

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997 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.)

10055 SWEET VALLEY DRIVE
VALLEY VIEW, OHIO

44125

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

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

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

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant is approximately \$371,104,081 as of February 13, 1998. The number of outstanding shares of the Registrant's common stock is 47,406,738 shares as of February 13, 1998.

DOCUMENTS INCORPORATED BY REFERENCE

Part III Portions of the Registrant's Definitive Proxy Statement relative to the 1998 Annual Meeting of Stockholders.

Part IV Portions of previously filed reports and registration statements.

CENTURY BUSINESS SERVICES, INC.

ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 1997

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THE FOLLOWING TEXT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION AND CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (INCLUDING THE NOTES THERETO) APPEARING ELSEWHERE IN THIS ANNUAL REPORT ON FORM 10-K ("ANNUAL REPORT"). UNLESS THE CONTEXT OTHERWISE REQUIRES, REFERENCES IN THIS ANNUAL REPORT TO "CENTURY" 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

Century is a diversified services company which, acting through its subsidiaries, provides outsourced business services, including specialty insurance services, to small and medium sized commercial enterprises throughout the United States.

The Company provides integrated services in the following areas: accounting systems, advisory and tax; employee benefits design and administration; human resources; information technology systems; payroll; specialty insurance; valuation; and workers' compensation. These services are provided through a network of 82 Company offices in 26 states, as well as through its subsidiary Comprehensive Business Services, Inc. ("Comprehensive"), a franchisor of accounting services with approximately 250 franchisee offices located in 40 states. As of December 31, 1997, the Company served approximately 60,000 clients, of which approximately 24,000 were served through the Comprehensive franchisee network. Management estimates that the Company's clients employ over one million employees, including 240,000 employed by clients of the Comprehensive franchisee network.

In October 1996, Century completed two acquisitions (the "Merger Transactions") pursuant to which it acquired, through a reverse merger, Century Surety Company ("CSC") and its subsidiaries (together with CSC, the "CSC Group"), which includes three insurance companies, and Commercial Surety Agency, Inc. d/b/a Century Surety Underwriters ("CSU"), an insurance agency that markets surety bonds.

In December 1996, the Company acquired SMR & Co. Business Services ("SMR"). Through SMR, Century provides a wide range of outsourced business services, including information technology consulting, tax return preparation and compliance, tax planning, business valuation, human resource management, succession and estate planning, personal financial planning and employee benefit program design and administration to individuals and small and medium sized commercial enterprises primarily in Ohio. Pursuant to a strategic redirection of the Company initiated in November 1996, the Company began its acquisition program to expand its operations rapidly in the outsourced business services industry from its existing specialty insurance platform.

During 1997, the Company acquired the businesses of 39 companies representing over \$134 million in annualized revenues at the time of acquisition. The majority of these acquisitions have been accounted for under the purchase method of accounting. The Company anticipates future significant acquisitions will be accounted for, when possible, under the pooling of interests method of accounting. During 1997, the Company's acquisitions resulted in significant increases in goodwill and other intangible assets, and the Company anticipates that such increases will continue as a result of future acquisitions. The excess of cost over the fair value of net assets of businesses acquired (goodwill), was approximately \$89.856 million at December 31, 1997, representing approximately 31% of the Company's total assets. The Company amortizes goodwill on a straight-line basis over periods not exceeding 30 years.

The Company has completed from December 31, 1997 through February 17, 1998, or has publicly announced as pending, an additional seven acquisitions representing over \$46 million in annualized revenues at the time of acquisition. These acquisitions are not included in the results of operations for the period ended December 31, 1997. The Company believes that substantial additional acquisition opportunities exist in the outsourced business services industry.

The Company strategy is to grow aggressively as a diversified services company by expanding its recently acquired outsourced business services and specialty insurance operations through internal growth and additional acquisitions in such industries. See "-- Business Strategy."

Century was formed as a Delaware corporation in 1987 under the name Stout Associates, Inc. ("Stout") and primarily supplied hazardous waste services. In 1992, the Company was acquired by Republic Industries, Inc. ("RII"). In April 1995, RII effected a spin-off of its hazardous waste operations through a distribution of the common stock, \$.01 par value per share ("Common Stock"), to the stockholders of record of RII (the "Spin-off"). At such time, the Company was named "Republic Environmental Systems, Inc." and was traded on the Nasdaq National Market under the symbol "RESI." On June 24, 1996, the Company began trading under the symbol "IASI" in anticipation of the merger with Century Surety Company and Commercial Surety Agency, Inc. which ultimately resulted in a change of its name to "International Alliance Services, Inc." The name change signaled a new direction for the Company away from its hazardous waste business. In furtherance of its strategic redirection towards business services, the Company successfully divested its hazardous waste operations in two separate transactions completed in July and September 1997. On December 23, 1997, the Company changed its name to Century Business Services, Inc. and began trading under the symbol "CBIZ". See "-- Liquidity and Capital Resources." In June 1996, the Company declared and distributed a two-for-one stock split in the form of a 100% stock dividend ("Stock Split"). All the share numbers and per share amounts set forth herein reflect the Stock Split.

The principal executive office of Century is located at 10055 Sweet Valley Drive, Valley View, Ohio, 44125 and its telephone number is (216) 447-9000. In March 1998, the Company's principal executive office will be relocated to 6480 Rockside Woods Blvd., South, Suite 330, Cleveland, Ohio 44131. Its telephone number will remain the same.

BUSINESS STRATEGY

Century's business strategy is to grow aggressively by expanding its current operations in the outsourced business services and specialty insurance areas, having discontinued and disposed of its operations in the environmental service area. The Company plans to implement its business strategy through internal growth and by acquiring and integrating existing businesses that provide outsourced business services or specialty insurance services.

The Company generally targets acquisitions in markets where it will be, or the prospects are favorable to increase its market share to become, a significant provider of a comprehensive range of outsourced business services and specialty insurance. Century's strategy is to acquire companies that (i) have strong and energetic entrepreneurial leadership; (ii) have historic and expected future internal growth; (iii) can add to the level and breadth of services offered by Century thereby enhancing its competitive advantage over other outsourced business services providers; (iv) have a strong income stream; and (v) have a strong potential for cross-selling among the Company's subsidiaries. As opportunities are identified, and tested against such criteria, the Company may acquire outsourced business providers throughout the United States.

The Company uses internal acquisition teams and its contacts in the outsourced business services and specialty insurance industries to identify, evaluate and acquire businesses in attractive markets. Acquisition candidates are evaluated by the Company's internal acquisition teams based on a comprehensive process which includes operational, legal and financial due diligence reviews.

Although management believes that the Company currently has sufficient resources, including cash on hand, cash flow from operating activities, credit facilities and access to financial markets to fund current and planned operations, service any outstanding debt and make certain acquisitions, there can be no assurance that additional financing will be available on a timely basis, if at all, or that it will be available on terms acceptable to the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

ACQUISITIONS

Recent Acquisitions

During 1997, the Company continued its strategic acquisition program, purchasing the businesses of 39 complementary companies. These acquisitions comprised the following: ten accounting systems and tax advisory businesses, including Comprehensive, a franchisor of accounting services; eight specialty insurance businesses; four workers' compensation administration businesses; ten payroll administration/benefits design and administration firms; three human resources/executive search firms; one valuation and appraisal group; two technology firms; and one broker/dealer. The aggregate purchase price of the aforementioned acquisitions was approximately \$87.748 million, and includes future contingent consideration of up to \$5.880 million in cash and 1,716,226 shares of restricted common stock, with an estimated stock value at date of acquisition of \$17.848 million, based on the acquired companies' ability to meet certain performance goals. The aggregate purchase price, comprised of cash payments, issuance of promissory notes, and issuance of Common Stock, has been allocated to the net assets of the Company based upon their respective fair market values. See Footnote 2 to the Consolidated and Combined Financial Statements contained herein.

DIVESTITURES

In July 1997, the Company sold the majority of its environmental services business, and in September 1997, sold its remaining environmental operations. Taken together, these transactions for cash and notes resulted in a net loss of \$572,000. The Company's contingent liability is limited to \$1.5 million in connection with such divestitures. Management does not believe the Company will experience a loss in connection with such contingencies.

In December 1997, the Company sold Environmental and Commercial Insurance Agency, Inc. and Environmental and Commercial Insurance Agency of LA, Inc. for cash consideration resulting in a gain of approximately \$171,000.

OUTSOURCED BUSINESS SERVICES

GENERAL

Through its business services subsidiaries, Century provides a wide range of integrated business services to small and medium sized companies throughout the United States. It is the Company's goal to be the nation's leading provider of outsourced business services to its target market. The Company's strategies to achieve this goal include: (i) continuing to provide clients with a broad range of high quality products and services, (ii) continuing to expand locally through internal growth by increasing the number of clients it serves and increasing the number of services it provides to existing clients, and (iii) continuing to expand nationally through an aggressive acquisition program. The following is a description of the outsourced business services currently offered by the Company.

OPERATIONS

The Company provides integrated services in the following areas: accounting systems, advisory and tax; employee benefits design and administration; human resources; information technology systems; payroll; valuation; and workers' compensation. These services are provided through a network of 82 Company offices in 26 states, as well as through its subsidiary Comprehensive, a franchisor of accounting services with approximately 250 franchisee offices located in 40 states. As of December 31, 1997, the Company served approximately 60,000 clients, of which approximately 24,000 are served through the Comprehensive franchisee network. Management estimates that its clients employ over one million employees, including 240,000 employed by clients of the Comprehensive franchisee network.

The Company's clients typically have fewer than 500 employees, and prefer to focus their resources on operational competencies while allowing Century to provide non-core administrative functions. In many instances, outsourcing administrative functions allows clients to enhance productivity, reduce costs, and improve service, quality and efficiency. Depending on a client's size and capabilities, it may choose to utilize all or a

portion of the Company's broad array of services, which it typically accesses through a single Company representative.

ACCOUNTING SYSTEMS, ADVISORY AND TAX SERVICES. The Company offers tax planning and preparation, cash flow management, strategic planning, consulting services for outsourced departments, and recordkeeping assistance. In addition to federal, state and local tax return preparation, the Company provides tax projections based on financial and investment alternatives and assists in appropriate tax structuring of business transactions such as mergers and acquisitions. The Company offers quarterly and year-end payroll tax reporting, corporate, partnership and fiduciary tax planning and return preparation. In addition, the Company offers small and medium sized businesses the opportunity to outsource their back-office functions. The Company also offers financial planning services to individuals, including investment counseling, personal financial statements, mortgage and investment analysis, succession planning, retirement planning and estate planning. In addition, the Company offers profitability, operational and efficiency enhancement consulting to a number of specialized industries.

EMPLOYEE BENEFITS DESIGN AND ADMINISTRATION. The Company offers comprehensive employee benefits consulting services. These include the design, implementation and administration of 401(k) plans, profit sharing plans, defined benefit plans, money purchase plans and actuarial services. The Company also assists in the choice of health and welfare benefits such as group health insurance plans, dental and vision care programs, group life insurance programs, accidental death and dismemberment or disability programs, voluntary insurance programs, health care and dependent care spending accounts and premium reimbursement plans. In addition, the Company offers communications services to inform and educate employees about their benefit programs. The Company also offers executive benefits consulting on non-qualified retirement plans and business continuation plans. Moreover, one of the Company's subsidiaries offers Registered Investment Advisory Services, including Investment Policy Statements (IPS), mutual fund selection based on IPS and ongoing mutual fund monitoring.

HUMAN RESOURCES SERVICES. The Company offers executive search and placement, outplacement, organizational and management training and development, personnel records and employment process administration, regulatory compliance training, employment relations audits, organizational structure and executive compensation analyses, opinion surveys, and supervisory training. The Company expects to provide additional services, including pre-employment screening, specialized systems such as applicant skill evaluations, customer contact monitoring, and employee assessment and selection. The Company can assist with the implementation of programs to strengthen both the financial and human resources sides of the client's business. The Company has developed detailed personnel guides, which set forth a systematic approach to administering personnel policies and practices, including recruiting, discipline and termination procedures. In addition, the Company will review and revise, if necessary, personnel policies and employee handbooks or will create customized handbooks for its clients.

INFORMATION TECHNOLOGY CONSULTING SERVICES. The Company offers a wide range of information technology services, from creating strategic technology plans to developing and implementing software and hardware solutions. Specifically, the Company provides strategic technology planning, project management, development of Internet/Intranet applications including Internet security, custom software development, design and implementation of both wide access network ("WAN") and local access network ("LAN") networks, and accounting software selection and implementation. The Company utilizes a methodology, in which business needs drive technology, ensuring appropriate technical solutions for the Company's small and medium sized information technology clients.

PAYROLL SERVICES. The Company processes time and attendance data to calculate and produce employee paychecks, direct deposits and reports for its clients. The Company delivers the paychecks and reports to clients within 24 to 48 hours of the Company's receipt of the data electronically submitted from the client. The Company's system is highly configurable to meet the specialized needs of each client yet maintains the ability to provide high volume processing. The system integrates easily with the client's general ledger, human resources and time and attendance systems. In addition, the Company offers many sophisticated features, including the automatic enrollment and tracking of paid time off, proration of compensation for new hires, integrated garnishment processing, escrow services and funds administration services. The Company assumes responsibility for payroll and attendant recordkeeping, payroll tax deposits, payroll tax reporting, and all federal, state, county

and city payroll tax reports (including 941s, 940s, W-2s, W-3s, W-4s and W-5s), state unemployment taxes, employee file maintenance, unemployment claims and monitoring and responding to changing regulatory requirements. The Company will also represent the client before tax authorities in any payroll tax dispute or inquiry.

SPECIALTY INSURANCE SERVICES. See the description in "Specialty Insurance Services".

VALUATION SERVICES. The Company offers appraisal and valuations of commercial tangible and intangible assets and valuation of financial securities. The Company conducts real estate valuations for financing feasibility studies, marketability and market value studies and performs business enterprise and capital stock valuations for mergers and acquisitions, estate planning, employee stock ownership trusts, sale, purchase or litigation purposes. The Company assists in asset allocation issues, fixed asset insurance matters, fixed asset tracking, specialized valuation consulting, investment transfer planning and other valuation services.

WORKERS' COMPENSATION SERVICES. Each state requires employers to provide workers' compensation coverage for employees. The Company's services vary from state to state; however, it generally provides employers with an integrated system of actuarial analysis and underwriting capabilities with claims administration and has the capability to market workers' compensation products in three states. Professional administration can offer clients sizable savings by controlling the costs of premiums, claims and risks. Services include: deductible programs available to further reduce costs, claims preparation and filing, expert claims management and loss control, medical referral network for employees, multi-state coverages, Occupational Safety and Health Administration ("OSHA") compliance and record keeping, OSHA 200 logs preparation, certificates of insurance, loss prevention strategies, free fraud investigation, safety program development consultation, workers' compensation audits and classification analysis for compliance.

SALES AND MARKETING NETWORK AND ACCOUNT MANAGEMENT

The Company's key competitive factors in obtaining clients for business services are a strong existing sales network and marketing program, established relationships and the ability to match client requirements with available services and products at competitive prices. The Company believes that by retaining the identity of its acquired companies, it will be able to maximize its market penetration by combining a local entrepreneurial brand name with the name and resources of a national company. The Company expects that as it expands through internal growth and acquisitions, it will be able to take advantage of economies of scale in purchasing a range of services and products and to cross-market new products and services to existing clients who do not currently utilize all of the services the Company offers. The Company provides its services and products through a network of 82 Company offices in 26 states, as well as through its subsidiary Comprehensive, a franchisor of accounting services with approximately 250 franchisee offices located in 40 states.

In addition to the Company's traditional operations, the Company intends to utilize its Comprehensive network of approximately 250 entrepreneurial franchisee sales offices to distribute its services and products to the Comprehensive network's approximately 24,000 customers just as it utilizes its own offices. The franchisees are able to market to their customers the broad array of services and products offered by Century. In the process, the franchisees have the opportunity to enhance customer loyalty, receive compensation for additional sales and provide additional revenue to both the Century subsidiary providing the service or product and to Comprehensive as the franchisor.

None of the Company's major business services groups have a single homogeneous client base. Rather, the Company's clients come from a large variety of industries and markets. The Company believes that such diversity helps to insulate it from a downturn in a particular industry. In addition, Century's clients are focused on quality and quantity of services and established relationships and are not overly sensitive to price change. Nevertheless, economic conditions among selected clients and groups of clients may have a temporary impact on the demand for such services.

COMPETITION

The outsourced business services industry is a highly fragmented and competitive industry, with a majority of industry participants (such as accounting, employee benefits, payroll firms or PEOs) offering only one or a

limited number of services. Competition is based primarily on customer relationships, range and quality of services or product offerings, customer service, timeliness and geographic proximity. There are limited barriers to entry and new competitors frequently enter the market in any one of the Company's many service areas. The Company competes with a small number of multi-location regional or national operators and a large number of relatively small independent operators in local markets. Some of these competitors, which include public companies, may have greater financial resources than the Company. The Company may also face competition for acquisition candidates from these companies, many of who have acquired a number of various types of business service providers in recent years.

The Company believes that it will be able to compete effectively based on its (i) broad range of high quality services and products, (ii) knowledgeable and trained personnel, (iii) entrepreneurial culture, (iv) large number of locations, (v) diversity of geographic coverage, (vi) operational economies of scale and (vii) decentralized operating structure.

The Company's competitors in the business outsourcing services industry include independent consulting services companies, divisions of diversified enterprises and banks.

REGULATION

The Company's outsourced business services are vulnerable to legislative law changes with respect to the provision of payroll, employee benefits and pension plan administration, tax accounting and workers' compensation design and administration services. Legislative changes may expand or contract the types and amounts of business services that are required by individuals and businesses. There can be no assurance that future laws will provide the same or similar opportunities to provide business consulting and management services to individuals and businesses that are provided today by existing laws.

SPECIALTY INSURANCE SERVICES

GENERAL

Through its insurance subsidiaries, Century provides specialty insurance, bonding services and workers' compensation coverage to small and medium sized companies throughout the United States. The following is a description of the specialty insurance, bonding services and workers' compensation programs currently offered by Century.

OPERATIONS

The products provided by Century's insurance subsidiaries can be divided into three categories of specialty insurance services: commercial liability lines, which constitute approximately 84.0% of the Company's specialty insurance business; surety bonds, which constitute 13.5%; and workers' compensation coverage, which constitutes 2.5% of the Company's specialty insurance business. In addition, Century employs reinsurance to limit its exposure on policies and bonds.

COMMERCIAL LINES. Century's commercial product lines operations consist of approximately 40 different programs for a wide variety of specialty risk groups. Largest among these are general liability insurance and related coverages for (i) small construction contractors; (ii) restaurants, bars, and taverns; (iii) small commercial and retail establishments; and (iv) sun tanning salons.

Century's commercial lines business is produced by a network of approximately 72 agents (with 104 offices) and 28 brokers (with 28 offices). Subject to strict and detailed written underwriting guidelines regarding pricing and coverage limitations published by Century, agents have limited authority to bind coverage. For casualty coverage, agents may bind and write up to \$1.0 million combined single limit of liability for risks other than those on the list of prohibited classes or on the list for referral to Century. Policies that are bound by agents are immediately forwarded to Century for review and inspection, and Century reserves the right to make the final underwriting decision based on its acceptance or rejection of individual risks. Risks outside the written guidelines must be submitted to Century for specific approval for underwriting. Brokers have no underwriting authority and must submit all risks to Century for underwriting, quoting, binding and policy insurance.

Century checks premium ratings on a selective basis to verify that program rules and rates are being followed. In addition, underwriters perform monthly reviews of files for renewal risks. Files are reviewed on a selective basis by policy type, particular risk class, or individual general agent as loss experience or changing underwriting practices dictate. In addition to other underwriting quality control measures, a continuous audit process for each general agent is maintained. At least once a year, a visit to each agent's office is arranged to review all of the foregoing areas, as well as premium production, losses and loss ratio. Management also performs internal underwriting audits of all underwriters on a regular basis to maintain control of the Company's underwriting quality and pricing.

All claims against commercial policies are managed by Century's claim departments. Outside adjusters and attorneys are engaged, as necessary, to supplement the Company's in-house staff and to represent the Company in litigation over disputed claims. Claims guidelines are in place on all programs. State regulations and data on unfair claims practices are also provided to the staff members as necessary and appropriate. Century's philosophy is to pay valid claims as expeditiously as possible but to resist firmly what management believes are unjust and fraudulent claims. In an effort to provide adequate resources to the claims staff, CSC became a member of the Property Loss Research Bureau and the Liability Insurance Research Bureau in 1995. Century also submits claim data to the index bureaus of the American Services Insurance Group and the Property Insurance Loss Register.

It is the responsibility of the claims manager to appoint outside adjusting firms to work on behalf of the Company. These firms, however, are given no authority to settle any claims without Century's prior agreement. The internal adjuster assigned to each individual claim determines, after coverage is analyzed, whether the claim can be handled in house or should be assigned to an outside firm.

SURETY BONDING. Century's surety bonding operations consist of two major programs: contract surety bonds for construction contractors (with work programs typically ranging from \$250,000 to \$10.0 million per year) and bonds for the solid waste industry, including waste haulers and landfill operators. The Company also writes a small number of bail bonds.

Contract surety consists of bonds that government authorities and some private entities require construction contractors to post to provide assurance that contract work will be performed timely, to specification, on budget, and without encumbrance from suppliers or subcontractors who may have lien rights for non-payment. Contract surety business is underwritten by Century subject to authority defined in agency agreements with the insurance companies. The business is produced by approximately 100 appointed agents, who have limited authority to bind Century's insurance subsidiaries in accordance with specific guidelines established by Century. Because the contract surety business is specialized in smaller, newer and more difficult accounts, underwriters take collateral, require contract funds control, and take other risk control measures considered extraordinary by standard market sureties. In virtually all cases, bond principals indemnify the surety against loss with their personal as well as corporate assets.

Once bonds are issued, the Company continues to review all projects to determine job progress, bill payment, and other factors. Century maintains real-time records of all bonded exposures, amended as appropriate, in an effort to obtain the most current possible assessment of exposures for each account and to avoid excessive exposure on any one account. Century also strives through its review procedures to provide Century's insurance subsidiaries with the earliest possible notice of potential difficulty so that claim resources can be brought to bear at the earliest possible stage in an effort to mitigate losses.

While claims against surety bonds are managed by the Company, outside counsel are engaged to handle surety defense litigation. In addition, Century has or has access to completion capability for finishing bonded work which bonded principals are unable to complete, and pursues recoveries on behalf of Century's insurance subsidiaries from principals who have defaulted on bond obligations. Such recovery efforts range from execution on collateral posted by bonded principals to indemnity litigation to recover surety losses from indemnitors' business and personal assets.

The Company's solid waste bond program, which is national in scope, is primarily written directly by Century, and serves bond accounts that are generally much larger than those handled by Century's contract surety program. The primary focus of this program is bonds for landfill closure and post-closure care required by states

in accordance with Subtitle D of the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"). These bonds are designed to assure that non-hazardous solid waste landfills will be closed when their useable airspace is exhausted in accordance with RCRA closure requirements (or such higher standards as individual states may impose) and that the sites will be maintained in accordance with RCRA standards for a period of at least 30 years after closure. Management believes that this program is one of only a few landfill bond programs in the United States, although bank letters of credit and other devices may be used to satisfy RCRA financial assurance requirements. See "-- Regulation." The Company currently writes landfill bonds for some of the larger solid waste disposal firms in the country. As a companion to the landfill closure bonds, Century also writes bonds required of waste haulers to assure the observance of terms of their contracts with the local communities from which they collect waste.

To stay abreast of technical and market developments in the surety industry, certain of Century's subsidiaries are members of the Surety Association of America, the National Association of Independent Sureties, National Association of Surety Bond Producers, the Surety Federation of Ohio, and the American Surety Association, on which Board of Directors CSC occupies a position.

WORKERS' COMPENSATION SERVICES. Each state requires employers to provide workers' compensation coverage for employees. The Company's workers' compensation program includes fully issued workers' compensation coverage as well as other services. The Company's services vary from state to state; however, it generally provides employers with an integrated system of actuarial analysis and underwriting capabilities with claims administration. Century has the capability to market workers' compensation products in three states. Professional administration can offer clients sizable savings by controlling the costs of premiums, claims and risks. Services include: deductible programs available to further reduce costs, claims preparation and filing, expert claims management and loss control, medical referral network for employees, multi-state coverages, OSHA compliance and record keeping, OSHA 200 logs preparation, certificates of insurance, loss prevention strategies, free fraud investigation, safety program development consultation, workers' compensation audits and classification analysis for compliance.

REINSURANCE. Century employs reinsurance to limit its exposure on the policies and bonds it has written. The Company utilizes several different reinsurance programs to cover its exposure, including "treaties" that cover all business in a defined class and "facultative" reinsurance that covers individual risks. The Company generally retains from \$50,000 to \$200,000 of each commercial line anticipated risk, depending on the program. Surety retentions may go as high as \$1.0 million or more, but typically are less than \$250,000.

Numerous domestic and international reinsurers support these various programs in different combinations. Generally, the Company's reinsurers are rated A- or better by A.M. Best, a leading rating agency of insurance companies and reinsurers, and demonstrate capital and surplus in excess of \$80.0 million (collectively in excess of \$10.0 billion). Cessions are diversified so that every reinsurance treaty (i.e., excluding facultative arrangements) is supported by more than one reinsurer and no reinsurer is participating in all of Century's reinsurance programs.

MARKETING

Other than the workers' compensation program, Century's insurance and bonding business is focused on niche insurance and surety coverages known in the insurance business as "non-standard" or specialty coverages. These terms refer to risks regarded as higher than standard or normal risks and to risk groups regarded as too small or too specialized to permit profitable underwriting by larger, "standard market" insurance companies. In general, non-standard insurance and bonds are more expensive, and coverage more limited, because of perceived additional risk associated with this type of business. Century attempts to identify and exploit such niches in the non-standard insurance market where management believes the actual risk is significantly less than the perceived risk at which the coverage is defined and priced, or where the Company (because of its smaller size and lower overhead) is able to underwrite coverages more economically than larger carriers.

Many non-standard insurance products can be marketed on an excess and surplus lines basis, which means that the carrier is not fully admitted in a given state but instead satisfies a less restrictive threshold of regulatory scrutiny, known as "eligibility," to write excess and surplus lines ("E&S"). E&S eligibility offers much more

flexibility than admitted carriers enjoy. For example, E&S eligibility offers certain marketing advantages, principally exemption from rate and form filing requirements that apply to admitted carriers, which permits E&S carriers to adjust prices and coverages more quickly than admitted carriers, or to cease writing altogether. Accordingly, the majority of the non-surety business of the Company is written on an E&S basis. Through certain of its subsidiaries, Century is admitted in 36 states, but is eligible to write on an E&S basis in 40 states plus the District of Columbia, the most significant of such states being California, Texas and Florida.

Where competitive or regulatory requirements necessitate the use of admitted carriers, Century uses its admitted subsidiaries, thereby reaching a market of 36 states. Management believes that this strategy of employing both admitted and non-admitted E&S carriers helps to maximize the Company's flexibility within the insurance regulatory environment in an effort to market a broad range of products on a profitable basis. Century also employs reinsurance arrangements to market certain products in all 50 states.

POTENTIAL COMPETITION

Both the commercial lines and the surety industries have been highly competitive in recent years, resulting in the consolidation of some of the industries' largest companies. Competition is particularly acute for smaller, specialty carriers like Century because the market niches exploited by Century are small and can be penetrated by a large carrier that elects to cut prices or expand coverage. The Company has endured this risk historically by maintaining a high level of development of new products, eschewed by most major carriers.

CUSTOMERS

Century provides specialty insurance services to approximately 6,000 clients through a network of nearly 200 agents. The Company attempts to maintain diversity within its client base to lower its exposure to downturns or volatility in any particular industry and help insulate the Company to some extent from general economic cyclicality. All prospective customers are evaluated individually on the basis of insurability, financial stability and operating history. No customer individually comprises more than 3.0% of the total consolidated revenue of the Company.

REGULATION

FEDERAL REGULATION. Century's specialty insurance operations are vulnerable to both judicial and legislative law changes. Judicial expansion of terms of coverage can increase risk coverage beyond levels contemplated in the underwriting and pricing process.

At the same time, coverages that are established by statute may be adversely affected by legislative or administrative changes of law. Most surety bonds exist because they are required by government agencies. When governments change the threshold for requiring surety, the market for surety bonds is directly affected.

Approval by the U.S. Department of the Treasury ("Treasury") and Treasury listing as an approved surety is required for the Company's Surety Bond Program. Century Surety Company and Evergreen National Indemnity Company ("Evergreen") are currently approved and listed "Companies Holding Certificates of Authority as Acceptable Sureties on Federal Bonds and as Acceptable Reinsuring Companies" by the Treasury Department Circular 570, effective July 1, 1997.

STATE REGULATION. The companies of the CSC Group are subject to regulation and supervision by state insurance regulatory authorities, most comprehensively for each insurance company in its state of incorporation, but also in other states where the Companies are admitted or eligible to write E & S lines. See "Management's Discussion and Analysis of Results of Operations and Financial Condition -- Sources of Cash." These regulatory bodies have broad administrative powers relating to (i) standards of solvency, which must be met on a continuing basis; (ii) granting and revoking of licenses; (iii) licensing of agents; (iv) approval of policy rates and forms; (v) maintenance of adequate reserves; (vi) form and content of financial statements; (vii) types of investments permitted; (viii) issuance and sale of stock; and (ix) other matters pertaining to insurance. See Footnote 9 to the Consolidated and Combined Financial Statements contained herein.

Each of the CSC Group companies is required to file detailed annual statements with the applicable state regulatory bodies and is subject to periodic examination by the regulators. The most recent regulatory

examinations for CSC and Evergreen were made as of December 31, 1993. Regulatory review by the Ohio Department of Insurance for each of CSC and Evergreen for the year ended December 31, 1996 is currently in progress. The most recent triennial regulatory examination of Continental Heritage Insurance Company ("Continental Heritage"), a subsidiary of CSC, by the Utah Department of Insurance was as of December 31, 1994.

ENVIRONMENTAL SERVICES

GENERAL

In July, 1997, the Company sold the majority of its environmental services operations, and in September 1997 sold its remaining environmental operations.

LIABILITY INSURANCE AND BONDING

Century carries commercial general liability insurance, automobile liability insurance, workers' compensation, and employer's liability insurance as required by law in the various states in which operations are conducted and umbrella policies to provide excess limits of liability over the underlying limits contained in the commercial general liability, automobile liability and employer's liability policies. See "Legal Proceedings."

EMPLOYEES

At December 31, 1997, Century employed approximately 1,200 employees. The Company considers its relationships with its employees to be good.

PROPERTIES

Century's corporate headquarters is located in Valley View, Ohio in leased premises. The Company has completed negotiations to lease a 14,000 square foot portion of an office building in Independence, Ohio and will relocate its headquarters to 6480 Rockside Woods Blvd., South, Suite 330, Cleveland, Ohio 44131 during the first quarter of 1998. Certain of the property and equipment of the Company are subject to liens securing payment of portions of the indebtedness of the Company and its subsidiaries. The Company's subsidiaries also lease 74 offices in 26 states and certain of their equipment. The Company believes that its facilities are sufficient for its needs.

ITEM 3. LEGAL PROCEEDINGS

GENERAL

The Company's subsidiaries are parties to legal proceedings, which have arisen, in the ordinary course of their business. Although it is possible that losses exceeding amounts already reserved may be incurred upon ultimate resolution of these matters, management believes that such losses, if any, will not have a material adverse effect on the Company's business or financial position; however, unfavorable resolution of each matter individually or in the aggregate could affect the consolidated results of operations for the quarterly periods in which they are resolved.

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

On October 28, 1997, a majority of the Company's Board of Directors approved the adoption of a proposed amendment to the Company's Certificate of Incorporation to change its name from International Alliance Services, Inc. to Century Business Services, Inc. On December 22, 1997, in accordance with Delaware Law, the holders of a majority of the outstanding shares of the Company's Common Stock executed a written consent approving the amendment.

DIRECTORS AND EXECUTIVE OFFICERS OF
CENTURY BUSINESS SERVICES, INC.

The following table sets forth certain information as of December 31, 1997 regarding the directors, executive officers and certain key employees of the Company. Each executive officer of the Company 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 the Company and any other person pursuant to which he or she was selected as an officer.

NAME	AGE	POSITION(S)
EXECUTIVE OFFICERS AND DIRECTORS:		
Michael G. DeGroot(3)	64	Chief Executive Officer, President and Chairman of the Board
Gregory J. Skoda(3)	41	Executive Vice President and Director
Charles D. Hamm, Jr.(3)	43	Chief Financial Officer and Treasurer
Edward F. Feighan	50	Senior Vice President, Public Affairs
Douglas R. Gowland	56	Senior Vice President, Business Integration
Keith W. Reeves	40	Senior Vice President, Business Services
Craig L. Stout	49	Senior Vice President, Insurance Services
Rick L. Burdick(1)	46	Director
Joseph S. DiMartino	54	Director
Harve A. Ferrill(1)(2)	65	Director
Hugh P. Lowenstein(2)	67	Director
Richard C. Rochon(1)(2)	40	Director
OTHER KEY EMPLOYEES:		
Thomas J. Bregar	41	Vice President, Information Technology Systems
Daniel J. Clark	43	Vice President, Corporate Relations
Ralph M. Daniel, Jr	41	Vice President, Payroll Administration Services
Roswell P. Ellis	63	Vice President, Specialty Insurance Services
Charles J. Farro	47	Vice President, Employee Benefits Design and Administration Services
Kenneth M. Millisor	60	Vice President, Workers' Compensation Services
Steven M. Nobil	50	Vice President, Human Resources Services
Patrick J. Simers	37	Vice President, Valuation Services
C. Robert Wissler	51	Vice President, Comprehensive Business Services
Andrew B. Zelenkofske	37	Vice President, Accounting Systems, Advisory and Tax Services
Barbara A. Rutigliano	46	Corporate Secretary

(1) Member of Audit Committee

(2) Member of Compensation Committee

(3) Member of Management Executive Committee

EXECUTIVE OFFICERS AND DIRECTORS:

MICHAEL G. DEGROOTE has served as the Chairman of the Board of the Company since April 1995 and as Chief Executive Officer and President since November 1997. Mr. DeGroot also served as President and Chief Executive Officer of the Company from April 1995 until October 1996. Mr. DeGroot served as Chairman of the Board, President and Chief Executive Officer of Republic Industries, Inc. ("RII") from May 1991 to August 1995. Mr. DeGroot founded Laidlaw Inc., a Canadian waste services and transportation company in 1959. In 1988, Mr. DeGroot sold his controlling interest in Laidlaw to Canadian Pacific Limited. Mr. DeGroot served as President and Chief Executive Officer of Laidlaw from 1959 until 1990. Mr. DeGroot also serves as a director of RII.

GREGORY J. SKODA has served as the Executive Vice President and a Director of the Company since November 1997, the Chief Financial Officer and Treasurer of the Company from November 1996 until November 1997, and as a director and an officer of a number of the Company's subsidiaries. Prior to the Company's acquisition of SMR & Co. Business Services ("SMR") in December 1996, Mr. Skoda served as President and Chairman of SMR, which he founded in 1980. Mr. Skoda is a CPA and an active member of the American Institute of Certified Public Accountants in the Tax, Employee Benefits, and Management Advisory Services divisions.

CHARLES D. HAMM, JR. has served as Chief Financial Officer and Treasurer since November 1997. Mr. Hamm was associated with KPMG Peat Marwick LLP from June 1984 until November 1997, serving as a partner of such firm from July 1996 until November 1997. Mr. Hamm is a CPA and a member of the American Institute of Certified Public Accountants and the Ohio Society of Certified Public Accountants.

EDWARD F. FEIGHAN has served as Senior Vice President, Public Affairs of the Company since November 1997. Mr. Feighan served as Chief Executive Officer, President and a Director of the Company from October 1996 through November 1997. Mr. Feighan also serves as a director and an officer of a number of the Company's subsidiaries. From 1983 until 1993, Mr. Feighan served as the representative from the Ohio 19th Congressional District of the United States House of Representatives. During his tenure in Congress, Congressman Feighan served on the Judiciary and the House Foreign Affairs Committee; Chairman, International Narcotics Control Committee; President, The Interparliamentary Union; and permanent Representative to the Helsinki Commission. He currently serves on the board of trustees of the National Democratic Institute for International Affairs, and the Rock and Roll Hall of Fame and Museum.

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

KEITH W. REEVES has served as Senior Vice President, Business Services since March 1997 and as a director and an officer of a number of the Company's subsidiaries. Mr. Reeves has also served as the President of SMR since December 1996. Mr. Reeves served as Vice President of SMR from August 1984 until its acquisition by the Company in December 1996. Mr. Reeves is a CPA and a member of the American Institute of Certified Public Accountants and the Ohio Society of Certified Public Accountants.

CRAIG L. STOUT has served as Senior Vice President, Insurance Services since November 1997. Mr. Stout served as Chief Operating Officer and a Director of the Company from October 1996 through November 1997. Mr. Stout also serves as a director and an officer of a number of the Company's subsidiaries. Prior to joining the Company, Mr. Stout served as Executive Vice President of Alliance Holding Corporation which was the holding corporation of the CSC Group and CSA and two other companies which he founded, Contract Operations Planning, Inc., a surety claims management firm, and Contract Surety Reinsurance Corporation, a reinsurance intermediary for facultative surety reinsurance.

RICK L. BURDICK has served as a Director of the Company since November 1997. Mr. Burdick has been a partner at the law firm of Akin, Gump, Strauss, Hauer & Feld, L.L.P. since April 1988. Mr. Burdick serves on the Boards of Directors of RII and J. Ray McDermott, S.A.

JOSEPH S. DIMARTINO has served as a Director of the Company since November 1997. Mr. DiMartino has been Chairman of the Board of Dreyfus Group of Mutual Funds since January 1995. Mr. DiMartino served as President, Chief Operating Officer and Director of The Dreyfus Corporation from October 1982 until December 1994. Mr. DiMartino also serves on the Board of Directors of Noel Group, Inc., Staffing Resources, Inc., Health Plan Services Corporation, Carlyle Industries, Inc., and the Muscular Dystrophy Association.

HARVE A. FERRILL has served as a Director of the Company since October 1996. Mr. Ferrill has served as Chief Executive Officer of Advance Ross Corporation, a company that provides tax refunding services ("ARC"), since 1991 and as President of Ferrill-Plauche Co., Inc., a private investment company, since 1982. Mr. Ferrill

served as President of ARC from 1990 to 1993 and as Chairman of the Board from 1992 to 1996. Mr. Ferrill has served as Chairman of the Board of GeoWaste Incorporated since 1991 and also serves on the Boards of Directors of Gaylord Container Corporation and Quill Corporation.

HUGH P. LOWENSTEIN has served as a Director of the Company since March 1997. Mr. Lowenstein has served as the Founder and Chief Executive Officer of Shore Capital Ltd. (Bermuda), a consulting and investment advisory firm, since 1994. Mr. Lowenstein served as a Managing Director of Donaldson, Lufkin and Jenrette Securities Corporation from 1987 to 1994. Mr. Lowenstein also serves on the Board of Directors of Terra Nova (Bermuda) Holdings Ltd.

RICHARD C. ROCHON has served as a Director of the Company since October 1996. Mr. Rochon has served since 1988 as President of Huizenga Holdings, Inc., a management and holding company for diversified investments in operating companies, joint ventures, and real estate, on behalf of its owner, Mr. H. Wayne Huizenga. Mr. Rochon also has served as a director since September 1996 and as Vice Chairman of Florida Panthers Holdings, Inc., a leisure and recreation and sports and entertainment company, since April 1997. From 1985 until 1988, Mr. Rochon served as Treasurer of Huizenga Holdings, Inc. and from 1979 until 1985, he was employed as a certified public accountant by the international public accounting firm of Coopers & Lybrand, L.L.P.

OTHER KEY EMPLOYEES:

THOMAS J. BREGAR was named Vice President, Information Technology Systems in November 1997. Mr. Bregar joined SMR in December 1996 to develop its Information Technology Consulting Practice. Prior to joining SMR, Mr. Bregar was with Price Waterhouse's Management Consulting Services Practice from 1986 through 1992, and again as Director from 1994 to 1996. In 1993, he served as Vice President in the Information Management Services Division at Society National Bank (now Keycorp Services).

DANIEL J. CLARK was named Vice President, Corporate Relations in November 1997 and is the Senior Vice President of Evergreen National Indemnity Company ("Evergreen") and a director of Century Surety Company, both subsidiaries of the Company. Prior to joining Evergreen, Mr. Clark served as Chief of Staff for then Congressman Edward F. Feighan from 1983 through 1993. Mr. Clark is a member of the Ohio Bar Association and serves as a Board Member for the Port of Cleveland.

RALPH M. DANIEL, JR. was named as Vice President, Payroll Administration Services in November 1997. Prior to joining Century, Mr. Daniel served as Chairman and Chief Executive Officer of BMS, Inc. (Business Management Services), which he co-founded, from 1988 through its acquisition by the Company in August 1997. Mr. Daniel is a CPA and serves on the Board of the Independent Payroll and Employer Services Association.

ROSWELL P. ELLIS was named Vice President, Specialty Insurance Services in November 1997. Mr. Ellis served as the Company's Senior Vice President -- Insurance Group from March 1997 to November 1997. He continues to serve as Chairman and Chief Executive Officer of Century Surety Company, a position he has held since 1987, and he is also Chairman of Continental Heritage Insurance Company and Vice Chairman and CEO of Evergreen, all subsidiaries of the Company. Mr. Ellis has been in the insurance business for over 35 years and holds four professional designations: Chartered Property and Casualty Underwriter, Chartered Life Underwriter, Associate in Claims and Associate in Surplus Lines.

CHARLES J. FARRO was named Vice President, Employee Benefits Design and Administration Services in November 1997. Mr. Farro also serves as Chairman and Chief Executive Officer of The Benefits Group, a subsidiary of the Company. Mr. Farro serves on the Boards of Directors of the March of Dimes and the Akron Art Museum.

KENNETH R. MILLISOR was named Vice President, Workers' Compensation Services in November 1997. He is the Chairman and Chief Executive Officer of M&N Risk Management, Inc. and the President and Chief Executive Officer of Millisor & Nobil Co., L.P.A., subsidiaries of the Company. Mr. Millisor was admitted to the Bar in 1961 and is an active member of the Akron, Ohio State and American Bar Associations.

STEVEN M. NOBIL was named Vice President, Human Resources Services in November 1997. Mr. Nobil serves as President of M&N Risk Management, Inc., a subsidiary of the Company. Mr. Nobil serves on several Boards including the Diabetes Association of Greater Cleveland, Baldwin Wallace College, Cuyahoga Community College, Big Brothers and Big Sisters, American Red Cross and Grand Prix Charities.

PATRICK J. SIMERS was named Vice President, Valuation Services in November 1997. Mr. Simers serves as President of Valuation Counselors Group, Inc., a subsidiary of the Company. Mr. Simers is a Certified Real Estate Appraiser in 12 states and maintains memberships in the American Society of Appraisers and the Appraisal Institute.

C. ROBERT WISSLER was named Vice President, Comprehensive Business Services in November 1997. Mr. Wissler serves as President and Chief Executive Officer of Comprehensive Business Services, Inc., a subsidiary of the Company. He was Senior Vice President and Chief Financial Officer of Sir Speedy, Inc. from 1978 through 1990. Prior to that time, Mr. Wissler was an auditor with Arthur Young & Co. from 1972 to 1974, and he was a baseball player with the St. Louis Cardinals from 1969 through 1972. Mr. Wissler is a Director of International Franchise Association.

ANDREW B. ZELENKOFKSKE was named Vice President, Accounting Systems, Advisory and Tax Services in November 1997. Mr. Zelenkofske serves as President of ZA Business Services, Inc., a subsidiary of the Company. Prior to joining Century, Mr. Zelenkofske served for several years as President and Managing Director of Zelenkofske Axelrod and Co., Ltd. Mr. Zelenkofske is a CPA and has been appointed to the Pennsylvania State Board of Accountancy.

BARBARA A. RUTIGLIANO was named Corporate Secretary in December 1997. Ms. Rutigliano was Senior Counsel and Corporate Secretary of BP America Inc. from 1989 until 1997 and was associated with the law firm of Squire, Sanders & Dempsey from 1983 to 1989. Ms. Rutigliano is a member of the Ohio Bar, the American Bar Association and the American Society of Corporate Secretaries.

PART II

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

PRICE RANGE OF COMMON STOCK

The Common Stock of the Company is quoted on The Nasdaq National Market under the trading symbol "CBIZ". Prior to December 23, 1997, the Common Stock was quoted under the trading symbol "IASI". The table below sets forth the range of high and low sales prices for the Common Stock as reported on The Nasdaq National Market for the periods indicated. Prior to April 27, 1995, the day on which the Common Stock of the Company was first publicly traded, there was no public market for the Common Stock of the Company. The following prices are adjusted for the Company's July 1996 two for one stock split.

	PRICE RANGE OF COMMON STOCK	
	HIGH	LOW
1995		
Second Quarter (beginning April 27, 1995).....	\$ 2.25	\$1.25
Third Quarter.....	4.00	1.81
Fourth Quarter.....	2.31	1.56
1996		
First Quarter.....	\$ 1.59	\$1.25
Second Quarter.....	20.88	1.44
Third Quarter.....	18.75	4.75
Fourth Quarter.....	12.75	7.50
1997		
First Quarter.....	\$15.13	\$9.88
Second Quarter.....	11.50	7.88
Third Quarter.....	11.75	7.88
Fourth Quarter.....	17.25	8.75

On December 31, 1997, the last reported sale price of the Company's Common Stock as reported on The Nasdaq National Market was \$17.25 per share. As of February 13, 1998, the Company had 6,385 holders of record of its Common Stock.

DIVIDEND POLICY

The Company's credit facility contains restrictions on the Company's ability to pay dividends. Since April 27, 1995, the Company has not declared or paid any cash dividends on its capital stock. The Company intends to retain its earnings, if any, for use in its business and does not anticipate paying any cash dividends in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected historical financial data for Century and are derived from the historical consolidated and combined financial statements and notes thereto, which are included elsewhere in this Annual Report of Century. 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 and combined financial statements of Century and the notes thereto, which are included elsewhere in this Annual Report.

	YEAR ENDED DECEMBER 31,				
	1997	1996	1995	1994	1993
(IN THOUSANDS, EXCEPT PERCENTAGES AND PER SHARE DATA)					
STATEMENT OF INCOME DATA:					
Revenues:					
Business services fees and commissions.....	\$ 63,411	\$ 1,606	\$ --	\$ --	\$ --
Specialty insurance services (regulated):					
Premiums earned.....	37,238	27,651	26,962	23,368	17,373
Net investment income.....	4,524	3,564	3,341	2,477	1,377
Net realized gains (losses) on investments.....	3,044	1,529	166	80	(91)
Other income.....	13	1,419	470	1,385	1,737
Total revenues.....	\$108,230	\$ 35,769	\$30,939	\$27,310	\$20,396
Expenses:					
Operating expenses -- business services.....	50,277	1,107	--	--	--
Loss and loss adjustment expenses.....	20,682	17,624	15,117	12,494	8,613
Policy acquisition expenses.....	9,670	7,699	7,774	5,428	4,996
Corporate general and administrative expenses.....	4,578	302	--	--	--
Depreciation and amortization expenses.....	2,612	320	--	--	--
Other expenses.....	2,331	2,655	3,157	4,544	3,302
Total expenses.....	90,150	29,707	26,048	22,466	16,911
Income from continuing operations before net corporate interest income and income tax expense...	18,080	6,062	4,891	4,844	3,485
Net corporate interest income.....	965	--	--	--	--
Income from continuing operations before income tax expense.....	19,045	6,062	4,891	4,844	3,485
Income tax expense.....	6,280	1,640	1,422	1,344	1,189
Income from continuing operations.....	12,765	4,422	3,469	3,500	2,296
Loss from operations of discontinued business.....	663	38	--	--	--
Loss on disposal of discontinued business.....	572	--	--	--	--
Net income.....	\$ 11,530	\$ 4,384	\$ 3,469	\$ 3,500	2,296
Weighted average common shares.....	36,940	17,863	14,760	14,760	14,760
Weighted average common shares and dilutive potential common shares.....	48,904	24,032	16,956	16,956	16,956
Basic earnings per share:					
From continuing operations.....	\$ 0.35	\$ 0.25	\$ 0.24	\$ 0.24	\$ 0.16
From discontinued operations.....	\$ (0.04)	\$ --	\$ --	\$ --	\$ --
Diluted earnings per share:					
From continuing operations.....	\$ 0.26	\$ 0.18	\$ 0.20	\$ 0.21	\$ 0.14
From discontinued operations.....	\$ (0.02)	\$ --	\$ --	\$ --	\$ --
Gross written premiums.....	\$ 59,751	\$ 42,888	\$37,695	\$37,869	\$29,992
Net written premiums.....	\$ 37,488	\$ 31,149	\$26,677	\$27,219	\$21,173
Loss ratio.....	34.3%	41.3%	39.2%	37.9%	38.0%
LAE ratio.....	21.2%	22.5%	16.9%	15.6%	11.6%
Expense ratio.....	32.2%	38.0%	39.9%	43.5%	39.7%
Combined ratio.....	87.7%	101.8%	96.0%	97.0%	89.3%
Invested assets and cash.....	\$100,868	\$108,523	\$60,908	\$57,642	\$46,670
Goodwill, net of accumulated amortization.....	89,856	6,048	--	--	--
Total assets.....	287,567	167,330	86,735	81,931	68,117
Loss and loss expenses payable.....	50,655	41,099	37,002	34,661	29,528
Total liabilities.....	139,657	76,008	59,967	58,100	50,304
Total shareholders' equity.....	147,910	91,322	26,768	23,580	18,401

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 the Company's financial position and results of operations for each of the years ended December 31, 1997, 1996 and 1995. This discussion should be read in conjunction with the Company's consolidated and combined financial statements and notes thereto included herein. During fiscal 1997, the Company continued its strategic acquisition program, purchasing the businesses of 39 complementary companies. With one immaterial exception, each of the acquisitions was accounted for as a purchase, and accordingly, the operating results of the acquired companies have been included in Century's consolidated and combined financial statements since their date of acquisition. The results of operations related to the Company's environmental services operations have been reflected as a discontinued operation in the consolidated and combined financial statements. See "Results of Operations -- Discontinued Operations."

RESULTS OF OPERATIONS

Comparison of Year Ended December 31, 1997 to Year Ended December 31, 1996

REVENUES

Total revenues increased to \$108.2 million for the year ended December 31, 1997 from \$35.8 million in 1996, representing an increase of \$72.4 million, or 203%. The increase was primarily attributable to the Company's acquisition activity in outsourced business services.

Business service fees and commissions increased to \$63.4 million for the year ended December 31, 1997 from \$1.6 million in 1996, representing an increase of \$61.8 million. The increase was primarily attributable to the acquisitions completed in 1997. Due to the majority of recent acquisitions having been accounted for under the purchase method, the Company's consolidated financial statements give effect to such acquisitions only from their respective acquisition dates.

Premiums earned increased to \$37.2 million for the year ended December 31, 1997 from \$27.7 million in 1996, representing an increase of \$9.5 million, or 34.7%. Gross written premiums increased to \$59.8 million for the year ended December 31, 1997 from \$42.9 million in 1996, representing an increase of \$16.9 million, or 39.3%. Net written premiums increased to \$37.5 million for the year ended December 31, 1997 compared to \$31.1 million in 1996, representing an increase of \$6.4 million, or 20.4%. These increases were primarily attributable to the growth in commercial liability premiums over 1996 levels, the introduction of workers compensation coverage emanating from an August 1997 business transaction and the assumption of contract surety premiums under a certain reinsurance agreement entered into in 1997.

Net investment income increased to \$4.5 million for the year ended December 31, 1997 from \$3.6 million in 1996, representing an increase of \$960,000, or 26.9%. This increase was attributable to an increase in the annualized return on investments to approximately 5.7% for the year ended December 31, 1997 from 5.3% in 1996 and to an increase in the average investments outstanding to \$74.2 million for the year ended December 31, 1997 from \$64 million in 1996.

Net realized gain on investments increased to \$3.0 million for the year ended December 31, 1997 from \$1.5 million in 1996. This increase was primarily due to increased sales of equity securities.

Other income decreased to \$13,000 for the year ended December 31, 1997 from \$1.4 million for the comparable period in 1996, representing a decrease of \$1.4 million. The decrease was primarily attributable to non-recurring income from the American Sentinel settlement.

EXPENSES

Total expenses increased to \$90.2 million for the year ended December 31, 1997 from \$29.7 million in 1996, representing an increase of \$60.5 million. Such increase was primarily attributable to the increase in operating expenses, which reflects the impact of the Company's acquisitions made in 1997 and the corresponding increase

of corporate staff and related integration costs. As a percentage of revenues, total expenses increased to 83.3% for the year ended December 31, 1997 from 83.1% in 1996.

Operating expenses for the business services operations increased to \$50.3 million for the year ended December 31, 1997 from \$1.1 million in 1996, representing an increase of \$49.2 million. Such increase was attributable to business services acquisitions completed in 1997. As a percentage of fees and commissions, operating expenses increased to 79.3% for the year ended December 31, 1997 from 68.9% in 1996.

Loss and loss adjustment expenses increased to \$20.7 million for the year ended December 31, 1997 from \$17.6 million in 1996, representing an increase of \$3.1 million, or 17.4%. Such increase was attributable to the increased premium volume for liability coverages. As a percentage of premiums earned, loss and loss adjustment expenses decreased to 55.5% for the year ended December 31, 1997 from 63.7% in 1996. Such decrease was the result of claims from prior years that were settled and paid in 1996 for higher than reserved amounts.

Policy acquisition expenses increased to \$9.7 million for the year ended December 31, 1997 from \$7.7 million in 1996, representing an increase of \$2.0 million, or 25.6%. The increase corresponds directly to the increase in premium volume. As a percentage of net written premiums, policy acquisition expenses were 25.8% and 24.7% for the year ended December 31, 1997 and 1996, respectively.

Corporate general and administrative expenses increased to \$4.6 million for the year ended December 31, 1997 from \$302,000 in 1996. Such increase was attributable to the creation of a corporate function in the fourth quarter of 1996 that did not exist prior to the reverse merger. Corporate general and administrative expenses represented 4.2% of total revenues for the year ended December 31, 1997.

Depreciation and amortization expense increased to \$2.6 million for the year ended December 31, 1997 from \$320,000 in 1996, representing an increase of \$2.3 million. The increase is a result of the increase of goodwill amortization resulting from the acquisitions completed by the Company in 1997. As a percentage of total revenues, depreciation and amortization expense increased to 2.4% for the year ended December 31, 1997 from 0.8% in 1996. Such increase was attributable to the implementation of the Company's acquisition strategy.

Other expenses decreased to \$2.3 million for the year ended December 31, 1997 from \$2.7 million in 1996, representing a decrease of approximately \$400,000. Such decrease was primarily attributable to the return of certain ceding commissions, which are calculated based on historical experience in relation to certain reinsurance contracts. The inclusion of the return of ceding commissions as an other expense item conforms to insurance industry standards. As a percentage of net written premiums, other expenses decreased to 6.2% for the year ended December 31, 1997 from 8.5% in 1996. Such decrease reflects the positive impact of the ceding commissions.

NET CORPORATE INTEREST INCOME

Net Corporate interest income increased to \$965,000 for the year ended December 31, 1997 from zero in 1996. Such increase was attributable to the increase in cash and cash equivalent balances for the Company, excluding specialty insurance and outsourced business services.

Comparison of Year Ended December 31, 1996 to Year Ended December 31, 1995

Total revenues increased \$4.9 million, or 16%, from \$30.9 million in 1995 to \$35.8 million in 1996. Premiums earned increased approximately \$700,000 on an increase of \$4.5 million in net written premiums in 1996. Much of the increase in net written premiums was recorded in the second half of 1996, which directly impacted Century's earned premium. On a gross written basis, Century reported an increase of \$5.2 million in 1996, \$5.0 million of which was generated through brokerages and \$800,000 of which was generated through general agencies. These increases were offset by a \$1.3 million decline in Century's remedial action coverages.

Century reported increases in net investment income of \$223,000 and net realized gains on investments of \$1.4 million in 1996. Net investment income grew 6.7% on invested assets of \$68.6 million in 1996. Century's \$1.4 million increase in net realized gains on investments from \$166,000 in 1995 to \$1.5 million in 1996 is attributable to the gains realized on the sale of certain equity investments.

Other income increased \$949,000 in 1996 over 1995 and is attributable to non-recurring income of \$1.1 million from the American Sentinel settlement, higher commission income of \$400,000 and SMR revenues of \$600,000 since its acquisition.

Total expenses increased \$3.7 million to \$29.7 million in 1996 from \$26.0 million in 1995. Such increase was primarily attributable to an increase in loss and loss adjustment expenses ("LAE") of \$2.5 million, and an increase in operating expenses of \$1.1 million, which reflects the impact of the Company's acquisitions made in 1996. While losses incurred have increased \$844,000, loss development from prior years increased \$1.4 million and primarily relate to property losses, which were higher than normal. In addition, Century has experienced increases in LAE to \$6.2 million in 1996 from \$4.5 million in 1995. Such increases are attributable to Century's business mix, primarily its casualty lines of business, and to the general litigation climate. The casualty lines of business generally have higher loss adjustment costs relative to premium dollars. Another factor affecting this increase is the court ruling in the case of Montrose Chemical Corporation v. Admiral Insurance Company. The California Supreme Court adopted a "continuous trigger of coverage" in cases involving continuous and progressive third party damage claims. Insurance companies are liable for claims occurring prior to the policy period for claims which continued to progress during the course of the policy term. The exposure to Century does not have a residual impact on loss reserves but does have a direct effect on the Company's loss adjustment reserving practices due to a higher potential for claims handling and litigation costs.

Income from continuing operations before taxes increased \$1.2 million, or 23.9%, to \$6.1 million in 1996 from \$4.9 million in 1995 and net income increased \$915,000, to \$4.4 million in 1996 from \$3.5 million in 1995 primarily for the reasons stated above.

COMBINED AND OPERATING RATIOS

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

The following table reflects the loss, LAE, expense, combined, net investment and operation ratios of Century on a generally accepted accounting principles ("GAAP") basis for each of the years ended December 31, 1997, 1996 and 1995:

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
Loss ratio.....	34.3	41.3	39.2
LAE ratio.....	21.2	22.5	16.9
Expense ratio.....	32.2	38.0	39.9
Combined ratio.....	87.7	101.8	96.0
Net investment ratio.....	12.2	12.9	12.4
Operating ratio.....	75.5	88.9	83.6

Expenses

The expense ratio reflected in the foregoing table is the relationship of operating costs to net earned premiums on a GAAP basis. Expense ratios have been favorably impacted by reinsurance contingencies.

Liability for Losses and Loss Expenses Payable

As of December 31, 1997, the liability for losses and LAE constituted 36.3% of Century's consolidated liabilities. Century has established reserves that reflect its estimates of the total losses and LAE it will ultimately be required to pay under insurance and reinsurance policies. Such reserves include losses that have been reported but not settled and losses that have been incurred but not reported ("IBNR"). Loss reserves are established on an undiscounted basis after reductions for deductibles and estimates of salvage subrogation.

For reported losses, Century establishes reserves on a "case" basis within the parameters of coverage provided in the related policy. For IBNR losses, Century estimates reserves using established actuarial methods. Case and IBNR loss reserve estimates reflect such variables as past loss experience, social trends in damage awards, changes in judicial interpretation of legal liability and policy coverages, and inflation. Century takes into account not only monetary increases in the cost of what is insured, but also changes in societal factors that influence jury verdicts and case law and, in turn, claim costs. Century's loss reserves have been certified in accordance with the requirements of the National Association of Insurance Commissioners.

The consolidated and combined financial statements of Century include the estimated liability for unpaid losses and LAE of Century's insurance operations. Reserves for unpaid losses covered by insurance policies and bonds consist of reported losses and IBNR losses. These reserves are determined by claims personnel and the use of actuarial and statistical procedures and they represent undiscounted estimates of the ultimate cost of all unpaid losses and LAE through year end. Although management uses many resources to calculate reserves, a degree of uncertainty is inherent in all such estimates. Therefore, no precise method for determining ultimate losses and LAE exist. These estimates are subject to the effect of future claims settlement trends and are continually reviewed and adjusted (if necessary) as experience develops and new information becomes known. Any such adjustments are reflected in current operations. See Footnote 6 to the Consolidated and Combined Financial Statements contained herein for the activity in the liability for unpaid losses and loss expenses for the years ended December 31, 1997, 1996, and 1995.

ANALYSIS OF LOSS AND LAE DEVELOPMENT

The historical pattern of redundancy might not be indicative of experience which may emerge in the future.

	YEAR ENDED DECEMBER 31,										
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
	(in thousands)										
Net liability for losses and loss expenses.....	\$3,484	\$7,202	\$8,168	\$10,428	\$12,775	\$14,107	\$21,023	\$25,278	\$28,088	\$32,985	\$42,399
Cumulative amount of net liability paid through:											
One year later...	1,566	2,985	2,404	2,404	2,811	3,026	4,131	6,309	8,785	8,773	--
Two years later.....	2,172	3,876	3,433	4,090	4,894	3,848	7,503	11,161	14,478		
Three years later.....	2,623	4,398	4,322	5,239	5,372	4,786	9,346	13,936			
Four years later.....	2,759	4,799	4,984	5,184	6,010	5,119	10,620				
Five years later.....	2,907	5,140	4,880	5,352	6,102	5,550					
Six years later.....	2,927	5,147	4,953	5,352	6,192						
Seven years later.....	2,935	5,152	4,947	5,366							
Eight years later.....	2,935	5,135	4,944								
Nine years later.....	2,917	5,128									
Ten years later.....	2,909										

	YEAR ENDED DECEMBER 31,											
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	
	(in thousands)											
The retroactively reestimated net liability for loss and loss expenses as of:												
One year later...	4,277	7,406	8,388	10,674	12,003	12,587	18,910	23,049	28,246	31,829	--	
Two years later.....	4,032	7,445	8,504	9,239	10,877	9,829	17,531	22,193	27,059			
Three years later.....	4,042	7,419	7,025	8,183	8,419	8,899	16,174	20,686				
Four years later.....	4,028	6,365	6,668	6,631	8,675	7,822	14,801					
Five years later.....	3,420	6,311	5,638	6,320	7,467	6,744						
Six years later.....	3,406	5,534	5,243	5,823	6,679							
Seven years later.....	3,009	5,308	5,133	5,532								
Eight years later.....	2,949	5,230	4,967									
Nine years later.....	2,926	5,138										
Ten years later.....	2,915											
Net cumulative redundancy.....	\$ 569	\$2,064	\$3,201	\$ 4,896	\$ 6,096	\$ 7,363	\$ 6,222	\$ 4,592	\$ 1,029	\$ 1,156	\$ --	
Gross liability -- end of year.....								\$34,661	\$37,002	\$41,099	\$50,655	
Reinsurance recoverable.....								9,383	8,914	8,114	8,256	
Net liability -- end of year.....								\$25,278	\$28,088	\$32,985	\$42,399	

LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

Century had cash and investments, excluding mortgage loans, of \$99.0 million, \$104.8 million, and \$57.5 million at December 31, 1997, 1996 and 1995, respectively. The \$47.3 million increase from 1995 to 1996 is a result of Century's generation of proceeds from stock issuances from exercises of outstanding options and warrants and the Private Placement (defined herein), profits and additional loss reserves on an increasing volume of liability coverages which have slower payout patterns than property coverages.

Net cash provided by operating activities for the years ended December 31, 1997, 1996, and 1995 was \$4.7 million, \$13.2 million, and \$3.6 million, respectively. These amounts were adequate to meet the majority of Century's capital expenditure, operating and acquisition costs and resulted primarily from earnings and the timing of reinsurance contingency transactions.

Net cash provided by (used in) financing activities for the years ended December 31, 1997, 1996, and 1995 was \$15.6 million, \$35.7 million, and \$(5.6) million, respectively. During 1996, Century realized approximately \$38.2 million in cash proceeds from a private placement and from stock issuances, offset in part by dividends paid to Alliance Holding by CSC and CSU prior to the Merger Transactions.

Sources of Cash

The Company's principal source of revenue from its business outsourcing services operation is the collection of fees from professional services rendered to its clients in the areas of information technology consulting, tax return preparation and compliance, and business valuations, as well as other areas that have been previously discussed.

Century's principal source of revenue from its specialty insurance services operations consists of insurance and reinsurance premiums, investment income, commission and fee income, and proceeds from sales and maturities of investment securities. Premiums written become premiums earned for financial statement purposes as the premium is earned incrementally over the term of each insurance policy and after deducting the amount of premium ceded to reinsurers pursuant to reinsurance treaties or agreements. The property and liability operation

of Century generates positive cash flow from operations as a result of premiums being received in advance of the time when the claim payments are made.

The companies of the CSC Group are subject to regulation and supervision by state insurance regulatory agencies, applicable generally to each insurance company in its state of incorporation. Such regulations limit the amount of dividends or distributions by an insurance company to its shareholders. If insurance regulators determine that payment of a dividend or any other payment to an affiliate (such as a payment under a tax allocation agreement) would, because of the financial condition of the paying insurance company or otherwise, be detrimental to such insurance company's policyholders or creditors, the regulators may block payment of such dividend or such other payment to the affiliates that would otherwise be permitted without prior approval.

Ohio law limits the payment of dividends to Century. The maximum dividend that may be paid without prior approval of the Director of Insurance of the State of Ohio is limited to the greater of the statutory net income of the preceding calendar year or 10% of total statutory shareholder's equity as of the prior December 31.

The Company has a \$50 million revolving credit facility with Bank of America, National Trust & Savings Association ("Bank of America"), as Agent. At December 31, 1997, approximately \$8 million was outstanding under such credit facility. The interest rate under the credit facility is, at the Company's option, either: (a) the higher of (i) 0.50% per annum above the latest Federal Funds Rate or (ii) the rate of interest in effect from time to time announced by the Bank of America, San Francisco, California office as its "reference rate," or (b) a floating rate based on certain offshore dollar interbank market rates. The credit facility requires the Company to comply with various affirmative and negative covenants, including (a) observance of various financial and other covenants, (b) restrictions on additional indebtedness, (c) restrictions on dividend payments and (d) restrictions on certain liens, mergers, dispositions of assets and investments. The Company must also maintain a net worth equal to the sum of (a) \$88 million plus (b) 70% of subsequent net income plus (c) the proceeds of any equity security offerings.

In December 1996, Century issued and sold 3,251,888 units of Century (the "Units") for \$9.00 per Unit (the "Private Placement"). Each Unit consisted of one share of Common Stock and one warrant to purchase one share of Common Stock of Century at an exercise price of \$11.00 per share exercisable, in whole or in part, for a three year period from the date of issuance. The Private Placement resulted in net proceeds of approximately \$27.7 million, after deducting the placement agent fee and other estimated expenses associated with the Private Placement.

In addition, Westbury (Bermuda) Ltd. formerly known as MGD Holdings ("Westbury"); the Harve A. Ferrill Trust U/A 12/31/69 (the "Ferrill Trust"); and WeeZor I Limited Partnership ("WeeZor"), affiliates of each of Messrs. Michael G. DeGroote, Chairman of the Board of Century; Harve A. Ferrill and Richard C. Rochon, directors of Century, respectively, purchased an aggregate of 616,611 Units. Upon issuance of the second tranche of the Units, Century received an additional \$5.3 million in proceeds.

On February 6, 1998, the Company accepted subscriptions for 5,000,000 shares of the Company's Common Stock, consisting of 3,800,000 newly-issued shares and 1,200,000 shares of outstanding Common Stock offered by certain selling shareholders. The Company received proceeds of approximately \$41 million for the newly issued shares. Such proceeds will be used for general corporate purposes, including acquisitions. Additionally, the selling shareholders either exercised or caused to be exercised an aggregate of 1.4 million warrants, resulting in additional proceeds to the Company of \$3.7 million. A subscription for 500,000 shares of the 5,000,000 shares was received from Westbury. The purchase of these shares by an affiliate of Mr. DeGroote, who is Chairman of the Board of Directors, President and Chief Executive Officer of Century, is conditioned, among other things, to shareholder approval at the Annual Meeting scheduled for April 30, 1998.

The Company had 22,379,387 warrants outstanding at December 31, 1997 with exercise prices ranging from \$1.075 to \$13.06 which expire at various times through October 18, 2000. If all warrants were exercised during this timeframe, the Company would receive proceeds of approximately \$118.4 million.

USES OF CASH AND LIQUIDITY OUTLOOK

OPERATIONS. Century made capital expenditures of \$2,284,000, \$286,000 and \$223,000 for the years ended December 31, 1997, 1996 and 1995, respectively, which included expenditures for fixed assets for normal replacement, compliance with regulations and market development. During the year ended December 31, 1997, Century funded capital expenditures from cash on hand and operating cash flow. Century anticipates that during 1998, it will continue to fund expenditures from operating cash flow supplemented by borrowing under its revolving credit facility, as necessary. Management believes that Century currently has sufficient cash and lines of credit to fund current operations and expansion thereof.

Cash used in investing activities for the years ended December 31, 1997, 1996 and 1995 primarily came as the result of differences in the purchases and sales of investments and the effect of certain business acquisitions.

Century is required to establish a reserve for unearned premiums. Century's principal costs and factors in determining the level of profit are the difference between premiums earned and losses, LAE and agent commissions. Loss and LAE reserves are estimates of what an insurer expects to pay on behalf of claimants. Century is required to maintain reserves for payment of estimated losses and LAE for both reported claims and for IBNR claims. Although the ultimate liability incurred by Century may be different from current reserve estimates, management believes that the reserves are adequate.

Century believes its cash flow from operations and available financial resources provide for adequate liquidity to fund existing and anticipated capital and operational requirements as well as to fund future growth and expansion. Management is not aware of any current recommendations by regulatory authorities that, if implemented, could have a material impact on Century's liquidity, capital resources and operations.

YEAR 2000. The Company's business depends in part upon its ability to store, retrieve, process and manage significant databases and periodically, to expand and upgrade its information processing capabilities. The Company recognizes the need to ensure its operations will not be adversely impacted by Year 2000 software failures. The Company has reviewed and continues to review, on a regular basis, its computer equipment and software systems with regard to Year 2000 problems. The Company has formulated a plan and methodology for addressing Year 2000 problems and is currently implementing such plans.

ACQUISITIONS. Century's strategy is to expand aggressively its specialty insurance and business outsourcing services operations through internal growth and by acquiring and integrating existing businesses. Century makes its decision to acquire or invest in businesses based on financial and strategic considerations. The Company normally funds its acquisitions through a combination of restricted Common Stock and cash. See "Business and Properties -- Business Strategy." The businesses acquired to date, with one exception, have been accounted for under the purchase method of accounting and, accordingly, are included in the financial statements from the date of acquisition.

On November 14, 1997, the Company filed two shelf registration statements with the Securities and Exchange Commission to register an aggregate of 7,729,468 shares of Common Stock to be issued from time to time in connection with acquisitions and up to an aggregate of \$125,000,000 of debt securities, Common Stock or Warrants to be issued and sold from time to time by the Company. The registration statements became effective in December 1997. To date, the Company has not issued any securities under either registration statement.

Management believes that Century currently has sufficient resources, including cash on hand, cash flow from operating activities, credit facilities and access to financial markets to fund current and planned operations, service any outstanding debt and make certain acquisitions. However, substantial additional capital may be necessary to fully implement Century's aggressive acquisition program. There can be no assurance that additional financing will be available on a timely basis, if at all, or that it will be available in the amounts or on terms acceptable to Century.

UNCERTAINTY OF FORWARD-LOOKING STATEMENTS

This Annual Report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical fact

included in this Annual Report, including without limitation, "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding the Company's financial position, business strategy and plans and objectives for future performance are forward-looking statements. Forward-looking statements are commonly identified by the use of such terms and phrases as "intends," "estimates," "expects," "projects," "anticipates," "foreseeable future," "seeks," and words or phrases of similar import. Such statements are subject to certain risks, uncertainties or assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Among the key factors that may have a direct bearing on Century's results of operations and financial condition are: (i) Century's ability to grow through acquisitions of strategic and complementary businesses; (ii) Century's ability to finance such acquisitions; (iii) Century's ability to manage growth; (iv) Century's ability to integrate the operations of acquired businesses; (v) Century's ability to attract and retain experienced personnel; (vi) Century's ability to store, retrieve, process and manage significant databases; (vii) Century's ability to manage pricing of its insurance products and adequately reserve for losses; (ix) the impact of current and future laws and governmental regulations affecting Century's operations; and (x) market fluctuations in the values or returns on assets in Century's investment portfolios.

ITEM 7A.

QUANTITATIVE INFORMATION ABOUT MARKET RISK. The Company does not engage in trading market risk sensitive instruments. Neither does the Company purchase as investments, hedges or for purposes "other than trading" instruments that are likely to expose the Company to market risk, whether interest rate, foreign currency exchange, commodity price or equity price risk. The Company has issued no debt instruments, entered into no forward or futures contracts, purchased no options and entered no swaps.

QUALITATIVE INFORMATION ABOUT MARKET RISK. The Company's primary market risk exposure is that of interest rate risk. A change in the Federal Funds Rate, or the Reference Rate set by the Bank of America (San Francisco), would affect the rate at which the Company could borrow funds under its Credit Facility.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

NONE

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information appearing under the caption "Election of Directors" in the Company's definitive proxy statement (the "Proxy Statement") relating to the 1998 Annual Stockholders Meeting (the "Annual Meeting"), is incorporated herein by reference. The information regarding directors and executive officers of the Company is contained in Part I of this Annual Report under a separate item captioned "Directors and Executive Officers of Century Business Services, Inc."

ITEM 11. EXECUTIVE COMPENSATION

The information appearing under the caption "Executive Compensation" in the Proxy Statement relating to the Annual Meeting is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information appearing under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information appearing under the captions "Certain Relationships and Related Transactions" in the Proxy Statement is incorporated herein by reference.

PART IV

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

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

1. Financial Statements.

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

2. Financial Statement Schedules.

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

3. Exhibits.

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

EXHIBIT NO.	DESCRIPTION
3.1	Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company'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 the Company dated October 18, 1996 (filed as Exhibit 3.2 to the Company'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 the Company effective October 23, 1997.
3.4	Amended and Restated Bylaws of the Company (filed as Exhibit 3.2 to the Company'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 the Company (filed as Exhibit 4.1 to the Company's Registration Statement on Form 10, file no. 0-25890, and incorporated herein by reference).
4.2	Promissory Note, dated October 18, 1996, in the original aggregate principal amount of \$4.0 million issued by the Company payable to Alliance Holding (filed as Exhibit 99.7 to the Company's Current Report on Form 8-K dated October 18, 1996, and incorporated herein by reference).
4.3*	Form of Warrant for the purchase of the Company's Common Stock.
10.1	Credit Agreement dated as of October 2, 1997 by and among Century and its Subsidiaries, as Borrowers, and Bank of America National Trust and Savings Association, as Agent and Letter of Credit Bank (filed as Exhibit 10.1 to the Company's Report on Form 10-Q for the period ended September 30, 1997, and incorporated herein by reference).

EXHIBIT NO.	DESCRIPTION
10.2	Agreement and Plan of Merger by and among Century Business Services, Inc., Republic/CSA Acquisition Corporation, Republic/CSU Acquisition Corporation, Alliance Holding, CSC and CSU (filed as Appendix I to the Company's Definitive Schedule 14C Information Statement dated September 23, 1996 and incorporated herein by reference).
10.3	Amendment No. 1 to Agreement and Plan of Merger by and among Century Business Services, Inc. Republic/CSA Acquisition Corporation, Republic/CSU Acquisition Corporation, Alliance Holding, CSC and CSU (filed as Appendix IV to the Company's Definitive Schedule 14C Information Statement dated September 23, 1996 and incorporated herein by reference).
10.4	Amendment No. 2 to Agreement and Plan of Merger by and among IASI, Republic/CSA Acquisition Corporation, Republic/CSU Acquisition Corporation, Alliance Holding, CSC and CSU (filed as Appendix V to the Company's Definitive Schedule 14C Information Statement dated September 23, 1996 and incorporated herein by reference).
10.5	Agreement and Plan of Merger by and among Century Business Services, Inc., Century/SMR Acquisition Co., SMR and its shareholders dated November 30, 1996 (filed as Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
10.6	1996 Employee Stock Option Plan (filed as Appendix I to the Company's Proxy Statement 1997 Annual Meeting of Stockholders dated April 1, 1997 and incorporated herein by reference).
10.7*	Amendment to 1996 Employee Stock Option Plan, effective December 8, 1997.
10.8	Agents 1997 Stock Option Plan (filed as Appendix II to the Company's Proxy Statement 1997 Annual Meeting of Stockholders dated April 1, 1997 and incorporated herein by reference).
10.9*	Subscription Agreement by and between Century Business Services, Inc. and Westbury (Bermuda) Ltd., dated February 6, 1998.
21.1*	List of Subsidiaries of Century Business Services, Inc.
24.1*	Consent of KPMG Peat Marwick LLP.

* Indicates documents filed herewith.

(b) Reports on Form 8-K

Century Business Services, Inc. filed the following Current Reports on Form 8-K during 1997:

Current Report on Form 8-K dated February 19, 1997, as amended on Form 8-K/A filed on April 2, 1997.
 Current Report on Form 8-K dated April 3, 1997.
 Current Report on Form 8-K dated April 21, 1997.
 Current Report on Form 8-K dated July 23, 1997, as amended on Form 8-K/A dated October 3, 1997.

SIGNATURES

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

CENTURY BUSINESS SERVICES, INC.
(Registrant)

By: /s/ GREGORY J. SKODA

Gregory J. Skoda
Executive Vice President
February 17, 1998

KNOW ALL MEN BY THESE PRESENTS that each person whose signature appears below on this Annual Report hereby constitutes and appoints Michael G. DeGroot and Gregory J. Skoda 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 any and 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 said attorneys-in-fact and agents, 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 of said attorneys-in-fact and agents, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

/s/ MICHAEL G. DEGROOTE

Michael G. DeGroot
Chief Executive Officer, President,
Chairman of the Board and Director

/s/ JOSEPH S. DIMARTINO

Joseph S. DiMartino
Director

/s/ GREGORY J. SKODA

Gregory J. Skoda
Executive Vice President
and Director

/s/ HARVE A. FERRILL

Harve A. Ferrill
Director

/s/ CHARLES DELL HAMM, JR.

Charles Dell Hamm, Jr.
Chief Financial Officer
(Principal Financial and Accounting
Officer)

/s/ HUGH P. LOWENSTEIN

Hugh P. Lowenstein
Director

/s/ RICK L. BURDICK

Rick L. Burdick
Director

/s/ RICHARD C. ROCHON

Richard C. Rochon
Director

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

BOARD OF DIRECTORS
CENTURY BUSINESS SERVICES, INC.

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

We conducted our audits in accordance with generally accepted auditing standards. 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 and combined financial statements referred to above present fairly, in all material respects, the financial position of Century Business Services, Inc. and Subsidiaries at December 31, 1997 and 1996, and the results of their operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1997, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated and combined financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG PEAT MARWICK LLP

Cleveland, Ohio
February 17, 1998

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED AND COMBINED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

DECEMBER 31, 1997 AND 1996

	1997	1996
	-----	-----
ASSETS		
Cash and cash equivalents.....	\$ 21,148	\$ 39,874
Accounts receivable, less allowance for doubtful accounts of \$1,472 and \$0, respectively.....	32,235	598
Premiums receivable, less allowance for doubtful accounts of \$281 and \$284, respectively.....	7,812	7,013
Investments (Note 4):		
Fixed maturities held to maturity, at amortized cost.....	14,528	15,481
Securities available for sale, at fair value.....	59,138	44,684
Mortgage loans.....	1,839	3,685
Short-term investments.....	4,215	4,799
	-----	-----
Total investments.....	79,720	68,649
Deferred policy acquisition costs (Note 8).....	4,478	4,345
Reinsurance recoverables (Note 7).....	15,215	11,185
Excess of cost over net assets of businesses acquired, net of accumulated amortization of \$1,297 and \$33, respectively (Note 2)....	89,856	6,048
Net assets held for disposal (Note 15).....	--	22,999
Notes receivable (Note 15).....	16,579	--
Other assets.....	20,524	6,619
	-----	-----
TOTAL ASSETS.....	\$287,567	\$167,330
	=====	=====
LIABILITIES		
Accounts payable.....	\$ 9,437	\$ 136
Losses and loss expenses payable (Note 6).....	50,655	41,099
Unearned premiums.....	22,656	18,637
Notes payable, bank debt and capitalized leases (Note 11).....	20,312	3,211
Income taxes (Note 10).....	2,958	1,994
Accrued expenses.....	27,167	5,355
Other liabilities.....	6,472	5,576
	-----	-----
TOTAL LIABILITIES.....	139,657	76,008
	-----	-----
SHAREHOLDERS' EQUITY		
Common stock, par value \$.01 per share (Note 5)		
Authorized -- 100,000,000 shares		
Issued and outstanding -- 41,464,099 shares at December 31, 1997; -- 33,764,506 shares at December 31, 1996...	415	338
Additional paid-in capital.....	127,517	80,446
Retained earnings.....	18,372	6,842
Net unrealized appreciation of investments (net of tax).....	1,606	3,696
	-----	-----
TOTAL SHAREHOLDERS' EQUITY.....	147,910	91,322
	-----	-----
Commitments and contingencies (Note 12)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$287,567	\$167,330
	=====	=====

See the accompanying notes to the consolidated and combined financial statements.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED AND COMBINED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)

YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997	1996	1995
	-----	-----	-----
Revenues:			
Business services fees and commissions.....	\$ 63,411	\$ 1,606	\$ --
Specialty insurance services (regulated):			
Premiums earned (Note 7).....	37,238	27,651	26,962
Net investment income (Note 4).....	4,524	3,564	3,341
Net realized gains on investments (Note 4).....	3,044	1,529	166
Other income.....	13	1,419	470
	-----	-----	-----
Total revenues.....	108,230	35,769	30,939
Expenses:			
Operating expenses -- business services.....	50,277	1,107	--
Losses and loss adjustment expenses (Note 7).....	20,682	17,624	15,117
Policy acquisition expenses (Note 8).....	9,670	7,699	7,774
Corporate general and administrative expenses.....	4,578	302	--
Depreciation and amortization expenses.....	2,612	320	--
Other expenses.....	2,331	2,655	3,157
	-----	-----	-----
Total expenses.....	90,150	29,707	26,048
Income from continuing operations before net corporate interest income and income tax expense.....	18,080	6,062	4,891
Net corporate interest income.....	965	--	--
	-----	-----	-----
Income from continuing operations before income tax expense.....	19,045	6,062	4,891
Income tax expense (Note 10).....	6,280	1,640	1,422
	-----	-----	-----
Income from continuing operations.....	12,765	4,422	3,469
Loss from operations of discontinued business (net of income tax expense (benefit) of \$(316), \$91 and \$0, respectively).....	663	38	--
Loss on disposal of discontinued business (net of income tax benefit of \$305 in 1997) (Note 15).....	572	--	--
	-----	-----	-----
Net income.....	\$ 11,530	\$ 4,384	\$ 3,469
	=====	=====	=====
Earnings per share (Note 3):			
Basic:			
Income from continuing operations.....	\$ 0.35	\$ 0.25	\$ 0.24
Loss from discontinued operations.....	(0.04)	--	--
	-----	-----	-----
Net income per share.....	\$ 0.31	\$ 0.25	\$ 0.24
	=====	=====	=====
Diluted:			
Income from continuing operations.....	\$ 0.26	\$ 0.18	\$ 0.20
Loss from discontinued operations.....	(0.02)	--	--
	-----	-----	-----
Net income per share.....	\$ 0.24	\$ 0.18	\$ 0.20
	=====	=====	=====
Weighted average common shares.....	36,940	17,863	14,760
	=====	=====	=====
Weighted average common shares and dilutive potential common shares.....	48,904	24,032	16,956
	=====	=====	=====

See the accompanying notes to the consolidated and combined financial statements.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED AND COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	SHARES	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	NET UNREALIZED APPRECIATION (DEPRECIATION)
	-----	-----	-----	-----	-----
December 31, 1994.....	14,760,000	\$148	\$ 18,551	\$ 6,089	\$ (1,208)
Net income.....	--	--	--	3,469	--
Pre-merger capital contribution from parent.....	--	--	595	--	--
Pre-merger dividends paid to parent.....	--	--	--	(5,350)	--
Change in unrealized depreciation, net of deferred taxes.....	--	--	--	--	4,474
December 31, 1995.....	14,760,000	148	19,146	4,208	3,266
Net income.....	--	--	--	4,384	--
Pre-merger capital contribution from parent.....	--	--	595	--	--
Pre-merger dividends paid to parent.....	--	--	--	(1,750)	--
Change in unrealized appreciation, net of deferred taxes.....	--	--	--	--	430
Reverse merger.....	10,858,158	108	16,136	--	--
Stock issuances.....	7,251,888	73	38,164	--	--
Stock options.....	101,960	1	1,153	--	--
Business acquisitions.....	792,500	8	5,252	--	--
December 31, 1996.....	33,764,506	338	80,446	6,842	3,696
Net income.....	--	--	--	11,530	--
Change in unrealized appreciation, net of deferred taxes.....	--	--	--	--	(2,090)
Reverse merger					
Stock issuances.....	616,611	6	5,261	--	--
Stock options.....	53,032	1	334	--	--
Warrants.....	533,032	5	2,819	--	--
Business acquisitions.....	6,496,918	65	38,657	--	--
December 31, 1997.....	41,464,099	\$415	\$ 127,517	\$18,372	\$ 1,606
	=====	=====	=====	=====	=====

See the accompanying notes to the consolidated and combined financial statements.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES
 CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
 (IN THOUSANDS)

YEARS ENDED DECEMBER 31, 1997 1996 AND 1995

	1997	1996	1995
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income from continuing operations.....	\$ 12,765	\$ 4,422	\$ 3,469
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of business.....	(171)	--	--
Net loss from operations of discontinued business.....	(663)	(38)	--
Net loss on disposal of discontinued business.....	(572)	--	--
Depreciation and amortization.....	12,282	7,969	8,143
Deferred income taxes.....	(958)	(27)	(699)
Cash provided by (used in) changes in assets and liabilities, net of acquisitions and dispositions:			
Accounts receivable, net.....	(13,437)	--	--
Premiums receivable, net.....	3,117	(915)	(62)
Deferred policy acquisition costs.....	(9,803)	(8,616)	(7,476)
Reinsurance recoverables, net.....	(4,030)	1,462	(1,671)
Other assets.....	(6,166)	(1,540)	(527)
Accounts payable.....	6,069	136	--
Losses and loss expenses payable.....	6,947	4,097	2,341
Unearned premiums.....	(1,582)	3,001	183
Income taxes.....	889	646	725
Accrued expenses.....	16,505	1,105	533
Other liabilities.....	(1,855)	3,156	1,242
Non-cash charges and working capital changes from discontinued operations.....	(15,620)	--	--
Other, net.....	993	(1,693)	(2,599)
	-----	-----	-----
Net cash provided by operating activities.....	4,710	13,165	3,602
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed maturities, held to maturity.....	(869)	(1,318)	(269)
Purchase of fixed maturities, available for sale.....	(21,222)	(12,408)	(9,552)
Purchase of equity securities, available for sale.....	(2,816)	(2,921)	(228)
Redemption of fixed maturities, held to maturity.....	1,172	1,000	1,281
Sale of fixed maturities, available for sale.....	6,006	9,333	7,089
Sale of equity securities, available for sale.....	1,285	675	150
Increase in mortgage loans.....	--	(1,275)	(1,342)
Principal receipts on mortgage loans.....	1,846	983	910
Change in short-term investments.....	584	(3,956)	27
Business acquisitions, net of cash acquired.....	(35,822)	912	--
Proceeds from dispositions of businesses.....	10,700	--	--
Acquisition of property and equipment, net.....	(2,284)	(286)	(223)
	-----	-----	-----
Net cash used in investing activities.....	(41,420)	(9,261)	(2,157)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Pre-merger dividends paid to parent.....	--	(1,750)	(5,350)
Proceeds from debt.....	13,416	--	--
Repayment of debt.....	(6,233)	(836)	(295)
Proceeds from stock issuances.....	5,267	38,237	--
Proceeds from exercise of stock options and warrants.....	3,159	--	--
	-----	-----	-----
Net cash provided by (used in) financing activities.....	15,609	35,651	(5,645)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(21,101)	39,555	(4,200)
Cash and cash equivalents at beginning of year.....	42,249	2,694	6,894
	-----	-----	-----
Cash and cash equivalents at the end of year:			
Continuing operation.....	21,148	39,874	2,694
Discontinued operations.....	--	2,375	--
	-----	-----	-----
Total cash and cash equivalents at end of year.....	\$ 21,148	\$ 42,249	\$ 2,694
	=====	=====	=====

See the accompanying notes to the consolidated and combined financial statements.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Century Business Services, Inc. and subsidiaries (the "Company") is a diversified services organization which, acting through its subsidiaries, provides outsourced business services, including specialty insurance services, to small and medium sized commercial enterprises throughout the United States.

RESI Transaction

On October 18, 1996, Republic Environmental Services, Inc. ("RESI") issued (a) an aggregate of 14,760,000 shares of RESI common stock, par value \$0.01 per share ("RESI Common Stock"), (b) warrants to purchase an aggregate of 4,200,000 additional shares of RESI Common Stock at exercise prices ranging from \$2.625 to \$3.875 per share, expiring in two to four years and (c) a promissory note in principal amount of \$4,000,000 in exchange for the stock of Century Surety Company ("CSC") and Commercial Surety Agency, Inc. d.b.a. Commercial Surety Underwriters ("CSU") (together the "Alliance Companies") ("the RESI Transaction"). The RESI transaction was accounted for as a reverse merger whereby the Alliance Companies gained a controlling interest in the stock of RESI. Contemporaneously, RESI changed its name to International Alliance Services, Inc. On June 24, 1996, the Company began trading under the symbol "IASI" in anticipation of the merger with Alliance Companies, which ultimately resulted in a change of its name to Century Business Services, Inc.

The consolidated and combined financial statements presented herein are as follows:

- i. Consolidated and Combined Balance Sheets of the Company at December 31, 1997 and 1996;
- ii. Consolidated and Combined Statements of Income of the Company for the years ended December 31, 1997, 1996 and 1995;
- iii. Consolidated and Combined Statements of Shareholders' Equity of the Company for the years ended December 31, 1997, 1996 and 1995;
- iv. Consolidated and Combined Statements of Cash Flows of the Company for the years ended December 31, 1997, 1996 and 1995.

The following are significant accounting policies followed by the Company.

Basis of Consolidation

The Company's consolidated and combined financial statements include the accounts of all wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Accounting Estimates

In preparing the consolidated and combined financial statements, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the consolidated and combined financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of losses and loss expenses payable, the recoverability of deferred policy acquisition costs, and the net realizable value of reinsurance recoverables and net assets held for disposal.

Management believes that the recorded liability for losses and loss expenses is adequate. While management uses available information to estimate losses and loss expenses payable, future changes to the liability may be necessary based on claims experience and changing claims frequency and severity of conditions. Management

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

also believes that deferred policy acquisition costs are recoverable, however, future costs that are associated with the business in the unearned premium liability could exceed management's estimates, causing the recorded asset to be unrecoverable in whole or in part. In addition, management's estimates of amounts recoverable from reinsurers, net of valuation allowance, are believed to be consistent with the claim liability, but the actual amounts recoverable could differ from those estimates. The amounts the Company will ultimately realize from the sale of the net assets held for disposal could differ from management's estimates of their realizable value.

Cash and Cash Equivalents

Cash and cash equivalents consists of funds held on deposit and short-term highly liquid investments with a maturity of three months or less at the date of purchase. At various times during the year, the Company had deposits with financial institutions in excess of the \$100,000 federally insured limit.

Excess of Cost over Net Assets of Businesses Acquired

The excess of cost over the fair value of net assets of businesses acquired is being amortized on a straight-line basis over the expected periods to be benefited, which is generally 30 years. It is the Company's policy to evaluate the excess of cost over the net assets of businesses acquired based on an evaluation of such factors as the occurrence of a significant adverse event or change in the environment in which the business operates or if the expected future net cash flows, undiscounted and without interest, would become less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related businesses. Amortization expense from continuing operations was approximately \$1,334,000, \$33,000 and \$0 in 1997, 1996 and 1995, respectively.

Property and Equipment

Property and equipment, which is included in other assets in the consolidated and combined balance sheets, are recorded at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided on the straight-line basis over estimated useful lives.

Income Taxes

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

Earnings per Common Share

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share. The Company adopted this standard, as required, for its December 31, 1997 financial statements. For the years presented, the company presents both basic and diluted earnings per share. Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if common stock equivalents were exercised and then shared in the earnings of the Company.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Investments

In accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, all fixed maturity securities that the Company has the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortized cost; all other fixed maturity securities and all equity securities are classified as available for sale and are stated at fair value, with the unrealized gains and losses, net of deferred income tax, reported as a separate component of shareholders' equity. The Company has no investment securities classified as trading. Realized gains and losses on the sale of investments are determined on the basis of specific security identification and also includes other than temporary declines, if any. Interest income is recognized on the accrual basis and dividend income is recognized on the ex-dividend date.

Deferred Policy Acquisition Costs

Acquisition costs, consisting of commissions, premium taxes and certain underwriting expenses that vary with and are primarily related to the production of business, are deferred and amortized ratably over the policy term. The method used limits the amount to its estimated realizable value which gives effect to the premium to be earned, the incurrence of loss and loss expenses and certain other costs expected to be incurred as premium is earned.

Stock Options

Prior to January 1, 1996, the Company accounted for its stock option plans in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. On January 1, 1996, the Company adopted SFAS No. 123, Accounting for Stock-Based Compensation, which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants made in 1995 and future years as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123.

Losses and Loss Expenses Payable

The liability for losses is provided based upon case basis estimates for losses reported in respect to direct business; estimates of unreported losses based on estimated loss experience; estimates received and supplemental amounts provided relating to assumed reinsurance; and deduction for estimated salvage and subrogation recoverable. The liability for loss expenses is established by estimating future expenses to be incurred in settlement of the claims provided for in the liability for losses. The liability for losses and loss expenses is not discounted.

Premium Recognition

Premiums are recognized as revenue in proportion to the insurance coverage provided, which is generally ratably over the terms of the policies. Unearned premiums are generally computed on the daily pro rata basis and include amounts relating to assumed reinsurance.

Reinsurance Ceded

In accordance with SFAS No. 113, Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts, reinsurance receivables are accounted for and reported separately as assets, net of valuation allowance. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Contracts not resulting in the reasonable possibility that the reinsurers may realize a significant loss from the insurance risk assumed generally do not meet the conditions for reinsurance accounting and are accounted for as deposits. Reinsurance premiums ceded and reinsurance recoveries on claims incurred are deducted from the respective revenue and expense accounts. The Company is not relieved of its primary obligation in a reinsurance transaction.

Business Risk

The following is a description of the most significant risks facing property and casualty insurers and how the Company mitigates those risks:

Inadequate Pricing Risk is the risk that the premium charged for insurance and insurance related products are insufficient to cover the costs associated with the distribution of such products which include: claim and loss costs, loss adjustment expenses, acquisition expenses, and other corporate expenses. The Company utilizes a variety of actuarial and other qualitative methods to set such levels

Adverse Loss Development and Incurred But Not Reported ("IBNR") Risk is the risk inherent in the handling and settling of claims whose ultimate costs, which include loss costs, loss adjustment expenses, and other related expenses, are unknown at the time the claim is presented. An associated risk relates to claims which have been incurred, but for which the Company has no knowledge. The Company makes judgments as to the ultimate costs of presented claims and makes a provision for their future payment by establishing reserves for existing claims (case reserves) and for IBNR claims, however, there can be no assurance that the amounts reserved will be adequate to ultimately make all required payments.

Legal/Regulatory Risk is the risk that changes in the legal or regulatory environment in which an insurer operates will occur and create additional loss costs or expenses not anticipated by the insurer in pricing its products. That is, regulatory initiatives designed to reduce insurer profits or new legal theories may create costs for the insurer beyond those recorded in the financial statements. The Company is exposed to this risk by writing approximately 26% of its business in Ohio and surrounding states and 41% in California, thus increasing its exposure in these particular regions. This risk is reduced by underwriting and loss adjusting practices that identify and minimize the adverse impact of this risk.

Credit Risk is the risk that issuers of securities and mortgagors of the mortgages owned by the Company will default, or other parties, including reinsurers that owe the Company money, will not pay. The Company minimizes this risk by adhering to a conservative investment strategy, by maintaining sound reinsurance and credit and collection policies, and by providing for any amounts deemed uncollectible.

Interest Rate Risk is the risk that interest rates will change and cause a decrease in the value of an insurer's investments. The Company mitigates this risk by attempting to match the maturity schedule of its assets with the expected payouts of its liabilities. To the extent that liabilities come due more quickly than assets mature, an insurer would have to sell assets prior to maturity and recognize a gain or loss. Management believes that the Company's positive cash flow from investment income and operations will enable the Company to operate without having to recognize significant losses from the sale of investments that have an unrealized holding loss as of December 31, 1997.

Reclassifications

Certain reclassifications have been made to the 1996 and 1995 financial statements to conform to the 1997 presentation.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

2. ACQUISITIONS

During fiscal 1997, the Company continued its strategic acquisition program, purchasing the businesses of 39 complementary companies. These acquisitions comprised the following: ten accounting systems and tax advisory businesses, including Comprehensive Business Services, Inc. ("Comprehensive"), a franchisor of accounting services; eight specialty insurance businesses; four workers' compensation administration businesses; ten payroll administration/benefits design and administration firms; three human resources/executive search firms; one valuation and appraisal group; two technology firms; and one broker/dealer.

These acquisitions, with the exception of Business Management Services, Inc. and BMS Employee Benefits, Inc., (collectively, "BMS") were accounted for as a purchase, and accordingly, the operating results of the acquired companies have been included in the accompanying consolidated and combined financial statements since the dates of acquisition. The BMS acquisition was accounted for using the "pooling of interests" method of accounting. The Company's prior period financial statements have not been restated for the BMS acquisition as the transaction was considered immaterial.

The aggregate purchase price of the aforementioned acquisitions was approximately \$87.748 million, and includes future contingent consideration of up to \$5.880 million in cash and 1,716,226 shares of restricted common stock, with an estimated stock value at date of acquisition of \$17.848 million, based on the acquired companies' ability to meet certain performance goals. The aggregate purchase price, comprised of cash payments, issuance of promissory notes, and issuance of Common Stock, has been allocated to the net assets of the Company based upon their respective fair market values. The excess of the purchase price over net assets acquired (goodwill) approximated \$89.856 million and is being amortized over periods not exceeding 30 years. As a result of the nature of the assets and liabilities of the businesses acquired, there were no material identifiable intangible assets or liabilities.

The Company considers the following acquisitions as significant, and as such, are discussed separately below:

In January 1997, Century acquired certain of the assets and business of Midwest Indemnity Corporation ("Midwest"), in exchange for \$3.3 million in cash, 407,246 shares of restricted Common Stock and \$1.8 million in non-interest bearing notes payable in installments through December 31, 1998. Midwest markets surety bond products throughout the United States through a system of approximately 100 independent agents and subagents. In conjunction with the acquisition of Midwest's assets, the Century Surety Group, which has developed the Company's surety bond business on a regional basis over the past nine years, entered into a strategic partnership with Gulf Insurance Company of New York (a Travelers/Aetna company). Under the terms of the partnership, Century Surety Underwriters has been designated Underwriting Services Administrator of Gulf's contract surety business.

In June 1997, Century acquired ZA Business Services, Inc. for approximately \$6.2 million in cash and 358,000 shares of restricted Common Stock. ZA Business Services, Inc., located in Philadelphia, provides a wide range of outsourced business services to a broad spectrum of industries as well as litigation support to the legal profession. It has satellite offices in Boston, Massachusetts; Milwaukee, Wisconsin and Harrisburg, Pennsylvania and serves a client base in excess of 1,500 businesses and individuals.

In September 1997, Century acquired Valuation Counselors Group, Inc. for \$6.75 million in cash and 558,026 shares of restricted Common Stock. This valuation and appraisal service business has locations in Illinois, California, Georgia, Massachusetts, Michigan, Missouri, New Jersey, New York, Texas, Virginia, Washington and Wisconsin.

In October 1997, Century acquired Comprehensive, for 48,524 shares of Common Stock, \$1.75 million in cash and 154,242 shares of restricted Common Stock. Comprehensive offers an extensive distribution network for the full range of Century business services.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

In December 1997, Century acquired Robert D. O'Byrne & Associates, Inc. and its affiliate, The Grant Nelson Group, Inc. for \$5.5 million in cash, 654,300 shares of restricted Common Stock at closing. Robert D. O'Byrne & Associates, Inc. and The Grant Nelson Group provide benefits administration services.

The following data summarizes, on an unaudited pro forma basis, the combined results of continuing operations of the Company and the businesses acquired for the two years ended December 31, 1997. The pro forma amounts give effect to appropriate adjustments resulting from the combination, but are not necessarily indicative of future results of operations or of what results would have been for the combined companies (in thousands):

	UNAUDITED	
	1997	1996
Net revenues -- pro forma.....	\$188,793	\$159,689
Net income -- pro forma.....	\$ 14,347	\$ 10,084
Earnings per common share -- pro forma		
-- basic.....	\$ 0.35	\$ 0.30
-- diluted.....	\$ 0.27	\$ 0.25

3. EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, Earnings Per Share. The Company adopted this standard, as required, for its December 31, 1997 financial statements. For the years presented, the Company presents both basic and diluted earnings per share. The following data shows the amounts used in computing earnings per share and the effect on the weighted average number of shares of dilutive potential common stock.

FOR THE YEAR ENDED 1997

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT
BASIC EARNINGS PER SHARE			
Income from continuing operations.....	\$12,765	36,940	\$ 0.35
Warrants.....	-	11,721	
Options.....	-	243	
DILUTED EARNINGS PER SHARE			
Income from continuing operations plus assumed conversions.....	\$12,765	48,904	\$ 0.26

FOR THE YEAR ENDED 1996

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT
BASIC EARNINGS PER SHARE			
Income from continuing operations.....	\$ 4,422	17,863	\$ 0.25
Warrants.....	--	6,001	
Options.....	--	168	
DILUTED EARNINGS PER SHARE			
Income from continuing operations plus assumed conversions.....	\$ 4,422	24,032	\$ 0.18

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

FOR THE YEAR ENDED 1995

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT
BASIC EARNINGS PER SHARE			
Income from continuing operations.....	\$ 3,469	14,760	\$ 0.24
Warrants.....	--	2,196	
DILUTED EARNINGS PER SHARE			
Income from continuing operations plus assumed conversions.....	\$ 3,469	16,956	\$ 0.20

Basic earnings per common share were computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earning per common share for the years 1997 and 1996 were determined on the assumption that the options and warrants were exercised at the beginning of the period, or at time of issuance, if later. As a result, the Company's reported earnings per share for 1996 and 1995 were restated. The effect of this accounting change on previously reported earnings per share (EPS) data was as follows:

As a result of the adoption of SFAS No. 128 in 1997, the Company's reported earnings per share for 1996 and 1995 were restated. The effect of this accounting change on previously reported earnings per share (EPS) was as follows:

	1996	1995
Per share amount		
Primary EPS as reported.....	\$ 0.21	\$ 0.20
Effect of SFAS No. 128.....	0.04	0.04
Basic EPS as restated.....	\$ 0.25	\$ 0.24
Fully diluted EPS as reported.....	\$ 0.16	\$ 0.20
Effect of SFAS No. 128.....	0.02	--
Diluted EPS as restated.....	\$ 0.18	\$ 0.20

4. INVESTMENTS

The amortized cost and estimated fair value of fixed maturities held to maturity at December 31, 1997 were as follows (in thousands):

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury securities and obligations of U.S. government corporations and agencies.....	\$ 6,971	\$ 47	\$ 17	\$ 7,001
Corporate securities.....	6,810	14	34	6,790
Foreign corporate bonds.....	317	16	--	333
Mortgage-backed securities.....	430	8	--	438
Totals.....	\$14,528	\$ 85	\$ 51	\$ 14,562

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The amortized cost and estimated fair value of securities available for sale at December 31, 1997 were as follows (in thousands):

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
	-----	-----	-----	-----
Fixed Maturities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies.....	\$ 7,681	\$ 179	\$ 17	\$ 7,843
Corporate securities.....	16,817	226	7	17,036
Foreign corporate bonds.....	1,009	--	32	977
Mortgage-backed securities.....	13,402	338	5	13,735
Other-assets backed securities.....	11,842	120	8	11,954
	-----	-----	-----	-----
	50,751	863	69	51,545
Equity securities.....	6,163	1,580	150	7,593
	-----	-----	-----	-----
Totals.....	\$56,914	\$2,443	\$219	\$ 59,138
	=====	=====	=====	=====

Expected maturities will differ from contractual maturities because the issuers may have the right to call or prepay obligations with or without call or prepayment penalties. The amortized cost and estimated fair value of fixed maturities held to maturity at December 31, 1997, by contractual maturity, were as follows (in thousands):

	AMORTIZED COST	ESTIMATED FAIR VALUE
	-----	-----
Due in one year or less.....	\$ 4,306	\$ 4,291
Due after one year through five years.....	9,361	9,384
Due after five years through ten years.....	355	356
Due after ten years.....	76	93
	-----	-----
	14,098	14,124
Mortgage-backed securities.....	430	438
	-----	-----
	\$14,528	\$ 14,562
	=====	=====

The amortized cost and estimated fair value of fixed maturities available for sale at December 31, 1997, by contractual maturity, were as follows (in thousands):

	AMORTIZED COST	ESTIMATED FAIR VALUE
	-----	-----
Due in one year or less.....	\$ 2,557	\$ 2,552
Due after one year through five years.....	15,971	16,180
Due after five years through ten years.....	6,237	6,353
Due after ten years.....	742	771
	-----	-----
	25,507	25,856
Mortgage-backed securities.....	13,402	13,735
Other asset-backed securities.....	11,842	11,954
	-----	-----
	\$50,751	\$ 51,545
	=====	=====

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The amortized cost and estimated fair value of fixed maturities held to maturity at December 31, 1996 were as follows (in thousands):

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
	-----	-----	-----	-----
U.S. Treasury securities and obligations of U.S. government corporations and agencies.....	\$ 6,136	\$ 28	\$ 65	\$ 6,099
Corporate securities.....	8,850	18	96	8,772
Mortgage-backed securities.....	495	10	--	505
	-----	-----	-----	-----
Totals.....	\$15,481	\$ 56	\$161	\$ 15,376
	=====	=====	=====	=====

The amortized cost and estimated fair value of securities available for sale at December 31, 1996 were as follows (in thousands):

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
	-----	-----	-----	-----
Fixed Maturities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies.....	\$16,067	\$ 224	\$ 93	\$ 16,198
Corporate securities.....	10,962	87	66	10,983
Mortgage-backed securities.....	8,092	207	9	8,290
	-----	-----	-----	-----
	35,121	518	168	35,471
Equity securities.....	4,349	5,022	158	9,213
	-----	-----	-----	-----
Totals.....	\$39,470	\$5,540	\$326	\$ 44,684
	=====	=====	=====	=====

Net investment income was comprised of the following for the years ended December 31 as follows (in thousands):

	1997	1996	1995
	-----	-----	-----
Interest.....	\$ 4,519	\$ 3,652	\$ 3,455
Dividends.....	341	142	96
	-----	-----	-----
Total investment income.....	4,860	3,794	3,551
Less: investment expense.....	(336)	(230)	(210)
	-----	-----	-----
Net investment income.....	\$ 4,524	\$ 3,564	\$ 3,341
	=====	=====	=====

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Realized gains and losses on investments for the years ended December 31 are as follows (in thousands):

	1997	1996	1995
	-----	-----	-----
Realized gains:			
Available for sale:			
Fixed maturities.....	\$ 26	\$ 117	\$ 114
Equity securities.....	3,066	1,381	9
Other.....	--	125	73
	-----	-----	-----
Total realized gains.....	3,092	1,623	196
	-----	-----	-----
Realized losses:			
Available for sale:			
Fixed maturities.....	10	32	27
Equity securities.....	38	35	3
Other.....	--	27	--
	-----	-----	-----
Total realized losses.....	48	94	30
	-----	-----	-----
Net realized gains on investments.....	\$ 3,044	\$ 1,529	\$ 166
	=====	=====	=====

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

	1997	1996	1995
	-----	-----	-----
Available for sale:			
Fixed maturities.....	\$ 444	\$ (708)	\$ 2,147
Equity securities.....	(3,434)	1,437	3,583
	-----	-----	-----
	\$(2,990)	\$ 729	\$ 5,730
	=====	=====	=====

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

	1997	1996	1995
	-----	-----	-----
Gross unrealized appreciation.....	\$ 2,224	\$ 5,214	\$ 4,485
Deferred income tax.....	(618)	(1,518)	(1,219)
	-----	-----	-----
Net unrealized appreciation.....	\$ 1,606	\$ 3,696	\$ 3,266
	=====	=====	=====

Fixed maturities held to maturity and certificates of deposit with a carrying value of approximately \$9,869,000 and \$8,939,000 at December 31, 1997 and December 31, 1996, respectively, were on deposit with regulatory authorities as required by law. At December 31, 1997 and 1996 all mortgage loans were secured by properties in the states of California, Michigan and Ohio.

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

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

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

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

values for fixed maturities available for sale and equity securities are recognized in the consolidated and combined balance sheets.

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

5. COMMON STOCK

The Company's authorized common stock consists of 100,000,000 shares of common stock, par value \$0.01 per share. The holders of the Company's Common Stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. There are no cumulative voting rights with respect to the election of directors. Accordingly, the holder or holders of a majority of the outstanding shares of Common Stock will be able to elect the entire Board of Directors of the Company. Holders of Common Stock have no preemptive rights and are entitled to such dividends as may be declared by the Board of Directors of the Company out of funds legally available therefor. The Common Stock is not entitled to any sinking fund, redemption or conversion provisions. On liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share ratably in the net assets of the Company remaining after the payment of any and all creditors. The outstanding shares of Common Stock are duly authorized, validly issued, fully paid and nonassessable. The transfer agent and registrar for the Common Stock is Star Bank, N.A.

In June 1997, the Company completed the registration of 5,372,805 shares of common stock (the "Shares") of which up to 1,217,277 are issuable upon exercise of outstanding warrants. The Shares were registered under the Securities Act of 1933 on behalf of certain selling shareholders in order to permit the public or private sale or other public or private distribution of the Shares. Accordingly, the Company will not receive any proceeds for these Shares.

In April 1997, the Company completed a private placement in which the Company sold an aggregate of 616,611 units (the "Units") to qualified investors at an aggregate purchase price of \$9.00 per Unit. Each Unit consisted of one share of common stock and one warrant to purchase one share of common stock at an exercise price of \$11.00 per share, exercisable for a three year period from the date of issuance. The Company realized net proceeds of approximately \$5,300,000.

In January 1997, the Company completed the registration of 32,126,076 shares of common stock (the "Shares") of which up to 17,925,888 are issuable upon exercise of outstanding warrants. The Shares were registered under the Securities Act of 1933 on behalf of certain selling shareholders in order to permit the public or private sale or other public or private distribution of the Shares. Accordingly, the Company will not receive any proceeds for these Shares.

In December 1996, the Company completed a private placement in which the Company offered 3,251,888 units (the "Units") to qualified investors at an aggregate purchase price of \$9.00 per Unit. Each Unit consisted of one share of common stock and one warrant to purchase one share of common stock at an exercise price of \$11.00 per share, exercisable for a three year period from the date of issuance. The Company realized net proceeds of \$27,737,000.

In October 1996, the Company issued 4,000,000 shares of the Company's Common Stock and warrants to purchase an additional 12,000,000 shares of the Company's Common Stock at exercise prices ranging from \$2.625 to \$3.875 per share, expiring in two to four years, for an aggregate purchase price of \$10,500,000.

The Company granted warrants in connection with certain acquisitions made during the year. Portions of these warrants are restricted from being transferred in accordance with various Lock-Up agreements between the former shareholders of the acquired entities and the Company. The last restriction on transferring these locked-up warrants expires in April 2000.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

RESI agreed to issue to holders of unexpired warrants of its former parent, additional RESI warrants to acquire shares of RESI's Common Stock equal to one fifth of the number of shares available. At the Distribution date, RESI adjusted the per share exercise price of the RESI warrants to reflect the effect of the distribution on the market prices of RESI and its former parent's common stock. These warrants are designated as stapled warrants and expire at various dates through December 2000. In connection with the RESI Transaction, the holders of these warrants are able to exercise under the original terms of the warrants and will receive Company stock.

At December 31, 1997 there were outstanding unexercised warrants to acquire 22,379,387 shares of the Company's common stock of which 20,573,053 were exercisable at prices ranging from \$1.075 to \$13.06. The remaining 1,806,334 warrants are restricted from transfer in accordance with various Lock-Up agreements discussed above. At December 31, 1996 there were outstanding unexercised warrants to acquire 20,785,888 shares of the Company's common stock at prices ranging from \$1.075 to \$11.00.

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

Under the 1996 Employee Stock Option Plans, a maximum of 1,000,000 options may be awarded. The options awarded are subject to a 20% incremental vesting schedule over a five-year period commencing from the date of grant. The options are awarded at a price not less than fair market value at the time of the award and expire six years from the date of grant. Further, under the 1996 plan shareholders granted 250,000 options to non-employee directors. These options became exercisable immediately upon being granted with a five year expiration term from the date of grant.

As a result of the sale of RESI in July 1997, options awarded under the 1995 Employee Stock Option Plan became immediately vested and exercisable. These options, which expire in July 1998, remain vested as long as the optionee is employed by the former parent, RESI or their affiliates. The option price is based on the fair market value of the common shares on the grant date.

Prior to the RESI Transaction, certain options were granted to employees, directors and affiliates of RESI's former parent company. When RESI was spun-off in April 1995 (the "Distribution Date"), optionees received options to acquire RESI Common Stock at the ratio of one RESI option for each five options under the former parent's 1990 and 1991 Stock Option plans. The outstanding options at the Distribution Date and the RESI options granted with respect thereto are stapled and are only exercisable if exercised together. As a result of the sale of RESI in July 1997, options under these plans became immediately vested and exercisable. These options, which expire in July 1998, remain vested as long as the optionee is employed by the former parent, RESI or their affiliates. The option price is based on the fair market value of the common shares on the date of grant.

Information relating to the stock option plans is summarized below:

	1997	1996
	-----	-----
Outstanding at beginning of year.....	317,072	190,200
Granted (a).....	1,870,500	230,000
Exercised (b).....	(53,032)	(101,960)
Expired or canceled.....	(74,000)	(1,168)
	-----	-----
Outstanding at end of year (c).....	2,060,540	317,072
	-----	-----
Exercisable at end of year (d).....	567,640	22,320
	=====	=====
Available for future grant at the end of year.....	342,500	273,000
	=====	=====

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

-
- (a) Options were granted at average costs of \$11.69 and \$2.31 in 1997 and 1996, respectively.
- (b) Options were exercised at prices ranging from \$1.08 to \$2.31 and averaging \$1.68 in 1997 and \$1.08 to \$3.60 and averaging \$3.43 in 1996.
- (c) Prices for options outstanding at December 31, 1997 ranged from \$1.08 to \$12.50 and averaged \$10.49 with expiration dates ranging from July 1998 to October 2003. Prices for options outstanding at December 31, 1996 ranged from \$1.08 to \$4.10 and averaged \$2.11 with expiration dates ranging from May 1996 to May 2004.
- (d) Options exercisable at December 31, 1997 and 1996 averaged \$7.11 and \$2.18, respectively.

Had the cost of stock option plans been determined based on the provision of SFAS No. 123, the Company's net income and earnings per share pro forma amounts would be as follows (in thousands):

	(UNAUDITED)			
	AS REPORTED		PRO FORMA	
	BASIC	DILUTED	BASIC	DILUTED
	-----	-----	-----	-----
1997				
Net income.....	\$11,530..	\$11,530	\$11,198	\$11,198
	=====	=====	=====	=====
Net income per common share.....	\$ 0.31	\$ 0.24	\$ 0.30	\$ 0.23
	=====	=====	=====	=====
1996				
Net income.....	\$ 4,384	\$ 4,384	\$ 4,358	\$ 4,358
	=====	=====	=====	=====
Net income per common share.....	\$ 0.25	\$ 0.18	\$ 0.24	\$ 0.18
	=====	=====	=====	=====
1995				
Net income.....	\$ 3,469	\$ 3,469	\$ 3,468	\$ 3,468
	=====	=====	=====	=====
Net income per common share.....	\$ 0.24	\$ 0.20	\$ 0.23	\$ 0.20
	=====	=====	=====	=====

The above results may not be representative of the effects of SFAS No. 123 on net income for future years.

The Company applied the Black-Scholes option-pricing model to determine the fair value of each option granted in 1997, 1996 and 1995. Below is a summary of the assumptions used in the calculation:

	1997	1996	1995
	-----	-----	-----
Risk-free interest rate.....	6.01%	6.03%	6.21%
Dividend yield.....	--	--	--
Expected volatility.....	35.00%	35.00%	35.00%
Expected option life (in years).....	3.75	3.75	3.75

The stock options issued to key employees in 1996 were assumed to vest at a rate of 100%.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

6. LIABILITY FOR UNPAID LOSSES AND LOSS EXPENSES

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

	1997	1996	1995
	-----	-----	-----
Balance at January 1.....	\$41,099	\$37,002	\$34,661
Less: Reinsurance recoverables, net.....	8,114	8,914	9,383
	-----	-----	-----
Net balance at January 1.....	32,985	28,088	25,278
	-----	-----	-----
Incurred related to:			
Current year.....	21,839	17,216	17,297
Prior years.....	(1,157)	408	(2,180)
	-----	-----	-----
Total incurred.....	20,682	17,624	15,117
	-----	-----	-----
Paid related to:			
Current year.....	2,468	3,684	5,963
Prior years.....	8,800	9,043	6,344
	-----	-----	-----
Total paid.....	11,268	12,727	12,307
	-----	-----	-----
Net balance at December 31.....	42,399	32,985	28,088
Plus: reinsurance recoverables, net.....	8,256	8,114	8,914
	-----	-----	-----
Balance at December 31.....	\$50,655	\$41,099	\$37,002
	=====	=====	=====

In 1997 and 1995, the Company experienced lower than anticipated ultimate losses on prior years due primarily to a reduction in claims severity from that assumed in establishing the liability for losses and loss expenses payable. The Company's environmental exposure from continuing operations relates primarily to its coverage of remediation related risks, thus management believes the Company's exposure to historic pollution situations is minimal. The Company's non-insurance environmental exposure from discontinued operations is discussed in Note 15.

7. REINSURANCE

In the ordinary course of business, the Company assumes and cedes reinsurance with other insurers and reinsurers. These arrangements provide the Company with a greater diversification of business and generally limit the maximum net loss potential on large risks. Excess of loss reinsurance contracts in effect through December 31, 1997, generally protect against individual property and casualty losses over \$200,000 and contract surety and miscellaneous bond losses over \$500,000. In addition to the excess of loss contract in effect for contract surety business, a 50% quota share contract on the first \$500,000 in losses is in effect. Workers compensation business is 75% ceded on a quota share basis to reinsurers. The Company also maintains a statutory workers compensation excess of loss reinsurance contract which provides statutorily prescribed limits in excess of \$200,000 for workers compensation business and \$800,000 excess of \$200,000 for employers liability business. Asbestos abatement, lead abatement, environmental consultants professional liability and remedial action contractors business is 75% ceded on a quota share basis to reinsurers. Catastrophe coverage is also maintained.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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

	1997	1996	1995
	-----	-----	-----
Premiums written:			
Direct.....	\$ 47,488	\$ 42,420	\$ 36,278
Assumed.....	12,263	468	1,417
Ceded.....	(22,263)	(11,739)	(11,018)
	-----	-----	-----
Net.....	\$ 37,488	\$ 31,149	\$ 26,677
	=====	=====	=====
Premiums earned:			
Direct.....	\$ 48,085	\$ 39,311	\$ 36,005
Assumed.....	7,647	576	1,507
Ceded.....	(18,494)	(12,236)	(10,550)
	-----	-----	-----
Net.....	\$ 37,238	\$ 27,651	\$ 26,962
	=====	=====	=====
Losses and loss expense incurred:			
Direct.....	\$ 20,135	\$ 18,618	\$ 16,342
Assumed.....	2,820	210	1,223
Ceded.....	(2,273)	(1,204)	(2,448)
	-----	-----	-----
Net.....	\$ 20,682	\$ 17,624	\$ 15,117
	=====	=====	=====

The reinsurance payables were \$7,828,000, \$2,869,000 and \$2,259,000 at December 31, 1997, 1996 and 1995, respectively.

Reinsurance recoverables were comprised of the following as of December 31 (in thousands):

	1997	1996	1995
	-----	-----	-----
Recoverables on unpaid losses and loss expenses.....	\$ 8,256	\$ 8,114	\$ 8,914
Receivables on ceding commissions and other.....	5,851	2,702	2,892
Receivables on paid losses and expenses.....	1,108	369	841
	-----	-----	-----
	\$15,215	\$11,185	\$12,647
	=====	=====	=====

The Company evaluates the financial condition of its reinsurers and establishes a valuation allowance as reinsurance receivables are deemed uncollectible. During 1997, the majority of ceded amounts were ceded to Republic Western Insurance Company, Reliance Insurance Company, General Reinsurance Corporation, Kemper Insurance Company and Gulf Insurance Company. The Company monitors concentrations of risks arising from similar geographic regions or activities to minimize its exposure to significant losses from catastrophic events.

8. DEFERRED POLICY ACQUISITION COSTS

Changes in deferred policy acquisition costs were as follows at December 31, (in thousands):

	1997	1996	1995
	-----	-----	-----
Balance, beginning of year.....	\$ 4,345	\$ 3,428	\$ 3,726
Policy acquisition costs deferred.....	9,803	8,616	7,476
Amortized to expense during the year.....	(9,670)	(7,699)	(7,774)
	-----	-----	-----
Balance, end of year.....	\$ 4,478	\$ 4,345	\$ 3,428
	=====	=====	=====

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

9. STATUTORY SURPLUS AND DIVIDEND RESTRICTION

Ohio law limits the payment of dividends by a company to its parent. The maximum dividend that may be paid without prior approval of the Director of Insurance is limited to the greater of the statutory net income of the preceding calendar year or 10% of total statutory surplus as of the prior December 31, which was \$5.2 million at December 31, 1997.

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

In December 1993, the NAIC adopted the property and casualty Risk-Based Capital ("RBC") formula. This model act requires every property and casualty insurer to calculate its total adjusted capital and RBC requirement, and provides for an insurance commissioner to intervene if the insurer experiences financial difficulty. The model act became law in Ohio in March 1996, and in Utah in April 1996, states where certain subsidiaries of the Company are domiciled. The RBC formula includes components for asset risk, liability risk, interest rate exposure and other factors. The Company's insurance subsidiaries exceeded all required RBC levels as of December 31, 1997 and 1996.

CSC's statutory net income for the years ended December 31, 1997, 1996 and 1995 was approximately \$5.2 million, \$1.9 million and \$3.7 million, respectively, and the statutory capital and surplus as of December 31, 1997 and 1996 was approximately \$31.5 million and \$26.0 million, respectively.

10. INCOME TAXES

A summary of income tax expense (benefit) included in the Consolidated and Combined Statements of Income is as follows (in thousands):

	1997	1996	1995
	-----	-----	-----
Continuing operations:			
Current:			
Federal.....	\$6,523	\$1,654	\$2,121
State and local.....	715	13	--
	-----	-----	-----
	7,238	1,667	2,121
Deferred:			
Federal.....	(897)	(27)	(699)
State and local.....	(61)	--	--
	-----	-----	-----
	(958)	(27)	(699)
Total continuing operations.....	6,280	1,640	1,422
Discontinued operations.....	(621)	91	--
	-----	-----	-----
	\$5,659	\$1,731	\$1,422
	=====	=====	=====

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED 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):

	1997	1996	1995
	-----	-----	-----
Tax at statutory rate (34%).....	\$6,475	\$2,061	\$1,663
State taxes (net of federal benefit).....	411	--	--
Change in valuation allowance.....	(875)	(589)	(169)
Tax exempt interest and dividends received deduction.....	(78)	(33)	(106)
Nondeductible goodwill.....	383	--	--
Change in estimated liabilities.....	--	196	--
Other, net.....	(36)	5	34
	-----	-----	-----
Provision for income taxes from continuing operations.....	\$6,280	\$1,640	\$1,422
	=====	=====	=====
Effective income tax rate.....	33.0%	27.1%	29.1%
	=====	=====	=====

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1997 and 1996, are as follows (in thousands):

	1997	1996
	-----	-----
Deferred tax assets:		
Loss expenses payable discounting.....	\$ 2,852	\$ 2,176
Net operating loss carryforwards.....	2,696	1,136
Unearned premiums not deductible.....	1,122	1,105
Deferred compensation.....	632	--
Allowance for doubtful accounts.....	388	--
Other deferred tax assets.....	97	151
	-----	-----
Total gross deferred tax assets.....	7,787	4,568
Less: valuation allowance.....	(2,135)	(1,379)
	-----	-----
Net deferred tax assets.....	5,652	3,189
	-----	-----
Deferred tax liabilities:		
Change in accounting method.....	3,199	--
Unrealized appreciation on investments.....	618	1,518
Deferred policy acquisition costs.....	1,523	1,477
Reinsurance recoverable.....	408	302
Other deferred tax liabilities.....	235	219
	-----	-----
Total gross deferred tax liabilities.....	5,983	3,516
	-----	-----
Net deferred tax liability, included in income taxes in the consolidated and combined balance sheets.....	\$ 331	\$ 327
	=====	=====
Net deferred tax liability attributable to discontinued operations, included in net assets held for disposal.....	\$ --	\$ 1,340

The company had net operating loss ("NOL") carryforwards of approximately \$7,500,000 and \$3,300,000 at December 31, 1997 and 1996, respectively, from the separate return years of certain acquired entities. These losses are subject to limitations regarding the offset of the company's future taxable income and will begin to expire in 2007.

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. The Company determines a valuation allowance based on their analysis of amounts available in the statutory carryback period, consideration of future deductible amounts, and assessment of the

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

separate company profitability of certain acquired entities. The Company has established valuation allowances for portions of acquired NOL carryforwards and other deferred tax assets. The net change in the valuation allowance for the years ended December 31, 1997 and 1996 was an increase of \$756,000 and decrease of \$589,000, respectively. The portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill of acquired entities is \$756,000 and \$0 at December 31, 1997 and 1996, respectively.

11. NOTES PAYABLE, BANK DEBT AND CAPITALIZED LEASES

The Company maintains lines of credit with several banks. The Company's primary line of credit is a \$50,000,000 revolving credit facility with several financial institutions, with Bank of America as Agent, and expires October 3, 2000. At December 31, 1997, approximately \$8,200,000 was outstanding under such credit facility. The Company's lines of credit are subject to normal banking terms and conditions and the Company's subsidiaries capital stock are pledged as collateral.

Notes Payable, Debt and Capitalized Leases

Notes payable, bank debt and capitalized leases, consists of the following (in thousands):

	DECEMBER 31	
	1997	1996
Promissory notes payable to shareholders, with rates from 5.9% to 16.0%, due 1998 to 2012.....	\$ 8,523	\$ 3,200
Other notes payable, with rates from 6.0% to 14.8%, due 1998 to 2005.....	3,311	--
Revolving credit facility, effective rate of 8.50%.....	8,200	--
Capitalized leases, various rates, payable in installments through 2001.....	131	11
Other.....	147	--
	-----	-----
	\$20,312	\$ 3,211
	=====	=====

At December 31, 1997 aggregate maturities of notes payable, bank debt and capitalized leases, were as follows (in thousands):

YEARS ENDING DECEMBER 31,	

1998.....	\$16,997
1999.....	873
2000.....	395
2001.....	542
2002.....	270
Thereafter.....	1,235

	\$20,312
	=====

Management believes that the carrying amounts of notes payable, bank debt and capitalized leases recorded at December 31, 1997 were not impaired and approximate fair values.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

12. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases certain of its premises and equipment under various operating lease agreements. At December 31, 1997, future minimum rental commitments becoming payable under all operating leases from continuing operations are as follows (in thousands):

YEARS ENDING
DECEMBER 31,

1998.....	\$ 6,800
1999.....	6,007
2000.....	5,052
2001.....	3,955
2002.....	3,260
Thereafter.....	10,689

	\$35,763
	=====

Total rental expense incurred under operating leases was approximately \$3,588,000, \$454,000 and \$411,000 in 1997, 1996 and 1995, respectively.

Other

In the ordinary course of business, the Company is a defendant in various lawsuits. In the opinion of management, the effects, if any, of such lawsuits are not expected to be material to the Company's results of operations or financial position.

The Company has profit sharing plans covering substantially all of its employees. Participating employees may elect to contribute, on a tax deferred basis, a portion of their compensation, in accordance with Section 401(k) of the Internal Revenue Code. Employer contributions made to the plan for 1997, 1996 and 1995, amounted to approximately \$674,000, \$240,000 and \$141,000, respectively.

13. SUPPLEMENTAL CASH FLOW DISCLOSURES

The Company recorded the acquisition of RESI as a non-cash transaction consisting of a \$4,000,000 promissory note and recapitalization of shareholders' equity of \$16,244,000. Additionally, during 1996, the Company acquired, in exchange for 792,500 shares of its common stock, and other consideration, 100% of SMR and ECI, which were also recorded as non-cash transactions.

Cash Paid During the Year for (in thousands):

	1997	1996	1995
	-----	-----	-----
Interest.....	\$ 348	\$ 60	\$ 216
	=====	=====	=====
Income Taxes.....	\$5,753	\$1,290	\$ 128
	=====	=====	=====

14. RELATED PARTIES

The Company's Executive Vice President ("EVP"), who is also a director, and one of the Company's Senior Vice Presidents were each a one-third owner of SMR. In addition, in connection with the SMR acquisition, the EVP received 195,600 shares of common stock and 293,400 warrants to purchase additional shares of common stock at an exercise price of \$10.375. The office building utilized by SMR Business Services Co. is leased under a ten-year lease from a partnership in which the EVP and one of the Senior Vice President's are each indirectly, a one-third owner.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The Company's investment portfolios include loans to business organizations associated with a relative of a shareholder of the Company, which aggregate \$1,200,000. These loans provide for interest payments of 9% per annum only until maturity, which range from December 31, 1998 through April 30, 1999.

The EVP and one of the Senior Vice President's are partners (among others) in SMR & Co. CPA, which buys services from a subsidiary of the Company. Collectively, these two officers hold a 9% interest in the partnership.

The Company has a \$225,000, non-interest bearing note receivable from Sofia Management Ltd., a 5% shareholder of the Company.

15. DIVESTITURES

In February 1997, the Company signed a letter of intent to sell the Company's Environmental Services business. In July 1997, the Company sold the majority of its environmental services business, and in September 1997, sold its remaining environmental operations. Taken together, these transactions for cash and notes resulted in a net loss of \$572,000. The Company's contingent liability is limited to \$1.5 million in connection with such divestitures. Management does not believe the Company will experience a loss in connection with such contingencies.

In December 1997, the Company sold Environmental and Commercial Insurance Agency, Inc. and Environmental and Commercial Insurance Agency of LA, Inc. for cash consideration, resulting in a gain of approximately \$171,000.

16. SUBSEQUENT EVENTS

On January 2, 1998, the Company completed the acquisition of Bass Consultants, Inc., located in Houston, Texas, for 626,966 shares of common stock. Bass Consultants, Inc. provides benefits administration services.

On January 6, 1998, the Company completed the acquisition of Rootberg Business Services, Inc., located in Chicago, Illinois, for \$5,100,000 in cash and 482,353 shares of restricted stock. Rootberg Business Services, Inc. provides accounting and business services.

On January 15, 1998, the Company announced it had entered into agreements to acquire three accounting firms. The firms involved are (a) Braunsdorf, Carlson & Clinkinbeard, CPA's P.A. and Bushman & Associates, CPA's P.A. ("The BCC Group"), of Topeka, Kansas, (b) Kaufman Davis, Inc., of Bethesda, Maryland, and (c) Seitz, Kate, Medve, Inc., of Cleveland, Ohio. On January 30, 1998, the Company completed the acquisition of the BCC Group and Seitz, Kate, Medve, Inc. The BCC Group serves client niches in construction, low-income housing, nonprofit and government, credit unions, hospitality, retirement homes, and litigation support. Kaufman Davis, Inc. provides accounting and management consulting services. Seitz, Kate, Medve, Inc. provides financial, tax, estate and investment planning services. The combined cost of these transactions is a maximum of \$4,600,000 in cash and a maximum of \$6,200,000 of restricted Company common stock.

On February 6, 1998, in connection with a private placement of 5,000,000 of the Company's Common Stock consisting of 3,800,000 newly-issued shares and 1,200,000 shares of outstanding Common Stock offered by certain selling shareholders, the Company received a subscription for 500,000 shares from an affiliate of the Company's Chairman, President and Chief Executive Officer. The purchase of these shares by one of the Company's largest shareholders, Westbury (Bermuda) Ltd. is conditioned, among other things, to shareholder approval at the Annual Meeting scheduled for April 30, 1998.

CENTURY BUSINESS SERVICES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

17. UNAUDITED QUARTERLY FINANCIAL DATA

Quarterly financial data are summarized as follows (amounts in thousands, except per share amounts):

1997	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,
Revenues.....	\$16,296	\$ 21,088	\$27,474	\$ 43,372
Income from continuing operations.....	\$ 2,109	\$ 2,233	\$ 3,415	\$ 5,008
Income (loss) from discontinued operations...	(534)	(179)	50	(572)
Net income.....	\$ 1,575	\$ 2,054	\$ 3,465	\$ 4,436
Earnings per common share:				
Basic --				
Continuing operations.....	\$ 0.06	\$ 0.06	\$ 0.09	\$ 0.13
Discontinued operations.....	(0.01)	--	--	(0.02)
Net income per share.....	\$ 0.05	0.06	0.09	0.11
Earnings per common share:				
Diluted --				
Continuing operations.....	\$ 0.04	\$ 0.05	\$ 0.07	\$ 0.10
Discontinued operations.....	(0.01)	(0.01)	--	(0.01)
Net income per share.....	\$ 0.03	\$ 0.04	\$ 0.07	\$ 0.09
Weighted average common shares.....	34,507	35,817	37,927	39,293
Weighted average common shares and diluted potential common shares:.....	48,059	47,042	48,992	50,494

1996	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,
Revenues.....	\$ 9,320	\$ 7,346	\$ 9,389	\$ 9,714
Income from continuing operations.....	\$ 655	\$ 771	\$ 839	\$ 2,157
Loss from discontinued operations.....	--	--	--	(38)
Net income.....	\$ 655	\$ 771	\$ 839	\$ 2,119
Earnings per common share:				
Basic --				
Continuing operations.....	\$.04	\$.05	\$.06	\$.09
Discontinued operations.....	--	--	--	--
Net income per share.....	\$.04	\$.05	\$.06	\$.09
Earnings per common share:				
Diluted --				
Continuing operations.....	\$.04	\$.05	\$.03	\$.06
Discontinued operations.....	--	--	--	--
Net income per share.....	\$.04	\$.05	\$.03	\$.06
Weighted average common shares.....	14,760	14,760	14,760	23,850
Weighted average common shares and diluted potential common shares:.....	16,956	16,956	28,100	33,703

CENTURY BUSINESS SERVICES, INC.

SCHEDULE I -- SUMMARY OF INVESTMENT -- OTHER THAN
 INVESTMENTS IN RELATED PARTIES
 DECEMBER 31, 1997
 (IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D
TYPE OF INVESTMENT	COST	VALUE	AMOUNT AT WHICH SHOWN IN THE BALANCE SHEET
Fixed maturities--held in maturity:			
Bonds:			
U.S. government and government agencies and authorities.....	\$ 6,971	\$ 7,001	\$ 6,971
Corporate securities.....	6,810	6,790	6,810
Foreign corporate bonds.....	317	333	317
Mortgage-backed securities.....	430	438	430
Fixed maturities--available for sale:			
Bonds:			
U.S. government and government agencies and authorities.....	7,681	7,843	7,843
Corporate securities.....	16,817	17,036	17,036
Foreign corporate bonds.....	1,009	977	977
Mortgage-backed securities.....	13,402	13,735	13,735
Other-assets backed securities.....	11,842	11,954	11,954
Total fixed maturities.....	65,279	66,107	66,073
Equity securities:			
Common Stock:			
Public utilities.....	311	364	364
Banks, trust and insurance Companies.....	46	82	82
Industrial, miscellaneous and all other.....	1,265	2,577	2,577
Nonredeemable preferred stocks.....	4,541	4,570	4,570
Total equity securities.....	6,163	7,593	7,593
Mortgage loans on real estate.....	1,839		1,839
Short-term investments.....	4,215		4,215
Total investments.....	\$77,496		\$79,720

See accompanying Independent Auditors' Report.

CENTURY BUSINESS SERVICES, INC.

SCHEDULE III -- SUPPLEMENTARY INSURANCE INFORMATION
 FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
 (IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
SEGMENT	DEFERRED POLICY ACQUISITION COST	FUTURE POLICY BENEFITS, LOSSES CLAIM AND LOSSES EXPENSE	UNEARNED PREMIUMS	OTHER POLICY CLAIMS AND BENEFITS PAYABLES	PREMIUM REVENUE
Year Ended:					
December 31, 1997.....	\$ 4,478	\$50,655	\$ 22,656	N/A	\$37,238
December 31, 1996.....	4,345	41,009	18,637	N/A	27,651
December 31, 1995.....	3,428	37,002	15,636	N/A	26,962
	COLUMN G	COLUMN H	COLUMN I	COLUMN J	COLUMN K
	NET INVESTMENT INCOME	LOSSES AND LOSS EXPENSE	AMORTIZATION OF DEFERRED POLICY ACQUISITION COSTS	OTHER OPERATING EXPENSES	DIRECT PREMIUMS WRITTEN
Year Ended:					
December 31, 1997.....	\$ 4,524	\$20,682	\$ 9,670	\$ 2,677	\$47,488
December 31, 1996.....	3,564	17,624	7,699	2,951	42,420
December 31, 1995.....	3,341	15,117	7,774	3,157	36,278

See accompanying Independent Auditors' Report.

CENTURY BUSINESS SERVICES, INC.

SCHEDULE IV -- REINSURANCE
 YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
 (IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
	GROSS AMOUNT	CEDED TO OTHER COMPANIES	ASSUMED FROM OTHER COMPANIES	NET AMOUNT	PERCENTAGE OF AMOUNT ASSUMED TO NET
Year ended December 31, 1997					
Property -- Casualty Earned					
Premiums.....	\$48,085	\$18,494	\$ 7,647	\$37,238	20.54%
Year ended December 31, 1996					
Property -- Casualty Earned					
Premiums.....	\$39,311	\$12,236	\$ 576	\$27,651	2.08%
Year ended December 31, 1995					
Property -- Casualty Earned					
Premiums.....	\$36,005	\$10,550	\$ 1,507	\$26,962	5.59%

See accompanying Independent Auditors' Report.

CERTIFICATE OF AMENDMENT
TO THE
CERTIFICATE OF INCORPORATION
OF INTERNATIONAL ALLIANCE SERVICES, INC.

International Alliance Services, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. That Article One of the Certificate of Incorporation of the Corporation is hereby amended and restated in its entirety as follows:

"ARTICLE ONE

The name of the Corporation is:

Century Business Services, Inc."

2. That said amendment to the Certificate of Incorporation of the Corporation was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.
3. That this Certificate of Amendment to the Certificate of Incorporation shall become effective on December 23, 1997.

THE UNDERSIGNED, being the Executive Vice President of the Corporation, hereby declares and certifies that this Certificate of Amendment to the Certificate of Incorporation of International Alliance Services, Inc. is his act and deed and the facts herein stated are true, and accordingly has hereunto set his hand this 19th day of December, 1997.

INTERNATIONAL ALLIANCE SERVICES, INC.

By: /s/ Gregory J. Skoda

Gregory J. Skoda
Executive Vice President

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY APPLICABLE STATE SECURITIES LAW AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION UNDER THE ACT OR AN OPINION OF COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER OR UNDER APPLICABLE STATE SECURITIES LAWS. SUCH SECURITIES ARE SUBJECT TO THE RESTRICTIONS SPECIFIED IN THE LOCK-UP AGREEMENT DATED AS OF _____, 199__, AMONG CENTURY BUSINESS SERVICES, INC., FORMERLY KNOWN AS INTERNATIONAL ALLIANCE SERVICES, INC., AND THE INITIAL HOLDER OF SECURITIES NAMED THEREIN, A COPY OF WHICH WILL BE FURNISHED WITHOUT CHARGE TO THE HOLDER HEREOF UPON WRITTEN REQUEST, AND THE HOLDER OF THIS CERTIFICATE AGREES TO BE BOUND THEREBY.

No. _____

SERIES __ WARRANT CERTIFICATE

To Purchase _____ Shares of Common Stock of:

CENTURY BUSINESS SERVICES, INC.

THIS IS CERTIFY THAT _____ (the "Holder") or Holder's registered assigns, is entitled to purchase from CENTURY BUSINESS SERVICES, INC., a Delaware corporation (the "Company"), up to _____ shares of the Company's common stock, par value \$.01 share (the "Common Stock"), on the terms and conditions hereinafter set forth.

1. GRANT OF WARRANT

1.1 GRANT. The Company hereby grants the Holder Series __ warrants to purchase _____ shares of Common Stock at a purchase price of \$_____ per share (as adjusted from time to time pursuant to Section 2 herein, the "Warrant Price"), exercisable in whole or in part at any time and from time to time from _____ (the "Issue Date") until 6:00 p.m. on the date three years after the Issue Date or, if such date is not a regular business day, on the next occurring regular business day (as adjusted from time to time pursuant to Section 2 hereof, the "Warrants" and the shares to be issued upon the exercise thereof are "Warrant Shares").

1.2 SHARES TO BE ISSUED; RESERVATION OF SHARES. The Company covenants and agrees that (a) all Warrant Shares, upon issuance in accordance with the terms hereof, and the payment of the purchase price therefor, will be duly authorized, validly issued and outstanding, fully paid and non-assessable, and free from all taxes, liens and charges with respect to the issuance thereof other

than those created by or arising through Holder, (b) the Company will from time to time take all actions necessary to assure that the par value per share of the Common Stock is at all times equal to or less than the applicable Warrant Price, and (c) the Company will at all times during the exercise period have authorized and reserved sufficient shares of Common Stock to provide for the exercise of the Warrants in full.

2. ADJUSTMENTS TO WARRANT RIGHTS. The number of Warrant Shares for which Warrants are exercisable, and the Warrant Price of such shares shall be subject to adjustment from time to time as set forth in this Section 2. The Company shall give Holder notice any event described below which requires an adjustment pursuant to this Section 2 within 60 days after such event.

2.1 STOCK DIVIDENDS, SUBDIVISIONS AND COMBINATIONS. If at any time the Company shall:

2.1.1 take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend payable in, or other distribution of, additional shares of Common Stock,

2.1.2 subdivide its outstanding shares of Common Stock into a larger number of shares of Common Stock, or

2.1.3 combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock,

then (i) the number of Warrant Shares for which a Warrant is exercisable immediately prior to the occurrence of any such event shall be adjusted to equal the number of shares of Common Stock which a record holder of the same number of shares of Common Stock for which a Warrant is exercisable immediately prior to the occurrence of such event would own or be entitled to receive after the happening of such event and (ii) the Warrant Price immediately prior to the occurrence of such event shall be adjusted to equal the product of the Warrant Price multiplied by a fraction, the numerator of which shall be the number of Warrant Shares for which a Warrant is exercisable immediately prior to the adjustment and the denominator of which shall be the number of Warrant Shares for which a Warrant is exercisable immediately after such adjustment.

2.2 OTHER DIVIDENDS AND DISTRIBUTIONS. If the Company shall make or fix a record date for the holders of Common Stock entitled to receive a dividend or other distribution payable in securities of the Company other than shares of Common Stock, then lawful and adequate provision shall be made so that Holder shall be entitled to receive upon exercise of the Warrants, for the aggregate Warrant Price in effect prior thereto, in addition to the number of Warrant Shares immediately theretofore issuable upon exercise of the Warrants, the kind and number of securities of the Company which Holder would have owned and been entitled to receive had the Warrants been exercised immediately prior to that date (pro rated in the case of any partial exercise).

2.3 RECLASSIFICATION, EXCHANGE AND SUBSTITUTION. If the Common Stock is changed into the same or a different number of shares of any class or classes of stock, whether by reclassification, exchange, substitution or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this Section 2) then the Holder of the Warrants shall be entitled to receive upon exercise of the Warrants, in lieu of the Warrant Shares immediately thereto issuable upon exercise of the Warrants, for the aggregate Warrant Price in effect prior thereto, the kind and amount of stock and other securities and property receivable upon such reclassification, exchange, substitution or other change, which Holder would have been entitled to receive had the Warrants been exercised immediately prior to such reclassification, exchange, substitution or change (pro rated in the case of any partial exercise).

2.4 REORGANIZATIONS, MERGERS, CONSOLIDATIONS OR SALES OF ASSETS. If any of the following transactions (each, a "Special Transaction") shall become effective: (a) a capital reorganization (other than a recapitalization, stock dividend, subdivision, combination, reclassification, substitution or exchange of shares provided for elsewhere in this Section 2), (b) a consolidation or merger of the Company with and into another entity (where the Company is not the surviving corporation or where there is a change in, or distribution with respect to, the Common Stock), or (c) a sale or conveyance of all or substantially all of the Company's assets, then, as a condition of the Special Transaction, lawful and adequate provision shall be made so that Holder shall thereafter have the right to purchase and receive upon exercise of the Warrants, in lieu of the Warrant Shares immediately theretofore issuable upon exercise of the Warrants, for the aggregate Warrant Price in effect immediately prior to such consummation, such shares of stock, other securities, cash or other assets ("Other Property") as may be issued or payable in, and pursuant to, the terms of such Special Transaction to the holders of shares of Common Stock for which such Warrants could have been exercised immediately prior to such Special Transaction (pro rated in the case of any partial exercise). In connection with any Special Transaction, appropriate provision shall be made with respect to the rights and interests of Holder to the end that the provisions of the Warrants (including without limitation provisions for adjustment of the Warrant Price and the number of Warrant Shares issuable upon the exercise of the Warrants), shall thereafter be applicable, as nearly as may be practicable, to any Other Property thereafter deliverable upon the exercise of the Warrants. The Company shall not effect any Special Transaction unless prior to, or simultaneously with, the closing, the successor entity (if other than the Company), if any, resulting from such consolidation or merger or the entity acquiring such assets shall assume by a written instrument executed and mailed by certified mail or delivered to Holder at the address of Holder appearing on the books of the Company, the obligation of the Company or such successor corporation to deliver to Holder such Other Property, as in accordance with the foregoing provisions, which Holder shall have the right to purchase.

2.5 SALES BELOW CURRENT MARKET VALUE.

2.5.1 In the event the Company shall sell and issue shares of Common Stock, or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock (excluding shares, rights, options, warrants or convertible or exchangeable securities issued in any of the transactions described in Sections 2.1, 2.2, 2.3 or 2.4 above) at a price per Warrant Share lower than the Current Market Price (defined below), then the Warrant Price shall be reduced to a price determined by multiplying the Warrant Price by a fraction (i) the numerator of which shall equal the sum of (a) the number of shares of Common Stock outstanding at the close of business on the date immediately prior to the date of such issuance or sale, plus (b) the number of shares of Common Stock that the aggregate consideration received by the Company for the total number of shares of Common Stock, or rights, option, warrants or convertible or exchangeable securities so issued would purchase at the Warrant Price, and (ii) the denominator of which shall equal the number of shares of Common Stock outstanding at the close of business on the date of such issuance after giving effect to such issuance. For purposes of this Agreement, Current Market Price shall mean, in respect of any share of Common Stock on any date herein specified, (a) if there shall then be a public market for the Common Stock, the average of the daily market prices for 10 consecutive business days being (i) the last sale price on such date on the Nasdaq National Market ("Nasdaq") or principal stock exchange on which such Common Stock is then listed, (ii) if no sale takes place on such day on any such exchange, the average of the last reported closing bid and asked prices on such day as officially quoted on Nasdaq or such principal exchange, (iii) if the Common Stock is not then listed or admitted to trading on Nasdaq or any stock exchange, the average of the last reported closing bid and asked prices on such day in the over-the-counter market, as furnished by the quotation systems upon which the Common Stock is then quoted, provided that such quotation systems are operated by the National Association of Securities Dealers ("NASD") or its affiliates or the National Quotation Bureau, Inc. or its affiliates, (iv) if none of such entities at the time is engaged in the business of reporting such prices, as furnished by any similar firm then engaged in such business, or (v) if there is no such firm, as furnished by any member of the NASD selected by the Company; or (b) at any time that there is no public market for the Common Stock, the fair market value per share of Common Stock on such date as determined in good faith by the Board of Directors of the Company.

2.5.2 For the purpose of making any adjustment required under this Section 2.5, the consideration received by the Company for any issue or sale of securities shall (a) if it consists of cash, be computed at the net amount of cash received by the Company after deduction of any expenses payable by the Company and any underwriting or similar commissions, compensation or concession in connection with such issue or sale, (b) if it consists of property other than cash, be computed at the fair value of that property as determined by the Company's Board of Directors in good faith, (c) if such shares of Common Stock or rights, options, warrants or convertible securities are issued or sold

together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as that portion of the consideration so received that may be reasonably determined by the Board of Directors of the Company in good faith to be allocated to such shares of Common Stock, or rights, options, warrants or convertible or exchangeable securities, and (d) if the issuance shall be of such rights, options, warrants or convertible or exchangeable securities, be determined by dividing (x) the total amount receivable by the Company in consideration of the sale and issuance of such rights, options, warrants or convertible or exchangeable securities, plus the total consideration payable to the Company upon exercise, conversion or exchange thereof by (y) the total number of shares of Common Stock covered by such rights, options, warrants or convertible or exchangeable securities.

2.5.3 Upon each adjustment of the Warrant Price per Warrant Share pursuant to Section 2.5.1, the Warrants shall thereupon evidence the right to purchase that number of shares of Common Stock (Calculated to the nearest hundredth of a share) equal to (a) the product of (i) the number of shares of Common Stock for which a Warrant is exercisable immediately prior to such adjustment multiplied by (ii) the Warrant Price in effect immediately prior to such adjustment divided by (b) the Warrant Price in effect immediately after such adjustment.

2.5.4 No further adjustments under this Section 2.5 shall be made upon the actual issuance of such Common Stock or upon exercise or conversion of such warrants, rights, options or convertible or exchangeable securities causing any adjustment under this Section 2.5.

2.6 LIQUIDATION. If the Company shall, at any time, prior to the expiration of the Warrants, dissolve, liquidate or wind up its affairs, Holder shall have the right, but not the obligation, to exercise the Warrants. Upon such exercise, Holder shall have the right to receive, in lieu of the shares of Common Stock that Holder otherwise would have been entitled to receive upon such exercise, the same kind and amount of assets as would have been issued, distributed or paid to Holder upon any such dissolution, liquidation or winding up with respect to such shares of Common Stock had Holder been the holder of record of such shares of Common Stock receivable upon exercise of the Warrants on the date for determining those entitled to receive any such distribution. If any such dissolution, liquidation or winding up results in any cash distribution in excess of the Warrant Price, Holder may, at Holder's option, exercise the Warrants without making payment of the applicable Warrant Price and, in such case, the Company shall, upon distribution to Holder, consider the applicable Warrant Price per Warrant Share to have been paid in full, and in making settlement to Holder shall deduct an amount equal to the applicable Warrant Price from the amount payable to Holder.

2.7 NOTICE. Whenever the Warrants or the number of Warrant Shares issuable hereunder is to be adjusted as provided herein or a dividend or distribution (in cash, stock or otherwise and including, without limitation, any distributions under Section 2.6) is to be declared by the Company,

or a definitive agreement with respect to a Special Transaction has been entered into, the Company shall forthwith cause to be sent to the Holder at the last address of the Holder shown on the books of the Company, by first-class mail, postage prepaid, at least ten (10) days prior to the record date specified in (a) below or at least twenty (20) days before the date specified in (b) below, a notice stating in reasonable detail the relevant facts and any resulting adjustments and the calculation thereof, if applicable, and stating (if applicable):

2.7.1 the date to be used to determine (a) which holders of Common Stock will be entitled to receive notice of such dividend, distribution, subdivision or combination the ("Record Date"), and (b) the date as of which such dividend, distribution, subdivision or combination shall be made; or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, subdivision or combination are to be determined (provided, that in the event the Company institutes a policy of declaring cash dividends on a periodic basis, the Company need only provide the relevant information called for in this Section 2.7.1 with respect to the first cash dividend payment to be made pursuant to such policy and thereafter provide only notice of any changes in the amount or the frequency of any subsequent dividend payments), or

2.7.2 the date on which a Special Transaction is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon consummation of the Special Transaction (the "Exchange Date").

2.8 FRACTIONAL INTERESTS. The Company shall not be required to issue fractions of shares of Common Stock upon the exercise of a Warrant. If any fraction of a share of Common Stock would be issuable upon the exercise of a Warrant, the Company shall, upon such issuance, purchase such fraction for an amount in cash equal to the current value of such fraction, computed on the basis of the Current Market Price on the last business day prior to the date of exercise.

2.9 EFFECT OF ALTERNATIVE SECURITIES. If at any time, as a result of an adjustment made pursuant to this Section 2, Holder shall become entitled to receive any securities of the Company other than shares of Common Stock, then the number of such other securities receivable upon exercise of the Warrants shall be subject to adjustment from time to time on terms as nearly equivalent as practicable to the provisions with respect to shares of Common Stock contained in this Section 2.

2.10 SUCCESSIVE APPLICATION. The provisions of this Section 2 shall similarly apply from time to time to successive events covered by this Section 2.

2.11 WHEN ADJUSTMENTS ARE TO BE MADE. The adjustments required by this Section 2 shall be made whenever and as often as any specified event requiring an adjustment shall occur, except that any adjustment to the number of shares for which the Warrants are exercisable that would otherwise be required may be postponed (except in the case of a subdivision or combination of shares of the Common Stock, as provided for in Section 2.1) up to, but not beyond, the date and time

of exercise of any Warrants if such adjustment either by itself or with other adjustments not previously made adds or subtracts less than 1% to the number of shares of Common Stock for which the Warrants initially issued pursuant to this Agreement are exercisable immediately prior to the making of such adjustment. Any adjustment representing a change of less than such minimum amount (except as aforesaid) which is postponed shall be carried forward and made as soon as such adjustment, together with other adjustments required by this Section 2 and not previously made, would result in a minimum adjustment or on the date of exercise. For the purpose of any adjustment, any specified event shall be deemed to have occurred at the close of business on the date of its occurrence.

2.12 WHEN ADJUSTMENT NOT REQUIRED. If the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or distribution or subscription or purchase rights and shall, thereafter and before the distribution to stockholders thereof, legally abandon its plan to pay or deliver such dividend, distribution, subscription or purchase rights, then thereafter no adjustment shall be required by reason of the making of such record and any such adjustment previously made in respect thereof shall be rescinded and annulled.

2.13 SUPERSEDING ADJUSTMENT. If, at any time after any adjustment of the Warrant Price shall have been made pursuant to Section 2.6 as the result of any issuance of warrants, options, rights or convertible or exchangeable securities, and such warrants, options or rights, or the right of conversion or exchange in such other convertible or exchangeable securities, shall expire, and all or a portion of such warrants, options or rights, or the right of conversion or exchange with respect to all or a portion of such warrants, options or rights, or the right of conversion or exchange with respect to all or a portion of such other convertible or exchangeable securities, as the case may be, shall not have been exercised, then such previous adjustment shall be rescinded and annulled and, if applicable, the Warrant Price shall be recalculated as if all such expired and unexercised warrants, options, rights or convertible or exchangeable securities had never been issued.

3. EXERCISE

3.1 EXERCISE OF WARRANT.

3.1.1 Holder may exercise a Warrant by (i) surrendering this Warrant Certificate, with the form of exercise notice attached hereto as Exhibit 1 duly executed by Holder, and (ii) making payment to the Company of the aggregate Warrant Price for the applicable Warrant Shares in cash, by certified check, bank check or wire transfer to an account designated by the Company. Upon any partial exercise of the Warrants, the Company, at its expense, shall promptly issue to Holder for its surrendered Warrant Certificate a replacement Warrant Certificate identical in all respects to this Warrant Certificate, except that the number of Warrant Shares shall be reduced accordingly.

3.2.1 Each person in whose name any Warrant Share certificate is issued upon exercise of any Warrants shall for all purposes be deemed to have become the holder of record of

the Warrant Shares for which such Warrant was exercised, and such Warrant Share certificate shall be dated the date upon which the Warrant exercise notice was duly surrendered and payment of the purchase price was tendered to the Company.

3.2 ISSUANCE OF WARRANT SHARES. The Warrant Shares purchased shall be issued to the holder exercising the Warrants as of the close of business on the date on which all actions and payments required to be taken or made by Holder, pursuant to Section 3.1, shall have been so taken or made. Certificates for the Warrant Shares so purchased shall be delivered to Holder within 10 days after the Warrants are surrendered.

4. RIGHTS OF HOLDER

4.1 RIGHTS PRIOR TO EXERCISE. Holder shall not, solely by virtue of the Warrants and prior to the issuance of the Warrant Shares upon due exercise thereof, be entitled to any rights of a shareholder in the Company.

4.2 ISSUANCE OF WARRANT SHARES. The Company shall not by any action including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of the Warrants, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder against impairment. Without limiting the generality of the foregoing, the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of the Warrants and (b) use its best efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the company to perform its obligations with respect to the Warrants.

Upon the request of Holder, the Company will at any time during the period this Warrant is outstanding acknowledge in writing, in form satisfactory to Holder, the continuing validity of the Warrants and the obligations of the Company hereunder.

5. TRANSFERABILITY

Holder may sell, assign, transfer or otherwise dispose of all or any portion of the Warrants or the Warrant Shares acquired upon any exercise hereof at any time and from time to time. Upon the sale, assignment, transfer or other disposition of all or any portion of the Warrants, Holder shall deliver to Company a written notice of such in the form attached hereto as Exhibit 2 duly executed by Holder which includes the identity and address of any purchaser, assignor or transferee.

6. LEGEND ON WARRANT SHARES

Certificates evidencing the Warrant Shares will bear the following legend until such time as

the Warrant Shares are duly registered for resale:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY APPLICABLE STATE SECURITIES LAW AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION UNDER THE ACT OR AN OPINION OF COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER OR UNDER APPLICABLE STATE SECURITIES LAWS. SUCH SECURITIES ARE SUBJECT TO THE RESTRICTIONS SPECIFIED IN THE LOCK-UP AGREEMENT DATED AS OF APRIL 3, 1997, AMONG CENTURY BUSINESS SERVICES, INC. (FORMERLY KNOWN AS INTERNATIONAL ALLIANCE SERVICES, INC.) AND THE INITIAL HOLDER OF SECURITIES NAMED THEREIN, A COPY OF WHICH WILL BE FURNISHED WITHOUT CHARGE TO THE HOLDER HEREOF UPON WRITTEN REQUEST, AND THE HOLDER OF THIS CERTIFICATE AGREES TO BE BOUND THEREBY.

7. MISCELLANEOUS

7.1 NOTICES. All notices, requests, demands, claims, and other communications hereunder shall be in writing and shall be delivered by certified or registered mail (first class, postage prepaid), or guaranteed overnight delivery, to the Company at the address at which its principal business office is located from time to time, and Holder at the address of which it advises the Company in writing.

7.2 PAYMENT OF TAXES. The Company shall pay all expenses in connection with, and all taxes and other governmental charges that may be imposed with respect to, the issuance or delivery of Warrant Shares, unless such tax or charge is imposed by law upon Holder, in which case such taxes or charges shall be paid by Holder. The Company shall not be required, however, to pay any tax or other charge imposed in connection with any transfer involved in the issue of any certificate for Warrant Shares in any name other than that of Holder, and in such case the Company shall not be required to issue or deliver any stock certificate until such tax or other charge has been paid or it has been established to the satisfaction of the Company that no such tax or other charge is due.

7.3 AMENDMENT; WAIVER. This Warrant Certificate may not be modified, amended, supplemented, canceled or discharged, except by written instrument executed by the Company and Holder. No failure to exercise, and no delay in exercising, any right, power or privilege under this Warrant Certificate shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege hereunder preclude the exercise of any other right, power or privilege. No waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other

provision, nor shall any waiver be implied from any course of dealing between the Company and Holder. No extension of time for performance of any obligations or other acts hereunder or under any other agreement shall be deemed to be an extension of time for performance of any other obligations or any other acts.

7.4 HEADINGS. The headings contained in this Warrant Certificate are for convenience of reference only and are not to be given any legal effect and shall not affect the meaning or interpretation of this Warrant Certificate.

7.5 GOVERNING LAW; INTERPRETATION. This Warrant Certificate shall be construed in accordance with and governed for all purposes by the laws of the State of Delaware.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be duly executed and delivered in exchange for Warrant Certificate B-19 on February 9, 1998.

CENTURY BUSINESS SERVICES, INC.

By: _____
Name:
Title: Executive Vice President

ATTEST:

Corporate Secretary

EXHIBIT 1

EXERCISE NOTICE

[To be executed only upon exercise of Warrant]

The undersigned registered owner of this Warrant irrevocably exercises this Warrant for the purchase of the number of shares of Common Stock of International Alliance Services, Inc. as is set forth below, and herewith makes payment therefor, all at the price and on the terms and conditions specified in the attached Warrant Certificate and requests that certificates for the shares of Common Stock hereby purchased (and any securities or other property issuable upon such exercise) be issued in the name of and delivered to the person specified below whose address is set forth below, and, if such shares of Common Stock shall not include all of the shares of Common Stock now and hereafter issuable as provided in the attached Warrant Certificate, then International Alliance Services, Inc. shall, at its own expense, promptly issue to the undersigned a new Warrant Certificate of like tenor and date for the balance of the shares of Common Stock issuable thereunder.

Date: -----

Amount of Shares Purchased: -----

Aggregate Purchase Price: \$ -----

Printed Name of Registered Holder: -----

Signature of Registered Holder: -----

NOTICE: The signature on this Exercise Notice must correspond with the name as written upon the face of the attached Warrant Certificate in every particular, without alteration or enlargement or any change whatsoever.

Stock Certificates to be issued and registered in the following name, and delivered to the following address:

(Name)

(Street Address)

(City) (State) (Zip Code)

EXHIBIT 2

ASSIGNMENT NOTICE

[To be executed only upon transfer of Warrant]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto the person named below, whose address is set forth below, the rights represented by the attached Warrant Certificate to purchase the number of shares of the Common Stock of Century Business Services, Inc. ("CBIZ") as is set forth below, to which the attached Warrant Certificate relates, and appoints _____ attorney to transfer such rights on the books of CBIZ with full power of substitution in the premises. If such shares of Common Stock of CBIZ shall not include all of the shares of Common Stock now and hereafter issuable as provided in the attached Warrant Certificate, then CBIZ, at its own expense, shall promptly issue to the undersigned a new Warrant of like tenor and date for the balance of the Common Stock issuable thereunder.

Date: _____

Amount of Warrants Transferred: _____

Printed Name of Registered Holder: _____

Signature of Registered Holder: _____

NOTICE: The signature on this Assignment Notice must correspond with the name as written upon the face of the attached Warrant Certificate in every particular, without alteration or enlargement or any change whatsoever.

The Warrant Certificate for transferred Warrants is to be issued and registered in the following name, and delivered to the following address:

(Name)

(Street Address)

(City) (State) (Zip Code)

FIRST AMENDMENT TO THE
INTERNATIONAL ALLIANCE SERVICES, INC.
1996 EMPLOYEE STOCK OPTION PLAN

This First Amendment to the International Alliance Services, Inc. 1996 Employee Stock Option Plan (the "Plan") hereby amends the Plan as follows effective as of December 8, 1997 (the "Effective Date"):

1. The first sentence of the first paragraph of Section 8 of the Plan shall be amended to read as follows:

Except as otherwise specifically provided in any agreement evidencing an option granted hereunder (or an amendment thereto), in the event the relationship between the Company, or one of its subsidiaries, and an Optionee is terminated for any reason other than death, permanent disability, voluntary termination or willful misconduct, gross negligence or other termination for cause, such Optionee's unvested options shall immediately terminate and the Optionee's vested options shall thereafter expire and rights to purchase shares pursuant thereto shall terminate in three (3) months following the date of termination of the relationship, but in no event after the expiration date of the option.

2. The first paragraph of Section 8 of the Plan shall be amended by the addition at the end thereof of the following sentence:

The Committee shall be specifically empowered to extend the term of an option (but no beyond ten years from the date of grant thereof) and modify the vesting provisions of the option in the event the corporation or unit or division for whom the Optionee provided services is sold or otherwise transferred such that it is no longer a part of the Company and its subsidiaries.

SUBSCRIPTION AGREEMENT

by and between

CENTURY BUSINESS SERVICES, INC.

and

WESTBURY (BERMUDA) LTD.

Dated as of February 6, 1998

SUBSCRIPTION AGREEMENT

This Subscription Agreement (this "Agreement") is dated as of February 6, 1998 between Westbury (Bermuda) Ltd., a Bermuda corporation ("Investor"), and Century Business Services, Inc., a Delaware corporation ("Issuer"). Issuer and Investor may hereinafter be referred to collectively as the "Parties" or individually as a "Party."

RECITALS

A. Subject to the terms and conditions of this Agreement, Investor desires to purchase and Issuer desires to issue and sell to Investor shares of Common Stock (as defined herein).

B. In conjunction with the sale contemplated herein, Issuer and certain selling stockholders intend to sell in private transactions an aggregate, including the shares sold hereunder, of 5,000,000 shares of Common Stock.

TERMS OF AGREEMENT

In consideration of the mutual representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1 DEFINED TERMS. As used herein the following terms shall have the following meanings:

"Agreement" means this Subscription Agreement.

"Business Day" means any day that is not a Saturday or Sunday or a day on which banks are required or permitted to be closed in the State of Ohio.

"Closing" has the meaning set forth in Section 2.2 of this Agreement.

"Closing Date" has the meaning set forth in Section 2.2 of this Agreement.

"Common Stock" means the common stock, \$.01 par value per share, of Issuer, as constituted on the date hereof, and any capital stock into which such Common Stock may thereafter be changed, and shall also include (i) capital stock of Issuer of any other class

(regardless of how denominated) issued to the holders of shares of Common Stock upon any reclassification thereof which is also not preferred as to dividends or assets over any other class of stock of Issuer and which is not subject to redemption and (ii) shares of common stock of any successor or acquiring corporation received by or distributed to the holders of Common Stock of Issuer.

"Contract" means any agreement, indenture, lease, sublease, license, sublicense, promissory note, evidence of indebtedness, insurance policy, annuity, mortgage, restriction, commitment, obligation or other contract, agreement or instrument (whether written or oral).

"Controlling Person" has the meaning set forth in Section 9.2 of this Agreement.

"Convertible Securities" means evidences of indebtedness, shares of stock or other securities which are convertible into or exchangeable, with or without payment of additional consideration in cash or property, for additional shares of Common Stock, either immediately or upon the occurrence of a specified date or a specified event.

"December Registration Statement" means Amendment No. 1 to the Registration Statement on Form S-4 of Issuer dated December 9, 1997.

"Demanding Security Holder" shall have the meaning set forth in Section 7.2.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor federal statute, and the rules and regulations promulgated thereunder, all as the same shall be in effect from time to time.

"GAAP" means generally accepted accounting principles in effect in the United States of America from time to time.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, and any entity or official exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government.

"Holder" means each Person in whose name the Shares are registered on the books of Issuer maintained for such purpose.

"Indemnified Party" has the meaning set forth in Section 9.3 of this Agreement.

"Indemnifying Party" has the meaning set forth in Section 9.3 of this Agreement.

"Investor" has the meaning set forth in the Preamble of this Agreement.

"Issuer" has the meaning set forth in the Preamble of this Agreement.

"Lien" means any mortgage, pledge, security interest, assessment, encumbrance, lien, lease, sublease, adverse claim, levy, or charge of any kind, or any conditional Contract, title retention Contract or other contract to give or refrain from giving any of the foregoing.

"Material Adverse Change" or "Material Adverse Effect" means, with respect to any Person, any change or effect that is or is reasonably likely to be materially adverse to the financial condition, business, prospects or results of operations of such Person.

"NASD" means the National Association of Securities Dealers, Inc., or any successor thereto.

"Person(s)" means any individual, sole proprietorship, partnership, joint venture, trust, limited liability company, incorporated organization, association, corporation, institution, public benefit corporation, entity or government (whether federal, state, county, city, municipal or otherwise, including, without limitation, any instrumentality, division, agency, body or department thereof).

"Placement Agreement" means that certain Placement Agency Agreement between Issuer and Allen & Company Incorporated relating to the sale of the Shares.

"Purchase Price" means an amount equal to the product of (i) the Share Price multiplied by (ii) the number of Shares being purchased as set forth in Section 2.1.

"Register", "registered" and "registration" refer to a registration of the offering and sale of Common Stock effected by preparing and filing a registration statement in compliance with the Securities Act and the declaration or ordering of the effectiveness of such registration statement.

"Registrable Securities" means, at any particular time and as to each Holder, all of such Holder's Shares; provided, however, as to any particular Registrable Securities, such Registrable Securities will cease to be Registrable Securities when they have been sold pursuant to an effective registration statement or in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act under Section 4(1) thereof so that all transfer restrictions and restrictive legends with respect thereto are removed upon the consummation of such sale and the purchaser and seller receive an opinion of counsel from the seller or the purchaser, which opinion shall be in form and substance reasonably satisfactory to the other party and Issuer and their respective counsel, to the effect that such stock in the hands of the purchaser is freely transferable without restriction or registration under the Securities Act in any public or private transaction.

"Registration Expenses" has the meaning set forth in Section 8.4 of this Agreement.

"Registration Statement" has the meaning set forth in Section 7.3.

"Requirement of Law" means as to any Person, the articles of incorporation, bylaws or other organizational or governing documents of such Person, and any domestic or foreign and federal, state or local law, rule, regulation, statute or ordinance or determination of any arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its properties or to which such Person or any of its property is subject.

"Restricted Common Stock" means Shares evidenced by a certificate bearing the restrictive legend set forth in Section 3.1.

"Risk Factors" has the meaning set forth in Section 5.7 of this Agreement.

"SEC" means the Securities and Exchange Commission.

"SEC Reports" has the meaning set forth in Section 4.7 of this Agreement.

"Securities Act" means the Securities Act of 1933, as amended, or any successor federal statute, and the rules and regulations promulgated thereunder, all as the same shall be in effect at the applicable time.

"Share Price" has the meaning set forth in Section 2.1 of this Agreement.

"Shares" means the shares of Common Stock issued pursuant to this Agreement.

"Shelf Registration Statement" has the meaning set forth in Section 7.1 of this Agreement.

"Subsidiary" means each of those Persons of which another Person, directly or indirectly owns beneficially securities having more than 50% of the voting power in the election of directors (or persons fulfilling similar functions or duties) of the owned Person (without giving effect to any contingent voting rights).

"Terminating Investor Breach" has the meaning set forth in Section 2.4.

"Terminating Issuer Breach" has the meaning set forth in Section 2.4.

"Transfer Notice" has the meaning set forth in Section 3.2 of this Agreement.

1.2 OTHER DEFINITIONAL PROVISIONS.

(a) All references to "dollars" or "\$" refer to currency of the United States of America.

(b) Terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa.

(c) All matters of an accounting nature in connection with this Agreement and the transactions contemplated hereby shall be determined in accordance with GAAP.

(d) As used herein, the neuter gender shall also denote the masculine and feminine, and the masculine gender shall also denote the neuter and feminine, where the context so permits.

(e) The words "hereof," "herein" and "hereunder," and words of similar import, when used in this Agreement shall refer to this Agreement as a whole (including any exhibits or schedules hereto) and not to any particular provision of this Agreement.

ARTICLE II
ISSUANCE AND PURCHASE OF SHARES

2.1 ISSUANCE AND PURCHASE OF COMMON STOCK. Subject to the terms and conditions of this Agreement, Investor will subscribe for and purchase from Issuer for a purchase price of \$13.25 per Share (the "Share Price") the number of Shares set forth on the signature page hereof.

2.2 CLOSING. The closing of the transactions contemplated herein (the "Closing") shall take place at the offices of Allen & Company Incorporated, 711 Fifth Avenue, New York, New York, 10022 at 10:00 New York, New York time on or before the third Business Day following such date that the conditions set forth in Article IX have been satisfied or waived in writing, or such other time, date or place as the Parties may mutually agree (the "Closing Date"). At the Closing, (a) Investor shall pay to Issuer, by wire transfer of immediately available funds to such account or accounts designated in writing by Issuer, the Purchase Price; (b) Issuer shall issue to Investor the Shares and deliver to Investor certificates for the Shares duly registered in the name of Investor; and (c) all other agreements and other documents referred to in this Agreement shall be executed and delivered (to the extent not completed prior to the Closing Date).

2.3 TERMINATION.

(a) EVENTS OF TERMINATION. This Agreement may be terminated, and the transactions contemplated hereby may be abandoned at any time prior to the Closing Date, as follows:

(i) by mutual written agreement of the Parties;

(ii) by Issuer or Investor if the sale contemplated by this Agreement has not been consummated on or before June 30, 1998; provided, however, that the right to terminate this Agreement shall not be available to a Party whose failure to fulfill any obligation

under this Agreement has been the cause or resulted in the failure of the Closing Date to occur on or before such date;

(iii) by Issuer upon written notice to Investor, upon and during the continuance of a breach of any representation, warranty, covenant or agreement on the part of Investor set forth in this Agreement, or if any representation or warranty of Investor shall have become untrue, in either case such that the conditions set forth in Section 10.3 would not be satisfied by June 30, 1998 (a "Terminating Investor Breach").

(iv) by Investor upon written notice to Issuer, upon and during the continuance of a breach of any representation, warranty, covenant or agreement on the part of Issuer set forth in this Agreement, or if any representation or warranty of Issuer shall have become untrue, in either case such that the conditions set forth in Section 10.2 would not be satisfied (a "Terminating Issuer Breach").

(b) EFFECT OF TERMINATION.

(i) If this Agreement is validly terminated pursuant to Section 2.3(a)(i) or (ii) hereof, no Party hereto will have any liability to the other Parties hereto except that any such termination shall be without prejudice to any claim which either Party may have against the other for breach of this Agreement (or any representation, warranty, covenant, or agreement included herein).

(ii) If this Agreement is validly terminated pursuant to Section 2.3(a)(iii) or (iv) hereof by a nonbreaching Party, in addition to any other remedy available to the nonbreaching Party, all reasonable out-of-pocket expenses incurred in connection with this Agreement and the transactions contemplated hereby will be reimbursed promptly by the breaching Party.

ARTICLE III
RESTRICTIONS ON TRANSFERABILITY

The Shares shall not be transferred before satisfaction of the conditions specified in this Article III, which conditions are intended to ensure compliance with the provisions of the Securities Act and applicable state securities laws with respect to the transfer of any Shares. Each Holder, by entering into this Agreement and accepting the Shares, agrees to be bound by the provisions of this Article III.

3.1 RESTRICTIVE LEGEND. Except as otherwise provided in this Article III, each certificate representing Shares shall be stamped or otherwise imprinted with a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED, UNLESS AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS, OR ANY RULE OR REGULATION PROMULGATED THEREUNDER, IS AVAILABLE. SUCH SECURITIES ARE SUBJECT TO THE RESTRICTIONS AND PRIVILEGES SPECIFIED IN THE SUBSCRIPTION AGREEMENT, DATED AS OF FEBRUARY 6, 1998, BETWEEN CENTURY BUSINESS SERVICES, INC., THE SELLING STOCKHOLDERS NAMED THEREIN AND THE INITIAL HOLDERS OF SECURITIES NAMED THEREIN, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF CENTURY BUSINESS SERVICES, INC. AND WILL BE FURNISHED WITHOUT CHARGE TO THE HOLDER HEREOF UPON WRITTEN REQUEST. THE HOLDER OF THIS CERTIFICATE AGREES TO BE BOUND BY THE TERMS AND CONDITIONS OF SUCH SUBSCRIPTION AGREEMENT."

3.2 NOTICE OF PROPOSED TRANSFERS. Prior to any transfer of any shares of Restricted Common Stock, the Holder of such Restricted Common Stock shall give five days' prior written notice to Issuer of such Holder's intention to effect such transfer (a "Transfer Notice"). Each Holder agrees that it will not sell, transfer or otherwise dispose of any shares of Restricted Common Stock, in whole or in part, except pursuant to an effective registration statement under the Securities Act or an exemption from registration thereunder. Each certificate, if any, evidencing such shares of Restricted Common Stock issued upon such transfer shall bear the restrictive legend set forth in Section 3.1, unless in the written opinion of the transferee's or Holder's counsel delivered to Issuer in connection with such transfer (which opinion shall be reasonably satisfactory to Issuer) such legend is not required in order to ensure compliance with the Securities Act.

3.3 TERMINATION OF RESTRICTIONS. The restrictions imposed by this Article III upon the transferability of the Restricted Common Stock and the legend requirement of Section 3.1 shall terminate as to any particular Share (i) when and so long as such security shall have been registered under the Securities Act and disposed of pursuant thereto, or (ii) when the Holder thereof shall have delivered to Issuer the written opinion of counsel to such Holder, which opinion shall be reasonably satisfactory to Issuer, stating that such legend is not required in order to ensure compliance with the Securities Act. Whenever the restrictions imposed by this Article III shall terminate as to any Restricted Common Stock, as herein above provided, the Holder thereof shall be entitled to receive from Issuer, at the expense of Issuer, a new certificate representing such Common Stock, as the case may be, not bearing the restrictive legend set forth in Section 3.1.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF ISSUER.

As a material inducement to Investor entering into this Agreement and purchasing the Shares, Issuer represents and warrants to Investor as follows:

4.1 CORPORATE STATUS. Issuer is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. Issuer has all requisite corporate power and authority to own or lease, as the case may be, its properties and to carry on its business as now conducted. Issuer and its Subsidiaries are qualified or licensed to conduct business in all jurisdictions where its or their ownership or lease of property and the conduct of its or their business requires such qualification or licensing, except to the extent that failure to so qualify or be licensed would not have a Material Adverse Effect on Issuer. There is no pending or threatened proceeding for the dissolution, liquidation or insolvency of Issuer or any of its Subsidiaries.

4.2 CORPORATE POWER AND AUTHORITY. Issuer has the corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and consummate the transactions contemplated hereby. Issuer has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby.

4.3 ENFORCEABILITY. This Agreement has been duly executed and delivered by Issuer and constitutes a legal, valid and binding obligation of Issuer, enforceable against Issuer in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity.

4.4 NO VIOLATION. The execution and delivery by Issuer of this Agreement, the consummation of the transactions contemplated hereby, and the compliance by Issuer with the terms and provisions hereof, will not (a) result in a violation or breach of, or constitute, with the giving of notice or lapse of time, or both, a material default (or give rise to any right of termination, cancellation or acceleration) under, any of the terms, conditions or provisions of any Contract to which Issuer is a party or by which Issuer or any material portion of Issuer's properties or assets may be bound, (b) violate any Requirement of Law applicable to Issuer or any material portion of Issuer's properties or assets or (c) result in the imposition of any Lien upon any of the properties or assets of Issuer; except where any of the foregoing would not have a Material Adverse Effect on Issuer.

4.5 CONSENTS/APPROVALS. No consent, approval, waiver or other action by any Person under any Contract to which either Issuer or any of its Subsidiaries is a party, or by which any of their respective properties or assets are bound, is required or necessary for the execution, delivery

or performance by Issuer of this Agreement and the consummation of the transactions contemplated hereby, except (a) as required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the applicable regulations thereunder (the "HSR Act"), (b) as required by the Nasdaq National Market and (c) where the failure to obtain such consents, filings, authorizations, approvals or waivers or make such filings would not have a Material Adverse Effect on Issuer.

4.6 CAPITALIZATION. The authorized capital stock of Issuer consists of 100,000,000 shares of Common Stock. As of February 1 1998, 44,249,094 shares of Common Stock were validly issued and outstanding, fully paid and non-assessable. Except (a) as contemplated by this Agreement and the Placement Agreement, and (b) as set forth on Schedule 4.6 hereof, there are (y) no rights, options, warrants, convertible securities, subscription rights or other agreements, calls, plans, contracts or commitments of any kind relating to the issued and unissued capital stock of, or other equity interest in, Issuer outstanding or authorized and (z) no contractual obligations of Issuer to repurchase, redeem or otherwise acquire any shares of Issuer Common Stock. Upon delivery to Investor of the certificates representing the Shares and payment of the Purchase Price, Investor will acquire good, valid and marketable title to and beneficial and record ownership of the Shares, and the Shares will be validly issued, fully paid and non-assessable.

4.7 SEC REPORTS AND NASDAQ COMPLIANCE. Since April 1995, Issuer has made all filings (the "SEC Reports") required to be made by it under the Securities Act and the Exchange Act. The SEC Reports, when filed, complied in all material respects with all applicable requirements of the Securities Act and the Exchange Act and the securities laws, rules and regulations of any state and pursuant to any Requirements of Law. The SEC Reports and the December Registration Statement, when filed, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. Issuer has delivered or made accessible to Investors true, accurate and complete copies of the December Registration Statement and of the SEC Reports which were filed with the SEC since January 1, 1997. Issuer has taken all necessary actions to ensure its continued inclusion in, and the continued eligibility of the Common Stock for trading on, the Nasdaq National Market under all currently effective and currently proposed inclusion requirements prior to Closing.

4.8 GOVERNING DOCUMENTS. Issuer made available to Investor true, accurate and complete copies of Issuer's Certificate of Incorporation and Bylaws in effect as of the date hereof.

4.9 FINANCIAL STATEMENTS. Each of the balance sheets included in the SEC Reports (including any related notes and schedules) fairly presents in all material respects the consolidated financial position of Issuer and its Subsidiaries as of its date, and each of the other financial statements included in the SEC Reports and the December Registration Statement (including any related notes and schedules) fairly presents in all material respects the consolidated results of operations or other information therein of Issuer and its Subsidiaries for the periods or as of the dates therein set forth in accordance with GAAP consistently applied

during the periods involved (except that the interim reports are subject to normal recording adjustments which might be required as a result of year-end audit and except as otherwise stated therein).

4.10 MATERIAL CHANGES. Except as set forth in the SEC Reports, the December Registration Statement, or as otherwise contemplated herein or in the Placement Agreement or Risk Factors, since December 31, 1996, there has been no Material Adverse Change in Issuer and no such Material Adverse Change shall be reflected in Issuer's Annual Report on Form 10-K to be filed with regard to the year ended December 31, 1997 (the "10-K"). In addition, the description of Issuer's business contained in the 10-K will not be materially inconsistent with such descriptions set forth in Issuer's press releases made during 1997, the SEC Reports or the December Registration Statement. Except as set forth in the SEC Reports or the December Registration Statement, since December 31, 1996 there has not been (i) any direct or indirect redemption, purchase or other acquisition by Issuer of any shares of the Common Stock or (ii) declaration, setting aside or payment of any dividend or other distribution by Issuer with respect of the Common Stock.

4.11 NO COMMISSIONS. In connection with the purchase of the Shares hereunder, Issuer has agreed to pay Allen & Company Incorporated a placement fee and certain expenses relating to the transactions contemplated hereunder as set forth in the Placement Agreement. Except for such placement fee and expenses and as otherwise set forth in the Placement Agreement, Issuer has not incurred any other obligation for any finder's or broker's or agent's fees or commissions in connection with the sale of the Shares.

ARTICLE V

[INTENTIONALLY OMITTED]

ARTICLE VI REPRESENTATIONS AND WARRANTIES OF INVESTOR

As a material inducement to Issuer entering into this Agreement and issuing and selling the Shares, Investor represents and warrants to Issuer as follows:

6.1 POWER AND AUTHORITY. Investor, other than a natural person, is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation. The Investor has the corporate power and authority under applicable law to execute and deliver this Agreement and consummate the transactions contemplated hereby, and

has all necessary authority to execute, deliver and perform its obligations under, this Agreement and consummate the transactions contemplated hereby. The Investor has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby. Investor, if a natural person, is an individual residing at that location set forth on the signature page hereof with competence and authority under applicable law to execute and deliver, and to perform Investor's obligations under, this Agreement and consummate the transactions contemplated hereby, and has all necessary authority to execute, deliver and perform this Agreement and the transactions contemplated hereby.

6.2 NO VIOLATION. The execution and delivery by Investor of this Agreement and the consummation of the transactions contemplated hereby, and the compliance by Investor with the terms and provisions hereof, will not (a) result in a violation or breach of, or constitute, with or without due notice or lapse of time or both, a material default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any Contract to which Investor is a party or by which Investor or any material portion of Investor's properties or assets may be bound, (b) violate any Requirement of Law applicable to Investor or any material portion of Investor's properties or assets or (d) result in the imposition of any Lien upon any of the properties or assets of Investor; except where any of the foregoing would not have a Material Adverse Effect on Investor.

6.3 CONSENTS/APPROVALS. No consent, approval, waiver or other action by any Person under any Contract to which Investor is a party, or by which any of Investor's respective properties or assets are bound, is required or necessary for the execution, delivery or performance by Investor of this Agreement and the consummation of the transactions contemplated hereby, except (a) as required under the HSR Act, (b) as required by the Nasdaq National Market and (c) where the failure to obtain such consents, filings, authorizations, approvals or waivers or make such filings would not prevent or delay the consummation of the transactions contemplated by this Agreement or otherwise prevent Investor from performing Investor's obligations hereunder or have a Material Adverse Effect on Investor.

6.4 ENFORCEABILITY. This Agreement has been duly executed and delivered by Investor and constitutes a legal, valid and binding obligation of Investor, enforceable against Investor in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditor's rights generally and general equitable principles regardless of whether enforceability is considered in a proceeding at law or in equity.

6.5 INVESTMENT INTENT. Investor is acquiring the Shares hereunder for Investor's own account and with no present intention of distributing or selling the Shares or any interest in the Shares. Investor agrees that Investor will not sell or otherwise dispose of any of the Shares or any interest in the Shares unless such sale or other disposition has been registered or qualified (as applicable) under the Securities Act and applicable state securities laws or, in the opinion of Investors' counsel delivered to Issuer (which opinion shall be reasonably satisfactory to Issuer) such sale or other disposition is exempt from registration or qualification under the Securities Act and applicable state securities laws. Investor understands that the sale of the Shares acquired

by Investor hereunder has not been registered under the Securities Act, but the Shares are issued through transactions exempt from the registration and prospectus delivery requirements of Section 4(2) of the Securities Act, and that the reliance of Issuer on such exemption from registration is predicated in part on these representations and warranties of Investor. Investor acknowledges that pursuant to Section 3.1 a restrictive legend consistent with the foregoing has been or will be placed on the certificates representing the Shares until such legend is permitted to be removed under applicable law.

6.6 INVESTOR KNOWLEDGE. Investor is an accredited investor as such term is defined in Rule 501 under the Securities Act (a copy of which is attached hereto as Exhibit A), and has such knowledge and experience in financial and business matters such that Investor is capable of evaluating the merits and risks of the investment to be made by Investor hereunder. Investor acknowledges that no representations or warranties of any type or description have been made to Investor by any Person with regard to Issuer or any of its Subsidiaries, or any of their respective businesses, properties or prospects or the investment contemplated herein, other than the representations and warranties set forth in Articles IV and V hereof.

6.7 ADEQUATE INFORMATION. Issuer has made available and Investor has reviewed such information that Investor considers necessary or appropriate to evaluate the risks and merits of an investment in the Shares (including, without limitation, the risk factors relating to an investment in the Shares set forth on Exhibit C hereto ("Risk Factors"), Issuer's Proxy Statement dated April 1, 1997, Form 10-K for the fiscal year ended December 31, 1996, Form 10-Q for the quarterly period ended March 31, 1997, Form 10-Q for the quarterly period ended June 30, 1997, Form 10-Q for the quarterly period ended September 30, 1997, Current Report on Form 8-K dated February 19, 1997 (as amended on Form 8-K/A filed on April 2, 1997), Current Report on Form 8-K dated April 3, 1997, Current Report on Form 8-K dated April 21, 1997, Current Report on Form 8-K dated July 23, 1997 (as amended on Form 8-K/A dated October 3, 1997), Information Statement dated December 1, 1997 as filed with the SEC on December 1, 1997 and Amendment No. 1 to Registration Statement on Form S-4 dated December 9, 1997.

6.8 OPPORTUNITY TO QUESTION. Investor has had the opportunity to question, and, to the extent deemed necessary or appropriate, has questioned representatives of Issuer so as to receive answers and verify information obtained in Investor's examination of Issuer, including the information that Investor has reviewed in relation to its investment in the Shares.

6.9 NO OTHER REPRESENTATIONS. No oral or written representations have been made to Investor in connection with Investor's acquisition of the Shares which were in any way inconsistent with the information reviewed by Investor. Investor acknowledges that no representations or warranties of any type or description have been made to it by any Person with regard to the Issuer, any of its Subsidiaries, any of their respective businesses, properties or prospectus or the investment contemplated herein, other than the representations and warranties set forth in Articles IV and V hereof.

6.10 KNOWLEDGE AND EXPERIENCE. Investor has such knowledge and experience in financial, tax and business matters, including substantial experience in evaluating and investing

in common stock and other securities (including the common stock and other securities of new and speculative companies), so as to enable Investor to utilize the information referred to in Section 6.7 and any other information made available to Investor in order to evaluate the merits and risks of an investment in the Shares and to make an informed investment decision with respect thereto.

6.11 INDEPENDENT DECISION. Investor is not relying on Issuer or on any legal or other opinion in the materials reviewed by Investor with respect to the financial or tax considerations of Investor relating to its investment in the Shares. Investor has relied solely on the representations, warranties, covenants and agreements of Issuer in this Agreement (including the Exhibits and Schedules hereto) and on its examination and independent investigation in making its decision to acquire the Shares.

6.12 NO COMMISSIONS. Investor has not incurred any obligation for any finder's or broker's or agent's fees or commissions in connection with the purchase of the Shares.

ARTICLE VII
COVENANTS

7.1 FILINGS. Each of Investor and Issuer shall make on a prompt and timely basis all governmental or regulatory notifications and filings required to be made by it for the consummation of the transactions contemplated hereby.

7.2 PUBLIC ANNOUNCEMENTS. The form and content of all press releases or other public communications of any sort relating to the subject matter of this Agreement, and the method of their release, or publication thereof, shall be subject to the prior approval of the Issuer, which approval shall not be unreasonably withheld or delayed.

7.3 FURTHER ASSURANCES. Each Party shall execute and deliver such additional instruments and other documents and shall take such further actions as may be necessary or appropriate to effectuate, carry out and comply with all of the terms of this Agreement and the transactions contemplated hereby.

7.4 COOPERATION. Each of Issuer and Investor agree to cooperate with the other in the preparation and filing of all forms, notifications, reports and information, if any, required or reasonably deemed advisable pursuant to any Requirement of Law or the rules of the Nasdaq National Market in connection with the transactions contemplated by this Agreement and to use their respective best efforts to agree jointly on a method to overcome any objections by any Governmental Authority to any such transactions. Except as may be specifically required hereunder, none of the Parties or their respective Affiliates shall be required to agree to take any action that in the reasonable opinion of such Party would result in or produce a Material Adverse Effect on such Party.

7.5 NOTIFICATION OF CERTAIN MATTERS. Each Party shall give prompt notice to the other Parties of the occurrence, or non-occurrence, of any event which would be likely to cause any representation or warranty herein to be untrue or inaccurate, or any covenant, condition or agreement herein not to be complied with or satisfied.

7.6 NECESSARY ACTIONS. Each of the Parties shall use its reasonable best efforts to take, or cause to be taken, all appropriate actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated herein; including, without limitation, using its reasonable best efforts to obtain all licenses, permits, consents, approvals, authorizations, qualifications and orders of Governmental Authorities and parties to Contracts with Issuer and its Subsidiaries as are necessary for the consummation of the transactions contemplated hereby. The Parties also agree to use best efforts to defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby and to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the Parties to consummate the transactions contemplated hereby.

7.7 STOCKHOLDER VOTE. Issuer shall include in its proxy materials prepared and filed with the SEC in connection with Issuer's 1998 annual meeting scheduled to be held in April 1998, information in connection with voting on and approving the transactions contemplated herein. Investor shall furnish all information concerning itself to Issuer as Issuer may reasonably request in connection with the preparation of such proxy materials.

7.8 HSR ACT AND OTHER ACTIONS. Each of the Parties shall (i) make promptly its respective filings, and thereafter make any other required submissions under the HSR Act with respect to the transactions contemplated hereby, and (ii) use its reasonable best efforts to take, or cause to be taken, all appropriate actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated herein; including, without limitation, using its reasonable best efforts to obtain all licenses, permits, consents, approvals, authorizations, qualifications and orders of Governmental Authorities and parties to contracts with Issuer as are necessary for the consummation of the transactions contemplated hereby. The Parties also agree to use best efforts to defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby and to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the Parties to consummate the transactions contemplated hereby.

ARTICLE VIII
REGISTRATION RIGHTS

Holder shall have the following registration rights with respect to the Registrable Securities:

8.1 REQUIRED REGISTRATION. As promptly as practicable after the Closing, Issuer agrees to register all of the Registrable Securities pursuant to a registration statement on Form S-3 (the "Shelf Registration Statement"). Issuer shall use its best efforts to cause the Shelf Registration Statement to be declared effective as quickly as practicable and subject to the terms and conditions hereof, to maintain the effectiveness of the Shelf Registration Statement until the earlier of (i) two years from the date of issuance or (ii) such time that all Shares have been sold under the Shelf Registration Statement or an exemption from registration.

8.2 INCIDENTAL REGISTRATION. If Issuer at any time proposes to file on its behalf and/or on behalf of any of its security holders (the "Demanding Security Holders") a Registration Statement under the Securities Act on any form (other than Registration Statement on Form S-4 or Form S-8 or any similar or successor form or any other registration statement relating to an offering of securities solely to Issuer's existing security holders or employees) to register the offer and sale of its Common Stock in an underwritten offering for cash, it will give written notice to all Holders of Registrable Securities at least 10 days before the anticipated date of initial filing with the Commission of such Registration Statement, which notice shall set forth Issuer's intention to effect such a registration, the class or series and number of equity securities proposed to be registered and the intended method of disposition of the securities proposed to be registered by Issuer. The notice shall offer to include in such filing all of the Holder's Registrable Securities.

Each Holder desiring to have Registrable Securities registered under this Section 8.2 shall advise Issuer in writing within 10 days after the date of receipt of such offer from Issuer, setting forth the amount of such Registrable Securities for which registration is requested. Issuer shall thereupon include in such filing the number of shares of Registrable Securities for which registration is so requested, subject to the next sentence, and shall use its best efforts to effect registration under the Securities Act of such securities. If the managing underwriter of such a proposed public offering shall advise Issuer in writing that, in its opinion, the distribution of the Registrable Securities requested to be included in the registration concurrently with the securities being registered by Issuer or any Demanding Security Holder would materially and adversely affect the distribution of such securities by Issuer or such Demanding Security Holders, then all selling security holders (but not Issuer) shall reduce the amount of securities each intended to distribute through such offering on a pro rata basis to the greatest aggregate amount which, in the opinion of such managing underwriter, would not materially and adversely affect the distribution of such securities. Nothing in this Section 8.2 shall preclude Issuer from discontinuing the registration of its securities being effected on its behalf under this Section 8.2 at any time prior to the effective date of the registration relating thereto.

8.3 REGISTRATION PROCEDURES.

(a) In connection with the registration required by this Article VIII, Issuer shall, at its own expense:

(i) prepare and file with the SEC a registration statement with respect to such Registrable Securities (the "Registration Statement");

(ii) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such Registration Statement effective to comply with the provisions of the Securities Act with respect to the sale or other disposition of the Registrable Securities covered by such registration statement in accordance with this Article VIII;

(iii) enter into customary agreements (including an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Registrable Securities;

(iv) furnish to such selling security holders such number of prospectuses, including preliminary prospectuses, and other documents that are included in the Shelf Registration Statement as Holder may reasonably request from time to time;

(v) use its best efforts to register or qualify such Registrable Securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions of the United States as each holder of such securities may request to enable it to consummate the disposition in such jurisdiction of the Registrable Securities covered by such registration statement; provided that Issuer will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this Article VIII, or (B) consent to general service of process in any such jurisdiction;

(vi) notify the Holder of any Registrable Securities covered by such registration statement, at any time when the prospectus included in such registration statement is required to be delivered under the Securities Act, of the happening of any event which would cause such prospectus to contain an untrue statement of a material fact or omit any fact necessary to make the statement therein in light of the circumstances under which they are made not misleading and, at the request of such Holder, prepare a supplement or amendment to such prospectus, so that, as thereafter delivered to purchasers of such shares, such prospectus will not contain any untrue statements of a material fact or omit to state any fact necessary to make the statements therein in light of the circumstances under which they are made not misleading; provided, however, that if the Board of Directors of Issuer determines in good faith that due to a contemplated financing, acquisition or disposition the filing of any supplement or amendment would cause harm to Issuer, then Issuer may defer the filing of any such supplement or amendment pending the consummation of such financing, acquisition or disposition;

(vii) use its best efforts to cause all such Registrable Securities covered by such registration statement to be listed on each securities exchange on which similar securities issued by Issuer are then listed and to obtain all necessary approvals from such exchange for trading thereon;

(viii) provide a transfer agent and registrar for all such Registrable Securities covered by such registration statement not later than the effective date of such registration statement;

(ix) to the extent permitted by the Securities Act, upon the sale of any Registrable Securities pursuant to such registration statement, remove all restrictive legends from all certificates or other instruments evidencing such registrable securities to the extent permitted by the Securities Act; and

(x) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC.

(b) It shall be a condition precedent to the obligation of Issuer to take any action pursuant to this Article VIII in respect of the securities which are to be registered at the request of any Holder of Registrable Securities that such Holder furnish to Issuer such information regarding the securities held by such Holder and the intended method of disposition of Holder's Registrable Securities as Issuer shall reasonably request and as shall be required in connection with the action taken by Issuer.

8.4 REGISTRATION EXPENSES. Except as required by law, all expenses incurred by Issuer in complying with this Article VIII, including all registration, qualification and filing fees, printing expenses, fees and disbursements of counsel and accountants for Issuer, blue sky fees and expenses (including fees and disbursements of counsel related to all blue sky matters) ("Registration Expenses") incurred in connection with any registration, qualification or compliance pursuant this Article VIII shall be borne by Issuer; except that all underwriting discounts, selling commissions or cost reimbursements applicable to a sale incurred in connection with any Registrable Securities and the legal fees of Holder shall be borne by Holder.

8.5 FURTHER INFORMATION. If Registrable Securities owned by Holder are included in any registration, such Holder shall use reasonable efforts to cooperate with Issuer and shall furnish Issuer such information regarding itself as Issuer may reasonably request and as shall be required in connection with any registration, qualification or compliance referred to in this Agreement.

ARTICLE IX
INDEMNIFICATION

9.1 INDEMNIFICATION GENERALLY. Issuer, on the one hand, and Investor, on the other hand (each an Indemnifying Party as defined below), shall indemnify the other from and against any and all losses, damages, liabilities, claims, charges, actions, proceedings, demands, judgments, settlement costs and expenses of any nature whatsoever (including, without limitation, attorneys' fees and expenses) or deficiencies resulting from any breach of a representation, warranty or covenant by the Indemnifying Party and all claims, charges, actions or proceedings incident to or arising out of the foregoing.

9.2 INDEMNIFICATION RELATING TO REGISTRATION RIGHTS.

(a) With respect to any registration, qualification or compliance effected or to be effected pursuant to Article VIII of this Agreement, Issuer shall indemnify each Holder of Registrable Securities whose securities are included or are to be included therein, each of such Holder's directors and officers, each underwriter (as defined in the Securities Act) of the securities sold by such Holder, and each Person who controls (within the meaning of the Securities Act) any such Holder or underwriter (a "Controlling Person") from and against all losses, damages, liabilities, claims, charges, actions, proceedings, demands, judgments, settlement costs and expenses of any nature whatsoever (including, without limitation, attorneys' fees and expenses) or deficiencies of any such Holder or any such underwriter or Controlling Person based upon:

(i) any untrue statement (or alleged untrue statement) of a material fact contained, on the effective date thereof, in any Registration Statement, any preliminary or final prospectus contained therein, or any amendment or supplement thereto;

(ii) any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which it was made, not misleading; or

(iii) any violation by Issuer of the Securities Act applicable to Issuer, or of any blue sky or other state securities laws or any rule or regulation promulgated thereunder applicable to Issuer;

in each case, relating to any action or inaction required of Issuer in connection with any such registration, qualification or compliance, and, subject to Section 9.3 below, will reimburse each such Person entitled to indemnity under this Section 9.2 for all legal and other expenses reasonably incurred in connection with investigating or defending any such loss, damage, liability, claim, charge, action, proceeding, demand, judgment, settlement or deficiency; provided, however, the foregoing indemnity and reimbursement obligation shall not be applicable to the extent that (y) any such matter arises out of or is based on any untrue statement (or alleged untrue statement) or omission (or alleged omission) made in reliance upon and in conformity with written information furnished to Issuer by or on behalf of such Holder or by or on behalf of such underwriter specifically for use in such prospectus, offering circular or other document, or any supplement or amendment thereto, or (z) in the case of any non-underwritten offering, to the extent that any such losses, claims, damages, liabilities or expenses arise out of or are based upon the fact that a current copy of the prospectus was not sent or given to the Person asserting any such losses, claims, damages, liabilities or expenses at or prior to the written confirmation of the sale of the securities to such Person if it is determined that it was the responsibility of such Holder to provide such Person with a current copy of the prospectus and such current copy of the prospectus would have cured the defect giving rise to such losses, claims, damages, liabilities or expenses.

(b) With respect to any registration, qualification or compliance effected or to be effected pursuant to this Agreement, each Holder of Registrable Securities whose securities are included or are to be included therein, shall indemnify Issuer, from and against all losses,

damages, liabilities, claims, charges, actions, proceedings, demands, judgments, settlement costs and expenses of any nature whatsoever (including, without limitation, attorneys' fees and expenses) or deficiencies of Issuer based upon:

(i) (A) any untrue statement (or alleged untrue statement) of a material fact contained, on the effective date thereof, in any Registration Statement, any preliminary or final prospectus contained therein, or any amendment or supplement thereto;

(B) any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which it was made, not misleading;

(C) any violation by such Holder of the Securities Act applicable to Issuer or such Holder or of any blue sky or other state securities laws or any rule or regulation promulgated thereunder applicable to Issuer or such Holder; or

(D) the fact that a current copy of the prospectus was not sent to the Person asserting such losses, claims, damages, liabilities or expenses at or prior to the written confirmation of the sale of the securities with respect to such Person if it is determined that it was the responsibility of such Holder to provide such Person with a current copy of the prospectus and such current copy would have cured the defect giving rise to such losses, claims, damages, liabilities or expenses,

in each case, relating to any action or inaction required of such Holder in connection with any such registration, qualification or compliance, and, subject to Section 9.3 below, will reimburse Issuer for all legal and other expenses reasonably incurred in connection with investigating or defending any such loss, damage, liability, claim, charge, action, proceeding, demand, judgment, settlement or deficiency; provided, however, the indemnity and reimbursement obligation arising under Section 9.2 (b)(i)(A) or 9.2 (b)(i)(B) shall only be applicable to the extent that any such matter arises out of or is based on any untrue statement (or alleged untrue statement) or omission (or alleged omission) made in reliance upon and in conformity with written information furnished to Issuer by or on behalf of Holder specifically for use in such registration statement, prospectus, or any supplement or amendment thereto;

9.3 INDEMNIFICATION PROCEDURES. Each Person entitled to indemnification under this Article IX (an "Indemnified Party") shall give notice as promptly as reasonably practicable to each party required to provide indemnification under this Article IX (an "Indemnifying Party") of the commencement of any action, suit, proceeding or investigation or threat thereof made in writing in respect of which indemnity may be sought hereunder; provided, however, failure to so notify an Indemnifying Party shall not relieve such Indemnifying Party from any liability that it may have otherwise than on account of this indemnity agreement so long as such failure shall not have materially prejudiced the position of the Indemnifying Party. Upon such notification, the Indemnifying Party shall assume the defense of such action if it is a claim brought by a third party, and after such assumption the Indemnifying Party shall not be entitled to reimbursement of any expenses incurred by it in connection with such action except as described below. In any

such action, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the contrary or (ii) the named parties in any such action (including any impleaded parties) include both the Indemnifying Party and the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing or conflicting interests between them. An Indemnifying Party who is not entitled to, or elects not to, assume the defense of a claim shall not be obligated to pay the fees and expenses of more than one counsel in any one jurisdiction for all parties indemnified by such Indemnifying Party with respect to such claim, unless in the reasonable judgment of any Indemnified Party a conflict of interest may exist between such Indemnified Party and any other of such Indemnified Parties with respect to such claim, in which event the Indemnifying Party shall be obligated to pay the fees and expenses of such additional counsel or counsels. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent (which shall not be unreasonably withheld or delayed by such Indemnifying Party), but if settled with such consent or if there be final judgment for the plaintiff, the Indemnifying Party shall indemnify the Indemnified Party from and against any loss, damage or liability by reason of such settlement or judgment.

ARTICLE X
CONDITIONS TO CLOSING.

10.1 CONDITION TO OBLIGATION OF EACH PARTY TO EFFECT THE CLOSING. The respective obligations of each party to effect the Closing shall be subject to the fulfillment of the following conditions, which may be waived, in whole or in part, to the extent permitted by applicable law:

(a) NO ORDER. No Governmental Authority or other agency or commission or federal or state court of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction, or other order (whether temporary, preliminary or permanent) which is in effect and which materially restricts, prevents or prohibits consummation of the Closing or any transaction contemplated by this Agreement; provided, however, that each of the Parties agree that it will use its best efforts to fulfill its obligations under this Section 10.1 and, in addition, each of the Parties will use its reasonable best efforts to cause any such decree, judgment, injunction or other order to be vacated or lifted.

(b) STOCKHOLDER APPROVAL. This Agreement shall have been approved and adopted by the vote of the holders of a majority of the voting power of the shares of Common Stock of Issuer entitled to vote in accordance with the Certificate of Incorporation and Bylaws of Issuer and the DGCL;

(c) HSR ACT. Any waiting period (and any extension thereof) applicable to the consummation of the Closing under the HSR Act shall have expired or been terminated.

10.2 ADDITIONAL CONDITIONS TO THE OBLIGATIONS OF INVESTOR. The obligation of Investor to proceed with the Closing is also subject to the following conditions any and all of which may be waived, in whole or in part, to the extent permitted by applicable law:

(a) REPRESENTATIONS AND WARRANTIES. Each of the representations and warranties of Issuer contained in this Agreement shall be true and correct in all material respects as of the Closing Date as though made on and as of the Closing Date, except that those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date. Investor shall have received a certificate of (i) an officer of Issuer and (ii) each Selling Stockholder or an authorized representative thereof to such effect.

(b) AGREEMENTS AND COVENANTS. Issuer shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing. Investor shall have received a certificate of (i) the chief executive officer and chief financial officer of Issuer to such effect.

10.3 ADDITIONAL CONDITIONS TO THE OBLIGATIONS OF ISSUER. The obligation of Issuer to proceed with the Closing is also subject to the following conditions:

(a) REPRESENTATIONS AND WARRANTIES. Each of the representations and warranties of Investor contained in this Agreement shall be true and correct in all material respects as of the Closing Date as though made on and as of the Closing Date, except that those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date. Issuer shall have received a certificate of Investor to such effect.

(b) AGREEMENTS AND COVENANTS. Investor shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing. Issuer shall have received a certificate of Investor to such effect.

ARTICLE XI
MISCELLANEOUS.

11.1 NOTICES. All notices, requests, demands, claims, and other communications hereunder shall be in writing and shall be delivered by certified or registered mail (first class postage pre-paid), guaranteed overnight delivery, or facsimile transmission if such transmission is confirmed by delivery by certified or registered mail (first class postage pre-paid) or guaranteed overnight delivery, to the following addresses and telecopy numbers (or to such other addresses or telecopy numbers which such Party shall designate in writing to the other Party):

- (a) if to Issuer to:
Century Business Services, Inc.

10055 Sweet Valley Drive
 Valley View, Ohio 44125
 Attention: Gregory J. Skoda
 Telecopy: (216) 447-9137

with a copy to:

Akin, Gump, Strauss, Hauer & Feld, L.L.P.
 1700 Pacific Avenue, Suite 4100
 Dallas, TX 75201
 Attention: Alan M. Utay
 Telecopy: (214) 969-4343

(b) if to Investor, at its last known address appearing on the books of Issuer maintained for such purpose with a copy to:

Werbel & Carnelutti, a Professional Corporation
 711 Fifth Avenue
 New York, New York 10022
 Attention: Guy Molinari
 Telecopy: (212) 832-3353

11.2 LOSS OR MUTILATION. Upon receipt by Issuer from any Holder of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of a certificate representing Shares and indemnity reasonably satisfactory to it (it being understood that the written agreement of the Holder or an Affiliate thereof shall be sufficient indemnity) and in case of mutilation upon surrender and cancellation hereof or thereof, Issuer will execute and deliver in lieu hereof or thereof a new stock certificate of like tenor to such Holder; provided, in the case of mutilation, no indemnity shall be required if the certificate representing Shares in identifiable form is surrendered to Issuer for cancellation.

11.3 SURVIVAL. Each representation, warranty, covenant and agreement of the parties set forth in this Agreement is independent of each other representation, warranty, covenant and agreement. Each representation and warranty made by any Party in this Agreement shall survive the Closing through the period ending on the date six months from the date of this Agreement.

11.4 REMEDIES.

(a) Each Party acknowledges that the other Parties would not have an adequate remedy at law for money damages in the event that any of the covenants or agreements of such Party in this Agreement was not performed in accordance with its terms, and it is therefore agreed that each Party in addition to and without limiting any other remedy or right such Party may have, shall have the right to an injunction or other equitable relief in any court of competent jurisdiction, enjoining any such breach and enforcing specifically the terms and provisions hereof, and each Party hereby waives any and all defenses such Party may have on the

ground of lack of jurisdiction or competence of the court to grant such an injunction or other equitable relief.

(b) All rights, powers and remedies under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise or beginning of the exercise of any thereof by any Party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such Party.

11.5 ENTIRE AGREEMENT. This Agreement (including the exhibits and schedules attached hereto) and other documents delivered at the Closing pursuant hereto, contain the entire understanding of the Parties in respect of the subject matter hereof and supersede all prior agreements and understandings between or among the Parties with respect to such subject matter. The exhibits and schedules hereto constitute a part hereof as though set forth in full above.

11.6 EXPENSES; TAXES. Except as otherwise provided in this Agreement or the Placement Agreement, the Parties shall pay their own fees and expenses, including their own counsel fees, incurred in connection with this Agreement or any transaction contemplated hereby. Further, except as otherwise provided in this Agreement, any sales tax, stamp duty, deed transfer or other tax (except taxes based on the income of Investor) arising out of the sale of the Shares by Issuer to Investor and consummation of the transactions contemplated by this Agreement shall be paid by Issuer.

11.7 AMENDMENT. This Agreement may be modified or amended or the provisions hereof waived with the written consent of Issuer and (i) with regard to Article VIII, the holders of a majority of the Registrable Securities, and (ii) with regard to any other matter in this Agreement, the holders of a majority of the Shares.

11.8 WAIVER. No failure to exercise, and no delay in exercising, any right, power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege hereunder preclude the exercise of any other right, power or privilege. No waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision, nor shall any waiver be implied from any course of dealing between the Parties. No extension of time for performance of any obligations or other acts hereunder or under any other agreement shall be deemed to be an extension of the time for performance of any other obligations or any other acts. The rights and remedies of the Parties under this Agreement are in addition to all other rights and remedies, at law or equity, that they may have against each other.

11.9 BINDING EFFECT; ASSIGNMENT. Subject to the provisions of Article X, the rights and obligations of this Agreement shall bind and inure to the benefit of the Parties and their respective successors and legal assigns. The provisions of this Agreement are intended to be for the benefit of all Holders from time to time of the Shares and shall be enforceable by any such Holder.

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

11.11 HEADINGS. The headings contained in this Agreement are for convenience of reference only and are not to be given any legal effect and shall not affect the meaning or interpretation of this Agreement.

11.12 GOVERNING LAW; INTERPRETATION. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED FOR ALL PURPOSES BY THE LAWS OF THE STATE OF NEW YORK.

11.13 SEVERABILITY. The parties stipulate that the terms and provisions of this Agreement are fair and reasonable as of the date of this Agreement. However, if any provision of this Agreement shall be determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated. If, moreover, any of those provisions shall for any reason be determined by a court of competent jurisdiction to be unenforceable because excessively broad or vague as to duration, geographical scope, activity or subject, it shall be construed by limiting, reducing or defining it, so as to be enforceable.

[Signature Page Follows.]

IN WITNESS WHEREOF, the Parties have caused this Subscription Agreement to be duly executed and delivered as of the date first above written.

CENTURY BUSINESS SERVICES, INC.

By: /s/ MICHAEL G. DEGROOTE

Michael G. DeGroot, President

WESTBURY (BERMUDA) LTD.

By: /s/ MICHAEL G. DEGROOTE

Name: MICHAEL G. DEGROOTE

Title: _____

Tax ID No. _____

Address For Notices:

Westbury (Bermuda) Ltd.

Victoria Hall

11 Victoria Street

P.O. Box Hm 1065

Hamilton HMEX, Bermuda

(Phone) (441) 292-9480

(Fax) (441) 292-9485

State of Residence or Incorporation of
Investor (as applicable)

BERMUDA

Exact Name to Appear on Stock Certificates:

Westbury (Bermuda) Ltd.

Number of Shares Subscribed For:

500,000

Aggregate Purchase Price:

\$6,625,000

Investor hereby provides the following additional information:

(a) Set forth below is the number of shares of Common Stock and options ("Options") and warrants ("Warrants" AND together with Common Stock and Options, "Securities") which Investor BENEFICIALLY OWNS or of which Investor is the record owner prior to the date hereof. Please refer to the definition of BENEFICIAL OWNERSHIP on Exhibit B attached hereto. If none, please so state.

Number of Shares: 7,991,556

 Number of Options: 0

 Number of Warrants: 6,255,556

Please indicate by an asterisk (*) above if Investor disclaims "BENEFICIAL OWNERSHIP" of any of the above listed Securities, and indicate in response to question (b) below who has beneficial ownership.

(b) If Investor disclaims "BENEFICIAL OWNERSHIP" in question (a), please furnish the following information with respect to the person(s) other than Investor who is the beneficial owner(s) of the Securities in questions. If not applicable, please check box: |_|

Name of Beneficial Owner: _____
 Relationship to Investor: _____
 Number of Securities Beneficially Owned: _____

(c) Are any of the Securities listed in response to question (a) the subject of a voting agreement, contract or other arrangement whereby others have voting control over, or any other interest in, any of Investor's Securities?

Yes No

If the answer is "Yes", please give details:

(d) Please describe each position, office or other material relationship which Investor has had with Issuer or any of its affiliates, including any Subsidiary of Issuer, within the past three years. Please include a description of any loans or other indebtedness, and any contracts or other arrangements or transactions involving a material amount, payable by Investor to the Issuer or any of its affiliates, including its Subsidiaries, or by the Issuer or any of its affiliates, including its Subsidiaries, to Investor. "Affiliates" of the Issuer include its directors and executive officers, and any other person controlling or controlled by the Issuer. If none, please so state:

Answer: Mr. DeGroot, the sole stockholder of Investor, is the Chairman of the Board, President and Chief Executive Officer of Issuer.

SCHEDULE 4.6 To
Subscription Agreement

SCHEDULE OF OUTSTANDING WARRANTS, OPTIONS AND
RIGHTS TO PURCHASE COMMON STOCK

Century Business Services, Inc.

Holders	Exercise Price	Number of Warrants/Options
TRANSACTION WARRANTS		
SMR & Co.	\$10.375	900,000
Midland Consultants	\$11.625	20,000
M&N Companies	\$12.375	900,000
Benefits Group	\$12.50	500,000
Next, Inc.	\$13.06	65,000
Surety Associates	\$12.9375	25,000
DEC `96-APR `97 PRIVATE PLACEMENT WARRANTS		
Institutional Investors	\$11.00	2,818,443
Westbury (Bermuda) Ltd.	\$11.00	555,556
WeeZor I Ltd. Partnership	\$11.00	55,555
Harve A. Ferrill Trust	\$11.00	5,500
OCT `96 MERGER/STOCK PURCHASE		
H. Wayne Huizenga	\$2.625-3.875	6,000,000
Westbury (Bermuda) Ltd.	\$2.625-3.875	5,700,000
Sophia Management Ltd.1	\$2.625-3.875	4,115,000
Berkeley Technology Investment Ltd.	\$3.125	85,000
James Watt	\$2.625-3.875	150,000
Fred Luchak	\$2.625-3.875	100,000
RWI SPIN-OFF WARRANTS	\$1.075 -- \$1.60	102,000

(1) Transferee of Alliance Holding Corporation's Warrants

ISSUED OPTIONS UNDER SOPS

1990 ESOP	\$1.075 -- \$1.60	28,840
1991 ESOP	\$2.20 -- \$4.10	6,600
1995 ESOP	\$1.50 -- \$2.3125	224,600
1996 ESOP	\$11.00 -- \$17.25	1,420,900
1997 Agents SOP	\$12.125	1,143,000
OTHER	\$11.00	10,000
TOTAL		24,930,994

Exhibit A to
Subscription Agreement

Copy of Rule 501 under the Securities Act.

[See attached.]

Exhibit B to
Subscription Agreement

Explanation of "BENEFICIAL OWNERSHIP"

Securities that are subject to a power to vote or dispose are deemed beneficially owned by the person who holds such power, directly or indirectly. This means that the same securities may be deemed beneficially owned by more than one person if such power is shared. In addition, the beneficial ownership rules provide that shares which may be acquired upon the termination of a trust discretionary account or similar arrangement, which can be effected within a period of 60 days from the date of determination are deemed to be beneficially owned if the rights or powers were acquired with the purpose or effect of charging or influencing the control of the issue or in connection with or as a participant in any transaction having such purpose or effect.

In determining whether securities are "beneficially owned," benefits which are substantially equivalent to those of ownership by virtue of any contract, understanding, relationship agreement or other arrangement should cause the securities to be listed as "beneficially owned."

This, for example, securities held for a person's benefit in the name of others or in the name of any estate or trust in which such person may be interested should also be listed. Securities held by a person's spouse, children or other members of such person's family who are such person's dependents or who live in such person's household should be listed as "beneficially owned" unless such person does not enjoy benefits equivalent to those of ownership with respect to such securities.

If a person has a proprietary or beneficial interest in a controlled corporation, partnership, personal holding company, trust or estate which owns of record or beneficially any securities such person should state the amount of such securities owned by such controlled corporation, partnership, personal holding company, trust or estate in lieu of allocating such person's proprietary interest, and by note or otherwise, please indicate that. In any case, the name of the controlled corporation, partnership, personal holding company, or estate must be stated.

In all cases the nature of the beneficial ownership should be stated.

Exhibit C to
Subscription Agreement

Risk Factors
[See Attached]

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(iii)

NAMES OF SUBSIDIARY COMPANIES OF CENTURY BUSINESS SERVICES, INC.

1. CBSI Management Company (Ohio)
2. Contract Operations Planning, Incorporated (Ohio)
3. Contract Surety Reinsurance Corp. (Ohio)
4. Commercial Surety Agency, Inc. d.b.a. Century Surety Underwriters (Ohio)
5. Century Surety Underwriters, Inc. (Indiana)
6. Century Surety Company (Ohio)
7. American Inspection & Audit Services, Inc. (Ohio)
8. Continental Heritage Insurance Company (Utah)
9. CSC Insurance Agency, Inc. (Ohio)
10. Evergreen National Indemnity Company (Ohio)
11. SMR & Co. Business Services, Inc. (Ohio)
12. M & N Risk Management, Inc. (Ohio)
13. M & N Enterprises, Inc. (Ohio)
14. Millisor Firm Co., Inc. (Ohio)
15. The Benefits Group Agency, Inc. (Ohio)
16. TBG Investment Advisors Agency, Inc. (Ohio)
17. TBG South Agency, Inc. (Ohio)
18. Next Risk Management, Inc. (Ohio)
19. Surety Associates II, Inc. (Connecticut)
20. Connecticut Escrow, Inc. (Ohio)
21. Network Plus, Inc. (Ohio)
22. Marvel Consultants, Inc. (Ohio)
23. ERIC Agency, Inc. (Colorado)
24. ERIC Environmental Consultants, Inc. (Ohio)
25. ZA Business Services, Inc. (Ohio)
26. St. James General Agency, Inc. (Texas)
27. Business Management Services, Inc. of Ohio (Ohio); d.b.a. BMS, Inc. in Virginia
28. BMS Employee Benefits, Inc. (Virginia)
29. Valuation Counselors Group, Inc. (Ohio)
30. Comprehensive Business Services, Inc. (Ohio)
31. Funds Administration Services, Inc. (Ohio)
32. Bar-Ken, Inc. (Ohio)
33. Thomas Olivas & Associates, Inc. (Ohio)
34. Robert A. Smoot, Inc. (Ohio)
35. Tanker & Associates, Inc. (Ohio)
36. Serdon, Inc. (Ohio)
37. CKS Business Services, Inc. (Ohio)
38. Trilogy Associates, Inc. (Ohio)
39. National Benefits Systems of Arizona, Inc. (Arizona)
40. SR Business Services, Inc. (Ohio)
41. Ronald D. Mercer, Inc. (Ohio)
42. SKB Business Services, Inc. (Ohio)
43. Century Capital Group, Inc. (Ohio)
44. Health Administration Services, Inc. (Ohio)
45. Bass Consultants, Inc. (Ohio)
46. Rootberg Business Services, Inc. (Ohio)
47. Robert D. O'Byrne & Associates, Inc. (Missouri)

- 48. The Grant Nelson Group, Inc. (Missouri)
- 49. BCC Business Services, Inc.
- 50. BA Business Services, Inc.

[KMPG PEAT MARWICK LLP LETTERHEAD]

The Board of Directors
Century Business Services, Inc.

We consent to incorporation by reference in the registration statements Nos. 333-35049 and 333-98382 on Forms S-8; Nos. 333-27825 and 333-15413 on Forms S-3; No. 333-40331 on Form S-3 as amended; and No. 333-40313 on Form S-4 as amended of Century Business Services, Inc. and Subsidiaries of our report dated February 17, 1998, relating to the consolidated and combined balance sheets of Century Business Services, Inc. and Subsidiaries as of December 31, 1997 and 1996, and the related consolidated and combined statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1997, and all related schedules, which report appears in the December 31, 1997, annual report on Form 10-K of Century Business Services, Inc. and Subsidiaries.

/s/ KMPG Peat Marwick LLP

Cleveland, Ohio
February 17, 1998

7
 0000944148
 CENTURY BUSINESS SERVICES
 1
 U.S. DOLLARS

YEAR		
	DEC-31-1997	
	JAN-01-1997	
	DEC-31-1997	
		1
	51,545	
	14,528	
	14,562	
		7,593
		1,839
		0
	79,720	
		21,148
	15,215	
	4,478	
	287,567	
	50,655	
	22,656	
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	0	
	20,312	
	0	
		0
		415
		147,495
287,567		
		37,238
	4,524	
	3,044	
		13
		20,682
9,670		
	2,331	
	19,045	
		6,280
	12,765	
		1,135
		0
		0
		11,530
		0.31
		0.24
		32,985
	21,839	
	(1,157)	
	2,468	
	8,800	
	42,399	
1,156		