CORRPRO COMPANIES INC /OH/
Form 10-K/A
August 12, 2004

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

FORM 10-K/A

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM ---------- TO ---------

COMMISSION FILE NUMBER 1-12282

CORRPRO COMPANIES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

OHIO	34-1422570
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
1090 ENTERPRISE DRIVE, MEDINA, OHIO	44256
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (330) 723-5082

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:	SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
COMMON SHARES WITHOUT PAR VALUE	NONE
(TITLE OF CLASS)	(TITLE OF CLASS)

AMERICAN STOCK EXCHANGE
(NAME OF EACH EXCHANGE ON WHICH REGISTERED)

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 [X] NO [ ]

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

YES [ ] NO [X]

The aggregate market value of Common Shares held by nonaffiliates of the Registrant was approximately $15,160,097 at September 30, 2003. For purposes of this calculation, the Registrant deems the Common Shares held by its Directors, executive officers and holders of 10% or more of its Common Shares to be Common Shares held by affiliates.

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 the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K/A. [X]

8,450,442

(Number of Common Shares outstanding as of August 11, 2004.)

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission in connection with its 2004 Annual Meeting of Shareholders are incorporated by reference in Part III of this Annual Report on Form 10-K/A.

1

EXPLANATORY NOTE

This Amendment No. 1 (this "Amendment") to our Annual Report on Form 10-K for the fiscal year ended March 31, 2004 (the "Originally Filed 10-K") is being filed to restate our consolidated balance sheet as of March 31, 2004 and our consolidated statement of cash flows for the year ended March 31, 2004.

As part of our recapitalization and refinancing, we issued Series B Cumulative Redeemable Voting Preferred Stock and a warrant for $13 million and Senior Secured Subordinated Notes and a warrant for $14 million on March 30, 2004. In the Originally Filed 10-K, the proceeds from these issuances were allocated between the Series B Preferred Stock and the warrant and the senior secured subordinated notes and the warrant, respectively, based on a calculation of the fair value of the warrants that included a "blockage" discount. During the preparation of our June 30, 2004 consolidated financial statements, it was determined that the value of these warrants should not include a "blockage" discount factor. See Note 1 - - Summary of Significant Accounting Policies, Notes to Consolidated Financial Statements included in this Amendment. Based on this determination, we are restating our consolidated balance sheet to reflect an increase in the allocation of the proceeds to the warrants, a corresponding decrease in the allocation of the proceeds to the Series B Preferred Stock and senior secured subordinated notes, and conforming changes as of March 31, 2004. We are also restating our consolidated statement of cash flows for the year ended March 31, 2004 to reflect related changes in the allocations to "Net proceeds from issuance of Preferred Shares and warrants" and "Payment of financing costs." The changes contained in this restatement are a non-cash event, do not affect our consolidated statements of operations and shareholders' equity (deficit), and do not affect the financial covenants included in our financing arrangements.

This Amendment amends and restates Item 1, Item 6, Item 7, Item 8 and Item 9A (solely to indicate that management believes that the restatement

contained in this Amendment was not reflective of any weakness in our disclosure controls and procedures, and that such controls were operating effectively throughout the period covered by this Amendment) of the Originally Filed 10-K, and Exhibits 23.1, 31.1, 31.2, 32.1 and 32.2 of Item 15 of the Originally Filed 10-K.

2

CORRPRO COMPANIES, INC.
ANNUAL REPORT ON FORM 10-K/A

TABLE OF CONTENTS

PART I

Item 1: Business..

PART II

Item 6: Selected Financial Data...
Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations..
Item 8: Consolidated Financial Statements and Supplementary Data.............................
Item 9A: Controls and Procedures...

PART IV

Item 15: Exhibits, Consolidated Financial Statement Schedules and Reports on Form 8-K..........
Signatures..

3

PART I

ITEM 1. BUSINESS

GENERAL

Corrpro Companies, Inc. was founded in 1984 and is organized under the laws of the State of Ohio. As used in this report, the terms "we," "us," "our," "Corrpro" and the "Company" mean Corrpro Companies, Inc. and its consolidated subsidiaries unless the context indicates otherwise.

RECENT EVENTS

On March 30, 2004, we completed a refinancing and recapitalization, pursuant to which CorrPro Investments, LLC ("CPI"), an affiliate of Wingate Partners III, L.P. ("Wingate Partners"), purchased 13,000 shares of our Series B Cumulative Redeemable Voting Preferred Stock, no par value ("Series B Preferred Stock"), and warrants to acquire approximately 12.1 million of our common shares at a nominal exercise price for aggregate consideration of $13.0 million. We also entered into a new $40.0 million senior secured credit facility with CapitalSource Finance LLC ("CapitalSource"). The facility consists of a revolving credit line, a term loan with a five-year maturity and a letter of credit sub-facility. In addition, we issued $14.0 million in senior secured

subordinated notes to American Capital Strategies, Ltd. ("American Capital") as well as warrants to acquire approximately 3.9 million of our common shares at a nominal exercise price. As part of the refinancing and recapitalization, we repaid and terminated our prior revolving credit facility due March 31, 2004 and our outstanding senior notes due January 15, 2008.

In connection with the refinancing and recapitalization, we increased the size of our Board of Directors from seven to nine. Messrs. Jay I. Applebaum, James A. Johnson, and Jason H. Reed, executives affiliated with Wingate Partners, were appointed to the Board, with Mr. Johnson serving as Chairman of the Board. Messrs. C. Richard Lynham, Harry W. Millis, Neal R. Restivo, Joseph W. Rog, and Dr. Warren F. Rogers continue to serve on the Board. American Capital has the right to designate a director to serve on the Board of Directors. In May 2004, Joseph P. Lahey was named Chief Executive Officer and President of Corrpro and was elected to serve on Corrpro's Board of Directors.

PRODUCTS AND SERVICES

We provide corrosion control related services, systems, equipment and materials to the infrastructure, environmental and energy markets. Our products and services include:

- corrosion control engineering services, systems and equipment ("corrosion control");
- coatings services ("coatings"); and
- pipeline integrity and risk assessment services.

CORROSION CONTROL. Our specialty in the corrosion control market is cathodic protection. We offer a comprehensive range of services in this area, which includes the design, manufacture, installation, maintenance and monitoring of cathodic protection systems. Cathodic protection is an electrochemical process that prevents corrosion for new structures and stops the corrosion process for existing structures. It can provide a cost-effective alternative to the replacement of corroding structures. In order to understand how cathodic protection works, it is helpful to first understand the corrosion process. Steel, the most common metal protected by cathodic protection, is produced from iron ore. To produce steel, iron ore is subjected to a refining process that adds energy. Once steel is put back into the environment, it begins to revert back to its original state (i.e., iron ore) by releasing the added energy back into the surrounding environment. This process of dispersing energy is called corrosion. Cathodic protection electrodes, called anodes, are placed near, and connected to, the structure to be protected (i.e., the cathode). Anodes are typically made from cast iron, graphite, aluminum, zinc or magnesium. A cathodic protection system works by passing an electrical

current from the anode to the cathode. This process maintains the energy level on the cathode, thus stopping it from corroding. Instead, the anode corrodes, sacrificing itself to maintain the integrity of the structure. In order for the electrical current to pass from the anode to the cathode, they both must be in a common environment. Therefore, cathodic protection can only be used to protect structures that are buried in soil, submerged in water or encased in concrete. Structures commonly protected against corrosion by the cathodic protection process include oil and gas pipelines, offshore platforms, above and underground storage tanks, ships, electric power plants, bridges, parking garages, transit systems and water and wastewater treatment equipment.

In addition to cathodic protection, our corrosion control services

include corrosion engineering, material selection, inspection services, advanced corrosion research and testing. We also sell a variety of materials and equipment used in cathodic protection and corrosion monitoring systems, including anodes, rectifiers and corrosion monitoring probes. Corrosion control revenues as a percentage of our total revenues were approximately 81% for fiscal year 2004, 82% for fiscal year 2003 and 68% for fiscal year 2002.

COATINGS. We offer a wide variety of coatings-related services designed to provide our customers with longer coatings life, reduced corrosion, improved aesthetics and lower life-cycle costs for their coated structures. Coatings services include research, testing, evaluation and application of coatings. In addition, we provide project management services for coatings maintenance programs, including condition surveys, failure analysis, selection of site surface preparation methods and selection and application of coatings. We also provide specialized coatings application services for structures with aggressive corrosion conditions such as the inside and outside of storage tanks and pipelines. Coatings revenues as a percentage of our total revenues were approximately 15% for fiscal year 2004, 14% for fiscal year 2003 and 28% for fiscal year 2002.

PIPELINE INTEGRITY AND RISK ASSESSMENT SERVICES. We offer a comprehensive line of pipeline integrity, risk assessment and inspection services, including assessment, surveys, inspection, analysis, repairs and ongoing maintenance. By offering a wide range of services, we are able to provide pipeline owners with one-stop shopping for the preservation of their pipeline systems. Pipeline integrity and risk assessment services represented approximately 4% of our revenues in each of fiscal years 2004, 2003 and 2002.

DISPOSITIONS

In July 2002, our Board of Directors approved a formal business restructuring plan. The multi-year plan included a series of initiatives to improve operating income and reduce debt by selling non-core business units. We engaged outside professionals to assist in the disposition of our domestic and international non-core business units. Prior to the quarter ended September 30, 2002, our non-core domestic and international units were reported as the Other Operations and International Operations reporting segments. Effective as of the quarter ended September 30, 2002, the Other Operations and the International Operations reporting segments were eliminated and the non-core domestic and international units were reported as discontinued operations. Prior-year financial statements were reclassified to reflect these non-core units as discontinued operations, which were also referred to as "assets and liabilities held for sale."

In the second quarter of fiscal 2004, our Board of Directors removed our European Operations from discontinued operations. The Board concluded that our value would be enhanced by maintaining our European presence rather than by selling the European Operations at this time, based in part on the strength of the local management team, the similar characteristics of the served markets, and the favorable prospects for this business. Therefore, effective in the second quarter of fiscal 2004, we reported quarterly and annual results of our European Operations in our continuing operations, and prior-year financial statements have been reclassified to reflect our European Operations as continuing operations.

During fiscal 2004, we substantially completed the sales of our Middle East subsidiaries, and we recorded impairment charges relating to our Middle East Operations of $3.5 million. During the first quarter of fiscal 2004, we sold our Asia Pacific Operations for a net loss of $46,000 after taking into account an impairment charge on net assets that was recorded during the fourth quarter of fiscal 2003 totaling $1.6 million. During fiscal 2003, we disposed of four non-strategic business units. First, in March 2003, we sold our Bass-Trigon

Software business unit for $3.2 million and recognized a gain of $0.2 million. Also, in March 2003, we sold our Rohrback Cosasco Systems subsidiary and recorded

a note receivable for $6.2 million, which we collected during fiscal 2004 and recognized a gain of $1.8 million. We also disposed of two smaller international offices resulting in a net gain of $0.1 million during fiscal 2003. The net proceeds from these dispositions were used to reduce our then outstanding debt. For further information about our discontinued operations see Note 2, Assets and Liabilities Held for Sale, Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K/A.

SEGMENTS

We have organized our operations into three business segments by geographic region: Domestic Core Operations, Canadian Operations and European Operations. Our former non-core domestic, Middle East and Asia Pacific operations are reported as discontinued operations. Our business segments and a description of the products and services they provide are described below:

DOMESTIC CORE OPERATIONS. Our Domestic Core Operations segment provides products and services, which include corrosion control, coatings and pipeline integrity and risk assessment. We provide these products and services to a wide-range of customers in the United States in a number of industries, including energy, utilities, water and wastewater treatment, chemical and petrochemical, pipelines, defense and municipalities. In addition, this segment provides coatings services to customers in the entertainment, aerospace, transportation, petrochemical and electric power industries, as well as the United States military. Finally, the Domestic Core Operations segment includes a production facility in the United States that assembles and distributes cathodic protection products, such as anodes, primarily to the United States market. Revenues relating to this segment totaled $92.9 million (or 72% of consolidated revenues) for fiscal year 2004, $85.0 million (or 72% of consolidated revenues) for fiscal year 2003 and $101.8 million (or 76% of consolidated revenues) for fiscal 2002.

CANADIAN OPERATIONS. Our Canadian Operations segment provides corrosion control, pipeline integrity and risk assessment services to customers in Canada that are primarily in the oil and gas industry. These customers include pipeline operators and petrochemical plants and refineries. The Canadian Operations segment has a production facility that assembles products such as anodes and rectifiers. Revenues relating to this segment totaled $24.1 million (or 18% of consolidated revenues) for fiscal year 2004, $19.3 million (or 17% of consolidated revenues) for fiscal year 2003 and $21.3 million (or 16% of consolidated revenues) for fiscal year 2002.

EUROPEAN OPERATIONS. Our European Operations segment provides corrosion control products and services to customers in the petroleum, utility, industrial, marine and offshore markets, as well as to governmental entities in connection with their infrastructure assets. Revenues relating to this segment totaled $13.1 million (or 10% of consolidated revenues) for fiscal year 2004, $13.4 million (or 11% of consolidated revenues) for fiscal year 2003 and $11.7 million (or 8% of consolidated revenues) for fiscal year 2002.

Further information about our business segments is included in Note 10, Business Segments, Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K/A.

SALES AND MARKETING

We market our products and services in the United States, Canada and Europe primarily through our sales personnel. The technical nature of our products and services requires a highly trained, professional sales force, and, as a result, many of our sales personnel have engineering or technical expertise and experience. Due to the problem solving experience of our engineering staff, potential and existing customers regularly seek out advice from our technical personnel, which can result in business opportunities on an ongoing basis.

SOURCES AND AVAILABILITY OF RAW MATERIALS

With regard to our corrosion control services, we assemble components of cathodic protection systems, which include aluminum, zinc, magnesium and other metallic anodes. With regard to our coatings-related services, we manufacture, develop and apply coatings. We do not believe that we are dependent upon any single outside vendor as a source of supply and we believe that sufficient alternative sources of supply for the same, similar or alternative products are available. The prices paid for our raw materials may be affected by, among other things, energy, petroleum, steel and other commodity prices, tariffs and duties on imported materials, and foreign currency and exchange rates. We may experience higher energy, petroleum and steel prices in fiscal year 2005 than we experienced in fiscal year 2004, based on increasing prices for such commodities.

INTELLECTUAL PROPERTY

Through internal development programs and strategic acquisitions, we have assembled an extensive array of technologies protected by a significant number of trade and service marks, patents, trade secrets and other proprietary rights. As of March 31, 2004, we were the licensee of certain patents and held a significant number of patents and pending patent applications. Expiration dates of such patents range from 2004 to 2021. In addition, we maintain a significant number of trade and service marks and trade secrets. Although we believe that our intellectual property has value, we consider the quality and timely delivery of our products, the service we provide to our customers and the technical knowledge and skills of our personnel to be more important in our ability to compete. While our intellectual property rights may be of importance to individual components of our operations, our business as a whole is not materially dependent on any single intellectual property right or such intellectual property rights as a group.

RESEARCH AND DEVELOPMENT

Our engineering and product development activities are primarily directed toward designing new products and services to meet the specific requirements of our customers. Product development costs were minimal in fiscal 2004, 2003 and 2002. While we stress the importance of our research and development programs, the expense and market uncertainties associated with the development and successful introduction of new products are such that there can be no assurance that we will realize future revenues from new products.

SEASONAL TRENDS

Each of our segments is subject to seasonal fluctuations that may affect our operating performance. A large portion of our service activity is performed in the field. Therefore, adverse climatic conditions, such as cold weather, snow, heavy or sustained rainfall, hurricanes and typhoons, may reduce the level of our service activity or result in work stoppages. Since a large portion of our business can be adversely impacted by inclement weather, we

usually experience a reduction in sales during our fourth fiscal quarter reflecting the effect of the winter season in our principal markets in North America and Europe. For these reasons, our revenues during the fourth quarter of our fiscal year typically have been lower than revenues during each of the other three fiscal quarters.

FOREIGN OPERATIONS

The Company's foreign operations are subject to the usual risks of operating in foreign jurisdictions. They include, but are not limited to, exchange controls, currency restrictions and fluctuations, changes in local economics and changes in political conditions.

CUSTOMERS

We sell our products and services to a broad range of customers. During the fiscal year ended March 31, 2004, no one customer accounted for more than 10% of our sales. We do not believe that the loss of any one customer would have a material adverse effect on our business.

We sell products and services to the U.S. government and agencies and municipalities thereof, including the U.S. Navy. Sales to these customers as a percentage of our net sales were approximately 9% for fiscal year 2004, 8% for fiscal year 2003 and 10% for fiscal year 2002. Our contracts with the U.S. government contain standard provisions permitting the government to terminate these contracts without cause. In the event of termination, we are entitled to receive reimbursement on the basis of the work completed (cost plus a reasonable profit). These contracts are also subject to renegotiation of profits. In addition, many of our contracts with the U.S. government are subject to certain completion schedule requirements that include liquidated damages in the event schedules are not met as the result of circumstances within our control. Government procurement programs are also subject to budget cutbacks and policy changes that could impact the revenue for, or alter the demand for, our products or services. Accordingly, our future sales to the government are subject to these budgetary and policy changes.

BACKLOG

Backlog consists of our anticipated revenue from the uncompleted portions of our existing contracts and contracts whose award is reasonably assured. As of March 31, 2004, our backlog of unshipped orders was $52.5 million, compared to $49.6 million as of March 31, 2003. We believe that the backlog figures are firm, subject to the cancellation and modification provisions contained in various contracts. We estimate that a substantial portion of our backlog as of March 31, 2004 will be filled during fiscal 2005. The level of our backlog at any particular time is not necessarily indicative of our future operating performance.

COMPETITIVE CONDITIONS

Within the corrosion control market, we face competition from a large number of domestic and international companies, most of which we believe are considerably smaller than we are. Although some of our competitors offer a broad range of corrosion control engineering services, systems and products, we do not believe that any of our competitors offer the comprehensive range of products and services that we provide. In the service area, we compete principally on the basis of quality, customer service and technical expertise and capabilities, and to some degree on price, particularly when we are providing construction and installation services. In the product area, we typically compete on the basis of

quality, service and price.

GOVERNMENT REGULATIONS

Other than as disclosed under "Item 3 - Legal Proceedings" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2004, we believe that our current operations and our current use of property, plant and equipment conform in all material respects to applicable environmental laws and regulations, and we have not experienced, nor do we anticipate, any material claim or material capital expenditure in connection with environmental laws and other regulations impacting our operations. Further information about environmental and foreign regulatory risks is included under this Item in "Factors Influencing Future Results and Accuracy of Forward Looking Information." Circumstances or developments that are not currently known as well as the future cost of compliance with environmental laws and regulations could be substantial and could have a material adverse effect on our results of operations and financial condition.

EMPLOYEES

As of March 31, 2004, we had 869 employees, 308 of whom were located outside the United States. We believe that our relationship with our employees is good.

FACTORS INFLUENCING FUTURE RESULTS AND ACCURACY OF FORWARD LOOKING INFORMATION

This document includes certain statements that may be deemed "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based on management's expectations and beliefs concerning future events and discuss, among other things, anticipated future performance and revenues, expected growth and future business plans. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates" or variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any forward-looking statement speaks only as of the date on which such statement is made and we do not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. We believe that the following factors, among others, could affect our future performance or the price and liquidity of our common shares and cause our actual results to differ materially from those that are expressed or implied by forward-looking statements, or diminish the liquidity of our common shares:

OUR COMPLIANCE WITH THE LISTING STANDARDS AND REPORTING REQUIREMENTS OF THE STOCK EXCHANGE ON WHICH OUR COMMON SHARES TRADE. We are required by the American Stock Exchange to maintain certain listing standards and meet certain reporting requirements in order for our common shares to continue trading and to remain listed on the exchange. The exchange notified us in September 2003 that we were not in compliance with the shareholders' equity requirement of its continued listing requirements and that we should submit a plan to regain compliance. In December 2003, the American Stock Exchange accepted the plan that we submitted in accordance with its request. There can be no assurances that we will comply with the plan, the applicable shareholders equity requirement, or other continued listing requirements. If the exchange determines for any reason, including non-compliance with our plan, that our common shares should be de-listed from the exchange:

- the market liquidity and price of our common shares would likely be negatively affected;

- it may be more difficult to dispose of, or to obtain accurate quotations of, our common shares;
- we may be unable to list our shares for trading on any exchange or quotation on any automated quotation system;
- we may be unable to remain a reporting company; and
- we could face difficulty raising capital necessary for our continued operations.

ADVERSE DEVELOPMENTS IN PENDING LITIGATION OR REGULATORY MATTERS COULD NEGATIVELY IMPACT OUR BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION. From time to time, we are involved in litigation and regulatory proceedings, including those disclosed in "Item 3 - - Legal Proceedings" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2004, and in our other periodic reports filed with the Securities and Exchange Commission. There are always significant uncertainties involved in litigation and regulatory proceedings and we cannot guarantee the result of any particular action. Regulatory compliance is often complex and subject to variation and unexpected changes, including changing interpretations and enforcement agendas affecting the regulatory community. We may need to expend significant financial resources in connection with legal and regulatory procedures and our management may be required to divert attention from other portions of our business. If, as a result of any proceeding, a judgment is rendered, decree is entered or administrative action is taken against us or our customers, it may materially and adversely affect our business, financial condition and results of operations.

OUR COMPLIANCE WITH THE SEC SETTLEMENT. In addition to significant expenditures we may have to make to comply with the terms of the SEC settlement described in "Item 3 - - Legal Proceedings - - SEC Enforcement Proceeding" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2004, we must comply with the terms of the permanent injunction and the undertakings, which require us to take affirmative actions to ensure compliance with the federal securities laws. Our failure to adequately comply with the provisions of the injunction or any of the undertakings therein may result in additional enforcement action by the SEC, severe penalties against us and our officers and directors,

and may have an impact on our business, financial condition and results of operations. Additionally, the publicity surrounding the SEC investigation and subsequent settlement and injunction may adversely affect our reputation with our customers and suppliers and have an adverse impact on our revenues and expenses.

OUR PRINCIPAL SHAREHOLDER IS A CONTROLLING SHAREHOLDER. As of March 31, 2004, CPI beneficially owned approximately 58.9% of our common shares, assuming the exercise of its warrant to purchase an aggregate of 12,113,744 of our common shares. In addition, CPI has the right to vote 51% of the voting power of Corrpro and to elect a majority of our Board of Directors through its ownership of our Series B Preferred Stock. As a result, CPI has the ability to determine the outcome of all matters requiring approval by our shareholders, including the election and removal of directors and any proposed merger, consolidation or sale of all or substantially all of our assets. In addition, CPI could dictate the management of our business and affairs. This concentration of ownership could have the effect of delaying, deferring, or preventing a change in control, or impeding a merger or consolidation, takeover, or other business combination that could be favorable to our shareholders. This significant concentration of share

ownership and voting power may adversely affect the trading price for our common shares because investors often perceive disadvantages in owning stock in companies with controlling shareholders.

OUR SHAREHOLDERS ARE EXPOSED TO DILUTION AND OTHER RISKS ASSOCIATED WITH OUR OUTSTANDING WARRANTS AND OPTIONS. As of March 31, 2004, we had outstanding:

- options to purchase an aggregate of approximately 1,351,611 shares of our common shares that were issued pursuant to our stock option plans; and

- warrants to purchase an aggregate of approximately 17,278,859 shares of our common shares, which represents approximately 63.8% of our common shares on a fully diluted basis, that were issued in connection with financing arrangements.

All of these warrants, which have nominal exercise prices, and many of these options have exercise prices below the current market price of our common shares. In addition, we may issue additional stock, warrants and/or options pursuant to stock option plans or to raise capital in the future. Assuming the exercise of all warrants and options, our current outstanding common shares would represent approximately 31.2% of our common shares. The significant number of common shares issuable upon exercise of these warrants and options could have any or all of the following effects:

- the exercise of these options and warrants may have an adverse effect on the market value of our common shares;

- the existence of these options and warrants may adversely affect the terms on which we can obtain additional equity financing; and

- to the extent the exercise prices of these options and warrants are less than the net tangible book value of our common shares at the time these options and warrants are exercised, our shareholders will experience immediate dilution in the net tangible book value of their investment.

OUR DEBT INSTRUMENTS CONTAIN COVENANTS THAT LIMIT OUR OPERATING AND FINANCIAL FLEXIBILITY. On March 30, 2004, we entered into a new $40.0 million senior secured credit facility and issued $14.0 million of senior secured subordinated notes, which replaced our previous $26.4 million revolving credit facility and $24.4 million of senior notes. Both the new senior secured credit facility and the new senior secured subordinated notes require us to maintain a minimum level of earnings before interest, taxes, and depreciation/amortization, a minimum fixed charge coverage ratio and comply with, among other things, leverage ratios. Our ability to meet these financial ratios and tests under our new credit agreements is affected by our results of operations and by events beyond our control. We may be unable to satisfy these ratios and tests. If we fail to comply with these ratios and tests, and we are unable to obtain a waiver for such failure, no further borrowings would be available under the new senior secured credit facility and our lenders will be entitled to, among other things, accelerate the debt outstanding under the new credit agreements so that it is immediately due and

payable and ultimately foreclose on our assets that secure the debt. Any significant inability to draw on the new senior secured credit facility or acceleration of the debt outstanding under the new credit agreements would have

a material adverse effect on our financial condition and operations. In addition, our new senior secured credit facility restricts our ability and the ability of certain of our subsidiaries to, among other things:

- incur additional debt and make certain investments or acquisitions;
- incur or permit to exist certain liens;
- sell, lease or transfer assets; and
- merge or consolidate with another company.

OUR LEVEL OF INDEBTEDNESS AND OTHER DEMANDS ON OUR CASH RESOURCES COULD MATERIALLY AFFECT OUR OPERATIONS AND BUSINESS STRATEGY. As of March 31, 2004, we had approximately $33.3 million of total consolidated debt, net of debt discount of $4.1 million. In addition, we have approximately $4.5 million available under our new senior secured credit facility. Subject to the limits contained in our new credit agreements and our other debt agreements, our total consolidated debt could increase due to this additional borrowing capacity. In addition to the debt service requirements on our outstanding debt, we have other demands on our cash resources, including, among others, capital expenditures and operating expenses. Our level of indebtedness and the significant debt servicing costs associated with that indebtedness could significantly impact on our operations and business strategy. For example, they could:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the amount of our cash flow available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in the industries in which we compete;
- place us at a competitive disadvantage compared to our competitors, some of which have lower debt service obligations and greater financial resources than we do;
- limit our ability to borrow additional funds;
- increase our vulnerability to general adverse economic and industry conditions; and
- result in our failure to satisfy the financial covenants contained in our new credit agreements or in other debt agreements, which, if not cured or waived, could have a material adverse effect on our business, financial condition or results of operations.

WE MAY BE UNABLE TO GENERATE A SUFFICIENT AMOUNT OF CASH FLOW TO SERVICE OUR DEBT. Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we are unable to generate sufficient cash flow from operations, achieve currently anticipated operating improvements or have access to future borrowings, we may be unable to repay our indebtedness or to fund our other liquidity needs. In addition, we may need to refinance all or a portion of our indebtedness on or before maturity, and we may be unable to refinance any of our indebtedness on commercially reasonable terms or at all.

THE MANNER IN WHICH WE ARE REQUIRED TO ACCOUNT FOR OUR OUTSTANDING WARRANTS COULD IMPACT OUR RESULTS OF OPERATIONS. Under applicable accounting rules and regulations, we are required to use marked-to-market accounting to value our outstanding warrants. This accounting treatment will result in charges and credits to our results of operations which are based on the market price for our common shares. If the market price for our common shares on the last day of

our fiscal quarter is higher than that of the previous quarter, we are required to take a charge against our earnings for that quarter. Conversely, if the market price for our common shares on the last day of our fiscal quarter is lower than that of the previous quarter, we are required to make a credit to our earnings for that quarter. Due to the large percentage of our fully diluted common shares that is issuable upon exercise of our outstanding warrants, the changes to our reported earnings as a result of such accounting treatment could be significant.

OUR OPERATIONS CAN BE ADVERSELY IMPACTED BY INCLEMENT WEATHER. A large portion of our service activity is performed in the field. Therefore, adverse climatic conditions, such as cold weather, snow, heavy or sustained rainfall, hurricanes and typhoons, may reduce the level of our service activity or result in work stoppages. Working under inclement weather conditions can also reduce our efficiencies, which can have a negative impact on our profitability. As is common in our industry, we typically bear the risk of delays caused by some, but not all, adverse weather conditions. If these adverse climatic conditions present unusual intensity, occur at abnormal periods or last longer than usual in major geographic markets, especially during peak construction periods, we could experience a material adverse effect on our results of operations and profitability.

OUR BUSINESS IS SEASONAL. Since a large portion of our business can be adversely impacted by inclement weather, we usually experience a reduction in sales during our fourth fiscal quarter reflecting the effect of the winter season in our principal markets in North America and Europe. Accordingly, our results in any one quarter are not necessarily indicative of annual results or continuing trends.

OUR BUSINESS IS HIGHLY DEPENDENT ON THE LEVEL OF EXPENDITURES BY ENERGY COMPANIES. The products and services we provide to our customers in the energy markets are, to some extent, deferrable in the event that these customers reduce their capital and discretionary maintenance expenditures. The level of spending on these types of expenditures can be influenced by a number of factors beyond our control, including:

- current and projected oil, gas and power prices;
- the demand for electricity;
- the abilities of oil, gas and power companies to generate, access and deploy capital;
- exploration, production and transportation costs;
- the discovery rate of new oil and gas reserves;
- the sale and expiration dates of oil and gas leases and concessions;
- regulatory restraints on the rates that power companies may charge their customers;

- local and international political and economic conditions;
- worldwide economic activity;
- economic and political conditions in the Middle East and other oil-producing regions;
- coordination by the Organization of Petroleum Exporting Countries, or OPEC;
- the ability or willingness of host country government entities to fund their budgetary commitments; and
- technological advances.

A sustained reduction in capital and discretionary maintenance expenditures by our energy customers has in the past, and may in the future, have a negative impact on our business and will likely result in decreased demand for our services, low margins and lower revenues.

OUR REVENUES HAVE BEEN DEPENDENT ON GOVERNMENT CONTRACTS IN THE PAST. In previous years, we have derived a significant portion of our revenues from contracts with agencies of the United States government. Our contracts with the U.S. government expose us to various business risks, including, but not limited to the ability of the U.S. government to unilaterally:

- suspend us from receiving new contracts pending resolution of alleged violations of procurement laws or regulations;
- terminate existing contracts;
- reduce the value of existing contracts;
- audit our contract-related costs and fees, including allocated indirect costs; and
- control and potentially prohibit the export of our products.

Any of our U.S. government contracts can be terminated by the U.S. government either for its convenience or if we default by failing to perform under the contract. Termination for convenience provisions provide only for our recovery of costs incurred or committed, settlement expenses and profit on the work completed prior to termination. Termination for default provisions provide for us to be liable for excess costs incurred by the U.S. government in procuring undelivered items from another source. If our contacts with the U.S. government are terminated, our business, results of operations and financial condition could be materially adversely affected.

In addition, the U.S. government's competitive bidding process may adversely affect our revenues. We obtain most of our U.S. government contracts through a competitive bidding process, and competitive bidding presents a number of risks, including, but not limited to:

- the need to compete against companies or teams of companies that may be long-term, entrenched incumbents for a particular contract for which we are competing;
- the need to compete on occasion to retain existing contracts

that may have in the past been awarded to us on a sole-source basis; and

- the substantial costs and managerial time and effort, including design, development and marketing activities, necessary to prepare bids and proposals for contracts that may not be awarded to us.

If we are unable to win particular contracts that are awarded through the competitive bidding process, we may be unable to operate in the market for services that are provided under those contracts for a number of years. If we are unable to consistently retain existing contracts or win new contract awards over any extended period, our business, prospects, financial condition and results of operations could be adversely affected.

OUR DEPENDENCE ON FIXED-PRICE CONTRACTS COULD ADVERSELY AFFECT OUR OPERATING RESULTS. A substantial portion of our projects are currently performed on a fixed-price basis. Under a fixed-price contract, we agree on the price that we will receive for the entire project, based upon a defined scope, which includes specific assumptions and project criteria. If our estimates of our costs to complete the project are below the actual costs that we may incur, our margins will decrease, and we may incur a loss. The revenue, cost and gross profit realized on a fixed-price contract will often vary from our estimates because of unforeseen conditions or changes in job conditions and variations in labor and equipment productivity over the term of the contract. If we are unsuccessful in mitigating these risks, we may realize gross profits

that are different from those originally estimated and reduced profitability or losses on projects. Depending on the size of a project, these variations from estimated contract performance could significantly impact our operating results for any quarter or year. In general, our turnkey contracts to be performed on a fixed-price basis involve an even greater risk of significant variations from our estimates. This is a result of the long-term nature of these contracts as well as the interrelationship of the integrated services to be provided under these contracts, whereby unanticipated costs or delays in performing part of the contract can have compounding effects by increasing costs of performing other parts of the contract.

WE USE PERCENTAGE-OF-COMPLETION ACCOUNTING FOR CONTRACT REVENUE WHICH MAY RESULT IN MATERIAL ADJUSTMENTS THAT WOULD AFFECT OUR OPERATING RESULTS. We recognize contract revenue using the percentage-of-completion method. Under this method, estimated contract revenue is accrued based generally on the percentage that costs to date bear to total estimated costs, taking into consideration physical completion. Estimated contract losses are recognized in full when determined. Accordingly, contract revenue and total cost estimates are reviewed and revised periodically as the work progresses and as change orders are approved, and adjustments based upon the percentage of completion are reflected in contract revenue in the period when these estimates are revised. These estimates are based on management's reasonable assumptions and our historical experience and are only estimates. Variations of actual results from these assumptions or our historical experience could be material. To the extent that these adjustments result in an increase, a reduction or an elimination of previously reported contract revenue, we would recognize a credit or a charge against current earnings, which could be material.

WE ARE REQUIRED TO OBTAIN SURETY BONDS IN CONNECTION WITH OUR BUSINESS. Government contracting agencies and some private contracting parties from time to time require prime contractors to furnish surety bonds guaranteeing their performance and payment to all subcontractors and suppliers of material and

equipment under the contract. Our ability to obtain surety bonds depends upon our capitalization, working capital, past performance, management expertise and other variable factors. Surety companies consider such factors in light of the amount of surety bonds then outstanding in favor of us and their current underwriting standards, which may change from time to time. Our ability to obtain new projects may be restricted if we are unable to obtain adequate surety bonds.

WE ARE SUBJECT TO PRIME CONTRACTOR LIABILITIES ON PROJECTS THAT WE UNDERTAKE. We act as prime contractor on some of the construction projects that we undertake. As prime contractor, we are responsible for the performance of the entire contract, including subcontract work. Thus, we are subject to risks associated with the failure of one or more subcontractors to perform as anticipated. Claims may be asserted against us for construction defects, personal injury or property damage caused by subcontractors, and if successful these claims could expose us to liability. If unforeseen events occur with respect to our subcontractors, including bankruptcy of, or an uninsured or under-insured loss claimed against, our subcontractors, we may be responsible for the losses or other obligations of those subcontractors. If any of these situations occur, our business and results of operations could be adversely affected.

WE ARE EXPOSED TO LIABILITIES BEYOND OUR CONTROL AS A SUBCONTRACTOR. On projects in which we act as a subcontractor, if the general contractor or other subcontractors fail to perform their obligations or cause delays or failures in the project, we

- may not receive all or a portion of the distributions or payments to which we are entitled in connection with the project;

- the project may be terminated by the customer; and

- we may be exposed to litigation or other claims in connection with any such delay or failure.

OUR PROFITABILITY CAN BE IMPACTED BY OUR MIX OF PRODUCTS AND SERVICES. Given that our selling, general and administrative costs are largely fixed in terms of dollars, our profitability is dependent upon the amount of gross profit that we are able to realize. We typically generate higher gross profit margins on pure engineering service projects than on those projects that include a material or installation component. In addition, our gross profit margins can be negatively impacted when we utilize subcontractors. Therefore, a shift in mix from engineering services to more construction and

installation type work or an increase in the amount of subcontracting costs could have a negative impact on our operating results. In addition, certain of the products that we sell have gross profit margins that are considerably lower than our overall average gross profit margin. A shift in mix which results in a greater percentage of revenues relating to these lower margin products would also have a negative impact on our operating results.

THE TIMING OF PROJECTS CAN IMPACT OUR PROFITABILITY. There are a number of factors, some of which are beyond our control, that can cause our projects to be delayed and thus negatively impact our profitability for the related period. These factors include the availability of labor, equipment or materials, customer scheduling issues, delays in obtaining required permits and adverse weather conditions. In addition, when we work as a subcontractor on a project, our portion of the project can be delayed as a result of various factors

affecting the general contractor for such project.

THE AVAILABILITY AND VALUE OF LARGER PROJECTS CAN IMPACT OUR PROFITABILITY. While the majority of our projects are relatively small, we can have a number of individual contracts in excess of $1 million in progress at any particular time. These larger contracts typically generate more gross profit dollars than our average size projects. Therefore, the absence of larger projects, which can result from a number of factors, including market conditions, can have a negative impact on our operating results.

OUR BUSINESS EXPOSES US TO SIGNIFICANT LIABILITIES UNDER ENVIRONMENTAL AND OTHER GOVERNMENTAL REGULATIONS. We and our customers are subject to various federal, state, local and foreign environmental, health and safety laws and regulations. These laws and regulations affect our operations by imposing standards for the protection of health, welfare and the environment. Significant fines and penalties may be imposed for non-compliance with environmental laws and regulations, and some environmental laws provide for joint and several strict liability for remediation of releases of hazardous substances, rendering a company liable for environmental damage, without regard to negligence or fault on the part of such company. These laws and regulations may expose us to liability arising out of the conduct of operations or conditions caused by others, or for our acts which were in compliance with all applicable laws at the time these acts were performed. We may also be subject from time to time to legal proceedings brought by private parties or governmental authorities with respect to environmental matters, including matters involving alleged property damage or personal injury.

WE MAY INCUR SIGNIFICANT COSTS OR BE REQUIRED TO ALTER THE MANNER IN WHICH WE CONDUCT OUR BUSINESS IN RESPONSE TO CHANGES IN GOVERNMENT REGULATIONS. Federal, state, local and foreign environmental, health and safety laws and regulations laws are becoming increasingly complex and stringent. The risks of substantial costs related to compliance with these laws and regulations are an inherent part of our business, and future conditions may develop, arise or be discovered that create substantial environmental compliance costs. Compliance with environmental legislation and regulatory requirements may prove to be more limiting and costly than we anticipate. New laws and regulations or stricter enforcement of existing laws and regulations could require us to incur significant costs or alter the manner in which we conduct our business.

OUR INTERNATIONAL OPERATIONS ARE SUBJECT TO POLITICAL AND ECONOMIC RISKS. A significant portion of our revenue is derived from operations outside the United States. The scope and extent of our operations outside of the United States means that we are exposed to the risks inherent in doing business abroad. These risks include, but are not limited to:

- foreign currency restrictions, which may prevent us from repatriating foreign currency received in excess of local currency requirements and converting it into U.S. dollars or other fungible currency;

- expropriation of assets, by either a recognized or unrecognized foreign government, which can disrupt our business activities and create delays and corresponding losses;

- civil uprisings, riots and war, which can make it impractical to continue operations, adversely affect both budgets and schedules and expose us to losses;

- availability of suitable personnel and equipment, which can be affected by government policy, or changes in policy, which limit the importation of skilled craftsmen or specialized

equipment in areas where local resources are insufficient;

- government instability, which can cause investment in capital projects by our potential customers to be withdrawn or delayed, reducing or eliminating the viability of some markets for our services; and

- decrees, laws, regulations, interpretations and court decisions under legal systems, including unexpected changes in taxation and environmental or other regulatory requirements, which are not always fully developed and which may be retroactively applied and cause us to incur unanticipated and/or unrecoverable costs as well as delays which may result in real or opportunity costs.

We cannot predict the nature of foreign governmental regulations applicable to our operations that may be enacted in the future. In many cases, our direct or indirect customer will be a foreign government, which can increase our exposure to these risks. U.S. government-imposed export restrictions or trade sanctions under the Export Administration Act, the Trading with the Enemy Act or similar legislation or regulation may also impede our ability, or the ability of our customers, to operate or continue to operate in specific countries. These factors could have a material adverse effect on our financial condition and results of operation.

THE INTERNATIONAL NATURE OF OUR BUSINESS EXPOSES US TO FOREIGN CURRENCY FLUCTUATIONS THAT MAY AFFECT OUR ASSET VALUES, RESULTS OF OPERATIONS AND COMPETITIVENESS. We are exposed to the risks of foreign currency exchange rate fluctuations as a significant portion of our net sales and certain of our costs, assets and liabilities are denominated in currencies other than the U.S. dollar. These risks include a reduction in our asset values, net sales, operating income and competitiveness. For those countries outside the United States where we have significant sales, a devaluation in the local currency will reduce the value of our local inventory as presented in our financial statements. In addition, a stronger U.S. dollar will result in reduced revenue, operating profit and shareholders' equity due to the impact of foreign exchange translation on our financial statements. Lastly, fluctuations in foreign currency exchange rates may make our products more expensive for customers to purchase or increase our operating costs, thereby adversely affecting our competitiveness and our profitability.

TERRORIST ATTACKS AND MILITARY CONFLICTS MAY ADVERSELY AFFECT OUR OPERATIONS, OUR ABILITY TO RAISE CAPITAL OR OUR FUTURE GROWTH. The continued threat of terrorism and the impact of military and other action, including U.S. military operations in Iraq, will likely lead to continued volatility in prices for crude oil and natural gas and could affect the markets for our operations. In addition, future acts of terrorism could be directed against companies operating both outside and inside the United States. Further, the U.S. government has issued public warnings that indicate that pipelines and other energy assets might be specific targets of terrorist organizations. These developments have subjected our operations to increased risks and, depending on their ultimate magnitude, could have a material adverse effect on our business, adversely impact our ability to raise additional capital if needed or restrict our anticipated growth.

WE ARE SUBJECT TO VARIOUS RISKS ASSOCIATED WITH CHANGING GLOBAL, POLITICAL AND ECONOMIC CONDITIONS. Changing political and economic conditions regionally or worldwide can adversely impact our business. Deteriorating political and general economic conditions may result in customers delaying or

canceling contracts and orders for our products and services, difficulties and inefficiencies in the performance of our services including work stoppages, and difficulties in collecting payment from our customers. As a result, such conditions can negatively impact our results of operations and our cash flows.

THE LOSS OF ONE OR MORE KEY EMPLOYEES, OR FAILURE TO ATTRACT AND RETAIN OTHER HIGHLY QUALIFIED PERSONNEL IN THE FUTURE, COULD DISRUPT OUR OPERATIONS AND ADVERSELY AFFECT OUR FINANCIAL RESULTS. Our continued success depends on the active participation of our key employees. The loss of our key personnel could adversely affect our operations. We believe that our success and continued growth are also dependent upon our ability to attract and retain skilled personnel. We believe that our wage rates are competitive; however, a significant increase in the wages paid by other employers could result in a reduction in our workforce, increases in the wage rates we pay, or both. If these events occur for any significant period of time, our revenues and profitability could be diminished and our growth potential could be impaired. Further, if we are unable to attract and retain skilled workers, our business will be adversely affected. Our operations depend substantially upon our ability to continue to retain and attract project managers, project engineers, and skilled construction workers, and equipment operators. Our ability to expand our operations is impacted by our ability to

increase our labor force. The demand for skilled workers in our industry is currently high and the supply is limited. As a result of the cyclical nature of the oil and gas industry as well as the physically demanding nature of the work, skilled workers may choose to pursue employment in other fields.

OUR BUSINESS INVOLVES HAZARDS AND OPERATIONAL RISKS, AND WE MAY FAIL TO MAINTAIN ADEQUATE INSURANCE COVERAGE TO PROTECT US AGAINST THESE RISKS. Insufficient insurance coverage and increased insurance costs could adversely impact our cash flows, financial condition and results of operations. Although we maintain insurance coverage that we believe is commercially reasonable for our business circumstances, we are not fully insured against all risks. The occurrence of a significant event that is not fully insured against could have a material adverse effect on our financial condition. Our insurance does not cover every potential risk associated with providing our products and services. We cannot be certain that insurance coverage will be available in the future on commercially reasonable terms or that the insurance proceeds received for any covered loss or damage will be sufficient to restore the loss or damage without a negative impact on our financial condition.

WE HAVE NO PLANS TO PAY DIVIDENDS ON OUR COMMON SHARES. We have no plans to pay dividends on our common shares in the foreseeable future. We intend to invest our future earnings, if any, to fund our anticipated growth. In addition, our senior secured credit facility limits the payment of cash dividends. Any payment of future dividends on our common shares will be at the discretion of our board of directors and will depend upon, among other things, our earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions applying to the payment of any such dividends, and other considerations that our board of directors deems relevant.

DECLINES IN THE STOCK MARKET AND PREVAILING INTEREST RATES RESULT IN REDUCTIONS IN OUR PENSION FUND ASSET VALUES IN THE UNITED KINGDOM, WHICH HAVE CAUSED AND MAY CONTINUE TO CAUSE A SIGNIFICANT REDUCTION IN OUR NET WORTH. In the fiscal year ended March 31, 2002, as a result of lower investment performance caused by lower stock market returns and a decline in prevailing interest rates, our projected pension fund asset values in the United Kingdom decreased. The reduction in asset values required that we take a non-cash after-tax charge to accumulated other comprehensive loss, which is a component

of shareholders' equity. Primarily as a result of a negative return on our pension fund assets and further reductions in interest rate levels in fiscal year 2003, we were required to further reduce shareholders' equity. We may be required to take further charges related to pension liabilities in the future and these charges may be significant. We continue to review our assumptions regarding rates of return and discount rates in light of the factors mentioned above and other relevant considerations, and our future pension expense may further increase as a result.

17

PART II

ITEM 6. SELECTED FINANCIAL DATA

The financial data presented below for each of the five years ended March 31, should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K/A.

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	2004	2003	2002
STATEMENT OF OPERATIONS DATA:			
Revenues	$ 130,084	$ 117,623	$ 134,784
Operating income (loss)	8,530	1,960	4,313
Interest expense	9,565	6,725	5,878
Income (loss) before income taxes from continuing operations	(1,035)	(4,765)	(1,565)
Income tax provision (benefit)(1)	576	(363)	11,155
Loss from continuing operations	(1,611)	(4,402)	(12,720)
Net loss(2)	$ (5,479)	$ (28,825)	$ (18,217)
LOSS PER SHARE FROM CONTINUING OPERATIONS-			
Basic	$ (0.19)	$ (0.52)	$ (1.57)
Diluted	(0.19)	(0.52)	(1.57)
NET LOSS-			
Basic	$ (0.65)	$ (3.43)	$ (2.24)
Diluted	(0.65)	(3.43)	(2.24)
OTHER DATA:			
Total assets (2004 as restated)	$ 73,632	$ 78,540	$ 109,993
Working capital, excluding net assets held for sale	16,139	(25,006)	(37,918)
Net assets held for sale	--	6,392	31,857
Total debt (2004 as restated)	33,303	51,241	62,686
Shareholders' equity (deficit)	(2,729)	1,199	23,857

(1) Includes a valuation allowance of $10,472 in fiscal 2002, related to

our deferred tax asset. See Note 1, Summary of Significant Accounting Policies, Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K/A for further information.

(2) Includes a cumulative effect of change in accounting principle of $18,238 in fiscal 2003, related to our evaluation of goodwill. See Note 1, Summary of Significant Accounting Policies, Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K/A for further information.

18

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

The following discussion and analysis contains certain statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The following discussion should be read in conjunction with the consolidated financial statements, accompanying notes and selected financial data appearing elsewhere in this Annual Report on Form 10-K/A and may contain certain statements that constitute "forward-looking statements." Words such as "anticipates," "expects," "intends," believes," "seeks," "estimates" or variations of such words and similar expressions are intended to identify such forward-looking statements. A number of risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Important risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements appear elsewhere in this Annual Report on Form 10-K/A. See "Business - - Factors Influencing Future Results and Accuracy of Forward Looking Information."

OVERVIEW

We provide a comprehensive range of corrosion control engineering services, systems, equipment and materials; coatings services; and pipeline integrity and risk assessment services to a wide variety of customers in the North American and European infrastructure, environmental and energy markets, including the U.S. government and its agencies.

In July 2002, our Board of Directors approved a multi-year restructuring plan that included a series of initiatives designed to improve our gross margin and operating income and reduce our outstanding indebtedness. We believe that we have been successful in implementing these initiatives to date. Our gross margin has increased from 29.3% in fiscal 2002 to 31.8% in fiscal 2004 based in part on a number of measures that we have taken, including closing underperforming offices, improving our material purchase program, containing employee compensation costs and restricting nonessential travel and entertainment.

We also believe that we have enhanced our capital structure by implementing initiatives designed to reduce our outstanding indebtedness. During fiscal 2003 and fiscal 2004, we disposed of our Middle East operations, Asia Pacific operations and four other non-strategic business units and used the proceeds from such dispositions to reduce our outstanding indebtedness. In addition, on March 30, 2004, we completed a refinancing and recapitalization pursuant to which we (i) issued and sold 13,000 shares of our Series B Preferred Stock and a warrant to purchase 12,113,744 of our common shares to CPI for aggregate consideration of $13.0 million, (ii) issued and sold $14.0 million of

our secured subordinated notes and a warrant to purchase 3,936,967 of our common shares to American Capital and (iii) entered into a $40.0 million senior secured credit facility with CapitalSource, we used the proceeds therefrom to repay our prior revolving credit facility and senior notes and for working capital purposes. We believe that our new capital structure will be critical in our efforts to expand our business and achieve our other business objectives.

RESTATEMENT OF 2004 FINANCIAL INFORMATION

As part of our recapitalization and refinancing, we issued Series B Cumulative Redeemable Voting Preferred Stock and a warrant for $13 million and senior secured subordinated notes and a warrant for $14 million on March 30, 2004. In the Originally Filed 10-K, the proceeds from these issuances were allocated between the Series B Preferred Stock and the warrant and the senior secured subordinated notes and the warrant, respectively, based on a calculation of the fair value of the warrants that included a "blockage" discount. During the preparation of our June 30, 2004 consolidated financial statements, it was determined that the value of these warrants should not include a "blockage" discount factor. See Note 1 - - Summary of Significant Accounting Policies, Notes to Consolidated Financial Statements included in this Amendment. Based on this determination, we are restating our consolidated balance sheet to reflect an increase in the allocation of the proceeds to the warrants, a corresponding decrease in the allocation of the proceeds to the Series B Preferred Stock and senior secured subordinated notes, and conforming changes as of March 31, 2004. We are

also restating our consolidated statement of cash flows for the year ended March 31, 2004 to reflect related changes in the allocations to "Net proceeds from issuance of Preferred Shares and warrants" and "Payment of financing costs." The changes contained in this restatement are a non-cash event, do not affect our consolidated statements of operations and shareholders' equity (deficit), and do not affect the financial covenants included in our financing arrangements.

CRITICAL ACCOUNTING POLICIES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States requires management to use assumptions and estimates, some of which are significant, to determine certain of the reported values on our financial statements. Although management bases its assumptions and estimates on historical experience and other factors that management considers relevant, these assumptions and estimates could change materially as conditions both within and beyond our control change. The following is a discussion of our critical accounting policies and the related management assumptions and estimates necessary in determining certain of the reported values on our financial statements. Our critical accounting policies, including the assumptions and estimates underlying them, are more fully described in Note 1, Summary of Significant Accounting Policies, Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K/A.

REVENUE RECOGNITION. We record income from construction and engineering contracts under the percentage-of-completion method, using costs incurred to date in relation to estimated total costs of the contracts, to measure the stage of completion. Original contract prices are adjusted for change orders and claims when the change order or claim has been approved by the customer. Cost budgets are revised, when necessary, in the amounts that are reasonably estimated based on the project leaders' knowledge of the project as well as our historical experience. The cumulative effects of changes in estimated total contract costs and revenues are recorded in the period in which the facts

requiring such revisions become known, and are accounted for using the percentage-of-completion method. At the time it is determined that a contract is expected to result in a loss, the entire estimated loss is recorded. We recognize revenue from product sales upon shipment and transfer of ownership.

ACCOUNTS RECEIVABLE. We record estimated allowances for uncollectible accounts receivable based upon the number of days the accounts are past due, the current business environment, and specific information such as bankruptcy or liquidity issues of customers. Historically, losses for uncollectible accounts receivable have been within management's range of estimates. Corrosion control services and products are provided to a large number of customers with no substantial concentration in a particular industry or with an individual customer.

INVENTORIES. Inventories are valued at the lower of cost or market with cost being determined on the first-in, first-out method. Management periodically reviews inventories for excess and obsolete goods based upon a combination of historical and forecasted usage. Additionally, discrete provisions are made when facts and circumstances indicate that particular inventories will not be utilized. If future market conditions are different than those estimated, a change to the valuation of inventory may be required and would be reflected in the period the conditions change.

ASSET IMPAIRMENT. We periodically evaluate whether events and circumstances have occurred that indicate the remaining estimated useful life of any long-lived or intangible asset may warrant revision or that the remaining balance of the asset may not be recoverable. If factors indicate that the long-lived assets should be evaluated for possible impairment, we use an estimate of the related asset's net undiscounted cash flows from operations over the remaining life to determine recoverability. The measurement of the impairment would be based on the amount by which the carrying value of the asset exceeds its fair value.

During fiscal 2004, we recorded an impairment charge relating to our Middle East operations totaling $3.5 million based on the current market value of these operations. This impairment charge was included in results from discontinued operations. During fiscal 2003, we recorded an impairment charge relating to our Asia Pacific operations totaling $1.6 million based on the current market value of these operations and additionally recorded impairment charges totaling $0.9 million based on a market value analysis for our European and Middle East operations. The Asia Pacific and Middle East operations were reported as discontinued operations and were sold in fiscal 2004.

In July 2001, Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), were issued by the Financial Accounting Standards Board. SFAS 141 eliminates the pooling-of-interests method for business combinations and requires the use of the purchase method. SFAS 142 changes the accounting for goodwill and indefinite life intangibles from an amortization approach to a non-amortization approach, and require periodic tests for impairment of these assets. Upon our adoption of SFAS 142 on April 1, 2002, the provisions of SFAS 142 required the discontinuance of amortization of goodwill and indefinite life intangibles that had been recorded in connection with previous business combinations. We completed impairment testing under SFAS 142 and recorded an impairment loss, as of April 1, 2002, totaling $18.2 million of which $11.8 million related to discontinued operations and $6.4 million related to continuing operations. The loss was recognized as the cumulative effect of a change in accounting principle. This impairment testing is also done annually in the fourth quarter

and such testing resulted in no additional impairment as of March 31, 2004.

INCOME TAXES. We use the liability method whereby income taxes are recognized during the fiscal year in which transactions enter into the determination of financial statement income. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between financial statement and tax basis of assets and liabilities. We recorded a valuation allowance for our net domestic deferred tax assets carryforwards of $10.5 million in the fourth quarter of fiscal 2002. We maintained a valuation allowance at March 31, 2004 and intend to maintain a full valuation allowance for our net domestic deferred tax assets and net operating loss carryforwards until sufficient positive evidence exists to support the reversal of the remaining reserve. Until such time, except for foreign tax provisions, we expect to have no reported tax provision, net of valuation allowance adjustments. In the event we were to determine, based on the existence of sufficient positive evidence, that we would be able to realize our deferred tax assets in the future in excess of our net recorded amount, an adjustment to the valuation allowance would increase income in the period such determination was made. See Note 6-Income Taxes of our consolidated financial statements for additional information regarding income taxes.

RESULTS OF OPERATIONS

In July 2002, our Board of Directors approved a formal business restructuring plan. The multi-year plan included a series of initiatives to improve operating income and reduce debt by selling non-core business units. We engaged outside professionals to assist in the disposition of the domestic and international non-core business units. Prior to the quarter ended September 30, 2002, our non-core domestic and international units were reported as the Other Operations and International Operations reporting segments. Effective as of the quarter ended September 30, 2002, the Other Operations and the International Operations reporting segments were eliminated and the non-core domestic and international units were reported as discontinued operations. Prior-year financial statements were reclassified to reflect these non-core units as discontinued operations, which were also referred to as "assets and liabilities held for sale."

In the second quarter of fiscal 2004, our Board of Directors removed our European Operations from discontinued operations. The Board concluded that our value would be enhanced by maintaining our European presence rather than by selling our European Operations at this time, based in part on the strength of the local management team, the similar characteristics of the served markets, and the favorable prospects for this business. Therefore, effective in the second quarter of fiscal 2004, we reported quarterly and annual results of the European Operations in our continuing operations. Prior-year financial statements have been reclassified to reflect the European Operations as continuing operations.

YEAR ENDED MARCH 31, 2004 COMPARED TO YEAR ENDED MARCH 31, 2003

REVENUES. Revenues from continuing operations for fiscal 2004 totaled $130.1 million, compared with $117.6 million for fiscal 2003, an increase of $12.5 million, or 10.6%. Revenues from the discontinued operations were $10.1 million in fiscal 2004 compared to $26.9 million in the prior fiscal year. The decrease in discontinued operations is primarily attributable to the sale of four non-strategic business units.

Revenues for fiscal 2004 relating to the Domestic Core Operations totaled $92.9 million compared to prior-year results of $85.0 million, an increase of $7.9 million or 9.3%. The increase was primarily related to a large well casing

project being run out of our Houston office that generated $5.7 million in revenues in fiscal 2004 compared to $0.4 million in the year-earlier period. In addition, our commercial coatings offices experienced increased revenues of $2.1 million in fiscal 2004 compared to the year-earlier period, primarily due to increased activity levels in our Chicago and Bakersfield offices as well as increased inspection revenues in our Lafayette office. These increases were partially offset by decreases in several areas of our Domestic Core Operations. Our Eastern Region offices experienced a revenue decline of $0.2 million in fiscal 2004 compared to the year-earlier period, primarily as a result of lower revenues from a large bridge project in fiscal 2004 compared to the year-earlier period. Also, our Water Tank business experienced a $0.6 million revenue decline in fiscal 2004 compared to the year-earlier period. This decrease is attributed to the Federal EPA mandate that all municipal water systems serving 3,300 or more customers perform and file security and vulnerability assessments with the EPA. As a result of this mandate, municipal water systems have been deferring infrastructure maintenance as a means of allocating funds to pay for these assessments.

Revenues from our Canadian Operations for fiscal 2004 totaled $24.1 million compared to $19.3 million, for fiscal 2003, an increase of $4.8 million, or 24.9%. Approximately $2.6 million of this increase was due to the strengthening of the Canadian dollar against the U.S. dollar in fiscal 2004 compared to fiscal 2003. The remaining increase was primarily due to increased volume of material and rectifier sales as well as an increase in the energy segment of our business.

Revenues from our European Operations for fiscal 2004 totaled $13.1 million compared to $13.4 million, for fiscal 2003, a decrease of $0.3 million, or 2.2%. This decrease was primarily due to lower revenues received from a large contract to perform work on underground storage tanks in the United Kingdom and was offset by approximately $2.0 million due to the strengthening of the British pound against the U.S. dollar in fiscal 2004 compared to fiscal 2003.

GROSS PROFIT. Consolidated gross profit margins were 31.8% for fiscal year 2004 compared to 31.5% for the prior-year period. Gross margins continued to benefit from the restructuring plans and cost containment programs implemented in fiscal 2001 and 2002 as well as our Board of Directors decision to approve a formal business restructuring plan in July 2002. The multi-year plan included a series of initiatives to improve gross margins as well as operating income and reduce debt. The initiatives that impacted gross margin in fiscal 2004 included the following:

- Closure of underperforming offices. At the end of fiscal 2003, we closed one underperforming office. This office experienced a gross margin rate of 21.5% in fiscal 2003.

- Improved material purchase program. Efficiencies were achieved in purchasing certain corrosion control materials that are sold to our customers. Our Material Sales Center experienced a 23 basis point improvement in its gross margin rate in fiscal 2004 compared to the year-earlier period.

- Wage and salary freeze. We implemented a general wage and salary freeze for employees in fiscal 2003 in order to contain costs. This wage and salary freeze was not lifted until July 2003.

- Restrictions on travel and entertainment. Travel and entertainment continues to be restricted to essential, revenue producing ventures.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses totaled $32.8 million (25.2% of revenues) for fiscal year 2004 compared to $35.2 million (29.9% of revenues) for fiscal 2003. Selling, general and administrative expenses for year ended March 31, 2004, included $1.5 million related to professional fees associated with our lender requirements and $1.1 million for severance and retirement benefits associated with our former Chief Executive Officer. Fiscal year 2003 included $2.9 million in professional fees related to lender requirements, $2.1 million of pension expense related to our European Operations and a $0.5 million impairment charge recorded for our European Operations. Selling, general and administrative expenses continue to improve due to the informal cost containment and restructuring plans mentioned above as well as the Board of Directors plan also mentioned above. An activity-based analysis was performed to eliminate our non-value added costs. In addition, we continue to see benefits pertaining to the closure of underperforming offices. Also, we have reduced headcount in corporate overhead areas.

22

Headcount was reduced in both fiscal 2002 and 2003, which resulted in annual savings in each year of approximately $4.0 million. We continue to restrict travel and entertainment to essential, revenue producing ventures as well as restricting the purchase of advertising materials, catalogs, office supplies and other discretionary overhead items. Also, we had favorable claims experience in our health care costs in both fiscal 2004 and fiscal 2003.

OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS. Operating income from continuing operations totaled $8.5 million for fiscal year 2004 compared to $2.0 million in fiscal 2003, an increase in earnings of $6.5 million. This increase is primarily related to higher restructuring costs incurred in fiscal 2003 and improved revenues generated during the fiscal year 2004.

INTEREST EXPENSE. Interest expense totaled $9.6 million for fiscal year 2004 compared to $6.7 million in fiscal 2003. We completed our refinancing and recapitalization transaction in the fourth quarter of fiscal 2004. As a result of the refinancing, we expensed deferred financing costs associated with the previous lenders of $1.3 million in fiscal year 2004. In addition, we expensed yield maintenance amounts required under previous debt arrangements of $2.2 million in fiscal year 2004 and $1.0 million in fiscal 2003.

INCOME TAX PROVISION. We recorded a provision for income taxes of $0.6 million for the year ended March 31, 2004 compared to a income tax benefit of $0.4 million recorded for the year ended March 31, 2003. Our effective tax rate is based on the statutory rates in effect in the countries in which we operate. We recorded a provision greater than the statutory tax rate of 34% since we have not realized the tax benefits of losses in our Domestic Core Operations for which a previously recorded valuation allowance has been provided. We intend to maintain a full valuation allowance on our domestic net deferred tax assets including net operating loss carryforwards associated with losses generated prior to our refinancing and recapitalization transaction. The refinancing and recapitalization transaction resulted in a change of control for income tax purposes as defined in U.S. tax law. As such, we will be limited as to how much of our net operating loss carryforwards will be available for use in future periods.

LOSS FROM CONTINUING OPERATIONS. Loss from continuing operations totaled $1.6 million in fiscal year 2004 compared to a loss of $4.4 million in fiscal year 2003, an improvement of $2.8 million. The fiscal 2004 improvement was the result of improved revenue levels, improved operating efficiencies and our overall efforts to streamline operations.

DISCONTINUED OPERATIONS. Loss from discontinued operations, net of income taxes, for the year ended March 31, 2004, was $3.9 million compared to a loss, net of income taxes, of $6.2 million in fiscal year 2003, an improvement of $2.3 million. The loss in fiscal 2004 is primarily attributable to a $3.5 million impairment charge on net assets related to our Middle East Operations, which was recorded in the second quarter of fiscal 2004.

CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE. During fiscal 2003, we, with the assistance of independent valuation experts, completed our initial assessment test and concluded that certain of our goodwill was impaired. Effective April 1, 2002, we recognized a transitional impairment charge of $18.2 million as the cumulative effect of a change in accounting principle to reduce the carrying values of certain indefinite lived intangible assets and goodwill to estimated fair values as required by SFAS No. 142. This is a non-cash charge and does not impact compliance with the financial covenants contained in our lender agreements.

NET LOSS. Net loss totaled $5.5 million for the year ended March 31, 2004, compared to a net loss of $28.8 million in fiscal year 2003, an improvement of $23.3 million, which was primarily attributable to $18.2 million of non-cash goodwill impairment charges as a result of a change in accounting principle in fiscal 2003, improved revenue levels, improved operating efficiencies and our overall efforts to streamline operations.

Loss per share on a fully diluted basis totaled $0.65 per share for the year ended March 31, 2004, compared to a loss per fully diluted share of $3.43 for the year ended March 31, 2003. The weighted average number of shares used in calculating loss per share is computed based on the number of common shares issued and outstanding. On March 30, 2004, we completed our recapitalization which resulted in the issuance of warrants exercisable for 16.1 million common shares. In accordance with generally accepted accounting principles for "Participating Securities", these warrants will be

included in the weighted average shares calculation only in periods in which we generate net income available to common shareholders. Net income available to common shareholders represents net income less the annual preferred stock dividend.

YEAR ENDED MARCH 31, 2003 COMPARED TO YEAR ENDED MARCH 31, 2002

REVENUES. Revenues from continuing operations for fiscal 2003 totaled $117.6 million, compared with $134.8 million for fiscal 2002, a decrease of 12.8%.

Our Domestic Core Operations generated revenues of $85.0 million in fiscal 2003 compared with $101.8 million in fiscal 2002, a decrease of 16.5%. This decrease was primarily related to our Preservation Team contracts with the U.S. Navy. Since June 2000, we have been providing Preservation Team services to the U.S. Navy under a demonstration contract. In calendar 2002, these contracts were placed in the normal Navy procurement process and put out for competitive bid. A number of these contracts were designated as small business contracts and we did not qualify as a small business. Therefore, we were unable to compete for these contracts as a prime contractor, although we were eventually awarded a number of subcontracts for this work. The net result was a reduction in revenues for this work of approximately $11.6 million in fiscal year 2003. In fiscal 2003, we also made the decision to close two offices in New Mexico and South America, resulting in lost revenues of approximately $1.9 million. The remaining decrease was primarily due to decreased material sales of $1.1 million and lower

revenues generated by our commercial coatings offices of $1.3 million.

Revenues relating to our Canadian Operations segment totaled $19.3 million in fiscal year 2003, compared to $21.3 million in fiscal year 2002, a decrease of 9.4%. The decrease was due primarily to lower material and rectifier sales and the closure of our office in Taiwan.

Revenues relating to our European Operations segment totaled $13.4 million in fiscal year 2003, compared to $11.7 million in fiscal year 2002, an increase of 14.5%. The increase was primarily due to a large contract with an energy company to provide engineering services for their underground storage tanks.

GROSS PROFIT. Consolidated gross profit margins for fiscal 2003 totaled $37.1 million (31.6% of revenues) compared to $39.5 million (29.3% of revenues) for fiscal 2002, a decrease in gross profit dollars of $2.4 million or 6.1%. The higher gross profit as a percent to revenue (a 230 basis point increase) can be attributed to informal restructuring plans and cost containment programs implemented in fiscal 2001 and 2002 as well as our Board of Directors decision to approve a formal business restructuring plan in July 2002. The multi-year plan includes a series of initiatives to improve gross margins as well as operating income and reduce debt. The initiatives that impacted gross margins in fiscal 2003 included the following:

- Closure of underperforming offices. At the end of fiscal 2001, we closed five underperforming offices. Costs continued to be incurred in fiscal 2002 as we restructured our operations. Approximately $0.4 million in margin costs were incurred in fiscal 2002 while none were incurred in fiscal 2003. In fiscal 2002, we closed our office in Taiwan and realized gross margin improvement of $0.4 million in fiscal 2003.

- Improved insurance programs. We moved certain insurance policies to deductible programs in fiscal 2003. These changes allowed us to reduce costs by approximately $0.7 million.

- Improved material purchase program. Efficiencies were achieved in purchasing certain corrosion control materials that are sold to our customers. Gross margin improvement in our Material Sales Center totaled $0.3 million in fiscal 2003.

- Wage and salary freeze. We implemented a general wage and salary freeze for employees in fiscal 2003 in order to contain costs.

- Restrictions on travel and entertainment. Travel and entertainment was restricted to essential, revenue producing ventures.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses for fiscal 2003 totaled $35.2 million (29.9% of revenues), compared with $35.2 million (26.1% of revenues) for fiscal 2002. The fiscal 2003 amount of $35.2 million includes $2.9 million in professional fees related to lender requirements, severance expenses totaling $0.5 million, $2.1 million of pension expense related to our European Operations and a $0.5 million impairment charge recorded for our European Operations. The overall improvement in the base level of selling, general and administrative expenses was achieved in part by the implementation of informal cost containment programs and restructuring plans in fiscal 2001 and 2002 as well as in part because of the Board of Director's approval of a formal restructuring plan in July 2002. An

activity-based analysis was performed to eliminate our non-value added costs. Savings were achieved through the following initiatives:

- Reduced headcount in corporate overhead areas. Headcount was reduced in both fiscal 2002 and fiscal 2003. Savings of approximately $4.0 million was achieved by these headcount reductions in fiscal 2003.

- Closed under performing offices. At the end of fiscal 2001, we closed five under performing offices. Costs continued to be incurred in fiscal 2002 as we restructured our operations. In addition, we closed our office in Taiwan in fiscal 2002. The total reduction in selling, general and administrative expenses realized by these closures was approximately $0.4 million in fiscal 2003.

- Restrictions on travel and entertainment as well as other discretionary overhead costs. Travel and entertainment was restricted to essential, revenue producing ventures. Purchase of advertising materials, catalogs, office supplies and other discretionary overhead items were also restricted. Total savings achieved in fiscal 2003 was approximately $0.4 million.

- Wage and salary freeze. We implemented a general wage and salary freeze for employees in fiscal 2003 in order to contain costs. In addition, the management incentive plan was suspended in fiscal 2003. The savings achieved in fiscal 2003 from the suspension of the management incentive plan was approximately $0.4 million.

In addition to the initiatives above, we achieved a savings from reduced employee benefit costs. In fiscal 2003, we suspended the match feature in our 401(k) plan. In addition, we had a favorable claims experience in our health care costs. These items resulted in savings of approximately $0.9 million in fiscal 2003.

OPERATING INCOME FROM CONTINUING OPERATIONS. Operating income from continuing operations for fiscal 2003 totaled $2.0 million, compared to $4.3 million for fiscal 2002, a decrease of $2.3 million. The decrease was primarily due to the decrease in revenue levels. The savings achieved in selling, general and administrative expenses were offset by the additional costs outlined above.

INTEREST EXPENSE. Interest expense for fiscal 2003 totaled $6.7 million, compared to $5.9 million for fiscal 2002. The increase was related primarily to a provision for yield maintenance of $1.0 million in our then-outstanding senior notes.

INCOME TAX PROVISION. We recorded an income tax benefit of $0.4 million for fiscal 2003, compared to an income tax provision of $11.2 million in fiscal 2002. Our effective rate is based on the statutory rates in effect in the countries in which we operate. See Note 6, Income Taxes, Notes to Consolidated Financial Statements included in Item 8 for a reconciliation of our effective tax rates. Within the fiscal 2002 tax provision is an increase in valuation allowance for our domestic deferred tax asset of $10.5 million.

25

LOSS FROM CONTINUING OPERATIONS. As a result of the foregoing, loss from continuing operations in fiscal 2003 totaled $4.4 million, compared with a loss from continuing operations of $12.7 million in fiscal 2002, an improvement of $8.3 million. The improvement was primarily attributable to the valuation

allowance for our deferred tax assets taken in fiscal 2002.

DISCONTINUED OPERATIONS. Loss from discontinued operations, net of income taxes totaled $6.2 million for fiscal 2003, compared with a loss from discontinued operations, net of income taxes, of $5.5 million for fiscal 2002. This incremental loss was mainly attributable to currency translation adjustments and impairment charges. In fiscal 2003, four non-strategic business units were sold for a gain, net of taxes of $2.1 million.

CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE. During fiscal 2003, we, with the assistance of independent valuation experts, completed our initial assessment test and concluded that certain of our goodwill was impaired. Effective April 1, 2002, we recognized a transitional impairment charge of $18.2 million as the cumulative effect of a change in accounting principle to reduce the carrying values of certain indefinite lived intangible assets and goodwill to estimated fair values as required by SFAS No. 142. This is a non-cash charge and does not impact compliance with the financial covenants contained in our lender agreements.

NET LOSS. The net loss for fiscal 2003 totaled $28.8 million, compared with a net loss of $18.2 million in fiscal 2002. The net loss increase reflects the impact of the change in accounting principle and increased losses from discontinued operations. Diluted loss per share increased to a loss of $3.43 in fiscal 2003 compared with a loss of $2.24 in fiscal 2002.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW. At March 31, 2004, we had working capital of $16.1 million, compared to a deficit of $25.0 million at March 31, 2003, an improvement of $41.1 million. This improvement in working capital was due to a number of factors, the most significant of which was that we completed our refinancing and recapitalization transaction on March 30, 2004. The refinancing and recapitalization transaction resulted in a $45.2 million reduction in the current portion of long-term debt in fiscal 2004. Accounts receivable increased by $6.0 million in fiscal 2004 due to higher revenue levels in fiscal 2004. The increase in accounts receivable was offset by a decrease in notes receivable of $6.4 million. On March 31, 2003, we sold a non-strategic business unit and recorded a $6.2 million note receivable, which increased working capital. This note was collected in fiscal year 2004. Inventory levels increased approximately $1.6 million in fiscal year 2004, primarily due to a large well casing project being run out of our Houston office. Accounts payable and accrued liabilities increased $2.4 million in fiscal year 2004 primarily due to higher activity levels in fiscal year 2004.

During fiscal 2004, cash provided by operating activities totaled $1.0 million, compared to $2.3 million in fiscal 2003. The overall decrease in cash generated from operating activities was primarily due to the fact that we paid $3.2 million in yield maintenance amounts required under previous debt arrangements in fiscal 2004. We had accrued $1.0 million of this yield maintenance in fiscal 2003, but it was actually paid in fiscal 2004. Improvements in accounts and notes receivable and accounts payable and accrued expenses were offset by unfavorable changes in inventory and prepaid expenses and other. As discussed above, the change in inventory was primarily due to a large well casing project being run out of our Houston office. The change in prepaid expenses and other was primarily due to an increase in our prepaid Directors and Officers insurance of approximately $0.5 million and an April 2, 2004 payroll payment of $0.7 million that we deposited with our payroll processor on March 31, 2004.

We believe that cash generated by operations and amounts available under our credit facilities will be sufficient to satisfy our liquidity requirements through at least fiscal 2005.

SENIOR SECURED CREDIT FACILITY. On March 30, 2004, we entered into a $40.0 million revolving credit, term loan and security agreement with CapitalSource that expires on March 30, 2009. Initial borrowings were used to repay existing indebtedness. The revolving credit facility provides for a maximum principal amount of $19.5 million. Borrowings under the revolving credit facility are limited to borrowing base amounts as defined. The interest rate on the revolving credit facility is at prime plus 1.75%, which was 5.75% at March 31, 2004. We are also required to pay an

unused line fee of 0.75% on the unused portion of the revolving credit facility and a collateral management fee of 0.50% based on the funded portion of the revolving credit facility. The revolving credit facility includes a credit sub-facility of $7.0 million for the issuance of standby letters of credit. Standby letter of credit fees are 3.0% on the undrawn face amount of all outstanding standby letters of credit. At March 31, 2004, we had $2.8 million outstanding under the revolving credit facility and $6.1 million of outstanding letters of credit. Total availability under the revolving credit facility at March 31, 2004, was approximately $4.5 million, after giving consideration to the borrowing base limitations under the revolving credit facility.

The term loan facility provided for an original principal amount of $20.5 million. The term loan bears interest at prime plus 3.5% subject to a floor of 7.5%. The term loan requires us to make monthly principal payments from inception to March 1, 2009. The amount of the monthly payments are fixed, but the monthly amount increases each year. In addition, notwithstanding any other provisions in the revolving credit, term loan and security agreement, we are required to pay 50% of our excess cash flow, as defined, each year, starting with the year ending March 31, 2005, to further pay down the term loan. At March 31, 2004, the outstanding balance on the term loan was $20.5 million.

Borrowings under the revolving credit, term loan and security agreement are secured by a first priority security interest in our domestic and Canadian accounts receivable, inventories, certain intangibles, machinery and equipment and owned real estate. We have also pledged slightly less than two-thirds of the capital stock of two of our foreign subsidiaries. The agreement requires us to maintain certain financial ratios and limits our ability to pay cash dividends, incur additional indebtedness and make investments, including acquisitions, and to take certain other actions specified therein. We were in compliance with these covenants at March 31, 2004.

SENIOR SECURED SUBORDINATED NOTES. On March 30, 2004, we entered into a senior secured subordinated note and equity purchase agreement with American Capital pursuant to which we sold $14.0 million of our senior secured subordinated notes and a warrant to purchase 3,936,967 of our common shares to American Capital. Initial borrowings were used to repay existing indebtedness. The interest rate on the senior secured subordinated notes is 12.5%. The senior secured subordinated notes do not require principal payments and the notes are due on March 29, 2011. The senior secured subordinated notes are secured by a lien on our domestic and Canadian accounts receivable, inventories, certain intangibles, machinery and equipment and owned real estate subordinated in lien priority only to the liens in favor of CapitalSource. The senior secured subordinated note and equity purchase agreement requires us to maintain certain financial ratios and limits our ability to pay cash dividends, incur additional indebtedness, make investments, including acquisitions, and to take certain other actions specified therein. We were in compliance with these covenants at March 31, 2004.

SERIES B CUMULATIVE REDEEMABLE VOTING PREFERRED STOCK. On March 30,

2004, we entered into a securities purchase agreement with CPI pursuant to which we sold 13,000 shares of our Series B Preferred Stock and a warrant to purchase 12,113,744 of our common shares to CPI for aggregate consideration of $13.0 million. We used these proceeds to repay our outstanding indebtedness. The securities purchase agreement requires us to maintain certain financial ratios and limits our ability to incur additional indebtedness, make investments, including acquisitions, and to take certain other actions specified therein. We were in compliance with these covenants at March 31, 2004. In addition, the Series B Preferred Stock is redeemable at the option of the holders of Series B Preferred Stock upon the occurrence of certain events.

The Series B Preferred Stock will accrue cumulative quarterly dividends at an annual rate of 13.5%. In the event we do not maintain certain financial covenants for the twelve months preceding any quarterly dividend payment date, the annual dividend rate will increase to 16.5% for each subsequent calendar quarter during which we fail to comply with such financial covenants. Dividends on the Series B Preferred Stock are payable either (i) in cash if then permitted under the terms of our outstanding senior secured credit facility and/or senior secured subordinated notes or (ii) in additional shares of Series B Preferred Stock. Dividends payable in cash would be paid when, as and if declared by the Board of Directors out of funds legally available thereof. The terms of our senior financing prohibit, unless approved by the lender, the payment of any cash dividends on the Series B Preferred Stock while such debt is outstanding.

27

CONTRACTUAL OBLIGATIONS. The following table summarizes our contractual obligations at March 31, 2004:

	PAYMENTS DUE BY PERIOD				
(IN THOUSANDS)	TOTAL	LESS THAN ONE YEAR	1 - 3 YEARS	4 - 5 YEARS	AFTER 5 YEARS
Indebtedness:					
Revolving Credit Facility, Due 2009	$ 2,779	$ 2,779	$ --	$ --	$ --
Term Loan, Due 2009	20,500	2,500	12,000	6,000	--
Senior Secured Subordinated Notes(1)	14,000	--	--	--	14,000
Other Debt Obligations	154	--	154	--	--
Management Fee	3,200	400	1,200	800	800
Operating Leases	7,424	2,475	3,842	907	200
Total Contractual Cash Obligations	$48,057	$ 8,154	$17,196	$ 7,707	$15,000

(1) The Senior Secured Subordinated Notes is net of discount of $4,130 as reported on the consolidated financial statements.

RELATED PARTY TRANSACTIONS

On March 30, 2004, we entered into a services agreement with Wingate Partners, an affiliate of CPI. The services agreement provides that Wingate Partners agrees to consult with the Board of Directors in such a manner and on such business and financial matters as would be reasonably requested from time to time by the Board, including financial advisory, management advisory,

strategic planning, monitoring and other related services, in exchange for which we will pay an annual non-refundable services fee of $0.4 million payable quarterly in advance, to such persons designated by Wingate Partners. In lieu of paying any quarterly installment of the services fee in cash, we may, at our option, or if we are restricted from paying any such quarterly installment in cash under, or the Board determines that payment of such quarterly installment in cash would result in a default under, the terms of our new senior secured credit facility or senior secured subordinated notes, delay payment and accrue any unpaid portion of the services fee, without interest. The services agreement will have an initial term of eight years, which term will automatically renew for successive one year periods thereafter unless either party notifies the other of its desire to terminate the services agreement.

EFFECTS OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." This Interpretation addresses the consolidation by business enterprises of various interest entities as defined in the Interpretation. We do not expect the adoption of this Interpretation to have a material impact on our results of operations or financial position.

In December 2003, the FASB revised SFAS No. 132, "Employers' Disclosures about Pensions and Other Post Retirement Benefits." This revision requires additional disclosures to those in the original SFAS No. 132 about assets, obligations, cash flows and the periodic benefit cost of deferred benefit pension plans and other deferred benefit post-retirement plans. The required information should be provided separately for pension plans and for other post-retirement benefit plans. This statement revision is in effect for our fiscal years ended June 14, 2004, and interim periods beginning after June 15, 2004, for foreign plans. The adoption of this revision is not expected to have a material impact on our results of operations, financial position or disclosures.

In November 2003, the Emerging Issues Task Force ("EITF") issued EITF 03-06, "Participating Securities and the Two-Class Method under FASB Statement No. 128", FASB Statement No. 128, "Earning Per Share". This EITF provides clarification on the earning per share calculation for participating securities as defined under FASB No. 128. The EITF is effective for the reporting period after March 31, 2004. Prior period earnings per share amounts presented

28

for comparative purposes should be restated to conform to the guidance in the consensus. We do not expect the adoption of this EITF to have a material effect on our consolidated financial statements or our results from operations.

29

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Corrpro Companies, Inc.:

We have audited the accompanying consolidated balance sheets of Corrpro Companies, Inc. and subsidiaries (Company) as of March 31, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended

March 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Corrpro Companies, Inc. and subsidiaries as of March 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1, to the accompanying consolidated financial statements, effective April 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets.

As discussed in note 1, to the accompanying consolidated financial statements, the accompanying balance sheet as of March 31, 2004, and the related statement of cash flows for the year then ended, have been restated.

/s/ KPMG LLP
Cleveland, Ohio
June 17, 2004, except for note 1, for which the date is August 9, 2004

30

CORRPRO COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2004 AND 2003

(In Thousands)

ASSETS

	Restated See Note 1 2004	2003
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,498	$ 7,037
Accounts receivable, less allowance for doubtful accounts of $729 and $660 at March 31, 2004 and 2003, respectively	24,139	18,156
Note receivable	768	7,192
Inventories	9,807	8,233
Prepaid expenses and other	5,974	4,246
Assets held for sale	--	9,846

Total current assets	43,186	54,710
PROPERTY, PLANT AND EQUIPMENT:		
Land	548	443
Buildings and improvements	6,153	4,897
Equipment, furniture and fixtures	17,242	15,610
	23,943	20,950
Less accumulated depreciation	(16,794)	(13,968)
Property, plant and equipment, net	7,149	6,982
OTHER ASSETS:		
Goodwill, net	14,560	13,343
Deferred income taxes	763	482
Other assets	7,974	3,023
Total other assets	23,297	16,848
	$ 73,632	$ 78,540

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CORRPRO COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2004 AND 2003

(In Thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)

	Restated See Note 1 2004	2003
CURRENT LIABILITIES:		
Revolving credit facility	$ 2,779	$ 22,192
Current portion of long-term debt	2,500	28,284
Accounts payable	10,894	9,081
Accrued liabilities and other	10,874	10,313
Liabilities held for sale	--	3,454
Total current liabilities	27,047	73,324
LONG-TERM DEBT		
Long-term debt, net of current portion	18,154	765
Senior secured subordinated notes, net of discount of $4,130	9,870	--

Total long-term debt	28,024	765
OTHER LONG-TERM LIABILITIES	4,186	3,252
WARRANTS	16,830	--
COMMITMENTS AND CONTINGENCIES	--	--
SERIAL PREFERRED SHARES		
Serial Preferred Shares issued and outstanding 13 shares of Series B Cumulative Redeemable Voting Preferred Stock, without par value, liquidation value of $13,000, net of discount	274	--
SHAREHOLDERS' EQUITY (DEFICIT):		
Common Shares, voting, no par value, at stated value; 40,000 shares authorized; 8,507 shares issued in 2004 and 2003; 8,443 and 8,408 shares outstanding in 2004 and 2003	2,276	2,276
Additional paid-in capital	46,266	46,560
Accumulated deficit	(50,555)	(45,076)
Accumulated other comprehensive loss	(95)	(1,597)
Common Shares in treasury, at cost; 64 and 99 shares held in 2004 and 2003	(621)	(964)
Total shareholders' equity (deficit)	(2,729)	1,199
	$ 73,632	$ 78,540

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

32

CORRPRO COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2004, 2003 AND 2002

(In Thousands, Except Per Share Data)

	2004	2003	
Revenues	$ 130,084	$ 117,623	$
Operating costs and expenses:			
Cost of sales	88,713	80,506	
Selling, general and administrative expenses	32,841	35,157	
Operating income	8,530	1,960	
Interest expense	9,565	6,725	
Loss from continuing operations before Income taxes	(1,035)	(4,765)	
Provision (benefit) for income taxes	576	(363)	

Loss from continuing operations	(1,611)	(4,402)	
Discontinued operations:			
Loss from operations, net of income taxes	(3,822)	(8,280)	
Gain (loss) on disposals, net of income taxes	(46)	2,095	
Loss before Cumulative effect of change in accounting principle	(5,479)	(10,587)	
Cumulative effect of change in accounting principle	--	(18,238)	
Net Loss	$ (5,479)	$ (28,825)	$
Loss per share - Basic:			
Loss from continuing operations	$ (0.19)	$ (0.52)	$
Discontinued operations:			
Loss from operations, net of income taxes	(0.45)	(0.99)	
Gain (loss) on disposal, net of income taxes	(0.01)	0.25	
Loss before Cumulative effect of change in accounting principle	(0.65)	(1.26)	
Cumulative effect of change in accounting principle	--	(2.17)	
Net Loss	$ (0.65)	$ (3.43)	$
Weighted average shares outstanding - Basic	8,419	8,387	
Loss per share - Diluted:			
Loss from continuing operations	$ (0.19)	$ (0.52)	$
Discontinued operations:			
Loss from operations, net of income taxes	(0.45)	(0.99)	
Gain (loss) on disposal, net of income taxes	(0.01)	0.25	
Loss before Cumulative effect of change in accounting principle	(0.65)	(1.26)	
Cumulative effect of change in accounting principle	--	(2.17)	
Net Loss	$ (0.65)	$ (3.43)	$
Weighted average shares outstanding - Diluted	8,419	8,387	

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

33

CORRPRO COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED MARCH 31, 2004, 2003 AND 2002

(In Thousands)

COMMON SHARES	ADDITIONAL	ACCUM-	ACCUM OT COM HEN

	NUMBER	PAR VALUE	PAID-IN CAPITAL	ULATED DEFICIT	IN (L
March 31, 2001	7,866	$ 2,276	$ 49,979	$ 1,966	$
Comprehensive Loss:					
Net loss	--	--	--	(18,217)	
Minimum pension liability, net of tax of $74	--	--	--	--	
Cumulative translation adjustment	--	--	--	--	
Total Comprehensive Loss	--	--	--	--	
Issuance of 391 Treasury Shares	391	--	(2,986)	--	
March 31, 2002	8,257	2,276	46,993	(16,251)	
Comprehensive Loss:					
Net loss	--	--	--	(28,825)	
Write-off Translation adjustment related to Discontinued operations	--	--	--	--	
Write-off of minimum pension liability related to Discontinued operations	--	--	--	--	
Cumulative translation adjustment	--	--	--	--	
Total Comprehensive Loss	--	--	--	--	
Issuance of 934 Stock Warrants	--	--	626	--	
Issuance of 151 Treasury Shares	151	--	(1,059)	--	
March 31, 2003	8,408	2,276	46,560	(45,076)	
Comprehensive Loss:					
Net loss	--	--	--	(5,479)	
Minimum pension liability, net of tax of $66	--	--	--	--	
Cumulative translation adjustment	--	--	--	--	
Total Comprehensive Loss	--	--	--	--	
Issuance of 35 Treasury Shares	35	--	(294)	--	
March 31, 2004	8,443	$ 2,276	$ 46,266	$ (50,555)	$

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

34

CORRPRO COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2004, 2003 AND 2002

(In Thousands)

Restated See Note 1 2004	2003

Cash flows from operating activities:		
Net loss	$ (5,479)	$(28,8
Adjustments to reconcile net loss to net cash provided by continuing operations:		
Loss on discontinued operations	3,868	6,1
Depreciation and amortization	3,641	3,1
401(k) matching contributions in Treasury shares	--	1
Minimum pension liability	--	4
Deferred income taxes	(264)	(1,0
Gain (loss) on sale of assets	(24)	
Cumulative effect of change in accounting principle	--	18,2
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts and notes receivable	1,196	7
Inventories	(1,138)	1,5
Prepaid expenses and other	(2,426)	(9
Other assets	(836)	(7
Accounts payable and accrued expenses	2,418	3,5
Total adjustments	6,435	31,3
Net cash provided by continuing operations	956	2,4
Cash flows from investing activities:		
Additions to property, plant and equipment	(712)	(3
Proceeds from disposal of property, plant and equipment	182	4
Net cash provided (used) by investing activities	(530)	1
Cash flows from financing activities:		
Net borrowing from new revolving credit facility	2,779	
Net proceeds from issuance of Preferred Shares and warrants	12,974	
Proceeds from senior subordinated notes and warrants	14,000	
Proceeds from senior secured notes	20,500	
Payment of old senior notes	(27,108)	(1,6
Payment of old revolving credit facility and other debt	(24,500)	(9,7
Payment of financing cost	(6,200)	(2
Net proceeds from issuance of Common Shares	49	
Net cash used by financing activities	(7,506)	(11,5
Effect of changes in foreign currency exchange rates on cash	16	1
Cash provided by (used for) discontinued operations	2,525	10,9
Net increase (decrease) in cash	(4,539)	2,2
Cash and cash equivalents at beginning of year	7,037	4,8
Cash and cash equivalents at end of year	$ 2,498	$ 7,0

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CORRPRO COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2004, 2003 AND 2002

(In Thousands, Except Per Share Data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

As part of the recapitalization and refinancing, the Company issued warrants associated with the Series B Preferred Stock and the senior secured subordinated notes of 12,113,744 and 3,936,967, respectively on March 30, 2004. As of March 31, 2004, the proceeds from these issuances were allocated between the Series B Preferred Stock and the related warrant and the senior secured subordinated notes and the related warrant, respectively, based on a calculation of the fair value of the warrants that included a "blockage" discount. During the preparation of the Company's June 30, 2004 consolidated financial statements, it was determined that the value of these warrants should not include a "blockage" discount factor.

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), paragraph 315, defines the fair value as follows: `the definition of fair value in this Statement precludes an entity from using a "blockage" factor (that is, a premium or discount based on the relative size of the position held, such as a large proportion of the total trading units of an instrument) in determining the fair value of a large block of financial instruments. The definition of fair value requires that fair value be determined as the product of the number of trading units of an asset times a quoted market price if available.'

Consistent with the foregoing discussion, the Company is restating its consolidated balance sheet to reflect an increase in the allocation of the proceeds to the warrants, a corresponding decrease in the allocation of the proceeds to the Series B Preferred Stock and senior secured subordinated notes, and conforming changes as of March 31, 2004. The Company is also restating its consolidated statement of cash flows for the year ended March 31, 2004 to reflect related changes in the allocations to "Net proceeds from issuance of Preferred Shares and warrants" and "Payment of financing costs." The changes contained in this restatement are a non-cash event and do not affect our consolidated statements of operations and shareholders' equity (deficit).

The following table sets forth the relevant items on the consolidated balance sheet presentation as of March 31, 2004 as originally reported and as restated.

CONSOLIDATED BALANCE SHEETS

	As of March 31, 2004	
	As Previously Reported	As Restated

Other Assets:		
Other assets	7,055	7,974
Total other assets	22,378	23,297
Total Assets	$ 72,713	$ 73,632
Long-Term Debt:		
Senior secured subordinated notes, net of discount $2,932 as originally stated and $4,130 as restated	11,068	9,870
Total long-term debt	29,222	28,024
Warrants	8,994	16,830
Serial Preferred Shares:		
Serial Preferred Shares issued and outstanding 13 shares of Series B Cumulative Redeemable Voting Preferred Stock, without par value, Liquation value of $13,000	5,993	274
Total Liabilities and Shareholders' Equity	$ 72,713	$ 73,632

The following table sets forth the relevant items on the consolidated statement of cash flows for the year ended March 31, 2004, as originally reported and as restated.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31, 2004	
	As Previously Reported	As Restated
Cash flows from financing activities:		
Net proceeds from issuance of Preferred Shares and warrants	12,055	12,974
Payment of financing costs	(5,281)	(6,200)

CONSOLIDATION AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Corrpro Companies, Inc. and its subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation. Certain fiscal 2003 and 2002 amounts have been reclassified to conform with the fiscal 2004 presentation.

The Company's operations provide corrosion control engineering and services, systems and equipment to the infrastructure, environmental and energy markets throughout the world.

In July 2002, the Company's Board of Directors approved a formal business restructuring plan. The multi-year plan included a series of initiatives to improve operating income and reduce debt by selling non-core business units. The Company engaged outside professionals to assist in the disposition of its domestic and international non-core business units. Prior to the quarter ended September 30, 2002, the Company's non-core domestic and international units were reported as the Other Operations and International Operations reporting segments. Effective as of the quarter ended September 30, 2002, the Other Operations and the International Operations reporting segments were eliminated and the non-core domestic and international units were reported as discontinued operations. Prior-year financial statements were reclassified to reflect these non-core units as discontinued operations, which were also referred to as "assets and liabilities held for sale."

In the second quarter of fiscal 2004, the Company's Board of Directors approved a resolution to keep the European Operations and remove them from discontinued operations. After careful deliberation, the Board concluded that due to the strength of the local management team, the similar characteristics of the served markets, and the favorable prospects for this business, the Company's value would be enhanced by maintaining our European presence rather than by selling the operations at this time. Therefore, effective in the second quarter of fiscal 2004, the Company reported quarterly and annual results of the European Operations in its continuing operations. Prior-year financial statements have been reclassified to reflect the European Operations as continuing operations.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and highly liquid investments with an original maturity of three months or less.

ACCOUNTS RECEIVABLE

The Company records estimated allowances for uncollectible accounts receivable based upon the number of days the accounts are past due, the current business environment and specific information such as bankruptcy or liquidity issues of customers. Historically, losses for uncollectible accounts receivable have been within management's estimates. Corrosion control services and products are provided to a large number of customers with no substantial concentration in a particular industry or with an individual customer. The Company performs ongoing credit evaluations of its customers' financial condition.

Accounts receivable are presented net of allowances for doubtful accounts of $729 and $660 at March 31, 2004 and 2003, respectively. Bad debt expense totaled $193, $467 and $617 in fiscal 2004, 2003 and 2002, respectively. Trade receivables written off, net of recoveries of prior years write-offs, totaled $124, $1,703 and $874 in fiscal 2004, 2003 and 2002, respectively.

INVENTORIES

Inventories are valued at the lower of cost or market with cost being determined on the first-in, first-out method. Inventories consist of the following at March 31, 2004 and 2003:

	2004	2003
Component parts and raw materials	$5,156	$5,250
Finished goods	4,651	2,983

	$9,807	$8,233

Disposals of obsolete inventory, net of proceeds, totaled $84, $149 and $183 in fiscal 2004, 2003 and 2002, respectively.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Major renewals and improvements are capitalized, while maintenance and repairs are expensed when incurred. The cost and accumulated depreciation for property, plant and equipment sold, retired or otherwise disposed of are removed from the accounts and resulting gains or losses are reflected in income.

Substantially all of the Company's operations compute depreciation on the straight-line method. Depreciation for the Company's Canadian operations segment is computed on the declining balance method. Estimated useful lives range from 25 to 40 years for buildings and from 4 to 10 years for equipment, furniture and fixtures. Leasehold improvements are depreciated over the term of the lease. For income tax reporting purposes, depreciation is computed principally using accelerated methods.

Depreciation expense totaled $1,485, $1,907 and $2,300 in fiscal 2004, 2003 and 2002, respectively.

GOODWILL, PATENTS AND OTHER INTANGIBLES

In July 2001, Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), were issued by the Financial Accounting Standards Board. SFAS 142 changes the accounting for goodwill and indefinite life intangibles from an amortization approach to a non-amortization approach, and require periodic tests for impairment of these assets. Upon the Company's adoption of SFAS 142 on April 1, 2002, the provisions of SFAS 142 required the discontinuance of amortization of goodwill and indefinite life intangibles that had been recorded in connection with previous business combinations. The Company has completed its initial impairment testing as of April 1, 2002 under SFAS 142 and recorded an impairment loss totaling $18,238 of which $11,832 related to discontinued operations and $6,406 related to continuing operations. The loss is being recognized as the cumulative effect of a change in accounting principle. This impairment testing is also done annually in the fourth quarter and such testing indicated no additional impairment as of March 31, 2004 and 2003.

The following table reflects the reconciliation of reported net loss and net loss per share to the amounts adjusted for the exclusion of goodwill amortization:

	2002
NET LOSS:	
Reported Net Loss	$(18,217)
Add back Goodwill Amortization	1,723
Adjusted Net Loss	$(16,494)

	========
Income (loss) per share - Basic & Diluted:	
As reported	$ (2.24)
Adjusted Net Loss	$ (2.03)

Goodwill balances as of March 31, 2004, totaled $14,560 compared to $13,343 at March 31, 2003. The increase in goodwill was primarily the result of Canadian foreign currency translation adjustments.

In determining the fair value of the reporting units for SFAS 142, the Company uses the income approach, market approach and the allocation of market capitalization as its measures of valuation to periodically review the impairment of goodwill.

Included in other assets are amortizable assets consisting primarily of patents, trademarks and covenants not to compete. Such assets, with a net book value of $888 and $1,083 at March 31, 2004 and 2003, respectively, are amortized on the straight-line method over their estimated useful lives ranging from 4 to 20 years. Amortization expense for such assets totaled $237, $217 and $227 in fiscal 2004, 2003 and 2002, respectively. Amortization expense is anticipated to be approximately $237 for each of the next five fiscal years.

The Company uses an undiscounted cash flow method to periodically review the net realizable value of other intangible assets and believes that such assets are realizable.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The recorded value of cash and cash equivalents, receivables, payables, accrued liabilities, short-term borrowings and assets and liabilities held for sale approximates fair value because of the short maturity of these instruments. The recorded value of the Company's long-term debt is considered to approximate fair value based on the borrowing rates currently available to the Company for loans with similar terms and maturities.

REVENUE RECOGNITION

The Company records income from construction and engineering contracts under the percentage-of- completion method, using costs incurred to date in relation to estimated total costs of the contracts, to measure the stage of completion. Original contract prices are adjusted for change orders and claims when the change order or claim has been approved by the customer. Cost budgets are revised, when necessary, in the amounts that are reasonably estimated based on the Project Leaders' knowledge of the project as well as the Company's historical experience. The cumulative effects of changes in estimated total contract costs and revenues are recorded in the period in which the facts requiring such revisions become known, and are accounted for using the percentage-of-completion method. At the time it is determined that a contract is expected to result in a loss, the entire estimated loss is recorded. Accounts receivable includes $1,180 and $1,218 at March 31, 2004 and 2003, respectively, of amounts billed but not paid by customers under retainage provisions of contracts. Prepaid expenses and other includes $2,928 and $2,321 at March 31, 2004 and 2003, respectively, of amounts related to costs and estimated earnings in excess of billings on uncompleted contracts. Accrued liabilities and other includes $1,422 and $1,252 at March 31, 2004 and 2003, respectively, of amounts related to billings in excess of costs and estimated earnings on uncompleted contracts. The Company recognizes revenue from product sales upon shipment and

transfer of ownership.

PRODUCT DEVELOPMENT EXPENSES

Expenditures for product development costs were minimal in fiscal 2004, 2003 and 2002.

WARRANTIES

In the normal course of business, we provide warranties and indemnifications for our products and services. We provide warranties that the products we distribute are in compliance with prescribed specifications. In addition, we have indemnity obligations to our customers for these products, which have also been provided to us from our suppliers, either through express agreement or by operation of law.

At March 31, 2004, warranty costs were not material to the consolidated financial statements.

INCOME TAXES

The Company uses the liability method whereby income taxes are recognized during the fiscal year in which transactions enter into the determination of financial statement income. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between financial statement and tax basis of assets and liabilities. The Company recorded a valuation allowance for its net domestic deferred tax assets and net operating loss carryforwards of $10,472 in the fourth quarter of fiscal 2002. The Company intends to maintain a full valuation allowance for its net domestic deferred tax assets until sufficient positive evidence exists to support the reversal of the remaining reserve. Until such time, except for foreign and state tax provisions, the Company will have no reported tax provision, net of changes in the valuation allowance. In the event the Company was to determine, based on the existence of sufficient positive evidence, that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the valuation allowance would increase income in the period such determination was

made. See Note 6 of Notes to Consolidated Financial Statements of the Company for additional information regarding income taxes.

EARNINGS PER SHARE

Basic Earnings Per Share ("EPS") is computed by dividing net income (loss) for the period by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income (loss) by the weighted average number of common shares and potential shares outstanding for the period. Stock options and warrants are the only potential common shares and are considered in the Company's diluted EPS calculation. Potential common shares are computed using the treasury stock method. The effect of the 150 and 45 incremental shares stock options in fiscal 2004 and 2003, respectively, have been excluded from dilutive weighted average shares, as the net loss for the year would cause the incremental shares to be antidilutive. Moreover, the effect of the 818 and 477 weighted average incremental shares from the issuance of stock warrants in fiscal 2004 and 2003, respectively, have been excluded from dilutive weighted average shares, as the net loss for the year would cause the incremental shares to be antidilutive. On March 30, 2004, the Company completed a recapitalization that resulted in the issuance of warrants exercisable for Common Shares. In accordance with generally accepted accounting

principles for "Participating Securities," these warrants will be included in the weighted average shares calculation only in periods in which the Company generates net income available to common shareholders. Net income available to common shareholders represents net income less the annual preferred stock dividend.

COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) is reported separately from retained earnings and additional paid-in-capital in the Consolidated Balance Sheets. Items considered to be other comprehensive income (loss) include adjustments made for foreign currency translation (under SFAS No. 52) and pensions (under SFAS No. 87).

41

Components of other accumulated comprehensive income (loss) consist of the following:

	MARCH 31, 2004	MARCH 31, 2003
Translation adjustment	$ 60	$ (1,597)
Pensions	(155)	--
Ending Balance	$ (95)	$ (1,597)

Components of comprehensive income (loss) consist of the following:

	TWELVE MONTHS ENDED MARCH 31, 2004	2003
Net loss	$ (5,479)	$(28,825)
OTHER COMPREHENSIVE INCOME (LOSS):		
Translation adjustment	1,657	1,606
Pensions	(155)	--
Write-off translation adjustment related to European operations	--	(152)
Write-off translation adjustment related to discontinued operations	--	3,453
Write-off pensions related to European operations	--	498
Total comprehensive loss	$ (3,977)	$(23,420)

FOREIGN CURRENCY TRANSLATION

The functional currency of each foreign subsidiary is the respective local currency. Assets and liabilities are translated at the year-end exchange rates and revenues and expenses are translated at average exchange rates for the period. Resulting translation adjustments are recorded as a component of

shareholders' equity in other comprehensive income (loss).

FINANCIAL STATEMENT ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates.

STOCK-BASED COMPENSATION

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation" in that it requires additional disclosures about our stock-based compensation plans. SFAS No. 148 is effective for periods beginning after December 15, 2002. We account for our stock-based compensation plans using the intrinsic value method of recognition and measurement principles under APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. We adopted the disclosure-only provisions of SFAS No. 123. Assuming that we had accounted for our stock-based compensation programs using the fair value method promulgated by SFAS No. 123, proforma net loss and net loss per share would have been as follows (for the fiscal years ended):

	2004	2003	2002
Loss from continuing operations:			
As reported	$ (1,611)	$ (4,402)	$ (12,720)
Pro forma	(2,504)	(4,658)	(12,899)
Loss from continuing operations per share - Basic:			
As reported	$ (0.19)	$ (0.52)	$ (1.57)
Pro forma	(0.30)	(0.56)	(1.59)
Loss from continuing operations per share - Diluted:			
As reported	$ (0.19)	$ (0.52)	$ (1.57)
Pro forma	(0.30)	(0.56)	(1.59)

All options were granted at an exercise price equal to the market price of the Company's common stock at the date of the grant. The weighted-average fair value price at the date of grant for options granted during fiscal 2004, 2003 and 2002 was $1.52, $0.32 and $3.70 per option, respectively. For purposes of this pro forma, the fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model. The significant assumptions used were risk-free interest rates ranging from 3.3% to 4.75%, expected volatility of 118.7% for 2004, 142.0% for 2003 and 113.5% for 2002, an expected life of 10 years and no expected dividends. As a result of the change in control, 854 options vested.

2. ASSETS AND LIABILITIES HELD FOR SALE

In July 2002, the Company's Board of Directors approved a formal business restructuring plan. The multi-year plan included a series of initiatives to improve operating income and reduce debt by selling non-core business units. The Company engaged outside professionals to assist in the

disposition of its domestic and international non-core business units. Prior to the quarter ended September 30, 2002, the Company's non-core domestic and international units were reported as the Other Operations and International Operations reporting segments. Effective as of the quarter ended September 30, 2002, the Other Operations and the International Operations reporting segments were eliminated and the non-core domestic and international units were reported as discontinued operations. Prior-year financial statements were reclassified to reflect these non-core units as discontinued operations, which were also referred to as "assets and liabilities held for sale."

In the second quarter of fiscal 2004, the Company's Board of Directors removed our European Operations from discontinued operations. The Board concluded that the Company's value would be enhanced by maintaining its European presence rather than by selling the European Operations at this time, based in part on the strength of the local management team, the similar characteristics of the served markets, and the favorable prospects for this business. Therefore, effective in the second quarter of fiscal 2004, the Company reported quarterly and annual results of its European Operations in its continuing operations, and prior-year financial statements have been reclassified to reflect its European Operations as continuing operations.

Assets and liabilities held for sale consisted of the following at March 31, 2003:

Cash	$ 1,296
Accounts Receivable	4,656
Inventory	1,394
Prepaid Expenses	2,173
Property, plant and equipment, net	--
Goodwill and Other Assets	327
Assets held for sale	$ 9,846

Current Liabilities	$ 3,525
Deferred Taxes & Minority Interest	(71)
Liabilities held for sale	$ 3,454

Operating gains or losses have been experienced with the disposition of the non-core assets at the time of disposal during implementation of the restructuring plan. Statements of operations for the discontinued operations for the years ended March 31, 2004, 2003 and 2002 are shown below.

	FOR THE TWELVE MONTHS ENDED MARCH 31,		
	2004	2003	2002

Revenues	$ 10,058	$ 26,906	$ 37,406
Operating cost and expenses:			
Cost of sales	7,863	17,918	26,742
Selling, general & administrative expenses	5,651	15,549	14,584
Operating loss	(3,456)	(6,561)	(3,920)
(Gain) loss on disposal	46	(2,095)	--
Interest expense	366	1,637	1,474
Loss from discontinued operations before income taxes	(3,868)	(6,103)	(5,394)
Provision for income taxes	--	82	103
Loss from discontinued operations	$ (3,868)	$ (6,185)	$ (5,497)

The Company allocated interest to discontinued operations of $366, $1,637 and $1,474 for fiscal 2004, 2003 and 2002, respectively, based on estimated proceeds from the discontinued operations dispositions that were used to pay down the Revolving Credit Facility and Senior Notes (see Note 3 - - Long-Term Debt). The interest rate used to calculate the interest expense allocated was the weighted average interest rate of the Revolving Credit Facility and Senior Notes.

During fiscal 2004, the Company substantially completed the sale of its Middle East subsidiaries after recording impairment charges relating to these operations of $3,530. In March 2004, the Company recorded a remaining note receivable for $768, which the Company collected in fiscal 2005, for its Middle East subsidiaries. During the first quarter of fiscal 2004, the Company sold its Asia Pacific operations for a net loss of $46 after taking into account an impairment charge on net assets which was recorded during the fourth quarter of fiscal 2003 totaling $1,575. During fiscal 2003, the Company disposed of four non-strategic business units. First, in March 2003, the Company sold its Bass-Trigon Software business unit for $3,150 and recognized a gain of $194. Also, in March 2003, the Company recorded a note receivable for $6,232, which the Company collected in fiscal 2004, for its Rohrback Cosasco Systems subsidiary and recognized a gain of $1,809. The Company also disposed of two smaller international offices resulting in a net gain of $92 during fiscal 2003. The net proceeds from dispositions were used to pay down debt.

During fiscal 2003, the Company recorded an impairment charge relating to its Asia Pacific operations totaling $1,575 based on current market value of these operations and additionally recorded an impairment charge totaling $450 based on market value analysis of its Middle East operations. Additionally, an impairment charge totaling $450, based on a market value analysis, was recorded for its European operations which is now reported in continuing operations in fiscal 2003. Also during fiscal 2003, discontinued operations recorded charges to selling, general and administrative expenses totaling $3,813 related to currency translation.

44

3. LONG-TERM DEBT:

Long-term debt at March 31, 2004 and 2003 consisted of the following:

(RESTATED)

	2004	2003
New Term Loan,	$ 20,500	$ --
New Senior Secured Subordinated Notes, due 2011, net of discount $4,130	9,870	--
New Revolving Credit Facility	2,779	--
Old Senior Notes, due 2008	--	26,824
Old Revolving Credit Facility	--	22,192
Other	154	2,225
	33,303	51,241
Less: current portion	5,279	50,476
	$ 28,024	$ 765

On March 30, 2004, the Company entered into a $40.0 million revolving credit, term loan and security agreement that expires on March 30, 2009. Initial borrowings were used to repay existing indebtedness. The revolving credit facility provides for a maximum principal amount of $19.5 million. Borrowings under the revolving credit facility are limited to borrowing base amounts as defined. The interest rate on the revolving credit facility is at prime plus 1.75%, which was 5.75% at March 31, 2004. The Company is also required to pay an unused line fee of 0.75% on the unused portion of the revolving credit facility and a collateral management fee of 0.50% based on the funded portion of the revolving credit facility. The revolving credit facility includes a credit sub-facility of $7.0 million for the issuance of standby letters of credit. Standby letter of credit fees are 3.0% on the undrawn face amount of all outstanding standby letters of credit. At March 31, 2004, the Company had $2.8 million outstanding under the revolving credit facility. The Company also had $6.1 million of outstanding letters of credit as of March 31, 2004. Total availability under the revolving credit facility at March 31, 2004, was approximately $4.5 million, after giving consideration to the borrowing base limitations under the revolving credit facility. The Company paid $3,084 in deferred financing costs, which is classified in other assets on the Consolidated Balance Sheets. This amount will be amortized over the life of the debt.

The term loan facility provided for an original principal amount of $20.5 million. The term loan bears interest at prime plus 3.5% subject to a floor of 7.5%. The term loan requires the Company to make monthly principal payments from inception to March 1, 2009. The amount of the monthly payments are fixed, but the monthly amount increases each year. In addition, notwithstanding any other provisions in the revolving credit, term loan and security agreement, the Company is required to pay 50% of its excess cash flow, as defined, each year, starting with the year ending March 31, 2005, to further pay down the term loan. At March 31, 2004, the outstanding balance on the term loan was $20.5 million. The following represents the Company's commitment under the agreement for each of the years ended March 31: $2.5 million 2005, $3.5 million 2006, $4.0 million 2007, $4.5 million 2008 and $6.0 million 2009.

Borrowings under the revolving credit, term loan and security agreement are secured by a first priority security interest in the Company's domestic and Canadian accounts receivable, inventories, certain intangibles, machinery and equipment and owned real estate. The Company has also pledged slightly less than two-thirds of the capital stock of two of its foreign subsidiaries. The agreement requires the Company to maintain certain financial ratios and places limitations on its ability to pay cash dividends, incur additional indebtedness, make investments, including acquisitions, and take certain other actions. The Company was in compliance with these covenants at March 31, 2004.

On March 30, 2004, the Company entered into a $14.0 million senior secured subordinated note and equity purchase agreement. Initial borrowings were used to repay existing indebtedness. The interest rate on the senior secured subordinated notes is 12.5%. The notes do not require principal payments and are due on March 29, 2011. The senior secured subordinated notes are secured by a lien on the Company's domestic and Canadian accounts receivable,

inventories, certain intangibles, machinery and equipment and owned real estate subordinated in lien priority only to the liens in favor of the senior lender. In addition, the holder of the senior secured subordinated notes received a warrant to purchase 3.9 million shares of the Company's Common Shares at an exercise price of $.001. A valuation was performed to determine the fair market value of the warrants at March 31, 2004, which was determined to be $4,130. This value was recorded as a liability on the Company's balance sheet and the debt balance was recorded at a discount. The amount of the discount will be amortized using the effective interest method over the life of the senior secured subordinated debt agreement. The fair market value of warrant is required to be updated on a quarterly basis. The primary input into this valuation is the market price of the Common Shares. As the Company's stock price increases, the value of the warrant will increase and as the stock price decreases, the value of the warrant decreases. The change in the value of the warrant will be recorded as income or expense in future period quarterly results. This has the potential to cause volatility in reported results in future periods. In addition, the warrant agreement provides for the warrant to participate in dividend distributions, even if the warrant has not been exercised. However, the warrant is not required to participate in losses. Therefore, the warrant is considered to be a "Participating Security" by Financial Accounting Standards No. 128 for Earnings Per Share (EPS) calculations. This means that the warrant is included in the weighted average share calculation only in periods in which the Company generates net income available to common shareholders. As such, the Company's EPS calculations also have the potential to be volatile. The senior secured subordinated note and equity purchase agreement requires the Company to maintain certain financial ratios and places limitations on its ability to pay cash dividends, incur additional indebtedness, make investments, including acquisitions, and take certain other actions. The Company was in compliance with these covenants at March 31, 2004. The Company paid $1,342 in deferred financing costs, which is classified in other assets on the Consolidated Balance Sheets. This amount will be amortized over the life of the debt, using the effective interest rate method.

On March 30, 2004, the Company entered into a securities purchase agreement with a purchaser providing for a $13.0 million private equity investment. The proceeds were used to repay existing indebtedness. Under the terms of the securities purchase agreement, the Company issued 13,000 shares of newly-created Series B Preferred Stock. In addition, the purchaser received a warrant to purchase 12.1 million shares of Common Shares at an exercise price of $.001. A valuation was performed to determine the fair market value of the warrants at March 31, 2004, which was determined to be $12,700. This value was recorded as a liability on the Company's balance sheet and the Series B Preferred Stock was recorded net of the value of the warrant. The fair market value of warrant is required to be updated on a quarterly basis. The primary input into this valuation is the market price of the Common Shares. As the Company's stock price increases, the value of the warrant will increase and as the stock price decreases, the value of the warrant decreases. The change in the value of the warrant will be recorded as income or expense in future period quarterly results. This has the potential to cause volatility in reported results in future periods. In addition, the warrant agreement provides for the warrant to participate in dividend distributions, even if the warrant has not

been exercised. However, the warrant is not required to participate in losses. Therefore, the warrant is considered to be a "Participating Security" by Financial Accounting Standards No. 128 for Earnings Per Share (EPS) calculations. This means that the warrant is included in the weighted average share calculation only in periods in which the Company generates net income available to common shareholders. As such, the Company's EPS calculations also have the potential to be volatile. The securities purchase agreement requires the Company to maintain certain financial ratios and places limitations on its ability to incur additional indebtedness, make investments, including acquisitions, and take certain other actions. The Company was in compliance with these covenants at March 31, 2004.

Previous Revolving Credit Facility. In March 1999, the Company entered into an $80 million revolving credit facility that originally expired on April 30, 2002 (the "Revolving Credit Facility"). Initial borrowings were used to repay existing domestic bank indebtedness. Through a series of subsequent amendments, the size of the Revolving Credit Facility was reduced to $26.4 million and the expiration date was extended to March 31, 2004. Borrowings under the Revolving Credit Facility were limited to borrowing base amounts as defined. The Revolving Credit Facility provided for interest on borrowings at prime plus 5.0% and required the Company to pay a facility fee of 1.0% on the commitment amount. The Revolving Credit Facility was repaid on March 30, 2004. The Company expensed deferred financing costs of $0.2 million for the twelve months ended March 31, 2004.

Senior Notes. In January 1998, the Company issued, through a private placement, $30 million of Senior Notes that were due 2008 (the "Senior Notes"). Through a series of subsequent amendments, the terms and conditions of the

46

Senior Notes were modified to, among other things, change the interest rate payable on the Senior Notes and to defer certain principal payments thereunder. The Senior Notes, as amended, provided for interest at 11.35% until March 31, 2004. The Senior Notes were repaid on March 30, 2004. The Company expensed deferred financing costs of $1.1 million for the twelve months ended March 31, 2004.

Within the Senior Notes Agreement was a yield maintenance amount provision, which ensured that the lender was paid the entire interest amount of the Senior Notes. The yield maintenance amount provisions applied to certain optional prepayments of principal under the Senior Notes and provided that the Senior Notes were subject to prepayment, in whole at any time or from time to time in part, at the option of the Company, at 100% of the principal amount so prepaid plus interest thereon to the prepayment date and the yield maintenance amount, if any, with respect to each Senior Note. Any partial prepayment of the Senior Notes, which met certain criteria, were applied against the principal amount of the Senior Notes scheduled to become due in the inverse order of maturity thereof. The Company paid and expensed yield maintenance amounts of $2.2 million for the twelve months ended March 31, 2004 as interest expense on the Consolidated Statement of Operations.

The Company believes that cash generated by operations and amounts available under its credit facilities will be sufficient to satisfy its liquidity requirements through at least fiscal 2005.

Cash paid for interest totaled $4,996, $6,083 and $6,636 for fiscal years 2004, 2003, and 2002, respectively.

4. SERIAL PREFERRED SHARES:

The Series B Preferred Stock will accrue cumulative quarterly dividends at an annual rate of 13.5%. In the event the Company does not maintain certain financial covenants for the twelve months preceding any quarterly dividend payment date, the annual dividend rate will increase to 16.5% for each subsequent calendar quarter during which the Company fails to comply with such financial covenants.

Dividends on the Series B Preferred Stock are payable either (i) in cash if then permitted under the terms of the outstanding senior indebtedness and/or subordinated indebtedness or (ii) in additional shares of Series B Preferred Stock. Dividends payable in cash would be paid when, as and if declared by the Board of Directors out of funds legally available thereof. The terms of the senior financing prohibit, unless approved by the lender, the payment of any cash dividends on the Series B Preferred Stock while such debt is outstanding.

The Series B Preferred Stock will rank, with respect to the payment of dividends and rights upon liquidation, dissolution or winding up of the Company, senior to the Common Stock and each other class or series of capital stock of the Company the terms of which do not expressly provide that such class or series shall rank equal or senior to the Series B Preferred Stock with respect to the payment of dividends or rights upon liquidation, dissolution or winding up (collectively, "Junior Stock").

The liquidation preference of each share of Series B Preferred Stock is $1,000 per share, plus any accrued and unpaid dividends thereon. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of Series B Preferred Stock will be entitled to receive the liquidation preference per share of Series B Preferred Stock in effect on the date of such liquidation, dissolution or winding up, plus an amount equal to any accrued but unpaid dividends thereon as of such date before any distribution or payment is made to the holders of Junior Stock.

Under the terms of the Series B Preferred Stock, a liquidation, dissolution or winding up of the Company shall be deemed to include any sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the capital stock or assets of the Company or a merger, consolidation or other transaction or series of related transactions in which the Company's shareholders immediately prior to such transaction do not retain a majority of the voting power in the surviving entity, unless the holders of a majority of the then-outstanding shares of Series B Preferred Stock affirmatively vote or consent in writing that any such transaction shall not be treated as a liquidation, dissolution or winding up.

The Series B Preferred Stock is redeemable at the option of the holders of a majority of the outstanding Series B Preferred Stock upon the occurrence of any of the following events with respect to the Company:

- the occurrence of any change in beneficial ownership, merger, consolidation, sale or other disposition of assets, or other similar type event that constitutes a "change of control" or similar-termed event, or a breach or other triggering event, under the terms of our senior indebtedness and/or subordinated indebtedness;

- the acceleration of any amounts due under the senior indebtedness and/or subordinated indebtedness;

- any issuance or sale of the Company's equity securities in a

public or private offering resulting in aggregate net proceeds to the Company in excess of $20.0 million;

- any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary; or

- the occurrence of certain bankruptcy and insolvency events.

In addition, if then permitted by the holders of the senior indebtedness and/or subordinated indebtedness, the Series B Preferred Stock would be redeemable at the option of a majority of the holders of Series B Preferred Stock upon the occurrence of any of the following events with respect to the Company:

- the acquisition of 20% or more of the outstanding voting securities of the Company by any person or group, other than through the ownership or acquisition of the Series B Preferred Stock, the Purchaser Warrant, or the shares of Common Stock issued upon exercise of the Purchaser Warrant;

- a consolidation or merger involving the Company, other than a consolidation or merger under a transaction in which (i) the outstanding voting stock of the Company remains outstanding or (ii) the beneficial owners of the outstanding voting stock of the Company immediately prior to such transaction beneficially own less than 80% of the voting stock of the surviving entity immediately following such transaction;

- the sale, transfer, assignment, lease, conveyance or other disposition in one or a series of transactions in excess of 20% of the assets of the Company, or assets of the Company resulting in aggregate net proceeds to the Company in excess of $20.0 million; or

- the aggregate amount of indebtedness of the Corporation is equal to or less than $2.0 million.

Each share of Series B Preferred Stock shall entitle the holder thereof to vote on all matters voted on by the holders of Common Stock, voting together with the holders of Common Stock and all other voting stock of the Company as a single class at all annual, special and other meetings of the shareholders of the Company. Initially the Series B Preferred Stock will have approximately 51% of the total voting power of the Company. Such percentage is subject to adjustment based on shares outstanding in the future at any particular time. The percentage of voting power is mathematically calculated as follows: In any vote in which the holders of Series B Preferred Stock are entitled to vote with the holders of Common Stock, each share of Series B Preferred Stock shall entitle the holder thereof to cast that number of votes equal to the quotient of (i) the product of (A) 1.0408, multiplied by (B) the total number of votes that may be cast by the holders of all Post Transaction Fully Diluted Shares as of the record date for such vote, divided by (ii) 13,000. Future issuances of voting securities of the Company not contemplated in the securities purchase agreement will proportionately reduce the voting power of the Series B Preferred Stock.

In addition to the foregoing, the approval of the holders of a majority of the outstanding Series B Preferred Stock, voting separately as a class, is required to:

- amend, modify or alter any provision of the Amended Articles or the

Amended Regulations that adversely affect the rights of the holders of the Series B Preferred Stock;

- consummate a merger or consolidation of the Company or sale in excess of 40% of the assets of the Company;

- consummate a liquidation, dissolution, winding up, recapitalization or reorganization of the Company;

- effect any material acquisition or series of acquisitions, joint venture or strategic alliance involving the Company;

- pay any dividends or distributions on, or make any other payment in respect of, any capital stock of the Company, except for dividends and distributions payable (i) on the Series B Preferred Stock or on any shares of capital stock of the Company ranking equal or senior to the Series B Preferred Stock, or (ii) to the holders of Common Stock in the form of additional shares of Common Stock;

- authorize, designate, sell or issue any capital stock or debt securities (other than, with respect to debt securities, any senior indebtedness) of the Company and/or its subsidiaries, except for (i) issuances of shares of Common Stock after the initial issue date of the Series B Preferred Stock issuable upon exercise of options or rights granted to directors, officers or employees of the Company under existing or future option plans of the Company, provided that the aggregate amount of such issuances do not exceed 15% of the Post Transaction Fully Diluted Shares, (ii) issuances of Common Stock upon exercise of the Existing Warrants or (iii) issuances of Common Stock upon exercise of the Warrants; or

- redeem or purchase any capital stock of the Company, except for (i) redemptions of Series B Preferred Stock contemplated by the terms of the Amended Articles, and (ii) payments to holder of the senior secured subordinate note upon exercise of its right to require the Company to redeem or repurchase the Warrant or the shares of Common Stock issuable upon exercise of the Warrant.

The terms of the Series B Preferred Stock also provide that for so long as at least 40% of the shares of Series B Preferred Stock issued at the Closing remain outstanding, the holders of Series B Preferred Stock will have the right to appoint a majority of the full Board of Directors.

After the initial issue date of the Series B Preferred Stock, the Company cannot issue or sell any capital stock or debt securities (other than senior secured indebtedness of the Company) unless prior to such issuance or sale, each holder of Series B Preferred Stock has first been given the opportunity to purchase, on the same terms and conditions on which such securities are proposed to be issued or sold by the Company, such holder's proportionate share of 51% of the securities to be issued or sold by the Company. Holders of Series B Preferred Stock will not have preemptive rights to purchase:

- shares of Common Stock issued after the initial issue date of the Series B Preferred Stock upon exercise of options or rights granted to directors, officers or employees of the Company under existing or future option plans of the Company, provided that the aggregate amount of such shares does not exceed 15% of the Post Transaction Fully Diluted Shares;

- shares of Common Stock issuable upon exercise of the Existing Warrants;

- shares of Common Stock issuable upon exercise of the Warrants;

- shares of Common Stock issuable upon conversion of convertible securities of the Company outstanding on the initial issue date of the Series B Preferred Stock; or

- shares of Series B Preferred Stock issued in accordance with the terms of the Amended Articles.

Shares of Series B Preferred Stock generally may be sold or otherwise transferred to a single purchaser in one transaction involving all of the outstanding Series B Preferred Stock. Any other sale or transfer of Series B Preferred Stock must be approved by a committee of disinterested directors of the Board of Directors, which consent may not be unreasonably withheld. If a committee of disinterested members of the Board of Directors approves all future transfers of Series B Preferred Stock, then such approval will be irrevocable and be binding upon the Company as to any future transfer of Series B Preferred Stock.

5. LEASES:

The Company leases certain office and warehouse space and equipment under operating leases and capital leases, which expire at various dates through 2012. Future minimum rental payments under long-term lease agreements are as follows: $2,635 in 2005, $1,914 in 2006, $1,290 in 2007, $638 in 2008, $405 in 2009 and $702 after 2009 with a cumulative total of $7,584. In addition, the Company rents other properties on a month-to-month basis.

Total rental expense was $4,729, $4,745 and $3,926 for fiscal 2004, 2003 and 2002, respectively.

6. INCOME TAXES:

Components of income (loss) from continuing operations before income taxes as follows:

	2004	2003	2002
United States	$ (3,713)	$ (4,633)	$ (3,294)
Foreign	2,678	(132)	1,729
	$ (1,035)	$ (4,765)	$ (1,565)

Components of the provision for income taxes for continuing operations by jurisdiction follow:

	2004	2003	2002
Current -- Federal	$ 24	$ --	$ --
-- State and local	--	120	--
-- Foreign	833	718	1,618

	857	838	1,618
Deferred -- Federal	--	--	9,351
-- State and local	--	--	(56)
-- Foreign	(281)	(1,201)	242
	(281)	(1,201)	9,537
	$ 576	$ (363)	$ 11,155

Differences between the statutory United States federal income tax rate (34%) and the effective income tax rate for continuing operations are as follows:

	2004	2003	2002
Federal income tax provision (benefit) at statutory rate	$ (352)	$ (1,620)	$ (532)
State income taxes, net	(82)	78	(36)
Foreign tax rate differential	(359)	686	1,182
Meals and entertainment	151	169	178
Valuation allowance	1,210	364	10,472

Other	8	(40)	(109)
Effective income tax	$ 576	$ (363)	$ 11,155

Temporary differences and carryforwards which give rise to deferred tax assets and liabilities were comprised of the following at March 31, 2004 and 2003:

	2004	2003
DEFERRED TAX ASSETS		
Bad debts	$ 183	$ 208
Other accruals	899	860
Uniform cost capitalization	19	9
Accrued expenses	1,031	473
Pension and other benefit accruals	718	1,264
Minimum tax credit	557	557
Federal net operating loss carryforwards	2,877	7,060
State net operating loss carryforwards	772	772
Other	1,573	835
Total deferred tax assets	8,629	12,038

	2004	2003
DEFERRED TAX LIABILITIES		
Property, plant and equipment	(274)	(353)
Other	(409)	(367)
Total deferred tax liabilities	(683)	(720)
Valuation allowance	(7,183)	(10,836)
Total net deferred taxes	$ 763	$ 482

In fiscal year 2002, the Company established a full valuation allowance for its net domestic deferred tax assets do to its recurring losses. The valuation allowance was calculated in accordance with SFAS 109. The Company intends to maintain a full valuation allowance on its net domestic deferred tax assets including net operating loss carryforwards until sufficient positive evidence exists to support a reversal of the remaining allowance.

Undistributed earnings of foreign subsidiaries amounted to $17,745 as of March 31, 2004. Deferred income taxes are not provided on these earnings as it is intended that these earnings are indefinitely re-invested in these entities.

The Company had state net operating loss carryforwards and federal net operating loss carryforwards, which expire through 2022. The Company also has federal credit carryforwards relating to non-expiring alternative minimum tax credits. As a result of the refinancing and recapitalization transaction Corrpro experienced a change of control for income tax purposes as defined in U.S. tax law. As such, our net operating loss carryforwards available for use are limited as defined in section 382 of the U.S. tax code. Accordingly, the deferred tax asset associated with the federal net operating loss carryforwards, was reduced by $4,183, as well as the corresponding valuation allowance.

Cash paid for income taxes totaled $1,394, $552 and $1,598 for fiscal 2004, 2003 and 2002, respectively.

7. EMPLOYEE BENEFIT PLANS:

One of the Company's foreign operations has a contributory defined benefit pension plan. Employees of such foreign subsidiary no longer accrue benefits under the plan, however, the Company continues to be obligated to fund prior period benefits. The Company funds the plan in accordance with recommendations from independent actuaries. Pension benefits generally depend on length of service and job grade.

The following table sets forth the change in benefit obligation, change in plan assets, funded status, Consolidated Balance Sheets presentation, net periodic pension benefit cost and the relevant assumptions for the Company's defined benefit pension plan at March 31:

	2004	2003
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 5,168	$ 3,816
Service cost	--	--
Interest cost	288	249
Assumption change	540	771
Effects of currency translation	886	398
Benefits paid	(88)	(66)
Benefit obligation at end of year	$ 6,794	$ 5,168
Change in plan assets		
Fair value of plan assets at beginning of year	$ 3,031	$ 3,034
Employer contributions	253	193
Benefits paid	(88)	(66)
Effects of currency translation	504	319
Investment return	553	(449)
Fair value of plan assets at end of year	$ 4,253	$ 3,031
Funded status	$ (2,541)	$ (2,137)
Amounts recognized in Consolidated Balance Sheets		
Accrued benefit liability	$ (2,320)	$ (2,137)
Minimum pension liability	(221)	--

	2004	2003	2002
Net periodic pension benefit cost			
Service cost	$ --	$ --	$ --
Interest cost	288	247	218
Expected return on assets	(215)	(274)	(239)
Net amortization and deferral	--	749	17
Net periodic pension cost	$ 73	$ 722	$ (4)
Weighted-average assumptions as of March 31			
Discount rate	5.25%	5.0%	6.0%
Long-term rate of return on plan assets	6.5%	8.0%	8.0%
Rate of increase in compensation level	N/A	N/A	N/A

The Company also maintains the Corrpro Companies, Inc. 401(k) Savings Plan for all eligible employees in the United States under Section 401(k) of the Internal Revenue Code. The Company may, at its discretion, make contributions to the plan. In addition, the plan permits matching contributions. Effective October 1, 2000, the Company began matching employee contributions with treasury shares. For fiscal year 2004 and 2003, the Company issued 0 and 121 treasury shares for the Company's matching portion. Total matching contributions in cash and treasury shares totaled $0, $199 and $977 in fiscal 2004, 2003 and 2002, respectively. Effective April 6, 2002, the Company suspended the Company match and no matching contributions were made with respect to fiscal 2004.

The Company has entered into an agreement with one of its former executives, which provides, among other things, that such employee shall be eligible to receive retirement income, with a lifetime survivor benefit, in an

amount equal to 50% of base salary. The Company has provided for this deferred compensation benefit in the accompanying Consolidated Balance Sheets.

8. SHAREHOLDERS' EQUITY:

Shareholder Rights Plan

On July 23, 1997, the Company adopted a Shareholder Rights Plan and declared a dividend of one Right on each outstanding common share of the Company. Each Right would entitle shareholders to buy, upon certain triggering events, one one-hundredth of a newly created Series A Junior Participating Preferred Share at an exercise price of $75 (subject to certain adjustments). The record date for the distribution was August 7, 1997.

Subject to certain exceptions, Rights will become exercisable only after a person or group acquires 20% or more of the Company's common shares or announces a tender offer for 20% or more of the Company's common shares. The Company's Board of Directors can redeem the Rights at $0.01 per Right at any time before a person acquires 20% or more of the Company's common shares. If a person or group acquires 20% or more of the Company's common shares, each Right will entitle holders, other than the acquiring party, to purchase common shares of the Company having a market value of twice the exercise price of the Right. If, after the Rights have become exercisable, the Company merges or otherwise combines with another entity, each Right then outstanding will entitle its holder to purchase a number of the acquiring party's common shares having a market value of twice the exercise price of the Right. The Plan also contains other customary provisions and is similar to plans adopted by many other companies. The Shareholder Rights Plan was terminated on March 30, 2004.

Warrants

On March 30, 2004, the Company completed a recapitalization that resulted in the issuance of warrants to its Series B Preferred Stockholder (see Note 3 - - Long-Term Debt) exercisable for 12,114 Common Shares. The warrants are exercisable any time after March 30, 2004 until March 30, 2014. The warrants are duly authorized, validly issued, fully paid and nonassessable shares, at a purchase price of $0.001 per share. In addition, the warrant agreement provides for the warrant to participate in dividend distributions, even if the warrant has not been exercised. However, the warrant is not required to participate in losses. Therefore, the warrant is considered to be a "Participating Security" by Financial Accounting Standards No. 128 for Earnings Per Share (EPS) calculations. This means that the warrant is included in the weighted average share calculation only in periods in which the Company generates net income available to common shareholders.

On March 30, 2004, the Company completed a recapitalization that resulted in the issuance of warrants to its Senior Secured Subordinated Note holder (see Note 3 - - Long-Term Debt) exercisable for 3,937 Common Shares. The warrants are exercisable any time after March 30, 2004 until March 30, 2011. The warrants are duly authorized, validly issued, fully paid and nonassessable shares, at a purchase price of $0.001 per share. The warrants have put rights to redeem for cash after seven years or certain other conditions. The put price is the fair market value of the common stock on the date of the exercise of the put. In addition, the warrant agreement provides for the warrant to participate in dividend distributions, even if the warrant has not been exercised. However, the warrant is not required to participate in losses. Therefore, the warrant is considered to be a "Participating Security" by Financial Accounting Standards No. 128 for Earnings Per Share (EPS) calculations. This means that the warrant is included in the weighted average share calculation only in periods in which

the Company generates net income available to common shareholders.

During the quarter ended September 30, 2002, the Company issued warrants to its lenders under its previous Revolving Credit Facility and Senior Notes. The warrant issued to the Revolving Credit Facility lender permits the lender to purchase 467 shares at a purchase price of $0.01 per share exercisable any time after July 31, 2003 until September 23, 2012 and the warrant issued to the Senior Notes lender permits the lender to purchase 467 shares at a purchase price of $0.01 per share exercisable any time after July 31, 2003 until September 23, 2012. For purposes of financial reporting, the warrants were valued at $313 each and the aggregate amount of $626 increased paid-in-capital and reduced short-term and long-term debt. In connection with refinancing and recapitalization, effective March 30, 2004, the warrants were subject to certain adjustments and as a result they each were adjusted upward by 227 shares outstanding at a new adjusted exercise price of $0.00631.

9. STOCK PLANS:

In June 1999, the Company adopted an Employee Stock Purchase Plan under which employees have a systematic long-term investment opportunity to own Company shares. Shareholder approval for such adoption was obtained on July 22, 1999. The Employee Stock Purchase Plan has been suspended.

The Company has options outstanding under various option plans including the 1997 Long-Term Incentive Plan (the "1997 Option Plan") and the 1997 Non-Employee Directors' Stock Option Plan (the "1997 Directors Plan"). The Company's 1994 Corrpro Stock Option Plan (the "1994 Plan") and the 1994 Corrpro Outside Directors' Stock Option Plan (the "Directors Plan") were terminated upon adoption of the 1997 Option Plan and the 1997 Directors Plan. In addition, prior to its initial public offering in September 1993, the Company issued stock options under various arrangements.

The 1997 Option Plan was adopted on April 28, 1997, subject to shareholder approval, which was obtained on July 23, 1997. The 1997 Option Plan, as amended, provides for the granting of up to 469 non-qualified stock options, stock appreciation rights, restricted stock awards or stock bonus awards to officers, key employees and consultants of the Company. In addition, the 1997 Option Plan provides that shares exercised, forfeited or otherwise terminated under previously granted stock awards, other than awards under the 1994 Directors Plan, will also be available for grant under the new plan. The option price per share will generally be the fair market value of the Company's common shares on the date of grant and the term of the options will not exceed 10 years. The 1997 Option Plan will terminate on April 28, 2007. On April 30, 1998, the Company adopted an amendment to the 1997 Option Plan increasing the number of shares available for issuance by 300.

The 1997 Directors Plan was also adopted on April 28, 1997. The 1997 Directors Plan provides for the granting of up to 63 non-qualified stock options to current and future non-employee directors of the Company. Under this plan, each non-employee director will annually be granted options to purchase 3 common shares. The option price per share will be the fair market value of the Company's common shares on the date of grant and the term of the options will be 10 years. The 1997 Directors Plan will terminate on April 28, 2007.

In fiscal 2001, the Company adopted a plan whereby holders of stock options covered under the 1997 Option Plan could surrender options previously granted with the understanding that a like number of options would be granted no sooner than six months after surrender. Accordingly, options for 654 shares with exercise prices ranging from $5.25 to $14.96 were surrendered during December

2000. Subsequently, in June 2001, the Company reissued options for 648 shares with a price of $2.55, the market price.

Shares for issuance under equity compensation plans does not include the Company's 2001 Non-Employee Directors' Stock Appreciation Rights Plan which has not been approved by its shareholders. Under this plan, non-employee directors received a one-time grant of vested stock appreciation rights as part of their compensation for serving as directors. The stock appreciation rights entitle each eligible director to be paid in cash, subject to the applicable terms and conditions of the grant, on or after May 17, 2006, the amount of appreciation in the fair market value of 10,000 Common Shares between May 17, 2001 and May 17, 2006. Currently, three such non-employee directors hold such stock appreciation rights.

Stock option activity for the Company during fiscal 2004, 2003, and 2002 was as follows:

NUMBER OF SHARES	2004	2003	2002
Options outstanding, beginning of year	1,399	1,303	757
Granted	108	270	676
Exercised	(35)	--	--
Expired, canceled or surrendered	(120)	(174)	(130)
Outstanding, end of year	1,352	1,399	1,303
Exercisable, end of year	1,226	270	305

	2004	2003	2002
Available for grant, end of year	289	248	1,014
Price range of options:			
Granted	$ 1.52 to $ 1.69	$ 0.32 to $ 1.24	$ 1.30 to $ 3.05
Exercised	$ 0.32 to $ 0.59	N/A	$ 1.86
Options outstanding, end of year	$ 0.32 to $13.78	$ 1.30 to $13.78	$ 1.86 to $13.78

Of the options shares outstanding at March 31, 2004, 1,183 shares outstanding were in a price range of $0.32 to $3.75. The remaining 169 options shares outstanding were at a price range from $4.00 to $13.78. As a result of the change in control, 854 options vested.

10. BUSINESS SEGMENTS:

In July 2002, the Company's Board of Directors approved a formal business restructuring plan. The multi-year plan included a series of initiatives to improve operating income and reduce debt by selling non-core business units. The Company engaged outside professionals to assist in the

disposition of its domestic and international non-core business units. Prior to the quarter ended September 30, 2002, the Company's non-core domestic and international units were reported as the Other Operations and International Operations reporting segments. Effective as of the quarter ended September 30, 2002, the Other Operations and the International Operations reporting segments were eliminated and the non-core domestic and international units were reported as discontinued operations. Prior-year financial statements were reclassified to reflect these non-core units as discontinued operations, which were also referred to as "assets and liabilities held for sale."

In the second quarter of fiscal 2004, the Company's Board of Directors removed our European Operations from discontinued operations. The Board concluded that the Company's value would be enhanced by maintaining its European presence rather than by selling the European Operations at this time, based in part on the strength of the local management team, the similar characteristics of the served markets, and the favorable prospects for this business. Therefore, effective in the second quarter of fiscal 2004, the Company reported quarterly and annual results of its European Operations in its continuing operations, and prior-year financial statements have been reclassified to reflect its European Operations as continuing operations.

The Company has organized its operations into three business segments: Domestic Core Operations, Canadian Operations and European Operations. The Company's former non-core domestic, Middle East and Asia Pacific Operations are reported as discontinued operations. Its business segments and a description of the products and services they provide are described below:

Domestic Core Operations. The Company's Domestic Core Operations segment provides products and services, which include corrosion control, coatings and pipeline integrity and risk assessment. The Company provides these products and services to a wide-range of customers in the United States in a number of industries, including energy, utilities, water and wastewater treatment, chemical and petrochemical, pipelines, defense and municipalities. In addition, this segment provides coatings services to customers in the entertainment, aerospace, transportation, petrochemical and electric power industries, as well as the United States military. Finally, the Domestic Core Operations segment includes a production facility in the United States that assembles and distributes cathodic protection products, such as anodes, primarily to the United States market. Revenues relating to this segment totaled $92,947 (or 72 % of consolidated revenues), $84,965 (or 72% of consolidated revenues) and $101,781 (or 76% of consolidated revenues) during fiscal

2004, 2003 and 2002, respectively. The Domestic Core operations had goodwill of $6,460 at March 31, 2004 and $6,397 at March 31, 2003.

Canadian Operations. The Company's Canadian Operations segment provides corrosion control, pipeline integrity and risk assessment services to customers in Canada that are primarily in the oil and gas industry. These customers include pipeline operators and petrochemical plants and refineries. The Canadian Operations segment has a production facility that assembles products such as anodes and rectifiers. Revenues relating to this segment totaled $24,071 (or 18% of consolidated revenues), $19,254 (or 17% of consolidated revenues) and $21,277 (or 16% of consolidated revenues) during fiscal 2004, 2003 and 2002, respectively. The Canadian operations had goodwill of $8,100 at March 31, 2004 and $6,946 at March 31, 2003.

European Operations. The Company's European Operations segment provides corrosion control products and services to customers in the petroleum, utility, industrial, marine and offshore markets, as well as to governmental entities in

connection with their infrastructure assets. Revenues relating to this segment totaled $13,066 (or 10 % of consolidated revenues), $13,403 (or 11% of consolidated revenues) and $11,726 (or 8% of consolidated revenues) during fiscal 2004, 2003 and 2002, respectively. The European operations had no goodwill as of March 31, 2004 and 2003, respectively.

Financial information relating to the Company's operations by segment are presented below:

	2004	2003	2002
Revenue:			
Domestic Core Operations	$ 92,947	$ 84,966	$ 101,781
Canadian Operations	24,071	19,254	21,277
European Operations	13,066	13,403	11,726
	$ 130,084	$ 117,623	$ 134,784
Operating Income (Loss):			
Domestic Core Operations	$ 14,457	$ 11,061	$ 13,544
Canadian Operations	4,153	3,634	2,850
European Operations	947	(865)	908
Corporate Related Costs and Other	(11,027)	(11,870)	(12,989)
	$ 8,530	$ 1,960	$ 4,313
Total Assets:			
Domestic Core Operations	$ 26,133	$ 30,780	
Canadian Operations	32,626	22,669	
European Operations	7,448	6,311	
Corporate Related Assets and Other (2004 as restated)	7,425	8,934	
Assets held for Sale	--	9,846	
	$ 73,632	$ 78,540	
Capital Expenditures:			
Domestic Core Operations	$ (560)	$ (282)	$ (511)
Canadian Operations	(36)	(48)	(77)
European Operations	(28)	(45)	(75)
Corporate Related Capital Expenditures	(88)	(21)	--
	$ (712)	$ (396)	$ (663)
Depreciation and Amortization:			
Domestic Core Operations	$ 1,182	$ 1,925	$ 2,458
Canadian Operations	247	281	677
European Operations	82	103	115
Corporate Related Depreciation and Amortization	2,130	821	1,007
	$ 3,641	$ 3,130	$ 4,257

11. LEGAL MATTERS:

MICHIGAN LITIGATION. On July 25, 2002, a summons and complaint was issued to the Company by the Circuit Court for the County of Ingham, Michigan. The action was commenced by Blogett Oil Company, Inc. and other owners and operators of underground storage tanks systems on behalf of themselves and others similarly situated. The complaint relates to a Michigan Department of Environmental Quality ("MDEQ") regulatory proceeding previously described in our reports filed with the Securities and Exchange Commission, or the SEC. The complaint named both Corrpro and MDEQ. In the complaint, the plaintiffs sought an unspecified amount of damages in excess of $25,000 from us. The plaintiffs also sought injunctive relief prohibiting the MDEQ from declaring that underground storage tanks upgraded by us do not meet the current requirement for corrosion protection set forth by law. In October 2003, Corrpro and a steering committee representing the class of plaintiffs reached an agreement, subject to court approval, pursuant to which the class of plaintiffs agreed to settle all outstanding matters between the class and us and to dismiss the case as to us with prejudice. On October 29, 2003, the Circuit Court for the County of Ingham, Michigan approved the settlement and dismissed with prejudice the litigation as to the Company. The settlement amount itself was funded pursuant to applicable policies of insurance maintained by the Company.

ASSESSMENT STANDARD. During fiscal 2001, the Company discovered that a former employee used an incorrect assessment standard in connection with the evaluation of whether certain underground storage tanks located at as many as 67 sites were eligible for upgrade using cathodic protection. Such evaluations were done using one of the approved assessment methodologies. The tanks at these sites, which are located in five states, were subsequently upgraded using cathodic protection, which arrests corrosion. These tanks are also subject to ongoing leak detection requirements. Based on the Company's review of available information and governmental records, the Company believes that there have not been any releases from the affected tanks as a result of the actions of the former employee. The Company has contacted, and in October and November 2000 met with, officials from the Environmental Protection Agency ("EPA") and officials from the corresponding environmental protection agencies of the five states involved to discuss this matter. It is the Company's understanding that none of the states nor the EPA intend to take any enforcement action as a result of the use of the inaccurate standard by the former employee. The Company is currently working with the states and the EPA to develop and implement field investigation procedures to assess the current status of the affected sites. The Company has completed field investigation procedures in two of the states in which affected sites are located. The Company has been informed by one of the other states that, based on continuing monitoring and leak detection procedures already required to be performed by site owners and operators, no additional field work procedures will be required in that state. There are no currently outstanding claims or demands that have been asserted by any of the affected owners and operators. Based on currently available information, including our experience in the fieldwork conducted to date, the Company does not believe that the cost of field investigation procedures for this matter will have a material effect on its future operations, financial position or cash flows.

AUSTRALIAN SUBSIDIARY ACCOUNTING IRREGULARITIES. The Company has been involved in a class action lawsuit and was the subject of an SEC enforcement proceeding arising out of accounting irregularities involving internal misconduct in our Australian subsidiary. These proceedings are described in more detail below.

At least as early as October 2000, the then managing director and the financial controller of Corrpro Australia Ptd., Ltd., a subsidiary of Corrpro, were involved in knowingly misstating the financial results reported by the Australian subsidiary to our corporate management to improve the reported results of the Australian business. Such individuals are no longer employed by the Company or the Company's subsidiaries and were named as defendants in a complaint for permanent injunction and other equitable relief filed by the SEC

in the United States District Court for the Northern District of Ohio. The former Australian employees are also subject to an investigation and other proceedings commenced through the Australian Securities and Investments Commission.

The irregularities included erroneous journal entries to the Australian subsidiary's general ledger that increased profit and net assets. Among other things, the former Australian employees falsified invoices and credit notes and made erroneous entries to subledgers including accounts payable, accounts receivable, cost of goods sold and inventory. The former Australian employees further recorded fictitious invoices in the former Australian subsidiary's computerized accounting records, falsified credit notes from suppliers, and created two different versions of the accounts receivable subledger. The former Australian employees took steps to fabricate documents to be reviewed by our independent

57

auditors.

The Company's management discovered the accounting irregularities at the Australian subsidiary in early calendar 2002 and upon discovery immediately began an internal investigation, conducted under the direction of the Audit Committee of our Board of Directors. The Australian Securities and Investments Commission commenced an independent investigation of the accounting irregularities in March 2002. The Company voluntarily disclosed this matter to the SEC, which commenced a formal investigation in March 2002. The Company has cooperated with both commissions.

As a result of our discovery of the irregularities, the Company, by means of our Form 10-K/A for the fiscal year ended March 31, 2002 filed with the SEC on August 9, 2002, restated its previously issued audited financial statements for the fiscal year ended March 31, 2001. The effect of its revisions was to increase its loss and basic and diluted loss per share, respectively, from $4.7 million and $0.61 to $8.3 million and $1.07 for the fiscal year ended March 31, 2001. Consolidated stockholders' equity as of March 31, 2001 decreased by approximately $3.8 million from amounts previously reported. Unaudited quarterly financial information for the first three quarters of the fiscal year ended March 31, 2002 and all four quarters of our fiscal year ended March 31, 2001 were also restated by means of such filing. Information concerning the restated amounts applicable to each of the foregoing quarters is contained in Note 12, Restated Quarterly Financial Information (Unaudited), Notes to Consolidated Financial Statements included in Item 8 of our Form 10-K/A for the fiscal year ended March 31, 2002 filed with the SEC on August 9, 2002.

CLASS ACTION LAWSUIT. The Company is a defendant in a purported class action suit filed on June 24, 2002, in the United States District Court, Northern District of Ohio, Eastern Division. The complaint also names certain of the Company's former and current officers and directors as defendants. The lawsuit arises out of the accounting irregularities discovered in its Australian subsidiary. The complaint was purportedly filed on behalf of all persons who purchased the Company's common shares during the period April 1, 2000 through March 20, 2002 and alleges violations of anti-fraud provisions of the federal securities laws resulting in artificially inflated prices of our common shares during the class period. The complaint seeks unspecified compensatory damages, fees and expenses on behalf of the putative class.

On or about May 27, 2003, the District Court granted, with prejudice, the defendants' motions to dismiss the amended and consolidated class action complaint. On June 24, 2003, the plaintiffs filed a notice of appeal to the United States Circuit Court of Appeals for the 6th Circuit from the order of

dismissal. The Company is unable at this time to make a determination as to whether a material adverse outcome is reasonably possible and whether an adverse outcome would have a materially adverse affect on its operations or financial condition.

SEC ENFORCEMENT PROCEEDING. In connection with its investigation of accounting irregularities at the Company's former Australian subsidiary, on January 20, 2004, the SEC filed an civil injunctive action against the Company in the United States District Court for the Northern District of Ohio Eastern Division. The SEC's complaint alleged that the Company had inadequate internal controls during fiscal year 2001 and the first three quarters of 2002. The complaint also alleged that the Company violated certain reporting, record keeping and internal control requirements. The complaint further alleged that, although the Company discovered the fraud through its own investigation, the Company failed to discover the falsification of the Australian financial statements until February 2002 due to inadequate internal controls. Finally, the complaint alleged that following the Company's discovery of these false statements at its former Australian subsidiary, the Company undertook remedial measures to strengthen its financial reporting policies and internal control structure.

The complaint alleged that, as a result of the foregoing, the Company violated Section 13(a) of the Securities Exchange Act of 1934 (Exchange Act) and Rules 12b-20, 13a-1 and 13a-13 thereunder, by filing financial statements that contained false financial data. The complaint also alleges that the Company violated Section 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, by failing to devise and maintain an adequate system of internal accounting controls.

Simultaneously with the filing of the complaint, without admitting or denying the SEC's allegations, the Company consented to the entry of a final judgment permanently enjoining the Company from future violations of the provisions of the federal securities laws described above. The Company also agreed to certain undertakings designed to

58

ensure its compliance with the federal securities laws. These undertakings require the Company to continue previously adopted remedial measures, and during its fiscal years ending March 2004, 2005 and 2006, the Company is required to:

- engage a qualified outside firm to perform the internal audit function or designate an employee director of internal audit who would perform certain audit procedures and report directly to the Audit Committee;

- require internal audit to prepare a confidential business report at the end of the fiscal year describing certain aspects of the audit preparation, procedures and findings; and

- maintain an anonymous hotline on which any activity affecting the Company's financial results may be reported to the Audit Committee.

The Company will incur costs, which may be significant, in complying with these undertakings.

In determining to accept the Company's settlement offer, the SEC considered that the Company undertook remedial actions and provided substantial cooperation in the investigation. On January 27, 2004, the Company's offer of settlement was approved and a final judgment was entered by the court.

COMPLIANCE ORDER. In January 2003, the Company received a Consolidated Compliance Order and Notice of Potential Penalty from the Louisiana Department of Environmental Quality pursuant to which the department alleges that the Company's foundry operations failed to submit required storm water monitoring information as required by law. The alleged failure relates to periods subsequent to the cessation of the Company's foundry operations. The Company has appealed the matter and the department has agreed to engage an informal resolution of the matter. Based on current available information, the Company does not believe that it is reasonably possibly that this matter will have a material effect on its future operations, financial position or cash flows.

The Company is subject to other legal proceedings and claims from time to time which arise in the ordinary course of business.

12. RELATED PARTY TRANSACTIONS:

On March 30, 2004, we entered into a services agreement with Wingate Partners III, L.P. ("Wingate Partners"), an affiliate of CorrPro Investments, LLC. The services agreement provides that Wingate Partners agrees to consult with the Board of Directors in such a manner and on such business and financial matters as would be reasonably requested from time to time by the Board, including financial advisory, management advisory, strategic planning, monitoring and other related services, in exchange for which we will pay an annual non-refundable services fee of $400 payable quarterly in advance, to such persons designated by Wingate Partners. In lieu of paying any quarterly installment of the services fee in cash, we may, at our option, or if we are restricted from paying any such quarterly installment in cash under, or the Board determines that payment of such quarterly installment in cash would result in a default under, the terms of our new senior secured credit facility or senior secured subordinated notes, delay payment and accrue any unpaid portion of the services fee, without interest. The services agreement will have an initial term of eight years, which term will automatically renew for successive one year periods thereafter unless either party notifies the other of its desire to terminate the services agreement.

59

SUPPLEMENTAL FINANCIAL INFORMATION

Quarterly Results of Operations (Unaudited):

The following is a summary of the unaudited quarterly results of operations of the Company for the fiscal years ended March 31, 2004 and 2003. The sum of the quarterly per share figures does not equal annual per share figures due to rounding.

Three Months Ended	06/30/03	09/30/03(6)	12/31/03	03/31/04
(In Thousands, Except per Share Data)				
Revenues	$ 33,052	$ 34,433	$ 32,939	$ 29,660
Operating income (loss)	3,092	3,607	2,848	(1,017)
Net Income (loss) from continuing operations	1,260	1,343	647	(4,861)
Net income (loss)	833	(1,880)	442	(4,874)
Earnings (loss) per share - - Basic:				

Income (loss) from continuing operations	$ 0.15	$ 0.16	$ 0.07	$ (0.58)
Net income (loss)	0.10	(0.22)	0.05	(0.58)
Weighted average number of shares - - Basic	8,408	8,408	8,420	8,436
Earnings (loss) per share - - Diluted:				
Income (loss) from continuing operations	$ 0.13	$ 0.14	$ 0.07	$ (0.58)
Net income (loss)	0.09	(0.20)	0.05	(0.58)
Weighted average number of shares - - Diluted	9,383	9,356	9,361	8,436

Three Months Ended	06/30/02(1)	09/30/02(2)(3)	12/31/02	03/31/
(In Thousands, Except per Share Data)				
Revenues	$ 29,689	$ 31,473	$ 31,781	$
Operating income (loss)	499	1,419	2,577	
Net Income (loss) from continuing operations	(1,156)	(530)	419	
Net income (loss)	(20,685)	(3,358)	449	
Earnings (loss) per share - - Basic:				
Income (loss) from continuing operations	$ (0.14)	$ (0.06)	$ 0.04	$
Net income (loss)	(2.47)	(0.40)	0.05	
Weighted average number of shares - - Basic	8,350	8,403	8,408	
Earnings (loss) per share - - Diluted:				
Income (loss) from continuing operations	$ (0.14)	$ (0.06)	$ 0.04	$
Net income (loss)	(2.47)	(0.40)	0.05	
Weighted average number of shares - - Diluted	8,350	8,403	9,325	

(1) Included in the first quarter of fiscal 2003 was goodwill impairment of $18,238

(2) Included in discontinued operations in the second quarter of fiscal 2003 was an asset impairment charge of $450

(3) Included in continuing operations in the second quarter of fiscal 2003 was an asset impairment charge of $450

(4) Included in discontinued operations in the fourth quarter of fiscal 2003 was a gain on sale of discontinued operations of $2,095

(5) Included in discontinued operations in the fourth quarter of fiscal 2003 was an asset impairment charge of $1,575

(6) Included in discontinued operations in the second quarter of fiscal 2004 was an asset impairment charge of $3,278

ITEM 9A. CONTROLS AND PROCEDURES

(a) Controls and Procedures.

Following the commencement of an internal review of our accounting records and procedures and the investigation initiated by our Audit Committee of the Board of Directors in connection with the restatement process related to our former Australian Subsidiary (the "Audit Committee Investigation"), we initiated a significant restructuring plan. The multi-year plan included a series of initiatives to improve operating income and reduce debt, including the sale of non-core business units and use of the proceeds to reduce debt. These activities, while critical to our successful restructuring, complicated our ability to assess the overall effectiveness of internal controls.

Since the inception of the Audit Committee Investigation, we have made a number of significant changes that strengthened the internal controls over our financial accounting, reporting and disclosure procedures (the "Reporting and Disclosure Procedures"). These changes included, but were not necessarily limited to, (i) communicating clearly and consistently a tone from senior management regarding the proper conduct in these matters, (ii) strengthening the North American financial management organizational reporting chain, (iii) requiring stricter account reconciliation standards, (iv) updating and expanding the distribution of our business conduct questionnaire, (v) requiring quarterly as well as annual business units written representations, (vi) expanding the financial accounting procedures in the current year, (vii) commencing a comprehensive, team-based process to further assess and enhance the efficiency and effectiveness of our financial processes, including support efforts which better integrate current and evolving financial information system initiatives, and addressing any remaining weaknesses, and (viii) establishing of an internal audit function.

We will continue the process of identifying and implementing corrective actions where required to improve the effectiveness of our Reporting and Control Procedures. Significant supplemental resources will continue to be required to prepare the required financial and other information during this process. The changes made to date as discussed above have enabled us to restate our previous filings where required, as well as subsequently prepare and file the remainder of the required periodic reports.

(b) Evaluation of Disclosure Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer (the "Senior Officers"), with the participation of other members of our management, have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a - 15(e) and 15d - 15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K/A. Based on that evaluation, and subject to inherent limitations on the effectiveness of internal controls as described below, the Senior Officers have concluded that to their knowledge as of the end of the period covered by this Annual Report on Form 10-K/A, our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. There were no changes in our internal control over financial reporting that occurred during our fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

In reaching the conclusion set forth above, the Senior Officers considered the restatement of the Company's financial statements as of and for the fiscal year ended March 31, 2004 contained elsewhere in this Annual Report on Form 10-K/A. The Senior Officers have concluded that the circumstances giving rise to this restatement were not reflective of any weakness in our disclosure controls and procedures, and that such disclosure controls and procedures were operating effectively throughout the period covered by this Annual Report on

Form 10-K/A.

(c) Inherent Limitations on the Effectiveness of Controls.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, a control system is subject to implementation based on the cost effectiveness of such controls. Further, because of the inherent limitations in all control systems, including faulty judgments in decision making or breakdowns resulting from simple errors or mistakes, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Additionally, controls can be circumvented by individual acts, collusion or by management override of the controls in place. Over time, controls may become inadequate because of changes in conditions, or deterioration of the degree of compliance with the policies or procedures. Due to the inherent limitation of control systems, misstatements due to error or fraud may occur and not be detected. Given such inherent limitations, the Senior Officers and other members of our management, do not expect our disclosure controls or procedures to prevent all possible instances of error and fraud.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) THE FOLLOWING CONSOLIDATED FINANCIAL STATEMENTS ARE INCLUDED IN PART II, ITEM 8 OF THIS ANNUAL REPORT ON FORM 10-K/A:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at March 31, 2004 and 2003

Consolidated Statements of Operations for the years ended March 31, 2004, 2003 and 2002

Consolidated Statements of Shareholders' Equity (Deficit) for the years ended March 31, 2004, 2003 and 2002

Consolidated Statements of Cash Flows for the years ended March 31, 2004, 2003 and 2002

Notes to Consolidated Financial Statements

(a)(3) INDEX TO EXHIBITS:

EXHIBIT NO.	EXHIBIT

3.1	Amended and Restated Articles of Incorporation of the Company. (1)
3.2	Amended and Restated Code of Regulations of the Company. (2)
4.1	Specimen certificate for the Common Shares. (3)
4.2	Amended and Restated Credit Agreement dated as of June 9, 2000 among the Company, CSI Coating Systems, Inc. and the Lenders Party thereto. Other long-term debt agreements of the Company, except for Note Purchase Agreement, are not filed pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. The Company will furnish copies of any such agreements to the Securities and Exchange Commission upon its request. (4)
4.3	First Amendment to Credit Agreement dated October 19, 2000 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among the Company., CSI Coating Systems, Inc. and the Lenders Party thereto. (12)
4.4	Letter Agreement dated October 19, 2000 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among the Company., CSI Coating Systems, Inc. and the Lenders Party thereto. (12)
4.5	Second Amendment to Credit Agreement dated as of June 29, 2001 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among the Company., CSI Coating Systems, Inc. and the Lenders Party thereto. (12)
4.6	Third Amendment to Credit Agreement dated as of August 10, 2001 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among the Company, CSI Coating Systems, Inc. and the Lenders Party thereto. (13)
4.7	Fourth Amendment to Credit Agreement dated as of November 12, 2001 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among the Company, CSI Coating Systems, Inc. and the Lenders Party thereto. (14)
4.8	Fifth Amendment to Credit Agreement dated as of February 11, 2002 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among the Company, CSI Coating Systems, Inc. and the Lenders Party thereto. (15)
4.9	Sixth Amendment to Credit Agreement dated as of September 23, 2002 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among the Company, CSI Coating Systems, Inc. and the Lenders party thereto. (17)
4.10	Seventh Amendment to Credit Agreement dated as of November 1, 2002 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among the Company, CSI Coating Systems, Inc. and the Lenders party thereto. (18)
4.11	Eighth Amendment to Credit Agreement dated as of February 10, 2003 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among the Company, CSI Coatings Systems, Inc. and the Lenders party thereto. (24)
4.12	Ninth Amendment to Credit Agreement dated as of July 31, 2003 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among the Company, CSI Coating Systems, Inc. and the

Lenders party

thereto. (19)

4.13	Tenth Amendment to Credit Agreement dated as of October 31, 2003 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among the Company, CSI Coating Systems, Inc. and the Lenders party thereto. (20)
4.14	Eleventh Amendment to Credit Agreement dated as of January 31, 2004 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among the Company, CSI Coating Systems, Inc. and the Lenders party thereto. (21)
4.15	Note Purchase Agreement dated as of January 21, 1998 by and among the Company and The Prudential Insurance Company of America herein. (5)
4.16	Rights Agreement dated as of July 23, 1997 between the Company and Fifth Third Bank, successor Rights Agent. (6), including [Amendments 1 and 2 thereto].
4.17	Amendment dated June 9, 2000 to Note Purchase Agreement dated January 21, 1998. (4)
4.18	Amendment dated October 18, 2000 to Note Purchase Agreement dated January 21, 1998. (12)
4.19	Letter Agreement dated October 18, 2000 by and between The Prudential Insurance Company of America and the Company relating to the Note Purchase Agreement dated as of January 21, 1998. (12)
4.20	Amendment dated as of June 29, 2001 by and between The Prudential Insurance Company of America and the Company relating to the Note Purchase Agreement dated as of January 21, 1998. (12)
4.21	Letter Agreement dated July 31, 2003 by and between The Prudential Insurance Company of America and the Company relating to the Note Purchase Agreement dated as of January 21, 1998. (19)
4.22	Letter Agreement dated October 31, 2003 by and between The Prudential Insurance Company of America and the Company relating to the Note Purchase Agreement dated as of January 21, 1998. (20)
4.23	Letter Agreement dated January 31, 2004 by and between The Prudential Insurance Company of America and the Company relating to the Note Purchase Agreement dated as of January 21, 1998. (21)
4.24	Securities Purchase Agreement dated December 15, 2003 by and between the Company and CorrPro Investments, LLC. (22)
4.25	Note and Equity Purchase Agreement dated March 30, 2004 by and among the Company, CCFC, Inc., Ocean City Research Corp., Corrpro International, Inc. (collectively, "US Borrowers"), Corrpro Canada, Inc., Commonwealth Seager Holdings Ltd., and Borza Inspections Ltd. (collectively, "Canadian Borrowers"), and

	American Capital Financial Services, Inc., as Agent, and the Purchasers thereto. (23)
4.26	Form of Senior Secured Subordinated Note to the Note and Equity Purchase Agreement dated March 30, 2004 by and among the US Borrowers, and American Capital Financial Services, Inc., as Agent, and the Purchasers thereto. (23)
4.27	Form of Senior Secured Subordinated Note to the Note and Equity Purchase Agreement dated March 30, 2004 by and among the Canadian Borrowers, and American Capital Financial Services, Inc., as Agent, and the Purchasers thereto. (23)
4.28	Revolving Credit, Term Loan and Security Agreement dated March 30, 2004 among the US Borrowers and Canadian Borrowers, and CapitalSource Finance LLC and other Lenders thereto. (23)

4.29	Form of Revolving Note to the Revolving Credit, Term Loan and Security Agreement dated March 30, 2004 between the US Borrowers, and CapitalSource Finance LLC and other Lenders thereto. (23)
4.30	Form of Revolving Note to the Revolving Credit, Term Loan and Security Agreement dated March 30, 2004 between the Canadian Borrowers, and CapitalSource Finance LLC and other Lenders thereto. (23)
4.31	Form of Term Note to the Revolving Credit, Term Loan and Security Agreement dated March 30, 2004 between the US Borrowers, and CapitalSource Finance LLC and other Lenders thereto. (23)
4.32	Form of Term Note to the Revolving Credit, Term Loan and Security Agreement dated March 30, 2004 between the Canadian Borrowers, and CapitalSource Finance LLC and other Lenders thereto. (23)
4.33	Security Agreement dated as of March 30, 2004 between the US Borrowers and American Financial Services, Inc., as Agent, for the Purchasers thereto. (23)
4.34	Security Agreement dated as of March 30, 2004 between the Canadian Borrowers and American Financial Services, Inc., as Agent, for the Purchasers thereto. (23)
4.35	Security Agreement dated as of March 30, 2004 between the Canadian Borrowers and CapitalSource Finance LLC, as Agent, for the Lenders thereto. (23)
4.36	Common Stock Purchase Warrant issued to Bank One, NA dated as of September 23, 2002. (17)
4.37	Common Stock Purchase Warrant issued to The Prudential Insurance Company of America dated as of September 23, 2002. (17)
4.38	Common Stock Purchase Warrant issued to CorrPro Investments, LLC dated as of March 30, 2004. (23)
4.39	Common Stock Purchase Warrant issued to American Capital

	Strategies, Ltd. dated as of March 30, 2004. (23)
4.40	Registration Rights Agreement dated as of September 23, 2002 between the Company and Bank One, NA. (17)
4.41	Registration Rights Agreement dated as of September 23, 2002 between the Company and The Prudential Insurance Company of America. (17)
4.42	Investor and Registration Rights Agreement by and between CorrPro Investments, LLC and the Company dated as of March 30, 2004. (23)
4.43	Amendment dated September 23, 2002 between the Company and The Prudential Insurance Company of America to the Note Purchase Agreement dated January 21, 1998. (17)
4.44	Services Agreement by and between the Company and Wingate Partners III, LP dated as of March 30, 2004. (23)
*10.1	Corrpro Companies, Inc. 2001 Non-Employees Directors' Stock Appreciation Rights Plan and form of Award Agreement. (16)
*10.2	1997 Long-Term Incentive Plan of Corrpro Companies, Inc. (7)
*10.3	Amendment to 1997 Long-Term Incentive Plan of Corrpro Companies, Inc. (8)
*10.4	1997 Non-Employee Directors' Stock Option Plan. (7)

10.5	Corrpro Companies, Inc. Employee Stock Purchase Plan. (9)
*10.6	December 2000 Stock Option Agreement Surrender form. (12)
*10.7	Form of Indemnification Agreement for certain Officers and Directors of the Company and schedule thereto. (10)
10.8	Form of Indemnification Agreement for certain Directors of the Company and schedule thereto.
10.9	Consulting Agreement dated April 1, 2003 by and between Commonwealth Seager Holdings Ltd. and Corrtech Consulting Group. (11)
*10.10	Employment Agreement effective March 31, 2004 by and between the Company and Joseph W. Rog.
10.11	Amendment and Termination Agreement by and between the Company and Joseph W. Rog.
10.12	Agreement and General Release by and between the Company and Joseph W. Rog effective as of May 3, 2004.
10.13	Employment Agreement effective as of May 3, 2004 by and between the Company and Joseph P. Lahey.

10.14	Form of Amendment and Termination Agreement by and between the Company and certain executive officers and schedule thereto.
10.15	Form of Amendment to Executive Officer Employment Agreement by and between the Company and certain executive officers and schedule thereto.
*10.16	Form of Executive Officer Employment Agreement by and between the Company and certain executive officers and schedule thereto. (10)
10.17	Waiver of Director's Compensation executed by Joseph W. Rog, effective May 3, 2004.
10.18	Form of Waiver of Director's Compensation effective March 30, 2004 and schedule thereto.
*10.20	Company Incentive Option Plan as amended. (3)
*10.21	Company Deferred Compensation Plan. (12)
*10.22	Consulting Agreement dated January 26, 2001 by and between the Company and Neal R. Restivo. (12)
*10.23	Form of Change in Control Agreement entered into between the Company and certain of its executive officers and schedule thereto. (10)
21.1	Subsidiaries of the Company. (25)
**23.1	Consent of KPMG LLP.
**31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act.
**31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act.
**32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section

	1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Management contract or compensatory plan or arrangement identified pursuant to Item 15(a)(3) of this Annual Report on Form 10-K.

** Filed herewith.

(1) A copy of this exhibit filed as Exhibit 3.1 to our Current Report on

Form 8-K filed April 14, 2004 is incorporated herein by reference.

(2) A copy of this exhibit filed as Exhibit 3.2 to our Current Report on Form 8-K filed April 14, 2004 is incorporated herein by reference.

(3) Copies of the exhibits to which this footnote applies were filed, respectively, as Exhibit 4.1 (Stock certificate specimen), and 10.25 (Incentive Option Plan) to our Registration Statement on Form S-1 (Registration No. 33-64482) and are hereby incorporated by reference.

(4) Copies of the exhibits to which this footnote applies were filed, respectively, as Exhibits 4.3 (Amended and Restated Credit Agreement) and 4.6 (Note Purchase Agreement Amendment) to our Annual Report on Form 10-K for the period ended March 31, 2000 and are hereby incorporated by reference.

(5) A copy of this exhibit filed as Exhibit 4.2 to our Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1997 is incorporated herein by reference.

(6) A copy of this exhibit filed as Exhibit 1.1 to our Registration Statement on Form 8-A filed August 7, 1997 is incorporated herein by reference.

(7) Copies of the exhibits to which this footnote applies were filed, respectively, as Exhibits 4.4 (1997 Long-Term Inventive Plan) and 4.5 (1997 Non-Employee Directors' Stock Option Plan) to our Registration Statement on Form S-8 filed October 24, 1997 (SEC File No. 333-38767), and are hereby incorporated by reference.

(8) A copy of this exhibit filed as Exhibit 4.5 to our Registration Statement on Form S-8 filed January 19, 2000 (SEC File No. 333-94989) is incorporated herein by reference.

(9) A copy of this exhibit contained in our Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on June 16, 1999 is incorporated herein by reference.

(10) Copies of the exhibits to which this footnote applies were filed, respectively, as Exhibits 10.2 (Change in Control Agreement) and 10.3 (Indemnification Agreement) to our Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2000, and are hereby incorporated by reference.

(11) A copy of this exhibit filed as Exhibit 10.2 to our Annual Report on Form 10-K for the period ended March 31, 1998, and is hereby incorporated by reference.

(12) Copies of the exhibits filed to which this footnote applies were filed, respectively, as Exhibits 4.3 (First Amendment to Credit Agreement), 4.4 (Letter Agreement), 4.5 (Second Amendment to Credit Agreement), 4.9

(Amendment to Note Purchase Agreement), 4.10 (Letter Agreement), 10.7 (Deferred Compensation Plan) and 10.8 (Consulting Agreement) to our Annual Report on Form 10-K for the period ended March 31, 2001 and are hereby incorporated by reference.

(13) A copy of this exhibit filed as Exhibit 4.3 to our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001 and is

incorporated herein by reference.

(14) A copy of this exhibit filed as Exhibit 4.2 to our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 and is incorporated herein by reference.

(15) A copy of this exhibit filed as Exhibit 4.2 to our Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2001 and is incorporated herein by reference.

(16) A copy of this exhibit filed as Exhibit 4.9 to our Annual Report on Form 10-K for the period ended March 31, 2002 is hereby incorporated by reference.

(17) Copies of the exhibits filed to which this footnote applies were filed, respectively, as Exhibits 4.1 (Bank One Purchase Warrant), 4.2 (Prudential Purchase Warrant), 4.3 (Bank One Rights Agreement), 4.4 (Prudential Rights Agreement), 10.1 (Sixth Amendment to Credit Agreement) and 10.2 (Prudential Amendment) to our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002 and is incorporated herein by reference.

(18) A copy of this exhibit filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2002 and is incorporated herein by reference.

(19) Copies of the exhibits filed to which this footnote applies were filed, respectively as Exhibit 10.1 (Ninth Amendment to Credit Agreement), and 10.2 (Letter Agreement) to our Current Report on Form 8-K filed August 14, 2003, and are incorporated herein by reference.

(20) Copies of the exhibits filed to which this footnote applies were filed, respectively as Exhibit 10.4 (Tenth Amendment to Credit Agreement), and 10.5 (Letter Agreement) to our Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2003, and are incorporated herein by reference.

(21) Copies of the exhibits filed to which this footnote applies were filed, respectively as Exhibit 10.1 (Eleventh Amendment to Credit Agreement), and 10.2 (Letter Agreement) to our Current Report on Form 8-K filed February 10, 2004, and are incorporated herein by reference.

(22) A copy of this exhibit filed as Exhibits 10.1 to our Current Report on Form 8-K filed December 12, 2003 is incorporated herein by reference.

(23) Copies of the exhibits filed to which this footnote applies were filed, respectively as Exhibits 10.4 (Note & Equity Purchase Agreement), 10.6 and 10.7 (form of Senior Secured Subordinated Note), 10.10 (Revolving Credit, Term Loan and Security Agreement), 10.11 and 10.12 (form of Revolving Note), 10.13 and 10.14 (form of Term Note), 10.8 and 10.9 (American Financial Services, Inc. Security Agreement), 10.15 (CapitalSource Finance, LLC Security Agreement), 10.1 (CorrPro Investments, LLC Warrant), 10.5 (American Capital Strategies, Ltd. Warrant), 10.2 (Investor & Registration Rights Agreement), and 10.3 (Services Agreement) to our Current Report on Form 8-K filed April 14, 2004, and are incorporated herein by reference.

(24) A copy of this exhibit filed as Exhibit 4.11 to our Annual Report on Form 10-K for the period ended March 31, 2003 is incorporated herein by reference.

(25) A copy of this exhibit filed as Exhibit 21.1 to our Annual Report on

Form 10-K for the period ended March 31, 2004 is incorporated herein by reference.

(b) REPORTS ON FORM 8-K:

During the quarter ended March 31, 2004, we filed four Current Reports on Form 8-K.

On February 10, 2004, a Current Report on Form 8-K was filed, under Item 5, announcing that we had secured an extension of the maturity date of our previous revolving credit facility and obtained a deferral of a significant scheduled principal payment due under our previous senior notes.

On February 26, 2004, a Current Report on Form 8-K was filed, under Item 5, announcing that we had called a special meeting of shareholders to vote on proposals relating to our refinancing and recapitalization plan and furnished, under Item 12, announcing our operating results for the third quarter and the nine months ended December 31, 2003.

On March 10, 2004, a Current Report on Form 8-K was filed, under Item 5, announcing that Institutional Shareholder Services had issued a formal recommendation to its institutional clients that they vote in favor of the proposals relating to our refinancing and recapitalization plan.

On March 23, 2004, a Current Report on Form 8-K was filed, under Item 5, announcing that our shareholders voted to approve the proposals relating to our refinancing and recapitalization plan and filed, under Item 11, announcing that we had issued a notice to our executive officers and directors concerning a stock trading blackout in connection with a change in the record keepers for our 401(k) Savings Plan.

(c) EXHIBITS

See "Index to Exhibits" at Item 15(a) above.

SIGNATURES

Pursuant to the requirements of Section 13 of 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this Form 10-K/A for the fiscal year ended March 31, 2004 to be signed on its behalf by the undersigned, thereunto duly authorized.

CORRPRO COMPANIES, INC.

August 12, 2004

By: /s/ Joseph P. Lahey

Joseph P. Lahey
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

August 12, 2004	/s/ Joseph P. Lahey -- Joseph P. Lahey President and Chief Executive Officer (Principal Executive Officer)
August 12, 2004	/s/ Robert M. Mayer -- Robert M. Mayer Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
August 12, 2004	/s/ James A. Johnson -- James A. Johnson Chairman of the Board of Directors
August 12, 2004	/s/ Jay I. Applebaum -- Jay I. Applebaum, Director
August 12, 2004	/s/ Jason H. Reed -- Jason H. Reed, Director
August , 2004	-- Joseph W. Rog, Director
August 12, 2004	/s/ C. Richard Lynham -- C. Richard Lynham, Director
August 12, 2004	/s/ Harry W. Millis -- Harry W. Millis, Director
August 12, 2004	/s/ Neal R. Restivo -- Neal R. Restivo, Director
August , 2004	-- Warren F. Rogers, Director