation services including financial valuations, tangible and intangible asset valuations and litigation support services; property tax consulting, compliance and administrative services; mergers and acquisitions

services; health care consulting; government relations; and

information technology consulting, including strategic technology planning, project management, development, network design and implementation, software selection and implementation and telephony. CBIZ's medical practice management business, CBIZ Medical Management Professionals (CBIZ MMP), is managed within the National Practices group and is described below.

The business units within the National Practices group report to CBIZ's President and Chief Operating Officer.

The National Practices group contributed approximately \$158.7 million of revenue, or 30.5% of CBIZ's annual revenue, in 2004. Included in the results of the National Practices group are those of CBIZ MMP, which contributed approximately \$87.3 million of revenue, or 16.8% of CBIZ's annual revenue, in 2004.

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

SALES AND MARKETING

CBIZ's key competitive factors in attracting and retaining clients include our:

- long-term established relationships;
- industry and technical expertise of our professional staff;
- strong local and regional presence;
- ability to match client requirements with available services;
- ability to offer a number of services from one provider; and
- ability to offer services at competitive rates.

CBIZ believes that by combining a local entrepreneurial marketing strategy with the resources of a nationally branded company, we will be able to significantly increase our market penetration. CBIZ expects that we can cross-serve new products and services to existing clients who do not currently utilize all of the services CBIZ offers.

CBIZ's primary marketing strategy is to deepen our relationships with clients by providing them with additional CBIZ services that would be in the best interest of their business. CBIZ refers to this strategy of penetrating our existing client base as cross-serving. Because cross-serving is most effective when it makes outsourcing more convenient for the client, the location of the service provider is a key consideration. This requires marketing functions to be carried out on a geographic basis. Using major metropolitan areas as our marketing focal points, CBIZ, under the direction of a Senior Vice President of National Marketing, has developed marketing plans that consider the needs of all CBIZ business units in a common local area. While each business unit continues to be individually responsible for executing a marketing plan and is accountable for its own performance, marketing planning and resources are coordinated nationally. These resources include print and radio advertisements, printed material such as brochures and stationery, and CBIZ-branded merchandise for trade shows and other client-oriented events. CBIZ continues to be focused on creating business development tools and programs on a national level that can be easily customized for use at the local level. Additionally, CBIZ has developed a centralized client database, CNECT, which is now being utilized by a majority of our locations. CNECT supports marketing and distribution efforts such as improved client service, new business development

and product development. New clients are generated primarily through local networking, referrals from existing clients, and targeted new business efforts.

CUSTOMERS

CBIZ provides professional business services to approximately 80,000 clients. CBIZ's clients prefer to focus their resources on operational competencies while outsourcing non-core administrative functions to CBIZ. Outsourcing administrative functions allows clients to enhance productivity, reduce costs and improve service, quality and efficiency by focusing on their core business. Depending on a client's size and capabilities, it may choose to utilize some or many of CBIZ's broad array of services, which it typically accesses initially through its original CBIZ representative.

CBIZ's clients come from a large variety of industries and markets, and no single client individually comprises more than 3.0% of our total consolidated revenue. Edward Jones, a financial services firm and client of CBIZ Network Solutions for electronic networking and information services, is our largest client and contributed approximately 2.7% of CBIZ's consolidated revenue in 2004.

Management believes that such diversity helps insulate CBIZ from a downturn in a particular industry. Nevertheless, economic conditions among selected clients and groups of clients may have an impact on the demand for such services.

COMPETITION

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

ACQUISITIONS AND DIVESTITURES

CBIZ seeks to strengthen its operations and customer service capabilities by making acquisitions in markets where it currently operates and where the prospects are favorable to increase its market share and become a more significant provider of a comprehensive range of business services. During 2004, CBIZ acquired benefits and brokerage firms in Owing Mills, MD, and Chicago, IL, a technology firm in Cleveland, OH and an accounting firm in Denver, CO. CBIZ will continue to actively seek acquisitions in the future.

In 2004, CBIZ sold or closed five business operations in an effort to rationalize our business by divesting units that were either underperforming, located in secondary markets, or did not provide the level of synergistic cross-serving opportunities with other CBIZ businesses that is desired. These divestitures are consistent with CBIZ's plan to focus on metropolitan markets in which we can strengthen our core service offerings. Going forward, CBIZ may, from time to time, recognize additional gains and/or losses on divestitures.

REGULATION

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

CBIZ itself is subject to industry regulation and changes, including changes in laws, regulations, and codes of ethics governing its accounting, insurance, valuation, and broker-dealer operations, as well as in other industries, the interpretation of which may restrict CBIZ's operations. CBIZ is currently in compliance with laws and regulations that have been recently changed or imposed, and is not aware of any proposed changes that will have a negative impact on CBIZ's operations, or our ability to comply with such existing or proposed regulations.

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

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

LIABILITY INSURANCE

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

EMPLOYEES

At December 31, 2004, CBIZ employed approximately 4,900 employees, approximately half of whom hold professional certifications or degrees. CBIZ believes that it has a good relationship with its employees. CBIZ realizes that as a professional services company that differentiates itself from competitors through the quality and diversity of our service offerings, the Company's employees are our most important asset. Accordingly, CBIZ strives to remain competitive as an employer while increasing the capabilities and performance of our employees.

SEASONALITY

A disproportionately large amount of CBIZ's revenue occurs in the first half of the year. This is due primarily to our accounting and tax practice, which is subject to seasonality related to heavy volume in the first four months of the year. CBIZ's ATA group generated approximately 43% of its revenue in the first four months of 2004. Like most professional service companies, most of CBIZ's operating costs are fixed, resulting in higher operating margins in the first half of the year.

PROPERTIES

CBIZ's corporate headquarters is located at 6050 Oak Tree Boulevard, South, Suite 500, Cleveland, Ohio 44131, in leased premises. Some of CBIZ's property and equipment are subject to liens securing payment of indebtedness of CBIZ and its subsidiaries. CBIZ and its subsidiaries lease more than 140 offices in 34 states, the District of Columbia and one in Toronto, Canada, as well as office equipment and company vehicles. As CBIZ continues to consolidate and rationalize its operations, we expect to reduce the number of leases we currently hold. CBIZ believes that our current facilities are sufficient for our needs.

OTHER INFORMATION

Our website is located at <http://www.cbiz.com>. CBIZ makes available, free of charge on its website, through the Investor Information page, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to all those reports as soon as reasonably practicable after CBIZ files (or furnishes) such reports with the U.S. Securities and Exchange Commission. In addition, our corporate code of conduct and ethics and the charters of the Audit Committee, the Compensation Committee and the Nominating

and Governance Committee of the Board of Directors are available on the Investor Relations page of CBIZ's website, referenced above, and in print to any shareholder who requests them.

UNCERTAINTY OF FORWARD-LOOKING STATEMENTS

This Annual Report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this Annual Report, including without limitation, "Business and Properties" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding CBIZ's financial position, business strategy and plans and objectives for future performance are forward-looking statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Forward-looking statements are commonly identified by the use of such terms and phrases as "intends," "believes," "estimates," "expects," "projects," "anticipates," "foreseeable future," "seeks," and words or phrases of similar import in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated services, sales efforts, expenses, and financial results. From time to time, we also may provide oral or written forward-looking statements in other materials we release to the public. Any or all of our forward-looking statements in this 10-K, in the 2004 Annual Report and in any other public statements that we make, are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Such forward-looking statements can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Many factors mentioned in the discussion below will be important in determining future results. Consequently, no forward-looking statement can be guaranteed. Our actual future results may vary materially.

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

FACTORS THAT MAY EFFECT FUTURE RESULTS

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

A REVERSAL OF OR DECLINE IN THE CURRENT TREND OF OUTSOURCING BUSINESS SERVICES MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

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

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

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

factors could cause our quarterly results to be lower than expectations of securities analysts, which could result in a decline in the price of our common stock.

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

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

WE ARE DEPENDENT ON THE SERVICES OF OUR EXECUTIVE OFFICERS AND OTHER KEY EMPLOYEES, THE LOSS OF ANY OF WHOM MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

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

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

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

Under these ASAs, CBIZ provides a range of services to the CPA firms, including (but not limited to): administrative functions such as office, bookkeeping, and accounting; preparing marketing and promotion materials; providing office space, computer equipment, and systems support; and leasing administrative and professional staff. Services are performed in exchange for a fee. Fees earned by CBIZ under the ASAs are recorded as revenue in the accompanying consolidated statements of operations. In the event that accounts receivable and unbilled work in process become uncollectible by the CPA firms, the service fee due to CBIZ is reduced on a pro-rata basis.

With respect to CPA firm clients that are required to file audited financial statements with the SEC, the SEC staff views CBIZ and the CPA firms with which we have contractual relationships as a single entity in applying independence rules established by the accountancy regulators and the SEC. Accordingly, we do not hold any financial interest in an SEC-reporting attest client of an associated CPA firm, enter into any business relationship with an SEC-reporting attest client that the CPA firm performing an audit could not maintain, or sell any non-

audit services to an SEC-reporting attest client that the CPA firm performing an audit could not maintain, under the auditor independence limitations set out in the Sarbanes-Oxley Act of 2002 and other professional accountancy independence standards. Applicable professional standards generally permit the ATA practice group to provide additional services to privately-held companies, in addition to those services which may be provided to SEC-reporting attest clients of an associated CPA firm. CBIZ and the CPA firms with which we are associated have implemented policies and procedures designed to enable us to maintain independence and freedom from conflicts of interest in accordance with applicable standards. Given the pre-existing limits set by CBIZ on its relationships with SEC-reporting attest clients of associated CPA firms, and the limited number and size of such clients, the imposition of Sarbanes-Oxley Act independence limitations did not and is not expected to materially affect CBIZ revenues.

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

GOVERNMENTAL REGULATIONS AND INTERPRETATIONS ARE SUBJECT TO CHANGES.

Laws and regulations often result in changes in the amount or the type of business services required by businesses and individuals. We cannot be sure that future laws and regulations will provide the same or similar opportunities for us to provide business consulting and management services to businesses and individuals. Accordingly, CBIZ's ability to continue to operate in some states may depend on our flexibility to modify our operational structure in response to these changes in regulations.

WE ARE SUBJECT TO RISKS RELATING TO PROCESSING CUSTOMER TRANSACTIONS FOR OUR PAYROLL, MEDICAL PRACTICE MANAGEMENT, PROPERTY TAX MANAGEMENT, AND OTHER TRANSACTION PROCESSING BUSINESSES.

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

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

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

WE COULD BE HELD LIABLE FOR ERRORS AND OMISSIONS.

All of our professional business services entail an inherent risk of professional malpractice and other similar claims. Therefore, we maintain errors and omissions insurance coverage. Although we believe that our insurance coverage is adequate, we cannot be certain that actual future claims or related legal expenses would not exceed the coverage amounts. In addition, we cannot be certain that the different insurance carriers which provide errors and omissions coverage for different lines of our business will not dispute their obligation to cover a particular claim. If we have a large claim, or a large number of claims, on our insurance, the rates for such insurance may increase, and amounts expended in defense or settlement of these claims prior to exhaustion of deductible or self-

retention levels may become significant, but contractual arrangements with clients may constrain our ability to incorporate such increases into service fees. Insurance rate increases, disputes by carriers over coverage questions, payments by us within deductible or self-retention limits, as well as any underlying claims or settlement of such claims, could have a material adverse effect on our business, financial condition and results of operations.

OUR PRINCIPAL STOCKHOLDERS MAY HAVE SUBSTANTIAL CONTROL OVER OUR OPERATIONS.

As of February 28, 2005, the stockholders identified below owned the following aggregate amounts and percentages of our common stock, including shares that may be acquired by exercising options:

- approximately 15,250,278 shares, representing 20.1% of all our outstanding common stock, were owned by Michael G. DeGroot;
- approximately 4,617,199 shares, representing 6.1% of all our outstanding common stock, were owned by Cardinal Capital Management LLC;
- approximately 4,209,794 shares, representing 5.5% of all our outstanding common stock, were owned by Dimensional Fund Advisors Inc.;
- approximately 27,362,259 shares, representing 36.1% of all our outstanding common stock, were owned by our executive officers, directors, and the foregoing as a group.

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

WE HAVE SHARES ELIGIBLE FOR FUTURE SALE THAT COULD ADVERSELY AFFECT THE PRICE OF OUR COMMON STOCK.

Future sales or issuances of common stock, or the perception that sales could occur, could adversely affect the market price of our common stock and dilute the percentage ownership held by our stockholders. We have authorized 250 million shares, and have issued and outstanding approximately 76 million shares. More than 47 million of these shares have been issued in connection with acquisitions. As part of many acquisition transactions, the shares were contractually restricted from sale for periods up to two years, most of which expired by the end of 2001. As of February 28, 2005, approximately 260,000 shares of common stock were under lock-up contractual restrictions. We cannot be sure when sales by holders of our stock will occur, how many shares will be sold or the effect that sales may have on the market price of our common stock. As of February 28, 2005, we also have, registered under the Securities Act, 15 million shares of our common stock, nearly all of which remain available to be offered from time to time by us in connection with acquisitions under our acquisition shelf registration statement.

WE ARE RELIANT ON INFORMATION PROCESSING SYSTEMS.

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

WE MAY NOT BE ABLE TO ACQUIRE AND FINANCE ADDITIONAL BUSINESSES WHICH MAY LIMIT OUR ABILITY TO PURSUE OUR BUSINESS STRATEGY.

We made four acquisitions in 2004, and it is our intention to selectively acquire businesses that are complementary in building out our service offerings in our target markets. However, we cannot be certain that we will be able to continue identifying appropriate acquisition candidates and acquire them on satisfactory terms. We cannot assure you that such acquisitions, even if completed, 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. There are certain provisions under our credit facility that may limit our ability to acquire additional businesses. In the event that we are not in compliance with certain covenants as specified in our credit facility, we could be restricted from making acquisitions, restricted from borrowing funds from our credit facility for other uses, or required to pay down the outstanding balance on the line of credit. However, management believes that funds available under the credit facility, along with cash generated from operations, will be sufficient to meet our liquidity needs, including planned acquisition activity, in the foreseeable future. See Note 7 to CBIZ's consolidated financial statements included herewith.

THE BUSINESS SERVICES INDUSTRY IS COMPETITIVE AND FRAGMENTED. IF WE ARE UNABLE TO COMPETE EFFECTIVELY, OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS MAY BE HARMED.

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

ITEM 3. LEGAL PROCEEDINGS

The Company has entered into settlements to resolve the Heritage Bond Litigation, comprised of multiple lawsuits pending in the Central District of California arising from losses sustained by investors in numerous municipal bond offerings between December 1996 and March 1999. In those lawsuits, plaintiffs alleged numerous claims, including mismanagement and misappropriation of funds from the bond offerings, against unrelated parties, including the Heritage Entities and the trustee, U.S. Trust Corp. The Betker Action, CV 02-5752-DT (RCx), includes claims against two entities acquired by the Company, Valuation Counselors Group, Inc. ("VC") and Zelenkofske, Axelrod & Co., Ltd. ("ZA"), for negligent misrepresentation and negligence, and for joint and several liability under California Corporations Code sec. 25504.2 (against VC only). In the Consolidated Class Action, 02-ML-1475-DT (RCx), the Court permitted plaintiffs to substitute CBIZ Valuation Group, Inc. ("CBIZ-VC") in place of VC, and CBIZ Accounting, Tax & Advisory, Inc. ("CBIZ-ZA") in place of ZA, as defendants. In addition, plaintiffs named Century Business Services, Inc. ("CBIZ") itself as a defendant. CBIZ-VC and CBIZ-ZA are subsidiaries of CBIZ. That complaint includes claims against CBIZ, CBIZ-VC and CBIZ-ZA for negligence, and claims against CBIZ-VC and CBIZ-ZA for conspiracy to commit fraud, negligent misrepresentation and intentional misrepresentation. These claims have been pending since 2001 and relate to the provision of valuation and feasibility study services from 1996 through 1999. Management believes that the settlements are fair, reasonable and adequate, and in the best interests of all parties concerned. The settlement of the Consolidated Class Action has been preliminarily approved by the Court, which also entered an order approving notice to the Class. The Class Settlement is conditioned upon, among other things, standard class action opt-out procedures, objections by litigants, the Court's entry of a bar order and final judicial approval of

the settlement by the Court after notice to the class. The settlement of the Betker Action has been approved by the Court and is subject to, among other things, the final entry of a bar order. Additional proceedings may be necessary as a consequence of any opt-out or objection that may occur. The resolution of these matters did not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

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

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

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

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

PRICE RANGE OF COMMON STOCK

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 our Common Stock as reported on the Nasdaq National Market for the periods indicated.

2004	2003	-----		-----		HIGH	LOW
quarter	quarter	-----	-----	-----	-----	-----	-----
						First	
						Second	
						Third	
						Fourth	

On December 31, 2004, the last reported sale price of CBIZ's Common Stock as reported on the Nasdaq National Market (Nasdaq Amex-Online) was \$4.36 per share. As of February 28, 2005, CBIZ had approximately 8,100 holders of record of its common stock, and the last sale of CBIZ's common stock as of that date was \$4.19.

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 has discretion over the payment and level of dividends on common stock. The Board of Directors' decision is based among other things on results of operations and financial condition. In addition, CBIZ's credit facility does not permit CBIZ to declare or make any dividend payments, other than dividend payments made by one of its wholly owned subsidiaries to the parent company. 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.

ISSUER PURCHASES OF EQUITY SECURITIES

On March 3, 2004, the Board of Directors authorized a share repurchase of up to 8.5 million shares of CBIZ common stock. A supplement to the plan was approved by the Board of Directors on May 27, 2004, authorizing CBIZ to purchase an additional 2.0 million shares of CBIZ common stock, for a total of 10.5 million shares. These plans expired on December 31, 2004, and subsequently on February 10, 2005, the Board of Directors authorized the purchase of up to 5.0 million shares of CBIZ common stock during 2005. Stock repurchase activity during the year ended December 31, 2004 is summarized in the table below (in thousands, except per share data).

ISSUER PURCHASES OF EQUITY SECURITIES

MAXIMUM TOTAL NUMBER OF TOTAL OF SHARES THAT NUMBER AVERAGE PURCHASED AS MAY YET BE OF SHARES PRICE PAID PART OF PUBLICLY PURCHASED PERIOD PURCHASED PER SHARE (1) ANNOUNCED PLAN UNDER THE PLAN - -----	NUMBER OF SHARES PURCHASED AS OF SHARES PRICE PUBLICLY PER PLAN UNDER -----	NUMBER OF SHARES PURCHASED AS OF SHARES PRICE PUBLICLY PER PLAN UNDER -----
----- January 1 - September 30, 2004 Tender offer.....	7,500	\$5.04 7,500 3,000 Open market
purchases(3).....	1,757	\$4.25 1,757 1,243 -----
- Total through September 30, 2004.....	9,257	\$4.89 9,257
October 1 - October 31, 2004(2),(3)...	135	\$4.63 135 1,108
November 1 - November 30, 2004(2), (3).....	476	\$4.42 476 632
December 1 - December 31, 2004(2), (3).....	556	\$4.33 556 76 -----
Total fourth quarter purchases.....	1,167	\$4.40 1,167 -----
Total purchases during the year ended December 31, 2004.....	10,424	\$4.84 10,424 =====

-
- (1) Average price paid per share includes fees and commissions.
 - (2) Open market purchases.
 - (3) The Company utilized a Rule 10b5-1 trading plan to allow for repurchases by the Company during periods when it would not normally be active in the trading market due to regulatory restrictions. Under the Rule 10b5-1 trading plan, the Company was unable to repurchase shares above a pre-determined price per share. Additionally, the maximum number of shares purchased by the Company each day was governed by Rule 10b-18.

ITEM 6. SELECTED FINANCIAL DATA

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

YEAR ENDED DECEMBER 31, -----	-----	-----	-----	-----	-----
2004	2003	(3) 2002	(3) 2001	(3) 2000	(3)
-----	-----	-----	-----	-----	-----
----- (IN THOUSANDS, EXCEPT PER SHARE DATA) STATEMENT OF OPERATIONS DATA:					
Revenue.....	\$520,057	\$506,782	\$492,955	\$502,639	\$
538,513 Operating					
expenses.....	441,652	434,389	433,659	478,333	-----

----- Gross					
margin.....	60,700	65,130	58,566	68,980	60,180
Corporate general and administrative					
expense.....	24,773	19,518	19,177	20,343	28,855
Depreciation and amortization					
expense.....	16,428	17,089	20,361	40,348	44,764

----- Operating income					
(loss).....	19,028	8,289	(13,439)	19,499	28,523
Other income					
(expense): Interest					
expense.....	(1,055)	(2,477)	(6,797)	(12,088)	(1,507)
Goodwill					
impairment.....	(32,953)				
Gain (loss) on sale of					
operations,					
net.....	2,519	930	(7,113)	(31,576)	996
Other income					
(expense), net.....	(1,567)	4,403	(1,634)	3,554	(1,209)

----- Total other					
income (expense).....	(3,114)	(9,507)	(78,251)	3,043	255
Income (loss)					
from continuing operations before income					
tax expense.....	15,914	8,154	12,097	869	-----
Income tax					
expense.....	12,495	8,154	12,097	869	-----

----- Income (loss)					
from continuing					
operations.....	16,851	16,283	7,760	(13,315)	(92,559)
Loss from operations of discontinued					
businesses, net of tax.....	(932)	(1,693)	(2,130)	(2,685)	(15,915)
Gain (loss) on disposal of discontinued					
businesses, net of tax.....	132	726	(2,471)	--	(5,697)
Cumulative					
effect of change in accounting principle,					
net of tax.....	(80,007)	--	(11,905)	-----	--

----- Net income					
(loss).....	\$ 15,316	\$ (76,848)	\$ (16,000)	\$ (126,076)	
=====					
===== Basic weighted average common					
shares.....	79,217	90,400	94,810	94,818	94,818
Diluted weighted average common					
shares(2).....	81,477	92,762	96,992	94,818	94,674
Basic					
earnings (loss) per share: Continuing					
operations.....	\$ 0.21	\$ 0.18	\$ 0.08	\$ (0.14)	\$ (0.98)
Discontinued operations.....	(0.01)	(0.01)	(0.05)	(0.03)	(0.22)

Cumulative effect of accounting				
change.....	--	(0.84)	--	(0.13)
----- Net income				
(loss).....		\$ 0.20		\$
0.17	\$	(0.81)	\$	(0.17)
			\$	(1.33)
=====				
Diluted earnings (loss) per share:				
Continuing operations.....		\$ 0.21	\$ 0.18	\$ 0.08
			\$	(0.14)
			\$	(0.98)
Discontinued operations.....		(0.01)	(0.01)	(0.05)
			(0.03)	(0.22)
Cumulative effect of accounting				
change.....	--	(0.82)	--	(0.13)
----- Net income				
(loss).....		\$ 0.20		\$
0.17	\$	(0.79)	\$	(0.17)
			\$	(1.33)
=====				
OTHER DATA: Total				
assets.....		\$413,773	\$402,145	\$433,111
			\$528,349	\$
		649,494	Long-term	
debt.....		\$ 14,985	\$ 18,084	\$ 55,888
			\$	118,655
			Total	
liabilities.....		\$167,276	\$124,307	\$138,793
			\$157,702	\$
		262,556	Total stockholders'	
equity.....		\$246,497	\$277,838	
\$294,318	\$370,647	\$ 386,938	PRO FORMA NET	
INCOME(1): Net income (loss) from				
continuing				
operations.....		\$ 16,851	\$ 16,283	\$ 7,760
			\$ 7,234	\$
		(65,135)	Basic earnings (loss) per	
share.....		\$ 0.21	\$ 0.18	\$ 0.08
0.08	\$	(0.69)	Diluted earnings (loss) per	
share(2).....		\$ 0.21	\$ 0.18	\$ 0.08
		0.08	\$	(0.69)

-
- (1) Pro forma net income (loss) represents income from continuing operations assuming the change in accounting principle for Financial Accounting Standards Board (SFAS) No. 142, adopted January 1, 2002, was applied retroactively, net of taxes, for all periods presented.
 - (2) Pro forma diluted weighted average common shares for 2001 are 96,442, as the effect of the incremental shares are not anti-dilutive on a pro forma basis.
 - (3) Certain amounts have been reclassified to conform to the current year presentation.

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

The following discussion is intended to assist in the understanding of CBIZ's financial position at December 31, 2004 and 2003, and results of operations and cash flows for each of the years ended December 31, 2004, 2003 and 2002. This discussion should be read in conjunction with CBIZ's consolidated financial statements and notes thereto included elsewhere in this Annual Report.

OVERVIEW

CBIZ provides professional business services to businesses of various sizes, as well as individuals, governmental entities and not-for-profit enterprises throughout the United States (see further description under Items 1 and 2 "Business and Properties"). The substantial portion of our revenue is derived from professional service activities provided for our clients, and our revenue is driven by our ability to generate new opportunities, by the prices we obtain for our service offerings and by the utilization of our professional workforce.

CBIZ seeks to strengthen its operations and customer service capabilities by making acquisitions in markets where it currently operates and where the prospects are favorable to increase its market share and become a more significant provider of a comprehensive range of business services. During 2004, CBIZ acquired benefits and brokerage firms in Owing Mills, MD, and Chicago, IL, a technology firm in Cleveland, OH and an accounting firm in Denver, CO. CBIZ will continue to actively seek acquisitions under the same strategy earlier described.

As part of its strategy to promote and strengthen cross-serving, CBIZ has continued its program of consolidating and co-locating fragmented markets. This program is expected to continue in 2005, specifically in the Denver, Atlanta and San Diego markets. CBIZ also plans to continue consolidation activities that have been initiated in the Chicago market.

CBIZ continually evaluates its business operations, and may from time to time sell or close operations that are underperforming, located in secondary markets, or do not provide the level of synergistic cross-serving opportunities with other CBIZ businesses that is desired. During 2004, CBIZ sold or closed five business operations in an effort to rationalize our business by divesting units that were either underperforming, located in secondary markets, or did not provide the level of synergistic cross-serving opportunities with other CBIZ businesses that is desired. These divestitures are consistent with CBIZ's plan to focus on metropolitan markets in which we can strengthen our core service offerings. Going forward, CBIZ may, from time to time, recognize additional gains and/or losses on divestitures.

CBIZ believes that repurchasing shares of its common stock is a use of cash that provides value to stockholders, and accordingly completed a tender offer in April 2004. The tender offer resulted in the purchase of approximately 7.5 million shares of common stock at a purchase price of \$5.00 per share, or a total cost (including expenses) of approximately \$37.8 million. In addition, CBIZ completed open market repurchases of approximately 2.9 million shares at a cost of approximately \$12.6 million during the year ended December 31, 2004. The credit facility and net cash provided by CBIZ operations were utilized to fund the share repurchases. On February 10, 2005, the Board of Directors authorized the purchase of up to 5.0 million shares of CBIZ common stock during 2005. The shares may be repurchased in the open market or through privately negotiated purchases.

Effective August 9, 2004, CBIZ completed a modification of its credit facility. The new facility has a total commitment amount of \$100.0 million, and expires August 2009. The modified credit facility is discussed in further detail in the notes to the accompanying consolidated financial statements.

RESULTS OF OPERATIONS -- CONTINUING OPERATIONS

COMPARISON OF YEAR ENDED DECEMBER 31, 2004 TO YEAR ENDED DECEMBER 31, 2003

Operating Practice Groups

CBIZ currently delivers products and services through three practice groups. A brief description of these groups' operating results and factors affecting their businesses is provided below. The services offered under each of these groups are described in Part I of this report.

Same-unit revenue represents total revenue adjusted to reflect comparable periods of activity for acquisitions and divestitures. For example, for an operation divested on July 1, 2004, revenue from the periods July 1 through December 31, 2003 are reported as revenue from divested operations; thus, same-unit revenue includes revenue for the periods January 1 through June 30 of both years. Revenue from divested operations represents operations that did not meet the criteria for treatment as discontinued businesses.

Accounting, Tax and Advisory Services.

2004	2003	CHANGE	-----	-----	-----
(DOLLARS IN THOUSANDS) Revenue Same-					
unit.....					
\$203,604	\$197,216	\$6,388	Acquired		
businesses.....					
5,473	--	5,473	Divested		
operations.....					
2,396	(2,396)				Total
revenue.....					
\$209,077	\$199,612	\$9,465	Percent of total CBIZ		
revenue.....			40.2%	39.4%	
Operating					
expenses.....					
180,282	174,452	5,830			
Gross					
margin.....					
\$ 28,795	\$ 25,160	\$3,635	=====	=====	
===== Gross margin					
percent.....					13.8%
	12.6%	1.2%			

Same-unit revenue for the twelve months ended December 31, 2004 increased by \$6.4 million or 3.2% from the twelve months ended December 31, 2003. The growth experienced for same-unit revenue was primarily due to an increase in the aggregate number of hours charged to clients for litigation support and Sarbanes-Oxley consulting services, combined with modest price increases for traditional accounting and tax services.

The growth in revenue from acquisitions was primarily from Sarbanes-Oxley consulting services provided by CBIZ HarborView, which was acquired in September 2003, as well as accounting services provided by the acquisitions of firms in Denver, Colorado, and Orange County, California. Divested operations represent several smaller units that did not provide opportunity for growth and cross-serving capabilities.

The largest components of operating expenses for the ATA group are personnel costs, occupancy costs and professional service fees paid to third parties, representing 88.1% and 87.3% of total operating expenses for the years ended December 31, 2004 and 2003, respectively. Personnel costs increased \$3.1 million primarily due to increases in staff to accommodate the revenue growth, as well as annual increases in compensation rates. As a percentage of revenue, personnel costs were 66.6% and 68.2% for the years ended December 31, 2004 and 2003, respectively. Occupancy costs, which are generally fixed in nature, were 7.1% and 7.3% of revenue for the years ended December 31, 2004 and 2003, respectively. Professional service fees paid to third parties increased \$3.3 million to 2.3% percent of revenue for the year ended December 31, 2004 from 0.8% for the same period a year ago, as the result of outsourced professional services utilized primarily at two business units; one unit that delivers services requiring specialization in state agency compliance and CBIZ HarborView that delivers Sarbanes-Oxley consulting services.

Gross margin has improved by 1.2% for the twelve months ended December 31, 2004, primarily due to growth in Sarbanes-Oxley consulting services, as well as modest increases in hourly billing rates. CBIZ expects Sarbanes-Oxley consulting to continue to be strong, and also expects modest increases in hourly billing rates in 2005 for traditional accounting and tax services. While the accounting industry is experiencing growth and increases in billing rates, the industry is also experiencing pricing pressures on compensation, as firms compete for qualified candidates in the market to support the revenue growth. Due to these pricing pressures on compensation, CBIZ expects modest improvement in gross margin in 2005.

Benefits & Insurance Services.

2004	2003	CHANGE	-----	-----	-----
(DOLLARS IN THOUSANDS) Revenue Same-					
unit.....					
\$150,078	\$156,640	\$ (6,562)	Acquired		
businesses.....					
2,162	-- 2,162	Divested			
operations.....			--		
5,455	(5,455)		-----	-----	Total
revenue.....					
\$152,240	\$162,095	\$ (9,855)	Percent of total		
CBIZ revenue.....			29.3%		
32.0%	Operating				
expenses.....					
128,691	128,407	284	-----		
	Gross				
margin.....					
\$ 23,549	\$ 33,688	\$(10,139)	=====	=====	
	=====	Gross margin			
percent.....			15.5%		
	20.8%	(5.3%)			

On a same-unit basis, the Benefits & Insurance (B&I) group experienced a decrease in revenue of \$6.6 million, or 4.2% for the twelve months ended December 31, 2004 compared to a year ago. The decline in revenue is primarily attributable to one national business unit which experienced lower enrollments compared with a year ago, and recorded revenue adjustments resulting from higher policy terminations than originally estimated. This decline was partially offset by the strength of the group health business, which has experienced an increase in the number of policies sold.

The increase in revenue from acquired businesses pertains to business units providing primarily group benefits and property and casualty services in the Chicago, Salt Lake City, and Maryland markets. The decline in revenue from divested operations relates primarily to Health Administration Services, which was sold in May 2003.

The largest components of operating costs for the B&I group are personnel costs, commissions paid to third party brokers, and occupancy costs, representing 84.8% and 83.8% of total operating expenses in 2004 and 2003, respectively. Personnel costs increased as a percentage of revenue to 58.3% from 53.7%, primarily as a result of investments in sales and support personnel intended to promote organic growth during the year, and also due to the year-over-year revenue decline. CBIZ expects the investments in sales personnel to result in margin improvement in future periods, once production levels have been established. Commissions paid to third party brokers have increased to 7.4% of revenue in 2004 from 6.8% in 2003, primarily due to a higher portion of revenue being generated with third party brokers during the current year than a year ago. Occupancy expenses are relatively fixed in nature, but have increased as a percent of revenue to 6.0% for the twelve months ended December 31, 2004, from 5.9% for the comparable period a year ago, primarily due to the decline in revenue previously discussed.

Gross margin has decreased compared to a year ago, primarily as the result of the one national business unit mentioned above. This unit has experienced significant growth over the last three years, which has resulted in system, client service and other operational challenges. CBIZ has allocated resources to support the current level of revenue and future growth, and is in the process of implementing new systems, including a new client service interface. The decline in revenue, combined with higher expenses to support growth in this unit, have resulted in a negative impact on gross margin of approximately \$7.1 million. CBIZ believes that the resources dedicated to improve processes and controls at this insurance unit have positioned the unit for future growth; therefore, CBIZ expects a significant improvement in revenue, and expects the unit to produce a modest profit in 2005. CBIZ expects gross margins for the B&I group to return to historical levels based on the favorable impact on this unit's future results, combined with continued organic growth from its existing retail businesses driven by a continuing increase in group health rates.

National Practices Services. The National Practices group contributed approximately \$158.7 million and \$145.1 million of revenue, or approximately 30.5% and 28.6% of CBIZ's total revenue for the years ended December 31, 2004 and 2003, respectively.

CBIZ Medical Management Professionals (CBIZ MMP)

2004	2003	CHANGE	(DOLLARS IN THOUSANDS)		
unit.....					Revenue Same-
	\$87,261	\$75,785	\$11,476		Acquired
businesses.....					--
		--	--		Divested
operations.....					--
					Total
revenue.....	\$87,261	\$75,785	\$11,476		Percent of total CBIZ
revenue.....				16.8%	15.0%
				Operating	
expenses.....	71,885	61,566	10,319		
				Gross	
margin.....	\$15,376	\$14,219	\$ 1,157	=====	=====
				Gross margin	
percent.....				18.8%	(1.2%)

CBIZ MMP revenue increased by \$11.5 million, or 15.1%, for twelve months ended December 31, 2004 as compared to the twelve months ended December 31, 2003. Approximately \$4.2 million of the growth was attributable to new clients obtained during 2004. The remaining revenue growth was the result of the maturation of clients obtained in 2003 and strong existing client sales.

The largest components of operating expenses for CBIZ MMP are personnel costs, occupancy costs and office expenses (primarily postage), representing 88.9% and 90.0% of total operating expenses for the years ended December 31, 2004 and 2003, respectively. Personnel costs increased by \$7.7 million to 58.9% of revenue for the year ended December 31, 2004, from 57.6% of revenue for the year ended December 31, 2003. This increase was directly related to an increase in the number of client service staff employed by MMP during 2004 versus 2003, required to support the growth in revenue. Additionally, MMP added personnel in compliance and technology to support the current infrastructure and to position the unit for continued growth in the future. Occupancy costs as a percentage of revenue were 6.7% and 7.2%, for the years ended December 31, 2004 and 2003, respectively. Office expenses as a percentage of revenue were 7.6% and 8.3%, for the years ended December 31, 2004 and 2003, respectively.

Gross margin has declined in 2004 from a year ago, primarily as a result of investments made in additional staff to support and facilitate growth. CBIZ expects operating expenses to increase in 2005 based on significant investments to upgrade their operating system to allow for future growth. As a result of these investments, gross margin is expected to remain consistent with 2004; however, gross margin as a percentage of revenue will decline slightly in 2005.

National Practice Services - Other

2004	2003	CHANGE	(DOLLARS IN THOUSANDS)		
unit.....					Revenue Same-
	\$69,609	\$66,844	\$2,765		Acquired
businesses.....					--
		1,870	--		1,870 Divested
operations.....					--
	2,446	(2,446)			Total
revenue.....	\$71,479	\$69,290	\$2,189		Percent of total CBIZ
revenue.....				13.7%	13.6%
				Operating	
expenses.....	65,293	69,516	(4,223)		
				Gross	
margin.....	\$ 6,186	\$ (226)	\$6,412	=====	=====
				Gross margin	
percent.....				8.7%	(0.3%)
					9.0%

On a same-unit basis, the National Practices group, excluding CBIZ MMP, experienced higher revenues of \$2.8 million for the year ended December 31, 2004

as compared to the year ended December 31, 2003.

Approximately \$2.1 million of the same-unit revenue growth was attributable to four transactions that closed during the first six months of 2004 in CBIZ's mergers and acquisition business. The remainder of the increase was primarily from our payroll processing unit and valuation business. The payroll processing unit made investments in their business processes and systems during 2003 to position the unit for growth. These investments, along with the increased client satisfaction (evidenced by lower than anticipated attrition rate), have resulted in favorable revenue results in 2004 as compared to 2003. This increase was offset by lower revenues in CBIZ's technology, health care consulting and property tax businesses in 2004. Revenue from acquired businesses relates to the technology business located in Cleveland, OH, which CBIZ acquired in June 2004. Revenue from divested operations relates to the closure of unprofitable locations in the property tax and technology businesses during 2003.

The largest components of operating expenses for the National Practices Services - Other segment are personnel costs, direct costs and occupancy costs, representing 87.6% and 87.9% of total operating expenses in 2004 and 2003, respectively. Personnel costs decreased by \$3.1 million, and decreased as a percentage of revenue to 63.3% for the year ended December 31, 2004, from 69.8% for the year ended December 31, 2003. The decrease is primarily as a result of reduction of personnel related to the closure of unprofitable locations in the mergers and acquisitions group. Direct costs primarily consist of product costs associated with hardware sales in the technology businesses. These costs have decreased by \$0.5 million, and have decreased as a percentage of revenue to 9.9% for the year ended December 31, 2004, from 11.0% for the year ended December 31, 2003. The decrease is primarily a result of lower product costs at our technology division due to the closure of unprofitable locations during 2003. Occupancy costs are typically fixed in nature and have decreased as a percentage of revenue to 6.8% in 2004 from 7.3% in 2003, primarily as a result of the shutdown of unprofitable facilities in the property tax and technology businesses described above.

The improvement in gross margin for the year ended December 31, 2004 from the year ended December 31, 2003 was realized as the result of closing unprofitable locations in the property tax and technology businesses and discontinuing unprofitable product lines, combined with the four mergers and acquisitions transactions as previously discussed, and improvements and operational efficiencies in the payroll, technology and valuation businesses. Due to the unpredictable nature of the mergers and acquisitions business, CBIZ expects gross margin for 2005 to be in line with 2004 levels.

Revenue

Total revenue for the year ended December 31, 2004 was \$520.1 million as compared to \$506.8 million for the year ended December 31, 2003, representing an increase of \$13.3 million, or 2.6%. The increase in revenue attributable to acquisitions completed subsequent to December 31, 2003 was \$9.5 million, and was offset by a decrease in revenue of \$10.3 million due to divested operations completed subsequent to December 31, 2003. For business units with comparable periods of operations for the years ended December 31, 2004 and 2003, revenue increased \$14.1 million or 2.8%. A more comprehensive analysis of revenue by each operating practice group is discussed above.

Expenses

Operating expenses increased to \$459.4 million for the year ended December 31, 2004, from \$441.7 million for the comparable period in 2003, an increase of \$17.7 million or 4.0%. As a percent of revenue, operating expenses (excluding consolidation and integration charges) were 87.8% and 86.8% for the years ended December 31, 2004 and 2003, respectively. The primary components of operating expenses are personnel costs and occupancy expense, representing 79.9% and 80.1% of total operating expenses and 70.6% and 69.8% of revenue for the years ended December 31, 2004 and 2003, respectively. A more comprehensive analysis of operating expenses (excluding consolidation and integration charges) and their impact on gross margin is discussed by operating practice group, above.

Consolidation and integration charges are reported as operating expenses in the accompanying consolidated statements of operations, and increased as a percent of revenue to 0.5% from 0.4% for the years ended

December 31, 2004 and 2003, respectively. The increase in consolidation and integration charges was due primarily to real estate leasing costs in the Chicago market during 2004.

Corporate general and administrative expenses increased to \$24.8 million and 4.7% of revenue for the year ended December 31, 2004, from \$19.5 million and 3.9% of revenue for the comparable period in 2003. The increase in 2004 over 2003 was primarily the result of an increase in legal expenses, settlements (net of recoveries), and litigation reserves of approximately \$3.2 million, to address several long-standing litigation issues. Additionally, CBIZ incurred approximately \$1.0 million in expenses during 2004 associated with its compliance efforts in connection with Section 404 of the Sarbanes-Oxley Act of 2002.

Depreciation and amortization expense decreased to \$16.4 million for the year ended December 31, 2004, from \$17.1 million for the comparable period in 2003, a decrease of \$0.7 million, or 3.9%. The decrease is primarily attributable to the shift from purchasing computer-related items and furniture to leasing such items. These operating lease costs are recorded as operating expenses, rather than capitalized and recorded as depreciation, and total \$2.6 million for the year ended December 31, 2004 and \$1.7 million for the year ended December 31, 2003. As a percentage of total revenue, depreciation and amortization expense was 3.2% for the year ended December 31, 2004, compared to 3.4% for the comparable period in 2003.

Interest expense increased to \$1.5 million for the year ended December 31, 2004, from \$1.1 million for the comparable period in 2003, an increase of \$0.5 million, or 42.8%. The increase is the result of higher average debt during the year ended December 31, 2004, of \$40.9 million, compared to \$18.2 million during the year ended December 31, 2003. Higher debt during 2004 is primarily due to share repurchase activity and is further described under "Liquidity and Capital Resources". The increase in interest expense due to higher average debt balances was offset by a decrease in average interest rates to 3.5% for the year ended December 31, 2004 from 4.4% for the year ended December 31, 2003. Additionally, interest expense for year ended December 31, 2003 included fees related to an interest rate swap that was terminated during the second quarter of 2003.

Gain on sale of operations, net was \$1.0 million for the year ended December 31, 2004, and was related to the sale of two operations and three client lists in the ATA practice group, and a client list in the B&I practice group. For the year ended December 31, 2003, gain on sale of operations, net was \$2.5 million and related primarily to the sale of Health Administrative Services (HAS) from the B&I practice group. Three businesses from the ATA practice group were also sold during the year ended December 31, 2003. See Note 17 to the consolidated financial statement included herewith, for further discussion. In addition to this divestiture activity, CBIZ classified three operations as discontinued businesses in 2004, and five operations as discontinued businesses in 2003. The results of these operations are disclosed separately in the consolidated financial statements included herewith, and are discussed separately under "Results of Operations - Discontinued Businesses," below.

CBIZ reported other income of \$3.6 million for the year ended December 31, 2004, compared to other expense of \$1.2 million for the comparable period in 2003, an increase \$4.8 million. Other income (expense), net is comprised primarily of interest income earned on funds held for clients at CBIZ's payroll business, adjustments to the fair value of assets held in a rabbi trust related to the deferred compensation plan implemented in the first quarter of 2004, gains and losses on sale of assets, and miscellaneous income such as contingent royalties from previous divestitures. The change in other income (expense) for the year ended December 31, 2004 from the year ended December 31, 2003 is primarily related to \$2.8 million of impairment charges to notes receivable during the year ended December 31, 2003 that did not recur in 2004. Of those impairment charges, \$2.4 million related to the impairment of a note taken in connection with the divestiture of the hazardous waste operation in 1997, that filed bankruptcy in 2003. Additionally, other income for the year ended December 31, 2004 includes approximately \$0.4 million of interest income related to a tax refund that is discussed in further detail below, and approximately \$0.4 million related to the deferred compensation plan that was implemented during the first quarter of 2004.

CBIZ recorded income taxes from continuing operations of \$5.7 million for the year ended December 31, 2004, compared to \$12.5 million for the year ended December 31, 2003. The effective tax rate decreased to 25.3% for the year ended December 31, 2004, from 43.4% for the comparable period in 2003. The effective tax rate for the year ended December 31, 2004 is lower than statutory federal and state tax rates of approximately

40.0% due to a \$3.5 million tax benefit related to a favorable tax position which was successfully resolved upon completion of the Internal Revenue Service examination for the years ended December 31, 1998, 1999, and 2000. The effective tax rate for the year ended December 31, 2003 was higher than the statutory federal and state tax rates of approximately 40.0%, primarily due to capital losses resulting from certain impairment charges that were not offset by capital gains and were not deductible in the period.

RESULTS OF OPERATIONS -- CONTINUING OPERATIONS

COMPARISON OF YEAR ENDED DECEMBER 31, 2003 TO YEAR ENDED DECEMBER 31, 2002

Operating Practice Groups

CBIZ currently delivers products and services through three practice groups. A brief description of these groups' operating results and factors affecting their businesses is provided below. The services offered under each of these groups are described in Part I of this report.

Accounting, Tax and Advisory Services.

2003	2002	CHANGE	-----	-----	-----
(DOLLARS IN THOUSANDS) Revenue Same-					
unit.....					
\$198,003	\$201,038	\$(3,035)	Acquired		
businesses.....					
1,609	--	1,609	Divested		
operations.....				--	
1,698	(1,698)	-----	-----	Total	
revenue.....					
\$199,612	\$202,736	\$(3,124)	Percent of total		
CBIZ revenue.....			39.4%		
			41.1%	Operating	
expenses.....					
174,452	174,901	(449)	-----	-----	
			-	Gross	
margin.....					
\$ 25,160	\$ 27,835	\$(2,675)	=====	=====	
			=====	Gross margin	
percent.....					12.6%
					13.7% (1.1%)

Same-unit revenue decreased by \$3.0 million primarily due to a transfer of certain technology businesses from ATA to National Practices in January 2003, which resulted in a decrease in revenue of \$5.1 million. Excluding the impact of such transfers, same-unit revenue increased \$2.1 million or 1.1% primarily due to price increases. The impact of the price increases was offset by a decrease in the number of hours charged to clients at a few of our units. Acquired businesses in 2003 represent a firm in Orange County, California and the acquisition of HarborView in September 2003, which provides Sarbanes-Oxley consulting services. Divested operations represent several smaller units that did not provide opportunity for growth and cross-serving capabilities.

The largest components of operating expenses for the ATA group are personnel costs, occupancy costs and professional service fees paid to third parties, representing 87.3% and 87.2% of total operating expenses for the years ended December 31, 2003 and 2002, respectively. As a percentage of revenue, personnel costs were 68.2% and 67.2% for the years ended December 31, 2003 and 2002, respectively. Occupancy costs are generally fixed in nature, and were 7.3% and 7.4% of revenue for the years ended December 31, 2003 and 2002, respectively. Professional service fees paid to third parties increased to 0.8% percent of revenue for the year ended December 31, 2003 from 0.6% for year ended December 31, 2002, as the result of outsourced professional services utilized at units with same-unit revenue growth and for CBIZ HarborView for Sarbanes-Oxley consulting services that were initiated in 2003.

The decline in gross margin for the year ended December 31, 2003 from December 31, 2002 was primarily due to compensation and benefits costs that rose at a rate higher than revenue.

Benefits & Insurance Services

2003	2002	CHANGE	-----	-----	-----
(DOLLARS IN THOUSANDS) Revenue Same-					
unit.....					
\$154,660	\$142,878	\$11,782	Acquired		
businesses.....					
7,435	--	7,435	Divested		
operations..... --					
7,636	(7,636)	-----	-----	Total	
revenue.....					
\$162,095	\$150,514	\$11,581	Percent of total		
CBIZ revenue..... 32.0%					
30.5% Operating					
expenses.....					
128,407	123,369	5,038	-----	-----	
-- Gross					
margin.....					
\$ 33,688	\$ 27,145	\$ 6,543	=====	=====	
===== Gross margin					
percent..... 20.8%					
18.0% 2.8%					

On a same-unit basis, the B&I group experienced an increase in revenue of 8.2% for the year ended December 31, 2003 from the year ended December 31, 2002. The increase in revenue was attributable to organic growth in both the retail and national services divisions, as well as an increase in supplemental commissions from insurance carriers. The worksite marketing business experienced significant revenue growth due to new clients obtained in 2003. The life insurance business also experienced revenue growth through the sale of several large life cases and special risk insurance cases, combined with bank-owned life insurance placements related to one major carrier. The increase in revenue from acquired businesses pertains to business units providing group benefits and property and casualty services in the Salt Lake City, Maryland and southern Florida markets. The decline in revenue from divested operations relates to Health Administration Services, which was sold in May 2003.

The largest components of operating costs for the B&I group are personnel costs, commissions paid to third party brokers, and occupancy costs, representing 83.8% and 83.3% of total operating expenses in 2003 and 2002, respectively. Personnel costs decreased as a percentage of revenue to 53.7% from 56.1%, primarily due to the revenue growth experienced in 2003. Commissions paid to third party brokers increased to 6.8% from 5.9% for the years ended December 31, 2003 and 2002, respectively, primarily due to a higher portion of revenue being generated with third party brokers, particularly at the special risk insurance and bank-owned life insurance businesses. Occupancy expenses declined as a percentage of revenue to 5.9% in 2003 from 6.3% in 2002, due to the revenue growth previously discussed.

The improvement in gross margin in 2003 over 2002 was primarily the result of increases in group benefit premium rates. In addition, the number of life insurance cases that closed in 2003 contributed to margin improvement, as these cases generally experience higher margins than traditional group health and property and casualty products.

National Practices Services. The National Practices group contributed approximately \$145.1 million and \$139.7 million of revenue, or approximately 28.6% and 28.3% of CBIZ's total revenue for the years ended December 31, 2003 and 2002, respectively.

CBIZ Medical Management Professionals (CBIZ MMP)

2003	2002	CHANGE	(DOLLARS IN THOUSANDS)	
unit.....			Revenue	Same-
			\$75,785	\$66,156
businesses.....			\$9,629	Acquired
			--	--
operations.....			--	--
			----- Total	
revenue.....				
			\$75,785	\$66,156
revenue.....			\$9,629	Percent of Total CBIZ
			15.0%	13.4%
			Operating	
expenses.....				
			61,566	54,481
margin.....			7,085	-----
			\$14,219	\$11,675
			\$2,544	=====
			Gross margin	
percent.....			18.8%	
			17.6%	1.2%

CBIZ MMP's revenue growth of 14.5% was attributable to the addition of new clients, and expansion into new markets (such as the entrance into the Colorado market). Revenue for CBIZ MMP is based on a percentage of amounts collected for their clients.

The largest components of operating expenses for CBIZ MMP are personnel costs, occupancy costs and office expenses (primarily postage), which represented 90.0% and 90.6% of total operating expenses for the years ended December 31, 2003 and 2002, respectively. Personnel costs increased by \$5.2 million but decreased as a percentage of revenue to 57.6% from 58.2%, for the years ended December 31, 2003 and 2002, respectively. The increase in personnel costs was directly related to an increase in staffing levels to support revenue growth. Personnel costs decreased as a percentage of revenue primarily due to the revenue growth as previously discussed. Occupancy costs as a percentage of revenue were 7.2% and 7.3%, for the years ended December 31, 2003 and 2002, respectively. Occupancy costs as a percent of revenue remained consistent in 2003 from 2002 despite the growth in revenue, due to additional costs incurred in connection with our expansion into new markets as discussed above. Office expenses declined as a percentage of revenue to 8.3% in 2003 from 9.1% in 2002, primarily as a result of the growth in revenue.

The improvement in gross margin for the year ended December 31, 2003 from 2002, was primarily due to efficiencies gained by CBIZ MMP as the result of investments made in systems and new technologies.

National Practices -- Other

2003	2002	CHANGE	(DOLLARS IN THOUSANDS)	
unit.....			Revenue	Same-
			\$69,290	\$73,549
businesses.....			\$(4,259)	Acquired
			--	--
operations.....			--	--
			----- Total	
revenue.....				
			\$69,290	\$73,549
revenue.....			\$(4,259)	Percent of total CBIZ
			13.6%	15.0%
			Operating	
expenses.....				
			69,516	72,302
margin.....			(2,786)	-----
			Gross	
margin.....				
			\$ (226)	\$ 1,247
			\$(1,473)	=====
			Gross margin	
percent.....			(0.3%)	1.7%
			(2.0%)	

On a same-unit basis, the National Practices group, excluding CBIZ MMP experienced lower revenues in 2003 as compared to 2002. The majority of the decrease in revenue was related to the lack of transactions in CBIZ's Mergers and Acquisition Group (CBIZ M&A), as compared to 2002, in which one significant transaction closed in the fourth quarter. In addition to the decrease in CBIZ M&A's revenue, the valuation, property tax and

information technology (IT) businesses suffered from decreased revenue in 2003 primarily due to rationalization of certain unproductive offices and business lines.

The largest components of operating expenses for the National Practices Services - Other segment are personnel costs, direct costs and occupancy costs, representing 87.9% and 85.4% of total operating expenses in 2003 and 2002, respectively. Personnel costs as a percentage of revenue were 69.8% and 64.0% for the years ended December 31, 2003 and 2002, respectively. The increase in personnel costs as a percentage of revenue was directly related to the decrease in revenue in 2003 from 2002. Direct costs primarily consist of product costs associated with hardware sales in the technology businesses, and were 11.0% and 13.2% of revenue for the years ended December 31, 2003, and 2002, respectively. Occupancy costs are typically fixed in nature and were 7.3% and 6.8% of revenue for the years ended December 31, 2003, and 2002, respectively. Occupancy costs increased as a percentage of revenue, as a result of the decline in revenue as previously discussed.

The decline in gross margins for the year ended December 31, 2003 from December 31, 2002 was primarily due to certain unproductive offices and product lines within the property tax, mergers and acquisitions, and IT businesses, and the lack of transactions in CBIZ's Mergers and Acquisition Group in 2003 as compared to 2002.

Revenues

Total revenue for the year ended December 31, 2003 was \$506.8 million as compared to \$493.0 million for the year ended December 31, 2002, representing an increase of \$13.8 million, or 2.7%. The increase in revenue attributable to acquisitions completed during the year ended December 31, 2003 was \$9.0 million, offset by decreases in revenue attributable to divested operations of \$9.3 million. For business units with comparable periods of operations for the years ended December 31, 2003 and 2002, revenue increased \$14.1 million or 2.9%. A more comprehensive analysis of revenue is discussed by each operating practice group, above.

Expenses

Operating expenses increased to \$441.7 million for the year ended December 31, 2003, from \$434.4 million for the comparable period in 2002, representing an increase of \$7.3 million. As a percent of revenue, operating expenses (excluding consolidation and integration charges), were 86.8% and 87.4%, for the years ended December 31, 2003 and 2002, respectively. The primary components of operating expenses were personnel costs and occupancy expense, representing 80.1% and 79.2% of total operating expenses and 69.8% of revenue for the years ended December 31, 2003 and 2002, respectively. A more comprehensive analysis of operating expenses (excluding consolidation and integration charges) and their impact on gross margin is discussed by operating practice group, above.

Consolidation and integration charges are reported as operating expenses in the consolidated statements of operations and are discussed more fully in Note 9 to the consolidated financial statements included herewith. Consolidation and integration charges decreased as a percent of revenue to 0.4% from 0.7% for the years ended December 31, 2003 and 2002, respectively. Consolidation and integration charges were higher in 2002, primarily as the result of \$1.7 million of costs recognized during 2002 for consolidation activities in the Kansas City market, related to non-cancelable lease obligations.

Corporate general and administrative expenses increased slightly to \$19.5 million from \$19.2 million for the years ended December 31, 2003, and 2002, respectively. While total costs remained relatively flat, compensation expenses increased in 2003, primarily due to \$0.7 million of severance expense. Expenditures for legal costs to pursue cases concerning non-competition violations by former employees, insurance coverage issues, and other cases in which CBIZ was involved, decreased approximately \$1.4 million. Corporate general and administrative expenses represented 3.8% of total revenues for the year ended December 31, 2003, compared to 3.9% for the comparable period in 2002.

Depreciation and amortization expense decreased to \$17.1 million for the year ended December 31, 2003, from \$20.4 million for the comparable period in 2002, representing a decrease of \$3.3 million, or 16.2%. The decrease primarily related to dispositions and assets that became fully depreciated, offset by increases related to additional capital expenditures made since December 31, 2002. In addition, approximately \$0.9 million of the

decrease was directly related to the shift from purchasing certain assets to leasing assets, which are recorded as operating leases in operating expense. As a percentage of revenue, depreciation and amortization expense decreased to 3.4% for the year ended December 31, 2003 from 4.1% for the comparable period in 2002.

Interest expense decreased to \$1.1 million for the year ended December 31, 2003, from \$2.5 million for the comparable period in 2002, a decrease of \$1.4 million, or 57.4%. The decrease was the result of both lower average outstanding debt balances and a lower average interest rate in 2003. The average debt balance was \$18.2 million for the year ended December 31, 2003 compared to \$38.6 million for the year ended December 31, 2002. The weighted average interest rate on bank debt was 4.4% for the year ended December 31, 2003 compared to 5.6% for the same period in 2002.

CBIZ recorded a net gain from divested operations of \$2.5 million for the year ended December 31, 2003, as compared to a net gain of \$0.9 million for the year ended December 31, 2002. CBIZ completed the divestiture of six non-core business operations during the year ended December 31, 2003, either through sale or closure. During 2002, the net gain was attributable to the divestiture of eleven non-core operations. In addition to this divestiture activity, CBIZ classified five operations as discontinued operations during 2003 and 2002, respectively, in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144)." The results of these operations are disclosed separately in the consolidated financial statements and discussed separately under "Results of Operations -- Discontinued Businesses," below.

Other expense, net was \$1.2 million and \$1.6 million for the years ended December 31, 2003 and 2002, respectively. Other expense, net is comprised primarily of interest income earned in CBIZ's payroll business, gains and losses on the sale of assets, and miscellaneous income such as contingent royalties from previous divestitures. For 2003, other income was offset by \$2.8 million of impairment charges, of which \$2.4 million related to the impairment of a note taken in connection with the divestiture of the hazardous waste operation in 1997, that filed bankruptcy in 2003. For 2002, other income was offset by \$2.4 million of charges related to the write-down of CBIZ's investment in two high-tech start-up ventures, including \$0.8 million impairment charge related to the note previously discussed. In addition, interest income decreased \$0.4 million related to lower interest rates in 2003.

CBIZ recorded income tax expense from continuing operations of \$12.5 million for the year ended December 31, 2003, compared with \$8.2 million in 2002. The effective tax rate was 43.4% for the year ended December 31, 2003. The effective tax rate for the year ended December 31, 2003, is higher than the statutory federal and state tax rates of approximately 40% primarily due to differences such as the establishment of a valuation allowance related to asset impairment charges, portions of certain meal and entertainment expenses that are not fully deductible for tax purposes, and tax credit carryforwards.

RESULTS OF OPERATIONS -- DISCONTINUED BUSINESSES

During the years ended December 31, 2004, 2003 and 2002, CBIZ divested of three, six and five business operations, respectively, which were no longer part of CBIZ's strategic long-term growth objectives. One business unit was available for sale at December 31, 2002, and was sold in 2003. There were no businesses available for sale at December 31, 2004 or 2003.

These operations qualified for treatment as discontinued businesses, and have been classified as such in accordance with Statement of Financial Accounting Standards (SFAS) 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, the net assets, liabilities, and results of operations of these businesses are reported separately in the consolidated financial statements included herewith. Based upon the sales proceeds and costs of closure, CBIZ recorded a gain on disposal of discontinued businesses, net of tax, of \$0.1 million and \$0.7 million for the years ended December 31, 2004 and 2003, respectively and a loss of \$2.5 million for the year ended December 31, 2002. Revenue associated with discontinued businesses for the years ended December 31, 2004, 2003 and 2002 was \$3.4 million, \$12.5 million and \$18.6 million, respectively. The loss from operations of these discontinued businesses, net of tax, for the years ended December 31, 2004, 2003 and 2002 was \$0.9 million, \$1.7 million and \$2.1 million respectively.

RESULTS OF OPERATIONS -- CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2002, CBIZ adopted Statement of Financial Accounting Standard No. 142 "Goodwill and Other Intangible Assets" (SFAS 142), which requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually at the reporting unit level. SFAS 142 also requires intangible assets with finite useful lives to be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." CBIZ finalized the required transitional tests of goodwill during 2002, and recorded an impairment charge of \$88.6 million on a pre-tax basis. This non-cash charge is reflected as a cumulative effect of a change in accounting principle in the amount of \$80.0, net of a tax benefit of \$8.6 million.

FINANCIAL CONDITION

Total assets were \$413.8 million, total liabilities were \$167.3 million and shareholders equity was \$246.5 million as of December 31, 2004. Current assets of \$184.0 million exceeded current liabilities of \$106.1 million by \$77.9 million.

Cash and cash equivalents increased \$1.5 million to \$5.3 million for the year ended December 31, 2004. Restricted cash was \$10.1 million at December 31, 2004, a decrease of \$0.8 million from December 31, 2003. Restricted cash represents those funds held in connection with CBIZ's securities regulated operations and funds held in connection with the pass through of insurance premiums to the carrier. Cash and restricted cash fluctuate during the year based on the timing of cash receipts and related payments.

Accounts receivable, net were \$109.7 million at December 31, 2004, an increase of \$0.3 million from December 31, 2003. The increase in accounts receivable is attributed to the increase in revenue from internal growth and acquisitions, offset by an improvement in collections from a year ago. Days sales outstanding (DSO), from continuing operations, which are calculated based on gross accounts receivable balance at the end of the period divided by daily revenue, decreased from 81 days at December 31, 2003 to 79 days at December 31, 2004. CBIZ provides DSO data because such data is commonly used as a performance measure by analysts and investors and as a measure of the Company's ability to collect on receivables in a timely manner.

Goodwill and other intangible assets, net of accumulated amortization, increased \$5.4 million from December 31, 2003. Acquisitions, including contingent consideration earned, resulted in a \$8.0 million increase in goodwill and other intangible assets during 2004. In addition, goodwill and other intangible assets decreased by \$2.6 million as a result of divestitures completed during the year ended December 31, 2004, and amortization expense for client lists and other intangibles. See further discussion in Note 5 to the consolidated financial statements included herewith.

The increase in income taxes recoverable to \$7.1 million at December 31, 2004, is related to a favorable tax position which was successfully resolved upon completion of the IRS examination of prior year tax provisions, and is further discussed in Note 6 to the consolidated financial statements included herewith. In addition, CBIZ is due approximately \$0.4 million in interest in relation to the aforementioned tax position, which is recorded as other current assets in the accompanying consolidated balance sheet at December 31, 2004. The overall increase in other current assets of \$0.5 million from December 31, 2003 is primarily attributable to this interest receivable.

CBIZ implemented a deferred compensation plan in the first quarter of 2004. Assets of the plan are held in a rabbi trust, and are directly offset by liabilities of the plan. The plan is discussed in further detail in Note 10 of the consolidated financial statements included herewith.

As further described in Note 1 to the accompanying consolidated financial statements, funds held for clients are directly offset by client fund obligations. Funds held for clients fluctuate during the year based on the timing of cash receipts and related payments.

The accounts payable balance of \$25.9 million at December 31, 2004 reflects amounts due to suppliers and vendors; balances fluctuate during the year based on the timing of cash payments. Accrued personnel costs represent amounts due for payroll, payroll taxes, employee benefits and incentive compensation; balances

fluctuate during the year based on the timing of payments and our estimate of incentive compensation costs, which is described more fully under "Estimates of Incentive Compensation Costs and Effective Income Tax Rates, below". Other current liabilities increased \$4.1 million to \$17.2 million at December 31, 2004, primarily as the result of an increase in unearned revenue from a year ago, which relates primarily to our Valuation and Property Tax business, and set up and license fees related to flexible benefits services provided by our ATA practice group. See further discussion under "Revenue Recognition and Valuation of Unbilled Revenues," below. The increase in other current liabilities at December 31, 2004 from December 31, 2003 was also a result of acquisition activity, costs related to client service related obligations, and capitalized lease obligations in connection with consolidation activities in Kansas City. These increases were offset by a decrease in our consolidation and integration reserve which is described in Note 9 to the consolidated financial statements included herewith.

Bank debt for amounts due on CBIZ's credit facility increased by \$39.9 million to \$53.9 million at December 31, 2004 from December 31, 2003, primarily as a result of stock repurchases made during 2004. Other non-current liabilities increased \$1.1 million primarily due to capitalized lease obligations in connection with consolidation activities in Kansas City.

Stockholders' equity decreased \$31.3 million in 2004 from 2003, primarily due to CBIZ repurchasing 10.4 million shares of its common stock for a total cost (including expenses) of \$50.4 million (7.5 million shares were purchased in a tender offer and the remaining 2.9 million shares were repurchased in the open market). Funds used to purchase shares were provided by cash flow generated from CBIZ's operations, as well as borrowings under CBIZ's credit facility. The decrease in stockholders' equity resulting from the share repurchases was offset by net income of \$16.1 million earned for the year ended December 31, 2004, and \$1.7 million related to the exercise of stock options.

LIQUIDITY AND CAPITAL RESOURCES

CBIZ's principal source of net operating cash is derived from the collection of fees and commissions from professional services rendered to its clients. In addition, CBIZ supplements net operating cash with a senior secured credit facility. The \$100.0 million facility carries an option to increase the commitment to \$125.0 million and allows for the allocation of funds for strategic initiatives, including acquisitions and the repurchase of CBIZ stock. The primary use of the credit facility is for working capital, expansion and continued improvement of new and existing service offerings, and business acquisitions. The facility has a five year term with an expiration date of August 2009. The credit facility is secured by substantially all assets and capital stock of CBIZ and its subsidiaries. Under the credit facility, CBIZ is required to meet certain financial covenants with respect to (i) minimum net worth; (ii) maximum leverage ratio; and (iii) a minimum fixed charge coverage ratio. CBIZ was in compliance with its covenants as of December 31, 2004 and projects that it will remain in compliance during 2005.

At December 31, 2004, CBIZ had \$53.9 million outstanding under its credit facility, and \$4.2 million in letters of credit outstanding. Available funds under the facility based on the terms of the commitment were approximately \$17.4 million at December 31, 2004. Management believes the available funds from the credit facility, along with cash generated from operations provides CBIZ the financial resources needed to meet business requirements for the next twelve months, including capital expenditures, working capital requirements, and strategic investments. See Note 7 to CBIZ's consolidated financial statements included herewith.

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

SOURCES AND USES OF CASH

Cash provided by operating activities represents net income adjusted for certain non-cash items and changes in assets and liabilities. During 2004, cash provided by operating activities was \$20.4 million compared to \$39.9 million in 2003. The majority of the decrease in cash provided by operating activities in 2004 was due to an increase in income taxes of approximately \$10.8 million. The increase in income taxes is attributed to deferred

tax assets utilized in 2003 in connection with the divestiture of two non-core business units. The remaining decrease in cash provided by operating activities is due to an increase in net cash used toward discontinued operations of \$7.3 million.

Net cash provided by operating activities in 2003 was \$39.9 million versus \$42.3 million in 2002, a decrease of \$2.4 million. The decrease in 2003 is due to an increase in cash used toward working capital of \$8.3 million, offset by an increase in net income adjusted for certain non-cash items of \$3.4 million and an increase in cash provided by discontinued operation of \$2.5 million.

Cash flows from investing activities consist primarily of payments toward capital expenditures and business acquisitions, proceeds from divested operations and the collection of notes receivable. CBIZ used \$9.3 million in net cash for investing activities during 2004, compared to \$5.5 million during 2003. The increase in cash used in investing activities during 2004 resulted from an increase in business acquisitions of \$1.8 million along with reductions in proceeds from divested operations of \$2.6 million and the net change in notes receivable of \$1.6 million. Net additions to property and equipment were \$8.4 million and \$10.6 million in 2004 and 2003, respectively, reflecting a lower investment in 2004 of \$2.2 million. Capital expenditures primarily consisted of leasehold improvements and equipment in connection with the consolidation of certain offices, IT capital to support future growth in the benefits and insurance, medical practice management, property tax and flexible spending service offerings, and equipment purchases in relation to normal replacement.

CBIZ used \$5.5 million in net cash for investing activities during 2003, compared to \$3.0 million during 2002. The increase in cash used in investing activities during 2003 primarily resulted from a reduction in proceeds from discontinued operations of \$3.0 million. Proceeds from divestitures increased \$2.5 million while investment in business acquisitions decreased \$0.7 million, offsetting the net uses of cash. Net additions to property and equipment were \$10.6 million and \$8.1 million in 2003 and 2002, respectively, reflecting a higher investment in 2003 of \$2.5 million. Capital expenditures primarily consisted of continued expenditures toward leasehold improvements and equipment in connection with the consolidation of certain offices, IT capital of internally developed software to support cross selling initiatives, growth in the medical practice management unit and equipment purchases in relation to normal replacement.

Cash flows from financing activities consist primarily of repurchases of common stock, net borrowing activity from the credit facility, payments toward notes payable and capitalized leases, and proceeds from the exercise of stock options. CBIZ used \$9.6 million in net cash for financing activities in 2004 compared to \$36.9 million in 2003. During 2004 we purchased 10.4 million shares of common stock for \$50.4 million, compared to the purchase of 10.0 million shares of common stock for \$33.6 million in 2003. Financing sources of cash during 2004 were primarily \$39.9 million in net proceeds from the credit facility compared to \$3.5 million of net payments in 2003, and \$1.4 million in proceeds from the exercise of stock options compared to \$0.9 million in 2003.

CBIZ used \$36.9 million in net cash for financing activities in 2003 compared to \$37.3 million in 2002. During 2003, the company purchased 10.0 million shares of its common stock for \$33.6 million. Financing uses of cash during 2003 also included \$3.5 million of net payments toward the credit facility versus \$37.5 million in

2002. CBIZ's aggregate amount of future obligations for the next five years and thereafter is set forth below (in thousands):

TOTAL	2005	2006	2007	2008	2009
THEREAFTER -----					
----- ON-BALANCE SHEET Bank					
debt.....	\$				
53,900	\$ --	\$ --	\$ --	\$ --	
\$53,900	\$ -- Notes payable and capitalized				
leases.....					
4,530	3,032	437	413	639	9 --
Non-cancelable operating lease obligations.....					
177,923	30,036	25,515	21,427		
	18,884	15,524	66,537		
Restructuring lease obligations(1).....					
8,901	2,278	2,182	2,109	1,438	
717	177	OFF-BALANCE SHEET			
Letters of credit.....					
2,813	--	--	--	2,863	
50 Performance guarantees for non-consolidated affiliates.....					
1,317	1,317				

Total.....					
\$249,434	\$39,476	\$28,134	\$23,949		
\$20,961	\$70,150	\$66,764	=====		
	=====	=====	=====		
	=====	=====			

(1) Excludes cash payments for subleases.

OFF-BALANCE SHEET ARRANGEMENTS

CBIZ maintains administrative service agreements with independent CPA firms, as described more fully under the "Business Services" section of Items 1 and 2, Business and Properties. These CPA firms qualify as variable interest entities under FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities," as amended. The impact to CBIZ of this accounting pronouncement is not material to the financial condition, results of operations or cash flows of CBIZ, and is further discussed in Note 1 of the consolidated financial statements included herewith.

CBIZ provided guarantees of performance obligations for a CPA firm with which CBIZ maintains an administrative services agreement. Potential obligations under the guarantees totaled \$1.3 million and \$0.7 million at December 31, 2004 and 2003, respectively. CBIZ expects the guarantees to expire without the need to advance any cash. In accordance with FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", as amended, CBIZ has recognized a liability for the fair value of the obligation undertaken in issuing these guarantees. The liability is recorded as other current liabilities in the accompanying consolidated balance sheets.

CBIZ provides letters of credit to landlords (lessors) of its leased premises in lieu of security deposits. Letters of credit under our facility at December 31, 2004 and 2003 were \$2.9 million and \$3.2 million, respectively.

CBIZ has various agreements in which we may be obligated to indemnify the other party with respect to certain matters. Generally, these indemnification clauses are included in contracts arising in the normal course of business under which we customarily agree to hold the other party harmless against losses arising from a breach of representations, warranties, covenants or agreements, related to such matters as title to assets sold and certain tax matters. It is not possible to predict the maximum potential amount of future payments under these indemnification agreements due to the conditional nature of our obligations and the unique facts of each particular agreement. Historically, payments made by us under these agreements have not been material. As of December 31, 2004, we were not aware of any indemnification agreements that would require material payments.

INTEREST RATE RISK MANAGEMENT

CBIZ has used interest rate swaps to manage the interest rate mix of its credit facility and related overall cost of borrowing. Interest rate swaps involve the exchange of floating for fixed rate interest payments to effectively convert floating rate debt into fixed rate debt based on a one, three, or six-month U.S. dollar LIBOR. Interest rate swaps allow CBIZ to maintain a target range of fixed to floating rate debt. During June 2003, CBIZ paid its

revolving credit facility balance down to zero, thus requiring it to terminate its interest rate swap. The interest rate swap was scheduled to expire during August 2003 and carried a fixed rate of 5.58% (fixed Libor rate of 3.58% plus an applicable margin of 2.0%). During 2004, management did not utilize interest rate swaps. Management will continue to evaluate the potential use of interest rate swaps as it deems appropriate under certain operating and market conditions.

CRITICAL ACCOUNTING POLICIES

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

REVENUE RECOGNITION AND VALUATION OF UNBILLED REVENUES

Revenue is recognized only when all of the following are present: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, our fee to the client is fixed or determinable, and collectibility is reasonably assured, which is in accordance with Generally Accepted Accounting Principles (GAAP) and SEC Staff Accounting Bulletin No. 104 (SAB 104). CBIZ offers a vast array of products and business services to its clients. Those services are delivered through three practice groups. A description of revenue recognition, as it relates to those groups, is provided below.

Certain of our client arrangements encompass multiple deliverables. CBIZ accounts for these arrangements in accordance with Emerging Issues Task Force No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" (EITF 00-21). If the deliverables meet the criteria in EITF 00-21, the deliverables are divided into separate units of accounting and revenue is allocated to the deliverables based on their relative fair values. Revenue for each unit is recognized separately in accordance with CBIZ's revenue recognition policy for each unit. For those arrangements where the deliverables do not qualify as a separate unit of accounting, revenue from all deliverables are treated as one accounting unit and recognized on a pro-rata basis over the term of the arrangement.

ACCOUNTING, TAX AND ADVISORY SERVICES -- Revenue consists primarily of fees for accounting services, preparation of tax returns and consulting services including Sarbanes-Oxley consulting and compliance projects. Revenues are recorded in the period in which services are provided and meet revenue recognition criteria in accordance with SAB 104. CBIZ bills clients based upon a predetermined agreed-upon fixed fee or actual hours incurred on client projects at expected net realizable rates per hour, plus any out-of-pocket expenses. The cumulative impact on any subsequent revision in the estimated realizable value of unbilled fees for a particular client project is reflected in the period in which the change becomes known.

Through one of its ATA units, CBIZ provides flexible benefits administration services to clients, grants access of its proprietary software to third parties, and provides hosting to these parties. Revenue associated with set up and license fees related to our flexible benefits services are deferred and recognized pro rata over the life of the contract.

BENEFITS & INSURANCE -- Revenue consists primarily of brokerage and agency commissions, and fee income for administering health and retirement plans. A description of the revenue recognition, based on the insurance product and billing arrangement, is described below:

- Commissions relating to brokerage and agency activities whereby CBIZ has primary responsibility for the collection of premiums from insured's (agency or indirect billing) are recognized as of the later of the effective date of the insurance policy or the date billed to the customer; commissions to be received directly from insurance companies (direct billing) are recognized when the policy becomes effective; and life insurance commissions are recognized when the policy becomes effective. Commission revenue is reported net of sub-broker commissions. Commission revenue is reported net of reserves for estimated

policy cancellations and terminations. This reserve is based upon estimates and assumptions using historical cancellation and termination experience and other current factors to project future experience. CBIZ periodically reviews the adequacy of the reserve and makes adjustments as necessary. The use of different estimates or assumptions could produce different results.

- Supplemental commissions, which are based upon certain performance targets, are recognized at the earlier of notification that the target has been achieved, or cash collection.
- Fee income is recognized in the period in which services are provided, and may be based on actual hours incurred on an hourly fee basis, fixed fee arrangements, or asset-based fees.

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

- Mergers & Acquisitions and Capital Advisory -- Revenue associated with non-refundable retainers is recognized on a pro rata basis over the life of the engagement. Revenue associated with success fee transactions is recognized when the transaction is completed.
- Technology Consulting -- Revenue associated with hardware and software sales is recognized upon delivery and acceptance of the product. Revenue associated with installation and service agreements is recognized as services are performed. Consulting revenue is recognized on an hourly or per diem fee basis as services are performed.
- Valuation and Property Tax -- Revenue associated with retainer contracts is recognized on a pro rata basis over the life of the contract, which is generally twelve months. Revenue associated with contingency arrangements is recognized once written notification is received from an outside third party (e.g., assessor in the case of a property tax engagement) acknowledging that the contingency has been resolved.
- Medical Management Group -- Fees for services are primarily based on a percentage of net collections on our clients' patient accounts receivable. As such, revenue is determinable, earned, and recognized, when payments are received on our clients' patient accounts.

VALUATION OF ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specifically, management must make estimates of the collectibility of our accounts receivable, including unbilled accounts receivable, related to current period service revenue. Management analyzes historical bad debts, client credit-worthiness, the age of accounts receivable and current economic trends and conditions when evaluating the adequacy of the allowance for doubtful accounts and the collectibility of notes receivable. Significant management judgments and estimates must be made and used in connection with establishing the allowance for doubtful accounts in any accounting period. Material differences may result if management made different judgments or utilized different estimates.

VALUATION OF GOODWILL

Effective January 1, 2002, CBIZ adopted the non-amortization provisions of SFAS 142, and accordingly ceased amortization of our remaining goodwill balance. CBIZ evaluated the goodwill for impairment using the fair value impairment guidelines of SFAS 142. During 2002, CBIZ completed the process of evaluating our goodwill for impairment using the fair market impairment guidelines of SFAS 142. This change to a new method of accounting for goodwill resulted in a non-cash impairment charge of \$88.6 million on a pretax basis (\$80.0 million net of tax), which was recorded as a cumulative effect of a change in accounting principle as of January 1, 2002. CBIZ evaluates goodwill for impairment annually during the fourth quarter of each fiscal year. During 2003 and 2004, there was no impairment of goodwill based on our annual evaluation.

LOSS CONTINGENCIES

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

ESTIMATES OF INCENTIVE COMPENSATION COSTS AND EFFECTIVE INCOME TAX RATES

Incentive compensation costs and income tax expense are two significant expense categories that are highly dependent upon management estimates and judgments, particularly at each interim reporting date. In arriving at the amount of expense to recognize, management believes it makes reasonable estimates and judgments using all significant information available. Incentive compensation costs are accrued on a monthly basis, and the ultimate determination is made after our year-end results are finalized; thus, estimates are subject to change. Circumstances that could cause our estimates of effective income tax rates to change include the impact of information that subsequently became available as we prepared our corporate income tax returns; the level of actual pre-tax income; revisions to tax positions taken as a result of further analysis and consultation, and changes mandated as a result of audits by taxing authorities.

OTHER SIGNIFICANT POLICIES

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

NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board ("FASB") issued the revised Statement of Financial Accounting Standards ("FAS") No. 123, Share-Based Payment ("FAS 123R"), which addresses the accounting for share-based payment transactions in which the Company obtains employee services in exchange for (a) equity instruments of the Company or (b) liabilities that are based on the fair value of the Company's equity instruments or that may be settled by the issuance of such equity instruments. This statement eliminates the ability to account for employee share-based payment transactions using APB Opinion No. 25 and requires instead that such transactions be accounted for using the grant-date fair value based method. This statement will be effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005.

FAS 123(R) applies to all awards granted or modified after the Statement's effective date. In addition, compensation cost for the unvested portion of previously granted awards that remain outstanding on the Statement's effective date shall be recognized on or after the effective date, as the related services are rendered, based on the awards' grant-date fair value as previously calculated for the pro-forma disclosure under FAS 123. Compensation expense calculated in accordance with SFAS 123(R) in future periods may differ from the pro forma amounts disclosed in Note 1 to the consolidated financial statements included herewith. The amount of compensation expense will vary depending on the number of options granted in 2005, the market value of our common stock and changes in other variables impacting stock option valuation estimates. In addition, upon adoption of SFAS 123(R), we may choose to use a different valuation model to estimate stock option fair value.

In December 2004, the FASB issued FAS No. 153, "Exchanges of Non-Monetary Assets -- An Amendment of APB Opinion No. 29" ("FAS 153"). FAS 153 amends APB Opinion No. 29, "Accounting for Non-Monetary Transactions." The amendments made by FAS 153 are based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the exception for non-monetary exchanges of similar productive assets and replace it with a general exception for exchanges of non-monetary assets that do not have commercial substance. The provisions in FAS 153 are effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Early application of the FAS 153 is permitted. The provisions of this statement shall be applied prospectively. We do not expect the adoption of FAS 153 to have a material effect on CBIZ's financial statements or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

CBIZ's floating rate debt under its credit facility exposes the Company to interest rate risk. A change in the Federal Funds Rate, or the Reference Rate set by the Bank of America (San Francisco), would affect the rate at which CBIZ could borrow funds under its credit facility. If market interest rates were to increase or decrease immediately and uniformly by 100 basis points from the levels at December 31, 2004, interest expense would increase or decrease by approximately \$0.5 million annually.

CBIZ does not engage in trading market risk sensitive instruments. CBIZ has used interest rate swaps to manage the interest rate mix of its credit facility and related overall cost of borrowing. Interest rate swaps involve the exchange of floating for fixed rate interest payments to effectively convert floating rate debt into fixed rate debt based on a one, three, or six-month U.S. dollar LIBOR. Interest rate swaps allow CBIZ to maintain a target range of fixed to floating rate debt. Management will continue to evaluate the potential use of interest rate swaps as it deems appropriate under certain operating and market conditions.

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 15(a) hereof.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We evaluated the effectiveness of our disclosure controls and procedures ("Disclosure Controls") as of the end of the period covered by this report. This evaluation ("Controls Evaluation") was done with the participation of our Chairman and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").

Disclosure Controls are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure Controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS

Our management, including our CEO and CFO, does not expect that our Disclosure Controls or our internal controls over financial reporting ("Internal Controls") will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of a control system are met. Further, any control system reflects limitations on resources, and the benefits of a control system must be considered relative to its costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within CBIZ have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of a control. A design of a control system is also based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

We have expended extensive internal and external resources to document and test our internal controls as required by Section 404 of the Sarbanes-Oxley Act of 2002. The report of our management regarding internal control over financial reporting and the attestation report of our independent registered public accounting firm are included in Item 8 of this Annual Report, starting on page F-1.

In the course of our ongoing evaluation, we have identified internal control deficiencies in a number of business processes. These deficiencies were not material to our operations or financial reporting either individually or in the aggregate. In each instance, we have undertaken efforts to remediate any deficiencies identified. We are continuing our initiatives to implement new IT systems where needed to support corporate functions or business unit operations in order to further enhance operating efficiencies. As these new systems and procedures are implemented, we continue to evaluate the effectiveness of our disclosure controls and our internal controls over financial reporting.

CONCLUSIONS

Based upon the Controls Evaluation, our CEO and CFO have concluded that, subject to the limitations noted above, the Disclosure Controls are effective in providing reasonable assurance that material information required to be disclosed by us in the reports that we file or submit under the Exchange act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Other than disclosed above, there were no changes in our Internal Controls that occurred during the quarter ended December 31, 2004 that have materially affected, or are reasonably likely to materially affect, our Internal Controls.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information with respect to this item not included below is incorporated by reference from CBIZ's definitive proxy statement for the 2005 Annual Stockholders' Meeting to be filed with the Securities and Exchange Commission no later than 120 days after the end of CBIZ's fiscal year.

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: Steven L. Gerard		
(1)	59	Chairman and Chief Executive Officer
Rick L. Burdick (1)		
(3)	53	Director and Vice Chairman
Gary W. DeGroote		
49		Director
Joseph S. DiMartino		
(3)(4)	61	Director
Harve A. Ferrill (2)		
(3)	72	Director
Richard C. Rochon (2)(3)		
(4)	47	Director
Todd Slotkin (3)		
(4)	52	Director
Donald V. Weir (2)		
(3)	63	Director
Jerome P. Grisko, Jr.		
(1)	43	President and Chief Operating Officer
Ware H. Grove		
54		Senior Vice President and Chief Financial Officer
Leonard Miller		
65		Senior Vice President, Accounting, Tax & Advisory
Robert A. O'Byrne		
48		Senior Vice President, Benefits & Insurance
Michael W. Gleespen		
46		Secretary and General Counsel
OTHER KEY EMPLOYEES: George A. Dufour		
58		Senior Vice President and Chief Technology Officer
Mark M. Waxman		
48		Senior Vice President of Marketing
Teresa E. Bruce		
40		Vice President, Human Resources
Chris Spurio		
39		Vice President, Finance
Michael P. Kouzelos		
36		Vice President, Strategic Initiatives
Kelly J. Kuna		
34		Controller
David S. Azzolina		
43		Treasurer

(1) Member of Management Executive Committee

(2) Member of Audit Committee

(3) Member of Nominating & Governance Committee

(4) Member of Compensation Committee

EXECUTIVE OFFICERS AND DIRECTORS:

Steven L. Gerard was elected by the Board to serve as its Chairman in October, 2002. He was appointed Chief Executive Officer and Director in October, 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, TIMCO Aviation Services, Inc. and Joy Global, Inc.

Rick L. Burdick has served as a Director of CBIZ since October 1997, when he was elected as an independent director. In October 2002, he was elected by the Board as Vice Chairman, a non-officer position. Mr. Burdick has been a partner at the law firm of Akin Gump Strauss Hauer & Feld L.P since April 1988. Mr. Burdick serves on the Board of Directors of AutoNation, Inc.

Gary W. DeGroote has served as a Director of CBIZ since October, 2002, when he was elected as an independent director to serve the remaining term of his father, Michael G. DeGroote, who resigned from the Board for health reasons. Mr. DeGroote is the President of GWD Management Inc., a private Canadian diversified investment holding company founded in 1980 with an office in Burlington, Ontario. Mr. DeGroote also serves as a Director and Officer of other private companies. From 1976 to 1989, Mr. DeGroote held several positions with Laidlaw Inc., a public waste services and transportation company, ending as Vice-President and Director in 1989. From 1991 to 1994, Mr. DeGroote served as President of Republic Environmental Systems Ltd., and Director of Republic Industries Inc. He is currently a Director of Waste Services, Inc.

Joseph S. DiMartino has served as a Director of CBIZ since November 1997, when he was elected as an independent 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 LEVCOR International, Inc. (formerly Carlyle Industries, Inc.), The Newark Group, and the Muscular Dystrophy Association.

Harve A. Ferrill has served as a Director of CBIZ since October 1996, when he was elected as an independent director. Mr. Ferrill served as Chief Executive Officer and Chairman of Advance Ross Corporation, a company that provides tax refunding services, from 1992 to 1996. Mr. Ferrill served as President of Advance Ross Corporation from 1990 to 1992. Since 1996, Advance Ross Corporation has been a wholly-owned subsidiary of Cendant Corporation. Mr. Ferrill serves as a Director of Horny Toad, Inc., a manufacturer of sports clothing.

Richard C. Rochon has served as a Director of CBIZ since October 1996, when he was elected as an independent director. Mr. Rochon is Chairman and Chief Executive Officer of Royal Palm Capital Partners, a private investment and management firm. Mr. Rochon serves as a director with Bancshares of Florida (BOFL), a Florida Banking Corporation. He is also a director of Devcon International (DEVC), a materials and aggregates and electronic securities company. Mr. Rochon is Chairman of the Board of Sunair, Inc. (SNR), a specialty radio communications and pest control company. From 1985 to February 2002, Mr. Rochon served in various capacities with, and most recently as, President of Huizenga Holdings, Inc., a management and holding company owned by H. Wayne Huizenga. Mr. Rochon was a former director of Boca Resorts, Inc. from 1996 through 2004. From 1979 until 1985, Mr. Rochon was employed as a certified public accountant by the public accounting firm of Coopers & Lybrand, L.L.P.

Todd Slotkin has served as a Director of CBIZ since September 2, 2003, when he was elected as an independent director. Mr. Slotkin serves as Executive Vice President and CFO of MacAndrews and Forbes Holdings, and as Executive Vice President and CFO of publicly owned MYF Worldwide (NYSE:MFW). Prior to joining MacAndrews & Forbes in 1992, Mr. Slotkin spent 17 years with Citicorp, ultimately serving as senior managing director and senior credit officer. Mr. Slotkin serves on the Board of Managers of Spectaguard and the Board of Directors of TransTech Pharma; formerly served as director of CalFed Bank; and is Chairman and co-founder of the Food Allergy Institute.

Donald V. Weir has served as a Director of CBIZ since September 2, 2003, when he was elected as an independent director. Mr. Weir has served as financial consultant with Sanders Morris Harris for the past four years. Prior to this Mr. Weir was CFO and director of publicly-held Deeptech International and two of its subsidiaries, Tatham Offshore and Leviathan Gas Pipeline Company, the latter of which was a publicly -- held company. Prior to his employment with Deeptech, Mr. Weir worked for eight years with Sugar Bowl Gas

Corporation, as Controller and Treasurer and later in a consulting capacity. Mr. Weir was associated with Price Waterhouse, an international accounting firm, from 1966 to 1979.

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

Ware H. Grove has served as Senior Vice President and Chief Financial Officer of CBIZ since December 2000. Before joining CBIZ, Mr. Grove served as Senior Vice President and Chief Financial Officer of Bridgestreet Accommodations, Inc., which he joined in early 2000 to restructure financing, develop strategic operating alternatives, and assist with merger negotiations. Prior to joining Bridgestreet, Mr. Grove served for three years as Vice President and Chief Financial Officer of Lesco, Inc. 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 Revco D.S., Inc., Computerland/Vanstar, Manville Corporation, The Upjohn Company, and First of America Bank. In September, 2004, Mr. Grove was appointed to the Board of Directors for Applica, Inc. (NYSE: APN) and is a member of the Audit Committee.

Leonard Miller has served as CBIZ Accounting, Tax and Advisory Services Practice Head since November 2000 and was appointed Senior Vice President in February 2002. Mr. Miller was the President and Director of Financial Operations for Miller Wagner & Company, Ltd. in Phoenix, Arizona for 22 years before the firm joined the Century Business Services family and became Miller Wagner Business Services, Inc. and Miller Wagner & Company, PLLC. Mr. Miller was the Regional Managing Partner for Lester Witte and Company, and was responsible for 11 of its offices prior to co-founding Miller Wagner & Company, Ltd. With over 40 years of experience, Mr. Miller is a recognized expert in the fields of finance, real estate, general business consulting and various litigation support matters. Mr. Miller's professional affiliations include the American Institute of Certified Public Accountants (AICPA), the Arizona Society of Certified Public Accountants (ASCPA) and the Illinois Society of Certified Public Accountants (ISCPA).

Robert A. O'Byrne has served as a Senior Vice President of CBIZ since December 1998 and is responsible for CBIZ' Benefits and Insurance Services. Mr. O'Byrne served as President and Chief Executive Officer of employee benefits brokerage/consulting firms Robert D. O'Byrne and Associates, Inc. and The Grant Nelson Group, Inc. prior to their acquisition by CBIZ in December 1997. Mr. O'Byrne has more than 25 years of experience in the insurance and benefits consulting field.

Michael W. Gleespen has served as Corporate Secretary since April 2001 and General Counsel since June 2001. Mr. Gleespen is an attorney and has served as CBIZ' 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.

OTHER KEY EMPLOYEES:

George A. Dufour was appointed Senior Vice President and Chief Technology Officer in July 2001. Prior to joining CBIZ, Mr. Dufour served as Corporate Director of Information Access Services for University Hospitals Health Systems (UHHS), where he achieved substantial cost savings by consolidating IS resources throughout the health system. Prior to joining UHHS in 1999, Mr. Dufour acted as Vice President and CIO for Akron General Health Systems. From 1986 through 1994, Mr. Dufour was with Blue Cross/Blue Shield of Ohio and served most recently there as Director of Information Systems Development. Mr. Dufour commenced his career in

information technology, which includes tenures at Cook United, Cole National Corporation, General Tire & Rubber, Picker Corporation, and Sherwin Williams, in 1971 as the Director of Education for the Institute of Computer Management, a division of Litton Industries. Mr. Dufour is a member of the northeast Ohio chapter of the Healthcare Information Management Systems Society. Mr. Dufour earned his MBA from Baldwin Wallace College.

Mark M. Waxman has over twenty years experience in marketing and branding. Prior to joining CBIZ, he was CEO/Creative Director of one of Silicon Valley's most well-known advertising agencies, Carter Waxman. Most recently, he was a founding partner of SK Consulting (acquired by CBIZ in 1998) providing strategic marketing and branding services to a wide range of companies and industries. Mr. Waxman has been a featured marketing columnist and contributor to many business and trade publications, and currently serves on the Board of Trustees of the Montalvo Center for the Arts, the West Valley Mission Foundation, and Catholic Charities, and he recently served as the Chairman of the Board of the Silicon Valley Chamber of Commerce.

Teresa E. Bruce has served as Vice President of Human Resources since January 1999. From 1995 to 1999 Ms. Bruce served as Director of Human Resources for Robert D. O'Byrne & Associates, Inc. and The Grant Nelson Group, Inc., subsidiaries of CBIZ now known as CBIZ Benefits and Insurance Services, Inc. Ms. Bruce has over 18 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, and is certified as a Senior Professional in Human Resources (SPHR).

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

Michael P. Kouzelos has served as Vice President of Strategic Initiatives since April 2001. Mr. Kouzelos served as Vice President of Shared Services from August 2000 to March 2001 and Director of Business Integration from June 1998 to July 2000. Mr. Kouzelos was associated with KPMG LLP, an international accounting firm, from 1990 to September 1996 and received his Masters in Business Administration from The Ohio State University in May of 1998. Mr. Kouzelos 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. Ms. Kuna served as Manager of External Reporting from December 1998 to June 1999. Prior to joining CBIZ, Ms. 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. Ms. Kuna is a CPA and a member of the American Institute of Certified Public Accountants and the Ohio Society of Certified Public Accountants.

David S. Azzolina joined CBIZ in April 1999 and was appointed Corporate Treasurer in May 2000. Prior to joining CBIZ, Mr. Azzolina spent 13 years at Bioproducts, Inc. in a broad range of financial assignments, including strategic initiatives, financial planning and analysis, accounting, and cash management. Mr. Azzolina has over twenty years of financial experience. He received a B.S. degree in accounting from The Ohio State University in 1983 and an M.B.A. degree from The University of Akron in 1998. Mr. Azzolina is a licensed Certified Public Accountant, State of Ohio.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to this item is incorporated by reference from the discussion under the heading "Executive Compensation" in CBIZ's definitive proxy statement for the 2005 Annual Stockholders' Meeting to be filed with the Securities and Exchange Commission no later than 120 days after the end of CBIZ's fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to this item is incorporated by reference from CBIZ's definitive proxy statement for the 2005 Annual Stockholders' Meeting to be filed with the Securities and Exchange Commission no later than 120 days after the end of CBIZ's fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

A number of the businesses acquired since October 1996 are located in properties owned indirectly by and leased from persons employed by CBIZ. In the aggregate, CBIZ paid approximately \$1.3 million, \$1.4 million, and \$0.8 million for the years ended 2004, 2003 and 2002, respectively, under such leases which management believes were at market rates.

Rick L. Burdick, a director of CBIZ, is a partner of Akin, Gump, Strauss, Hauer & Feld, L.L.P. (Akin, Gump.) Akin, Gump performed legal work for CBIZ during 2004, 2003 and 2002 for which the firm received approximately \$0.2 million, \$0.2 million, and \$0.1 million from CBIZ, respectively.

Robert A. O'Byrne, a Senior Vice President, has an interest in a partnership that receives commissions from CBIZ that are paid to certain eligible benefits and insurance producers in accordance with a formal program to provide benefits in the event of death, disability, retirement or other termination. The program was in existence at the time CBIZ acquired the former company, of which Mr. O'Byrne was an owner.

CBIZ maintains joint-referral relationships and administrative service agreements with independent licensed CPA firms under which CBIZ provides administrative services in exchange for a fee. These firms are owned by licensed CPAs who are employed by CBIZ subsidiaries, and provide audit and attest services to clients including CBIZ's clients. The CPA firms with which CBIZ maintains service agreements operate as limited liability corporations, limited liability partnerships or professional corporations. The firms are separate legal entities with separate governing bodies and officers. CBIZ has no ownership interest in any of these CPA firms, and neither the existence of the administrative service agreements nor the providing of services thereunder is intended to constitute control of the CPA firms by CBIZ. CBIZ and the CPA firms maintain their own respective liability and risk of loss in connection with performance of each of its respective services, and CBIZ does not believe that its arrangements with these CPA firms result in additional risk of loss.

Although the service agreements do not constitute control, CBIZ is one of the beneficiaries of the agreements and may bear certain economic risks. As such, the CPA firms with which CBIZ maintains administrative service agreements may qualify as variable interest entities under FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities". The impact to CBIZ of this accounting pronouncement is discussed in the notes to CBIZ's consolidated financial statements included herewith.

CBIZ also acted as guarantor on three letters of credit for a CPA firm with which it has an affiliation. The letters of credit total \$1.3 million and \$0.7 million as of December 31, 2004, and December 31, 2003, respectively. In accordance with FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" and its amendments ("FIN 45-1" and "FIN 45-2"), CBIZ has recognized a liability for the fair value of the obligations undertaken in issuing these guarantees, which is recorded as other current liabilities in the accompanying consolidated financial statements. Management does not expect any material changes to result from these instruments as performance is not expected to be required.

In 2002, CBIZ executed a note receivable with a CPA firm whose partner group has since joined MHM, PC, a CPA firm with which CBIZ maintains an administrative services agreement. The balance on the note at December 31, 2004 and 2003 was approximately \$0.2 million and \$0.2 million, respectively.

CBIZ divested several operations during 2004, 2003, and 2002, in an effort to rationalize the business and sharpen the focus on non-strategic businesses. In accordance with this strategy, CBIZ has sold and may sell in the future businesses to former employees or shareholders. Management believes these transactions were priced at market rates, competitively bid, and entered into at arm's length terms and conditions.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information with respect to this item is incorporated by reference from CBIZ's definitive proxy statement for the 2005 Annual Stockholders' Meeting to be filed with the Securities and Exchange Commission no later than 120 days after the end of CBIZ's fiscal year.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

1. Financial Statements.

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

2. Financial Statement Schedules.

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

3. Exhibits.

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

EXHIBIT NO.
DESCRIPTION

- - - - -
- - - - -

- 3.1

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

3.2

Certificate of Amendment of the Certificate of Incorporation of CBIZ dated October 18, 1996 (filed as Exhibit 3.2 to CBIZ's Annual Report on Form 10-K for the year ended December 31,

1996, and incorporated herein by reference).

3.3

Certificate of Amendment of the Certificate of Incorporation of CBIZ effective December 23, 1997 (filed as Exhibit 3.3 to CBIZ's Annual Report on Form 10-K for the year ended December 31, 1997, and incorporated herein by reference).

3.4

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

3.5 Amended and Restated Bylaws of CBIZ (filed as Exhibit

3.2 to CBIZ's

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

4.1 Form of Stock

Certificate of Common Stock of CBIZ (filed as Exhibit 4.1 to CBIZ's Annual Report Form 10-K for the year ended December 31,

1998, and incorporated herein by reference).

4.4 CBIZ Business Services Employee Stock Investment Plan (filed as exhibit 4.4 to CBIZ's Report on Form S-8 filed June 1, 2001, and incorporated herein by reference).

10.1 Form of Warrant to purchase 900,000 shares of CBIZ's common stock issued to Jackson National Life Insurance Company (filed as Exhibit 10.2

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

10.2 1996 Employee Stock Option Plan (filed as Appendix I to CBIZ's Proxy Statement 1997 Annual Meeting of Stockholders dated April 1, 1997 and incorporated herein by reference).

EXHIBIT NO.
DESCRIPTION

- - - - -
- - - - -

- 10.3
Amendment to
the 1996
Employee
Stock Option
Plan (filed
as Exhibit
99.2 to
CBIZ's
Current
Report on
Form 8-K
dated
December 14,
1998, and
filed
January 12,
1999 and
incorporated
herein by
reference).

10.4
Amendment to
the 1996
Employee
Stock Option
Plan (filed
on
Secretary's
Certificate
as Exhibit
10.10 to
CBIZ's
Annual
Report on
Form 10-K
for the year
ended
December 31,
2000, and
incorporated
herein by
reference).

10.5
Severance
Protection
Agreement by
and between
Century
Business
Services,
Inc. and
Jerome P.
Grisko, Jr.
(filed as
exhibit
10.11 to
CBIZ's
Report on
Form 10-K
for the year
ended
December 31,
2000, and
incorporated
herein by
reference).

10.7
Employment
Agreement by
and between
Century
Business
Services,

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

10.8

Employment
Agreement by
and between
Century
Business
Services,
Inc. and
Ware H.
Grove (filed
as exhibit
10.14 to
CBIZ's
Report on
Form 10-K
for the year
ended
December 31,
2000, and
incorporated
herein by
reference).

10.10 Credit
Agreement
dated
September
26, 2002
among
Century
Business
Services,
Inc., Bank
of America,
N.A. as
Agent,
Issuing
Bank, and
Swing Line
Bank, and
the Other
Financial
Institutions
Party Hereto
(filed as
exhibit
10.17 to
CBIZ's
Report on
Form 10-Q
for the
period ended
September
30, 2002,
and
incorporated
herein by
reference).

10.11 First
amendment to
Amended and
Restated
Credit
Agreement
effective
June 6, 2003

among
Century
Business
Services,
Inc. and
each of the
Guranators
(filed as
exhibit
99.B.II to
CBIZ's
Report on
Form SC TO-I
filed June
10,2003, and
10.12*
Amended and
Restated
Credit
Agreement
dated as of
August 6,
2004, among
Century
Business
Services,
Inc., Bank
of America,
N.A., as
Agent, a
Lender,
Issuing Bank
and Swing
Line Bank,
and The
Other
Financial
Institutions
Party
Hereto.
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).
31.1*
Certification
of Chief
Executive
Officer
Pursuant to
Section 302
of the
Sarbanes-
Oxley Act of
2002. 31.2*
Certification
of Chief
Financial
Officer
Pursuant to
Section 302
of the
Sarbanes-
Oxley Act of
2002. 32.1*
Certification
of Chief
Executive
Officer

Pursuant to
Section 906
of the
Sarbanes-
Oxley Act of
2002. 32.2*
Certification
of Chief
Financial
Officer
Pursuant to
Section 906
of the
Sarbanes-
Oxley Act of
2002.

- - - - -

* Indicates documents filed herewith.

(b) Reports on Form 8-K

The following Current Report on Form 8-K was filed during the three months ended December 31, 2004:

(a) On November 1, 2004, CBIZ furnished a current report on Form 8-K to provide investors with its third quarter earnings, as released to the public and discussed on a conference call on October 26, 2004.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Century Business Services, Inc. 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 15, 2005

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 H. 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, 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
Chairman and Chief Executive Officer

/s/ WARE H. GROVE

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

/s/ GARY W. DEGROOTE

Gary W. DeGroot
Director

/s/ RICK L. BURDICK

Rick L. Burdick
Director

/s/ DONALD V. WEIR

Donald V. Weir
Director

/s/ JOSEPH S. DIMARTINO

Joseph S. DiMartino
Director

/s/ HARVE A. FERRILL

Harve A. Ferrill
Director

/s/ RICHARD C. ROCHON

Richard C. Rochon
Director

/s/ TODD SLOTKIN

Todd Slotkin
Director

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Under the supervision of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our internal control over financial reporting based on the framework provided in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Framework).

Our assessment of the design of controls and our testing to determine the effectiveness of controls over financial reporting required under Sections 404 of the Sarbanes-Oxley Act of 2002 has indicated that we have some deficiencies in internal control over financial reporting, and management is working to remediate those deficiencies. Our management has concluded that those deficiencies, individually and in the aggregate, do not constitute a material weakness in internal control over financial reporting. Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement disclosure. Based on our evaluation under the COSO Framework, our management has concluded that our internal control over financial reporting was effective as of December 31, 2004 at a reasonable assurance level.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2004 has been audited by KPMG, LLP, an independent registered public accounting firm, as stated in their report which is included in Item 8 of our Annual Report on Form 10-K.

/s/ STEVEN L. GERARD

Steven L. Gerard
Chairman and Chief Executive Officer

/s/ WARE H. GROVE

Ware H. Grove
Chief Financial Officer
Principal Financial and Accounting Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON
INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited management's assessment, included in the accompanying Management's report on internal control over financial reporting, that Century Business Services, Inc. and subsidiaries (Company) maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Century Business Services, Inc. and subsidiaries as of December 31, 2004 and 2003, 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, 2004, and our report dated March 15, 2005 expressed an unqualified opinion on those consolidated financial statements.

/s/KPMG LLP
Cleveland, Ohio
March 15, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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 financial statement schedule as listed in the accompanying index on page F-1. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, 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.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 15, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP
Cleveland, Ohio
March 15, 2005

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

(IN THOUSANDS)

2004	2003	ASSETS	Current assets:
		Cash and cash equivalents.....	\$ 5,291
		3,791 Restricted cash.....	10,089
		10,880 Accounts receivable, net.....	109,683
		Notes receivable -- current.....	1,377
		Income taxes recoverable.....	7,146
		438 Deferred income taxes -- current.....	3,594
		3,360 Other current assets.....	8,195
		7,651 Assets of businesses held for sale.....	417
		Current assets before funds held for clients.....	145,792
		140,050 Funds held for clients.....	38,236
		44,917 Total current assets.....	184,028
		Property and equipment, net.....	37,772
		Notes receivable -- non-current.....	4,726
		Deferred income taxes -- non-current.....	6,801
		4,215 Goodwill and other intangible assets, net.....	172,644
		167,280 Assets of deferred compensation plan.....	4,285
		-- Other assets.....	3,517
		3,155 Total assets.....	\$ 413,773
		\$ 402,145 LIABILITIES	Current liabilities: Accounts payable.....
		25,876 \$ 28,495 Accrued personnel costs.....	24,597
		21,049 Other current liabilities.....	17,226
		13,129 Liabilities of businesses held for sale.....	165
		826 Current liabilities before client fund obligations.....	67,864
		63,499 Client fund obligations.....	38,236
		44,917 Total current liabilities.....	106,100
		108,416 Bank debt.....	53,900
		14,000 Liabilities of deferred compensation plan.....	4,285
		-- Other non-current liabilities.....	2,991
		1,891 Total liabilities.....	167,276
		124,307 STOCKHOLDERS' EQUITY	Common stock, par value \$0.01 per share
		Shares authorized 250,000; Shares issued 96,407 and 95,673;	Shares outstanding 75,651 and 85,371.....
		964 Additional paid-in capital.....	444,584
		441,407 Accumulated deficit.....	(113,387)
		(129,438) Treasury stock, 20,756 and 10,302 shares.....	(85,650)
		(35,087) Accumulated other comprehensive loss.....	(14)
		(1) Total stockholders' equity.....	246,497
		277,838 Total liabilities	

and stockholders' equity..... \$ 413,773 \$ 402,145
=====

See the accompanying notes to the consolidated financial statements.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

(IN THOUSANDS, EXCEPT PER SHARE DATA)

2004 2003 2002 -----

Revenue.....	\$520,057	\$506,782	\$492,955	Operating
expenses.....	441,652	434,389		Gross
margin.....	60,700	65,130	58,566	Corporate general and administrative
expense.....	24,773	19,518	19,177	Depreciation
and amortization expense.....	17,089	20,361		Operating
income.....	28,523	19,028		Other income (expense): Interest
expense.....	(1,055)	(2,477)		Gain on sale of operations,
net.....	996	2,519	930	Other income
(expense), net.....	(1,567)			Total other income
(expense), net.....	3,043	255	(3,114)	Income
from continuing operations before income tax				expense.....
expense.....	22,542	28,778	15,914	Income tax
expense.....	12,495	8,154		Income from
continuing operations.....	16,283	7,760		Loss from operations of discontinued
businesses, net of				tax.....
(932)	(1,693)	(2,130)		Gain (loss) on disposal of
				discontinued businesses, net of
tax.....	132	726	(2,471)	Income before
				cumulative effect of change in accounting
principle.....	16,051	15,316	3,159	Cumulative effect of change in
				accounting principle, net of
tax.....	--	--	(80,007)	Net income
(loss).....	\$ 15,316	\$ (76,848)		\$ 16,051
				Earnings
				(loss) per share: Basic: Continuing
operations.....	\$ 0.21	\$ 0.18		\$ 0.21 \$ 0.18
				\$ 0.08 Discontinued
operations.....	(0.01)	(0.01)		(0.01) (0.01)
				(0.05) Cumulative effect of change in accounting
principle....	--	--	(0.84)	Net
income (loss).....	\$ 0.17	\$ (0.81)		\$ 0.20
				Diluted:
Continuing operations.....	0.21	\$ 0.18	\$ 0.08	Discontinued
operations.....	(0.01)	(0.01)		(0.01) (0.01)
				(0.05) Cumulative effect of change in accounting
principle....	--	--	(0.82)	Net
income (loss).....	\$ 0.17	\$ (0.79)		\$ 0.20
				Basic weighted
				average common shares outstanding.....
94,810				79,217 90,400
				Diluted weighted average
				common shares outstanding.....
				81,477 92,762 96,992
				=====

See the accompanying notes to the consolidated financial statements.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

(IN THOUSANDS)

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

December 31,

2001.....
 94,879 \$949 \$439,136 \$
 (67,906) 220 \$ (1,308)
 \$(224) \$370,647

Comprehensive loss: Net
 loss.....
 -- -- -- (76,848) -- -- --
 (76,848) Change in
 unrealized appreciation,
 net of
 tax.....
 (31) (31) ----- Total
 comprehensive
 loss.....
 (76,879) Stock
 options.....
 242 2 548 -- -- -- 550

----- December 31,

2002.....
 95,121 \$951 \$439,684
 \$(144,754) 220 \$ (1,308)
 \$(255) \$294,318

Comprehensive income: Net
 income.....
 -- -- -- 15,316 -- -- --
 15,316 Change in
 unrealized appreciation,
 net of
 tax.....
 254 254 ----- Total
 comprehensive
 income.....
 15,570 Share
 repurchase..... --
 -- -- -- 10,036 (33,578) --
 - (33,578) Divestiture
 consideration.... -- -- --
 -- 46 (201) -- (201) Stock
 options.....
 375 4 1,203 -- -- -- --
 1,207 Business
 acquisitions and
 contingent
 payments..... 177 2
 520 -- -- -- 522 -----

----- December 31,

2003.....
 95,673 \$957 \$441,407
 \$(129,438) 10,302
 \$(35,087) \$ (1) \$277,838
 Comprehensive income: Net
 income.....
 -- -- -- 16,051 -- -- --
 16,051 Foreign currency
 translation adjustments...

(13)	(13)	-----	Total
			comprehensive
			income.....
			16,038 Share
			repurchase..... --
--	--	--	10,424 (50,419) -
			- (50,419) Restricted
			stock..... -- --
			518 -- -- -- 518
			Divestiture
			consideration.... -- -- --
--	--	--	30 (144) -- (144) Stock
			options.....
			519 5 1,696 -- -- -- --
			1,701 Business
			acquisitions and
			contingent
			payments..... 215 2
			963 -- -- -- -- 965 -----

			-- December 31,
			2004.....
			96,407 \$964 \$444,584
			\$(113,387) 20,756
			\$(85,650) \$ (14) \$246,497
			=====
			=====
			=====
			=====

See the accompanying notes to the consolidated financial statements.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

(IN THOUSANDS)

2004	2003	2002	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES: Net					
income					
(loss).....					
\$ 16,051	\$ 15,316	\$ (76,848)	Adjustments to		
			reconcile net income (loss) to net cash		
			provided by operating activities: Loss from		
			operations of discontinued businesses.....		
932	1,693	2,130	(Gain) loss on disposal of		
			discontinued businesses....	(132)	(726)
			Gain on sale of		
			operations.....	(996)	
			(2,519)	(930)	Bad debt expense, net of
			recoveries.....	4,357	5,002
					6,771
			Impairment of notes		
			receivable.....	--	2,394
					--
			Notes payable		
			extinguishment.....	(743)	
--	--		Cumulative effect of change in accounting		
			principle... -- --	80,007	Depreciation and
			amortization.....	16,428	
			17,089	20,361	Deferred income
			taxes.....	(2,820)	
			2,048	3,055	Stock
			awards.....		
449	280	--	Changes in assets and liabilities,		
			net of acquisitions and dispositions:		
			Restricted		
			cash.....	791	
			5,968	(3,668)	Accounts receivable,
			net.....	(6,424)	
			(15,296)	884	Other
			assets.....		
			(6,785)	(1,614)	1,417
			payable.....		Accounts
			(2,596)	6,462	723
			taxes.....		Income
			(6,974)	3,789	(2,653)
			Accrued expenses and		
			other liabilities.....	9,405	(6,788)
			4,248	-----	Net cash
					provided by continuing
			operations.....	20,943	33,098
			Net cash (used in) provided by discontinued		
			operations... (517)	6,760	4,297
			-----	-----	-----
			Net cash provided by operating		
			activities.....	20,426	39,858
				42,265	
			-----	-----	-----
			CASH FLOWS FROM		
			INVESTING ACTIVITIES: Business acquisitions		
			including contingent consideration earned, net		
			of cash acquired.....		
			(5,662)	(3,849)	(4,553)
			Proceeds from divested		
			operations.....	3,030	5,590
			3,122	Proceeds from discontinued	
			operations.....	1,549	1,599
			4,639	Additions to property and equipment,	
			net.....	(8,441)	(10,623)
				(8,107)	
			Net decrease in notes		
			receivable.....	195	1,754
			1,897	-----	Net cash
					used in investing activities.....
			(9,329)	(5,529)	(3,002)
			-----	-----	-----
			CASH FLOWS FROM FINANCING ACTIVITIES:		
			Proceeds from bank		
			debt.....	288,855	
			225,950	62,600	Proceeds from notes
			payable.....	--	324
					597
			Payment of bank		
			debt.....		
			(248,955)	(229,450)	(100,100)
			Payment of notes		
			payable and capitalized leases.....	(428)	

(1,062)	(899)	Payment for acquisition of treasury stock.....	(50,419)
(33,578)	--	Proceeds from exercise of stock options.....	1,350 927 550 -----
--	-----	Net cash used in financing activities.....	(9,597)
(36,889)	(37,252)	-----	-----
		Net increase (decrease) in cash and cash equivalents.....	1,500 (2,560) 2,011
		Cash and cash equivalents at beginning of year.....	3,791 6,351 4,340 -----
		-----	-----
		Cash and cash equivalents at end of year.....	\$ 5,291 \$ 3,791
			\$ 6,351 =====

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 its wholly-owned subsidiaries (CBIZ) are a diversified services company which, acting through its subsidiaries, provides professional business services primarily to small and medium-sized businesses, as well as individuals, governmental entities, and not-for-profit enterprises throughout the United States and Toronto, Canada. CBIZ offers integrated services through its three practice groups: accounting, tax and advisory services, benefits and insurance services, and national practices.

Principles of Consolidation

The accompanying consolidated financial statements reflect the operations of CBIZ and all of its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The accompanying consolidated financial statements do not reflect the operations or accounts of variable interest entities as the impact is not material to the financial condition, results of operations or cash flows of CBIZ. See further discussion under "Variable Interest Entities" below.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Management's estimates and assumptions include, but are not limited to, estimates of collectibility of accounts receivable and unbilled revenue, the realizability of goodwill and other intangible assets, accrued liabilities (such as incentive compensation), income taxes and other factors. Management's estimates and assumptions are derived from and continually evaluated based upon available information, judgment and experience. However, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2003 and 2002 consolidated financial statements have been reclassified to conform to the current year presentation. Reclassifications include: legal settlements (previously reported as other income (expense), net, which are now reported as corporate general and administrative expense) and discontinued operations.

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

Restricted cash represents fees earned by CBIZ in relation to its capital and investment advisory services, as those funds are restricted in accordance with applicable NASD regulations and funds on deposit from clients in connection with the pass through of insurance premiums to the carrier. The related liability for these funds is recorded in other current liabilities in the consolidated balance sheets.

Funds Held for Clients and Client Fund Obligations

As part of our payroll and property tax management services, CBIZ is engaged in the preparation of payroll checks, federal, state, and local payroll tax returns, property tax payments and flexible spending account

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

administration. In relation to these services, CBIZ collects funds from its clients' accounts in advance of paying these client obligations. Funds that are collected before they are due are held in an account in CBIZ's name and invested in short-term investment grade instruments with a maturity of twelve months or less from the date of purchase. These funds, which may include cash, cash equivalents and short-term investments, are segregated and reported separately as funds held for clients. Other than certain federal and state regulations pertaining to flexible spending account administration, there are no regulatory or other contractual restrictions placed on these funds. 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 amounts of collected but not yet remitted funds may vary significantly during the year.

Derivative Instruments and Hedging Activities

CBIZ records derivative instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as subsequently amended by SFAS 137, SFAS 138 and SFAS 149. Derivatives are recognized as either assets or liabilities in the statement of financial position and are measured at fair value. The treatment of gains and losses resulting from changes in the fair values of derivative instruments is dependent on the use of the respective derivative instruments and whether they qualify for hedge accounting.

In 2001, CBIZ entered into an interest rate swap agreement that qualified as a cash flow hedge, which was used to manage the interest rate mix of its credit facility and related overall cost of borrowing. For the year ended December 31, 2002, the change in fair value relating to CBIZ's hedging activity resulted in a loss of approximately \$0.3 million, which is recorded in stockholders' equity under accumulated other comprehensive loss. The interest rate swap was terminated in the third quarter, 2003, and CBIZ did not utilize derivative instruments during the year ended December 31, 2004.

Other Financial Instruments

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

Goodwill and Other Intangible Assets

CBIZ utilizes the purchase method of accounting for all business combinations, in accordance with Statement of Financial Accounting Standard No. 141, "Business Combinations" (SFAS 141).

Effective January 1, 2002, CBIZ adopted Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" (SFAS 142), which requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually at the reporting unit level. CBIZ conducts a formal impairment test of goodwill on an annual basis, during the fourth quarter of each year, and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

Other identifiable intangible assets include finite-lived purchased intangible assets, which primarily consist of client lists and non-compete agreements. These assets are amortized using the straight-line method over their expected period of benefit, generally two to ten years. In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", these assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Recoverability of long-lived assets is assessed by a comparison of the carrying amount of the asset to the estimated undiscounted future net cash flows expected to be generated by the asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Property and Equipment

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

Buildings.....	25 years
Leasehold improvements.....	Contractual term of the lease
Furniture and fixtures.....	5 to 10 years
Computers, related equipment and software.....	2 to 7 years

Capitalized Software

The cost of software purchased or developed for internal use is capitalized in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The costs are amortized to expense by the straight line method over an estimated useful life not to exceed seven years. Capitalized software is classified in property and equipment.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due and deferred taxes. 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 basis and operating loss and tax credit carryforwards. State income tax credits are accounted for by the flow-through method.

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 the analysis of amounts available in the statutory carryback or carryforward periods, consideration of future deductible amounts, and assessment of the consolidated and/or separate company profitability of certain acquired entities.

Revenue Recognition and Valuation of Unbilled Revenues

Revenue is recognized only when all of the following are present: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, our fee to the client is fixed or determinable, and collectibility is reasonably assured, which is in accordance with GAAP and SAB 104. CBIZ offers a vast array of products and business services to its clients. Those services are delivered through three practice groups. A description of revenue recognition, as it relates to those groups, is provided below.

Certain of our client arrangements encompass multiple deliverables. CBIZ accounts for these arrangements in accordance with Emerging Issues Task Force No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" (EITF 00-21). If the deliverables meet the criteria in EITF 00-21, the deliverables are divided into separate units of accounting and revenue is allocated to the deliverables based on their relative fair values. Revenue for each unit is recognized separately in accordance with CBIZ's revenue recognition policy for each unit. For those arrangements where the deliverables do not qualify as a separate unit of accounting, revenue from all deliverables are treated as one accounting unit and recognized on a pro-rata basis over the term of the arrangement.

ACCOUNTING, TAX AND ADVISORY SERVICES -- Revenue consists primarily of fees for accounting services, preparation of tax returns and consulting services including Sarbanes-Oxley consulting and compliance projects. Revenues are recorded in the period in which services are provided and the arrangement meets revenue recognition criteria in accordance with SAB 104. 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-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

pocket expenses. The cumulative impact on any subsequent revision in the estimated realizable value of unbilled fees for a particular client project is reflected in the period in which the change becomes known.

Through one of its ATA units, CBIZ provides flexible benefits administration services to clients, grants access of its proprietary software to third parties, and provides hosting to these parties. Revenue associated with set up and license fees related to our flexible benefits services are deferred and recognized pro rata over the life of the contract.

BENEFITS & INSURANCE -- Revenue consists primarily of brokerage and agency commissions, and fee income for administering health and retirement plans. A description of the revenue recognition, based on the insurance product and billing arrangement, is described below:

- Commissions relating to brokerage and agency activities whereby CBIZ has primary responsibility for the collection of premiums from insured's (agency or indirect billing) are 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 (direct billing) are recognized when the policy becomes effective; and life insurance commissions are recognized when the policy becomes effective. Commission revenue is reported net of sub-broker commissions. Commission revenue is reported net of reserves for estimated policy cancellations and terminations. This reserve is based upon estimates and assumptions using historical cancellation and termination experience and other current factors to project future experience. CBIZ periodically reviews the adequacy of the reserve and makes adjustments as necessary. The use of different estimates or assumptions could produce different results.
- Supplemental commissions, which are based upon certain performance targets, are recognized at the earlier of notification that the target has been achieved, or cash collection.
- Fee income is recognized in the period in which services are provided and the arrangement meets revenue recognition criteria in accordance with SAB 104. Fees may be based on actual hours incurred on an hourly fee basis, fixed fee arrangements, or asset-based fees.

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

- Mergers & Acquisitions and Capital Advisory -- Revenue associated with non-refundable retainers is recognized on a pro rata basis over the life of the engagement. Revenue associated with success fee transactions is recognized when the transaction is completed.
- Technology Consulting -- Revenue associated with hardware and software sales is recognized upon delivery and acceptance of the product. Revenue associated with installation and service agreements is recognized as services are performed. Consulting revenue is recognized on an hourly or per diem fee basis as services are performed.
- Valuation and Property Tax -- Revenue associated with retainer contracts is recognized on a pro rata basis over the life of the contract, which is generally twelve months. Revenue associated with contingency arrangements is recognized once written notification is received from an outside third party (e.g., assessor in the case of a property tax engagement) acknowledging that the contingency has been resolved.
- Medical Management Group -- Fees for services are primarily based on a percentage of net collections on our clients' patient accounts receivable. As such, revenue is determinable, earned, and recognized, when payments are received on our clients' patient accounts.

Operating Expenses

Operating expenses represent costs incurred by our business units, and consist primarily of personnel, occupancy and consolidation and integration related expenses. Personnel costs include base compensation,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

payroll taxes, and benefits, which are recognized as expense as they are incurred, and incentive compensation costs which are estimated and accrued on a monthly basis. The ultimate determination of incentive compensation is made after our year-end results are finalized; thus, estimates are subject to change. Total personnel costs were \$332.0 million, \$319.1 million and \$309.9 million for the years ended December 31, 2004, 2003, and 2002, respectively.

The largest components of occupancy costs are rent expense and utilities. Rent expense is recognized over respective lease terms, and utilities are recognized as incurred. Total facility costs were \$35.2 million, \$34.8 million and \$34.3 million for the years ended December 31, 2004, 2003, and 2002, respectively.

Consolidation and integration charges are included in operating expenses, and are accounted for in accordance with Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Accordingly, CBIZ recognizes a liability for noncancellable lease obligations based upon the net present value of remaining lease payments, net of estimated sublease payments. The liability is determined and recognized as of the cease-use date. Adjustments to the liability are made for changes in estimates in the period in which the change becomes known. See further discussion in Note 9.

Variable Interest Entities

Effective January 1, 2004, CBIZ adopted FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46"), FASB Staff Position ("FSP") 46-e, "Effective Date of Interpretation 46", and revisions to FIN 46 ("FIN 46(R)", "FIN 46(R)-1", "FIN 46(R)-2", "FIN 46(R)-3", and "FIN 46(R)-4"). In accordance with the provisions of the aforementioned standards, CBIZ has determined that its relationship with certain Certified Public Accounting (CPA) firms with whom we maintain administrative service agreements (ASAs), qualify as variable interest entities. The accompanying financial statements do not reflect the consolidation of the variable interest entities, as the impact is not material to the financial condition, results of operations or cash flows of CBIZ.

The CPA firms with which CBIZ maintains service agreements operate as limited liability corporations, limited liability partnerships or professional corporations. The firms are separate legal entities with separate governing bodies and officers. CBIZ has no ownership interest in any of these CPA firms, and neither the existence of the ASAs nor the providing of services thereunder is intended to constitute control of the CPA firms by CBIZ. CBIZ and the CPA firms maintain their own respective liability and risk of loss in connection with performance of each of its respective services, and CBIZ does not believe that its arrangements with these CPA firms result in additional risk of loss.

Fees earned by CBIZ under the ASAs are recorded as revenue in the consolidated statements of operations. In the event that accounts receivable and unbilled work in process become uncollectible by the CPA firms, the service fee due to CBIZ is reduced on a pro-rata basis. Although the service agreements do not constitute control, CBIZ is one of the beneficiaries of the agreements and may bear certain economic risks.

Earnings (loss) per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing net income by weighted average diluted shares. Weighted average diluted shares are determined using the weighted average number of common shares outstanding during the period plus the dilutive effect of potential future issues of common stock relating to CBIZ's stock option programs and other potentially dilutive securities. In calculating diluted earnings (loss) per share, the dilutive effect of stock options is computed using the average market price for the period in accordance with the treasury stock method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Stock Based Awards

CBIZ accounts for its employee stock options in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, 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 in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Had the cost of stock option plans been determined based on the fair value of options at the grant date, CBIZ's net income (loss) and earnings (loss) per share pro forma amounts would be as follows (amounts in thousands, except per share data):

AS REPORTED PRO FORMA	-----				
		BASIC	DILUTED		
BASIC DILUTED	-----				
				2004	Net
income.....					
	\$ 16,051	\$ 16,051	\$ 14,629	\$ 14,629	
	=====	=====	=====	=====	Net
					income per
share.....	\$ 0.20	\$ 0.18	\$ 0.18		
	=====	=====	=====		
					2003
income.....					Net
	\$ 15,316	\$ 15,316	\$ 14,792	\$ 14,792	
	=====	=====	=====	=====	Net
					income per
share.....	\$ 0.17	\$ 0.16	\$ 0.16		
	=====	=====	=====		
					2002
loss.....					Net
	\$(76,848)	\$(76,848)	\$(80,365)	\$(80,365)	
	=====	=====	=====	=====	Net
					loss per
share.....	\$ (0.81)	\$ (0.79)	\$ (0.85)	\$ (0.83)	
	=====	=====	=====	=====	

(1) A tax rate of 40.0% was applied to the fair value of options in determining pro-forma net income for each of the years ended December 31, 2004, 2003 and 2002.

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 2004, 2003 and 2002. Below is a summary of the assumptions used in the calculation:

2004	2003	2002	-----	-----	-----	Risk-free
interest rate.....						
	3.89%	2.36%	2.89%			Expected
volatility.....						
	36.57%	35.54%	75.76%			Expected option life (in
years).....	3.75	3.75	3.75			

Restricted stock awards are independent of option grants, and are granted at no cost to the recipients. The market value of shares awarded is recorded as unearned compensation, and is expensed ratably over the period which restrictions lapse. See Note 12 to the consolidated financial statements for a complete description of employee share plans.

Guarantees

CBIZ recognizes a liability for the fair value of obligations undertaken in issuing guarantees, in accordance with the Financial Accounting Standards Board issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others", as amended (FIN 45). The liability is recognized at the inception of such guarantees, and is recorded as other current liabilities in the consolidated balance sheets. See Note 7 for additional disclosures regarding

guarantees.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

2. ACCOUNTS RECEIVABLE, NET

Accounts receivable balances at December 31, 2004 and 2003 were as follows (in thousands):

2004	2003	-----	-----	Trade accounts
receivable.....				receivable..... \$
	82,666	\$	80,650	Unbilled
revenue.....			
33,163	35,089	-----	-----	Total accounts
receivable.....				receivable.....
115,829	115,739	Less allowance for doubtful		accounts.....
		(6,146)	(6,303)	-
		-----	-----	Accounts receivable,
net.....				net..... \$109,683
	\$109,436	=====	=====	

3. NOTES RECEIVABLE

Notes receivable balances at December 31, 2004 and 2003 were as follows (in thousands):

2004	2003	-----	-----	CURRENT Notes in lieu of cash as
operations.....				consideration for the sale of
	\$1,125	\$1,107		operations.....
Other.....			
252	208	-----	-----	Total notes receivable --
current.....	1,377	1,315		NON-CURRENT
Notes in lieu of cash as consideration for the sale of				operations.....
operations.....	2,169	1,991	
Other.....			
2,557	442	-----	-----	Total notes receivable -- non-
current.....	4,726	2,433	-----	current.....
Notes receivable.....				Notes receivable.....
	\$6,103	\$3,748	=====	=====

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net at December 31, 2004 and 2003 consisted of the following (in thousands):

2004	2003	-----	-----	Buildings and
improvements.....				leasehold
	\$ 12,697			improvements..... \$ 12,697
	\$ 12,609			Furniture and
fixtures.....				fixtures.....
28,136	25,409	Equipment and capitalized		software.....
software.....	60,338			60,338
56,725		-----	-----	Total property &
equipment.....				equipment.....
101,171	94,743	Accumulated depreciation and		amortization.....
		(63,399)		(63,399)
		(54,648)	-----	Property and
equipment, net.....				equipment, net.....
	\$ 37,772	\$ 40,095	=====	=====

Depreciation expense (including amortization of capitalized software) was approximately \$12.5 million, \$13.6 million, and \$15.6 million during the years ended December 31, 2004, 2003 and 2002, respectively.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

5. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

The components of goodwill and other intangible assets, net at December 31, 2004 and 2003 were as follows (in thousands):

	2004	2003	
Goodwill.....	\$159,807	\$157,815	
Intangibles: Client lists.....			18,033
Other intangibles.....		13,493	
	682		972
	----- Total		
Intangibles.....			19,005
	14,175		
	----- Total goodwill and other		
Intangibles assets.....	178,812	171,990	
Less accumulated amortization.....			
	(6,168)	(4,710)	
	----- Goodwill and other		
Intangible assets, net.....	\$172,644	\$167,280	
	=====		

Client lists are amortized over periods not exceeding ten years. Other intangibles, which consist primarily of non-compete agreements, are amortized over periods ranging from two to ten years. Amortization expense (excluding impairment charges as described below) of client lists and other intangible assets was approximately \$1.8 million, \$1.5 million and \$2.2 million during the years ended December 31, 2004, 2003 and 2002, respectively. Amortization expense for client lists and other intangible assets for each of the next five years is estimated to be (in thousands):

	YEAR ENDED DECEMBER 31,
2005.....	\$1,955 =====
2006.....	\$1,811 =====
2007.....	\$1,715 =====
2008.....	\$1,522 =====
2009.....	\$1,428 =====

This estimate excludes the impact of events that may occur subsequent to December 31, 2004, including acquisitions, divestitures, and additional purchase price that may be earned in connection with acquisitions that occurred prior to December 31, 2004.

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", CBIZ recorded non-cash pre-tax impairment charges of \$0.2 million and \$0.3 million during the years ended December 31, 2004 and 2003, respectively. The impairment charges are recorded as depreciation and amortization expense in the accompanying consolidated statements of operations and relate to client lists from our Accounting, Tax and Advisory, and Benefits and Insurance practice groups that were purchased in 2000 and 1999, respectively.

During 2002, in connection with the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," CBIZ recorded a non-cash impairment charge to goodwill of \$88.6 million on a pretax basis. The charge is recorded as a cumulative effect of a change in accounting principle in the accompanying consolidated statement of operations. Based upon our annual impairment review conducted during the fourth quarter, CBIZ determined there was no impairment of goodwill for the years ended December 31, 2004 or 2003.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Changes in goodwill for the years ended December 31, 2004 and 2003 were as follows (in thousands):

NATIONAL ACCOUNTING, TAX BENEFITS & MEDICAL PRACTICE AND ADVISORY INSURANCE PRACTICE GROUP- TOTAL GROUP GROUP MANAGEMENT OTHER GOODWILL ----- -----				
	December			
31, 2002.....	\$90,260			
\$45,206	\$17,212	\$4,357		
	\$157,035			
Additions.....				
2,142	810	-- --	2,952	
Divestitures.....				
(1,035)	(1,137)	-- --		
(2,172)		-----		
	December 31,			
2003.....	91,367			
44,879	17,212	4,357		
	157,815			
Additions.....				
772	628	--	1,219	2,619
Divestitures.....				
(627)	-- --	--	(627)	--
	December			
31, 2004.....	\$91,512			
\$45,507	\$17,212	\$5,576		
\$159,807	=====	=====		
=====	=====	=====		

6. INCOME TAXES

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

2004	2003	2002	-----	-----	-----	Continuing
						operations: Current:
Federal.....						
	\$ 6,763	\$ 8,315	\$12,277			State and
local.....					1,748	
1,927	(429)					Total current
						income tax expense from continuing
operations.....						
	8,511	10,242	11,848			Deferred:
Federal.....						
	(2,074)	2,352	(4,719)			
Foreign.....						
	32	102	30			State and
local.....					(778)	
(201)	995					Total deferred
						income tax expense from continuing
operations.....						
(2,820)	2,253	(3,694)				Total
						income tax expense continuing operations....
	12,495	8,154				5,691
operations.....						Discontinued
(908)	338				(419)	
						Gain (loss) on sale of discontinued
						operations.....
	266	731	(1,413)			Cumulative
						effect of change in accounting principle.....
--	--	--				
(8,584)						Total income tax
						expense (benefit).....
	\$ 5,538					
	\$12,318	\$(1,505)	=====	=====	=====	

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

2004	2003	2002	-----	-----	-----	Tax at
						statutory rate..... \$
7,890	\$10,072	\$5,570				State taxes (net of federal benefit)..... 1,444 1,719 530 Tax credit carryforwards..... (280) (3,882) -- Change in valuation allowance..... (707) 4,657 109 Settlement of IRS examination 1998-2000..... (3,550) -- -- Non-deductible goodwill related to divested businesses..... 133 (361) 784 Business meals and entertainment -- non-deductible..... 639 594 554 Other, net..... 122 (304) 607 ----- ----- Provision for income taxes from continuing operations... \$ 5,691 \$12,495 \$8,154 ===== Effective income tax rate..... 25.2% 43.4% 51.2% =====

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, 2004 and 2003, are as follows (in thousands):

2004	2003	-----	-----	Deferred Tax Assets:
				Net operating loss carryforwards..... \$ 5,408 \$ 6,206 Allowance for doubtful accounts..... 2,362 2,371 Reserves and accrued liabilities..... 4,762 2,165 Cumulative change in accounting principle (SAB 101)..... 2,810 2,895 Goodwill and other intangibles..... 4,517 3,943 State tax credit carryforwards..... 3,782 3,502 Asset impairment charges..... 1,426 1,277 Other deferred tax assets..... 594 378 ----- ----- Total gross deferred tax assets..... 25,661 22,737 Less: valuation allowance..... (7,524) (8,231) ----- Net deferred tax assets..... 18,137 14,506 ----- ----- Deferred Tax Liabilities: Property and equipment..... 7,742 6,924 Other deferred tax liabilities..... -- 7 ----- ----- Total gross deferred tax liabilities..... 7,742 6,931 ----- ----- Net deferred tax asset..... \$10,395 \$ 7,575 =====

During the fourth quarter of 2004, the Internal Revenue Service (IRS) made a final determination relative to its examination of CBIZ's federal income tax returns for the years ended December 31, 1998, 1999, and 2000. The IRS agreed with CBIZ's favorable tax position, which resulted in an income tax refund of \$4.0 million for the years under examination. At December 31, 2004, this amount was recorded as income taxes recoverable in the accompanying consolidated balance sheet. CBIZ also recorded a deferred tax liability of \$1.3 million, and reversed an accrual for income taxes payable of \$0.8 million related to the audit results. These items resulted in a

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

net tax benefit of \$3.5 million during the year ended December 31, 2004. The tax refund was received in February 2005.

CBIZ's U.S. NOL carryforwards arose from the separate return years of certain acquired entities and are subject to limitations regarding the offset of CBIZ's future taxable income. Net operating loss (NOL) carryforwards for continuing operations at December 31, 2004 and 2003 are summarized below (in thousands). The availability of NOL's is reported as deferred tax assets, net of applicable valuation allowances, in the accompanying consolidated balance sheets.

DEFERRED TAX NOL CARRYFORWARDS BENEFIT -					

EXPIRATION	2004	2003	2004	2003	DATES ---

U.S.					
NOLs.....					\$
1,940	\$ 2,315	\$ 679	\$ 810	2007	Canadian
NOLs.....					4,315
4,150	1,726	1,660	2006	State	
NOLs.....					
60,060	74,720	3,003	3,736	Various	-----

Total.....					
	\$5,408	\$6,206	=====	=====	

CBIZ established valuation allowances for portions of the Canadian and state NOL carryforwards, state income tax credit carryforwards, and for an asset impairment charge. The overall net change in the valuation allowance for the year ended December 31, 2004 was a decrease of \$0.7 million, due to a decrease in the valuation allowance for NOL carryforwards.

The net change in the valuation allowance for the year ended December 31, 2003 was an increase of \$4.6 million, due to increases in the valuation allowances for NOL carryforwards of \$1.9 million, state tax credit carryforwards of \$2.5 million, and asset impairment charges of \$1.3 million. These increases were offset by a decrease in the valuation allowance for state deferred taxes related to an impairment of tax deductible goodwill of \$1.1 million.

7. BANK DEBT

Bank debt balances for the years ended December 31, 2004 and 2003 were as follows (in thousands, except percentages):

2004	2003	-----	-----
----- Bank debt: Revolving credit facility.....			
\$ 53,900	\$ 14,000	=====	
===== Weighted average rates.....			
3.54%	4.39%	=====	
===== Range of effective rates.....			
2.98% - 5.25%	3.08% - 5.58%		
=====			

Effective August 9, 2004, CBIZ modified its credit facility increasing the total commitment from \$73.0 million to \$100.0 million, with an option to increase the commitment to \$125.0 million. The modified facility provides CBIZ additional operating flexibility and funding to support seasonal working capital needs and other strategic initiatives such as acquisitions and share repurchases.

The credit facility is maintained with Bank of America as agent bank for a group of five participating banks and has a five year term expiring August 2009. The credit facility is secured by substantially all assets and capital stock of CBIZ and its subsidiaries. Management believes that the carrying amount of bank debt approximates its fair value, and CBIZ had approximately \$17.4 million of available funds under the facility at December 31, 2004.

Under the facility, loans are charged an interest rate consisting of a base

rate or Eurodollar rate plus an applicable margin. Additionally, a commitment fee of 30 to 45 basis points is charged on the unused portion of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the facility. The borrowing base calculation required under the previous facility is not required under the current facility; however, the current facility is subject to certain financial covenants, that may limit CBIZ's ability to borrow up to the total commitment amount.

The bank agreement contains financial covenants and restrictions which are similar to those under the previous facility. Covenants require CBIZ to meet certain requirements with respect to (i) minimum net worth; (ii) maximum leverage ratio; and (iii) a minimum fixed charge coverage ratio. Limitations are also placed on CBIZ's ability to acquire businesses, repurchase CBIZ common stock and to divest operations. As of December 31, 2004, CBIZ was in compliance with its covenants.

The bank agreement also places restrictions on CBIZ's ability to create liens or other encumbrances, to make certain payments, 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. According to the terms of the agreement, CBIZ is not permitted to declare or make any dividend payments, other than dividend payments made by one of its wholly owned subsidiaries to the parent company. The agreement contains a provision that, in the event of a defined change in control, the agreement may be terminated.

CBIZ provides letters of credit to landlords (lessors) of its leased premises in lieu of security deposits. Letters of credit under the credit facility were \$2.9 million and \$3.2 million as of December 31, 2004, and December 31, 2003, respectively. CBIZ also acted as guarantor on three letters of credit for a CPA firm with which it has an affiliation. The letters of credit total \$1.3 million and \$0.7 million as of December 31, 2004, and December 31, 2003, respectively. In accordance with FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," as amended, CBIZ has recognized a liability for the fair value of the obligations undertaken in issuing these guarantees, which is recorded as other current liabilities in the accompanying consolidated financial statements. Management does not expect any material changes to result from these instruments as performance is not expected to be required.

8. COMMITMENTS AND CONTINGENCIES

Operating Leases

CBIZ leases certain of its office facilities and equipment under various operating leases. At December 31, 2004, non-cancelable, future minimum rental commitments becoming payable under operating leases were as follows (in thousands):

YEARS ENDED DECEMBER 31, - -----	
2005.....	\$ 30,036
2006.....	25,515
2007.....	21,427
2008.....	18,884
2009.....	15,524
Thereafter.....	66,537 -----
Total.....	\$177,923 =====

Total rental expense incurred under operating leases was \$31.7 million, \$29.8 million, and \$27.6 million during the years ended December 31, 2004, 2003, and 2002, respectively.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Capital Leases

CBIZ leases furniture and fixtures for certain office facilities under various capital lease agreements. Depreciation of furniture and fixtures acquired under capital lease agreements is reported as depreciation and amortization expense in the accompanying consolidated statement of operations. The following is a summary of property under capital leases, that is included in property and equipment, net in the accompanying consolidated balance sheets at December 31, 2004 and 2003 (in thousands):

2004	2003	-----	-----	Furniture and
fixtures.....				fixtures.....
	\$2,031	\$	174	Accumulated
depreciation.....				depreciation.....
(321)	(159)	-----	-----	Furniture & fixtures,
net.....				net.....
			\$1,710	\$
	15	=====	=====	

Future minimum lease payments under the capital leases and the present value of such payments at December 31, 2004 were as follows:

YEARS ENDED DECEMBER 31, -	-----
2005.....	\$ 429
2006.....	428
2007.....	428
2008.....	385
2009.....	9
Thereafter.....	
-- -----	Total minimum lease
payments.....	1,679
Less imputed	interest..... (129) -----
- Present value of minimum lease	payments.....
	\$1,550 =====

Legal Proceedings

The Company has entered into settlements to resolve the Heritage Bond Litigation, comprised of multiple lawsuits pending in the Central District of California arising from losses sustained by investors in numerous municipal bond offerings between December 1996 and March 1999. In those lawsuits, plaintiffs alleged numerous claims, including mismanagement and misappropriation of funds from the bond offerings, against unrelated parties, including the Heritage Entities and the trustee, U.S. Trust Corp. The Betker Action, CV 02-5752-DT (RCx), includes claims against two entities acquired by the Company, Valuation Counselors Group, Inc. ("VC") and Zelenkofske, Axelrod & Co., Ltd. ("ZA"), for negligent misrepresentation and negligence, and for joint and several liability under California Corporations Code sec. 25504.2 (against VC only). In the Consolidated Class Action, 02-ML-1475-DT (RCx), the Court permitted plaintiffs to substitute CBIZ Valuation Group, Inc. ("CBIZ-VC") in place of VC, and CBIZ Accounting, Tax & Advisory, Inc. ("CBIZ-ZA") in place of ZA, as defendants. In addition, plaintiffs named Century Business Services, Inc. ("CBIZ") itself as a defendant. CBIZ-VC and CBIZ-ZA are subsidiaries of CBIZ. That complaint includes claims against CBIZ, CBIZ-VC and CBIZ-ZA for negligence, and claims against CBIZ-VC and CBIZ-ZA for conspiracy to commit fraud, negligent misrepresentation and intentional misrepresentation. These claims have been pending since 2001 and relate to the provision of valuation and feasibility study services from 1996 through 1999. Management believes that the settlements are fair, reasonable and adequate, and in the best interests of all parties concerned. The settlement of the Consolidated Class Action has been preliminarily approved by the Court, which also entered an order approving notice to the Class. The Class Settlement is conditioned upon, among other things, standard class action opt-out procedures, objections by litigants, the Court's entry of a bar order and final judicial approval of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the settlement by the Court after notice to the class. The settlement of the Betker Action has been approved by the Court and is subject to, among other things, the final entry of a bar order. Additional proceedings may be necessary as a consequence of any opt-out or objection that may occur. The resolution of these matters did not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

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

9. CONSOLIDATION AND INTEGRATION RESERVE

Consolidation and integration charges are comprised of expenses associated with the Company's on-going efforts to consolidate fragmented markets to allow for convenient delivery of services to clients, and to promote cross-serving between various practice groups. These expenses result from individual actions in several markets and are not part of one company-wide program. Consolidation and integration charges include costs for moving facilities, non-cancelable lease obligations, severance obligations, and other expense-reduction initiatives.

During 2004, CBIZ incurred consolidation and integration charges of approximately \$1.0 million related to real estate leasing costs in the Chicago market. Other consolidation and integration initiatives during 2004 were individually insignificant. During 2003, CBIZ initiated the consolidation of offices in Orange County, California, and Cleveland, Ohio, which resulted in \$0.5 million of costs for non-cancelable lease obligations and moving expenses. In addition, CBIZ continued the consolidation in the Kansas City market, which was initiated in 2002. During 2002, CBIZ recognized \$1.7 million of costs for consolidations in Kansas City, related to non-cancelable lease obligations.

Consolidation and integration reserve balances at December 31, 2004, 2003 and 2002, and activity during the years ended December 31, 2004 and 2003 were as follows (in thousands):

CONSOLIDATION AND INTEGRATION RESERVE -----	
	Reserve balance at December 31,
2002.....	\$ 6,740 Adjustments against
	income (1)..... 447
Payments.....	
	(2,330) ----- Reserve balance at December 31,
2003.....	4,857 Adjustments against
	income (1)..... 1,565
Payments.....	
	(3,012) ----- Reserve balance at December 31,
2004.....	\$ 3,410 =====

- - - - -

(1) Adjustments against income are included in operating expenses in the accompanying consolidated statements of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Consolidation and integration charges incurred for years ended December 31, 2004, 2003 and 2002, and recorded as operating expenses in the accompanying consolidated statements of operations were as follows (in thousands):

2004	2003	2002	-----	-----	-----	Severance
expense.....						
\$ 9	\$ 332	\$ (66)				Lease consolidation and
abandonment.....			2,502	1,086		
	3,290					Other consolidation
charges.....			348	550		
465	-----	-----	-----	-----	-----	Total consolidation and
integration charges.....			\$2,859			
\$1,968	\$3,689	=====	=====	=====	=====	

10. EMPLOYEE BENEFITS

Employee Savings Plan

CBIZ sponsors a qualified 401(k) defined contribution plan that covers substantially all of its employees. Participating employees may elect to contribute (subject to a maximum permissible contribution under Section 401(k) of the Internal Revenue Code), on a tax-deferred basis, up to 80% of their pre-tax annual compensation. Matching contributions by CBIZ are 50% of the first 6% of base compensation that the participant contributes, and additional amounts may be contributed at the discretion of the Board of Directors. Participants may elect to invest their retirement funds in various stock, fixed income, stable value, and balanced- lifecycle funds. Employer contributions (net of forfeitures) made to the plan during the years ended December 31, 2004, 2003 and 2002, were approximately \$5.2 million, \$5.1 million, and \$5.3 million, respectively.

Deferred Compensation Plan

CBIZ implemented a deferred compensation plan during the first quarter of 2004, under which certain members of management and other highly compensated employees may elect to defer receipt of a portion of their annual compensation, subject to maximum and minimum percentage limitations. The amount of compensation deferred under the plan is credited to each participant's deferral account and a deferred compensation liability is established by CBIZ. An amount equaling each participant's compensation deferral is transferred into a rabbi trust and invested in various debt and equity securities. The assets of the rabbi trust are held by CBIZ and recorded as assets of deferred compensation plan in the accompanying consolidated balance sheets.

Assets of the deferred compensation plan consist primarily of investments in mutual funds, money market funds and equity securities. The values of these investments are based on published market quotes at the end of the period. Adjustments to the fair value of these investments are recorded as other income (expense), offset by adjustments to operating expenses in the consolidated statement of operations. Gross realized and unrealized gains and losses from trading securities have not been material. These investments are specifically designated as available to CBIZ solely for the purpose of paying benefits under the deferred compensation plan. However, in the event that CBIZ became insolvent, the investments would be available to all unsecured general creditors.

The deferred compensation liability relates to obligations due to participants under the plan. The deferred compensation liability balance represents accumulated participant deferrals, and earnings thereon, since the inception of the plan, net of withdrawals. The deferred compensation liability is an unsecured general obligation of CBIZ, and is recorded as liabilities of deferred compensation plan in the accompanying consolidated balance sheets.

11. COMMON STOCK

CBIZ's authorized common stock consists of 250 million 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 therefore. 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 non-assessable. The transfer agent and registrar for the Common Stock is Computershare Investor Services, LLC.

CBIZ completes registration filings related to its Common Stock to register shares under the Securities Act of 1933. Currently, CBIZ has registered 15 million 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.

Treasury Stock

In March 2004, CBIZ's Board of Directors authorized share repurchases of up to 8.5 million shares of CBIZ common stock. A supplement to the plan was approved by the Board of Directors in May 2004, authorizing CBIZ to purchase an additional 2.0 million shares of CBIZ common stock, for a total of 10.5 million shares. In April 2004, CBIZ completed a tender offer that resulted in the purchase of approximately 7.5 million shares of CBIZ common stock, at a purchase price of \$5.00 per share, or a total cost (including legal and other direct expenses) of approximately \$37.8 million. During the year ended December 31, 2004, CBIZ also repurchased approximately 2.9 million shares of its common stock in the open market, at an aggregate purchase price of approximately \$12.6 million. The repurchase plan expired December 31, 2004.

In June 2003, CBIZ's Board of Directors authorized a share repurchase of up to 15.0 million shares of CBIZ common stock (not to exceed \$52.5 million). In July 2003, CBIZ completed a modified Dutch Auction tender offer which resulted in the purchase of approximately 10.0 million shares of CBIZ common stock at a purchase price of \$3.30 per share, or a total cost (including legal and other direct expenses) of approximately \$33.2 million. During the year ended December 31, 2003, CBIZ also repurchased 104,000 shares of its common stock in the open market, at an aggregate purchase price of approximately \$0.4 million. The repurchase plan expired December 31, 2003.

Repurchased shares are held in treasury, and may be reserved for future use in connection with acquisitions, employee share plans and other general purposes. The repurchase plans allow CBIZ to purchase shares through the open market or through privately negotiated purchases. The repurchase programs do not obligate CBIZ to acquire any specific number of shares and may be suspended at any time. Repurchases are subject to annual dollar and financial ratio limitations under our current credit facility. At December 31, 2004, CBIZ was in compliance with this covenant.

Warrants

In 1999, CBIZ issued 1.8 million restricted shares of common stock and 900,000 warrants to an outside party for a \$25.0 million equity investment in CBIZ. The restrictions on the common stock expired in 2001, and the warrants were exercisable under the following terms: 300,000 shares for three years at \$20.00 per share; 300,000 shares for four years at \$25.00 per share; and 300,000 for five years at \$30.00 per share. All of the warrants have expired as of December 31, 2004.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

2004	2003	2002	----	-----	-----	Outstanding at beginning of year.....	300	600	1,800	Granted /issued.....	--	--
--												
Expired/cancelled.....												
							(300)	(300)	(1,200)			
Exercised.....												
--												
----- Outstanding at end of year												
(a).....	--	300	600	=====	=====							
===== Exercisable at end of year												
(a).....	--	300	600	=====	=====							
=====												

- - - - -

(a) Exercise prices for warrants outstanding and exercisable at December 31, 2003 were \$30.00. Exercise prices for warrants outstanding and exercisable at December 31, 2002 ranged from \$25.00 to \$30.00.

12. EMPLOYEE SHARE PLANS

Employee Stock Investment Plan

Effective June 1, 2001, CBIZ established the Employee Stock Investment Plan which provides CBIZ employees with a method of purchasing shares of CBIZ's common stock. Participation in the plan is open to all CBIZ employees whose payroll is processed by the designated CBIZ payroll provider. CBIZ pays all opening and transaction charges related to the enrollment and purchase of stock, other than those due upon the sale of the shares. CBIZ does not provide a discount to employees for the purchase of CBIZ common stock.

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

Stock Options

Under the 1997 Agents Stock Option Plan, a maximum of 1.2 million 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. These options terminated in June 2002.

Under the 1996 Employee Stock Option Plan, a maximum of 15.0 million options may be awarded. The options awarded are subject to a 20% incremental vesting schedule over a five-year period commencing from the date of grant. The options are awarded at a price not less than fair market value at the time of the award and expire six years from the date of grant. Further, under the 1996 plan 250,000 options were granted to non-employee directors. These options became exercisable immediately upon being granted with a six-year expiration term from the date of grant.

The 2002 Stock Incentive Plan is an amendment and restatement of the 1996 Employee Stock Option Plan. A maximum of 15.0 million shares may be awarded, which number shall include those shares that are available for grants under the prior plan. Stock options, restricted stock and other stock based compensation awards may be made under the plan. Total shares available for future grant under the plan were approximately 5.3 million, 4.4 million and 4.0 million at December 31, 2004, 2003 and 2002, respectively.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Stock options may be granted alone or in addition to other awards granted under the plan and may be of two types: incentive stock options and nonqualified stock options. The options awarded under this plan are subject to a 20% incremental vesting schedule over a five-year period commencing from the date of grant. At the discretion of the Compensation Committee of the Board of Directors, the options may vest immediately, or in a time period shorter than five years. 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. In the event the optionee of an incentive stock option owns, at the time such stock option is awarded or granted, more than ten percent (10%) of the voting power of all classes of stock of CBIZ, the option price shall not be less than 110% of such fair market value.

Information relating to the stock option plans is summarized below (in thousands, except per share data):

	WEIGHTED AVERAGE PER SHARE	WEIGHTED AVERAGE PER SHARE	WEIGHTED AVERAGE PER SHARE	WEIGHTED PRICE PER 2004 SHARE --
	2003	2002	2002	2004

- - - - - Outstanding				
at beginning of				
year.....				
10,155	\$ 4.58	10,952	\$4.81	
	9,652	\$5.49		
Granted.....				
473	\$ 4.31	558	\$3.12	2,684
	\$3.44	Exercised		
(a).....		(519)	\$	
2.60	(375)	\$2.47	(242)	\$2.27
Expired or				
canceled..... (1,586)				
	\$11.98	(980)	\$7.19	(1,142)
	\$7.40			

Outstanding at end of				
year.....	8,523	\$ 3.32	10,155	
	\$4.58	10,952	\$4.81	=====
===== Exercisable at				
end of year.....	5,390	\$ 3.46		
5,764	\$5.64	4,257	\$6.67	=====
===== Weighted average				
fair value of options granted				
during the				
year.....				
	\$ 1.42	\$0.95	\$1.94	

(a) Options were exercised at prices ranging from: \$1.07 to \$3.45 in 2004, \$1.53 to \$3.45 in 2003, and \$1.53 to \$3.41 in 2002.

Information about stock options outstanding at December 31, 2004 is as follows:

OPTIONS EXERCISABLE	OUTSTANDING	OPTIONS EXERCISABLE
-----	-----	-----

WEIGHTED		
AVERAGE	WEIGHTED	WEIGHTED
REMAINING	AVERAGE	AVERAGE
OPTIONS	CONTRACTUAL	
EXERCISE	OPTIONS	EXERCISE
RANGE OF	EXERCISE	PRICE
OUTSTANDING	LIFE (YEARS)	
PRICE	EXERCISABLE	PRICE ---
-----	-----	-----

		\$5.01
- \$14.38.....	538	
0.1 \$13.82	529	\$13.90
		\$3.00
- \$ 5.00.....		
4,158	2.8	\$ 3.55
		2,069
	3.46	\$1.13
		- \$

2.99.....	3,827
2.4 \$ 1.59 2,792 \$ 1.49 ---	
-- -----	
Total.....	
8,523 2.4 \$ 3.32 5,390 \$	
3.46 =====	

Restricted Stock Awards

Under the 2002 Stock Incentive Plan (described above), certain employees and non-employee directors were granted restricted stock awards. Restricted stock awards are independent of option grants, and are granted at no cost to the recipients. The awards are subject to forfeiture if employment terminates prior to the release of restrictions, generally one to five years from the date of grant. Recipients of restricted stock awards are entitled to the same dividend and voting rights as holders of other CBIZ common stock. However, shares granted under the plan cannot be sold, pledged, transferred or assigned during the vesting period.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

During 2004, CBIZ granted 119,000 restricted stock awards, at prices ranging from \$4.30 to \$4.58, and averaging \$4.35. The market value of shares awarded during 2004 was \$0.5 million and was recorded as unearned compensation. Unearned compensation is being expensed ratably over the period which restrictions lapse and amounted to \$0.1 million during the year ended December 31, 2004. Awards will be released from restrictions at dates ranging from February 2005 through May 2009. As of December 31, 2004, none of the awards have been forfeited, vested, or released from restriction.

13. EARNINGS PER SHARE

CBIZ presents both basic and diluted earnings per share. The following data shows the amounts used in computing earnings (loss) per share and the effect on the weighted average number of dilutive potential common shares (in thousands, except per share data).

FOR THE YEAR ENDED DECEMBER 31, -----			
	2004	2003	2002
----- 2004 2003 2002 -----			
NUMERATOR: Net income			
(loss).....			\$16,051
\$15,316 \$(76,848) =====			===== DENOMINATOR:
BASIC Weighted average common			
shares.....	79,217	90,400	94,810
----- DILUTED			
Options.....			
	2,240	2,362	2,182
awards..... 18 -- --			
Contingent shares			
(1).....	2	--	--
----- Total diluted weighted average common			
shares.....	81,477	92,762	96,992
===== Basic net income (loss) per			
share.....	\$ 0.20	\$ 0.17	\$ (0.81)
===== Diluted net income (loss) per			
share.....	\$ 0.20	\$ 0.17	\$ (0.79)
=====			

(1) Contingent shares represent shares that will not be issued until future conditions have been met.

14. SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash paid (received) for interest and income taxes during the years ended December 31, 2004, 2003 and 2002 was as follows (in thousands):

	2004	2003	2002

Interest.....			
\$ 1,342 \$ 1,045 \$2,521 =====			===== Income
taxes.....			
\$14,675 \$(2,262) \$4,323 =====			=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Supplemental Disclosures of Non-Cash Investing and Financing Activities

Non-cash investing and financing activities during the years ended December 31, 2004, 2003 and 2002 were as follows (in thousands):

2004	2003	2002	-----	-----	-----	Property and equipment acquired under capital lease obligations.....
\$1,857	\$ --	\$ 10	=====	=====	=====	Business acquisitions, including contingent consideration earned.....
\$3,854	\$5,006	\$ --	=====	=====	=====	Non-cash proceeds from divested operations.....
\$1,865	\$ 207	\$4,041	=====	=====	=====	Non-cash proceeds from discontinued operations.....
	\$ 494	\$ 194	=====	=====	=====	\$ 530

Non-cash consideration paid for business acquisitions and proceeds received from divested operations were generally in the form of notes receivable, notes payable and CBIZ common stock.

15. RELATED PARTIES

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

A number of the businesses acquired since October 1996 are located in properties owned indirectly by and leased from persons employed by CBIZ. In the aggregate, CBIZ paid approximately \$1.3 million, \$1.4 million, and \$0.8 million for the years ended 2004, 2003 and 2002, respectively, under such leases which management believes were at market rates.

Rick L. Burdick, a director of CBIZ, is a partner of Akin, Gump, Strauss, Hauer & Feld, L.L.P. (Akin, Gump.) Akin, Gump performed legal work for CBIZ during 2004, 2003 and 2002 for which the firm received approximately \$0.2 million, \$0.2 million, and \$0.1 million from CBIZ, respectively.

Robert A. O'Byrne, a Senior Vice President, has an interest in a partnership that receives commissions from CBIZ that are paid to certain eligible benefits and insurance producers in accordance with a formal program to provide benefits in the event of death, disability, retirement or other termination. The program was in existence at the time CBIZ acquired the former company, of which Mr. O'Byrne was an owner.

CBIZ maintains joint-referral relationships and administrative service agreements with independent licensed CPA firms under which CBIZ provides administrative services in exchange for a fee. These firms are owned by licensed CPAs who are employed by CBIZ subsidiaries, and provide audit and attest services to clients including CBIZ's clients. The CPA firms with which CBIZ maintains service agreements operate as limited liability corporations, limited liability partnerships or professional corporations. The firms are separate legal entities with separate governing bodies and officers. CBIZ has no ownership interest in any of these CPA firms, and neither the existence of the administrative service agreements nor the providing of services thereunder is intended to constitute control of the CPA firms by CBIZ. CBIZ and the CPA firms maintain their own respective liability and risk of loss in connection with performance of each of its respective services, and CBIZ does not believe that its arrangements with these CPA firms result in additional risk of loss. Although the service agreements do not constitute control, CBIZ is one of the beneficiaries of the agreements and may bear certain economic risks. As such, the CPA firms with which CBIZ maintains administrative service agreements qualify as variable interest entities under FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities". See further discussion in Note 1.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CBIZ acted as guarantor on various letters of credit for a CPA firm with which it has an affiliation. The letters of credit total \$1.3 million and \$0.7 million as of December 31, 2004, and December 31, 2003, respectively. In accordance with FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" and its amendments ("FIN 45-1" and "FIN 45-2"), CBIZ has recognized a liability for the fair value of the obligations undertaken in issuing these guarantees, which is recorded as other current liabilities in the accompanying consolidated financial statements. Management does not expect any material changes to result from these instruments as performance is not expected to be required.

In 2002, CBIZ executed a note receivable with a CPA firm whose partner group has since joined MHM, PC, a CPA firm with which CBIZ maintains an administrative services agreement. The balance on the note at December 31, 2004 and 2003 was approximately \$0.2 million and \$0.2 million, respectively.

CBIZ divested several operations during the years ended December 31, 2004, 2003, and 2002, that were underperforming, located in secondary markets, or did not provide the level of synergistic cross-serving opportunities with other CBIZ businesses that was desired. CBIZ has sold and may sell in the future businesses to former employees or shareholders. Management believes these transactions were priced at market rates, competitively bid, and entered into at arm's length terms and conditions.

16. ACQUISITIONS

During the year ended December 31, 2004, CBIZ completed acquisitions of benefits and insurance firms in Chicago, Illinois, and Owing Mills, Maryland, as well as an accounting tax and advisory firm in Denver, Colorado, and a technology firm in Cleveland, Ohio which is reported as part of our National Practices -- Other segment. Aggregate consideration for the acquisitions consisted of approximately \$3.7 million cash and 215,500 shares of restricted common stock (estimated stock value of \$1.0 million at acquisition) paid at closing, and up to an additional \$8.0 million (payable in cash and stock) which is contingent on the businesses meeting certain future revenue and earnings targets.

In addition to the businesses acquired during 2004, CBIZ purchased three client lists which compliment our National Practices -- Other segment. The purchase price of the client lists is primarily dependent upon future results, and is not expected to be material individually or in the aggregate.

During the year ended December 31, 2003, CBIZ completed the acquisition of benefits and insurance firms in Boca Raton, Florida and Salt Lake City, Utah, as well as accounting, tax & advisory firms in Orange County, California and Stamford, Connecticut. In addition to the acquisitions of these businesses, CBIZ purchased the client lists of four benefits agencies. The aggregate purchase price of these acquisitions and client lists was approximately \$11.2 million, comprised of \$2.8 million in cash and 177,000 shares of restricted common stock (estimated stock value of \$0.3 million at acquisition) paid at closing, \$2.1 million of notes contributed, and up to an additional \$6.0 million payable in cash which is contingent on the businesses meeting certain future revenue targets.

During 2002, CBIZ acquired a benefits and insurance firm located in Calverton, Maryland for an aggregate purchase price of approximately \$4.1 million in cash.

The operating results of these firms and client lists have been included in the accompanying consolidated financial statements since the dates of acquisition. Client lists and non-compete agreements were recorded at fair value at the time of acquisition. The excess of purchase price over the fair value of net assets acquired, client lists and non-compete agreements was allocated to goodwill. Acquisitions, including contingent consideration earned,

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

resulted in increases to goodwill, client lists and other intangible assets during the years ended December 31, 2004, and 2003 as follows (in thousands):

	2004	2003	-----	-----
Goodwill.....			=====	=====
	\$2,619	\$2,952		Client
lists.....			=====	=====
	\$5,111	\$4,516		Other intangible
assets.....				\$ 307 \$ 201
			=====	=====

17. DIVESTITURES

During 2004, CBIZ sold or closed five business operations, consisting of four ATA operations, and an operation from our National Practices -- Other segment. In addition to the divestiture of these operations, CBIZ sold three client lists from our ATA practice group and a client list from our B&I practice group. Sales were made for aggregate proceeds of \$4.6 million cash, \$2.3 million in notes receivable and CBIZ stock valued at \$0.1 million. Three of the divestitures qualified for treatment as discontinued businesses and are classified as such in the accompanying consolidated financial statements (further discussed in Note 20). Operations that did not qualify for treatment as discontinued businesses were sold for a pre-tax gain of \$1.0 million, that is reported as gain on sale of operations, net from continuing operations.

During 2003, CBIZ sold or closed eight business operations consisting of four ATA operations, two Benefit and Insurance operations and two National Practice operations. CBIZ also sold four client lists and related assets within the ATA practice group. These businesses and client lists were sold for aggregate proceeds of \$7.2 million cash, \$0.2 million in stock, \$0.4 million in notes receivable, and \$0.1 million in other receivables. Six of the business operations satisfied the criteria for treatment as discontinued businesses, and were classified as such in the accompanying financial statements. The two operations and client lists which did not qualify for treatment as discontinued businesses were sold for a pretax gain of \$2.5 million, which is reported as gain on sale of operations, net from continuing operations.

During 2002, CBIZ sold, closed, or committed to sale the divestiture of sixteen businesses. The businesses were sold for aggregate proceeds of \$7.8 million cash, and \$4.2 million of notes receivable. Five of the operations have been classified as discontinued businesses. The remaining eleven operations were either initiated before CBIZ's adoption of SFAS No. 144 "Accounting for the Impairment of or the Disposal of Long-Lived Assets", or did not meet the criteria for treatment as a discontinued business. These businesses were sold for a pre-tax gain of \$0.9 million which is reported as gain on sale of operations, net from continuing operations. Of these eleven operations, CBIZ completed the sale or closing of eight ATA operations, one Benefit and Insurance operation, and two National Practice operations.

CBIZ may earn additional proceeds on the sale of certain client lists, which are contingent upon future revenue generated by the client lists. CBIZ records these proceeds as other income when they are earned.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

18. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2004 and 2003 (in thousands, except per share amounts):

2004 -----				
----- MARCH				
31, JUNE 30, SEPTEMBER 30,				
DECEMBER 31, -----				

Revenue.....	\$146,514	\$126,451	\$121,550	
Operating	\$125,542			
expenses.....	118,058			
112,682 109,877 118,740 -----				

Gross				
margin.....	28,456	13,769	11,673	6,802
Corporate general and				
administrative.....	5,379	6,055	6,841	6,498
Depreciation and				
amortization... 3,972 4,139				
4,105 4,212 ----- -				
----- Operating				
income.....	19,105			
3,575 727 (3,908) Other income				
(expense): Interest				
expense..... (240)				
(429) (369) (469) Gain on sale				
of operations,				
net.....	384			
534 78 -- Other income				
(expense), net... 536 295 527				
2,196 -----				
----- Total other income				
(expense), net.....	680			
400 236 1,727 Income from				
continuing operations before				
income tax				
expense.....				
19,785 3,975 963 (2,181) Income				
tax expense (benefit)... 8,269				
1,311 473 (4,362) -----				
----- Income				
from continuing				
operations.....				
11,516 2,664 490 2,181 Loss				
from operations of discontinued				
businesses, net of				
tax.....	65			
(282) (372) (343) Gain (loss)				
on disposal of discontinued				
businesses, net of				
tax..... --				
-- 238 (106) -----				
----- Net income				
(loss)..... \$ 11,581				
\$ 2,382 \$ 356 \$ 1,732 =====				
=====				
Earnings (loss) per share:				
Basic: Continuing				
operations..... \$ 0.14 \$				
0.03 \$ 0.01 \$ 0.03 Discontinued				
operations..... -- --				
(0.01) -----				
-- ----- Net				
income..... \$				
0.14 \$ 0.03 \$ 0.01 \$ 0.02				
=====				
===== Diluted: Continuing				
operations..... \$ 0.13 \$				
0.03 \$ 0.01 \$ 0.03 Discontinued				

```

operations..... -- -----
(0.01) -----
-- ----- Net
income..... $
0.13 $ 0.03 $ 0.01 $ 0.02
=====
===== Basic weighted average
common
shares.....
85,437 77,885 77,311 76,287
=====
===== Diluted weighted
average common
shares.....
87,912 80,150 79,373 78,449
=====
=====
=====

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CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

During the fourth quarter of 2004, CBIZ recorded a \$3.5 million tax benefit related to a favorable tax position which was successfully resolved upon completion of the Internal Revenue Service examination for the years ended December 31, 1998, 1999 and 2000. In addition, CBIZ recorded \$0.4 million in interest income related to the refund, which is recorded as other income (expense), net in the accompanying consolidated statements of operations. See further discussion of the tax benefit and refund in Note 6.

2003 -----				
----- MARCH				
31, JUNE 30, SEPTEMBER 30,				
DECEMBER 31, -----				

Revenue.....	\$143,208	\$123,289	\$117,396	
\$122,889 Operating				
expenses.....	115,140			
109,500 107,394 109,618 -----				

Gross				
margin.....	28,068	13,789	10,002	13,271
Corporate general and				
administrative.....	4,781	4,912	4,940	4,885
Depreciation and				
amortization... 4,249 4,309				
4,095 4,436 -----				
----- Operating				
income.....	19,038			
4,568 967 3,950 Other income				
(expense): Interest				
expense..... (323)				
(297) (234) (201) Gain on sale				
of operations,				
net..... --				
1,784 207 528 Other income				
(expense), net... (1,006) (4)				
452 (651) -----				
----- Total other				
income (expense),				
net..... (1,329) 1,483				
425 (324) Income from				
continuing operations before				
income tax				
expense.....				
17,709 6,051 1,392 3,626 Income				
tax expense..... 7,532				
2,555 1,068 1,340 -----				
----- Income				
from continuing				
operations.....				
10,177 3,496 324 2,286 Loss				
from operations of discontinued				
businesses, net of				
tax.....				
(176) (66) (352) (1,099) Gain				
(loss) on disposal of				
discontinued businesses, net of				
tax..... --				
(183) (210) 1,119 -----				
----- Net				
income (loss)..... \$				
10,001 \$ 3,247 \$ (238) \$ 2,306				
=====				
===== Earnings (loss) per				
share: Basic: Continuing				
operations..... \$ 0.11 \$				
0.04 \$ -- \$ 0.03 Discontinued				
operations..... -- (0.01) --				

----- Net				
income..... \$				
0.11 \$ 0.03 \$ -- \$ 0.03				
=====				

```

===== Diluted: Continuing
operations..... $ 0.11 $
0.04 $ -- $ 0.03 Discontinued
operations..... -- (0.01) --
-----
----- Net
income..... $
0.11 $ 0.03 $ -- $ 0.03
=====
===== Basic weighted average
common
shares.....
95,087 95,138 86,228 85,302
=====
===== Diluted weighted
average common
shares.....
96,956 97,178 88,971 89,073
=====
=====
=====

```

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

During the fourth quarter of 2003, CBIZ recorded impairment charges of \$0.8 million related to the impairment of a note taken in connection with the divestiture of the hazardous waste operation in 1997 that filed for bankruptcy in 2003. The impairment charges are recorded as other income (expense), net in the accompanying consolidated statements of operations.

19. SEGMENT DISCLOSURES

CBIZ's business units have been aggregated into three practice groups: Accounting, Tax and Advisory Services, Benefits and Insurance and National Practices. The business units have been aggregated based on the following factors: similarity of the products and services; similarity of the regulatory environment; the long-term performance of these units is affected by similar economic conditions; and the business is managed along these segment lines, which each report to a Practice Group Leader. The medical practice management unit, which reports under the National Practices group, exceeds the quantitative threshold of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," for aggregation and therefore is reported as a separate segment.

Accounting, Tax and Advisory Services. The Accounting, Tax and Advisory Services practice group offers services in the following areas: 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 staffing services; financial investment analysis; succession, retirement, and estate planning; profitability, operational and efficiency enhancement consulting to a number of specialized industries; litigation support services; internal audit services and Sarbanes-Oxley consulting and compliance services.

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

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

Medical Practice Management. The CBIZ MMP subsidiary of the National Practice group offers services in the following areas: billing and accounts receivable management; coding and automated claims filing; comprehensive delinquent claims follow up and collections; compliance plans to meet government and other third party regulations; local office management; and comprehensive statistical and operational reporting; financial reporting, accounts payable, payroll, general ledger processing; design and implementation of managed care contracts with focus on negotiation strategies, pricing, cost containment and utilization tracking; review and negotiation of hospital contracts; evaluation of other strategic business partners; identification and coordination of practice manager and integration opportunities; and coordination of practice expansion efforts.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Included in corporate and other, are operating expenses that are not directly allocated to the business units. These expenses are primarily comprised of incentive compensation, and consolidation and integration charges.

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

Segment information for the years ended December 31, 2004, 2003, and 2002 was as follows (in thousands):

2004	-----			

NATIONAL PRACTICES	-----			
ACCOUNTING,	-----			
MEDICAL TAX & BENEFITS &				
PRACTICE CORPORATE ADVISORY				
INSURANCE MGMT. OTHER AND				
OTHER TOTAL	-----			

Revenue.....				
\$209,077	\$152,240	\$87,261		
\$71,479	\$ --	\$520,057		
Operating				
expenses.....	180,282			
128,691	71,885	65,293		
13,206	459,357	-----	---	

Gross				
margin.....				
28,795	23,549	15,376	6,186	
(13,206)	60,700	Corporate		
admin.....		general and		
-- -- --	24,773	24,773		
Depreciation and				
amortization.....				
3,683	3,079	2,719	884	6,063
16,428	-----	-----	---	

Operating income				
(loss).....	25,112	20,470		
12,657	5,302	(44,042)		
19,499	Other income			
(expense): Interest				
expense.....	(43)	57		
(1) 20	(1,540)	(1,507)	Gain	
on sale of operations,				
net.....	---	---		
996	996	Other income,		
net.....	363	789	25	439
1,938	3,554	-----	-----	

Total other				
income.....	320	846	24	459
1,394	3,043	-----	-----	

Income (loss) from				
continuing operations				
before income tax				
expense.....				
\$ 25,432	\$ 21,316	\$12,681	\$	
5,761	\$(42,648)	\$ 22,542		
=====	=====	=====		
=====	=====	=====		

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

2003 -----

----- NATIONAL
PRACTICES -----

ACCOUNTING, MEDICAL TAX &
BENEFITS & PRACTICE CORPORATE
ADVISORY INSURANCE MGMT.

OTHER AND OTHER TOTAL -----

Revenue.....

\$199,612 \$162,095 \$75,785

\$69,290 \$ -- \$506,782

Operating

expenses..... 174,452

128,407 61,566 69,516 7,711

441,652 -----

- Gross

margin.....

25,160 33,688 14,219 (226)

(7,711) 65,130 Corporate

general and admin... -- -- --

-- 19,518 19,518 Depreciation

and

amortization.....

4,269 3,005 2,595 1,116 6,104

17,089 -----

Operating income

(loss)..... 20,891 30,683

11,624 (1,342) (33,333)

28,523 Other income

(expense): Interest

expense..... (49) (63)

(5) (1) (937) (1,055) Gain on

sale of operations,

net..... --

-- -- -- 2,519 2,519 Other

income (expense),

net.....

652 53 (17) 203 (2,100)

(1,209) -----

- Total other income

(expense)..... 603

(10) (22) 202 (518) 255 -----

----- Income

(loss) from continuing

operations before income tax

expense.....

\$ 21,494 \$ 30,673 \$11,602

\$(1,140) \$(33,851) \$ 28,778

=====

=====

2002 -----

----- NATIONAL
PRACTICES -----

ACCOUNTING, MEDICAL TAX &
BENEFITS & PRACTICE CORPORATE
ADVISORY INSURANCE MGMT.

OTHER AND OTHER TOTAL -----

Revenue.....

\$202,736 \$150,514 \$66,156

\$73,549 \$ -- \$492,955

Operating

expenses..... 174,901

123,369 54,481 72,302 9,336

434,389 -----

```

-----
      - Gross
margin.....
27,835 27,145 11,675 1,247
(9,336) 58,566 Corporate
general and admin... -- -- --
-- 19,177 19,177 Depreciation
and
amortization.....
5,115 3,592 1,972 1,572 8,110
20,361 -----
-----
      Operating income
(loss)..... 22,720 23,553
9,703 (325) (36,623) 19,028
Other income (expense):
Interest expense.....
(55) (76) (7) (51) (2,288)
(2,477) Gain on sale of
operations,
net..... --
-- -- -- 930 930 Other income
(expense),
net.....
581 392 (12) (1,601) (927)
(1,567) -----
-----
      - Total other income
(expense)..... 526
316 (19) (1,652) (2,285)
(3,114) -----
-----
      - Income (loss) from
continuing operations before
income tax
expense.....
$ 23,246 $ 23,869 $ 9,684
$(1,977) $(38,908) $ 15,914
=====
=====
=====

```

20. DISCONTINUED BUSINESSES

From time to time, CBIZ will divest (through sale or closure) business operations that are underperforming, located in secondary markets, or do not provide the level of synergistic cross-serving opportunities with other CBIZ businesses that is desired. During the years ended December 31, 2004, 2003 and 2002, CBIZ divested of

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

three, six and five business operations respectively. One business unit remained available for sale at December 31, 2002, which was sold in 2003. There were no businesses available for sale at December 31, 2004 or 2003.

These business operations are reported as discontinued businesses and the net assets, liabilities and results of operations are reported separately in the accompanying consolidated financial statements. Revenue and loss from operations of discontinued businesses for the years ended December 31 2004, 2003 and 2002 were as follows (in thousands):

	2004	2003	2002	-----	-----	-----
Revenue.....						
\$ 3,372	\$12,506	\$18,622	=====	=====	=====	Loss
from operations of discontinued businesses, before income tax expense (benefit).....						
\$(1,351)	\$(2,601)	\$(1,792)	Income tax expense (benefit).....	(419)	(908)	338 -
-----	-----	-----	Loss from operations of discontinued businesses, net of tax.....			
\$ (932)	\$(1,693)	\$(2,130)	=====	=====	=====	

Gain (loss) on disposal of discontinued businesses for the years ended December 31 2004, 2003 and 2002 were as follows (in thousands):

	2004	2003	2002	----	-----	-----
Gain (loss) on disposal of discontinued businesses, before income tax expense (benefit).....						\$398
\$1,457	\$(3,884)	Income tax expense (benefit).....	266	731	(1,413)	
-----	-----	Gain (loss) on disposal of discontinued businesses, net of tax.....				
\$132	\$ 726	\$(2,471)	====	=====	=====	

At December 31, 2004 and 2003, the assets and liabilities of business operations classified as discontinued businesses consisted of the following (in thousands):

	2004	2003	----	-----
ASSETS: Accounts receivable, net.....	\$ 85	\$2,272		
Property and equipment, net.....	122	444	Deferred income taxes, net.....	
208	312	Other		
assets.....	2	151	-----	-----
Assets of businesses held for sale.....	\$417	\$3,179	====	=====
LIABILITIES: Accounts payable.....	\$133	\$ 254	Other	
liabilities.....	32	572	-----	-----
Liabilities of businesses held for sale.....	\$165	\$ 826	====	=====

21. SUBSEQUENT EVENTS (UNAUDITED)

On February 10, 2005, the Board of Directors authorized the repurchase of up to 5.0 million shares of CBIZ common stock. The common stock may be repurchased in open market or privately negotiated purchases.

In January 2005, CBIZ completed the acquisitions of two companies. Gallery Asset Management, Inc. is an Ohio-based registered investment advisor, which will compliment our wealth management business. Nation Smith Hermes Diamond is an accounting, tax and advisory firm located in San Diego, California.

\$100,000,000

AMENDED AND RESTATED CREDIT AGREEMENT

DATED AS OF AUGUST 6, 2004

AMONG

CENTURY BUSINESS SERVICES, INC.,

BANK OF AMERICA, N.A.,

AS AGENT, A LENDER, ISSUING BANK AND SWING LINE BANK,

AND

THE OTHER FINANCIAL INSTITUTIONS PARTY HERETO

=====

BANC OF AMERICA SECURITIES LLC,
as
Sole Lead Arranger and Book Manager

=====

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Exhibit A	Form of Notice of Borrowing
Exhibit B	Form of Notice of Conversion/Continuation
Exhibit C	Form of Compliance Certificate
Exhibit D-1	Form of Legal Opinion of Akin Gump Strauss Hauer & Feld LLP
Exhibit D-2	Form of Legal Opinion of Company's general counsel
Exhibit E	Form of Assignment and Assumption
Exhibit F-1	Form of Promissory Note - Revolving Loan
Exhibit F-2	Form of Promissory Note - Swing Line Loan
Exhibit G	Form of Commitment and Acceptance

AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDED AND RESTATED CREDIT AGREEMENT is entered into as of August 6, 2004, (as amended, restated, supplemented or otherwise modified from time to time, this "Agreement") among Century Business Services, Inc., a Delaware corporation (the "Company"), the several financial institutions from time to time party to this Agreement (collectively, the "Lenders" and each, a "Lender"), and Bank of America, N.A., as administrative agent for the Lenders (the "Agent").

WHEREAS, the Company, certain of the Lenders (collectively, the "Existing Lenders"), and the Agent are parties to the Credit Agreement dated as of September 26, 2002 (as amended by Amendment No. 1 to Credit Agreement dated as of June 6, 2003 and Amendment No. 2 to Credit Agreement dated as of March 3, 2004 and as otherwise heretofore amended or otherwise modified from time to time, the "Original Credit Agreement") pursuant to which, among other things, such Existing Lenders agreed to provide, subject to the terms and conditions set forth therein, certain loans and other financial accommodations to or for the benefit of the Company;

WHEREAS, the Company has requested certain modifications to the Original Credit Agreement (collectively, the "Modifications"), including, without limitation, an increase in the Revolving Loan Commitment, a reallocation among the Existing Lenders of their Commitments and the outstanding principal balances of their Revolving Loans, a reduction in certain interest rates with respect to the Loans, and certain other accommodations and modifications, in each case as set forth in this Agreement;

WHEREAS, the Lenders have agreed to amend and restate the Original Credit Agreement pursuant to the terms and conditions of this Agreement to effect the Modifications;

WHEREAS, the amendment and restatement of the Original Credit Agreement pursuant to this Agreement shall have the effect of a substitution of terms of the Original Credit Agreement, but will not have the effect of causing a novation, refinancing or other repayment of the "Obligations" under and as defined in the Original Credit Agreement (hereinafter, the "Original Obligations") or a termination or extinguishment of the Liens securing such Original Obligations, which Original Obligations shall remain outstanding and repayable pursuant to the terms of this Agreement and which Liens shall remain attached, enforceable and perfected securing such Original Obligations and all additional Obligations arising under this Agreement; and

WHEREAS, the Lenders have agreed to make available to the Company a revolving credit facility with a letter of credit subfacility upon the terms and conditions set forth in this Agreement;

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

ARTICLE I

DEFINITIONS

1.01 Certain Defined Terms. The following terms have the following meanings:

"Acquisition" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests, membership interests or equity of any Person, or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary) provided that after giving effect to the merger the Person is a Subsidiary or the Company or a Subsidiary is the surviving entity.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Agent.

"Affiliate" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, membership interests, by contract, or otherwise.

"Agent" means Bank of America in its capacity as administrative agent for the Lenders hereunder, and any successor administrative agent arising under Section 10.09.

"Agent-Related Persons" means Bank of America and any successor agent arising under Section 10.09 and any successor letter of credit issuing bank hereunder, together with their respective Affiliates, and the partners, officers, directors, employees, advisors, agents and attorneys-in-fact of such Persons and Affiliates.

"Agent's Payment Office" means the address for payments set forth on Schedule 11.02 or such other address as the Agent may from time to time specify.

"Agreement" has the meaning set forth in the preamble.

"Applicable Margin" shall mean on any date the applicable percentage set forth below based upon the Leverage Ratio as shown in the Compliance Certificate then most recently delivered to the Agent and the Lenders:

Revolving Loans/ Letters of Credit -----	Fees -----			
	Base Rate	Eurodollar Rate	Letter of Credit Fees	Commitment Fee
-----	-----	-----	-----	-----
> or = 1.50:1.0	1.125%	2.250%	1.75%	0.45%

> or = 1.0:1.0, but < 1.50:1.0	0.875%	2.000%	1.50%	0.40%
> or = 0.5:1.0, but < 1.0:1.0	0.625%	1.750%	1.250%	0.35%
< 0.5:1.0	0.500%	1.500%	1.000%	0.30%

; provided however that, (i) for the period from the Closing Date to and including the date of the delivery of the Compliance Certificate for the period ending September 30, 2004, the Applicable Margin shall be determined as if the Leverage Ratio for such period were greater than or equal to 0.5:1.0 but than less 1.0:1.0 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 determined as if the Leverage Ratio for such period was greater than or equal to 1.5:1.0. 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.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Assignment and Assumption" means an Assignment and Assumption substantially in the form of Exhibit E.

"Arranger" means Banc of America Securities LLC, in its capacity as sole lead arranger and book manager.

"Attorney Costs" means and includes all reasonable and customary fees and disbursements of any law firm or other external counsel, the allocated cost of internal legal services and all disbursements of internal counsel related to this Agreement and the other Loan Documents.

"Bank of America" means Bank of America, N.A., a national banking association, and its successors.

"Bankruptcy Code" means the Federal Bankruptcy Reform Act of 1978 (11 U.S.C. Section 101, et seq.).

"Base Rate" means, for any day, the higher of (a) the rate of interest in effect for such days as publicly announced from time to time by Bank of America as its "prime rate" and (b) the latest Federal Funds Rate plus 0.50% per annum. The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate. Any change in the prime rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loan" means a Revolving Loan, or a L/C Advance, that bears interest based on the Base Rate.

"Borrowing" means a borrowing hereunder consisting of Loans of the same Type made to the Company on the same day by the Lenders under Article II, and, in the case of Eurodollar Rate Loans, having the same Interest Period.

"Borrowing Date" means any date on which a Borrowing occurs under Section 2.03.

"Budgeted EBITDA" has the meaning set forth in Section 7.02(d).

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in Chicago or San Francisco are authorized or required by law to close and, if the applicable Business Day relates to any Eurodollar Rate Loan, means such a day on which dealings are carried on in the applicable offshore interbank market.

"Buying Lender(s)" has the meaning set forth in Section 2.01(c).

"Capital Adequacy Regulation" means any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of any Lender or of any corporation controlling a Lender.

"Capital Expenditures" means, for any period and with respect to any Person, the aggregate of all expenditures by such Person and its Subsidiaries for the acquisition or leasing of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period) which should be capitalized under GAAP on a consolidated balance sheet of such Person and its Subsidiaries.

"Capital Lease" has the meaning specified in the definition of "Capital Lease Obligations."

"Capital Lease Obligations" means all monetary obligations of the Company or any of its Subsidiaries under any leasing or similar arrangement which, in accordance with GAAP, is classified as a capital lease ("Capital Lease").

"Cash Collateralize" means to pledge and deposit with or deliver to the Agent, for the benefit of the Agent, the Issuing Bank and the Lenders, as additional collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Agent and the Issuing Bank (which documents are hereby consented to by the Lenders). The Company hereby grants the Agent, for the benefit of the Agent, the Issuing Bank and the Lenders, a security interest in all such cash and deposit account balances. Cash collateral shall be maintained in blocked deposit accounts at Bank of America.

"Cash Equivalents" means:

(a) securities issued or fully guaranteed or insured by the government of the United States or Canada or any agency thereof and backed by the full faith and credit of the United States or Canada having maturities of not more than six months from the date of acquisition;

(b) certificates of deposit, time deposits, Eurodollar time deposits, repurchase agreements, reverse repo agreements, or bankers' acceptances, having in each case a tenor of not more than six months, issued by any Lender, or by any commercial bank organized under the laws of the United States, any state thereof or the District of Columbia or Canada or any province thereof having combined capital and surplus of not less than \$100,000,000 whose short term securities are rated at least A-1 by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc., and P-1 by Moody's Investors Service, Inc.;

(c) commercial paper of an issuer rated at least A-1 by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc., or P-1 by Moody's Investors Service Inc. and in either case having a tenor of not more than three months;

(d) money market funds that invest principally in Cash Equivalents described in clauses (a) through (c) hereof.

"Change of Control" means 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 35% 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.

"Closing Date" means the date on which all conditions precedent set forth in Section 5.01 are satisfied or waived by all Lenders.

"Closing Date Purchasing Lender" means each Lender listed on Schedule 2.01 attached hereto with respect to which a positive amount is set forth beside its name in such schedule under any heading designated therein as "Change in Outstandings".

"Closing Date Selling Lender" means each Lender listed on Schedule 2.01 attached hereto with respect to which a negative amount is set forth beside its name in such schedule under any heading designated therein as "Change in Outstandings".

"Code" means the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder.

"Collateral" means all property and interests in property and proceeds thereof now owned or hereafter acquired by the Company or any Guarantor in or upon which a Lien now or hereafter exists in favor of the Lenders, or the Collateral Agent on behalf of the Lenders, whether under this Agreement, any Collateral Document or under any other documents executed by any such Persons and delivered to the Collateral Agent.

"Collateral Agent" means the Agent acting in its capacity as Collateral Agent pursuant to the Collateral Documents.

"Collateral Documents" means, collectively, the Reaffirmation Agreement, the Pledge and Security Agreement, the Guaranty and the Mortgage Documents and any document or certificate executed or delivered in connection with any of the foregoing.

"Commitment" means, collectively, the Revolving Loan Commitment and the Swing Line Loan Commitment.

"Commitment and Acceptance" means a certificate substantially in the form attached hereto as Exhibit G.

"Commitment Fee" has the meaning specified in Section 2.10(b).

"Commitment Increase Notice" has the meaning specified in Section 2.01(c).

"Company" means Century Business Services, Inc., a Delaware corporation.

"Compliance Certificate" means a certificate substantially in the form of Exhibit C.

"Consolidated Interest Expense" means, for any period, gross consolidated interest expense (after giving effect to any increase in interest expense resulting from net amount of payments made or received with respect to Permitted Swap Obligations; provided, however, that no net reduction in interest expense shall be permitted if the Company should receive more payments than the Company makes with respect thereto) 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 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.

"Contingent Obligation" means, as to any Person, any direct or indirect liability of that Person, whether or not contingent, with or without recourse, (a) with respect to any Indebtedness, lease, dividend, letter of credit or other obligation (the "primary obligations") of another Person (the "primary obligor"), including any obligation of that Person (i) to purchase, repurchase or otherwise acquire such primary obligations or any security therefor, (ii) to advance or provide funds for the payment or discharge of any such primary obligation, or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the holder of any such primary obligation against loss in respect thereof (each, a "Guaranty Obligation"); (b) with respect to any Surety Instrument (other than any Letter of Credit) issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings or payments; (c) to purchase any materials, supplies or other property from, or to obtain the services of, another Person if the relevant contract or other related document or obligation requires that payment for such materials, supplies or other property, or for such services, shall be made regardless of whether delivery of such materials, supplies or other property is ever made or tendered, or such services are ever performed or tendered, or (d) in respect of any Swap Contract; provided, however, that neither the term "Contingent Obligation" nor the term "Guaranty Obligation" shall include obligations in respect of insurance, reinsurance, surety or fidelity contracts, bonds or policies entered into or issued in the ordinary course of business. Except as otherwise expressly provided herein, the amount of any Contingent Obligation shall, in the case of Guaranty Obligations, be deemed equal to the stated or determinable amount of the primary obligation in respect of which such Guaranty Obligation is made or, if not stated or if indeterminable, the maximum reasonably anticipated liability in respect thereof, and in the case of other Contingent Obligations other than in respect of Swap Contracts, shall be equal to the maximum reasonably anticipated liability in respect thereof and, in the case of Contingent Obligations in respect of Swap Contracts, shall be equal to the Swap Termination Value.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound.

"Conversion/Continuation Date" means any date on which, under Section 2.04, the Company (a) converts Loans of one Type to another Type, or (b) continues as Loans of the same Type, but with a new Interest Period, Loans having Interest Periods expiring on such date.

"Credit Extension" means and includes (a) the making of any Loans hereunder, and (b) the Issuance of any Letters of Credit hereunder.

"Default" means any event or circumstance which, with the giving of notice, the lapse of time, or both, would (if not cured or otherwise remedied during such time) constitute an Event of Default.

"Default Rate" has the meaning set forth in Section 2.09(c).

"Defaulting Lender" means any Lender that (a) has failed to fund any portion of the Revolving Loans, participations in L/C Obligations or participations in Swing Line Loans required to be funded by it hereunder within one (1) Business Day of the date required to be funded by it hereunder, (b) has otherwise failed to pay over to the Agent or any other Lender any other amount required to be paid by it hereunder within one (1) Business Day of the date when due, unless the subject of a good faith dispute, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

"Disposition" means (a) the sale, lease, conveyance, or other disposition of Property in excess of \$100,000, other than sales or other dispositions expressly permitted under clauses (a) through (b) of Section 8.02, and (b) the sale or transfer by the Company or any Subsidiary of the Company of any debt or equity securities issued by any Subsidiary of the Company and held by such transferor Person.

"Dollars", "dollars" and "\$" each mean lawful money of the United States.

"EBITDA" means, for any period, for the Company and its Subsidiaries (other than Excluded Subsidiaries) on a consolidated basis, determined in accordance with GAAP, the sum of (a) the Net Income (or net loss) for such period, plus (b) all amounts treated as expenses for depreciation and the amortization of intangibles of any kind, including the impairment of goodwill charges, to the extent included in the determination of such Net Income (or loss), plus (c) Consolidated Interest Expense, plus (d) all accrued taxes on or measured by income to the extent included in the determination of such Net Income (or loss), provided, however, that the portion of Consolidated Interest Expense, accrued taxes, expense for depreciation and amortization, referenced in clauses (b) through (d) above, attributable to operations disposed of in accordance with Section 8.02 shall be excluded from the calculation of EBITDA, plus (e) cash dividends received during such period by the Company, or any Subsidiary that is not an Excluded Subsidiary, from an Excluded Subsidiary, provided that the aggregate amount of such cash dividends included in the calculation of this clause does not exceed fifteen percent (15%) of the sum of clauses (a) through (d) above for such period.

"EBITDAR" means, for any period, for the Company and its Subsidiaries (other than Excluded Subsidiaries) on a consolidated basis, determined in accordance with GAAP, the sum of (a) EBITDA for such period, plus, (b) all Rental Expense for such period, plus (c) non-cash rental charges incurred during such period pursuant to FAS 146 with respect to discontinued leased real property locations.

"Effective Amount" means (a) with respect to any Revolving Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any Borrowings and prepayments or repayments of Revolving Loans occurring on such date, (b) with

respect to any Swing Line Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any Borrowings and prepayments or repayments of Swing Line Loans occurring on such date and (c) with respect to any outstanding L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any Issuances of Letters of Credit occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements of outstanding unpaid drawings under any Letters of Credit or any reductions in the maximum amount available for drawing under Letters of Credit taking effect on such date. For purposes of Section 2.07, the Effective Amount shall be determined without giving effect to any mandatory prepayments to be made under said Section.

"Effective Commitment Amount" has the meaning set forth in Section 2.01(c).

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Agent, the Issuing Bank and the Swing Line Bank, and (ii) unless an Event of Default has occurred and is continuing, the Company (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Company or any of the Company's Affiliates or Subsidiaries.

"Environmental Claims" means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

"Environmental Laws" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental, health, safety and land use matters.

"Environmental Permits" has the meaning specified in Section 6.12(b).

"ERISA" means the Employee Retirement Income Security Act of 1974, and regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Company within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Company or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate,

the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate.

"Eurodollar Rate" means, for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the "Eurodollar Rate" for such Interest Period shall be the rate per annum determined by the Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch to major banks in the London interbank eurodollar market at their request at approximately 4:00 p.m. (London time) two Business Days prior to the commencement of such Interest Period.

"Eurodollar Rate Loan" means a Loan that bears interest at a rate based on the Eurodollar Rate.

"Eurodollar Reserve Percentage" means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, carried out to five decimal places) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"). The Eurodollar Rate for each outstanding Eurodollar Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

"Event of Default" means any of the events or circumstances specified in Section 9.01.

"Exchange Act" means the Securities Exchange Act of 1934, and regulations promulgated thereunder.

"Excluded Subsidiary" means, at any time, any Subsidiary whose capital stock may not be pledged under the Pledge and Security Agreement, assets may not be encumbered under the Pledge and Security Agreement, or may not guaranty the

Obligations under the Guaranty, in any case without violating federal, state and/or local laws or regulations applicable to such Subsidiary.

"Excluded Taxes" means, with respect to the Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Company or any Guarantor hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Company or any Guarantor is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Company under Section 4.08), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with Section 4.01(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Company with respect to such withholding tax pursuant to Section 4.01(a).

"Existing Lenders" is defined in the recitals.

"Existing Letter of Credit" means each letter of credit listed on Schedule 1.01.

"FDIC" means the Federal Deposit Insurance Corporation, and any Governmental Authority succeeding to any of its principal functions.

"Federal Funds Rate" means, for any day, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, "H.15(519)") on the preceding Business Day opposite the caption "Federal Funds (Effective)"; or, if for any relevant day such rate is not so published on any such preceding Business Day, the rate for such day will be the arithmetic mean as determined by the Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Agent.

"Fee Letter" has the meaning specified in Section 2.10(a).

"Financial Letters of Credit" means any Letter of Credit which either the Agent or the Issuing Bank determines is required under applicable law (including regulations and guidelines established by banking regulators) relating to reserve requirements to be classified as a financial letter of credit.

"Fixed Charge Coverage Ratio" means, with respect to the Company and its Subsidiaries (other than Excluded Subsidiaries) on a consolidated basis for any fiscal period, the ratio of EBITDAR minus Capital Expenditures to Fixed Charges.

"Fixed Charges" means, with respect to the Company and its Subsidiaries (other than Excluded Subsidiaries) on a consolidated basis for any fiscal period of determination, (a) Consolidated Interest Expense paid in cash during such fiscal period, plus (b) scheduled payments of principal with respect to Indebtedness for such fiscal period, plus (c) Rental Expense paid for such fiscal period.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Company is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"FRB" means the Board of Governors of the Federal Reserve System, and any Governmental Authority succeeding to any of its principal functions.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"GAAP" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are in effect and applicable to the circumstances as of the date of determination; provided, however, that for purposes of all computations required to be made with respect to compliance by the Company with Sections 8.14, 8.15, and 8.16, such term shall mean generally accepted accounting principles as in effect on the date of this Agreement, applied in a manner consistent with those used in preparing the financial statements referred to in Section 6.11 (x) and (y).

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government (including, without limitation, any board of insurance, insurance department or insurance commissioner and any taxing authority or political subdivision), and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Granting Lender" has the meaning specified in Section 11.08(g).

"Guarantor" means each direct and indirect domestic Subsidiary of the Company that is not an Excluded Subsidiary, whether now existing or hereafter created or acquired.

"Guaranty" means the Guaranty, dated as of September 26, 2002 as supplemented by Supplement No.1 to Guaranty dated as of May 10, 2004, duly executed and delivered by each Guarantor in favor of the Collateral Agent, on behalf of the Lenders, as the same may be amended, restated, further supplemented or otherwise modified from time to time.

"Guaranty Obligation" has the meaning specified in the definition of "Contingent Obligation."

"Hazardous Materials" means any toxic or hazardous waste, substance or chemical or any pollutant, contaminant, chemical or other substance defined or regulated pursuant to any Environmental Law, including, without limitation, asbestos, petroleum, crude oil or any fraction thereof.

"Honor Date" has the meaning set forth in Section 3.03.

"Indebtedness" of any Person means, without duplication:

(a) all indebtedness for borrowed money;

(b) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables and other accrued liabilities entered into in the ordinary course of business);

(c) all non-contingent reimbursement or payment obligations with respect to Surety Instruments and all L/C Obligations;

(d) all obligations evidenced by notes, bonds, debentures or similar instruments;

(e) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by the Person (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property);

(f) all Capital Lease Obligations;

(g) all indebtedness referred to in clauses (a) through (f) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property (including accounts and contracts rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness; and

(h) all Guaranty Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (g) above.

"Indemnified Liabilities" has the meaning specified in Section 11.05.

"Indemnified Person" has the meaning specified in Section 11.05.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Independent Auditor" has the meaning specified in Section 7.01(a).

"Insolvency Proceeding" means, with respect to any Person, (a) any case, action or proceeding with respect to such Person before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of its creditors generally or any substantial portion of its creditors; undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

"Interest Payment Date" means, as to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Eurodollar Rate Loan and, as to any Base Rate Loan or Swing Line Loan, the last Business Day of each March, June, September and December; provided, however, that if any Interest Period exceeds three months, the date that falls three months after the beginning of such Interest Period and after each Interest Payment Date thereafter is also an Interest Payment Date.

"Interest Period" means, as to any Eurodollar Rate Loan, the period commencing on the Borrowing Date of such Loan or on the Conversion/Continuation Date on which the Loan is converted into or continued as an Eurodollar Rate Loan, and ending on the date seven days, one month, two months, three months or six months thereafter as selected by the Company in its Notice of Borrowing or Notice of Conversion/Continuation;

provided that:

(a) if any Interest Period would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the following Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(b) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period for any Revolving Loan shall extend beyond the Revolving Termination Date.

"IRS" means the Internal Revenue Service, and any Governmental Authority succeeding to any of its principal functions under the Code.

"Issuance Date" has the meaning specified in Section 3.01(a).

"Issue" means, with respect to any Letter of Credit, to issue or to extend the expiry of, or to renew or increase the amount of, such Letter of Credit; and the terms "Issued," "Issuing" and "Issuance" have corresponding meanings.

"Issuing Bank" means Bank of America in its capacity as issuer of one or more Letters of Credit hereunder together with any replacement letter of credit issuer arising under Section 10.01(b) or Section 10.09.

"Lender" has the meaning specified in the introductory clause hereto. References to the "Lenders" shall include Bank of America, including in its capacity as Issuing Bank and Swing Loan Lender; for purposes of clarification only, to the extent that Bank of America may have any rights or obligations in addition to those of the Lenders due to its status as Issuing Bank, its status as such will be specifically referenced.

"Lender Increase Notice" has the meaning set forth in Section 2.01(c).

"Lending Office" means, as to any Lender, the office or offices of such Lender specified as its "Lending Office" or "Domestic Lending Office" or "Offshore Lending Office", as the case may be, on Schedule 11.02, or such other office or offices as such Lender may from time to time notify the Company and the Agent.

"L/C Advance" means each Lender's participation in any L/C Borrowing in accordance with its Pro Rata Share.

"L/C Amendment Application" means an application form for amendment of outstanding standby or commercial documentary letters of credit as shall at any time be in use at the Issuing Bank, as the Issuing Bank shall request.

"L/C Application" means an application form for issuances of standby or commercial documentary letters of credit as shall at any time be in use at the Issuing Bank, as the Issuing Bank shall request.

"L/C Borrowing" means an extension of credit resulting from a drawing under any Letter of Credit which shall not have been reimbursed on the date when made nor converted into a Borrowing of Revolving Loans under Section 3.03(c).

"L/C Commitment" means the commitment of the Issuing Bank to Issue, and the commitment of the Lenders severally to participate in, Letters of Credit from time to time Issued or outstanding under Article III, in an aggregate amount not to exceed on any date the amount of \$20,000,000, as the same shall be reduced as a result of a reduction in the L/C Commitment pursuant to Section 2.06; provided that the L/C Commitment is a part of the combined Commitments, rather than a separate, independent commitment.

"L/C Obligations" means at any time the sum of (a) the aggregate undrawn amount of all Letters of Credit then outstanding, plus (b) the amount of all unreimbursed drawings under all Letters of Credit, including all outstanding L/C Borrowings. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 3.03. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be

in effect at the time of issuance), such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

"L/C-Related Documents" means the Letters of Credit, the L/C Applications, the L/C Amendment Applications and any other document relating to any Letter of Credit, including any of the Issuing Bank's standard form documents for letter of credit issuances.

"Letter of Credit" means any (a) letter of credit (whether commercial letters of credit or standby letters of credit) that is Issued by the Issuing Bank pursuant to Article III and (b) "Letter of Credit" outstanding on the Closing Date issued under the Original Credit Agreement.

"Leverage Ratio" means, with respect to the Company and its Subsidiaries (other than Excluded Subsidiaries), on a consolidated basis, as of any date of determination, the ratio of total consolidated Indebtedness as of such date to EBITDA for the twelve month period then most recently ended (taken as a single accounting period).

"Lien" means any security interest, mortgage, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, encumbrance, lien (statutory or other) or preferential arrangement in the nature of a security interest of any kind or nature whatsoever in respect of any property (including those created by, arising under or evidenced by any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, the interest of a lessor under a capital lease, any financing lease having substantially the same economic effect as any of the foregoing, or the filing of any financing statement naming the owner of the asset to which such lien relates as debtor, under the Uniform Commercial Code or any comparable law) and any contingent or other agreement to provide any of the foregoing, but not including the interest of a lessor under an operating lease.

"Loan" means an extension of credit by a Lender to the Company under Article II or Article III in the form of a Revolving Loan, Swing Line Loan or L/C Borrowing.

"Loan Documents" means this Agreement, the Original Credit Agreement as amended and restated by this Agreement, any Notes, the Fee Letter, the L/C Related Documents, the Collateral Documents and all other documents and certificates delivered to the Agent or any Lender in connection herewith, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Loan Interests" has the meaning set forth in Section 11.18(a).

"Majority Lenders" means at any time, Lenders holding more than 50% of the then aggregate Commitments or, if the Commitments have been terminated, Lenders holding more than 50% of the then unpaid principal amount of Loans and L/C Obligations; provided that the Commitment of any Defaulting Lender shall be excluded for the purposes of making a determination of Majority Lenders.

"Margin Stock" means "margin stock" as such term is defined in Regulation T, U or X of the FRB.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties or financial condition of the Company and its Subsidiaries (other than Excluded Subsidiaries) taken as a whole, or of the Company and its Subsidiaries (including Excluded Subsidiaries) taken as a whole; (b) a material impairment of the ability of the Company or any Guarantor to perform under any Loan Document and to avoid any Event of Default; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Company or any Guarantor of any Loan Document.

"Modifications" is defined in the recitals.

"Mortgage Documents" means collectively, all real property mortgages, real property mortgage modifications, leasehold mortgages, assignments of leases, mortgage deeds, deeds of trust, deeds to secure debt, security agreements, and other similar instruments entered into at any time which provide the Collateral Agent a Lien securing the Obligations under any of the Loan Documents, for the benefit of the Collateral Agent and the Lenders, on, or other interest in any portion of the real property of the Company or the Guarantors or which relate to any such Lien or interest and supporting documentation thereto.

"Multiemployer Plan" means a "multiemployer plan", within the meaning of Section 4001(a)(3) of ERISA, to which the Company or any ERISA Affiliate makes, is making, or is obligated to make contributions or, during the immediately preceding six (6) years, has made, or been obligated to make, contributions.

"Net Income" shall mean for any period, the net income (or loss) of the Company and its Subsidiaries (other than Excluded Subsidiaries) on a consolidated basis for such period taken as a single accounting period determined in conformity with GAAP; provided, that there shall be excluded from such determination, to the extent otherwise included therein, (i) the income (or loss) of any entity accrued prior to the date it becomes a Subsidiary (or such other date as provided in the relevant acquisition agreement) of the Company or is merged into or consolidated with the Company or any Subsidiary or on which its assets are acquired by the Company or any Subsidiary of the Company, (ii) the income of any Subsidiary of the Company to the extent that the declaration or payment of dividends or similar distributions by that Subsidiary of that income is not at the time permitted by operation of the terms of, or without any third-party consent required by, its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary, (iii) any non-cash charges relating to the FAS 142 goodwill impairment, (iv) non-cash, deferred financing charges, (v) income and losses with respect to operations disposed of in accordance with Section 8.02, (vi) gains and losses from dispositions permitted under Section 8.02, (vii) non-cash charges related to the effect of changes in accounting principles (all of which are in accordance with GAAP) and (viii) extraordinary gains and losses.

"Net Worth" means shareholders' equity as determined in accordance with GAAP.

"Note" means a promissory note or an amended and restated promissory note, as applicable, executed by the Company in favor of a Lender pursuant to Section 2.02(b), in substantially the form of Exhibit F-1, with respect to Revolving Loans, and Exhibit F-2, with respect to the Swing Line Loan.

"Notice of Borrowing" means a notice in substantially the form of Exhibit A.

"Notice of Conversion/Continuation" means a notice in substantially the form of Exhibit B.

"Obligations" means all advances, debts, liabilities, obligations, covenants and duties arising under any Loan Document owing by the Company to any Lender, the Agent, the Collateral Agent, or any Indemnified Person, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising, and including all Original Obligations.

"Organization Documents" means, for any corporation, the certificate or articles of incorporation, the bylaws, any certificate of determination or instrument relating to the rights of preferred shareholders of such corporation, any shareholder rights agreement, and all applicable resolutions of the board of directors (or any committee thereof) of such corporation and for any limited liability company, the certificate of formation, the operating agreement and any instruments relating to the rights of members of such limited liability company and all applicable resolutions of the governing body of such limited liability company.

"Original Credit Agreement" is defined in the recitals.

"Original Obligations" is defined in the recitals.

"Other Taxes" means any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery, performance, or enforcement of, or otherwise with respect to, this Agreement or any other Loan Documents.

"Participant" has the meaning specified in Section 11.08(c).

"PBGC" means the Pension Benefit Guaranty Corporation, or any Governmental Authority succeeding to any of its principal functions under ERISA.

"Pension Plan" means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which the Company or any ERISA Affiliate sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding six (6) plan years.

"Permitted Acquisition" means an Acquisition which meets the following criteria:

(1) No Default or Event of Default has occurred and is continuing at the time of the consummation of such Acquisition and no Default or Event of Default would occur after giving effect to such Acquisition;

(2) The target company or operations shall be in a same or similar line of business as the Company or its Subsidiaries are engaged in;

(3) The target company or operations subject to such Acquisition must have generated positive earnings before interest, taxes, depreciation and amortization for the twelve-month period then most recently ended (for which financial statements are available provided, that such financial statements are for a period ended not more than ninety (90) days prior to the date of such Acquisitions);

(4) Total cash consideration paid by the Company or any of its Subsidiaries upon the consummation of such Acquisition plus Indebtedness of the target company or operations assumed by the Company or any of its Subsidiaries (other than payments by the target company prior to the Acquisition), plus any deferred payments booked as a liability upon the consummation of such Acquisition (collectively, "Cash Consideration") for such Acquisition is equal to or less than \$30,000,000, and the sum of such Cash Consideration and the maximum amount of contingent payments to be made by the Company and its Subsidiaries after the consummation of such Acquisition as additional consideration therefor is equal to or less than \$40,000,000;

(5) For all Acquisitions made in any fiscal year (after giving effect to the subject Acquisition), the aggregate sum of: (i) Cash Consideration paid by the Company or its Subsidiaries and (ii) the actual amount of contingent payments made by the Company and its Subsidiaries with respect to all Acquisitions (regardless of whether consummated during such fiscal year) is equal to or less than \$50,000,000;

(6) Such Acquisition shall be consensual and shall have been approved by the applicable target company's or seller's board of directors;

(7) Comply with Sections 7.14 and 7.15 with respect to acquired target or operations;

(8) Such Acquisitions after giving effect thereto would not result in the creation of any additional Excluded Subsidiaries or the Acquisition of assets by any then existing Excluded Subsidiary, except as permitted pursuant to Section 8.04(k); and

(9) prior to any Acquisition with respect to which the sum of the Cash Consideration and non-cash consideration paid by the Company and the amount of Indebtedness assumed by the Company in connection therewith exceeds \$5,000,000, the Company shall have delivered to the Agent and the Lenders a certificate executed by a Responsible Officer, demonstrating to the satisfaction of the Agent that after giving effect to such Acquisition and the incurrence of any Indebtedness permitted hereunder in connection therewith, on a pro forma basis using historical audited (if any) or reviewed

unaudited (if any) financial statements or compiled financial statements obtained from the target company in respect of each such Acquisition, the Company is in compliance with clauses (4) and (5) above and Section 8.04(k), if applicable, and certifying to clause (1) above.

"Permitted Liens" has the meaning specified in Section 8.01.

"Permitted Swap Obligations" means all obligations (contingent or otherwise) of the Company or any Subsidiary existing or arising under Swap Contracts, provided that each of the following criteria is satisfied: (a) such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments or assets held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person in conjunction with a securities repurchase program not otherwise prohibited hereunder, and not for purposes of speculation or taking a "market view" and (b) such Swap Contracts do not contain any provision ("walk-away" provision) exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or Governmental Authority or other entity.

"Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) which the Company or any ERISA Affiliate sponsors or maintains or to which the Company makes, is making, or is obligated to make contributions and includes any Pension Plan.

"Pledge and Security Agreement" means, the Pledge and Security Agreement dated as of September 26, 2002 as supplemented by Supplement No. 1 to Pledge and Security Agreement dated as of May 10, 2004, duly executed and delivered by each of the Company and the Guarantors pledging the stock of its Subsidiaries (other than Excluded Subsidiaries) to the Collateral Agent, for the benefit of itself and the Lenders, as the same may be amended, further supplemented or otherwise modified from time to time.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

"Proposed New Lender" has the meaning set forth in Section 2.01(c).

"Pro Rata Share" means, as to any Lender at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Lender's Revolving Loan Commitment divided by the aggregate Revolving Loan Commitments of all Lenders.

"Reaffirmation Agreement" means, the General Reaffirmation and Modification Agreement dated as of the Closing Date, duly executed and delivered by each of the Company and the Guarantors reaffirming its obligations under each Collateral Document

(other than Mortgage Documents) dated as of a date prior to the Closing Date to which it is a party, as the same may be amended, supplemented or otherwise modified from time to time.

"Reconciliation Certificate" means a certificate executed by a Responsible Officer of the Company providing a reconciliation report of the Company and its Subsidiaries on a consolidated basis, setting forth a calculation of the financial covenants set forth in Sections 8.14 through 8.16 hereof, but, including, for the purposes of such reconciliation, the financial information of all Excluded Subsidiaries of the Company to the extent previously excluded from the calculation thereof, in a form and accompanied by such detail and documentation as shall be requested by the Agent in its reasonable discretion.

"Register" has the meaning specified in Section 11.08(b).

"Rental Expense" means, for any period, the sum of (without duplication with respect to gross lease arrangements): (a) all rental payments, (b) all common area maintenance payments made pursuant to real property leases and (c) all real estate taxes paid by the Company and its Subsidiaries (other than Excluded Subsidiaries) pursuant to real property leases not constituting Capital Lease Obligations.

"Reportable Event" means, any of the events set forth in Section 4043(c) of ERISA or the regulations thereunder, other than any such event for which the thirty (30) day notice requirement under ERISA has been waived in regulations issued by the PBGC.

"Requirement of Law" means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority not subject to a stay order issued by a court of competent jurisdiction, in each case applicable to or binding upon the Person or any of its property or to which the Person or any of its property is subject.

"Responsible Officer" means the chief executive officer, chief operating officer, the president, or the chief financial officer of the Company, or any other officer having substantially the same authority and responsibility as the chief financial officer; or, with respect to compliance with financial covenants, the chief financial officer, vice president-finance or the treasurer of the Company, or any other officer having substantially the same authority and responsibility.

"Revolving Loan" has the meaning specified in Section 2.01.

"Revolving Loan Commitment", as to each Lender, has the meaning specified in Section 2.01.

"Revolving Termination Date" means the earlier to occur of:

- (a) August 6, 2009; and

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

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Selling Lender(s)" has the meaning set forth in Section 2.01(c).

"Solvent" means, when used with respect to any Person, that as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such Person will as of such date, exceed the amount that will be required to pay all "liabilities of such Person, contingent or otherwise" (whether or not reflected on a balance sheet prepared in accordance with GAAP), as of such date (as such quoted terms are determined in accordance with the Bankruptcy Code or other applicable bankruptcy, insolvency or other debtor relief laws) as such debts become due and payable, (b) such Person will not have as of such date, an unreasonably small amount of capital with which to conduct their business taking into account the particular capital requirements of such Person and its projected capital requirements and availability and (c) such Person will be able to pay their debts as they mature, taking into account the timing of and amounts of cash to be received by such Person, and the timing and amounts of cash to be payable on or in respect of indebtedness of such Person. For the purposes of this definitions, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, or unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, real or equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right of payment whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

"SPC" has the meaning specified in Section 11.08(g).

"Specified Asset Sale" means each asset disposition described in Schedule 8.02 to this Agreement.

"Subsidiary" of a Person means any corporation, association, partnership, limited liability company, joint venture or other business entity of which more than 50% of the voting stock, membership interests or other equity interests (in the case of Persons other than corporations), is owned or controlled directly or indirectly by the Person, or one or more of the Subsidiaries of the Person, or a combination thereof. Unless the context otherwise clearly requires, references herein to a "Subsidiary" refer to a Subsidiary of the Company.

"Surety Instruments" means all letters of credit (including, without limitation, standby, commercial and documentary), banker's acceptances, bank guaranties, shipside bonds, surety bonds and similar instruments.

"Swap Contract" means any agreement, whether or not in writing, relating to any transaction that is a rate swap, basis swap, forward rate transaction, commodity swap,

commodity option, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction, currency swap, cross-currency rate swap, swaption, currency option or any other, similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined by the Company based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include any Lender).

"Swing Line Bank" means Bank of America, in its capacity as provider of the Swing Line Loans.

"Swing Line Loan" has the meaning specified in Section 2.01(b).

"Swing Line Loan Commitment" has the meaning specified in Section 2.01(b).

"Swing Line Rate" means the Base Rate.

"Swing Line Termination Date" means the earlier to occur of:

- (a) August 6, 2009; and
- (b) the Revolving Termination Date.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Type" means, with respect to any Borrowing, its nature as a Base Rate Loan or an Eurodollar Rate Loan.

"UCC" the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of Illinois; provided, that to the extent that the UCC is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the UCC, the definition of such term contained in Article or Division 9 shall govern; provided, further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, the Administrative the Agent's or any Lender's Lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of Illinois, the term "UCC" shall mean the

Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

"Unfunded Pension Liability" means the excess of a Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"United States" and "U.S." each means the United States of America.

"Wholly-Owned Subsidiary" means any corporation, association, partnership, limited liability company, joint venture or other business entity in which (other than directors' or other qualifying shares required by law) 100% of the equity interests of each class having ordinary voting power, and 100% of the equity interests of every other class, in each case, at the time as of which any determination is being made, is owned, beneficially and of record, by the Company, or by one or more of the other Wholly-Owned Subsidiaries, or both.

1.02 Other Interpretive Provisions. (a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words "hereof", "herein", "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) (i) The term "documents" includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced.

(ii) The term "including" is not limiting and means "including without limitation."

(iii) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including."

(d) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(e) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(f) This Agreement and other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations,

tests and measurements are cumulative and shall each be performed in accordance with their terms.

(g) This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to the Agent, the Company and the other parties, and are the products of all parties. Accordingly, they shall not be construed against the Lenders or the Agent merely because of the Agent's or Lenders' involvement in their preparation.

1.03 Accounting Principles.

(a) Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with GAAP consistently applied; provided, that audited financial statements shall be prepared in accordance with the standards of the Public Company Accounting and Oversight Board Rule 3100.

(b) References herein to "fiscal year" and "fiscal quarter" refer to such fiscal periods of the Company.

ARTICLE II

THE CREDITS

2.01 Amounts and Terms of Commitments. (a) Each Lender severally agrees, on the terms and conditions set forth herein, to make loans to the Company (together with all "Revolving Loans" owing to such Lender on the Closing Date pursuant to and as defined in the Original Credit Agreement, the "Revolving Loans") from time to time on any Business Day during the period from the Closing Date to the Revolving Termination Date, in an aggregate amount not to exceed at any time the total of the amounts set forth on Schedule 2.01 (such total amount, as the same may be reduced under Section 2.05 or as a result of one or more assignments under Section 10.08, the Lender's "Revolving Loan Commitment"); provided, however, that, after giving effect to any Borrowing of Revolving Loans (exclusive of Revolving Loans, Swing Line Loans and L/C Obligations which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans), the Effective Amount of all outstanding Revolving Loans, Swing Line Loans and L/C Obligations, shall not at any time exceed the aggregate Revolving Loan Commitment; and provided further, that the Effective Amount of the Revolving Loans of any Lender plus the participation of such Lender in the Effective Amount of all Swing Loan Loans and L/C Obligations shall not at any time exceed such Lender's Revolving Loan Commitment. Within the limits of each Lender's Revolving Loan Commitment, and subject to the other terms and conditions hereof, the Company may borrow under this Section 2.01(a), prepay under Section 2.06 and reborrow under this Section 2.01(a). Upon the satisfaction of each of conditions set forth in Section 5.01, all "Revolving Loans" owing to the Existing Lenders, on the Closing Date under and as defined in the Original Credit Agreement shall thereupon constitute Revolving Loans hereunder subject to the terms of this Agreement.

(b) Subject to the terms and conditions hereof, the Swing Line Bank agrees to make loans to the Company (together with all "Swing Line Loans" owing to the Swing Line Bank on the Closing Date pursuant to and as defined in the Original Credit Agreement, the "Swing Line Loans") from time to time on any Business Day during the period from the Closing Date to the Swing Line Termination Date in an aggregate principal amount at any one time outstanding not to exceed \$15,000,000 (the "Swing Line Loan Commitment"); provided, after giving effect to any Borrowing of Swing Line Loans, the Effective Amount of all outstanding Swing Line Loans shall not at any time exceed the Swing Line Loan Commitment; and provided further, that the Effective Amount of all outstanding Revolving Loans, Swing Line Loans and L/C Obligations shall not at any time exceed aggregate Revolving Loan Commitment. Prior to the Swing Line Termination Date, the Company may use the Swing Line Loan Commitment by borrowing, prepaying the Swing Line Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. All Swing Line Loans shall bear interest at the Swing Line Rate and shall not be entitled to be converted into Loans that bear interest at any other rate. Upon the satisfaction of each of conditions set forth in Section 5.01, all "Swing Line Loans" owing to the Swing Line Bank on the Closing Date under and as defined in the Original Credit Agreement shall thereupon constitute Swing Line Loans hereunder subject to the terms of this Agreement.

(c) Increase of Revolving Loan Commitment. (i) At any time, the Company may request (in consultation with the Agent) that the aggregate Revolving Loan Commitment be increased in a minimum amount equal to, and in minimum increments of, \$1,000,000, provided that, (A) the aggregate Revolving Loan Commitment shall at no time exceed \$125,000,000 and (B) the Company shall not previously have reduced the aggregate Revolving Loan Commitment. Such request shall be made in a written notice given to the Agent and the Lenders by the Company not less than twenty (20) Business Days prior to the proposed effective date of such increase, which notice (a "Commitment Increase Notice") shall specify the amount of the proposed increase in the aggregate Revolving Loan Commitment and the proposed effective date of such increase. In the event of such a Commitment Increase Notice, each of the Lenders shall be given the opportunity to participate in the requested increase. No Lender shall have any obligation to increase its Commitment pursuant to a Commitment Increase Notice. On or prior to the date that is fifteen (15) Business Days after receipt of the Commitment Increase Notice, each Lender shall submit to the Agent a notice indicating the maximum amount by which it is willing to increase its Commitment in connection with such Commitment Increase Notice (any such notice to the Agent being herein a "Lender Increase Notice"). Any Lender which does not submit a Lender Increase Notice to the Agent prior to the expiration of such fifteen (15) Business Day period shall be deemed to have denied any increase in its Commitment. In the event that the increases of Commitments set forth in the Lender Increase Notices exceed the amount requested by the Company in the Commitment Increase Notice, the Agent and the Arranger shall have the right, in consultation with the Company, to allocate the amount of increases necessary to meet the Company's Commitment Increase Notice. In the event that the Lender Increase Notices are less than the amount requested by the Company, not later than three (3) Business Days prior to the proposed effective date the Company may notify the Agent of any financial institution that shall have agreed to become a "Lender" party hereto (a "Proposed New Lender") in connection with the Commitment Increase Notice. Any Proposed New Lender shall be subject to the consent of the Agent (which consent shall not be unreasonably withheld). If the Company shall not have arranged any Proposed New Lender(s) to commit to the shortfall from the Lender

Increase Notices, then the Company shall be deemed to have reduced the amount of its Commitment Increase Notice to the aggregate amount set forth in the Lender Increase Notices. Based upon the Lender Increase Notices, any allocations made in connection therewith and any notice regarding any Proposed New Lender, if applicable, the Agent shall notify the Company and the Lenders on or before the Business Day immediately prior to the proposed effective date of the amount of each Lender's and Proposed New Lenders' Commitment (the "Effective Commitment Amount") and the amount of the aggregate Revolving Loan Commitment, which amount shall be effective on the following Business Day. Any increase in the aggregate Revolving Loan Commitment shall be subject to the following conditions precedent: (1) the Company shall have obtained from each Subsidiary party to a Loan Document its reaffirmation of such Loan Documents, if any, executed by it, which consent and reaffirmation shall be in writing and in form and substance reasonably satisfactory to the Agent, (2) as of the date of the Commitment Increase Notice and as of the proposed effective date of the increase in the aggregate Revolving Loan Commitment, all representations and warranties shall be true and correct in all material respects as though made on such date (except to the extent such representation or warranties expressly refer to an earlier date, in which case they shall be true and correct as of such earlier date) and no event shall have occurred and then be continuing which constitutes a Default or Event of Default, (3) the Company, the Agent and each Proposed New Lender or Lender that shall have agreed to provide a "Commitment" in support of such increase in the aggregate Revolving Loan Commitment shall have executed and delivered a "Commitment and Acceptance" substantially in the form of Exhibit G hereto, (4) counsel for the Company and for any such guarantors shall have provided to the Agent supplemental opinions in form and substance reasonably satisfactory to the Agent and (5) the Company and the Proposed New Lender shall otherwise have executed and delivered such other instruments and documents as are consistent with those required under Article V or that the Agent shall have reasonably requested in connection with such increase. If any fee shall be charged by the Buying Lenders (as defined below) in connection with any such increase, such fee shall be in accordance with then prevailing market conditions, which market conditions shall have been reasonably documented by the Agent to the Company. Upon satisfaction of the conditions precedent to any increase in the aggregate Revolving Loan Commitment, the Agent shall promptly advise the Company and each Lender of the effective date of such increase. Upon the effective date of any increase in the aggregate Revolving Loan Commitment that is provided by a Proposed New Lender, such Proposed New Lender shall be a party to this Agreement as a Lender and shall have the rights and obligations of a Lender hereunder. Nothing contained herein shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Commitment hereunder at any time.

(ii) For purposes of this clause (ii), (A) the term "Buying Lender(s)" shall mean (1) each Lender the Effective Commitment Amount of which is greater than its Commitment prior to the effective date of any increase in the aggregate Revolving Loan Commitment and (2) each Proposed New Lender that is allocated an Effective Commitment Amount in connection with any Commitment Increase Notice, and (B) the term "Selling Lender(s)" shall mean each Lender whose Commitment is not being increased from that in effect prior to such increase in the aggregate Revolving Loan Commitment. Effective on the effective date of any increase in the aggregate Revolving Loan Commitment pursuant to clause (i) above, each Selling Lender hereby sells, grants, assigns and conveys to each Buying Lender, without recourse, warranty, or representation of any kind, except as specifically provided herein, an

undivided percentage in such Selling Lender's right, title and interest in and to its outstanding Loans in the respective dollar amounts and percentages necessary so that, from and after such sale, each such Selling Lender's outstanding Loans shall equal such Selling Lender's Pro Rata Share (calculated based upon the Effective Commitment Amounts) of the outstanding Loans. Effective on the effective date of the increase in the aggregate Revolving Loan Commitment pursuant to clause (i) above, each Buying Lender hereby purchases and accepts such grant, assignment and conveyance from the Selling Lenders. Each Buying Lender hereby agrees that its respective purchase price for the portion of the outstanding Loans purchased hereby shall equal the respective dollar amount necessary so that, from and after such payments, each Buying Lender's outstanding Loans shall equal such Buying Lender's Pro Rata Share (calculated based upon the Effective Commitment Amounts) of the outstanding Loans. Such amount shall be payable on the effective date of the increase in the aggregate Revolving Loan Commitment by wire transfer of immediately available funds to the Agent. The Agent, in turn, shall wire transfer any such funds received to the Selling Lenders, in same day funds, for the sole account of the Selling Lenders. Each Selling Lender hereby represents and warrants to each Buying Lender that such Selling Lender owns the Loans being sold and assigned hereby for its own account and has not sold, transferred or encumbered any or all of its interest in such Loans, except for participations which will be extinguished upon payment to Selling Lender of an amount equal to the portion of the outstanding Loans being sold by such Selling Lender. Each Buying Lender hereby acknowledges and agrees that, except for each Selling Lender's representations and warranties contained in the foregoing sentence, each such Buying Lender has entered into its Commitment and Acceptance with respect to such increase on the basis of its own independent investigation and has not relied upon, and will not rely upon, any explicit or implicit written or oral representation, warranty or other statement of the Lenders or the Agent concerning the authorization, execution, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the other Loan Documents. The Company hereby agrees to compensate each Lender for all losses, expenses and liabilities incurred by each Lender in connection with the sale and assignment of any Eurodollar Rate Loan hereunder on the terms and in the manner as set forth in Section 4.04.

2.02 Loan Accounts.

(a) The Loans made by each Lender and the Letters of Credit Issued by the Issuing Bank shall be evidenced by one or more accounts or records maintained by such Lender or Issuing Bank, as the case may be, in the ordinary course of business. The accounts or records maintained by the Agent, the Issuing Bank and each Lender shall be prima facie evidence of the amount of the Loans made by the Lenders to the Company, and the Letters of Credit issued for the account of the Company, and the interest and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Company hereunder to pay any amount owing with respect to the Loans or any Letter of Credit.

(b) Upon the request of any Lender made through the Agent, the Loans made by such Lender may be evidenced by one or more Notes, instead of or in addition to loan accounts. Each such Lender shall record on the schedules annexed to its Note(s) the date, amount and maturity of each Loan made by it and the amount of each payment of principal made by the Company with respect thereto. Each such Lender is irrevocably authorized by the

Company to make such recordations on its Note(s) and each Lender's record shall be deemed prima facie correct; provided, however, that the failure of a Lender to make, or an error in making, a notation thereon with respect to any Loan shall not limit or otherwise affect the obligations of the Company hereunder or under any such Note to such Lender. Certain Notes issued as of the Closing Date shall be issued in substitution for, and shall amend and restate, each of the respective "Notes" issued to the Existing Lenders pursuant to and defined in the Original Credit Agreement. No such substitutions, amendments and restatements shall constitute or effect a repayment, refinancing or novation of the amounts evidenced by such original "Notes," but rather a modification and substitution of their respective terms.

2.03 Procedure for Borrowing.

(a) Revolving Loans. (i) Each Borrowing (other than a L/C Borrowing or a Borrowing of Swing Line Loans) shall be made upon the Company's irrevocable written notice delivered to the Agent in the form of a Notice of Borrowing (which notice must be received by the Agent prior to 10:00 a.m. (Chicago time) (x) three (3) Business Days prior to the requested Borrowing Date, in the case of Eurodollar Rate Loans and (y) on the date of the requested Borrowing Date, in the case of Base Rate Loans, specifying:

(1) the amount of the Borrowing, which shall be in an aggregate minimum amount of \$500,000, or any multiple of \$100,000 in excess thereof, in the case of Base Rate Loans, and \$1,000,000, or any multiple of \$500,000 in excess thereof, in the case of Eurodollar Rate Loans;

(2) the requested Borrowing Date, which shall be a Business Day;

(3) the Type of Loans comprising the Borrowing; and

(4) the duration of the Interest Period applicable to such Eurodollar Rate Loans included in such notice. If the Notice of Borrowing fails to specify the duration of the Interest Period for any Borrowing comprised of Eurodollar Rate Loans, such Interest Period shall be one month;

provided, however, that with respect to the Borrowing to be made on the Closing Date, the Notice of Borrowing shall be delivered to the Agent not later than 10:00 a.m. (Chicago time) on the Closing Date and such Borrowing will consist of Base Rate Loans only.

(ii) The Agent will promptly notify each Lender of its receipt of any Notice of Borrowing and of the amount of such Lender's Pro Rata Share of that Borrowing.

(iii) Each Lender will make the amount of its Pro Rata Share of each Borrowing available to the Agent for the account of the Company at the Agent's Payment Office by 2:00 p.m. (Chicago time) on the Borrowing Date requested by the Company in funds immediately available to the Agent. The proceeds of all such Loans will then be made available to the Company by the Agent at such office by crediting the account of the Company on the books of Bank of America with the aggregate of the amounts made available to the Agent by the Lenders and in like funds as received by the Agent.

(iv) After giving effect to any Borrowing, unless the Agent shall otherwise consent, there may not be more than seven different Interest Periods in effect.

(b) Swing Line Loans. (i) The Company may borrow under the Swing Line Loan Commitment on any Business Day until the Swing Line Termination Date; provided that the Company shall give the Agent irrevocable written notice (which notice must be received by the Agent prior to 12:00 noon (Chicago time)) and the Agent shall promptly deliver to the Company and the Swing Line Bank a confirmation of such notice specifying the amount of the requested Swing Line Loan, which shall be in a minimum amount of \$100,000 or a whole multiple of \$100,000 in excess thereof. The proceeds of the Swing Line Loan will be made available by the Swing Line Bank to the Company in immediately available funds at the office of the Swing Line Bank by 2:00 p.m. (Chicago time) on the date of such notice. The Company may at any time and from time to time, prepay the Swing Line Loans, in whole or in part, without premium or penalty, by notifying the Agent prior to 12:00 noon (Chicago time) on any Business Day of the date and amount of prepayment. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein. Partial prepayments shall be in an aggregate principal amount of \$100,000 or a whole multiple of \$100,000 in excess thereof.

(ii) The Agent, acting upon the demand of the Swing Line Bank, at any time in the Swing Line Bank's sole and absolute discretion, shall on behalf of the Company (which hereby irrevocably directs the Agent to so act on its behalf) notify each Lender (including the Swing Line Bank) to make a Revolving Loan to the Company in a principal amount equal to such Lender's Pro Rata Share of the amount of such Swing Line Loan, unless any Lender or Lenders shall be obligated, pursuant to Section 2.01(a), to make funds available to the Agent on the date such notice is given in an aggregate amount equal to or in excess of such Swing Line Loan, in which case such funds shall be applied by the Agent first to repay such Swing Line Loan and any remaining funds shall be made available to the Company in accordance with Section 2.01(a); provided, however, that such notice shall be deemed to have automatically been given upon the occurrence of an Event of Default under Section 9.01(f) or (g). Upon notice from the Agent, following any demand by the Swing Line Bank each Lender (other than the Swing Line Bank) will immediately transfer to the Agent, for transfer to the Swing Line Bank, in immediately available funds, an amount equal to such Lender's Pro Rata Share of the amount of such Swing Line Loan so repaid. Each Lender's obligation to transfer the amount of such Revolving Loan to the Agent shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Lender or any other Person may have against the Swing Line Bank, (ii) the occurrence or continuance of a Default or an Event of Default or the termination of the Revolving Loan Commitment, (iii) any adverse change in the condition (financial or otherwise) of the Company or any other Person, (iv) any breach of this Agreement by the Company or any other Person or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(iii) Notwithstanding anything herein to the contrary, the Swing Line Bank (i) shall not be obligated to make any Swing Line Loan if the conditions set forth in Article V have not been satisfied and (ii) shall not make any requested Swing Line Loan if, prior to 1:00 p.m. (Chicago time) on the date of such requested Swing Line Loan, it has received a written notice

from the Agent or any Lender directing it not to make further Swing Line Loans because one or more of the conditions specified in Article V are not then satisfied.

(iv) If prior to the making of a Loan required to be made by Section 2.03(b)(ii) an Event of Default described in Section 9.01(f) or 9.01(g) shall have occurred and be continuing with respect to the Company, each Lender will, on the date such Loan was to have been made pursuant to the notice described in Section 2.03(b)(ii), purchase an undivided participating interest in the outstanding Swing Line Loans in an amount equal to its Pro Rata Share of the aggregate principal amount of Swing Line Loans then outstanding. Each Lender will immediately transfer to the Agent for the benefit of the Swing Line Bank, in immediately available funds, the amount of its participation.

(v) Whenever, at any time after a Lender has purchased a participating interest in a Swing Line Loan, the Swing Line Bank receives any payment on account thereof, the Swing Line Bank will distribute to the Agent for delivery to each Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded); provided, however, that in the event that such payment received by the Swing Line Bank is required to be returned, such Lender will return to the Agent for delivery to the Swing Line Bank any portion thereof previously distributed by the Swing Line Bank to it.

(vi) Each Lender's obligation to make the Loans referred to in Section 2.03(b)(ii) and to purchase participating interests pursuant to Section 2.03(b)(iv) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Lender or the Company may have against the Swing Line Bank, the Company or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default or an Event of Default, (iii) any adverse change in the condition (financial or otherwise) of the Company, (iv) any breach of this Agreement or any other Loan Document by the Company, any Subsidiary or any other Lender or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

2.04 Conversion and Continuation Elections.

(a) The Company may, upon irrevocable written notice to the Agent in accordance with the provisions of this Section 2.04:

(i) elect, as of any Business Day, in the case of Base Rate Loans (other than Swing Line Loans), or as of the last day of the applicable Interest Period, in the case of Eurodollar Rate Loans, to convert any such Loans (or any part thereof in an aggregate minimum amount of \$500,000, or any multiple of \$100,000 in excess thereof, in the case of Base Rate Loans, and \$1,000,000, or any multiple of \$500,000 in excess thereof, in the case of Eurodollar Rate Loans) into Loans of any other Type; or

(ii) elect as of the last day of the applicable Interest Period, to continue any Loans having Interest Periods expiring on such day (or any part thereof in an amount not less than \$1,000,000, or that is in an integral multiple of \$500,000 in excess thereof);

provided, that if at any time the aggregate amount of Eurodollar Rate Loans in respect of any Borrowing is reduced, by payment, prepayment, or conversion of part thereof to be less than \$1,000,000, such Eurodollar Rate Loans shall automatically convert into Base Rate Loans, and on and after such date the right of the Company to continue such Loans as, and convert such Loans into, Eurodollar Rate Loans shall terminate.

(b) The Company shall deliver a Notice of Conversion/Continuation to be received by the Agent not later than 10:00 a.m. (Chicago time) at least (i) three (3) Business Days in advance of the Conversion/ Continuation Date, if the Loans are to be converted into or continued as Eurodollar Rate Loans and (ii) on the date of the Conversion/Continuation Date, if the Loans are to be converted into Base Rate Loans, specifying:

(i) the proposed Conversion/Continuation Date;

(ii) the aggregate amount of Loans to be converted or continued;

(iii) the Type of Loans resulting from the proposed conversion or continuation; and

(iv) other than in the case of conversions into Base Rate Loans, the duration of the requested Interest Period.

(c) If upon the expiration of any Interest Period applicable to Eurodollar Rate Loans, the Company has failed to submit or complete a notice in accordance with Section 2.04(b), the Company shall be deemed to have elected to convert such Eurodollar Rate Loans into a one month Eurodollar Rate Loan, provided, however, if any Default or Event of Default then exists, the Company shall be deemed to have elected to convert such Eurodollar Rate Loans into a Base Rate Loan.

(d) The Agent will promptly notify each Lender of its receipt of a Notice of Conversion/Continuation, or, if no timely notice is provided by the Company, the Agent will promptly notify each Lender of the details of any automatic continuation or conversion. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Loans, with respect to which the notice was given, held by each Lender.

(e) Unless the Majority Lenders otherwise consent, during the existence of a Default or Event of Default, the Company may not elect to have a Loan converted into or continued as an Eurodollar Rate Loan.

(f) After giving effect to any conversion or continuation of Eurodollar Rate Loans, unless the Agent shall otherwise consent, there may not be more than seven different Interest Periods in effect.

(g) Notwithstanding the foregoing, all Loans outstanding as of the Closing Date and originally made pursuant to the Original Credit Agreement shall continue to be of the same Type and shall have the same Interest Period as established for such Loans under the Original Credit Agreement until converted into a different Type pursuant to this Agreement or until such Interest Period expires or such Loans are prepaid by the Company.

2.05 Voluntary Termination or Reduction of Commitments. The Company may, upon not less than three (3) Business Days' prior written notice to the Agent, terminate the Commitments, or permanently reduce the Commitments by an aggregate minimum amount of \$1,000,000 or any multiple of \$1,000,000 in excess thereof; unless, after giving effect thereto and to any prepayments of Revolving Loans made on the effective date thereof, (i) the Effective Amount of all Revolving Loans, Swing Line Loans and L/C Obligations would exceed the amount of the Commitments then in effect, (ii) the Effective Amount of all Swing Line Loans then outstanding would exceed the Swing Line Loan Commitment or (iii) the Effective Amount of all L/C Obligations would exceed the L/C Commitment. If and to the extent specified by the Company in the notice to the Agent, some or all of the reduction in the Commitments shall be applied to reduce the L/C Commitment. Once reduced in accordance with this Section, the Commitments may not be increased. Any reduction of the Commitments shall be applied to each Lender according to its Pro Rata Share. All accrued Commitment Fees and letter of credit fees to, but not including, the effective date of any reduction or termination of the Commitments shall be paid on the effective date of such reduction or termination.

2.06 Optional Prepayments. Subject to Section 4.04, the Company may, at any time or from time to time, upon irrevocable notice to the Agent by 10:00 a.m. (Chicago time), prepay Loans ratably among the Lenders in whole or in part without penalty, in minimum amounts of \$500,000, or any multiple of \$100,000 in excess thereof, in the case of Base Rate Loans, and \$500,000, or any multiple of \$500,000 in excess thereof, in the case of Eurodollar Rate Loans. Such notice of prepayment shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid. The Agent will promptly notify each Lender of its receipt of any such notice, and of such Lender's Pro Rata Share of such prepayment. If such notice is given by the Company, the Company shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to each such date on the amount prepaid and any amounts required pursuant to Section 4.04.

2.07 Mandatory Prepayments of Loans.

(a) The Company shall promptly, but in any event within two (2) Business Days, prepay the outstanding principal amount of the Revolving Loans or Swing Line Loans on any date on which the aggregate outstanding principal amount of such Loans together with the Effective Amount of the L/C Obligations (after giving effect to any other repayments or prepayments on such day) exceeds the aggregate Revolving Loan Commitment in the amount of such excess, or if any such excess remains after a prepayment in full hereunder of all outstanding Loans, the Company shall Cash Collateralize the outstanding Letters of Credit to the extent of such remaining excess.

(b) If on any date the Effective Amount of L/C Obligations exceeds the L/C Commitment, the Company shall Cash Collateralize on such date the outstanding Letters of Credit in an amount equal to the excess of the maximum amount then available to be drawn under the Letters of Credit over the Aggregate L/C Commitment.

(c) General. Any prepayments pursuant to this Section 2.07 shall be applied first to any Base Rate Loans then outstanding and then to Eurodollar Rate Loans with the shortest Interest Periods remaining. The Company shall pay, together with each prepayment

under this Section 2.07, accrued interest on the amount prepaid and any amounts required pursuant to Section 4.04.

2.08 Repayment.

(a) Revolving Loans. The Company shall repay to the Lenders on the Revolving Termination Date the aggregate principal amount of Revolving Loans outstanding on such date.

(b) Swing Line Loans. The Company shall repay to the Swing Line Bank on the Swing Line Termination Date the aggregate principal amount of Swing Line Loans outstanding on such date.

2.09 Interest.

(a) Each Loan (other than Swing Line Loans) shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to either the Eurodollar Rate or the Base Rate, as the case may be, plus the Applicable Margin (and subject to the Company's right to convert to other Types of Loans under Section 2.04). Swing Line Loans shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to the Swing Line Rate.

(b) Interest on each Loan shall be paid in arrears on each Interest Payment Date. Interest shall also be paid on the date of any prepayment of Loans under Section 2.06 or 2.07 for the portion of the Loans so prepaid and upon payment (including prepayment) in full thereof and, during the existence of any Event of Default, interest shall be paid on demand of the Agent at the request or with the consent of the Majority Lenders.

(c) Notwithstanding Section 2.09(a), while any Event of Default exists or after acceleration, the Company shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all outstanding Obligations, at a rate per annum which is determined by adding 2% per annum to the Applicable Margin then in effect for such Loans; and in the case of Obligations not subject to an Applicable Margin, at a rate per annum equal to the Base Rate plus 2%; provided, however, that, on and after the expiration of any Interest Period applicable to any Eurodollar Rate Loan outstanding on the date of occurrence of such Event of Default or acceleration, the principal amount of such Loan shall, during the continuation of such Event of Default or after acceleration, bear interest at a rate per annum equal to the Base Rate plus 2% (the "Default Rate").

(d) Anything herein to the contrary notwithstanding, the obligations of the Company to any Lender hereunder shall be subject to the limitation that payments of interest shall not be required for any period for which interest is computed hereunder, to the extent (but only to the extent) that contracting for or receiving such payment by such Lender would be contrary to the provisions of any law applicable to such Lender limiting the highest rate of interest that may be lawfully contracted for, charged or received by such Lender, and in such event the Company shall pay such Lender interest at the highest rate permitted by applicable law.

2.10 Fees.

(a) Agency Fees. The Company shall pay the fees to the Agent for the Agent's own account, as required by the letter agreement ("Fee Letter") among the Company, the Arranger and the Agent, dated July 7, 2004.

(b) Commitment Fees. The Company shall pay to the Agent for the account of each Lender a commitment fee ("Commitment Fee") on the average daily unused portion of such Lender's Revolving Loan Commitment, computed on a quarterly basis in arrears on the last Business Day of each calendar quarter based upon the daily utilization for that quarter as calculated by the Agent, at the Applicable Margin per annum. For purposes of calculating utilization under this Section, the Revolving Loan Commitment shall be deemed used to the extent of the Effective Amount of Revolving Loans then outstanding, plus the Effective Amount of L/C Obligations then outstanding but excluding for the purposes of calculating utilization under this Section the Effective Amount of Swing Line Loans. Such commitment fee shall accrue from the Closing Date to the Revolving Termination Date and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December through the Revolving Termination Date, with the final payment to be made on the Revolving Termination Date; provided that, in connection with any reduction or termination of Revolving Loan Commitment under Section 2.05, the accrued commitment fee calculated for the period ending on such date shall also be paid on the date of such reduction or termination, with the following quarterly payment being calculated on the basis of the period from such reduction or termination date to such quarterly payment date. The commitment fees provided in this Section shall accrue at all times after the above-mentioned commencement date, including at any time during which one or more conditions in Article V are not met.

2.11 Computation of Fees and Interest.

(a) All computations of interest for Base Rate Loans when the Base Rate is determined by Bank of America's "reference rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more interest being paid than if computed on the basis of a 365-day year). Interest and fees shall accrue during each period during which interest or such fees are computed from the first day thereof to the last day thereof.

(b) Each determination of an interest rate by the Agent shall be conclusive and binding on the Company and the Lenders and shall be prima facie evidence of such interest rate. The Agent will, at the request of the Company or any Lender, deliver to the Company or the Lender, as the case may be, a statement showing the quotations used by the Agent in determining any interest rate and the resulting interest rate.

2.12 Payments by the Company.

(a) All payments to be made by the Company shall be made without set-off, recoupment or counterclaim. Except as otherwise expressly provided herein, all payments by the Company shall be made to the Agent for the account of the Lenders at the Agent's Payment Office, and shall be made in dollars and in immediately available funds, (i) solely for the purpose of calculating the accrual of interest on the outstanding Obligations, no later than 12:00 Noon (Chicago time) on the date specified herein and (ii) for all other purposes, no later than 5:00 PM (Chicago time) on the date specified herein. The Agent will promptly distribute to each Lender its Pro Rata Share (or other applicable share as expressly provided herein) of such payment in like funds as received. Any payment received by the Agent later than the time specified herein shall be deemed to have been received on the following Business Day and any applicable interest or fees shall continue to accrue for the day actually received.

(b) Subject to the provisions set forth in the definition of "Interest Period" herein, whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(c) Unless the Agent receives notice from the Company prior to the date on which any payment is due to the Lenders that the Company will not make such payment in full as and when required, the Agent may assume that the Company has made such payment in full to the Agent on such date in immediately available funds and the Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Company has not made such payment in full to the Agent, each Lender shall repay to the Agent on demand such amount distributed to such Lender, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Lender until the date repaid.

2.13 Payments by the Lenders to the Agent.

(a) Unless the Agent receives notice from a Lender on or prior to the Closing Date or, with respect to any Borrowing after the Closing Date, at least one Business Day prior to the date of such Borrowing, that such Lender will not make available as and when required hereunder to the Agent for the account of the Company the amount of that Lender's Pro Rata Share of the Borrowing, the Agent may assume that each Lender has made such amount available to the Agent in immediately available funds on the Borrowing Date and the Agent may (but shall not be so required), in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent any Lender shall not have made its full amount available to the Agent in immediately available funds and the Agent in such circumstances has made available to the Company such amount, that Lender shall on the Business Day following such Borrowing Date make such amount available to the Agent, together with interest at the Federal Funds Rate for each day during such period. A notice of the Agent submitted to any Lender with respect to amounts owing under this clause (a) shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Agent shall constitute such Lender's Loan on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to the Agent on the Business Day following the Borrowing

Date, the Agent will notify the Company of such failure to fund and, upon demand by the Agent, the Company shall pay such amount to the Agent for the Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such Borrowing.

(b) The failure of any Lender to make any Loan on any Borrowing Date shall not relieve any other Lender of any obligation hereunder to make a Loan on such Borrowing Date, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on any Borrowing Date.

2.14 Sharing of Payments, Etc. If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of the Loans made by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its ratable share (or other share contemplated hereunder), such Lender shall immediately (a) notify the Agent of such fact, and (b) purchase from the other Lenders such participations in the Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment pro rata with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender, such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Company agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 11.10) with respect to such participation as fully as if such Lender were the direct creditor of the Company in the amount of such participation. The Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Lenders following any such purchases or repayments.

ARTICLE III

THE LETTERS OF CREDIT

3.01 The Letter of Credit Subfacility.

(a) On the terms and conditions set forth herein (i) the Issuing Bank agrees, (A) from time to time on any Business Day during the period from the Closing Date to the Revolving Termination Date to issue Letters of Credit for the account of the Company or any Subsidiary of the Company, and to amend or renew Letters of Credit previously issued by it, in accordance with Sections 3.02(c) and (d), and (B) to honor drafts under the Letters of Credit; and (ii) the Lenders severally agree to participate in Letters of Credit Issued for the account of the Company; provided, that the Issuing Bank shall not be obligated to Issue, and no Lender shall be obligated to participate in, any Letter of Credit if as of the date of Issuance of such Letter of Credit (the "Issuance Date") (1) the Effective Amount of all L/C Obligations and Swing Line Loans plus the Effective Amount of all Revolving Loans exceeds the aggregate Revolving Loan Commitment, (2) the participation of any Lender in the Effective Amount of all L/C Obligations

and Swing Line Loans plus the Effective Amount of the Revolving Loans of such Lender exceeds such Lender's Revolving Loan Commitment or (3) the Effective Amount of L/C Obligations exceeds the L/C Commitment. Within the foregoing limits, and subject to the other terms and conditions hereof, the Company's ability to obtain Letters of Credit shall be fully revolving, and, accordingly, the Company may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit which have expired or which have been drawn upon and reimbursed.

(b) The Issuing Bank is under no obligation to Issue any Letter of Credit if:

(i) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the Issuing Bank from Issuing such Letter of Credit, or any Requirement of Law applicable to the Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the Issuing Bank shall prohibit, or request that the Issuing Bank refrain from, the Issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the Issuing Bank with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the Issuing Bank is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the Issuing Bank in good faith deems material to it;

(ii) the Issuing Bank has received written notice from any Lender, the Agent or the Company, on or prior to the Business Day prior to the requested date of Issuance of such Letter of Credit, that one or more of the applicable conditions contained in Article V is not then satisfied;

(iii) the expiry date of any requested Letter of Credit is after the Revolving Termination Date, unless the Company has Cash Collateralized, in form and substance satisfactory to the Issuing Bank, its L/C Obligations under such Letter of Credit on or prior to the date of the Issuance of such Letter of Credit;

(iv) any requested Letter of Credit does not provide for drafts, or is not otherwise in form and substance reasonably acceptable to the Issuing Bank, or the Issuance of a Letter of Credit shall violate any applicable policies of the Issuing Bank; or

(v) such Letter of Credit is in a face amount less than \$25,000, unless such lesser amount is approved by the Agent and the Issuing Bank, or is to be denominated in a currency other than Dollars.

3.02 Issuance, Amendment and Renewal of Letters of Credit.

(a) Each Letter of Credit shall be issued upon the irrevocable written request of the Company received by the Issuing Bank (with a copy sent by the Company to the Agent) at least three (3) days (or such shorter time as the Issuing Bank may agree in a particular instance in its sole discretion) prior to the proposed date of issuance. Each such request for issuance of a Letter of Credit shall be by facsimile, confirmed immediately in an original writing, in the form of a L/C Application, and shall specify in form and detail satisfactory to the Issuing Bank: (i) the

proposed date of issuance of the Letter of Credit (which shall be a Business Day); (ii) the face amount of the Letter of Credit; (iii) the expiry date of the Letter of Credit; (iv) the name and address of the beneficiary thereof; (v) the documents to be presented by the beneficiary of the Letter of Credit in case of any drawing thereunder; (vi) the full text of any certificate to be presented by the beneficiary in case of any drawing thereunder; and (vii) such other matters as the Issuing Bank may require.

(b) Prior to the Issuance of any Letter of Credit, the Issuing Bank will confirm with the Agent (by telephone or in writing) that the Agent has received a copy of the L/C Application or L/C Amendment Application from the Company and, if not, the Issuing Bank will provide the Agent with a copy thereof. Unless the Issuing Bank has received notice on or before the Business Day on which the Issuing Bank is to issue a requested Letter of Credit from the Agent (A) directing the Issuing Bank not to issue such Letter of Credit because such issuance is not then permitted under Section 3.01(a) as a result of the limitations set forth in clauses (1) through (3) thereof or Section 3.01(b)(ii); or (B) that one or more conditions specified in Article V are not then satisfied; then, subject to the terms and conditions hereof, the Issuing Bank shall, with the written approval of the Agent, on the requested date, issue a Letter of Credit for the account of the Company in accordance with the Issuing Bank's usual and customary business practices.

(c) From time to time while a Letter of Credit is outstanding and prior to the Revolving Termination Date, the Issuing Bank will, upon the written request of the Company received by the Issuing Bank (with a copy sent by the Company to the Agent) at least three (3) days (or such shorter time as the Issuing Bank may agree in a particular instance in its sole discretion) prior to the proposed date of amendment, amend any Letter of Credit issued by it. Each such request for amendment of a Letter of Credit shall be made by facsimile, confirmed immediately in an original writing, made in the form of a L/C Amendment Application and shall specify in form and detail satisfactory to the Issuing Bank: (i) the Letter of Credit to be amended; (ii) the proposed date of amendment of the Letter of Credit (which shall be a Business Day); (iii) the nature of the proposed amendment; and (iv) such other matters as the Issuing Bank may require. The Issuing Bank shall be under no obligation to amend any Letter of Credit if: (A) the Issuing Bank would have no obligation at such time to issue such Letter of Credit in its amended form under the terms of this Agreement; or (B) the beneficiary of any such letter of Credit does not accept the proposed amendment to the Letter of Credit. The Agent will promptly notify the Lenders of the receipt by it of any L/C Application or L/C Amendment Application.

(d) The Issuing Bank and the Lenders agree that, while a Letter of Credit is outstanding and prior to the Revolving Termination Date, at the option of the Company and upon the written request of the Company received by the Issuing Bank (with a copy sent by the Company to the Agent) at least five (5) days (or such shorter time as the Issuing Bank may agree in a particular instance in its sole discretion) prior to the proposed date of notification of renewal, the Issuing Bank shall be entitled to authorize the automatic renewal of any Letter of Credit issued by it. Each such request for renewal of a Letter of Credit shall be made by facsimile, confirmed immediately in an original writing, in the form of a L/C Amendment Application, and shall specify in form and detail satisfactory to the Issuing Bank: (i) the Letter of Credit to be renewed; (ii) the proposed date of notification of renewal of the Letter of Credit (which shall be a Business Day); (iii) the revised expiry date of the Letter of Credit; and (iv) such other matters as

the Issuing Bank may require. The Issuing Bank shall be under no obligation so to renew any Letter of Credit if: (A) the Issuing Bank would have no obligation at such time to issue or amend such Letter of Credit in its renewed form under the terms of this Agreement; or (B) the beneficiary of any such Letter of Credit does not accept the proposed renewal of the Letter of Credit. If any outstanding Letter of Credit shall provide that it shall be automatically renewed unless the beneficiary thereof receives notice from the Issuing Bank that such Letter of Credit shall not be renewed, and if at the time of renewal the Issuing Bank would be entitled to authorize the automatic renewal of such Letter of Credit in accordance with this clause (d) upon the request of the Company but the Issuing Bank shall not have received any L/C Amendment Application from the Company with respect to such renewal or other written direction by the Company with respect thereto, the Issuing Bank shall nonetheless be permitted to allow such Letter of Credit to renew, and the Company and the Lenders hereby authorize such renewal, and, accordingly, the Issuing Bank shall be deemed to have received a L/C Amendment Application from the Company requesting such renewal.

(e) The Issuing Bank may, at its election (or as required by the Agent at the direction of the Majority Lenders), deliver any notices of termination or other communications to any Letter of Credit beneficiary or transferee, and take any other action as necessary or appropriate, at any time and from time to time, in order to cause the expiry date of such Letter of Credit to be a date not later than the Revolving Termination Date.

(f) This Agreement shall control in the event of any conflict with any L/C-Related Document (other than any Letter of Credit).

(g) The Issuing Bank will also deliver to the Agent (and the Agent shall deliver a copy to each Lender), concurrently or promptly following its delivery of a Letter of Credit, or amendment to or renewal of a Letter of Credit, to an advising lender or a beneficiary, a true and complete copy of each such Letter of Credit or amendment to or renewal of a Letter of Credit.

3.03 Risk Participations, Drawings and Reimbursements.

(a) Immediately upon the Issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Issuing Bank a participation in such Letter of Credit and each drawing thereunder in an amount equal to the product of (i) the Pro Rata Share of such Lender, times (ii) the maximum amount available to be drawn under such Letter of Credit and the amount of such drawing, respectively. For purposes of Section 2.10(b), each Issuance of a Letter of Credit shall be deemed to utilize the Commitment of each Lender by an amount equal to the amount of such participation.

(b) In the event of any request for a drawing under a Letter of Credit by the beneficiary or transferee thereof, the Issuing Bank will promptly notify the Company and the Agent. The Company shall reimburse the Issuing Bank (by a L/C Borrowing or otherwise) prior to 12:00 Noon (Chicago time), on each date that any amount is paid by the Issuing Bank under any Letter of Credit (each such date, an "Honor Date"), in an amount equal to the amount so paid by the Issuing Bank. In the event the Company fails to reimburse the Issuing Bank for the full amount of any drawing under any Letter of Credit by 12:00 Noon (Chicago time) on the Honor

Date, the Issuing Bank will promptly notify the Agent and the Agent will promptly notify each Lender thereof, and the Company shall be deemed to have requested that Base Rate Loans in an aggregate amount equal to the unreimbursed drawing be made by the Lenders to be disbursed on the Honor Date under such Letter of Credit, subject to the conditions set forth in Section 5.02. Any notice given by the Issuing Bank or the Agent pursuant to this clause (b) may be given by telephone if immediately confirmed in writing (including by facsimile); provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(c) Each Lender (including the Lender acting as Issuing Bank) shall upon any notice pursuant to Section 3.03(b) make available to the Agent for the account of the relevant Issuing Bank an amount in Dollars and in immediately available funds equal to its Pro Rata Share of the amount of the drawing, whereupon the participating Lenders that so make funds available shall (subject to Section 3.03(d)) each be deemed to have made a Revolving Loan consisting of a Base Rate Loan to the Company in that amount. With respect to any unreimbursed drawing that is not fully refinanced by a Revolving Loan consisting of Base Rate Loans because the conditions set forth in Section 5.02 cannot be satisfied or for any other reason, the Company shall be deemed to have incurred from the Issuing Bank a L/C Borrowing in the amount of the unreimbursed drawing that is not so refinanced, which L/C Borrowing shall be due and payable on demand by the Agent or the Issuing Bank (together with interest) and shall bear interest at the Default Rate. In such event, each Lender's payment to the Agent for the account of the Issuing Bank pursuant to this Section 3.03(c) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute a L/C Advance from such Lender in satisfaction of its participation obligation under this Section 3.03. Until each Lender funds its Revolving Loan or L/C Advance pursuant to this Section 3.03(c) to reimburse the Issuing Bank for any amount drawn under any Letter of Credit, interest in respect of such Lender's Pro Rata Share of such amount shall be solely for the account of the Issuing Bank. The Agent shall remit the funds so received to the Issuing Bank. If any Lender so notified fails to make available to the Agent for the account of the Issuing Bank the amount of such Lender's Pro Rata Share of the amount of the drawing by no later than 2:00 p.m. (Chicago time) on the Honor Date, then interest shall accrue on such Lender's obligation to make such payment, from the Honor Date to the date on which such Lender makes such payment, at a rate per annum equal to the Federal Funds Rate in effect from time to time during such period. A certificate of the Issuing Bank submitted to any Lender (through the Agent) with respects to any amounts owing under this Section shall be conclusive absent manifest error. The Agent will promptly give notice of the occurrence of the Honor Date, but failure of the Agent to give any such notice on the Honor Date or in sufficient time to enable any Lender to effect such payment on such date shall not relieve such Lender from its obligations under this Section 3.03.

(d) Each Lender's obligation in accordance with this Agreement to make the Revolving Loans or to fund its L/C Advances, as contemplated by this Section 3.03, as a result of a drawing under a Letter of Credit, shall be absolute and unconditional and without recourse to the Issuing Bank and shall not be affected by any circumstance, including (i) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Issuing Bank, the Company or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default, an Event of Default or a Material Adverse Effect; or (iii) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing;

provided, however, that each Lender's obligation to make Revolving Loans under this Section 3.03 (but not its obligation to fund L/C Advances) is subject to the conditions set forth in Section 5.02 (other than delivery by the Company of a Borrowing Notice). No such making of a L/C Advance shall relieve or otherwise impair the obligation of the Company to reimburse the Issuing Bank for the amount of any payment made by the Issuing Bank under any Letter of Credit, together with interest as provided herein.

3.04 Repayment of Participations.

(a) Upon (and only upon) receipt by the Agent for the account of the Issuing Bank of immediately available funds from the Company (i) in reimbursement of any payment made by the Issuing Bank under the Letter of Credit with respect to which any Lender has paid the Agent for the account of the Issuing Bank for such Lender's participation in the Letter of Credit pursuant to Section 3.03 or (ii) in payment of interest thereon, the Agent will pay to each Lender, in the same funds as those received by the Agent for the account of the Issuing Bank, the amount of such Lender's Pro Rata Share of such funds, and the Issuing Bank shall receive the amount of the Pro Rata Share of such funds of any Lender that did not so pay the Agent for the account of the Issuing Bank.

(b) If the Agent or the Issuing Bank is required at any time to return to the Company, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by the Company to the Agent for the account of the Issuing Bank pursuant to Section 3.04(a) in reimbursement of a payment made under the Letter of Credit or interest or fee thereon, each Lender shall, on demand of the Agent, forthwith return to the Agent or the Issuing Bank the amount of its Pro Rata Share of any amounts so returned by the Agent or the Issuing Bank plus interest thereon from the date such demand is made to the date such amounts are returned by such Lender to the Agent or the Issuing Bank, at a rate per annum equal to the Federal Funds Rate in effect from time to time.

3.05 Role of the Issuing Bank.

(a) Each Lender and the Company agree that, in paying any drawing under a Letter of Credit, the Issuing Bank shall not have any responsibility to obtain any document (other than any sight draft and certificates expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document which on its face appears valid or the authority of the Person executing or delivering any such document.

(b) No Agent-Related Person nor any of the respective correspondents, participants or assignees of the Issuing Bank shall be liable to any Lender for: (i) any action taken or omitted in connection herewith at the request or with the approval of the Majority Lenders (or all of the Lenders, as applicable under Section 11.01); (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any L/C-Related Document.

(c) The Company hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Company's pursuing such rights

and remedies as it may have against the beneficiary or transferee at law or under any other agreement. No Agent-Related Person, nor any of the respective correspondents, participants or assignees of the Issuing Bank, shall be liable or responsible for any of the matters described in clauses (i) through (vii) of Section 3.06; provided, however, anything in such clauses to the contrary notwithstanding, that the Company may have a claim against the Issuing Bank, and the Issuing Bank may be liable to the Company, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Company which the Company proves were caused by the Issuing Bank's willful misconduct or gross negligence or the Issuing Bank's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing: (i) the Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, unless it received a notice or information to the contrary; and (ii) the Issuing Bank shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which appear to be in order when presented.

3.06 Obligations Absolute. The obligations of the Company under this Agreement and any L/C-Related Document to reimburse the Issuing Bank for a drawing under a Letter of Credit, and to repay any L/C Borrowing and any drawing under a Letter of Credit converted into Revolving Loans, shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement and each such other L/C-Related Document under all circumstances, including the following:

(i) any lack of validity or enforceability of this Agreement or any L/C-Related Document;

(ii) any permitted change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of the Company in respect of any Letter of Credit or any other amendment or waiver of or any consent to departure from all or any of the L/C-Related Documents;

(iii) the existence of any claim, set-off, defense or other right that the Company or any Subsidiary of the Company may have at any time against any beneficiary or any transferee of any Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the Issuing Bank or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by the L/C-Related Documents or any unrelated transaction;

(iv) any draft, demand, certificate or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit;

(v) any payment by the Issuing Bank under any Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of any

Letter of Credit; or any permitted payment made by the Issuing Bank under any Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of any Letter of Credit, including any arising in connection with any Insolvency Proceeding;

(vi) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guarantee, for all or any of the obligations of the Company in respect of any Letter of Credit; or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Company or a Subsidiary of the Company.

3.07 Cash Collateral Pledge. Upon (i) the request of the Agent or the Majority Lenders, (A) if the Issuing Bank has honored any full or partial drawing request on any Letter of Credit and such drawing has resulted in a L/C Borrowing hereunder, or (B) if, as of the Revolving Termination Date, any Letters of Credit may for any reason remain outstanding and partially or wholly undrawn, or (ii) the occurrence of the circumstances described in Section 2.07(b) requiring the Company to Cash Collateralize Letters of Credit, then, the Company shall immediately Cash Collateralize the L/C Obligations in an amount equal to such L/C Obligations.

3.08 Letter of Credit Fees.

(a) The Company shall pay to the Agent for the account of each of the Lenders a letter of credit fee with respect to the Letters of Credit equal to the Applicable Margin per annum of the average daily maximum amount available to be drawn of the outstanding Letters of Credit, computed on a quarterly basis in arrears on the last Business Day of each March, June, September and December based upon Letters of Credit outstanding for that quarter as calculated by the Agent. Such letter of credit fees shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter during which Letters of Credit are outstanding, commencing on the first such quarterly date to occur after the Closing Date, through the Revolving Termination Date (or such later date upon which the outstanding Letters of Credit shall expire), with the final payment to be made on the Revolving Termination Date (or such later expiration date).

(b) The Company shall pay to the Issuing Bank a letter of credit fronting fee for each Letter of Credit Issued by the Issuing Bank equal to 0.125% per annum of the face amount (or increased face amount, as the case may be) of such Letter of Credit. Such Letter of Credit fronting fee shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter during which such Letter of Credit is outstanding, commencing on the first such quarterly date to occur after such Letter of Credit is issued, through the Revolving Termination Date (or such later date upon which such Letter of Credit shall expire), with the final payment to be made on the Revolving Termination Date (or such later expiration date).

(c) The Company shall pay to the Issuing Bank from time to time on demand the normal issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the Issuing Bank relating to letters of credit as from time to time in effect.

3.09 Uniform Customs and Practice. Unless otherwise expressly agreed by the Issuing Bank and the Company when a Letter of Credit is issued (including any such agreement applicable to an Existing Letter of Credit), (i) the rules of the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce at the time of issuance shall apply to each commercial Letter of Credit.

3.10 Letters of Credit Issued for Subsidiaries. Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for the account of, a Subsidiary, the Company shall be obligated to reimburse the Issuing Bank hereunder for any and all drawings under such Letter of Credit. The Company hereby acknowledges that the issuance of Letters of Credit for the account of Subsidiaries inures to the benefit of the Company, and that the Company's business derives substantial benefits from the businesses of such Subsidiaries.

3.11 Outstanding Letters of Credit. The Existing Letters of Credit set forth on Schedule 1.01 were issued prior to the Closing Date pursuant to the Original Credit Agreement and will remain outstanding as of the Closing Date. The Company, the Issuing Bank and each of the Lenders hereby agree with respect to the Existing Letters of Credit that each such Existing Letter of Credit, for all purposes under this Agreement, shall be deemed to be Letters of Credit governed by the terms and conditions of this Agreement. Each Lender further agrees to participate in each such Existing Letter of Credit in an amount equal to its Pro Rata Share of the stated amount of such Existing Letter of Credit.

ARTICLE IV

TAXES, YIELD PROTECTION AND ILLEGALITY

4.01 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Company hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes, provided that if the Company shall be required by applicable law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Agent, Lender or Issuing Bank, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Company shall make such deductions and (iii) the Company shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Payment of Other Taxes by the Company. Without limiting the provisions of subsection (a) above, the Company shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by the Company. The Company shall indemnify the Agent, each Lender and the Issuing Bank, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Agent, such Lender or the Issuing Bank, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Company by a Lender or the Issuing Bank (with a copy to the Agent), or by the Agent on its own behalf or on behalf of a Lender or the Issuing Bank, shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Company to a Governmental Authority, the Company shall deliver to the Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Agent.

(e) Status of Lenders. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Company is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Company (with a copy to the Agent), at the time or times prescribed by applicable law or reasonably requested by the Company or the Agent, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by the Company or the Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Company or the Agent as will enable the Company or the Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

Without limiting the generality of the foregoing, in the event that the Company is resident for tax purposes in the United States, any Foreign Lender shall deliver to the Company and the Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Company or the Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(i) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party,

(ii) duly completed copies of Internal Revenue Service Form W-8ECI,

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not (A) a "bank" within the meaning of section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of the Company within the meaning of section 881(c)(3)(B) of the Code, or (C) a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code and (y) duly completed copies of Internal Revenue Service Form W-8BEN, or

(iv) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Company to determine the withholding or deduction required to be made.

(f) Treatment of Certain Refunds. If the Agent, any Lender or the Issuing Bank determines, in its sole discretion, that it has received a refund of any Indemnified Taxes or Other Taxes as to which it has been indemnified by the Company or with respect to which the Company has paid additional amounts pursuant to this Section, it shall pay to the Company an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Company under this Section with respect to the Indemnified Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Agent, such Lender or the Issuing Bank, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Company, upon the request of the Agent, such Lender or the Issuing Bank, agrees to repay the amount paid over to the Company (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Agent, such Lender or the Issuing Bank in the event the Agent, such Lender or the Issuing Bank is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Agent, any Lender or the Issuing Bank to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Company or any other Person.

4.02 Illegality.

(a) If any Lender determines that the introduction of any Requirement of Law, or any change in any Requirement of Law, or in the interpretation or administration of any Requirement of Law, has made it unlawful, or that any central bank or other Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make Eurodollar Rate Loans, then, on notice thereof by the Lender to the Company through the Agent, any obligation of that Lender to make Eurodollar Rate Loans shall be suspended until the Lender notifies the Agent and the Company that the circumstances giving rise to such determination no longer exist.

(b) If a Lender determines that it is unlawful to maintain any Eurodollar Rate Loan, the Company shall, upon its receipt of notice of such fact and demand from such Lender (with a copy to the Agent), prepay in full such Eurodollar Rate Loans of that Lender then outstanding, together with interest accrued thereon and amounts required under Section 4.04, either on the last day of the Interest Period thereof, if the Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if the Lender may not lawfully continue to

maintain such Eurodollar Rate Loan. If the Company is required to so prepay any Eurodollar Rate Loan, then concurrently with such prepayment, the Company may borrow from the affected Lender, in the amount of such repayment, a Base Rate Loan.

(c) If the obligation of any Lender to make or maintain Eurodollar Rate Loans has been so terminated or suspended, the Company may elect, by giving notice to the Lender through the Agent that all Loans which would otherwise be made by the Lender as Eurodollar Rate Loans shall be instead Base Rate Loans.

(d) Before giving any notice to the Agent under this Section, the affected Lender shall designate a different Lending Office with respect to its Eurodollar Rate Loans if such designation will avoid the need for giving such notice or making such demand and will not, in the judgment of the Lender, be illegal or otherwise disadvantageous to the Lender.

4.03 Increased Costs and Reduction of Return.

(a) If any Lender determines that, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation after the date of this Agreement or (ii) the compliance by that Lender with any guideline or request after the date of this Agreement from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining any Eurodollar Rate Loans (except for any such reserve requirement reflected in the Eurodollar Reserve Percentage), or participating in Letters of Credit, or, in the case of the Issuing Bank, any increase in the cost to the Issuing Bank of agreeing to issue, issuing or maintaining any Letter of Credit or of agreeing to make or making, funding or maintaining any unpaid drawing under any Letter of Credit, then the Company shall be liable for, and shall from time to time, upon demand (with a copy of such demand to be sent to the Agent), pay to the Agent for the account of such Lender, additional amounts as are sufficient to compensate such Lender for such increased costs.

(b) If any Lender shall have determined that (i) the introduction of any Capital Adequacy Regulation after the date of this Agreement, (ii) any change in any Capital Adequacy Regulation after the date of this Agreement, (iii) any change after the date of this Agreement in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by the Lender (or its Lending Office) or any corporation controlling the Lender with any Capital Adequacy Regulation, affects or would affect the amount of capital required or expected to be maintained by the Lender or any corporation controlling the Lender and (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy and such Lender's desired return on capital) determines that the amount of such capital is increased as a consequence of its Commitment, loans, credits or obligations under this Agreement, then, upon demand of such Lender to the Company through the Agent, the Company shall pay to the Lender, from time to time as specified by the Lender, additional amounts sufficient to compensate the Lender for such increase.

4.04 Funding Losses. The Company shall reimburse each Lender and hold each Lender harmless from any loss or expense which the Lender may sustain or incur as a consequence of:

(i) the failure of the Company to make on a timely basis any payment of principal of any Eurodollar Rate Loan;

(ii) the failure of the Company to borrow a Loan, continue a Eurodollar Rate Loan or convert a Loan into a Eurodollar Rate Loan after the Company has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/ Continuation;

(iii) the failure of the Company to make any prepayment in accordance with any notice delivered under Section 2.06;

(iv) the prepayment (including pursuant to Section 2.07) or other payment (including after acceleration thereof) of an Eurodollar Rate Loan on a day that is not the last day of the relevant Interest Period;

(v) the automatic conversion under Section 2.04 of any Eurodollar Rate Loan to a Base Rate Loan on a day that is not the last day of the relevant Interest Period;

(vi) any Buying Lender is deemed to have purchased a Eurodollar Rate Loan bearing interest at a rate which is less than the prevailing rate of interest on Eurodollar Rate Loans at the time of purchase in accordance with Section 2.01(c); or

(vii) any Selling Lender pursuant to Section 2.01(c) is deemed to have sold a Eurodollar Rate Loan bearing interest at a rate which is higher than the prevailing rate of interest on Eurodollar Rate Loans at the time of sale in accordance with Section 2.01(c);

including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Eurodollar Rate Loans or from fees payable to terminate the deposits from which such funds were obtained. For purposes of calculating amounts payable by the Company to the Lenders under this Section and under Section 4.03(a), each Eurodollar Rate Loan made by a Lender (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the Eurodollar Rate for such Eurodollar Rate Loan by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan is in fact so funded.

4.05 Inability to Determine Rates. If the Agent determines that for any reason adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan, or that the Eurodollar Rate applicable pursuant to Section 2.09(a) for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to the Lenders of funding such Loan, the Agent will promptly so notify the Company and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans hereunder shall be suspended until the Agent revokes such notice in writing. Upon receipt of such notice, the Company may revoke any Notice of Borrowing or Notice of Conversion/Continuation then

submitted by it. If the Company does not revoke such Notice, the Lenders shall make, convert or continue the Loans, as proposed by the Company, in the amount specified in the applicable notice submitted by the Company, but such Loans shall be made, converted or continued as Base Rate Loans instead of Eurodollar Rate Loans.

4.06 Certificates of Lenders. Any Lender claiming reimbursement or compensation under this Article IV shall deliver to the Company (with a copy to the Agent) a certificate setting forth in reasonable detail the amount payable to the Lender hereunder and such certificate shall be conclusive and binding on the Company in the absence of manifest error. Notwithstanding anything to the contrary contained in this Agreement, no amounts shall be payable by the Company pursuant to Sections 4.03 or 4.04 with respect to any period commencing more than one hundred eighty (180) days before the delivery of the certificate contemplated by this Section 4.06 unless such amounts are claimed as a result of the retroactive effect of any newly enacted or adopted law, rule or regulation and such certificate is delivered within 180 days after such enactment or adoption.

4.07 Survival. The agreements and obligations of the Company in this Article IV shall survive the payment of all other Obligations.

4.08 Replacement of Lenders. Upon any Lender's making a claim for compensation under Section 4.01 or 4.03, the Company may replace such Lender in accordance with this Section. The Company may, upon notice to such Lender and the Agent, replace such Lender by causing such Lender to assign its Revolving Loan Commitment (with the assignment fee to be paid by the Company in such instance) pursuant to Section 11.08(a) to one or more other Lenders or Eligible Assignees procured by the Company; provided, however, that if the Company elects to exercise such right with respect to any Lender, it shall be obligated to replace all Lenders that have made similar requests for compensation pursuant to Section 4.01 or 4.03. The Lender shall have received payment in full all principal, interest, fees and other amounts owing to such Lender through the date of replacement (including any amounts payable pursuant to Sections 4.01, 4.03 and 4.04), and the Company shall release such Lender from its obligations under the Loan Documents. Any Lender being replaced shall execute and deliver an Assignment and Assumption with respect to such Lender's Revolving Loan Commitment and outstanding Loans and participations in L/C Obligations and Swing Line Loans.

ARTICLE V

CONDITIONS PRECEDENT

5.01 Conditions of Effectiveness and Initial Credit Extensions. The effectiveness of the restatement and amendment of the Original Credit Agreement pursuant to this Agreement and the obligation of each Lender to make its initial Credit Extension hereunder is subject to the condition that the Agent shall have received on or before the Closing Date all of the following, in form and substance satisfactory to the Agent and each Lender (the satisfaction of each Lender being conclusively evidenced by such Lender's execution and delivery of its counterpart of this Agreement), and in sufficient copies for each Lender:

(a) Credit Agreement and Notes. This Agreement and the Notes (if any) executed by each party thereto;

(b) Resolutions; Incumbency.

(i) Copies of the resolutions of the board of directors of the Company and each Subsidiary that may become party to a Loan Document authorizing the transactions contemplated hereby, certified as of the Closing Date by the Secretary or an Assistant Secretary of such Person; and

(ii) A certificate of the Secretary or Assistant Secretary of the Company, and each Subsidiary that may become party to a Loan Document certifying the names and true signatures of the officers of the Company or such Subsidiary authorized to execute, deliver and perform, as applicable, this Agreement, and all other Loan Documents to be delivered by it hereunder;

(c) Organization Documents; Good Standing. Each of the following documents:

(i) the Organization Documents of the Company and each Guarantor as in effect on the Closing Date, certified by the Secretary or Assistant Secretary or Manager of such Person as of the Closing Date; and

(ii) a good standing certificate for the Company and each Guarantor from the Secretary of State (or similar, applicable Governmental Authority) of its state of organization as of a recent date;

(d) Legal Opinions. An opinion addressed to the Agent, the Collateral Agent and the Lenders of Akin Gump Strauss Hauer & Feld LLP, counsel to the Company, substantially in the form of Exhibit D-1. An opinion addressed to the Agent, the Collateral Agent and the Lenders of Michael W. Gleespen, general counsel to the Company and its Subsidiaries substantially in the form of Exhibit D-2.

(e) Payment of Fees. Evidence of payment by the Company of all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, together with Attorney Costs of Bank of America to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute Bank of America's reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude final settling of accounts between the Company and Bank of America); including any such costs, fees and expenses arising under or referenced in Sections 2.10 and 10.07;

(f) Certificate. A certificate signed by a Responsible Officer of the Company, dated as of the Closing Date:

(i) stating that the representations and warranties contained in Article VI are true and correct on and as of such date, as though made on and as of such date;

(ii) stating that no Default or Event of Default exists or would result from the Credit Extension; and

(iii) stating that there has occurred since December 31, 2003, no event or circumstance that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(g) Collateral Documents. The Collateral Documents, executed by the Company and each Subsidiary party to such Collateral Document, in appropriate form for recording, where necessary, together with:

(i) all certificates and instruments representing the Collateral, including, without limitation, stock transfer powers executed in blank as the Collateral Agent or the Lenders may specify;

(ii) evidence that all other actions necessary or, in the opinion of the Collateral Agent or the Lenders, desirable to perfect and protect the first priority security interest subject to Permitted Liens created by the Collateral Documents have been taken; and

(iii) to the extent required by the Agent, delivery of title insurance, surveys and certificates and instruments with respect to the Mortgage Documents and each in form and substance satisfactory to the Agent.

(h) Solvency Certificate. A written solvency certificate from the chief financial officer of the Company in form and content satisfactory to the Lenders, dated the initial Borrowing Date, with respect to the value, Solvency and other factual information of, or relating to, as the case may be, Company, after giving effect to the initial Credit Extension.

(i) Other Documents. Such other approvals, opinions, documents or materials as the Agent or any Lender may reasonably request.

(j) Financial Statements. The financial statements and other information referenced in Section 6.11.

Without limiting the generality of the provisions of Section 10.04, for purposes of determining compliance with the conditions specified in this Section 5.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

5.02 Conditions to All Credit Extensions. The obligation of each Lender to make any Loan (but not its obligations to fund its participation interests pursuant to Section 2.03(b)(ii) or Section 3.03(c)) to be made by it (including its initial Loan hereunder) or to continue as, or convert any Loan into, an Eurodollar Rate Loan under Section 2.04 and the obligation of the Issuing Bank to Issue any Letter of Credit (including the initial Letter of Credit) is subject to the

satisfaction of the following conditions precedent on the relevant Borrowing Date or Issuance Date:

(a) Notice, Application. The Agent shall have received (with a copy for each Lender) a Notice of Borrowing (or equivalent notice pursuant to Section 2.03(b) with respect to Swing Line Loans) or, in the case of any Issuance of any Letter of Credit, the Issuing Bank and the Agent shall have received a L/C Application or L/C Amendment Application, as required under Section 3.02;

(b) Continuation of Representations and Warranties. The representations and warranties in Article VI shall be true and correct in all material respects on and as of such Borrowing Date or Issuance Date with the same effect as if made on and as of such Borrowing Date or Issuance Date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date); and

(c) No Existing Default. No Default or Event of Default shall exist or shall result from such Borrowing or continuation or conversion or Issuance.

Each Notice of Borrowing, L/C Application or L/C Amendment Application submitted by the Company hereunder shall constitute a representation and warranty by the Company hereunder, as of the date of each such notice and as of each Borrowing Date or Issuance Date, as applicable, that the conditions in this Section 5.02 are satisfied.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Agent and each Lender that:

6.01 Corporate Existence and Power. The Company and each of its Subsidiaries:

(a) is a corporation (or a limited liability company) duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization;

(b) has the power and authority and all material governmental licenses, authorizations, consents and material approvals to own its assets, carry on its business and to execute, deliver, and perform its obligations under the Loan Documents;

(c) is duly qualified as a foreign corporation and is licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification or license, except in each case to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(d) is in compliance with all Requirements of Law, except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.02 Corporate Authorization; No Contravention. The execution, delivery and performance by the Company and the Guarantors of this Agreement and each other Loan Document to which such Person is party, have been duly authorized by all necessary corporate action, and do not and will not:

(a) contravene the terms of any of such Person's Organization Documents;

(b) conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any material Contractual Obligation to which such Person is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or its property is subject; or

(c) violate any material Requirement of Law.

6.03 Governmental Authorization. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Company or any of its Subsidiaries of the Agreement or any other Loan Document, except (i) such as have been obtained or made and are in full force, (ii) those third party approvals or consents which, if not made or obtained, would not cause a Default or an Event of Default hereunder or could not reasonably be expected to have an Material Adverse Effect and (iii) solely with respect to the performance by the Company or any of the Guarantors of this Agreement or any other Loan Document, (1) the recording and filing of the Collateral Documents as required by this Agreement, (2) filings, consents or approvals required for the exercise by the Collateral Agent of its rights under the Collateral Documents, (3) filings under the Exchange Act and (4) routine filings to be made after the date hereof to maintain "good standing" in such jurisdictions and to maintain licenses and permits.

6.04 Binding Effect. This Agreement and each other Loan Document to which the Company or any of its Subsidiaries is a party constitute the legal, valid and binding obligations of the Company and any of its Subsidiaries to the extent it is a party thereto, enforceable against such Person in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability, regardless of whether considered in a proceeding in equity or at law.

6.05 Litigation. There are no actions, suits, investigations, proceedings, claims or disputes pending, or to the best knowledge of the Company, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against the Company, or its Subsidiaries or any of their respective properties (a) which purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby or thereby; (b) which are existing on the Closing Date, other than as disclosed on Schedule 6.05(b), provided, however, that none of the matters set forth on such Schedule 6.05(b), whether taken individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect or (c) which arise after the Closing Date, other than those which would not reasonably be expected to have a Material Adverse Effect. No injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority

purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Loan Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

6.06 No Default. No Default or Event of Default exists or would result from the incurring of any Obligations by the Company. As of the Closing Date, neither the Company nor any Subsidiary is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, could reasonably be expected to have a Material Adverse Effect, or that would, if such default had occurred after the Closing Date, create an Event of Default under Section 9.01(e).

6.07 ERISA Compliance.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law. Each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS and to the best knowledge of the Company, nothing has occurred which would cause the loss of such qualification. The Company and each ERISA Affiliate has made all required contributions to any Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of Company, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Company nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

6.08 Use of Proceeds; Margin Regulations. The proceeds of the Loans are to be used solely for the purposes set forth in and permitted by Section 7.12 and Section 8.07. Neither the Company nor any Subsidiary is generally engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

6.09 Title to Properties. The Company and each Subsidiary have good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of their respective businesses, except for such defects in title as

could not, individually or in the aggregate, have a Material Adverse Effect. The property of the Company and its Subsidiaries is subject to no Liens other than Permitted Liens.

6.10 Taxes. The Company and its Subsidiaries have filed all Federal and other material tax returns and reports required to be filed, and have paid all Federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. To the Company's knowledge as of the Closing Date, there is no proposed tax assessment against the Company or any Subsidiary.

6.11 Financial Condition. (a) The (x) audited consolidated financial statements of the Company and its Subsidiaries dated December 31, 2003 and (y) the unaudited consolidated financial statements (including, without limitation, balances sheets, income and cash flow statements) of the Company and its Subsidiaries dated March 31, 2004:

(i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein (subject to ordinary, good faith year end audit adjustments);

(ii) fairly present the financial condition of the Company and its Subsidiaries as of the date thereof and results of operations for the period covered thereby; and

(iii) except as specifically disclosed in Schedule 6.11, show all material indebtedness and other liabilities, direct or contingent, of the Company and its consolidated Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Contingent Obligations.

(b) Since December 31, 2003, there has been no Material Adverse Effect.

6.12 Environmental Matters.

(a) The on-going operations of the Company and each of its Subsidiaries comply in all material respects with all Environmental Laws, except such non-compliance which would not (if enforced in accordance with applicable law) result in liability in excess of \$500,000 in the aggregate.

(b) The Company and each of its Subsidiaries have obtained all material licenses, permits, authorizations and registrations required under any Environmental Law ("Environmental Permits") and necessary for their respective ordinary course operations, all such Environmental Permits are in good standing, and the Company and each of its Subsidiaries are in compliance with all material terms and conditions of such Environmental Permits.

(c) None of the Company, any of its Subsidiaries or any of their respective present Property or operations, is subject to any outstanding written order from or agreement with any Governmental Authority, nor subject to any judicial or docketed administrative proceeding, respecting any Environmental Law, Environmental Claim or Hazardous Material.

(d) There are no Hazardous Materials or other conditions or circumstances existing with respect to any Property, or arising from operations prior to the Closing Date, of the Company or any of its Subsidiaries that would reasonably be expected to give rise to Environmental Claims with a potential liability of the Company and its Subsidiaries in excess of \$500,000 in the aggregate for any such condition, circumstance or Property. In addition, (i) neither the Company nor any of its Subsidiaries has any underground storage tanks (x) that are not properly registered or permitted under applicable Environmental Laws, or (y) that are leaking or disposing of Hazardous Materials off-site, and (ii) the Company and its Subsidiaries have met all material notification requirements under Title III of CERCLA and all other Environmental Laws.

6.13 Collateral Documents.

(a) The provisions of the Pledge and Security Agreement are effective to create, in favor of the Collateral Agent for the benefit of the Lenders, a legal, valid and enforceable security interest in all of the collateral described therein; and the Collateral was delivered to the Collateral Agent or its nominee in accordance with the terms thereof. The Lien of the Pledge and Security Agreement constitutes a perfected, first priority security interest other than Permitted Liens in all right, title and interest of the Company or such Subsidiary, as the case may be, in the Collateral described therein, prior and superior to all other Liens and interests; provided, however, the Collateral consisting of capital stock is not subject to any other Lien other than Permitted Liens.

(b) The provisions of the Collateral Documents are effective to create in favor of the Collateral Agent for the benefit of the Lenders, a legal, valid and enforceable first priority security interest in all right, title and interest of the Company and its Subsidiaries in the collateral described therein, subject only to any Permitted Liens. With respect to the pledge of Collateral consisting of equity interests in the Company's Subsidiaries which are first tier Foreign Subsidiaries (as defined in the Pledge and Security Agreement), such pledge shall be limited to a pledge of 65% of the issued and outstanding shares or other units of equity interests provided, however, if the pledge of more sixty-five percent (65%) of such Foreign Subsidiary would not result in materially adverse tax consequences to the pledgor under Section 956 of the Internal Revenue Code, or if such materially adverse tax consequences are no longer effective, then such pledged equity interests shall constitute 100% or such other percentage of issued and outstanding shares or other units of equity interests of such Foreign Subsidiary and such Foreign Subsidiary shall execute and deliver the applicable Collateral Documents. If any Excluded Subsidiary shall cease to be an Excluded Subsidiary for any reason and to the extent any Excluded Subsidiary may do so without violating federal, state or local laws or regulations applicable to it, the Company shall promptly notify the Agent thereof and such Subsidiary shall promptly execute and deliver the Collateral Documents and all other instruments and documents necessary in the opinion of the Agent to become a Guarantor and the Company shall cause such Subsidiary's outstanding capital stock to be pledged to the Agent pursuant to the Collateral Documents. The chief executive office and the principal books and records of the Company and each Guarantor will be located at its address set forth on Exhibit A to the Reaffirmation Agreement, and when financing statements have been filed in the appropriate offices in the jurisdictions of organization for the Company and the Guarantors and when such other actions as are each described in each of the applicable Collateral Documents have been taken, the Collateral Documents shall

constitute a perfected security interest in all right, title and interest of such Person, as the case may be, in the Collateral described therein, and except for Permitted Liens existing on the Closing Date and those Liens whose priority cannot be superseded by the provisions hereof or of any Collateral Document and filings hereunder or thereunder, a perfected first lien on, and security interest in, all right, title and interest of such Person, as the case may be, in the Collateral, if any, described in each Collateral Document.

(c) All representations and warranties of the Company and any of its Subsidiaries party thereto contained in the Collateral Documents are true and correct.

6.14 Regulated Entities. None of the Company nor any Subsidiary that is not an Excluded Subsidiary, is an "Investment Company" within the meaning of the Investment Company Act of 1940. None of the Company nor any Subsidiary that is not an Excluded Subsidiary is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other Federal or state statute or regulation limiting its ability to incur Indebtedness.

6.15 No Burdensome Restrictions. Neither the Company nor any Subsidiary is a party to or bound by any Contractual Obligation, or subject to any restriction in any Organization Document, or any Requirement of Law, which could reasonably be expected to have a Material Adverse Effect.

6.16 Solvency. The Company and its Subsidiaries, taken as a whole, are Solvent.

6.17 Labor Relations. There are no strikes, lockouts or other labor disputes against the Company or any of its Subsidiaries, or, to the best of the Company's knowledge, threatened against or affecting the Company or any of its Subsidiaries, and no significant unfair labor practice complaint is pending against the Company or any of its Subsidiaries or, to the best knowledge of the Company, threatened against any of them before any Governmental Authority which in any such case could reasonably be expected to have a Material Adverse Effect.

6.18 Copyrights, Patents, Trademarks, etc. The Company or its Subsidiaries own or are licensed or otherwise have the right to use all of the material patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations and other material rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the best knowledge of the Company, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Company or any Subsidiary infringes upon any rights held by any other Person, and no claim or litigation regarding any of the foregoing is pending or threatened, which, in any case, could reasonably be expected to have a Material Adverse Effect.

6.19 Subsidiaries. As of the Closing Date, the Company has no Subsidiaries other than those specifically disclosed in Part (A) of Schedule 6.19 hereto and has no equity investments in any other corporation or entity other than those specifically disclosed in Part (B) of Schedule 6.19. Such Schedule additionally identifies all Excluded Subsidiaries existing as of the Closing Date and as otherwise permitted pursuant to Section 8.04(f). No Excluded Subsidiary owns any capital stock of any Subsidiary which is not also an Excluded Subsidiary.

6.20 Broker's; Transaction Fees. Neither the Company nor any of its Subsidiaries has any obligation to any Person in respect of any finder's, broker's or investment banker's fee in connection with this Agreement or any other Loan Document.

6.21 Insurance. The properties of the Company and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Company, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Company or such Subsidiary operates.

6.22 Swap Obligations. Neither the Company nor any of its Subsidiaries has incurred any outstanding obligations under any Swap Contracts, other than Permitted Swap Obligations. The Company has undertaken its own independent assessment of its consolidated assets, liabilities and commitments and has considered appropriate means of mitigating and managing risks associated with such matters and has not relied on any swap counterparty or any Affiliate of any swap counterparty in determining whether to enter into any Swap Contract.

6.23 Full Disclosure. None of the representations or warranties made by the Company or any Subsidiary in the Loan Documents as of the date such representations and warranties are made or deemed made, and none of the statements contained in any exhibit, report, written statement or certificate furnished by or on behalf of the Company or any Subsidiary in connection with the Loan Documents (including the offering and disclosure materials delivered by or on behalf of the Company to the Lenders prior to the Closing Date), contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered (other than omissions that pertain to matters of a general economic nature or matters of public knowledge that generally effect any of the industry segments of the Company or its Subsidiaries); provided that, with respect to projected financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time. Any forward looking statements contained therein are inherently subject to risk and uncertainties, many of which cannot be predicted with accuracy, and some of which might not be anticipated. Future events and actual results, financial and otherwise, could differ materially from those set forth therein or contemplated by the forward looking statements contained therein.

6.24 Intercompany Indebtedness. Neither the Company nor any Subsidiary has any intercompany Indebtedness which is evidenced by a promissory note, except promissory notes which have been pledged and delivered to the Collateral Agent pursuant to the Pledge and Security Agreement.

ARTICLE VII

AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, unless the Majority Lenders waive compliance in writing:

7.01 Financial Statements. The Company shall deliver to the Agent, in form and detail satisfactory to the Agent and the Majority Lenders, with sufficient copies for the Agent and each Lender:

(a) as soon as available, but not later than ninety (90) days after the end of each fiscal year, to the extent prepared to comply with SEC requirements, a copy of SEC Form 10-K's filed by the Company with the SEC for such fiscal year, or if no such Form 10-K was filed by the Company for such fiscal year, a copy of the audited consolidated balance sheet of the Company and its Subsidiaries as at the end of such year and the related consolidated statements of income or operations and shareholders' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and in any case accompanied by the opinion of KPMG LLP or another nationally-recognized independent public accounting firm ("Independent Auditor") which report shall state that such consolidated financial statements present fairly the financial position for the periods indicated in conformity with GAAP or the standard of the Public Company Accounting and Oversight Rule 3100, as applicable, applied on a basis consistent with prior years. Such opinion shall not be qualified or limited because of a restricted or limited examination by the Independent Auditor of any material portion of the Company's or any Subsidiary's records. Concurrently with the delivery of the foregoing financial statements, a copy of the unaudited combined consolidated statements of income or operations of the Excluded Subsidiaries for such year, setting forth in each case in comparative form the figures for the previous fiscal year, which unaudited combined consolidated statements of income or operations shall have been prepared in accordance with GAAP;

(b) as soon as available, but not later than forty-five (45) days after the end of each of the first three fiscal quarters of each fiscal year, to the extent prepared to comply with SEC requirements, a copy of the SEC Form 10-Qs filed by the Company with the SEC for such fiscal quarter, or if no such Form 10-Q was filed by the Company for such fiscal quarter, a copy of the unaudited consolidated balance sheet of the Company and its Subsidiaries as of the end of such quarter and the related consolidated statements of income and shareholders' equity and cash flows for the period commencing on the first day and ending on the last day of such quarter, and in any case certified by the chief executive officer and chief financial officer as fairly presenting, in accordance with GAAP (subject to ordinary, good faith year-end audit adjustments), the financial position and the results of operations of the Company and the Subsidiaries; and concurrently with the delivery of the foregoing unaudited financial statements, a copy of the unaudited combined consolidated statements of income of the Excluded Subsidiaries for the period commencing on the first day and ending on the last day of such quarter, and in any case certified by the chief executive officer and chief financial officer as fairly presenting, in accordance with GAAP (subject to ordinary, good faith year-end audit adjustments), the financial position and the results of operations of the Excluded Subsidiaries; and

(c) as soon as available, but not later than thirty (30) days after the end of each calendar month of each fiscal year, 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 concurrently with the delivery of the foregoing unaudited financial statements, a copy of the

unaudited combined 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 Excluded Subsidiaries.

7.02 Certificates; Other Information. The Company shall furnish to the Agent, with sufficient copies for each Lender:

(a) so long as it is not contrary to the then current recommendation of the American Institute of Certified Public Accountants, concurrently with the delivery of the financial statements referred to in Section 7.01(a), a certificate of the Independent Auditor stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate;

(b) concurrently with the delivery of the financial statements referred to in Sections 7.01(a) and (b) a Compliance Certificate executed by a Responsible Officer;

(c) promptly, copies of all financial statements and reports that the Company sends to its shareholders, and copies of all financial statements and regular, periodical or special reports (including Forms 10K, 10Q and 8K) that the Company or any Subsidiary may make to, or file with, the SEC;

(d) as soon as available, but in any event not later than February 15 of each calendar 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 for the next fiscal year and on each February 15 of each calendar year, a copy of projected quarterly EBITDA of the Company and its Subsidiaries, in each case for its then current fiscal year ("Budgeted EBITDA");

(e) concurrently with the delivery of the financial statements referred to in Sections 7.01(a) and (b) a Reconciliation Certificate executed by a Responsible Officer; and

(f) promptly, such additional information regarding the business, financial or corporate affairs of the Company or any Subsidiary as the Agent, at the request of any Lender, may from time to time request.

7.03 Notices. The Company shall promptly notify the Agent and each Lender:

(a) of the occurrence of any Default or Event of Default;

(b) of any matter that has resulted or may reasonably be expected in the opinion of a Responsible Officer to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Company or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the Company or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Company or any Subsidiary; including pursuant to any applicable Environmental Laws;

(c) of the occurrence of any of the following events affecting the Company or any ERISA Affiliate (but in no event more than ten (10) days after such event), and deliver to the Agent and each Lender a copy of any notice with respect to such event that is filed with a Governmental Authority and any notice delivered by a Governmental Authority to the Company or any ERISA Affiliate with respect to such event:

(i) an ERISA Event;

(ii) a material increase in the Unfunded Pension Liability of any Pension Plan;

(iii) the adoption of, or the commencement of contributions to, any Plan subject to Section 412 of the Code by the Company or any ERISA Affiliate; or

(iv) the adoption of any amendment to a Plan subject to Section 412 of the Code, if such amendment results in a material increase in contributions or Unfunded Pension Liability.

(d) of any material change in accounting policies or financial reporting practices by the Company or any of its consolidated Subsidiaries;

(e) upon the request from time to time of the Agent, the Swap Termination Values, together with a description of the method by which such values were determined, relating to any then-outstanding Swap Contracts to which the Company or any of its Subsidiaries is party; and

(f) the issuance of any order, the taking of any action or any request for an extraordinary audit for cause by any Governmental Authority.

Each notice under this Section shall be accompanied by a written statement by a Responsible Officer setting forth details of the occurrence referred to therein, and stating what action the Company or any affected Subsidiary proposes to take with respect thereto and at what time. Each notice under Section 7.03(a) shall describe with particularity any and all clauses or provisions of this Agreement or other Loan Document that have been (or foreseeably will be) breached or violated.

7.04 Preservation of Corporate Existence, Etc. The Company shall, and shall cause each Subsidiary to:

(a) preserve and maintain in full force and effect its corporate existence and good standing under the laws of its state or jurisdiction of incorporation (except as permitted by Section 8.03);

(b) preserve and maintain in full force and effect all material governmental rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except in connection with transactions permitted by Section 8.03 and sales of assets permitted by Section 8.02;

(c) use reasonable efforts, in the ordinary course of business, to preserve its business organization and goodwill; and

(d) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

7.05 Maintenance of Property. The Company shall maintain, and shall cause each Subsidiary to maintain, and preserve its property, taken as a whole, which is used or useful in its business in good working order and condition, ordinary wear and tear excepted and make all necessary repairs thereto and renewals and replacements thereof.

7.06 Insurance. The Company shall (i) maintain, and shall cause each Subsidiary to maintain, with financially sound and reputable independent insurers, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons and (ii) maintain such other insurance with respect to the Collateral for the benefit of the Collateral Agent as required pursuant to the Pledge and Security Agreement.

7.07 Payment of Obligations. The Company shall, and shall cause each Subsidiary to, pay and discharge as the same shall become due and payable, all their respective obligations and liabilities, including:

(a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Company or such Subsidiary;

(b) all lawful claims which, if unpaid, would by law become a Lien (other than a Permitted Lien) upon its property; and

(c) all indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness, unless the payment of such indebtedness is being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Company or such Subsidiary.

7.08 Compliance with Laws. The Company shall comply, and shall cause each Subsidiary to comply, in all material respects with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act), except such as may be contested in good faith or as to which a bona fide dispute may exist.

7.09 Compliance with ERISA. The Company shall, and shall cause each of its ERISA Affiliates to: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification unless such Plan is terminated; and (c) make all required contributions to any Plan subject to Section 412 of the Code.

7.10 Inspection of Property and Books and Records. The Company shall maintain and shall cause each Subsidiary to maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Company and such Subsidiary. The Company shall permit, and shall cause each Subsidiary to permit, representatives and independent contractors of the Agent or any Lender to visit and inspect any of their respective properties, to examine their respective corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss their respective affairs, finances and accounts with their respective directors, officers, and independent public accountants, all at the expense of the Company and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Company; provided, however, when an Event of Default exists the Agent or any Lender may do any of the foregoing at the expense of the Company at any time without advance notice.

7.11 Environmental Laws. The Company shall, and shall cause each Subsidiary to, conduct its operations and keep and maintain its property in material compliance with all Environmental Laws.

7.12 Use of Proceeds. The Company shall use the proceeds of the Loans for working capital and other general corporate purposes, including Permitted Acquisitions, Capital Expenditures and repurchases and redemptions of Capital Stock of the Company and the payment of fees and expenses relating thereto, in each case not in contravention of any Requirement of Law or of any Loan Document.

7.13 Solvency. The Company and its Subsidiaries, taken as a whole, shall at all times be Solvent.

7.14 Further Assurances.

(a) The Company shall ensure that all written information, exhibits and reports furnished to the Agent or the Lenders pursuant to the Loan Documents do not and will not contain any untrue statement of a material fact and do not and will not omit to state any material fact or any fact necessary to make the statements contained therein not materially misleading in light of the circumstances in which made; provided that with respect to projected financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time. Any forward looking statements contained therein are inherently subject to risk and uncertainties, many of which cannot be predicted with accuracy, and some of which might not be anticipated. Future events and actual results, financial and otherwise, could differ materially from those set forth therein or contemplated by the forward looking statements contained therein. The Company will promptly disclose to the Agent and the Lenders and correct any defect or error that may be discovered therein or in any Loan Document or in the execution, acknowledgment or recordation thereof.

(b) Promptly upon request the Agent or the Majority Lenders, the Company shall (and shall cause any of its Subsidiaries to) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register, any and all such further acts, deeds, conveyances, security agreements, mortgages, assignments, estoppel certificates, financing statements and

continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments the Agent or such Lenders, as the case may be, may reasonably require from time to time in order (i) to carry out more effectively the purposes of this Agreement or any other Loan Document, (ii) to subject any of the properties, rights or interests covered by any of the Collateral Documents to the Liens created by any of the Collateral Documents, (iii) to perfect and maintain the validity, effectiveness and priority of any of the Collateral Documents and the Liens intended to be created thereby, and (iv) to better assure, convey, grant, assign, transfer, preserve, protect and confirm to the Collateral Agent and Lenders the rights granted or now or hereafter intended to be granted to the Collateral Agent and the Lenders under any Loan Document or under any other document executed in connection therewith.

7.15 New Subsidiaries. If the Company or any domestic Subsidiary (other than an Excluded Subsidiary) proposes to create, acquire or capitalize any domestic Subsidiary (other than an Excluded Subsidiary) in accordance with the terms and provisions hereof (whether pursuant to a Permitted Acquisition or otherwise), it shall first (or substantially concurrently with such creation, acquisition or capitalization) (a) (1) execute and deliver, and cause such Subsidiary (other than Excluded Subsidiaries) to execute and deliver, to Agent a Pledge and Security Agreement, a Guaranty and all other appropriate Collateral Documents reasonably requested by the Agent or (2) execute and deliver a joinder agreement acceptable in form and substance to the Agent with respect to each of the applicable Collateral Documents as the Agent shall require in its sole discretion and (b) execute and deliver, and cause such Subsidiary (other than Excluded Subsidiaries) to execute and deliver, to the Agent appropriate corporate resolutions, opinions and other documentation reasonably requested by the Agent in form and substance reasonably satisfactory to the Agent, in each case, to provide the Agent with a first priority perfected security interest on the Collateral granted thereby and Lien thereon, provided, however, to the extent, such Collateral consists of equity interests in a first tier Foreign Subsidiary (as defined in the Pledge and Security Agreement) the pledge of such equity interests shall be limited to a pledge of 65% of the issued and outstanding shares or other units of such equity interests (provided further, however, if the pledge of more sixty-five percent (65%) of such Foreign Subsidiary would not result in materially adverse tax consequences to the pledgor under Section 956 of the Internal Revenue Code, and only to the extent such materially adverse tax consequences remain effective, then such pledged equity interest shall constitute 100% or such other percentage of issued and outstanding shares or other units of equity interests of such Foreign Subsidiary). If the foregoing materially adverse tax consequences should no longer be effective, such Foreign Subsidiary shall execute the Collateral Documents. If the Company or any Subsidiary, should acquire, create or capitalize any new Subsidiary, the Company shall promptly notify the Agent thereof and provided an updated Schedule 6.19 listing such new Subsidiary. If any Excluded Subsidiary shall cease to be an Excluded Subsidiary for any reason and to the extent any Excluded Subsidiary may do so without violating federal, state or local laws or regulations applicable to it, the Company shall promptly notify the Agent thereof and such Subsidiary shall promptly execute and deliver the Collateral Documents and all other instruments and documents necessary in the opinion of the Agent to become a Guarantor and the Company shall cause such Subsidiary's outstanding capital stock to be pledged to the Agent pursuant to the Collateral Documents.

ARTICLE VIII

NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, unless the Majority Lenders waive compliance in writing:

8.01 Limitation on Liens. The Company shall not, and shall not suffer or permit any Subsidiary to, directly or indirectly, make, create, incur, assume or suffer to exist any Lien upon or with respect to any part of its property, whether now owned or hereafter acquired, other than the following ("Permitted Liens"):

(a) any Lien existing on property of the Company or any Subsidiary on the Closing Date; provided that the aggregate outstanding principal amount of Indebtedness secured by all such Liens (together with Indebtedness secured by Liens permitted by Sections 8.01(i), (j) and (l) and Indebtedness and Contingent Obligations permitted by Section 8.05(d), and Section 8.08(g)) shall not at any time exceed an amount equal to 5% of the total assets of the Company and its Subsidiaries on a consolidated basis;

(b) any Lien created under any Loan Document;

(c) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, or to the extent that non-payment thereof is permitted by Section 7.07, provided that no notice of lien has been filed or recorded under the Code;

(d) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(e) Liens (other than any Lien imposed by ERISA) consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security, old age, pension or similar legislation;

(f) Liens on the property of the Company or its Subsidiaries securing (i) the non-delinquent performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, (ii) contingent obligations on surety and appeal bonds, and (iii) other non-delinquent obligations of a like nature; in each case, incurred in the ordinary course of business;

(g) Liens consisting of judgment or judicial attachment liens, provided that the enforcement of such Liens is effectively stayed and all such liens in the aggregate at any time outstanding for the Company and its Subsidiaries do not exceed \$1,000,000;

(h) easements, rights-of-way, zoning restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not

substantial in amount, and which do not interfere with the ordinary conduct of the businesses of the Company and its Subsidiaries;

(i) purchase money security interests on any property acquired or held by the Company or its Subsidiaries in the ordinary course of business, securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring, constructing or improving such property; provided that (i) any such Lien attaches to such property concurrently with or within one hundred eighty (180) days after the acquisition thereof, (ii) such Lien attaches solely to the property so acquired, constructed or improved in such transaction and proceeds thereof and accessions thereto and (iii) the aggregate outstanding principal amount of Indebtedness secured by all such purchase money security interests (together with Indebtedness secured by Liens permitted by Sections 8.01(a), (j) and (l) and Indebtedness and Contingent Obligations permitted by Section 8.05(d) and Section 8.08(g)) shall not at any time exceed an amount equal to 5% of the total assets of the Company and its Subsidiaries on a consolidated basis;

(j) Liens securing Capital Lease Obligations on assets subject to such Capital Leases, provided that the attributable principal portion of such Capital Lease Obligations secured by all such Capital Leases (together with Indebtedness with respect to Liens permitted by Sections 8.01(a), (i), and (l) and Indebtedness and Contingent Obligations permitted by Section 8.05(d) and Section 8.08(g)) shall not at any time exceed an amount equal to 5% of the total assets of the Company and its Subsidiaries on a consolidated basis;

(k) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Company in excess of those set forth by regulations promulgated by the FRB, and (ii) such deposit account is not intended by the Company or any Subsidiary to provide collateral to the depository institution;

(l) Liens on assets of Persons which become Subsidiaries after the date of this Agreement, provided, however, that (x) such Liens existed at the time the respective Persons became Subsidiaries and were not created in anticipation thereof, (y) such Liens attach only to equipment and real property of such Subsidiary and proceeds thereof and (z) the aggregate outstanding principal amount of Indebtedness secured by all such Liens (together with Indebtedness secured by Liens permitted by Sections 8.01(a), (i) and (j) and Indebtedness and Contingent Obligations permitted by Section 8.05(d) and Section 8.08(g)) shall not at any time exceed an amount equal to 5% of the total assets of the Company and its Subsidiaries on a consolidated basis; and

(m) Liens consisting of pledges of cash collateral or government securities to secure on a mark-to-market basis Permitted Swap Obligations only, provided that the aggregate value of such collateral so pledged by the Company and the Subsidiaries together in favor of any counterparty does not at any time exceed \$1,000,000.

In addition, neither the Company nor any of its Subsidiaries shall become a party to any agreement, note, indenture or other instrument, or take any other action, which would prohibit the creation of a first priority Lien on any of its properties or other assets in favor of the Collateral Agent for the benefit of itself and the Lenders, as collateral for the Obligations, except with respect to specific equipment secured by Indebtedness or Capital Leases permitted under Sections 8.01(i), (j) or (l) or with respect to software licenses or similar contracts which constitute property or assets of the Company or any of its Subsidiaries which by the express terms thereof prohibit the creation of a first priority Lien in favor of the Collateral Agent on such software licenses or similar contracts.

8.02 Disposition of Assets. The Company shall not, and shall not suffer or permit any Subsidiary to, directly or indirectly, sell, assign, lease, convey, transfer or otherwise dispose of (whether in one or a series of transactions) any property (including accounts and notes receivable, with or without recourse) or enter into any agreement to do any of the foregoing, except:

(a) dispositions of inventory, or used, worn-out or surplus equipment (including, without limitation, demonstration or pilot plants), all in the ordinary course of business;

(b) the sale of equipment to the extent that such equipment is exchanged for credit against the purchase price of similar replacement equipment, or the proceeds of such sale are reasonably promptly applied to the purchase price of such replacement equipment within ninety (90) days of each such sale;

(c) each Specified Asset Sale;

(d) dispositions not otherwise permitted hereunder which are made for fair market value; provided that (i) at the time of any disposition, no Event of Default shall exist or shall result from such disposition, (ii) not less than 50% of the aggregate sales price from such disposition shall be paid in cash or Cash Equivalents, and (iii) the aggregate book or fair market value of all assets so sold by the Company and its Subsidiaries, together, shall not exceed (x) 6% of the net tangible assets of the Company and its Subsidiaries on a consolidated basis during any twelve month period with net tangible assets to be measured as of the beginning of such period, and (y) 15% of the net tangible assets of the Company and its Subsidiaries on a consolidated basis during the term of this Agreement, with net tangible assets to be measured as of June 30, 2004;

(e) transfer of cash or Cash Equivalents not otherwise prohibited by the Loan Documents;

(f) Investments permitted under Section 8.04 and dispositions pursuant to a merger or other consolidation permitted under Section 8.03; and

(g) transfer of inventory, equipment or other assets from the Company to any Subsidiary which is not an Excluded Subsidiary or to the Company or any other such Subsidiary from any Subsidiary.

8.03 Consolidations and Mergers. The Company shall not, and shall not suffer or permit any Subsidiary to, merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions all or substantially all of its assets whether now owned or hereafter acquired) to or in favor of any Person, except:

(a) any Subsidiary (other than an Excluded Subsidiary) may merge with the Company (provided that the Company shall be the continuing or surviving corporation), or with any one or more Subsidiaries (other than an Excluded Subsidiary), provided that if any transaction shall be between a Subsidiary and a Wholly-Owned Subsidiary, the Wholly-Owned Subsidiary shall be the continuing or surviving corporation; it being understood and agreed that, notwithstanding the prohibition contained in this clause, an Excluded Subsidiary shall be permitted to constitute part of a transaction permitted by this clause in the event that such transaction would remove or eliminate the condition that caused such Excluded Subsidiary to be an Excluded Subsidiary;

(b) any Subsidiary (other than an Excluded Subsidiary) may sell all or substantially all of its assets (upon voluntary liquidation or otherwise), to the Company or another Wholly-Owned Subsidiary (other than an Excluded Subsidiary); it being understood and agreed that, notwithstanding the prohibition contained in this clause, an Excluded Subsidiary shall be permitted to constitute part of a transaction permitted by this clause in the event that such transaction would remove or eliminate the condition that caused such Excluded Subsidiary to be an Excluded Subsidiary;

(c) any Subsidiary may merge with or consolidate into any Person (other than an Excluded Subsidiary), provided that (i) at the time of such merger or consolidation, no Default or Event of Default shall exist or result after giving effect to the consummation of such merger or consolidation and (ii) either (x) such Subsidiary shall be the continuing or surviving corporation as a Wholly-Owned Subsidiary of the Company or (y) such Person shall become a Subsidiary of the Company as a result thereto; it being understood and agreed that, notwithstanding the prohibition contained in this clause, an Excluded Subsidiary shall be permitted to constitute part of a transaction permitted by this clause in the event that such transaction would remove or eliminate the condition that caused such Excluded Subsidiary to be an Excluded Subsidiary;

(d) any Excluded Subsidiary may merge with or consolidate into any one or more Excluded Subsidiaries;

(e) any Wholly-Owned Subsidiary may liquidate and dissolve into its parent; and

(f) dispositions permitted by Section 8.02.

8.04 Loans and Investments. The Company shall not purchase or acquire, or suffer or permit any Subsidiary to purchase or acquire, or make any commitment therefor, any capital stock, equity interest, or any obligations or other securities of, or any interest in, any Person, or make or commit to make any Acquisitions, or make or commit to make any advance, loan,

extension of credit or capital contribution to or any other investment in, any Person including any Affiliate of the Company (collectively, "Investments"), except for:

(a) Investments held by the Company or any Subsidiary in the form of cash and/or Cash Equivalents;

(b) extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business;

(c) unsecured extensions of credit by the Company to any Subsidiary (other than an Excluded Subsidiary) or by any such Subsidiary to another such Subsidiary or the Company, provided, that to the extent that any such extension of credit pursuant to this clause (c) shall be evidenced by a promissory note, such promissory note shall be pledged and immediately delivered to the Collateral Agent pursuant to the Pledge and Security Agreement and shall be subordinated in a manner acceptable to the Agent;

(d) Investments incurred in order to consummate Permitted Acquisitions;

(e) Investments constituting Permitted Swap Obligations or payments or advances under Swap Contracts relating to Permitted Swap Obligations;

(f) Investments made by the Company or any Subsidiary which is not an Excluded Subsidiary after the date of this Agreement in any Subsidiary (other than an Excluded Subsidiary) in the form of a capital contribution;

(g) advances, loans, or other extensions of credit to employees with respect to payroll, relocation and travel expenses on behalf of the Company and its Subsidiaries (other than Excluded Subsidiaries) in the ordinary course of business and consistent with past practice and which shall not exceed \$1,100,000 in the aggregate at any time outstanding;

(h) other Investments existing as of the Closing Date and listed on Schedule 8.04;

(i) Investments of a Person that becomes a Subsidiary after the date of this Agreement as a result of an Acquisition so long as such Investment existed at the time such Person became a Subsidiary and was not created in anticipation thereof;

(j) equity interests, notes, chattel paper and securities received in settlement of debts created in the ordinary course of business and owed to the Company or its Subsidiaries or received in satisfaction of judgements or pursuant to a plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor, and promptly (but in any event, within thirty (30) days of receipt of such equity interests, notes, chattel paper or securities) pledged (and if certificated or evidenced by an instrument or chattel paper, delivered) to the Collateral Agent pursuant to a pledge agreement in form and substance reasonably satisfactory to the Collateral Agent;

(k) other Investments (other than repurchases of capital stock of the Company or any of its Subsidiaries); provided, that, the aggregate amount of consideration paid, loaned,

advanced, or commitments incurred, with respect to all such Investments during any fiscal year of the Company does not exceed the amount of \$10,000,000;

(l) Investments which constitute redemptions and repurchases permitted under Section 8.10;

(m) Investments consisting of prepaid expenses, lease, utilities, workers' compensation performance and similar deposits made in the ordinary course of business and consistent with past practice;

(n) Investments consisting of non-cash consideration received by the Company or its Subsidiaries from dispositions permitted under Section 8.02(d) and promptly (but in any event, within thirty (30) days of receipt thereof) pledged (and, if certificated securities or evidenced by an instrument, delivered) to the Collateral Agent pursuant to a pledge agreement in form and substance reasonably satisfactory to the Collateral Agent; and

(o) Investments consisting of Contingent Obligations permitted pursuant to Section 8.08.

8.05 Limitation on Indebtedness. The Company shall not, and shall not suffer or permit any Subsidiary to, create, incur, assume, suffer to exist, or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except:

(a) Indebtedness incurred pursuant to this Agreement and the other Loan Documents;

(b) Indebtedness consisting of Contingent Obligations permitted pursuant to Section 8.08;

(c) Indebtedness existing on the Closing Date and set forth in Schedule 8.05;

(d) other Indebtedness (together with Indebtedness secured by Liens permitted by Section 8.01(a), (i), (j), (l) and Contingent Obligations permitted by 8.08(g)) in an aggregate outstanding principal amount not to exceed at any time an amount equal to 5% of the total assets of the Company and its Subsidiaries on a consolidated basis;

(e) Indebtedness incurred in connection with leases permitted pursuant to Section 8.09;

(f) Indebtedness permitted to be incurred pursuant to Section 8.04(c); and

(g) unsecured Indebtedness under notes to sellers containing terms satisfactory to the Agent and fully subordinated to the Loans and the other Obligations on terms satisfactory to the Agent.

8.06 Transactions with Affiliates. The Company shall not, and shall not suffer or permit any Subsidiary to, enter into any transaction with any Affiliate of the Company (other than the Company or a Subsidiary which is not an Excluded Subsidiary), except upon fair and

reasonable terms no less favorable to the Company or such Subsidiary than would obtain in a comparable arm's-length transaction with a Person not an Affiliate of the Company or such Subsidiary.

8.07 Use of Proceeds. The Company shall not, and shall not suffer or permit any Subsidiary to, use any portion of the Loan proceeds or any Letter of Credit, directly or indirectly, (i) to purchase or carry Margin Stock in violation of any applicable legal and regulatory requirements including, without limitation, Regulations T, U and X, the Securities Act of 1933, and the Securities Exchange Act of 1934 and the regulations promulgated thereunder, (ii) to repay or otherwise refinance indebtedness of the Company or others incurred to purchase or carry Margin Stock, or (iii) to acquire any security in any transaction that is subject to Section 13 or 14 of the Exchange Act.

8.08 Contingent Obligations. The Company shall not, and shall not suffer or permit any Subsidiary to, create, incur, assume or suffer to exist any Contingent Obligations except:

(a) endorsements for collection or deposit in the ordinary course of business;

(b) Permitted Swap Obligations;

(c) Contingent Obligations (x) of the Company and its Subsidiaries existing as of the Closing Date and listed in Schedule 8.08, (y) of the Company with respect to payments to be made by a Subsidiary of the Company pursuant to operating leases and contracts not constituting Indebtedness entered into by such Subsidiary in the ordinary course of business and (z) of the Company's Subsidiaries pursuant to the Guaranty;

(d) Contingent Obligations with respect to Surety Instruments incurred in the ordinary course of business;

(e) Contingent Obligations of a Person that becomes a Subsidiary after the date of this Agreement as a result of a Permitted Acquisition so long as such Contingent Obligation existed at the time such Person became a Subsidiary and was not created in anticipation thereof;

(f) guarantees with respect to permitted Indebtedness and Capital Leases permitted under Section 8.05;

(g) Contingent Obligations incurred by the Company in connection with a Permitted Acquisition; provided that the aggregate maximum amount of such Contingent Obligations (together with Indebtedness secured by Liens permitted by Sections 8.01(a), (i), (j), (l) and Indebtedness and Contingent Obligations permitted by Section 8.05(d)) does not to exceed at any time an amount equal to 5% of the total assets of the Company and its Subsidiaries on a consolidated basis.

8.09 Lease Obligations. The Company shall not, and shall not suffer or permit any Subsidiary to, create or suffer to exist any obligations for the payment of rent for any property under lease or agreement to lease, except for:

(a) leases of the Company and of Subsidiaries in existence on the Closing Date and any renewal, extension or refinancing thereof;

(b) operating leases entered into by the Company or any Subsidiary after the Closing Date in the ordinary course of business; and

(c) Capital Leases permitted under Section 8.01(j).

8.10 Restricted Payments. The Company shall not, and shall not suffer or permit any Subsidiary to, declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any shares of any class of its capital stock, or purchase, redeem or otherwise acquire for value any shares of its capital stock or any warrants, rights or options to acquire such shares, now or hereafter outstanding, except that (a) any Wholly-Owned Subsidiary may declare and make dividend payments or other distributions to the Company or to its immediate parent Subsidiary of the Company, (b) any Subsidiary that is not a Wholly-Owned Subsidiary may declare and make pro-rata dividend payments or other pro-rata distributions; provided, that, to the extent that such dividend payments or other distributions constitute proceeds of Collateral upon which a Lien has been granted in favor of the Collateral Agent pursuant to the Collateral Documents, the Lien on such proceeds shall continue in favor of the Agent following such dividend payment or such other distribution and (c) redemptions and repurchases made by the Company or any of its Subsidiaries of the capital stock of the Company, provided that (i) the Company's Leverage Ratio is less than 1.50 to 1.00 calculated on a pro forma basis based upon the Company's then most recently delivered financial statements pursuant to Section 7.01 after giving effect to any such repurchases or redemptions, (ii) the aggregate consideration paid by the Company and its Subsidiaries in connection with all such repurchases and redemptions does not exceed \$50,000,000 during its 2004 fiscal year or \$40,000,000 during any subsequent fiscal year and (iii) no Default or Event of Default has occurred and is continuing or would occur after giving effect to such redemptions or repurchases.

8.11 ERISA. The Company shall not, and shall not suffer or permit any of its Subsidiaries to, (a) terminate any Plan subject to Title IV of ERISA so as to result in any material (in the opinion of the Majority Lenders) liability to the Company or any ERISA Affiliate, (b) permit to exist any ERISA Event or any other event or condition, which presents the risk of a material (in the opinion of the Majority Lenders) liability to the Company or any ERISA Affiliate, (c) make a complete or partial withdrawal (within the meaning of ERISA Section 4201) from any Multiemployer Plan so as to result in any material (in the opinion of the Majority Lenders) liability to the Company or any ERISA Affiliate, (d) enter into any new Plan or modify any existing Plan so as to increase its obligations thereunder which could result in any material (in the opinion of the Majority Lenders) liability to the Company or any ERISA Affiliate, or (e) permit the present value of all nonforfeitable accrued benefits under any Plan (using the actuarial assumptions utilized by the PBGC upon termination of a Plan) materially (in the opinion of the Majority Lenders) to exceed the fair market value of Plan assets allocable to such benefits, all determined as of the most recent valuation date for each such Plan.

8.12 Change in Business. The Company shall not, and shall not suffer or permit any Subsidiary to, engage in any material line of business substantially different from those lines of

business, and reasonable extensions thereof, carried on by the Company and its Subsidiaries taken as a whole on the Closing Date.

8.13 Accounting Changes. The Company shall not, and shall not suffer or permit any Subsidiary to, make any significant change in accounting treatment or reporting practices, except as required by GAAP or change the fiscal year of the Company or of any Subsidiary.

8.14 Minimum Net Worth. The Company shall not permit its consolidated Net Worth at any time after the Closing Date to be less than an amount equal to the sum of (a) \$215,000,000 plus (b) 50% of the Company's positive net income as determined in accordance with GAAP (with no deduction for net losses), if any, for each fiscal quarter ending after the April 1, 2004 and prior to any date of determination hereunder plus (c) an amount equal to 100% of the net cash and non-cash proceeds of any equity securities issued by the Company or its Subsidiaries after March 31, 2004 and prior to any date of determination hereunder less (d) the aggregate amount paid by the Company after March 31, 2004 for any shares of Capital Stock repurchased or redeemed in accordance with Section 8.10.

8.15 Leverage Ratio. The Company shall not, at any time, permit its Leverage Ratio to be greater than 2.00:1.0.

8.16 Fixed Charge Coverage Ratio. The Company shall not, as of the last day of each fiscal quarter ending during any period set forth below, permit its Fixed Charge Coverage Ratio for the four fiscal quarters then ended as of such day (taken as one accounting period) to be less than the ratio set forth below opposite such period:

Fiscal Quarters Ending During Period	Ratio
-----	-----
Closing Date through December 31, 2004	1.35:1.0
January 1, 2005 through December 31, 2005	1.40:1.0
January 1, 2006 and thereafter	1.45:1.0.

8.17 No Impairment of Intercompany Transfers. The Company shall not, and shall not permit any Subsidiary to, directly or indirectly enter into or become bound by any agreement, instrument, indenture or other obligation (other than this Agreement and the other Loan Documents) that could directly or indirectly restrict, prohibit or require the consent of any Person with respect to the payment of dividends or distributions or the making or repayment of intercompany loans or the transfer of assets by a Subsidiary of the Company to the Company or such Subsidiaries' shareholders, except for (1) restrictions with respect to a Subsidiary imposed pursuant to an agreement entered into for the disposition of all or substantially all of the equity or Property of such Subsidiary (or the Property subject to such disposition) permitted under Section 8.02 pending the closing of such disposition, (2) restrictions on the transfer of assets that are subject to Liens permitted by Section 8.01 and (3) restrictions on the transfer of software licenses or similar contracts imposed by the applicable licensor or similar party.

8.18 Excluded Subsidiaries. The Company shall not permit any Excluded Subsidiary to own the capital stock of any Subsidiary that is not an Excluded Subsidiary.

ARTICLE IX

EVENTS OF DEFAULT

9.01 Event of Default. Any of the following shall constitute an "Event of Default":

(a) Non-Payment. The Company fails to pay, (i) when and as required to be paid herein, any amount of principal of any Loan or of any L/C Obligation, or (ii) within five (5) days after the same becomes due, any interest, fee or any other amount payable hereunder or under any other Loan Document;

(b) Representation or Warranty. Any representation or warranty by the Company or any Subsidiary made or deemed made herein, in any other Loan Document, or which is contained in any certificate, document or financial or other statement by the Company, any Subsidiary, or any Responsible Officer, furnished at any time under this Agreement, or in or under any other Loan Document, is incorrect in any material respect on or as of the date made or deemed made;

(c) Specific Defaults. The Company fails to perform or observe any term, covenant or agreement contained in any of Section 7.01, 7.02, 7.03 (a), (b), or (c), 7.04 or 7.08 or in Article VIII;

(d) Other Defaults. The Company or any Subsidiary party thereto fails to perform or observe any other term or covenant contained in this Agreement or any other Loan Document, and such default shall continue unremedied for a period of thirty (30) days after the earlier of (i) the date upon which a Responsible Officer knew or reasonably should have known of such failure or (ii) the date upon which written notice thereof is given to the Company by the Agent or any Lender;

(e) Cross-Default. (i) The Company or any Subsidiary (A) fails to make any payment in respect of any Indebtedness or Contingent Obligation (other than in respect of Swap Contracts), having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than \$5,000,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure; or (B) fails to perform or observe any other condition or covenant, or any other event shall occur or condition exist with respect to the obligations of the Company or such Subsidiary, under any agreement or instrument relating to any Indebtedness or Contingent Obligation of more than \$5,000,000, and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure if the effect of such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause such Indebtedness to be declared to be due and payable

prior to its stated maturity, or such Contingent Obligation to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (1) any event of default under such Swap Contract as to which the Company or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (2) any Termination Event (as so defined) as to which the Company or any Subsidiary is an Affected Party (as so defined), and, in either event, the Swap Termination Value owed by the Company or such Subsidiary as a result thereof is greater than \$5,000,000;

(f) Insolvency; Voluntary Proceedings. The Company or any Subsidiary (i) ceases or fails to be solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise; (ii) commences any Insolvency Proceeding with respect to itself; or (iii) takes any action to effectuate or authorize any of the foregoing;

(g) Involuntary Proceedings. (i) Any involuntary Insolvency Proceeding is commenced or filed against the Company or any Subsidiary, or any writ, judgment, warrant of attachment, execution or similar process, is issued or levied against a substantial part of the Company's or any Subsidiary's properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within sixty (60) days after commencement, filing or levy; (ii) the Company or any Subsidiary admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any Insolvency Proceeding; or (iii) the Company or any Subsidiary acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar Person for itself or a substantial portion of its property or business;

(h) ERISA. (i) An ERISA Event shall occur with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of \$1,000,000, (ii) the aggregate amount of Unfunded Pension Liability among all Pension Plans at any time exceeds \$1,000,000; or (iii) the Company or any ERISA Affiliate shall fail to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of \$1,000,000, or (iv) the Company or any ERISA Affiliate shall fail to pay when due any required installment or any other payment required under Section 412 of the Code in an aggregate amount in excess of \$1,000,000;

(i) Monetary Judgments. One or more non-interlocutory judgments, non-interlocutory orders, decrees or arbitration awards is entered against the Company or any Subsidiary involving in the aggregate a liability (to the extent not covered by independent third-party insurance or reinsurance as to which the insurer does not dispute coverage) as to any single or related series of transactions, incidents or conditions, of \$1,000,000 or more, and the same shall remain unsatisfied, unvacated and unstayed pending appeal for a period of thirty (30) days after the entry thereof;

(j) Non-Monetary Judgments. Any non-monetary judgment, order or decree is entered against the Company or any Subsidiary which does or would reasonably be expected to have a Material Adverse Effect, and there shall be any period of thirty (30) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

(k) Collateral. (i) Any Collateral Document shall for any reason cease to be valid and generally binding on or enforceable against the Company or any Subsidiary of the Company party thereto or the Company or any Subsidiary of the Company shall so state in writing or bring an action to limit its obligations or liabilities thereunder; or (ii) any Collateral Document shall for any reason (other than pursuant to the terms thereof or as a result of the failure of the Collateral Agent to file appropriate continuation statements or to take other required actions except to the extent permitted by the terms thereof) cease to create a valid security interest in the Collateral (if any) purported to be covered thereby or such security interest shall for any reason cease to be a perfected and first priority security interest subject only to Permitted Liens;

(l) Change of Control. There occurs any Change of Control; or

(m) Guarantor Defaults. Any Guarantor fails in any material respect to perform or observe any term, covenant or agreement in the Guaranty or the Guaranty is for any reason partially (including with respect to future advances) or wholly revoked or invalidated, or otherwise ceases to be in full force and effect (other than pursuant to the terms thereof), or any Guarantor or any other Person contests in any manner the validity or enforceability thereof or denies that it has any further liability or obligation thereunder; or any event described at clauses (f) or (g) of this Section occurs with respect to such Guarantor.

9.02 Remedies. If any Event of Default occurs, the Agent shall, at the request of, or may, with the consent of, the Majority Lenders:

(a) declare the commitment of each Lender to make Loans and any obligation of the Issuing Bank to Issue Letters of Credit to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare an amount equal to the maximum aggregate amount that is or at any time thereafter may become available for drawing under any outstanding Letters of Credit (whether or not any beneficiary shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under such Letters of Credit) to be immediately due and payable, and declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company; and

(c) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable law;

provided, however, that upon the occurrence of any event specified in Sections 9.01(f) or (g) (in the case of clause (i) of Section 9.01(g) upon the expiration of the sixty (60) day period

mentioned therein), the obligation of each Lender to make Loans and any obligation of the Issuing Bank to Issue Letters of Credit shall automatically terminate and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Agent, the Issuing Bank or any Lender.

9.03 Rights Not Exclusive. The rights provided for in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

ARTICLE X

THE AGENT

10.01 Appointment and Authorization; "Agent".

(a) Each Lender hereby irrevocably (subject to Section 10.09) appoints (or reaffirms its appointment under the Original Credit Agreement), designates and authorizes the Agent (including, without limitation, in its capacity as Collateral Agent) to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" in this Agreement with reference to the Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) The Issuing Bank shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith until such time and except for so long as the Agent may agree at the request of the Majority Lenders to act for such Issuing Bank with respect thereto; provided, however, that the Issuing Bank shall have all of the benefits and immunities (i) provided to the Agent in this Article X with respect to any acts taken or omissions suffered by the Issuing Bank in connection with Letters of Credit issued by it or proposed to be issued by it and the application and agreements for letters of credit pertaining to the Letters of Credit as fully as if the term "Agent", as used in this Article X, included the Issuing Bank with respect to such acts or omissions, and (ii) as additionally provided in this Agreement with respect to the Issuing Bank.

10.02 Delegation of Duties. The Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact

and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

10.03 Liability of Agent. None of the Agent-Related Persons shall (i) be liable to the Lenders for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by the Company or any Subsidiary or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Company or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Company or any of the Company's Subsidiaries or Affiliates.

10.04 Reliance by Agent.

(a) The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company), independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Majority Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 5.01, each Lender that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Lender.

10.05 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Agent for the account of the Lenders, unless the Agent shall have received written notice from a Lender or the Company referring to

this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". The Agent will notify the Lenders of its receipt of any such notice. The Agent shall take such action with respect to such Default or Event of Default as may be requested by the Majority Lenders in accordance with Article IX; provided, however, that unless and until the Agent has received any such request, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Lenders.

10.06 Credit Decision. Each Lender acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by the Agent hereinafter taken, including any review of the affairs of the Company and its Subsidiaries, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender. Each Lender represents to the Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries, and all applicable lender regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Company and its Subsidiaries hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly herein required to be furnished to the Lenders by the Agent, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Company which may come into the possession of any of the Agent-Related Persons.

10.07 Indemnification of Agent. Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand the Agent-Related Persons (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), pro rata, from and against any and all Indemnified Liabilities; provided, however, that no Lender shall be liable for the payment to the Agent-Related Persons of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender shall reimburse the Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Agent is not reimbursed for such expenses by or on behalf of the Company. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of the Agent.

10.08 Agent in Individual Capacity. Bank of America and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Company and its Subsidiaries and Affiliates as though Bank of America were not the Agent or the Issuing Lender hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, Bank of America or its Affiliates may receive information regarding the Company or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Company or such Subsidiary) and acknowledge that the Agent shall be under no obligation to provide such information to them. With respect to its Loans, Bank of America shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent.

10.09 Successor Agent. The Agent may, and at the request of the Majority Lenders shall, resign as Agent upon thirty (30) days' notice to the Lenders. If the Agent resigns under this Agreement, the Majority Lenders shall appoint from among the Lenders a successor agent for the Lenders which successor agent shall be approved by the Company. If no successor agent is appointed prior to the effective date of the resignation of the Agent, the Agent may appoint, after consulting with the Lenders and the Company, a successor agent from among the Lenders. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Agent and the term "Agent" shall mean such successor agent and the retiring Agent's appointment, powers and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article X and Sections 11.04 and 11.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. If no successor agent has accepted appointment as Agent by the date which is thirty (30) days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Agent hereunder until such time, if any, as the Majority Lenders appoint a successor agent as provided for above. Notwithstanding the foregoing, however, Bank of America may not be removed as the Agent at the request of the Majority Lenders unless Bank of America shall also simultaneously be replaced as "Issuing Bank" hereunder pursuant to documentation in form and substance reasonably satisfactory to Bank of America.

10.10 Withholding Tax.

(a) [RESERVED].

(b) If any Lender claims exemption from, or reduction of, withholding tax under a United States tax treaty by providing IRS Form W-8BEN and such Lender sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Company to such Lender, such Lender agrees to notify the Agent of the percentage amount in which it is no longer the beneficial owner of Obligations of the Company to such Lender. To the extent of such percentage amount, the Agent will treat such Lender's IRS Form W-8BEN as no longer valid.

(c) If any Lender claiming exemption from United States withholding tax by filing IRS Form W-8ECI with the Agent sells, assigns, grants a participation in, or otherwise

transfers all or part of the Obligations of the Company to such Lender, such Lender agrees to undertake sole responsibility for complying with the withholding tax requirements imposed by Sections 1441 and 1442 of the Code.

(d) If any Lender is entitled to a reduction in the applicable withholding tax, the Agent may withhold from any interest payment to such Lender an amount equivalent to the applicable withholding tax after taking into account such reduction. However, if the forms or other documentation required by clause (a) of this Section are not delivered to the Agent, then the Agent may withhold from any interest payment to such Lender not providing such forms or other documentation an amount equivalent to the applicable withholding tax imposed by Sections 1441 and 1442 of the Code, without reduction.

(e) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or was not properly executed, or because such Lender failed to notify the Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Lender shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Agent under this Section, together with all costs and expenses (including Attorney Costs). The obligation of the Lenders under this Section shall survive the payment of all Obligations and the resignation or replacement of the Agent.

10.11 Collateral and Guaranty Matters. The Lenders irrevocably authorize the Collateral Agent, at its option and in its discretion:

(a) to release any Lien on any property granted to or held by the Collateral Agent under any Loan Document (i) upon termination of the Revolving Loan Commitments and payment in full of all Obligations (other than contingent indemnification obligations) and the expiration or termination of all Letters of Credit, (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, or (iii) subject to Section 11.01, if approved, authorized or ratified in writing by the Majority Lenders;

(b) to subordinate any Lien on any property granted to or held by the Collateral Agent under any Loan Document to the holder of any Lien on such property that is permitted by Sections 8.01(i), (j) or (l); and

(c) to release any Guarantor from its obligations under the Guaranty if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder.

Upon request by the Collateral Agent at any time, the Majority Lenders will confirm in writing the Collateral Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guaranty pursuant to this Section 10.11.

ARTICLE XI

MISCELLANEOUS

11.01 Amendments and Waivers. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Company or any other Guarantor therefrom, shall be effective unless in writing signed by the Majority Lenders and the Company or the applicable Guarantor, as the case may be, and acknowledged by the Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) waive any condition set forth in Section 5.01 (except for 5.01(e)) without the written consent of each Lender;

(b) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 9.02) without the written consent of such Lender;

(c) postpone any date fixed by this Agreement or any other Loan Document for any payment (other than pursuant to Section 2.07) of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(d) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or (subject to clause (v) of the second proviso to this Section 11.01) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Majority Lenders shall be necessary (i) to amend the definition of "Default Rate" or to waive any obligation of the Company to pay interest at the Default Rate or (ii) to amend any financial covenant hereunder (or any defined term used therein) if the effect of such amendment would be to reduce the rate of interest on any Loan or L/C Borrowing or to reduce any fee payable hereunder; or

(e) change Section 2.14 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender;

(f) change any provision of this Section or the definition of "Majority Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender

(g) release any Guarantor (other than pursuant to this Agreement or the Collateral Documents) from the Guaranty without the written consent of each Lender or release the Agent's Liens and security interests in all or substantially all of the Collateral except as otherwise may be provided in this Agreement or in the Collateral Documents or except where the consent of the Majority Lenders only is provided for;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and

signed by the Issuing Bank in addition to the Lenders required above, affect the rights or duties of the Issuing Bank under this Agreement or any Letter of Credit Application relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Bank in addition to the Lenders required above, affect the rights or duties of the Swing Line Bank under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above, affect the rights or duties of the Agent under this Agreement or any other Loan Document; (iv) Section 11.08(g) may not be amended, waived or otherwise modified without the consent of each Granting Lender all or any part of whose Loans are being funded by an SPC at the time of such amendment, waiver or other modification; and (v) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

11.02 Notices; Effectiveness; Electronic Communication.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Company, the Agent, the Issuing Bank or the Swing Line Bank, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 11.02; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders and the Issuing Bank hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Agent, provided that the foregoing shall not apply to notices to any Lender or the Issuing Bank pursuant to Article II if such Lender or the Issuing Bank, as applicable, has notified the Agent that it is incapable of receiving notices under such Article by electronic communication. The Agent or the Company may, in its discretion, agree to accept notices and

other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) Change of Address, Etc. Each of the Company, the Agent, the Issuing Bank and the Swing Line Bank may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Company, the Agent, the Issuing Bank and the Swing Line Bank.

(d) Reliance by Agent, Issuing Bank and Lenders. The Agent, the Issuing Bank and the Lenders shall be entitled to rely and act upon any notices (including telephonic Borrowing Notices) purportedly given by or on behalf of the Company even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Company shall indemnify the Indemnified Parties from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Company. All telephonic notices to and other telephonic communications with the Agent may be recorded by the Agent, and each of the parties hereto hereby consents to such recording.

11.03 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Agent or any Lender, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

11.04 Costs and Expenses. The Company shall:

(a) whether or not the transactions contemplated hereby are consummated, pay or reimburse Bank of America (including in its capacity as Agent and Issuing Bank) within five (5) Business Days after demand (subject to Section 5.01(e)) for all costs and expenses incurred by Bank of America (including in its capacity as Agent and Issuing Bank) in connection with the development, preparation, delivery, administration (including, without limitation, field examinations) and execution of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated), this Agreement, any Loan Document and any other

documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including reasonable Attorney Costs incurred by Bank of America (including in its capacity as Agent and Issuing Bank) with respect thereto; and

(b) pay or reimburse the Agent and each Lender within five (5) Business Days after demand (subject to Section 5.01(e)) for all costs and expenses (including Attorney Costs) incurred by them in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Loan Document during the existence of an Event of Default or after acceleration of the Loans (including in connection with any "workout" or restructuring regarding the Loans, and including in any Insolvency Proceeding or appellate proceeding).

11.05 Company Indemnification. Whether or not the transactions contemplated hereby are consummated, the Company shall indemnify, defend and hold the Agent-Related Persons, and each Lender and each of its respective Affiliates, partners, officers, directors, employees, counsel, agents, advisors and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans, the termination of the Letters of Credit and the termination, resignation or replacement of the Agent or replacement of any Lender) be imposed on, incurred by or asserted against any such Person in any way relating to or arising out of the Company entering into this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any Insolvency Proceeding or appellate proceeding) related to or arising out of any act or failure to act of the Company or any of its Subsidiaries in connection with this Agreement or the Loans or Letters of Credit the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided, that the Company shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities resulting from the gross negligence or willful misconduct of such Indemnified Person. The agreements in this Section shall survive payment of all other Obligations.

11.06 Payments Set Aside. To the extent that the Company makes a payment to the Agent or the Lenders, or the Agent or the Lenders exercise their right of set-off, and such payment or the proceeds of such set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any Insolvency Proceeding or otherwise, then (a) to the extent of such recovery the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Lender severally agrees to pay to the Agent upon demand its pro rata share of any amount so recovered from or repaid by the Agent. The obligations of the Lenders and the Issuing Bank under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

11.07 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Company may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of Section 11.08, (ii) by way of participation in accordance with the provisions of Section 11.08, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 11.08, or (iv) to an SPC in accordance with the provisions of Section 11.08 (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 11.08 and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

11.08 Assignments by Lenders.

(a) Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (a), participations in L/C Obligations and in Swing Line Loans) at the time owing to it); provided that (i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Agent or, if the "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$5,000,000 unless each of the Agent, and so long as no Default or Event of Default has occurred and is continuing, the Company otherwise consents (each such consent not to be unreasonably withheld or delayed); (ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned, except that this clause (ii) shall not apply to rights in respect of Swing Line Loans; (iii) any assignment of a Commitment must be approved by the Agent, the Issuing Bank and the Swing Line Bank unless the Person that is the proposed assignee is itself a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and (iv) the parties to each assignment shall execute and deliver to the Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500, and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Agent an Administrative Questionnaire. Subject to acceptance and recording thereof by the Agent pursuant to this Section 11.08, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under

this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 4.01, 4.03, 4.04, 11.04 and 11.05 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Company (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 11.08(d).

(b) Register. The Agent, acting solely for this purpose as an agent of the Company, shall maintain at the Agent's Payment Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Company, the Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by each of the Company and the Issuing Bank at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or substantive change to the Loan Documents is pending, any Lender wishing to consult with other Lenders in connection therewith may request and receive from the Agent a copy of the Register.

(c) Participations. Any Lender may at any time, without the consent of, or notice to, the Company or the Agent, sell participations to any Person (other than a natural person or the Company or any of the Company's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Company, the Agent, the Lenders and the Issuing Bank shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 11.01 that affects such Participant. Subject to subsection (d) of this Section, the Company agrees that each Participant shall be entitled to the benefits of Sections 4.01, 4.03 and 4.04 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.10 as though it were a Lender, provided such Participant agrees to be subject to Section 2.14 as though it were a Lender.

(d) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Article IV than the applicable Lender would have been

entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Company's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 4.01 unless the Company is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Company, to comply with Section 4.01 and Section 10.10 as though it were a Lender.

(e) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(f) Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the Illinois Electronic Commerce Security Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(g) Special Purpose Funding Vehicles. Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Agent and the Company (an "SPC") the option to provide all or any part of any Revolving Loan that such Granting Lender would otherwise be obligated to make pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to fund any Revolving Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Revolving Loan, the Granting Lender shall be obligated to make such Revolving Loan pursuant to the terms hereof. Each party hereto hereby agrees that (i) neither the grant to any SPC nor the exercise by any SPC of such option shall increase the costs or expenses or otherwise increase or change the obligations of the Company under this Agreement (including its obligations under Sections 4.01, 4.03 and 4.04), (ii) no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender would be liable, and (iii) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Loan Document, remain the lender of record hereunder. The making of a Revolving Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Revolving Loan were made by such Granting Lender. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior debt of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceeding under the laws of the United States or any State thereof. Notwithstanding anything to the contrary contained herein, any SPC may (i) with notice to, but without prior consent of the Company and the Agent

and with the payment of a processing fee of \$3,500, assign all or any portion of its right to receive payment with respect to any Revolving Loan to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Revolving Loans to any rating agency, commercial paper dealer or provider of any surety or Guarantee or credit or liquidity enhancement to such SPC.

(h) Resignation as Issuing Bank or Swing Line Bank after Assignment. Notwithstanding anything to the contrary contained herein, if at any time Bank of America assigns all of its Commitment and Loans pursuant to subsection (b) above, Bank of America may, (i) upon thirty (30) days' notice to the Company and the Lenders, resign as Issuing Bank and/or (ii) upon thirty (30) days' notice to the Company, resign as Swing Line Bank. In the event of any such resignation as Issuing Bank or Swing Line Bank, the Company shall be entitled to appoint from among the Lenders a successor Issuing Bank or Swing Line Bank hereunder; provided, however, that no failure by the Company to appoint any such successor shall affect the resignation of Bank of America as Issuing Bank or Swing Line Bank, as the case may be. If Bank of America resigns as Issuing Bank, it shall retain all the rights and obligations of the Issuing Bank hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as Issuing Bank and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Revolving Loans or fund risk participations in pursuant to Section 3.03(c)). If Bank of America resigns as Swing Line Bank, it shall retain all the rights of the Swing Line Bank provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Loans or fund risk participations in outstanding Swing Line Loans pursuant to Section 2.03(b)(ii).

11.09 Confidentiality. Each of the Agent and the Lender agrees to take and to cause its Affiliates to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all information identified as "confidential" or "secret" by the Company and provided to it or to which it otherwise is granted access by the Company or any Subsidiary, or by the Agent on the Company's or such Subsidiary's behalf, under this Agreement or any other Loan Document, and neither it nor any of its Affiliates shall use any such information other than in connection with or in enforcement of this Agreement and the other Loan Documents or in connection with other business now or hereafter existing or contemplated with the Company or any Subsidiary or to disclose it to any third person; except to the extent such information (i) was or becomes generally available to the public other than as a result of disclosure by the Lender or the Agent, or (ii) was or becomes available on a non-confidential basis from a source other than the Company, provided that such source is not bound by a confidentiality agreement with the Company known to the Lender or the Agent; provided, however, that any Lender or the Agent may disclose such information (A) at the request or pursuant to any requirement of any Governmental Authority to which the Lender or the Agent is subject or in connection with an examination of such Lender or the Agent by any such authority; (B) pursuant to subpoena or other court process; (C) when required to do so in accordance with the provisions of any applicable Requirement of Law; (D) to the extent reasonably required in connection with any litigation or proceeding to which the Agent, any Lender or their respective Affiliates may be party; (E) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Loan Document; (F) to such Lender's or the Agent's independent auditors and other professional advisors; (G) to any Participant or Eligible Assignee, actual or

potential, provided that such Person agrees in writing to keep such information confidential to the same extent required of the Lenders hereunder; (H) as to any Lender the Agent or its respective Affiliate, as expressly permitted under the terms of any other document or agreement regarding confidentiality to which the Company or any Subsidiary is party or is deemed party with such Lender or such Affiliate; and (I) to its Affiliates; provided that such Lender or the Agent shall provide notice to the Company of any requirement to disclose to a person who does not have an obligation to such Lender (or pursuant to applicable law or applicable court order) to keep such information confidential (it being understood and agreed that the failure to provide such notice shall not constitute a violation by such Lender of this Section 11.09).

11.10 Set-off. In addition to any rights and remedies of the Lenders provided by law, if an Event of Default exists or the Loans have been accelerated, each Lender is authorized at any time and from time to time, without prior notice to the Company, any such notice being waived by the Company to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Lender to or for the credit or the account of the Company against any and all Obligations owing to such Lender, now or hereafter existing, irrespective of whether or not the Agent or such Lender shall have made demand under this Agreement or any Loan Document and although such Obligations may be contingent or unmatured. Each Lender agrees promptly to notify the Company and the Agent after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

11.11 Notification of Addresses, Lending Offices, Etc. Each Lender shall notify the Agent in writing of any changes in the address to which notices to the Lender should be directed, of addresses of any Lending Office, of payment instructions in respect of all payments to be made to it hereunder and of such other administrative information as the Agent shall reasonably request.

11.12 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument.

11.13 Severability. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

11.14 No Third Parties Benefited. This Agreement is made and entered into for the sole protection and legal benefit of the Company, the Lenders, the Agent and the Agent-Related Persons, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents.

11.15 Governing Law and Jurisdiction.

(a) THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF ILLINOIS; PROVIDED THAT THE PARTIES SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF ILLINOIS OR OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF ILLINOIS, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE COMPANY, THE AGENT AND THE LENDERS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE COMPANY, THE AGENT AND THE LENDERS IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE COMPANY, THE AGENT AND THE LENDERS EACH WAIVE PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY ILLINOIS LAW.

11.16 Waiver of Jury Trial. THE COMPANY, THE LENDERS AND THE AGENT EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE COMPANY, THE LENDERS AND THE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

11.17 USA Patriot Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Agent (for itself and not on behalf of any Lender) hereby notifies the Company that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Company, which information includes the name and address of the Company and other information that will allow such Lender or the Agent, as applicable, to identify the Company in accordance with the Act.

11.18 Closing Date Assignments.

(a) As of the Closing Date, each of the Closing Date Selling Lenders hereby sells and assigns to the each of the Closing Date Purchasing Lenders, and each of the Closing Date Purchasing Lenders hereby purchases and assumes from each of the Closing Date Selling Lenders, certain of each Closing Date Selling Lender's Commitments and interests in the Loans (collectively, the "Loan Interests"), and each of the Lenders hereby agrees to reallocate among them their respective Commitments, in each case such that after giving effect to such sales, assignments, purchases, assumptions and reallocations, each Lender shall have the resulting Loan Interests as are set forth on Schedule 2.01 beside its name. As consideration for such sales, assignments, purchases, assumptions and reallocations, on the Closing Date, each Closing Date Purchasing Lender shall pay to the Agent, by wire transfer of immediately available funds, each positive amount (if any) set forth beside its name on Schedule 2.01 under the headings "Change in Outstandings", and, upon receipt of such amounts, the Agent shall pay to each Closing Date Selling Lender each negative amount (if any), set forth beside its name on Schedule 2.01 under the headings "Change in Outstandings". The sales, assignments, purchases, assumptions and reallocations to be effected pursuant to this Section 11.18 shall be without recourse to, or representation or warranty (except as expressly provided in this Section 11.18) by, any of the Lenders.

(b) Each of the Closing Date Selling Lenders (i) represents and warrants that it is the legal and beneficial owner of the Loan Interests, if any, being sold and assigned by it hereunder and that such Loan Interests are free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made by the Company in or in connection this Agreement or the Original Credit Agreement; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company or its Affiliates or the performance or observance by the Company or its Affiliates of any of their respective obligations under this Agreement or the Original Credit Agreement or any other instrument or document furnished pursuant thereto.

(c) The Agent shall make all payments under this Agreement in respect of the Loan Interests assigned pursuant to this Section 11.18 (including all payments of principal, interest and fees with respect thereto) to the Lenders.

(d) All interest and fees under the Original Credit Agreement which are accrued and unpaid through the Closing Date with respect to the Revolving Loans assigned and Commitments reallocated pursuant to this Section 11.18 shall be for the account of the Closing Date Selling Lenders and, upon the Agent's receipt from the Company of payment of such interest and fees, the Agent shall allocate such payments among the Closing Date Selling Lenders and the Closing Date Lenders accordingly.

(e) The Company hereby agrees to compensate each Lender, in immediate available funds on the Closing Date, for all losses, expenses and liabilities incurred by each Lender in connection with the sales, assignments and purchases contemplated by this Section 11.18 with respect to any Eurodollar Rate Loan subject to such transactions, including, without

limitation, (i) in the case of each Closing Date Purchasing Lender having purchased one or more Eurodollar Rate Loans (or portions thereof) hereunder bearing interest at rates which are less than the prevailing rate of interest on Eurodollar Rate Loans as of the Closing Date and (ii) in the case of each Closing Date Selling Lender having sold or assigned one or more Eurodollar Rate Loans (or portions thereof) hereunder bearing interest at rates which are higher than the prevailing rate of interest on Eurodollar Rate Loans as of the Closing Date.

11.19 Entire Agreement. This Agreement, together with the other Loan Documents, embodies the entire agreement and understanding among the Company, the Lenders and the Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in Chicago, Illinois by their proper and duly authorized officers as of the day and year first above 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:

Signature Page to Amended and Restated Credit Agreement

FIFTH THIRD BANK, AS A LENDER

By _____
Name:
Title:

Signature Page to Amended and Restated Credit Agreement

HUNTINGTON NATIONAL BANK, AS A
LENDER

By _____
Name:
Title:

Signature Page to Amended and Restated Credit Agreement

U.S. BANK NATIONAL ASSOCIATION,
AS A LENDER

By _____
Name:
Title:

Signature Page to Amended and Restated Credit Agreement

KEYBANK NATIONAL ASSOCIATION,
AS A LENDER

By _____
Name:
Title:

Signature Page to Amended and Restated Credit Agreement

SUBSIDIARY COMPANIES OF
CENTURY BUSINESS SERVICES, INC.
AS OF DECEMBER 31, 2004

COMPANY NAME	STATE OF INCORPORATION
1 Benchmark, Inc.	Georgia
2 CBIZ Accounting, Tax & Advisory of Atlanta, Inc.	Ohio
3 CBIZ Accounting, Tax & Advisory of Bethesda, Inc.	Ohio
4 CBIZ Accounting, Tax & Advisory of Boca Raton, Inc.	Ohio
5 CBIZ Accounting, Tax & Advisory of Central Ohio, Inc.	Ohio
6 CBIZ Accounting, Tax & Advisory of Chicago, Inc.	Ohio
7 CBIZ Accounting, Tax & Advisory of Cleveland, Inc.	Ohio
8 CBIZ Accounting, Tax & Advisory of Colorado, Inc.	Ohio
9 CBIZ Accounting, Tax & Advisory of Cumberland, Inc.	Ohio
10 CBIZ Accounting, Tax & Advisory of Kansas City, Inc.	Ohio
11 CBIZ Accounting, Tax & Advisory of New York, Inc.	Ohio
12 CBIZ Accounting, Tax & Advisory of Northeast Ohio, Inc.	Ohio
13 CBIZ Accounting, Tax & Advisory of Northern California, Inc.	Ohio
14 CBIZ Accounting, Tax & Advisory of Orange County, Inc.	Ohio
15 CBIZ Accounting, Tax & Advisory of Topeka, Inc.	Ohio
16 CBIZ Accounting, Tax & Advisory of Wichita, Inc.	Ohio
17 CBIZ Accounting, Tax & Advisory, Inc.	Ohio
18 CBIZ Actuarial & Benefit Consultants, Inc.	Ohio
19 CBIZ Beatty Satchell Business Services, Inc.	Maryland
20 CBIZ Benefits & Insurance Services, Inc.	Missouri
21 CBIZ Business Solutions of St. Louis, Inc.	Ohio
22 CBIZ BVKT Business Services, Inc.	Ohio
23 CBIZ e-Solutions, Inc.	Ontario
24 CBIZ Financial Solutions, Inc.	Ohio
25 CBIZ FPG Business Services, Inc.	Ohio
26 CBIZ Gibraltar Real Estate Services Corporation	Illinois
27 CBIZ Harborview, Inc.	Ohio
28 CBIZ Insurance Services, Inc.	Maryland
29 CBIZ KA Consulting Services, Inc.	Ohio
30 CBIZ Kessler Government Relations, Inc.	Ohio
31 CBIZ M & S Consulting Services, Inc.	Ohio
32 CBIZ M. T. Donahoe & Associates, Inc.	Ohio
33 CBIZ McClain Accounting, Tax & Advisory, Inc.	Ohio
34 CBIZ Medical Management Professionals, Inc.	Ohio
35 CBIZ Miller Wagner, Inc.	Ohio
36 CBIZ Nemphos, Weber Business Services, Inc.	Ohio
37 CBIZ Network Solutions, Inc.	Ohio
38 CBIZ Philip-Rae Business Services, Inc.	Ohio
39 CBIZ Property Tax Solutions, Inc.	Ohio
40 CBIZ Retirement Consulting, Inc.	Ohio
41 CBIZ SK&B Business Solutions, Inc.	Ohio
42 CBIZ Southern California, Inc.	Ohio
43 CBIZ Special Risk Insurance Services, Inc.	Ohio
44 CBIZ Tax & Advisory of Nebraska, Inc,	Ohio
45 CBIZ Technologies, Inc.	Ohio
46 CBIZ Valuation Group, Inc.	Ohio
47 CBIZ Worksite Services, Inc.	Missouri
48 CBSI Management Co.	Ohio
49 DP & Co. Business Services, Inc.	Ohio
50 Findaly Professional Ancillary Services II, Inc.	Ohio
51 G & C Business Services, Inc.	Ohio
52 Government Employee Benefits Corporation of Georgia	Georgia
53 MHM Resources, Inc.	Ohio
54 Moore, Tyler & Company, Inc.	Ohio
55 MRP Business Solutions Group, Inc.	Ohio
56 SLW Business Services, Inc.	Ohio
57 Varney Business Services, Inc.	Ohio
58 WC & M Business Services, Inc.	Ohio

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Century Business Services, Inc.:

We consent to the incorporation by reference in the registration statement Nos. 333-35049, 333-74647 and 333-62148 on Form S-8; Nos. 333-64109, 333-76179 and 333-27825 on Form S-3; Nos. 333-15413, 333-46687, 333-90749 and 333-40331 on Form S-3, as amended; and Nos. 333-40313 and 333-81039 on Form S-4, as amended, of Century Business Services, Inc. and subsidiaries (Company) of our reports dated March 15, 2005, with respect to the consolidated balance sheets of the Company as of December 31, 2004 and 2003, 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, 2004, and the related financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 and the effectiveness of internal control over financial reporting as of December 31, 2004, which reports appear in the December 31, 2004 annual report on Form 10-K of the Company.

/s/KPMG LLP
Cleveland, Ohio
March 15, 2005

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

OF CENTURY BUSINESS SERVICES, INC.

I, Steven L. Gerard, Chief Executive Officer, certify that:

1. I have reviewed this report on Form 10-K of Century Business Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2005

/s/ STEVEN L. GERARD

 Steven L. Gerard
 Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

OF CENTURY BUSINESS SERVICES, INC.

I, Ware H. Grove, Chief Financial Officer, certify that:

1. I have reviewed this report on Form 10-K of Century Business Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2005

/s/ WARE H. GROVE

 Ware H. Grove
 Chief Financial Officer

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF CENTURY BUSINESS SERVICES, INC.

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the annual report on Form 10-K for the year ended December 31, 2004 (the "Form 10-K") of Century Business Services, Inc. (the "Issuer").

I, Steven L. Gerard, the Chief Executive Officer of the Issuer, certify that to the best of my knowledge:

- (i) the Form 10-K fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: March 15, 2005

/s/ STEVEN L. GERARD

Steven L. Gerard
Chief Executive Officer

Subscribed and sworn to before me
this 15th day of March, 2005.

/s/ MICHAEL W. GLEESPEN

Name: Michael W. Gleespen
Title: Notary Public & Attorney-At-Law
Registered in Franklin County, Ohio
No Expiration Date

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF CENTURY BUSINESS SERVICES, INC.

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the annual report on Form 10-K for the year ended December 31, 2004 (the "Form 10-K") of Century Business Services, Inc. (the "Issuer").

I, Ware H. Grove, the Chief Financial Officer of the Issuer, certify that to the best of my knowledge:

- (i) the Form 10-K fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: March 15, 2005

/s/ WARE H. GROVE

Ware H. Grove
Chief Financial Officer

Subscribed and sworn to before me
this 15th day of March, 2005.

/s/ MICHAEL W. GLEESPEN

Name: Michael W. Gleespen
Title: Notary Public & Attorney-At-Law
Registered in Franklin County, Ohio
No Expiration Date