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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported) July 23, 1997

INTERNATIONAL ALLIANCE SERVICES, INC.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE
(State or Other Jurisdiction
of Incorporation)

0-25890
(Commission
File Number)

22-2769024
(I.R.S. Employer
Identification No.)

10055 Sweet Valley Drive
Valley View, Ohio
(Address of Principal Executive Offices)

44125
(Zip Code)

Registrant's telephone number, including area code: (216) 447-9000

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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

Asset Purchase Agreement. On July 7, 1997, Republic Environmental Systems (Fort Erie) Ltd. ("RES (Fort Erie)"), Republic Environmental Systems (Brantford) Ltd. ("RES (Brantford)"), Republic Environmental Systems (Pickering) Ltd. ("RES (Pickering)") and, together with RES (Fort Erie) and RES (Brantford), the "Vendors") Philip Enterprises Inc. ("Philip Enterprises") and Republic Environmental Systems, Inc. ("RESI") entered into an Asset Purchase Agreement (the "Asset Agreement") which provides for the sale of substantially all of the assets of the liquid and solid hazardous and non-hazardous waste treatment, storage, disposal and transportation business of the Vendors' facilities located in Fort Erie, Brantford and Pickering, Ontario to Philip Enterprises for a note in the principal amount of \$7,000,000, which is subject to certain adjustments and guaranteed by Philip Enterprises' parent company, Philip Services Corp., as set forth in the Guaranty Agreement dated July 23, 1997.

Share Purchase Agreement. On June 13, 1997, Philip Environmental (Delaware), Inc. ("Philip Environmental"), RESI (the "Vendor"), and Republic Environmental Recycling, Inc. ("RER"), Republic Environmental Systems (Technical Services Group), Inc. ("RES (Technical Services)"), Republic Environmental Systems (Pennsylvania), Inc. ("RES (Pennsylvania)"), Republic Environmental Systems (Transportation Group), Inc. ("RES (Transportation)") and Chem-Freight, Inc. ("Chem-Freight" and, together with RER, RES (Technical Services), RES (Pennsylvania) and RES (Transportation), the "Companies") entered into a Share Purchase Agreement which provides for the sale by the Vendor of all of the issued and outstanding shares of capital of the Companies to Philip Environmental for \$17,000,000 consisting of \$8,000,000 in cash and two notes in the principal amount of \$8,000,000 and \$1,000,000, respectively, which are guaranteed by Philip Enterprises' parent company, Philip Services Corp., as set forth in the Guaranty Agreement dated July 23, 1997. In addition, Philip Environmental has the option to acquire all of the outstanding capital stock of Republic Environmental Systems (Cleveland), Inc. on or before August 17, 1997.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

- (a) Financial Statements of Acquired Business. Not applicable.
- (b) Pro Forma Financial Information.

As of the date of filing this current report on Form 8-K, it is impracticable for the Registrant to provide the pro forma financial information required by this item 7(b). Such financial information shall be filed by amendment to this Form 8-K no later than 60 days after August 7, 1997.

(c) Exhibits.

- 2.1 Asset Purchase Agreement, dated as of July 7, 1997, by and among RES (Fort Erie), RES (Brantford), RES (Pickering), Philip Enterprises and RESI.
- 2.2 Share Purchase Agreement, dated as of June 13, 1997, by and among Philip Environmental (Delaware), Inc., RESI, RER, RES (Technical Services), RES (Pennsylvania), RES (Transportation) and Chem-Freight.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INTERNATIONAL ALLIANCE SERVICES, INC.

Date: August 7, 1997

By: /s/ Gregory J. Skoda

Gregory J. Skoda
Executive Vice President and
Chief Financial Officer

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- 2.1 Asset Purchase Agreement, dated as of July 7, 1997, by and among RES (Fort Erie), RES (Brantford), RES (Pickering), Philip Enterprises and RESI.
- 2.2 Share Purchase Agreement, dated as of June 13, 1997, by and among Philip Environmental (Delaware), Inc., RESI, RER, RES (Technical Services), RES (Pennsylvania), RES (Transportation) and Chem-Freight.

THIS ASSET PURCHASE AGREEMENT DATED THE 7TH DAY OF JUNE, 1997

B E T W E E N:

REPUBLIC ENVIRONMENTAL SYSTEMS (FORT ERIE) LTD., a corporation incorporated under the laws of the Province of Ontario, REPUBLIC ENVIRONMENTAL SYSTEMS (BRANTFORD) LTD., a corporation incorporated under the laws of the Province of Ontario, and REPUBLIC ENVIRONMENTAL SYSTEMS (PICKERING) LTD., a corporation incorporated under the laws of the Province of Ontario

(hereinafter collectively called the "Vendors")

- and -

PHILIP ENTERPRISES INC., a corporation amalgamated pursuant to the laws of the Province of Ontario

(hereinafter called the "Purchaser")

- and -

REPUBLIC ENVIRONMENTAL SYSTEMS, INC., a corporation incorporated under the laws of the State of Delaware

(hereinafter called "RESI")

WHEREAS the Vendors carry on the business of liquid and solid hazardous and non-hazardous waste treatment, storage, disposal and transportation services from their facilities located in Fort Erie, Brantford and Pickering, Ontario;

AND WHEREAS the Purchaser wishes to purchase from the Vendors and the Vendors wish to sell to the Purchaser, certain property, assets and undertakings pertaining to the said business upon the terms and conditions herein contained;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of these presents, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and promise and agree with each other as follows:

ARTICLE 1
DEFINITIONS

1.1 In this Agreement and in any amending or supplemental agreement hereto, unless the subject matter or context is inconsistent therewith, the following words and phrases shall have the meanings set forth below:

- (a) "AGREEMENT", "THIS AGREEMENT", "HERETO", "HEREIN", "HEREOF", "HEREBY", "HEREUNDER" and similar expressions refer to this Agreement as amended from time to time;
- (b) "BENEFIT PLANS", means the employee benefit plans as more fully described in Schedule 1.1(b) attached hereto;
- (c) "BUSINESS" means the business of operating the liquid and solid hazardous and non-hazardous waste treatment, storage, disposal and transportation services presently carried on by the Vendors at their facilities located in Fort Erie, Brantford and Pickering, Ontario;
- (d) "BUSINESS DAY" means any day other than a day which is a Saturday, a Sunday or a Statutory holiday in the Province of Ontario;
- (e) "CLOSING" means the completion of the sale and purchase by the Purchaser of the Purchased Assets under this Agreement;
- (f) "CLOSING DATE" means the 7th day of July, 1997 or such earlier or later date as may be mutually agreed upon in writing by the parties hereto but in any event, no later than the 31st day of July, 1997;
- (g) "CONTAMINANT" means any solid, liquid, gas, odour, heat, sound, vibration, radiation, or combination of any of them resulting directly or indirectly from human activities that may cause any of the following: (i) impairment of the quality of the Natural Environment for any use that can be made of it; (ii) injury or damage to property or to plant or animal life; (iii) harm or material discomfort to any person; (iv) an adverse effect on the health of any person; (v) impairment of the safety of any person; (vi) rendering any property or plant or animal life unfit for human use; (vii) loss of enjoyment of normal use of property; and (viii) interference with the normal conduct of business;
- (h) "CONTRACTS" shall have the meaning attributed hereto in Section 2.1(n) hereof;
- (i) "ENCUMBRANCES" means mortgages, charges, pledges, security interests, liens, encumbrances, actions, claims, demands and equities of any nature whatsoever or howsoever arising and any rights or privileges capable of becoming any of the foregoing;

(j) "ENVIRONMENTAL ACTIVITY" means any activity, event or circumstance in respect of a Contaminant, including, without limitation, its storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation, or its Release, escape, leaching, dispersal or migration into or movement through the Natural Environment;

(k) "ENVIRONMENTAL LAWS" means at any time any and all of the then applicable international, federal, state, municipal or local laws, statutes, regulations, codes, rules, treaties, orders, judgments, decrees and ordinances relating in full or in part to the protection of the Natural Environment or Environmental Activity, product liability and employee and public health and safety;

(l) "EQUIPMENT" means the equipment beneficially owned by the Vendors and used in the Business, as more particularly set out in Schedule 1.1(l);

(m) "EQUIPMENT LEASES" means those leases for equipment used in the Business by the Vendors as more particularly set out in Schedule 1.1(m);

(n) "FINANCIAL STATEMENTS" means the unaudited combined statement of assets, liabilities and stockholders' equity for the fiscal period ended December 31, 1996 and the accompanying statement of revenue, expenses and retained earnings and statement of cashflows for the period then ended as reported on by the Vendors and prepared in accordance with GAAP and a copy of such statements is attached as Schedule 1.1(n);

(o) "GAAP" means at any time, generally accepted accounting principles in Canada at such time.

(p) "GOVERNMENTAL ENTITY" means: (i) any multinational, federal, state, municipal, local or other governmental or public department, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision, agent, commission, board, or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

(q) "HAZARDOUS SUBSTANCE" means: (i) any flammable explosives; (ii) radioactive materials; (iii) substances included within the definitions of "hazardous substances", "hazardous materials", or "toxic substances" in the Environmental Laws or any regulations or rules promulgated pursuant to the Environmental Laws, all as enacted, promulgated and published and as enforced by authorities of competent jurisdiction as at the Closing; (iv) asbestos; (v) polychlorinated biphenyls, (vi) radon and (vii) gasoline, waste oil and other petroleum products;

(r) "INTERIM PERIOD" means the period between the date of execution of this Agreement and the Time of Closing.

(s) "LAWS" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, policies, voluntary restraints, guidelines, or any provisions of the foregoing, including general principles of common and civil law and equity, binding on or affecting the Person referred to in the context in which such word is used; and "LAW" means any one of them;

(t) "LEASES" means the lease and subleases of real property to which the Vendors are a party, as listed and described in the attached Schedule 1.1(t);

(u) "LEASED EQUIPMENT" means the equipment used in relation to the Business that is leased pursuant to the Equipment Leases;

(v) "LICENSE" means any permit, license, certificate, approval or authorization required under applicable Environmental Laws;

(w) "LOSS" means any loss whatsoever, including expenses, costs, damages, penalties, fines, charges, claims, demands, liabilities, interest and any and all legal fees and disbursements;

(x) "NATURAL ENVIRONMENT" means the air, land, subsoil, surface water and ground water, or any combination or part thereof in any jurisdiction in which the Vendors carries on business;

(y) "NET WORKING CAPITAL" means cash and cash equivalents plus Accounts Receivable (net of any allowance for bad debts) plus inventory plus pre-paid expenses less accounts payable less accrued liabilities;

(z) "PERMITS" shall have the meaning attributed hereto in Section 2.1(j), copies of which are more particularly set out in Schedule 1.1(z);

(aa) "PERMITTED ENCUMBRANCES" means the Encumbrances set out in Schedule 1.1(aa);

(bb) "PERSON" includes an individual, partnership, corporation, trust or unincorporated organization, a Governmental Entity or political subdivision thereof, a regulatory body or agency or any combination of the foregoing;

(cc) "PURCHASE PRICE" shall have the meaning attributed thereto in Section 3.1;

(dd) "PURCHASED ASSETS" means the undertaking and assets of the Business, which are to be sold by the Vendors to the Purchaser pursuant to Section 2.1 hereof;

(ee) "REAL PROPERTY" means all the real property, the registered and beneficial ownership of which is held by the Vendors or an affiliate and used in relation to the Business, which property is as described in Schedule 1.1(ee);

(ff) "RELEASE" means, without limitation, to deposit, leak, emit, add, spray, inject, inoculate, abandon, spill, seep, pour, empty, throw, dump, place and exhaust, and when used as a noun has a similar meaning;

(gg) "TIME OF CLOSING" means 1:00 p.m. (local time) on the Closing Date.

1.2 CURRENCY OF FUNDS: Unless otherwise indicated all dollar amounts referred to in this Agreement are in United States funds.

1.3 INTERPRETATION NOT AFFECTED BY HEADINGS OR PARTY DRAFTING: The division of this Agreement into articles, sections, paragraphs, subparagraphs and clauses and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein", "hereunder" and similar expressions refer to this Agreement and the schedules hereto and not to any particular article, section, paragraph, subparagraph, clause or other portion hereof and include any agreement or instrument supplementary or ancillary hereto. Each party hereto acknowledges that it and its legal counsel have reviewed and participated in settling the terms of this Agreement.

1.4 NUMBER AND GENDER: Words importing the singular include the plural and vice versa, and words importing gender include all genders.

1.5 CALCULATION OF TIME: When calculating the period of time within or following which any act is to be done or step taken pursuant to this Agreement, the date which is the reference date in calculating such period shall be excluded. If the last day of such period is not a Business Day, the period in question shall end on the next Business Day.

1.6 SCHEDULES: The following are the schedules attached to and incorporated in this Agreement by reference and deemed to be part hereof:

Schedule 1.1(b)	Benefit Plans
Schedule 1.1(l)	Equipment
Schedule 1.1(m)	Equipment Leases
Schedule 1.1(n)	Financial Statements
Schedule 1.1(t)	Leases
Schedule 1.1(z)	Permits
Schedule 1.1(aa)	Permitted Encumbrances

Schedule 1.1(ee)	Real Property
Schedule 2.1(e)	Customer List
Schedule 2.1(m)	Supply Contracts
Schedule 2.1(n)	Contracts
Schedule 2.1(o)	Intellectual Properties
Schedule 2.3	Assumed Liabilities
Schedule 2.4	Retained Liabilities
Schedule 3.1	Purchased Assets
Schedule 3.3(a)	Note
Schedule 3.3(b)	Guarantee
Schedule 3.5	Allocation of Purchase Price
Schedule 4.1(p)	Environmental Matters
Schedule 4.1(r)	Litigation
Schedule 4.1(t)	Employee Matters
Schedule 5.1(a)	Retained Employees
Schedule 7.2(e)	Non-Competition Agreement
Schedule 8.8	Letters of Credit and Bonds

ARTICLE 2
AGREEMENT OF PURCHASE AND SALE

2.1 PURCHASED ASSETS: Subject to the terms and conditions hereof, the Vendors hereby agree to sell, assign, transfer and convey to the Purchaser and the Purchaser hereby agrees to purchase from the Vendors, free and clear of Encumbrances, all of the property, assets and undertakings owned by the Vendors (other than the property and assets described in Section 2.2) and used in the operation of the Business, including, without limiting the generality of the foregoing:

- (a) MACHINERY, EQUIPMENT AND FURNITURE: all machinery, equipment, computer equipment, tools, furniture, furnishings and other miscellaneous items used in or relating to the Business including, without limitation, all those listed in Schedule 1.1(1) attached hereto;
- (b) LEASED EQUIPMENT AND VEHICLES: all right, title and interest of the Vendors in and under leases of equipment and vehicles used in or relating to the Business including, without limitation, all leases and other agreements listed in Schedule 1.1(m) attached hereto;
- (c) PREPAID EXPENSES: all prepaid expenses which are usable and consumable in the ordinary course of the Business relating to the Equipment, Leased Equipment and spare parts thereto of the Business as of the Time of Closing except for all prepaid insurance expenses;

(d) REAL PROPERTY: all rights, title and interest of the Vendors in and to the Real Property set forth in Schedule 1.1(ee);

(e) CUSTOMER LISTS AND INFORMATION: all customer lists, files, data and information relating to customers and prospective customers of the Business as of the Time of Closing, which most current customer list is attached hereto as Schedule 2.1(e);

(f) WARRANTY RIGHTS AND MAINTENANCE CONTRACTS: the full benefit of all warranties and warranty rights (express and implied) against manufacturers or sellers which apply to any of the Purchased Assets and all maintenance contracts on machinery, equipment and the other Purchased Assets;

(g) INVENTORIES: all raw materials and work-in-progress which are used or held for use by Vendors in the operation of the Business;

(h) BUSINESS RECORDS: all books, records, files and documents relating to the Business, including without limitation, books of account, ledgers, journals, sales and purchase records, lists of suppliers, credit information, cost and pricing information, business reports, plans and projections and all other correspondence, data and information, financial or otherwise, in any format and media whatsoever, related to the Business;

(i) GOODWILL: the goodwill of the Business, together with the exclusive right of the Purchaser to represent itself as carrying on the Business in continuation of and in succession to the Vendors

(j) LICENSE RIGHTS AND PERMITS: all licenses, permits and other rights and privileges owned or held by the Vendors in relation to the Business including those described in Schedule 1.1(z), other than those licenses specifically set out in such schedule as being non-transferable;

(k) REGULATORY LICENSES: all licenses, registrations and qualifications of the Business required by any governmental or regulatory authority, to the extent transferable, including those described in Schedule 1.1(z);

(l) INSURANCE BENEFITS: any benefits payable under all insurance policies relating to the Business or the other Purchased Assets in respect of claims based on occurrences prior to the Time of Closing as included in assets and balance sheets contained in the Financial Statements;

(m) SUPPLY CONTRACTS: the full benefit of all contracts providing for the supply of goods and services to the Business which are referred to in Schedule 2.1(m);

(n) CONTRACTS: all right, title and interest of the Vendors in, to and under, and the full benefit of, the customer contracts, all other revenue generating contracts and agreements of or pertaining to the Business to which the Vendors are party, as set out in Schedule 2.1(n) attached hereto;

(o) INTELLECTUAL PROPERTY: all right, title, interest and benefit of Vendors in and to all patents, copyrights, registered and unregistered trademarks, tradenames, logos, commercial symbols, industrial designs (including applications for all of the foregoing and renewals, divisions, extensions and re-issues, where applicable, relating thereto), inventions, licenses, trade secrets, patterns, drawings, computer software, formulae, technical information, concepts, methods, procedures, designs, service-marks and all other intellectual or industrial property relating to the Business or the Purchased Assets including without limitation the property listed in Schedule 2.1(o) ("Intellectual Properties");

(p) ACCOUNTS RECEIVABLE: all accounts receivable, notes receivable, rights to receive payments, and other debts due or accruing due to Vendors, generated by the Business and relating to work performed prior to the Time of Closing and any actions or proceedings which have been commenced in connection therewith ("Accounts Receivable"); and

(q) OTHER AGREEMENTS: all of the Vendors' right, title and interest to and under all contracts and agreements (written or oral) relating directly or indirectly to the Business as required for the operation of the Business.

(all of which property and assets are herein collectively referred to as the "Purchased Assets").

2.2 EXCLUDED ASSETS: There shall be specifically excluded from the Purchased Assets the following property and assets of the Vendors pertaining to the Business:

(a) the real property located in Pickering, Ontario, municipally known as 1070 Toy Avenue, Pickering, Ontario (the "Pickering Facility");

(b) all machinery, equipment and furniture located at the Pickering Facility;

(c) Certificate of Approval #A390414 in respect of the Pickering Facility; and

(d) any proceeds received from the surrender, satisfaction or replacement of the Financial Assurances pursuant to Section 8.8 of this Agreement.

2.3 ASSUMED LIABILITIES: Subject to the terms and conditions hereof, the Purchaser shall assume the following obligations of the Vendors pertaining to the Business upon Closing ("Assumed Liabilities"):

(a) all remaining obligations under the Equipment Leases, the Leases, the Benefit Plans and all Contracts to be assigned to the Purchaser as at the Time of Closing, it being agreed that any obligations under such leases, contracts and plans

which occurred or arose prior to the Time of Closing are not being assumed by the Purchaser and shall remain the liability of the Vendors;

(b) third party trade payables and operating accruals of the Business as at the Time of Closing; and

(c) waste disposal accruals,

all of such Assumed Liabilities being more particularly set forth in Schedule 2.3.

The Vendors will not be liable for, and the Purchaser will defend, indemnify and save harmless the Vendors, its officers, directors, employees, agents and shareholders from and against all obligations, commitments, expenses, costs and liabilities of and claims against the Vendors (whether absolute, accrued or contingent) relating to the Assumed Liabilities outlined in this Section 2.3.

2.4 RETAINED LIABILITIES AND INDEMNITY: The Purchaser will not assume and will not be liable for, and the Vendors will indemnify and save harmless the Purchaser, its officers, directors, employees, agents and shareholders from and against, all obligations, commitments, expenses, costs and liabilities of and claims against the Purchaser (whether absolute, accrued or contingent) relating to the Business, except for the Assumed Liabilities outlined in Section 2.3 above and any liabilities which are subject to the Purchaser's indemnification obligation pursuant to Section 8.3(d). Without limiting the generality of the foregoing, it is agreed that the Purchaser will have no liability for any of the following obligations and liabilities ("Retained Liabilities"):

(a) all liabilities in respect of all indebtedness of the Vendors to all persons, except as may be included in the assumed liabilities outlined in Section 2.3 above;

(b) all product liability claims and liabilities for product claims relating to any product or service of the Business produced, sold performed or delivered prior to the Closing Date;

(c) all liabilities for all taxes, duties, levies, assessments and other such charges, including any penalties, interests and fines with respect thereto, payable by the Vendors to any federal, provincial, local or other governmental agency, authority, board, bureau or commission, domestic or foreign, including, without limitation, any taxes in respect of or measured by the sale, consumption or performance by the Vendors of any product or service prior to the Closing Date and pursuant to any legislation in respect of all remuneration payable to all persons employed in the Business prior to the Closing Date.

(d) all liabilities for salary, bonus, vacation pay and other compensation and all liabilities under employee benefit plans of the Vendors relating to employment of all persons in the Business prior to the Time of Closing;

(e) all severance payments, costs or expenses associated with the termination of any of the corporate personnel of the Business presently located at the corporate offices in Burlington, Ontario, as more particularly set out in Schedule 2.4 and all severance payments, costs, expenses or damages for wrongful dismissal and all related costs in respect of the termination by the Vendors of the employment of any employee of the Business who does not accept the Purchaser's offer of employment and in respect of any employee of the Business who is not offered employment by the Purchaser;

(f) all liabilities for claims for injury, disability, death or workers' compensation arising from or related to employment in the Business prior to the Closing Date.

2.5 PAYMENT OF TAXES: The Purchaser shall be liable for and shall pay all applicable federal and provincial sales tax, excise taxes and all other taxes (other than income taxes of the Vendors), duties and other like charges properly payable upon and in connection with the conveyance and transfer of the Purchased Assets to the Purchaser. The Vendors will do and cause to be done such things as are reasonably requested to enable the Purchaser to comply with such obligation in an efficient manner. The parties agree to jointly make, execute and file with the appropriate taxation authorities the election required under subsection 167(1) of the Excise Tax Act (Canada) so that there is no liability for tax under such Act. The parties further agree to jointly make, execute and file with the appropriate taxation authorities the election required under section 22 of the Income Tax Act (Canada). Such elections shall be prepared and filed in form and substance approved by the Purchaser.

2.6 SALES TAX CLEARANCE: The Vendors hereby represents and warrants to the Purchaser that all sales taxes and related interest and penalties in respect of the Business or the Purchased Assets have been fully paid. The Vendors shall provide, at the Time of Closing, tax clearances from the Province of Ontario or Revenue Canada to such effect.

ARTICLE 3 PURCHASE PRICE, ALLOCATION AND ADJUSTMENTS

3.1 PURCHASE PRICE: Subject to the adjustments provided for in this Agreement pursuant to Sections 3.2 and 3.4, the Purchase Price payable by the Purchaser to the Vendors for the Purchased Assets shall be the sum of Seven Million Dollars (\$7,000,000). The Purchase Price shall be allocated to the Purchased Assets in accordance with Schedule 3.1. The Parties shall jointly file elections under Section 22 of the Income Tax Act (Canada) and under Section 167 of the Excise Tax Act in relation to such allocation.

3.2 ADJUSTMENTS: Notwithstanding anything herein to the contrary contained, the Purchase Price shall be reduced by an amount equal to the value of all accrued but unpaid

sick leave credits and employee vacation pay to the extent not paid by the Vendors as at the close of business the day prior to the Closing Date in respect of those employees of the Business. In addition, all taxes, local improvements, rates, utilities, fuel, prepaid expenses (including insurance premiums), lease payments and fees and similar adjustments shall be apportioned and adjusted as at the close of business on the day prior to the Closing Date.

3.3 PAYMENT: Subject to the adjustments set out in Section 3.2 above, the Purchase Price shall be paid by the Purchaser to the Vendors by delivery of a note at Closing in the principal amount of Seven Million Dollars (\$7,000,000) in substantially the form set out in Schedule 3.3(a) (the "Note"), subject to the guarantee of Philip Services Corp. described in Schedule 3.3(b) (the "Guarantee").

3.4 ADJUSTMENT OF PURCHASE PRICE.

(a) The Purchase Price shall be adjusted following the Closing Date in the following manner:

(i) If the Net Working Capital of the Vendors as reported on the Vendors' balance sheet as of the Closing Date (the "Closing Date Balance Sheet") is less than \$468,000, the Purchase Price shall be reduced by an amount equal to the difference between \$468,000 and the Net Working Capital of the Vendors as reported on the Closing Date Balance Sheet.

(b) The Closing Date Balance Sheet shall be prepared by the Vendors in accordance with GAAP and shall be delivered by the Vendors to the Purchaser as promptly as practicable and in any event within fifteen Business Days after the Closing.

(c) The Purchaser shall have the opportunity to examine the work papers, schedules and other documents prepared by the Vendors in connection with its preparation of the Closing Date Balance Sheet. The Closing Date Balance Sheet shall be final and binding on the Parties unless, within fifteen Business Days after delivery to the Purchaser, notice is given by the Purchaser of its objection setting forth in reasonable detail the basis for such objection. If the Parties are unable to reach agreement within fifteen days after the notice of objection has been given, the dispute shall be referred for resolution to the offices of Ernst & Young LLP (the "Accountants") as promptly as practicable. The Accountants will make a determination as to each of the items in dispute, which determination will be (i) in writing, (ii) furnished to each of the Parties hereto as promptly as practicable after the items in dispute have been referred to the Accountants, (iii) made in accordance with this Agreement, and (iv) conclusive and binding upon each of the Parties hereto. The fees and expenses of the Accountants will be shared equally by the Purchaser and the Vendors. Each of the Parties hereto will use reasonable efforts to cause the Accountants to render their decision as soon as reasonably practicable, including, without limitation, by promptly complying with all

reasonable requests by the Accountants for information, books, records and similar items.

(d) Within three Business Days after the final determination of the Closing Date Balance Sheet, the Purchase Price shall be adjusted if and as required by Section 3.4(a) and the amount of any such decrease in the Purchase Price shall be set-off against the amount due pursuant to the Note.

3.5 ALLOCATION: The Vendors and the Purchaser covenant to agree upon the allocation of the Purchase Price among the Purchased Assets which allocation shall be set out in Schedule 3.5 and which allocation is subject to adjustment as agreed upon by the parties hereto pursuant to any adjustments under Section 3.4.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 REPRESENTATIONS AND WARRANTIES OF THE VENDORS: To induce the Purchaser to enter into this Agreement and to consummate the transaction of purchase and sale herein contemplated, the Vendors hereby represent and warrant to the Purchaser as follows and hereby acknowledge and confirm that the Purchaser is relying on such representations and warranties in connection with the purchase by it of the Purchased Assets:

(i) as to the Vendors;

(a) the Vendors are corporations duly incorporated, validly existing and in good standing under the laws of the Province of Ontario with full corporate capacity, power and authority (i) to own, lease and operate the Purchased Assets, (ii) to carry on the Business as heretofore conducted by them, (iii) to execute and deliver this Agreement, and all other agreements, documents and instruments to be executed and delivered pursuant hereto, (iv) to sell, assign, transfer, convey and deliver the Purchased Assets to the Purchaser as herein contemplated, and (v) to otherwise observe, perform, satisfy and carry out their obligations hereunder. Except as otherwise provided herein, the Vendors are duly authorized, qualified, permitted, and licensed under all applicable Laws to carry on the Business at the locations and in the manner in which such Business is now being conducted;

(b) the execution and delivery of this Agreement and all other agreements, documents and instruments to be executed and delivered by the Vendors pursuant hereto or in connection with the completion of the transaction contemplated herein will have been duly authorized and approved by all necessary action of the board of directors of the Vendors on or prior to the Closing Date and by any other necessary corporate action on the part of the Vendors to comply with applicable law;

(c) no suit, action or any other legal proceedings of any nature, kind or description whatsoever are pending or are threatened against the Vendors which would restrain or otherwise prevent, in any manner, the Vendors from effectually and legally transferring good and marketable title to the Purchased Assets to the Purchaser hereunder, nor are any suits, actions or any other legal proceedings relative to the Vendors, the effect of which would be to cause a lien to attach to such property or assets or to divest title to such property or assets from the Vendors hereunder, pending or threatened, and in particular, and without restricting the generality of the foregoing, the Vendors:

(i) have not had any petition or application for a receiving order in bankruptcy filed against them;

(ii) have not filed a proposal under any applicable insolvency, bankruptcy or creditor's rights legislation or otherwise taken any proceedings with respect to a compromise or arrangement with their creditors;

(iii) have not made a voluntary assignment in bankruptcy;

(iv) have not taken any proceedings, nor has any person instituted proceedings, to have the Vendors wound up or to have their charters canceled or their corporate existence terminated;

(v) have not taken any proceedings, nor have any proceedings been filed or taken against them, to have a receiver appointed to all or any part of their property or assets;

which petition, application, proposal, compromise, arrangement or other proceeding is presently pending and no execution has become enforceable against the Vendors or become levied upon any of their property or assets nor has any encumbrancer taken possession of any of the property or assets of the Vendors;

(d) no governmental or regulatory authorization, approval, order, consent or filing is required on the part of the Vendors in connection with the execution, delivery and performance of this Agreement or any other documents and agreements to be delivered under this Agreement or the performance of the Vendors' obligations under this Agreement;

(e) the Financial Statements have been prepared in accordance GAAP applied consistently, are correct and complete in all material respects and present fairly all of the assets, liabilities and financial position of the Business for the year ended December 31, 1996;

(f) since March 31, 1997:

(i) there has not been any material change in the financial condition, operations or prospects of the Business or the Purchased Assets other than changes in the ordinary and usual course of business, none of which has been materially adverse; or

(ii) there has not been any damage, destruction, loss, labour concerns or other event, development or condition of any character (whether or not covered by insurance) materially and adversely affecting the assets, properties or future prospects of the Business.

(g) this Agreement and any ancillary documents pursuant hereto have been duly and validly executed and delivered by the Vendors and constitute valid and legally binding obligations of the Vendors enforceable against them in accordance with the respective terms thereof, subject to the qualification that enforceability may be limited by bankruptcy, insolvency or other laws affecting the enforceability of creditors' rights generally and by general equitable principles;

(ii) as to the Purchased Assets:

(h) the Vendors, at the Time of Closing will be the sole unconditional owner of, and have good, valid and marketable title to, all of the Purchased Assets free and clear of all Encumbrances, conditional sale or other title retention agreements, restrictions, demands, equities, encumbrances and rights of any Persons or every nature, kind and description whatsoever (and, subject to zoning, occupancy and similar laws and regulations pertaining to use of the Real Properties, easements and restrictions of record, and Permitted Encumbrances, has good title to the Real Properties), including without limitation, rights of any Person (other than the Purchaser hereunder) to acquire any ownership interest in or right to possess or occupy any of the Purchased Assets, and the Vendors have the exclusive right and full power and authority to sell, assign, transfer, convey and deliver good and marketable title to such assets to the Purchaser as herein contemplated;

(i) all of the Equipment and Leased Equipment used in the operation of the Business is in substantially the same state of repair as when viewed and examined during the Purchaser's due diligence;

(j) the Leases are in good standing with the respective landlords and the Vendors are not in breach of any terms each of the Leases nor have the Vendors received any notice of breach of any terms of each of the Leases;

(k) each of the Equipment Leases are in good standing and the Vendors are not in breach of any terms of each of the Equipment Leases nor have the Vendors received any notice of breach of any terms of each of the Equipment Leases;

(l) all inventories are in good condition and repair, fit for their intended purpose and not obsolete;

(m) the Contracts and Supply Contracts, true and complete copies of which (or, in the case of oral arrangements, brief and accurate summaries of which) have been delivered to the Purchaser are in good standing and in full force and effect and have not been modified or supplemented in any way and constitute the entire agreement between the Vendors, on the one hand, and the lessee or other co-contractant on the other hand, such that there are no understandings, representations, warranties, allowances, concessions or promises affecting the Vendors' rights or obligations thereunder except as set forth in the said agreements. There exists no default or event of default or event, occurrence, condition or act (including the purchase of the Purchased Assets hereunder) which, with the giving of notice, lapse of time or the happening of any other event or condition, would become a material default or an event of default thereunder, except for the necessity of obtaining a consent;

(n) all Accounts Receivable shall have arisen only from bona fide transactions in the ordinary course of the Business, are fully collectible when due and are not subject to counterclaim or set off or are disputed by the account debtor except to the extent of the normal allowance for doubtful accounts computed in a manner consistent with the Vendors' prior practices;

(o) The Intellectual Properties used in or reasonably required for the carrying on of the Business in the manner heretofore carried on are set out in Schedule 2.1(o) and are validly owned by, or validly licensed to, the Vendors as indicated in Schedule 2.1(o). Except as otherwise expressly stated in Schedule 2.1(o), the Vendors (i) have the right to use such Intellectual Properties; (ii) are the owners of record of such Intellectual Properties; and (iii) have not conveyed, assigned or encumbered any of them in any manner which would permit use in the ordinary course by any party other than the Company. All registrations and filings necessary to preserve the rights of the Company in the Intellectual Properties have been made and are in good standing. To the knowledge of the Vendors, the conduct of the Business does not infringe upon the intellectual properties of any other Person.

(p) (i) Compliance. The Vendors have conducted and are conducting the Business in material compliance with all applicable Environmental Laws. There are no outstanding complaints, orders, citations, notices or orders of violation or non-compliance issued to the Vendors under any applicable Environmental Laws, and the Vendors do not to the best of their knowledge have reasonable grounds to know of any facts which could give rise to a notice of non-compliance with any applicable Environmental Laws. To the best of the Vendors' knowledge, a full and complete listing of any and all violations or alleged violations of any applicable Environmental Laws which have occurred within a period of two (2) years prior to Closing is set out in Schedule 4.1(p).

(ii) Licenses. The Vendors possess all Licenses required for the operation of the Business as presently conducted by them. All such

Licenses are valid and in full force and effect without conditions other than such conditions which are generally applicable to such Licenses. To the best of the Vendors' knowledge, a full and complete listing of any and all violations thereof which have occurred or been noted within a period of two (2) years prior to Closing is set out in Schedule 4.1(p). To the best of the Vendors' knowledge, no proceeding is pending or threatened to revoke or limit any of such Licenses. The Licenses were not obtained by a misrepresentation or false statement and all relevant facts were disclosed in obtaining the Licenses.

(iii) Offsite Remedial Action. Except as set forth in Schedule 4.1(p), there are no locations to which the Vendors have ever transported, or ever caused to be transported, or allowed or authorized any third party to transport on behalf of the Vendors, any Hazardous Substances generated by the Vendors for storage, treatment, processing, recycling, burning or disposal which have been designated for remedial action pursuant to any Environmental Laws.

(iv) On-Site Release of Hazardous Substances or Contaminants. Except as set forth in Schedule 4.1(p), the Vendors have not caused or permitted and do not have any knowledge of, the Release of any Hazardous Substance on any property owned, leased or used by them or of any Release (with respect to which the Vendors would be held liable) from a facility owned or operated by third parties.

(v) Hazardous Substance Spills. Except as set forth in Schedule 4.1(p), to the best of the Vendors' knowledge, there are no underground storage tanks containing Hazardous Substances situated on the Leased Properties or the Real Properties, no Hazardous Substance from any underground storage tank has been spilled, leaked, discharged or deposited on or in the Leased Properties or Real Properties in an amount which would constitute a reportable spill, leak, discharge or deposit under any applicable Environmental Laws, and there have been no violations or alleged violations of any Environmental Laws related to underground storage tanks owned or operated by the Vendors.

(vi) Documents and Records. The Vendors have maintained all environmental records and reports substantially in the manner and for the time period required by applicable Environmental Laws.

(q) there are no outstanding work orders, non-compliance orders, deficiency notices or other such notices relative to the Real Properties, the Purchased Assets or the Business which have been issued by any regulatory authority, police or fire department, sanitation, labour or other governmental authorities or agencies. There are no matters under discussion with any such department or authority relating to work orders, non-compliance orders, deficiency notices or other such

notices. The Business in not being carried on, and none of the Real Properties or the other Purchased Assets are being operated, in a manner which is in material contravention of any Law. No amounts are owing by the Vendors in respect of the Real Properties to any Governmental Entity or public utility, other than current accounts which are not in arrears. There are no premises leased by the Vendors for the operation of the Business pursuant to the terms of any lease, whether oral or written;

(iii) as to the Condition of the Business:

(r) except as disclosed in Schedule 4.1(r) attached hereto there are no claims, actions, suits, proceedings (including arbitration proceedings), or, to the best knowledge of the Vendors, investigations (whether or not purportedly on behalf of the Vendors) at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, bureau, agency or instrumentality, domestic or foreign, which involves the possibility of materially and adversely affecting the Purchased Assets or the Business; and to the best knowledge of the Vendors there are no existing grounds on which any claim, action, suit, proceeding or investigation might be commenced with any reasonable likelihood or success;

(s) during the period between March 31, 1997 to the date of this Agreement;

(i) the Business was operated in the ordinary course thereof, consistent with past practices;

(ii) no obligation or liability (fixed or contingent) was incurred except normal trade or business obligations incurred in the ordinary course of the Business, none of which is materially adverse to the Business.

(iv) as to Employee matters;

(t) Schedule 4.1 (t) annexed hereto sets forth:

(i) the names, current annual salaries, job positions, length of employment and date and amounts of the most recent increases in salaries of all Persons who are employed by the Vendors on a full-time or part-time basis in connection with the Business and including all independent commission agents;

(ii) particulars of any contracts, commitments, arrangements or understandings, written or oral, with any such employees or agents;

(iii) particulars of any agreements with any labour union or employee associations; and

(iv) particulars of all employee insurance, hospital or medical expense program, pension, retirement, profit sharing, stock options or other

employee benefit plans, programs or arrangements or any executive or key personnel incentives or other special compensation arrangements to which the Vendors are a party or are bound in respect of the employees or agents contemplated in (i) above.

(u) save as disclosed in Schedule 4.1(t), the Vendors do not have any agreements with any labour union or employee association nor have they made commitments to or conducted negotiations with any union or employee association with respect to any future agreements, and the Vendors are not aware of any current attempts to organize or establish any labour union or employee association for the employees of Vendors;

(v) the Vendors are not engaged in any material dispute with any of the employees identified in Schedule 4.1(t) annexed hereto and there is not now pending or threatened any labour dispute or work stoppage which affects or may affect the Business or may interfere with its continued operations and there are no outstanding breaches of any collective agreement or outstanding or potential grievances.

(w) the terms and conditions of employment of all such employees of the Business conform with the minimum employment and labour standards requirements laid down by the Province of Ontario, as applicable;

(x) all salaries, workers compensation assessments and surcharges, unemployment insurance assessments, pension remittances, remittances under the Business' profit sharing plan, employer health tax remittances, sick day credits, vacation pay including the monetary value of lieu days and associated payroll costs thereof, and similar charges or amounts with respect to all of the employees owing by the Vendors to those of its employees identified in Schedule 4.1(t) annexed hereto will have been paid up to the Closing Date or adjusted for at the Closing Date;

(v) as to Insurance:

(y) all of the Purchased Assets are insured and will be up to the Time of Closing (subject to the amount of any deductibles under such policies) against loss or damage by all insurable risks and hazards customarily insured against by Persons owning and operating property and assets and/or carrying on a business similar to the Purchased Assets and the Business. The Vendors are not in any technical or non-material breach or default with respect to any of the provisions contained in any such insurance policy which could result in the cancellation of any policy of insurance;

(vi) Miscellaneous:

(z) INTENTIONALLY BLANK.

(aa) at the Time of Closing, all remittances with respect to retail sales tax will have been made up to and including the Closing Date;

(bb)

(i) The Vendors are the registered and beneficial owner of the Real Properties, subject to zoning, occupancy and similar laws and regulations pertaining to use thereof, easements and restrictions of record and the Permitted Encumbrances.

(ii) All of the buildings and fixtures on the Real Properties (i) were to the best knowledge of the Vendors constructed in substantial accordance with all applicable laws and with all authorizations validly issued pursuant thereto; (ii) are in substantially the same condition as when viewed and examined during the Purchaser's due diligence; and (iii) to the best knowledge of the Vendors are adequate and suitable for the purposes for which they are presently being used; and the Vendors have adequate rights of ingress and egress for the operation of the Business in the ordinary course. None of the Real Properties or the buildings and fixtures thereon, nor the use, operation or maintenance thereof for the purpose of carrying on the Business, violates any restrictive covenant or any provision of any Law or encroaches on any property owned by any other Person, which violation has or would have a material adverse effect on the normal operation of the Business. No condemnation or expropriation proceeding is pending or, to the best knowledge of the Vendors, threatened which would preclude or materially impair the use of any such property or any part thereof for the purposes for which it is currently used. Except as may occur in the ordinary course of business, there are no outstanding work orders with respect to any of the Assets from or required by any municipality, police department, fire department, sanitation, health or safety authorities or from any other Person.

(cc) except for those liabilities set forth on the Financial Statements or otherwise disclosed hereunder, and for those liabilities incurred in the ordinary course of business, the Business or Purchased Assets are not subject to any liabilities, absolute or contingent, and whether or not required in accordance with GAAP to be disclosed on a balance sheet.

(dd) the Vendors have been and are conducting the Business in substantial compliance with all applicable Laws, other than Environmental Laws.

(ee) no representation or warranty of the Vendors contained in the Agreement or contained in any statement, document, certificate or list made, delivered or furnished by or on behalf of the Vendors pursuant to this Agreement or in connection with the consummation of the transaction herein contemplated contains

or will contain any untrue statement of a material fact or omits or will omit to state any fact necessary to make the statements herein and therein not misleading.

4.2 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER: The Purchaser hereby represents and warrants to the Vendors as follows and hereby acknowledges and confirms that the Vendors are relying on such representations and warranties in connection with the sale of the Purchased Assets:

(a) the Purchaser is a corporation duly incorporated, validly existing and in good standing under the laws of the Province of Ontario with full corporate capacity, power and authority to enter into this Agreement and carry out its obligations hereunder;

(b) the execution and delivery of the Agreement, and all other agreements, documents and instruments to be executed and delivered by the Purchaser pursuant hereto or in connection with the completion of the transaction contemplated herein have been duly authorized and approved by all necessary action of the board of directors of the Purchaser on or prior to the Closing Date and by any other necessary corporate action on the part of the Purchaser to comply with applicable law;

(c) the execution and delivery of the Agreement and all other agreements, documents and instruments to be executed and delivered by the Purchaser pursuant hereto or in connection with the completion of the transaction contemplated herein, and the performance of this Agreement or any other such agreement by the Purchaser will not:

(i) violate any provision of the Purchaser's Articles of Incorporation or by-laws, or

(ii) result in the breach of violation of any provision of or constitute a default under any indenture, agreement or other instrument to which the Purchaser is a party or by which the Purchaser or any of its properties may be bound, or

(iii) to the best knowledge of the Purchaser violate any law, rules or regulations to which the Purchaser is subject.

4.3 NON-WAIVER: Subject to the provisions of Section 4.4, no investigations made by or on behalf of either the Purchaser or the Vendors at any time shall have the effect of waiving, diminishing the scope of or otherwise affecting or mitigating any representation or warranty made herein or pursuant hereto or the right of the party or parties to whom such representation or warranty is made to rely on such representation and warranty.

4.4 KNOWLEDGE OF PARTIES: In the event that the Vendors on the one hand, or the Purchaser on the other hand (the "Knowing Party"), has actual knowledge at the time of the Closing that a representation or warranty made by the other Party is false or the other

Party has violated a covenant made by it under this Agreement, and the Knowing Party proceeds to the Closing notwithstanding such knowledge, the Knowing Party shall be deemed to have waived any rights it may have for indemnification or damages against the other Party to the extent that any damages result from such breach of representation or warranty or failure to perform such covenant.

ARTICLE 5
OTHER COVENANTS OF THE PARTIES

5.1 EMPLOYEES:

(a) OFFER OF EMPLOYMENT. Upon Closing, the Purchaser (i) shall offer employment to the employees of the Business set forth in Schedule 5.1(a) located at the facilities in Fort Erie and Brantford by way of a letter, at a minimum, on substantially the same terms and conditions of employment as each such employee has with the Vendors on the Closing Date, and (ii) may, in its sole discretion, offer employment to certain sales employees located at the Burlington, Ontario office as may be identified and selected by the Purchaser.

(b) OTHER BENEFITS. Until Closing, the Vendors shall be responsible for all wages, bonuses, earned vacations, sick leave, severance pay, and other remuneration benefits for all of the employees of the Business in respect of any period prior to the Closing Date. Thereafter, the Purchaser shall be responsible for all such benefits of the employees relating to after the Closing Date.

(c) SEVERANCE. Save and except in respect of those employees who accept the Purchaser's offers of employment made pursuant to Section 5.1(a), the Vendors shall be responsible for all notice of termination, severance and other obligations to the employees of the Business arising out of their termination of employment with the Vendors and the Vendors shall indemnify and save the Purchaser harmless in respect of all such obligations.

5.2 BULK SALES: The Vendors and the Purchaser hereby waive compliance with the provisions of applicable bulk sales legislation. Notwithstanding the foregoing, the Vendors shall indemnify and hold harmless the Purchaser from and against any and all claims which may be made or brought against the Purchaser or which the Purchaser may suffer or incur as a result of, or arising out of such non-compliance unless such non-compliance is a result of the Purchaser's non-satisfaction of assumed liabilities as described herein.

5.3 TAX ELECTIONS: The Vendors shall execute, in form and content to be reviewed and accepted by the Purchaser, the tax elections referred to in Section 2.5.

5.4 PICKERING PERMIT: The Vendors shall diligently pursue cancellation of the Certificate of Approval #A390414 of Republic Environmental Systems (Pickering) Ltd. in respect of its facility located at 1070 Toy Avenue, Pickering, Ontario, and shall in any case have arranged such surrender and cancellation within five (5) years following the Closing Date.

ARTICLE 6
INTERIM PERIOD COVENANTS

6.1 ACCESS FOR INVESTIGATION: During the Interim Period, the Vendors shall permit the Purchaser and its employees, agents, counsel and other representatives to make such reasonable investigation of the Purchased Assets and of the Business as the Purchaser deems reasonably necessary or advisable to familiarize itself with such properties, assets and other matters relating to the Business and the Purchased Assets and to confirm the matters represented and warranted in Section 4.1 hereof. For purposes of such investigation, the Vendors shall cause the directors, officers and employees of the Vendors to permit the Purchaser, the Purchaser's solicitors and other representatives of the Purchaser to have reasonable access, during normal business hours, on reasonable advance notice and without disruption to the operation of the Business, to all locations where the Business is carried on or where any of the Purchased Assets are located and to the books, contracts, commitments and records of the Vendors pertaining to the Business.

6.2 CONFIDENTIALITY COVENANT: Subject to disclosure in accordance with the provisions of Section 8.1 hereof, the Purchaser will treat as confidential all confidential documents and information concerning the Vendors, the Purchased Assets and the Business as the Vendors shall have furnished to the Purchaser or which is acquired by the Purchaser during its investigation pursuant to Section 6.1 hereof, and, if the sale of the Purchased Assets pursuant hereto shall not be consummated, such confidence shall be maintained and the Purchaser will not use or disclose to any Person any such document or information (except to the extent that such information can be shown to be previously known to the Purchaser, in the public domain, or later acquired by the Purchaser from other sources without any breach of confidentiality to the Vendors). In the event that this Agreement is terminated without consummation of the transaction of purchase and sale herein contemplated the Purchaser shall promptly return to the Vendors all documents, work papers and other written material and any copies thereof supplied to the Purchaser or its representatives by the Vendors in connection with the negotiation of this Agreement or pursuant to the investigation, if any, conducted by the Purchaser pursuant to Section 6.1 hereof.

6.3 COVENANTS OF VENDORS: The Vendors hereby covenant and agree that, during the Interim Period, the Vendors will:

- (a) do all things and cause all things to be done to ensure that all of the warranties and representations of the Vendors contained in this Agreement remain

true and correct throughout the Interim Period, as if such representations and warranties were continuously made throughout such period;

(b) carry on the Business only in the usual course thereof, consistent with past practices, which, without limitation, shall include substantial compliance with all applicable laws, regulations and administrative orders of all governmental, administrative or regulatory bodies or agencies having jurisdiction including all Environmental Laws, and use its best efforts to preserve the goodwill of the Business;

(c) refrain from any acts having the effect of dissuading any of the employees, agents, customers, clients, representatives, agents or suppliers of the Business to become associated with, or having the effect of inducing them to terminate its association with, the Purchaser;

(d) continue to maintain in full force and effect all policies of insurance of the Vendors now in effect relating to the Purchased Assets or the Business and give all notices and to present all claims under all such policies of insurance in due and timely fashion;

(e) not sell, agree to sell or otherwise dispose of or pledge, subject to lien, create security interest in or otherwise encumber any of the Purchased Assets except in the ordinary course of business;

(f) not increase the wages, salaries or any other forms of remuneration, direct or indirect, of any of the employees of the Business except in the ordinary course of business;

(g) use its best efforts to aid the Purchaser in engaging the Vendors' employees as are identified on Schedule 4.1(t) annexed hereto, which the Purchaser wishes to re-hire;

(h) promptly advise the Purchaser in writing of any material adverse change in the condition (financial or otherwise) of the Business or of the Purchased Assets or of the occurrence or filing of any dispute or complaint.

ARTICLE 7
CLOSING ARRANGEMENTS AND CONDITIONS AND RISK OF LOSS

7.1 PLACE OF CLOSING: The Closing of the transaction contemplated hereto shall take place at the Time of Closing, on the Closing Date at the Purchaser's office in Hamilton, Ontario, or at such other place as may be mutually agreed upon by the parties hereto or their respective solicitors.

7.2 CONDITIONS OF CLOSING: Completion of the purchase and sale of the Purchased Assets contemplated hereto is subject to the following conditions having been satisfied.

The conditions contained in Sections 7.2 (a) to (n), both inclusive, are for the exclusive benefit of the Purchaser. The conditions contained in Sections 7.2 (o) to (r), both inclusive, are for the exclusive benefit of the Vendors. All conditions referred to herein are to be satisfied at the Time of Closing. The following are the conditions:

(a) all of the representations and warranties of the Vendors contained in the Agreement or contained in any certificate or other document delivered to the Purchaser pursuant hereto shall be true and correct on and as of the Closing Date, with the same force and effect as if those representations and warranties had been made on and as of such date, regardless of the date as of which the information in this Agreement or in any such certificate or document is given, and there shall have been compliance with the covenants and obligations on the part of the Vendors contained herein which were to have been complied with by the Vendors at or prior to the Time of Closing and the Vendors shall have delivered to the Purchaser a certificate executed by the president or chief executive officer of the Vendors to that effect. The acceptance of such certificate and the completion of the transaction of purchase and sale herein contemplated shall not be a waiver of the covenants, representations and warranties contained herein or in any certificate or other document given pursuant to this Agreement (except to the extent that any such representations or warranties have been modified by the information disclosed in the certificate so delivered and accepted by the Purchaser), which covenants, representations and warranties shall continue in full force and effect as provided in Section 8.1 hereof;

(b) the Vendors shall deliver to the Purchaser all necessary deeds, conveyances, bills of sale, assurances, transfers, assignments, consents, releases, discharges and other documents, necessary or reasonably required in the opinion of the Purchaser, to transfer effectively to the Purchaser good and marketable title to the Purchased Assets free and clear of all mortgages, liens, charges, security interests, pledges, adverse claims, conditional sale or other title retention agreements, restrictions, demands, equities, encumbrances and rights of any Person of every nature, kind and description whatsoever including, without limiting the generality of the foregoing, of the tax clearance certificates referred to in Section 2.6 hereof with respect to the remittance of Ontario sales taxes;

(c) the Vendors shall have delivered to the Purchaser possession of the Purchased Assets including documents relating to the Business contemplated in Section 2.1 hereof;

(d) the Purchaser shall have obtained or received all licenses, permits, consents, approvals and authorizations from all Governmental Entities under all applicable Laws, as may be necessary and appropriate to enable the Purchaser to carry on the Business in the same manner in which such Business is now being carried on by the Vendors or as may be required to permit the change of ownership of the Purchased Assets herein provided for to be completed, without

affecting or resulting in the cancellation or termination of any Permit or of any license or permit held by the Purchaser;

(e) the Vendors and RESI shall execute a non-competition agreement whereby the Vendors and RESI agree to refrain from engaging in any similar business to the Business within Canada for a period of five (5) years from the Closing Date, which agreement shall be in substantially the form as set forth in Schedule 7.2(e);

(f) on the Closing Date, and except as otherwise contemplated hereunder, title to the Purchased Assets shall be free and clear of all mortgages, liens, charges, security interest, pledges, adverse claims, conditional sale or other title retention agreements, restrictions, description whatsoever and there shall have been no material change to the Purchased Assets;

(g) the Vendors shall provide to the Purchaser on the Closing Date the written consent of each lessor or third party under the Equipment Leases, Supply Contracts and Contracts to the assignment of same to the Purchaser and each of the lessors' and third party's acknowledgments that the Vendors are not in breach of any terms of each of the Equipment Leases, Contracts and Supply Contracts;

(h) INTENTIONALLY BLANK

(i) INTENTIONALLY BLANK

(j) the Vendors shall have delivered to the Purchaser reasonable and satisfactory evidence that the Vendors are at the Closing Date residents of Canada within the meaning of the Income Tax Act (Canada);

(k) the Vendors shall have performed or complied with all of its obligations, covenants and agreements hereunder;

(l) the Purchaser shall have satisfied itself

(i) as to the accuracy of the Financial Statements; and

(ii) that no material adverse change in the Business has occurred or is likely to occur.

(m) the Purchaser shall have secured the approval of its board, authorizing and approving the transaction of purchase and sale herein contemplated, and shall have delivered to the Vendors a copy of such resolution of the board of directors evidencing the due authorization of the Purchaser to enter into this Agreement, to consummate the transaction of purchase and sale herein contemplated and to otherwise perform its obligations hereunder;

(n) the transaction contemplated in and by the share purchase agreement between Republic Environmental Systems, Inc., as vendor, and Philip Environmental (Delaware), Inc., as purchaser, shall have been completed;

(o) all of the representations and warranties of the Purchaser contained in this Agreement or contained in any certificate or other document delivered to the Vendors pursuant hereto shall be true and correct on and as of the Closing Date with the same force and effect as if such representations and warranties have been made on and as of such date, regardless of the date as of which the information in this Agreement or in any such certificate or document is given, and there shall have been compliance with the covenants and obligations on the part of the Purchaser contained herein which were to have been complied with at or prior to Closing and the Purchaser shall have delivered to the Vendors a certificate executed by the president or chief executive officer of the Purchaser to that effect. The acceptance of such certificate and the completion of the transaction of purchase and sale herein contemplated shall not be a waiver of the covenants, representations and warranties contained herein or in any certificate or document given pursuant to this Agreement (except to the extent that any such representations or warranties have been modified by the information disclosed in the certificate so delivered and accepted by the Vendors), which covenants, representations and warranties shall continue in full force and effect as provided in Section 8.1 hereof;

(p) the Purchaser shall have paid to the Vendors the amount payable at Closing pursuant to Section 8.1;

(q) the Purchaser shall have performed on complied with all its obligations, covenants and agreements hereunder; and

(r) the transaction contemplated in and by the share purchase agreement between Republic Environmental Systems, Inc., as vendor, and Philip Environmental (Delaware), Inc., as purchaser, shall have been completed.

7.3 RISK OF LOSS: If, at or prior to the Closing, all or any part of the Purchased Assets are lost, destroyed or damaged by fire or any other casualty, event or circumstance or are expropriated or otherwise seized by governmental or other lawful authority the Vendors shall immediately advise the Purchaser thereof in writing and the Purchaser shall have the option, exercisable by notice in writing to be given by the Purchaser to the Vendors within five (5) business days of the Purchaser receiving the aforesaid notice from the Vendors to either:

(a) reduce the Purchase Price by the fair market value of all or any part of the Purchased Assets so lost, destroyed or damaged, or

(b) in regard to circumstances in which a material part of the Purchased Assets is so lost destroyed or damaged, refuse to complete the transaction contemplated

herein by notice to the Vendors and in such event all parties hereto shall be released from all obligations hereunder.

ARTICLE 8
SURVIVAL OF REPRESENTATIONS AND INDEMNIFICATION

8.1 NATURE AND SURVIVAL OF REPRESENTATIONS AND WARRANTIES: The representations, warranties, covenants and agreements of the parties hereto contained in this Agreement shall survive the Closing for a period of one (1) year, save and except those representations and warranties made pursuant to Section 4.1(p)(iii), which shall survive for a period of five (5) years.

8.2 INDEMNIFICATION BY VENDORS AND RESI: The Vendors and RESI covenant and agree to indemnify and save harmless the Purchaser and its shareholders and their officers, directors, employees, agents and representatives from and against any and all losses, damages, liabilities, costs and expenses (including reasonable legal fees and disbursements on a solicitor and his own client basis) suffered or incurred by the Purchaser or any such other Person as a result of, in consequence of or arising out of, under or by reason of:

(a) any representations or warranty of the Vendors contained in this Agreement or contained in any document or certificate delivered by the Vendors pursuant hereto or in connection with the completion of the transaction herein contemplated being untrue, inaccurate or misleading in any material respect;

(b) a breach by the Vendors in any respect of any of its covenants or obligations contained herein or contained in any document or instrument delivered by the Vendors pursuant hereto or in connection with completion of the transaction contemplated herein; or

(c) any claim made against the Purchaser in relation to the Retained Liabilities.

The Vendors and RESI have no obligation to indemnify an indemnified party under Section 8.2 until the Purchaser has suffered (i) losses, claims or damages related to or arising from a breach of the Vendors' representations and warranties made pursuant to Section 4.1(p) for which the Vendors are responsible hereunder in excess of an aggregate of Two Hundred and Fifty Thousand Dollars (\$250,000) (the "Environmental Indemnification Threshold"), or (ii) losses, claims or damages for which the Vendors are responsible hereunder, other than those relating to matters set forth in (i) above in excess of an aggregate of One Hundred and Twenty-Five Thousand Dollars (\$125,000) (the "General Indemnification Threshold") and then only to the extent that such losses, claims and damages exceed the respective indemnification threshold. The Vendors shall not be liable for any losses, claims or damages once the aggregate amount of all such losses, claims or damages paid, or due to be paid, by the Vendors shall have reached \$7,000,000.

The Vendors shall be entitled to reduce the principal amount due under the Note in satisfaction of any claims in respect of which it is obligated to indemnify the Purchaser pursuant hereto.

8.3 INDEMNIFICATION BY PURCHASER: The Purchaser covenants and agrees to indemnify and save harmless the Vendors and their shareholders and their directors, offices, employees, agents and representatives (in respect of which the Vendors hereby act as agent and trustee with respect thereto) from and against any and all losses, damages, liabilities, costs and expenses (including reasonable legal fees and disbursements on a solicitor and his own client basis) suffered or incurred by the Vendors as a result of, in consequence of or arising out of, under or by reason of:

(a) any representation or warranty of the Purchaser contained in this Agreement or contained in any document or certificate delivered by the Purchaser pursuant hereto or in connection with the completion of the transaction herein contemplated being untrue, inaccurate or misleading in any material respect;

(b) any other breach by the Purchaser in any respect of any of its covenants or obligations contained herein or contained in any document or instrument delivered by the Purchaser pursuant hereto or in connection with the completion of the transactions contemplated herein;

(c) any liability pertaining to the Business, which occurs or arises after the Time of Closing in respect of an event or occurrence in a period after the Closing Date, except for the Retained Liabilities, and except for any liability resulting from a breach of the Vendors' representations and warranties made hereunder or from their failure to fulfill their covenants; or

(d) any liability pertaining to the Business arising directly or indirectly from breaches of Environmental Laws by the Vendors, Environmental Activity by the Vendors or the Release of Hazardous Substances to the Natural Environment by the Vendors, except to the extent such liability (i) results from a breach of any of the representations or warranties given by the Vendors hereunder within the respective survival period, (ii) results from a failure of the Vendors to fulfill any of their covenants hereunder, or (iii) relates to the Excluded Assets set forth in Schedule 2.2.

8.4 COLLECTION OF ACCOUNTS RECEIVABLE: If any Accounts Receivable, net of any allowance for doubtful accounts, in excess of an aggregate amount of Twenty-Five Thousand Dollars (\$25,000) shall not have been collected within one hundred and eighty days (180) from the Closing Date (the "Uncollected Receivables"), the Uncollected Receivables shall thereupon be assigned to the Vendors for collection. The Vendors shall forthwith make dollar-for-dollar payment to the Purchaser in respect of all Uncollected Receivables so assigned and the Purchaser shall thereupon assign to the Vendors all of the Purchaser's rights and entitlement under the Uncollected Receivables. All costs associated with such collection shall be borne by the Vendors.

8.5 INDEMNIFICATION PROCEDURE:

(a) Any party seeking indemnification under this Article (the "indemnified party") shall forthwith notify the party against whom a claim for indemnification is sought hereunder (the "indemnifying party") in writing, which notice shall specify, in reasonable detail, the nature and estimated amount of the claim. If a claim by a third party is made against an indemnified party, and if the indemnified party intends to seek indemnity with respect thereto under this Article, the indemnified party shall promptly (and in any case within 20 days of such claim being made) notify the indemnifying party of such claim with reasonable particulars. The indemnifying party shall have 20 days after receipt of such notice to undertake, conduct and control, through counsel of its own choosing and at its expense, the settlement or defense thereof, and the indemnified party shall cooperate with the indemnifying party in connection therewith; except that with respect to settlements entered into by the indemnifying party (i) the consent of the indemnified party shall be required if the settlement provides for equitable relief against the indemnified party, which consent shall not be unreasonably withheld or delayed; and (ii) the indemnifying party shall obtain the approval of the indemnified party. If the indemnifying party undertakes, conducts and controls the settlement or defense of such claim (i) the indemnifying party shall permit the indemnified party to participate in such settlement or defense through counsel chosen by the indemnified party, provided that the fees and expenses of such counsel shall be borne by the indemnified party; and (ii) the indemnifying party shall promptly reimburse the indemnified party for the full amount of any Loss resulting from any claim and all related expenses (other than the fees and expenses of counsel as aforesaid) incurred by the indemnified party in respect of any valid claim for indemnification under this Agreement. The indemnified part shall not pay or settle any claims so long as the indemnifying party is reasonably contesting any such claim in good faith on a timely basis. Notwithstanding the two immediately preceding sentences, the indemnified party shall have the right to pay or settle any such claim provided that in such event it shall waive any right to indemnity therefor by the indemnifying party.

(b) With respect to third party claims, if the indemnifying party does not notify the indemnified party within 20 days after the receipt of the indemnified party's notice of a claim of indemnity hereunder that it elects to undertake the defense thereof, the indemnified party shall have the right, but not the obligation, to contest, settle or compromise the claim in the exercise of its reasonable judgment at the expense of the indemnifying party.

(c) In the event of any claim by a third party against an indemnified party, the defense of which is being undertaken and controlled by the indemnifying party, the indemnified part will use all reasonable efforts to make available to the indemnifying party those employees whose assistance, testimony or presence is necessary to assist the indemnifying party in evaluating and in defending any such claims.

(d) With respect to third party claims, the indemnified party shall make available to the indemnifying party or its representatives on a timely basis all documents, invoices and financial ledgers, records and other materials in the possession of the indemnified party, at the expense of the indemnifying party, reasonably required by the indemnifying party for its use in defending any claim and shall otherwise cooperate on a timely basis with the indemnifying part in the defense of such claim.

(e) With respect to the Environmental Indemnification Threshold and the Indemnification Threshold, the Purchaser shall provide to the Vendors an accounting at three (3) month intervals, commencing with the first three (3) month period after the Closing Date, summarizing the costs which the Purchaser claims are being assessed to the respective threshold amounts. Upon request of the Vendors, the Purchaser shall submit to the Vendors all documentation supporting such costs, including consultant and contractor invoices.

(f) With respect to any liability for income, corporate, sales, excise, or other tax or other liability which has resulted in an encumbrance against the property of the indemnified party, the indemnifying party's right to so contest shall only apply after such payment of such re-assessment or the provision of such security as is necessary to remove such encumbrance on the property of the indemnified party.

8.6 REMEDIATION REQUIREMENTS: The Purchaser agrees that any remediation performed by the Purchaser or the Vendors shall be consistent with the industrial use of the Real Property and shall make maximum benefit, to the extent commercially reasonable to do so, of institutional controls, engineering controls and natural remediation pursuant to Environmental Laws in order to minimize investigation and remediation costs to the extent feasible.

8.7 VENDORS' RIGHT TO ASSERT CLAIMS: Nothing in this Agreement shall prevent the Vendors from asserting any claim which they may have against any person, corporation, partnership or other entity (other than the Purchaser or any of its affiliated companies) related to matters which are the subject of the Vendors' indemnification obligations pursuant to Section 8.2; provided, however, that in no case shall the Vendors' obligation to indemnify the Purchaser hereunder be conditional upon the assertion or ultimate success or any such claim. The Purchaser agrees to assign to the Vendors any claim in respect of such indemnified matters which the Purchaser may have against any Person, other than claims against any Persons the assertion of which, in the reasonable judgment of the Purchaser, would interfere with the on-going business relations of the Purchaser with such Persons. The Purchaser agrees that any amounts recovered by the Vendors regarding any claims asserted by them in accordance with the terms hereof shall be retained solely by the Vendors.

8.8 LETTERS OF CREDIT AND BONDS: The Purchaser shall, as soon as is reasonably practicable, and in any case within 90 days after the Closing date, replace the outstanding letters of credit, bonds, financial assurances, guarantees and security interests ("Financial

Assurances") set forth in Schedule 8.8 which the Vendors have in place in relation to the Business and shall indemnify and hold harmless the Vendors from any liabilities arising therefrom. Any proceeds from the surrender, satisfaction or replacement of any of the above shall remain the asset of the Vendors or RESI, as the case may be.

ARTICLE 9
GENERAL CONTRACT PROVISIONS

9.1 NOTICE:

(1) Any notice, designation, communication, request, demand or other document, required or permitted to be given or sent or delivered hereunder to any party hereto shall be in writing and shall be sufficiently given or sent or delivered if it is:

- (a) delivered personally to an officer or director of such party;
- (b) sent to the party entitled to receive it by registered mail, postage prepaid, mailed in Canada or the United States, or
- (c) sent by telecopy machine.

(2) Notices shall be sent to the following addresses or telecopy numbers:

(a) in the case of the Vendors:

c/o Republic Environmental Systems, Inc.
101 West Avenue
3rd Floor
Jenkintown, Pennsylvania 19046

Fax No.: (215) 517-4844

(b) in the case of the Purchaser:

Philip Enterprises Inc.
100 King Street West
P. O. Box 2440 LCD 1
Hamilton, Ontario L8N 4J6

Attention: General Counsel
Fax No.: (905) 521-9160

(c) in the case of RESI:

Republic Environmental Systems, Inc.
 101 West Avenue
 3rd Floor
 Jenkintown, Pennsylvania 19046

Fax No.: (215) 517-4844

or to such other address or telecopier number as the party entitled to or receiving such notice, designation, communication, request, demand or other document shall, by a notice given in accordance with this section, have communicated to the party giving or sending or delivering such notice, designation, communication, request, demand or other document.

Any notice, designation, communication, request, demand or other document given or sent or delivered as aforesaid shall

(c) if delivered as aforesaid, be deemed to have been given, sent, delivered and received on the date of delivery;

(d) if sent by mail as aforesaid, be deemed to have been given, sent, delivered and received (but not actually received) on the tenth Business Day following the date of mailing, unless at any time between the date of mailing and the fourth Business day thereafter there is a discontinuance or interruption of regular postal service, whether due to strike or lockout or work slowdown affecting postal service at the point of dispatch or delivery or any intermediate point, in which case the same shall be deemed to have been given, sent, delivered and received in the ordinary course of the mails, allowing for such discontinuance or interruption of regular postal service, and,

(e) if sent by telecopy machine, be deemed to have been given, sent, delivered and received on the date the sender receives the telecopy answer back confirming receipt by the recipient.

9.2 TIME OF ESSENCE: Time shall be of the essence of this Agreement and of every part hereof and no extension or variation of this Agreement shall operate as a waiver of this provision.

9.3 FURTHER ASSURANCES: The parties hereto shall, with reasonable diligence do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated hereby and each party shall provide such further documents or instruments required by any other party as may be reasonably necessary or desirable to effect the purpose of this Agreement and to carry out its provisions, whether before or after the consummation of the transaction contemplated herein.

9.4 EXPENSES: Each of the parties hereto shall bear its own respective expenses (including, but not limited to, all compensation and expenses of counsel, financial advisors, consultants, actuaries, auditors, brokerage finder's fees or other fees or commissions) incurred in connection with the negotiations, preparation and execution of this Agreement, the consummation of the transaction contemplated hereto and any post-closing matters. The Vendors shall indemnify and save harmless the Purchaser from any such fees or commissions payable by the Business.

9.5 GOVERNING LAW: This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario, which shall be deemed to be the proper law hereof. The Courts of the Province of Ontario shall have jurisdiction to entertain and determine all dispute and claims, both at law and in equity, arising out of or in any way connected with the construction, breach or alleged, threatened or anticipated breach of this Agreement, and shall have jurisdiction to hear and determine all questions as to the validity, existence or enforceability thereof.

9.6 ENTIRE AGREEMENT: This Agreement shall constitute the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the parties hereto, and there are no representations, warranties or agreements between the parties hereto except as set forth in contemplated herein or in any document or instrument delivered pursuant hereto. This Agreement shall not be amended except by a memorandum in writing signed by all of the parties hereto and any amendment hereof shall be null and void and shall not be binding upon any party which has not given its consent as aforesaid.

9.7 ASSIGNMENT: Neither this Agreement nor any rights or obligations hereunder shall be assignable by any party hereto without the prior written consent of the other parties hereto, except that the Purchaser shall, without any prior consent required, be entitled to assign this Agreement to a related or affiliated company to be incorporated in the Province of Ontario, provided, however, that in no case shall such assignment relieve the Purchaser from its obligations hereunder. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, legal representative, successors and permitted assigns.

9.8 PUBLICITY: Neither the Vendors nor the Purchaser shall issue any press release or make any other public statement or announcement relating to or connected with or arising out of this Agreement or the matters contained herein, without consulting in advance with the other party on the form, timing, contents, manner of presentation and publication thereof. If disclosure is required by law or by any stock exchange, the disclosing party shall consult in advance with the other party hereto and attempt in good faith to reflect such other party's concerns in the required disclosure.

9.9 COUNTERPARTS: This Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered shall be deemed to be an

original and such counterparts together shall constitute one and the same instrument, which shall be sufficiently evidenced by any such counterpart.

9.10 STORAGE AND ACCESS TO RECORDS: The Purchaser agrees to provide the Vendors (as well as the Vendors' accountants, auditors or other representatives) reasonable use of the Purchaser's (and Vendors' former) employees to gain access to the books and records forming part of the Purchased Assets and otherwise provide reasonable access to such books and records during normal business hours at the premises of the Business, to the extent necessary to complete any financial statements required for this Agreement or otherwise required by the Vendors, to collect any accounts receivable re-assigned by the Purchaser to the Vendors, to prosecute or defend claims or lawsuits, to prepare tax returns and to comply with audits by taxing authorities. The Purchaser will not dispose of any such books and records that were compiled by the Vendors without prior written notice to the Vendors and providing the Vendors with a reasonable opportunity to re-possess such books and records.

9.11 INTERIM PERIOD. The Vendors and RESI hereby agree that during the Interim Period, they shall not enter into any discussions or negotiations with any third party in respect of the sale of the Business or the Purchased Assets, or substantially all of the assets or shares of the Vendors.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the parties hereto have hereunto set their respective hands and seals as of the date first written above.

REPUBLIC ENVIRONMENTAL
SYSTEMS (FORT ERIE) LTD.

REPUBLIC ENVIRONMENTAL
SYSTEMS (BRANTFORD) LTD.

PER:

PER:

REPUBLIC ENVIRONMENTAL
SYSTEMS (PICKERING) LTD.

PHILIP ENTERPRISES INC.

PER:

PER:

REPUBLIC ENVIRONMENTAL
SYSTEMS, INC.

PER:

GUARANTY AGREEMENT

This Guaranty Agreement ("Guaranty") is made on July 23, 1997, by PHILIP SERVICES CORP., an Ontario corporation (the "Guarantor") (which term shall be deemed to include its distributees, successors and assigns).

RECITALS

A. PHILIP ENTERPRISES, INC. ("Purchaser"), REPUBLIC ENVIRONMENTAL SYSTEMS, INC. and REPUBLIC ENVIRONMENTAL SYSTEMS (BRANTFORD) LTD. ("Vendor") are parties to an Asset Purchase Agreement dated June 13, 1997 (the "Agreement").

B. Pursuant to the Agreement, Purchaser has substantial obligations to Vendor and is delivering to Vendor a promissory note (the "Note").

C. Execution and delivery of this Guaranty is required pursuant to Section 3.3 of the Agreement.

D. Guarantor is executing and delivering this Guaranty in consideration of and as inducement for Vendor closing the transactions under the Agreement.

E. Guarantor is the parent company of Purchaser and will derive a substantial and direct benefit from the consummation of the transactions under the Agreement.

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Guarantor agrees as follows:

1. GUARANTY. Guarantor, intending to be legally bound, hereby guarantees, absolutely and unconditionally, to Vendor the full and prompt payment of and any and all amounts (including, without limitation, Vendor's legal expenses and reasonable attorneys' fees and disbursements) payable by Purchaser under the Agreement and the Note, and hereby further guarantees the full and timely performance and observance of all of the covenants, terms, indemnities, conditions and agreements therein provided to be performed and observed by Purchaser; and Guarantor hereby covenants and agrees to and with Vendor that if default shall at any time be made by Purchaser in the payment of any amounts due under the Agreement or the Note, or if Purchaser should default in the performance and observance of any of the terms, covenants, agreements, indemnities and conditions contained in the Agreement or the Note, Guarantor shall and will forthwith pay amounts and will faithfully perform, observe and fulfill all of such terms, covenants, indemnities, agreements and conditions and will forthwith pay to Vendor all damages that

may arise in consequence of any default by Purchaser under the Agreement or the Note, including, without limitation, all reasonable attorneys' fees, and disbursements incurred by Vendor or caused by any such default or the enforcement of this Guaranty.

2. EFFECTIVENESS. This Guaranty is an absolute and unconditional guaranty of payment (and not of collection) and of performance. The liability of Guarantor is co-extensive with that of Purchaser. Guarantor hereby expressly agrees that the validity of this Guaranty and the obligations of Guarantor hereunder shall in no way be terminated, affected, diminished or impaired by reason of: (a) the assertion or the failure to assert by Vendor against Purchaser of any of the rights or remedies reserved to Vendor pursuant to the terms, covenants and conditions of the Agreement or the Note, or (b) by non-liability of Purchaser under the Agreement or the Note by reason of Purchaser's insolvency or discharge in bankruptcy.

3. CONTINUING GUARANTY. This Guaranty is a continuing guaranty, and the liability of Guarantor hereunder shall in no way be affected, modified or diminished by reason of: (a) any assignment of the Agreement or the Note, or (b) any extension of time that may be granted by Vendor to Purchaser, or (c) any consent, indulgence or other action, inaction or omission under or in respect of the Agreement or the Note, or (d) any bankruptcy, insolvency, reorganization, liquidation, arrangement, assignment for the benefit of creditors, receivership, trusteeship or similar proceeding affecting Purchaser, whether or not notice thereof is given to Guarantor.

4. BANKRUPTCY, ETC. Should Vendor be obligated by any bankruptcy or other law to repay to Purchaser or to Guarantor or to any trustee, receiver or other representative of either of them, any amounts previously paid, this Guaranty shall be reinstated in the amount of any such repayment. Vendor shall not be required to litigate or otherwise dispute its obligations to make such repayments if Vendor, in good faith, believes that such obligation exists.

5. NO WAIVER. No delay on the part of Vendor in exercising any right, power or privilege under this Guaranty or failure to exercise the same shall operate as a waiver of or otherwise affect any such right, power or privilege, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. No waiver or modification of any provision of this Guaranty nor any release or termination of this Guaranty shall be effective unless in writing, signed by Vendor; nor shall any such waiver be applicable except in the specific instance for which given.

6. EXERCISE OF RIGHTS. All of Vendor's rights and remedies under the Agreement, the Note and under this Guaranty, now or hereafter existing at law or in equity or by statute or otherwise, are intended to be distinct, separate and cumulative, and

no exercise or partial exercise of any such right or remedy therein or herein mentioned is intended to be in exclusion of or a waiver of any of the others.

7. PAYMENTS. Guarantor agrees that whenever at any time or from time to time Guarantor shall make any payment to Vendor or perform or fulfill any term, covenant or condition hereunder or under the Agreement or the Note on account of the liability of Guarantor hereunder, Guarantor will notify Vendor in writing that such payment or performance, as the case may be, is for such purpose. No such payment or performance by Guarantor pursuant to any provision hereof shall entitle Guarantor, by subrogation or otherwise, to the rights of Vendor to any payment by Purchaser or out of the property of Purchaser, except after payment of all sums or fulfillment of all covenants, terms, conditions or agreements to be paid or performed by Purchaser.

8. ESTOPPEL. Guarantor agrees that Guarantor will at any time and from time to time, within ten business days following written request by Vendor, execute, acknowledge and deliver to Vendor a statement certifying that this Guaranty is unmodified and in full force and effect (or if there has been any modification, that the same is in full force and effect as modified and stating such modification). Guarantor agrees that such certificate may be relied on by anyone holding or proposing to acquire any interest in Vendor.

9. WAIVER OF JURY TRIAL. AS A FURTHER INDUCEMENT TO VENDOR TO CLOSE UNDER THE AGREEMENT AND IN CONSIDERATION THEREOF, GUARANTOR COVENANTS AND AGREES THAT IN ANY ACTION OR PROCEEDING BROUGHT ON, UNDER OR BY VIRTUE OF THIS GUARANTY, GUARANTOR SHALL AND DOES HEREBY WAIVE TRIAL BY JURY.

10. GOVERNING LAW. Without regard to principles of conflicts of laws, the validity, interpretation, performance and enforcement of this Guaranty shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

11. LEGAL CAPACITY. Guarantor warrants and represents to Vendor that Guarantor has the legal right and capacity to execute this Guaranty. In the event that this Guaranty shall be held ineffective or unenforceable by any court of competent jurisdiction, then Guarantor shall be deemed to be Purchaser under the Agreement and the Note with the same force and effect as if Guarantor were expressly named as Purchaser therein.

12. NUMBER; GENDER. All terms and words in this Guaranty, regardless of the number or gender in which they are used, shall be deemed to include any other number or any other gender as the context may require.

13. DEFAULT. If Guarantor fails to pay any amount payable under this Guaranty when due, interest on such amount shall accrue from the date such amount was due until paid at the prime rate per annum (or substitute similar rate) quoted by Citibank, N.A., plus 4% on the basis of a 360-day year for the actual number of days elapsed.

14. JURISDICTION; SERVICE OF PROCESS. Guarantor irrevocably submits to the jurisdiction of any Pennsylvania State or Federal court sitting in the Commonwealth of Pennsylvania over any suit, action or proceeding arising out of or relating to this Guaranty. Guarantor hereby agrees that Vendor shall have the option in its sole discretion to lay the venue of any such suit, action or proceeding in the courts of the Commonwealth of Pennsylvania or the United States of America for the District of Pennsylvania. Guarantor irrevocably waives to the fullest extent permitted by law any objection which Guarantor may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in such court and any claim that any suit, action or proceeding brought in such court has been brought in an inconvenient forum. Guarantor agrees that a final judgment in any such suit, action or proceeding brought in such court shall be conclusive and binding upon Guarantor. Guarantor hereby irrevocably appoints Purchaser as authorized agent to accept, on behalf of Guarantor, service of any and all process which may be served in any suit, action or proceeding of the nature referred to above. Process may be served in any suit, action or proceeding of the nature referred to above by any method permitted by law or by registered or certified mail, postage prepaid, return receipt requested, to Purchaser. Guarantor agrees that such service shall be deemed in every respect effective service of process upon Guarantor in any such suit, action or proceeding and shall, to the fullest extent permitted by law be taken and held to be a valid personal service upon and personal delivery to Guarantor.

IN WITNESS WHEREOF, the undersigned has duly executed this Guaranty as of the date first above written.

ATTEST:

By _____
Name:
Title:

PHILIP SERVICES CORP.

By _____
Name:
Title:

SHARE PURCHASE AGREEMENT made the 13th day of June, 1997.

AMONG:

PHILIP ENVIRONMENTAL (DELAWARE), INC., a corporation incorporated under the laws of the State of Delaware

("PURCHASER")

- and -

REPUBLIC ENVIRONMENTAL SYSTEMS, INC., a corporation incorporated under the laws of the State of Delaware

("VENDOR")

- and -

REPUBLIC ENVIRONMENTAL RECYCLING (NEW JERSEY), INC., a corporation incorporated under the laws of the State of New Jersey, REPUBLIC ENVIRONMENTAL SYSTEMS (TECHNICAL SERVICES GROUP), INC., a corporation incorporated under the laws of the State of New Jersey, REPUBLIC ENVIRONMENTAL SYSTEMS (PENNSYLVANIA), INC., a corporation incorporated under the laws of the Commonwealth of Pennsylvania, REPUBLIC ENVIRONMENTAL SYSTEMS (TRANSPORTATION GROUP), INC., a corporation incorporated under the laws of the Commonwealth of Pennsylvania, and CHEM-FREIGHT, INC., a corporation incorporated under the laws of the State of Ohio

(collectively, the "COMPANIES")

WHEREAS:

- A. The Vendor is the registered and beneficial owner of all of the issued and outstanding shares in the capital of the Companies; and
- B. The Vendor has agreed to sell to the Purchaser and the Purchaser, in reliance upon the representations and warranties of the Vendor contained herein, has agreed to purchase from the Vendor all of the issued and outstanding shares in the capital of the Companies, in accordance with the terms of this Agreement.

NOW THEREFORE, in consideration of the premises and the mutual agreements contained in this Agreement and other valuable consideration (the receipt and adequacy of this consideration by each of the Parties is hereby acknowledged), the Parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 DEFINED TERMS. As used in this Agreement, the following terms have the following meanings:

(a) "ADVERSE EFFECT" means one or more of: (i) impairment of the quality of the Natural Environment for any use that can be made of it; (ii) injury or damage to property or to plant or animal life; (iii) harm or material discomfort to any person; (iv) an adverse effect on the health of any person; (v) impairment of the safety of any person; (vi) rendering any property or plant or animal life unfit for human use; (vii) loss of enjoyment of normal use of property; and (viii) interference with the normal conduct of business;

(b) "ACCOUNTS RECEIVABLE" means all accounts receivable, notes receivable and other debts due or accruing due to the Companies net of any allowance for doubtful accounts, as of the Closing Date in connection with the Business;

(c) "AGREEMENT" means this share purchase agreement and all schedules and instruments in amendment or confirmation of it; "HEREOF", "HERETO" and "HEREUNDER" and similar expressions mean and refer to this Agreement and not to any particular Article, Section, Subsection or other subdivision; "ARTICLE", "SECTION", "SUBSECTION" or other subdivision of this Agreement followed by a number means and refers to the specified Article, Section, Subsection or other subdivision of this Agreement;

(d) "ANCILLARY AGREEMENTS" means all agreements, certificates and other instruments delivered or given pursuant to this Agreement including the First Note and the Second Note, as hereinafter defined; and "ANCILLARY AGREEMENT" means any one of such agreements, certificates or other instruments;

(e) "ARTICLES" means the articles of incorporation of the Companies, as in force on the date hereof;

(f) "ASSETS" means all of the property, rights and assets owned, leased or used by the Companies in the Business, including, without limitation: (i) the right, title, interest and benefit of the Companies in and to the Owned Properties, the Leased Properties, the Owned Equipment and the Inventories; (ii) the right, title, interest and benefit of the Companies in the Easements; (iii) the right, title, interest and benefit of the Companies in, to and under the equipment leases relating to the Leased Equipment and the Contracts, including all customer

contracts and customer lists; (iv) the goodwill of the Business; (v) all shares or rights of any nature whatsoever in the capital of any other company, partnership or joint venture owned by the Companies, if any; (vi) the right, title, interest and benefit of the Companies in the Authorizations; and (vii) the right, title, interest and benefit of the Companies in and to all registered and unregistered trade marks, trade and brand names, service marks, copyrights, designs, inventions, patents and patent applications (including any patents issuing on such applications), licenses, sublicenses, technology and other industrial property of or pertaining to the Business or owned or used by the Companies in the Business;

(g) "AUTHORIZATION" means any authorization, order, permit, approval, grant, license, consent, right, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decree, or by-law, rule or regulation of any Governmental Entity other than a License;

(h) "BENEFIT PLANS" means all employee benefit plans, policies and practices relating to the employees of the Companies, including profit sharing, deferred compensation, phantom stock option, stock option, employee stock purchase, bonus, retirement, health or insurance plans (oral or written) which are disclosed on Schedule 1.1(h);

(i) "BOOKS AND RECORDS" means all technical, business and financial records, financial books and records of account, books, data, reports, files, lists, drawings, plans, logs, briefs, customer and supplier lists, deeds, certificates, contracts, surveys, title opinions or any other documentation and information in any form whatsoever (including written, printed, electronic or computer printout form) relating to the Business;

(j) "BUILDINGS AND FIXTURES" means all plant, buildings, structures, erections, improvements, appurtenances and fixtures (including fixed machinery and fixed equipment) situate on the Leased Property;

(k) "BUSINESS" means the business presently and heretofore carried on by the Companies in the states of New Jersey, Pennsylvania and Ohio and elsewhere and consisting of a the provision of liquid and solid hazardous and non-hazardous waste treatment, storage, disposal and transport services;

(l) "BUSINESS DAY" means any day of the year, other than a Saturday, Sunday or any day on which banks are required or authorized by Law to close in Philadelphia, Pennsylvania;

(m) "CLAIM" means any claim of any nature whatsoever, including any demand, liability, obligation, debt, cause of action, suit, proceeding, judgment, award, assessment, and reassessment;

(n) "CLOSING" means the completion of the transaction of purchase and sale contemplated in this Agreement;

(o) "CLOSING DATE" means the 7th day of July, 1997, or such earlier or later date as the parties may agree in writing but in any event, no later than the 31st day of July, 1997;

(p) "CLOSING TIME" means 10:00 a.m. local time or such other time on the Closing Date as the completion of the transaction of purchase and sale contemplated herein may occur;

(q) "CONSENTS" has the meaning ascribed in Section 7.1(c);

(r) "CONTAMINANT" means any solid, liquid, gas, odour, heat, sound, vibration, radiation, or combination of any of them resulting directly or indirectly from human activities that may cause an Adverse Effect;

(s) "CONTRACTS" means all written contracts (but specifically excluding contracts cancelable upon thirty (30) days notice without penalty or payment or providing for the payment of money of less than Twenty Five Thousand Dollars (\$25,000.00)) to which any of the Companies is a party including all contracts, leases of personal property, licenses, undertakings, engagements or commitments of any nature, to which any of the Companies is entitled in connection with the Business (the "Contracts"), including: (i) unfilled purchase orders received by the Companies; (ii) forward commitments by the Companies for supplies or materials entered into in the ordinary course of the Business; (iii) all restrictive agreements and negative covenant agreements which the Companies may have with its employees, past or present; and (iv) the Contracts listed in Schedule 1.1(s);

(t) "CORPORATE RECORDS" means the corporate records of the Companies, including: (i) all articles, by-laws, any unanimous shareholders agreement and any amendments thereto; (ii) all minutes of meetings and resolutions of shareholders, directors and any committee thereof; (iii) the share certificate books, register of shareholders, register of transfers and register of directors; and (iv) all accounting records excepting, however, accounting records in the possession of the Vendor which also reflect the results of operations or financial condition of entities other than the Companies;

(u) "EASEMENTS" means any rights or interests that the Companies has in the lands or properties which the Companies uses to carry on the Business;

(v) "ENCUMBRANCES" means negative covenants, liens, charges, mortgages, pledges, security interests, claims, defects of title, restrictions and any other rights of third parties relating to any property, including rights of set-off and voting trusts, and other encumbrances of any kind;

(w) "ENVIRONMENTAL ACTIVITY" means any past, present or future activity, event or circumstance in respect of a Contaminant, including, without limitation, its storage, use,

holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation, or its Release, escape, leaching, dispersal or migration into or movement through the Natural Environment;

(x) "ENVIRONMENTAL LAWS" means at any time any and all of the then applicable international, federal, provincial, state, municipal or local laws, statutes, regulations, codes, rules, treaties, orders, judgments, decrees, ordinances, official directives and all authorizations relating to the Natural Environment or any Environmental Activity;

(y) "FINANCIAL STATEMENTS" means the unaudited combined statement of assets, liabilities and stockholders' equity for the fiscal period ended December 31, 1996 and the accompanying statement of revenue, expenses and retained earnings and statement of cashflows for the period then ended as reported on by the Companies and prepared in accordance with GAAP;

(z) "FISCAL YEAR" means the twelve calendar month fiscal period of the Companies commencing on the 1st day of January of each year and ending on the 31st day of December of the same year as such Fiscal Year may from time to time be changed in accordance with applicable law;

(aa) "GAAP" means at any time, generally accepted accounting principles in the United States at such time;

(ab) "GOVERNMENTAL ENTITY" means: (i) any multinational, federal, state, municipal, local or other governmental or public department, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision, agent, commission, board, or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

(ac) "HAZARDOUS SUBSTANCE" means: (i) any flammable explosives; (ii) radioactive materials; (iii) substances included within the definitions of "hazardous substances", "hazardous materials", or "toxic substances" in the Environmental Laws or any regulations or rules promulgated pursuant to the Environmental Laws, all as enacted, promulgated and published and as enforced by authorities of competent jurisdiction as at the Closing; (iv) asbestos; (v) polychlorinated biphenyls, (vi) radon and (vii) gasoline, waste oil and other petroleum products;

(ad) INTENTIONALLY BLANK

(ae) "INTERIM PERIOD" means the period between the close of business on the date hereof and the Closing Time on the Closing Date;

(af) "INTELLECTUAL PROPERTIES" means all right, title, interest and benefit of the Companies in and to any registered and unregistered word marks, trade and brand names, service marks, copyrights, copyright applications, designs, inventions, patents, patent applications, patent rights (including any patents issuing on such applications or rights), licenses, sub-licenses, franchises, formulas, processes, know-how, technology, computer rights and other intellectual or industrial property of the Companies or pertaining to the Business, including the property listed in Schedule 1.1(af);

(ag) "INVENTORIES" means all inventories of, parts, accessories and miscellaneous items of the Companies whether or not related to the Owned Equipment or the Leased Equipment and used by the Companies in the Business;

(ah) "LAWS" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, policies, voluntary restraints, guidelines, or any provisions of the foregoing, including general principles of common and civil law and equity, binding on or affecting the Person referred to in the context in which such word is used; and "LAW" means any one of them;

(ai) "LEASED PROPERTIES" means the real property forming the subject matter of the Leases;

(aj) "LEASED EQUIPMENT" means all personal property leased by the Companies as listed in Schedule 1.1(aj);

(ak) "LEASES" means the leases and subleases of real property to which the Companies are a party, as listed and described in Schedule 1.1(ak);

(al) "LICENSE" means any permit, license, certificate, approval or authorization required under applicable Environmental Laws;

(am) "LOSS" means any loss whatsoever, including expenses, costs, damages, penalties, fines, charges, claims, demands, liabilities, interest and any and all legal fees and disbursements;

(an) "NATURAL ENVIRONMENT" means the air, land, subsoil, surface water and ground water, or any combination or part thereof in any jurisdiction in which the Companies carries on business;

(ao) INTENTIONALLY BLANK

(ap) "NON-COMPETITION AGREEMENT" means the non-competition agreement substantially in the same form as Schedule 1.1(ap) between the Vendor and the Purchaser;

(aq) "OWNED EQUIPMENT" means all equipment owned by the Companies and used in connection with the Business;

(ar) "OWNED PROPERTIES" means all real property the registered and beneficial ownership of which is held by the Companies, a complete list and a summary description of which is provided in Schedule 1.1(ar);

(as) "PARTIES" means the Vendor, the Purchaser and the Companies and any other person who may become a party to this Agreement; and "PARTY" means any one of them;

(at) "PERMITTED ENCUMBRANCES" means the Encumbrances disclosed in Schedule 1.1(at);

(au) "PERSON" means an individual, partnership, corporation, trust, unincorporated association, joint venture or other entity or Governmental Entity, and pronouns have a similarly extended meaning;

(av) "PURCHASE PRICE" has the meaning ascribed in Section 2.2;

(aw) "PURCHASED SHARES" has the meaning ascribed in Section 2.1;

(ax) "RELEASE" means, without limitation, to deposit, leak, emit, add, spray, inject, inoculate, abandon, spill, seep, pour, empty, throw, dump, place and exhaust, and when used as a noun has a similar meaning; and

(ay) "SPECIAL INDEMNIFIED MATTERS" means the matters set forth in Schedule 1.1(ay) which are the subject of the special environmental indemnification pursuant to Section 9.4; and

(az) "UNCOLLECTIBLE RECEIVABLES" has the meaning ascribed in Section 3.20.

1.2 GENDER AND NUMBER. Any reference in this Agreement to gender shall include all genders, and words importing the singular number only shall include the plural and vice versa.

1.3 HEADINGS, ETC. The provision of a table of contents, the division of this Agreement into Articles, Sections, Subsections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or interpretation of this Agreement.

1.4 CURRENCY. All references in this Agreement or in any Ancillary Agreement to dollars or cents, including the Purchase Price, are expressed in United States currency, unless otherwise specifically stated.

1.5 SEVERABILITY. Any Article, Section, Subsection or other subdivision of this Agreement or any other provision of this Agreement or any Ancillary Agreement which is, or becomes, illegal, invalid or unenforceable shall be severed from this Agreement or any Ancillary Agreement and be ineffective to the extent of such illegality, invalidity or unenforceability and shall not affect or impair the remaining provisions hereof or thereof.

1.6 ENTIRE AGREEMENT. This Agreement together with the Ancillary Agreements and the confidentiality agreement dated November 11, 1996 constitute the entire agreement between the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties including without limitation the Letter Agreement dated February 14, 1997, and all subsequent extension letters, if any, relating thereto among the Purchaser, the Vendor and the Companies. There are no representations, warranties, conditions or other agreements, express or implied, statutory or otherwise, between the Parties in connection with the subject matter of this Agreement, except as specifically set forth herein and in the Ancillary Agreements.

1.7 AMENDMENTS. This Agreement and any Ancillary Agreement may only be amended, modified or supplemented by a written agreement signed by all of the Parties to such agreement.

1.8 WAIVER. No waiver of any of the provisions of this Agreement or any Ancillary Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar), nor shall such waiver constitute a waiver or continuing waiver unless otherwise expressly provided in writing duly executed by the Party to be bound thereby.

1.9 GOVERNING LAW. This Agreement and any Ancillary Agreements shall be governed by and interpreted and enforced in accordance with the laws of the Commonwealth of Pennsylvania and the laws of the United States applicable therein which apply to contracts made and to be performed entirely in Pennsylvania.

1.10 INCLUSION. Where the word "including" or "includes" is used in this Agreement it means "including (or includes) without limitation".

1.11 ACCOUNTING TERMS. All accounting terms not specifically defined in this Agreement shall be construed in accordance with GAAP.

1.12 INCORPORATION OF SCHEDULES. All of the schedules attached hereto are hereby incorporated in and shall be deemed a part of this Agreement.

ARTICLE 2
PURCHASED SHARES AND PURCHASE PRICE

2.1 PURCHASE AND SALE. Subject to the terms and conditions hereof, the Vendor agrees to sell, assign, transfer and deliver to the Purchaser free and clear of all mortgages, liens, charges, security interest, adverse claims, pledges, encumbrances, restrictions and claims of every kind and the Purchaser agrees to purchase from the Vendor at the Closing Time on the Closing Date, 100% of the issued and outstanding shares in the capital of the Companies (the "PURCHASED SHARES").

2.2 PURCHASE PRICE. Subject to the adjustments referred to in Section 2.3, the aggregate purchase price (the "PURCHASE PRICE") payable by the Purchaser to the Vendor for the Purchased Shares shall be Seventeen Million Dollars (\$17,000,000), to be satisfied by (i) payment on Closing to the Vendor of a cash amount of Eight Million Dollars (\$8,000,000), (ii) delivery to the Vendor on Closing of a note in the principal amount of Eight Million Dollars (\$8,000,000) (hereinafter the "First Note") in substantially the form set out in Schedule 2.2(ii); and (iii) delivery to the Vendor on Closing of a note in the principal amount of One Million Dollars (\$1,000,000) (hereinafter the "Second Note") in substantially the form set out in Schedule 2.2(iii).

2.3 EXCLUDED LIABILITIES. Subject to the terms and conditions hereof, the Purchaser shall not assume or in any way be liable or responsible for any of the following liabilities of the Companies, which liabilities shall remain the sole and exclusive responsibility of the Vendor:

- (a) severance costs or expenses associated with the termination of any of the corporate personnel of the Companies presently located at the corporate offices in Blue Bell, Pennsylvania, as more particularly set out in Schedule 2.3(a) who are not engaged by the Purchaser as at Closing; and
- (b) the Special Indemnified Matters.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 REPRESENTATIONS AND WARRANTIES OF THE VENDOR. The Vendor represents and warrants as follows to the Purchaser and acknowledges and confirms that the Purchaser is relying upon such representations and warranties in connection with the purchase by the Purchaser of the Purchased Shares:

CORPORATE MATTERS RELATING TO THE VENDOR AND THE COMPANIES

3.2 DUE INCORPORATION AND EXISTENCE OF THE COMPANIES. Each of the Companies is a corporation incorporated and existing under the laws of the jurisdiction of its incorporation, in good standing and qualified to do business in such jurisdiction.

3.3 CORPORATE POWER. Each of the Companies has the corporate power to own its property and to carry on the Business as now being conducted by it. The Companies are duly qualified, licensed or registered to carry on business in all jurisdictions in which the nature of the Assets or the Business makes such qualification necessary and where failure to be so qualified would have an adverse effect on the affairs, assets, liabilities, business or prospects, operations or conditions of the Companies or the Business, financial or otherwise, or where the Companies own or lease any material properties or assets or conducts any material business.

3.4 AUTHORIZED CAPITAL. The authorized capital of the Companies is as follows:

	Authorized -----	Issued -----
Republic Environmental Recycling, Inc.	200 common shares, no par value	100
Republic Environmental Systems (Technical Services Group), Inc.	1,000 common shares, no par value	100
Republic Environmental Systems (Pennsylvania), Inc.	10,000 common shares, \$1.00 par value	1,000
Republic Environmental Systems (Transportation Group), Inc.	10,000 common shares, no par value	1,000
Chem-Freight, Inc.	750 common shares, no par value	750

All of the issued shares in the capital of the Companies are outstanding as fully paid and non-assessable shares.

3.5 OPTIONS, ETC. No Person has any option, warrant, right, call, commitment, conversion right, right of exchange or other agreement or any right or privilege (whether by law, preemptive or contractual) capable of becoming an option, warrant, right, call, commitment, conversion right, right of exchange or other agreement (i) for the purchase from the Vendor of any shares of the Companies; or (ii) for the purchase, subscription, allotment or issuance of any of the unissued shares in the capital of the Companies or of any securities of the Companies or any right capable of becoming any of the foregoing.

3.6 TITLE TO PURCHASED SHARES. The Vendor is the registered and beneficial owner of all of the Purchased Shares with good title thereto, free and clear of all Encumbrances. The Vendor has the right, power and authority to enter into this Agreement and to sell such Purchased Shares

owned by it. The delivery of the Purchased Shares to the Purchaser pursuant to the provisions hereof will transfer to the Purchaser valid title thereto, free and clear of all Encumbrances.

3.7 CHANGE OF CONTROL. The change of control in the shareholdings of the Companies in favor of the Purchaser will not in any respect invalidate or vitiate any permit, license or other Authorization currently held by the Companies.

3.8 DIVIDENDS AND DISTRIBUTIONS. Since December 31, 1996, the Companies have not, directly or indirectly, declared or paid any dividends or declared or made any other distribution on any of its shares of any class and has not, directly or indirectly, redeemed, purchased or otherwise acquired any of its shares of any class or agreed to do so.

3.9 CORPORATE RECORDS. The Corporate Records of the Companies are complete and accurate in all material respects and all corporate proceedings and actions reflected therein have been conducted or taken in material compliance with all applicable Laws and with the articles and by-laws of the Companies, and without limiting the generality of the foregoing, (i) the minute books contain complete and accurate minutes of all meetings of the directors and shareholders of the Companies held since the incorporation of such Company, and all such meetings were duly called and held; (ii) the minute books contain all written resolutions passed by the directors and shareholders of the Companies and all such resolutions were duly passed; (iii) the share certificate books, register of shareholders and register of transfers of the Companies are complete and accurate, and all such transfers have been duly completed and approved and any required tax payable in connection with the transfer of any securities of the Companies has been duly paid; and (iv) the registers of directors and officers are complete and accurate and all former and present directors and officers of the Companies were duly elected or appointed as the case may be.

3.10 VALIDITY OF AGREEMENT.

(a) The Vendor has all the necessary capacity and power to enter into and perform its obligations under this Agreement and any Ancillary Agreements to which it is a party.

(b) Each of the Companies has all necessary corporate power to enter into and perform its obligations under this Agreement and any Ancillary Agreements to which it is a party. The execution, and delivery and performance by each of the Companies of this Agreement and any Ancillary Agreements to which it is a party and the consummation of the transactions contemplated thereby:

(i) have been duly authorized by all necessary corporate action on the part of each of the Companies; and

(ii) would not, as a result of the execution and delivery and performance by each of the Companies of this Agreement, with the giving of notice, the lapse of time or the happening of any other event or condition result in a violation or a breach of, or a default under or give rise to a right of termination, amendment or cancellation or the

acceleration of any obligation under (1) any contracts or instruments to which any of the Companies is a party or by which any of the Companies is bound; (2) any of the Companies' Articles or by-laws; or (3) any Laws applicable to them.

(c) This Agreement and any Ancillary Agreements to which it is a party constitute legal, valid and binding obligations of the Vendor and the Companies, enforceable against them or it in accordance with their respective terms.

3.11 RESTRICTIVE DOCUMENTS. The Companies are not subject to, or a party to, any charter or by-law restriction, any Law, any Claim, any contract or instrument, any Encumbrance or any other restriction of any kind or character which would prevent the consummation of this Agreement or compliance by the Companies with the terms, conditions and provisions hereof or the continued operation of the Business by the Companies after the date hereof or the Closing Date on substantially the same basis as heretofore operated or which would restrict the ability of the Purchaser to acquire any of the Purchased Shares or would impair the Companies' ability to conduct the Business in any area.

GENERAL MATTERS RELATING TO THE BUSINESS

3.12 CONDUCT OF BUSINESS IN ORDINARY COURSE. Except as disclosed in Schedule 3.12, since December 31, 1996, the Business has been carried on in the ordinary course and none of the Companies has:

- (a) incurred any liability or obligation of any nature (whether accrued, absolute, contingent or otherwise), which individually exceeded Two Hundred and Fifty Thousand Dollars (\$250,000);
- (b) sold, transferred or otherwise disposed of any of the Assets except for the sale of Inventories in the ordinary course of the Business which individually or in the aggregate exceeds One Hundred Thousand Dollars (\$100,000);
- (c) made any capital expenditure or commitment therefor which individually or in the aggregate exceeds Two Hundred and Fifty Thousand Dollars (\$250,000);
- (d) increased its indebtedness for borrowed money, except current borrowings from banks in the ordinary course of the Business, or made any loan to any Person;
- (e) written off as uncollectible any notes or Accounts Receivable, except write-offs in the ordinary course of the Business, none of which individually or in the aggregate is material to any of the Companies;
- (f) cancelled or waived any material claims or rights;
- (g) made any change in any method of accounting or auditing practice;

(h) amended the articles or by-laws of any of the Companies, except as agreed with the Purchaser; or

(i) agreed, whether or not in writing, to do any of the foregoing.

3.13 NO MATERIAL ADVERSE CHANGE. Since December 31, 1996, there has been no change in the affairs, assets, liabilities, business, operations or conditions of the Companies or the Business, financial or otherwise, whether arising as a result of any revocation of any license or right to do business, fire, explosion, accident, casualty, labor trouble, flood, drought, riot, storm, condemnation, act of God or otherwise, which has materially adversely affected the Companies or the Business.

3.14 COMPLIANCE WITH LAWS. To the best of the Vendor's knowledge, the Companies are conducting their Business in substantial compliance with all applicable Laws other than Environmental Laws.

3.15 ENVIRONMENTAL MATTERS.

(a) COMPLIANCE. The Companies are conducting their Business in material compliance with all applicable Environmental Laws. Except as disclosed in Schedule 3.15, the Companies have not engaged in the generation, manufacture, refinement, treatment, transportation, storage, handling, incineration, disposal, transferring, production or processing of Hazardous Substances, except in material compliance with all Environmental Laws and there are no outstanding complaints, orders, citations, notices or orders of violation or non-compliance issued to the Companies under any applicable Environmental Laws, nor does the Vendor, to the best of its knowledge, know or have reasonable grounds to know of any facts which could give rise to a notice of non-compliance with any applicable Environmental Laws. To the best of the Vendor's knowledge, a full and complete listing of any and all violations or alleged violations of any applicable Environmental Laws which have occurred within a period of two (2) years prior to Closing is set out in Schedule 3.15.

(b) LICENSES. The Companies possess all Licenses required for the operation of the Business as presently conducted by it. All such Licenses are valid and in full force and effect without conditions other than such conditions which are generally applicable to such Licenses. To the best of the Vendor's knowledge, a full and complete listing of any and all violations thereof which have occurred or been noted within a period of two (2) years prior to Closing is set out in Schedule 3.15. To the best knowledge of the Vendor, no proceeding is pending or threatened to revoke or limit any of such Licenses. The Licenses were not obtained by a misrepresentation or false statement and all relevant material facts were disclosed in obtaining the Licenses.

(c) OFF-SITE REMEDIAL ACTION. Except as set forth in Schedule 3.15, there are no locations to which the Companies have ever transported, or ever caused to be transported, or allowed or authorized any third party to transport on behalf of the Companies, any Hazardous Substances generated by the Companies for storage, treatment, processing, recycling, burning or disposal which have been designated for remedial action pursuant to any Environmental Laws.

(d) ON-SITE RELEASE OF HAZARDOUS SUBSTANCES OR CONTAMINANTS. Except as set forth in Schedule 3.15, the Companies have not caused or permitted and does not have any knowledge of, the Release of any Hazardous Substance on any property owned, leased or used by them or of any Release (with respect to which the Companies would be held liable) from a facility owned or operated by third parties.

(e) HAZARDOUS SUBSTANCE SPILLS. Except as provided in Schedule 3.15, to the best of the Vendor's knowledge there are no underground storage tanks containing Hazardous Substances situated on the Owned Properties or the Leased Properties of the Companies, no Hazardous Substance from any underground storage tank has been spilled, leaked, discharged or deposited on or in the Owned Properties or the Leased Properties of the Companies in an amount which would constitute a reportable spill, leak, discharge or deposit under any applicable Environmental Laws, and there have been no violations or alleged violations of any Environmental Laws related to underground storage tanks owned or operated by the Companies.

(f) DOCUMENTS AND RECORDS. The Companies have maintained all material environmental records and reports substantially in the manner and for the time period required by applicable Environmental Laws.

3.16 AUTHORIZATIONS. The Companies possesses all Authorizations, other than Licenses, which are necessary for them to conduct the Business as presently conducted and are in compliance with all Laws applicable thereto. The Companies are not in default, nor have they received any notice of any claim of default, with respect to any such Authorizations. All such Authorizations are renewable by their terms or in the ordinary course of business without the need for the Companies to comply with any special qualification or procedures or to pay any amounts other than routine filing fees. No such Authorizations will be adversely affected by the consummation of the transactions contemplated hereby.

MATTERS RELATING TO THE ASSETS

3.17 TITLE TO THE ASSETS. The Companies have good title, free and clear of any and all Encumbrances, to all of the Owned Equipment and, subject to zoning, occupancy and similar laws and regulations pertaining to use of the Owned Properties, easements and restrictions of record, and the Permitted Encumbrances, has good title to the Owned Properties. The Assets include all rights and property reasonably necessary to the conduct of the Business by the Companies.

3.18 EQUIPMENT. The list of equipment attached hereto as Schedule 3.18 contains an accurate and complete list and description in all material respects of the vehicles, equipment and machinery owned or leased by the Companies in the Business. The Owned Equipment and the Leased Equipment is in substantially the same state of repair as when viewed and examined during the Purchaser's due diligence, subject to reasonable wear and tear thereafter.

3.19 NO OPTIONS, ETC. No Person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming such for the purchase from the Companies of any of the Assets, other than in the ordinary course of the Business.

3.20 ACCOUNTS RECEIVABLE. Except for uncollectible receivables which in the aggregate shall not exceed Twenty Thousand Dollars (\$20,000.00) (the "Uncollectible Receivables"), all accounts receivable and interest and other receivables of the Companies shown on its Financial Statements are good and collectible, none of the foregoing receivables are subject to counterclaim or set-off or are disputed by the account debtor. The accounts receivable, interest and other receivables at Closing and as shown on the Companies' Financial Statements, except for the Uncollectible Receivables, shall be collected in full within one hundred and twenty (120) days of the Closing Date. The amount of the Uncollectible Receivables shall be increased by the amount of any receivables recovered after the Closing Date (net of collection expenses incurred in relation thereto) which were previously written-off by the Companies and are not reflected in the Financial Statements.

3.21 PROPERTY.

(a) The Company is the registered and beneficial owner of the Owned Properties and the Company is not under any agreement or option to own any other real property or any interest therein or under any agreement to lease any real property other than pursuant to the Leases.

(b) To the best knowledge of the Vendor, all of the Building and Fixtures on the Owned Properties and the Leased Properties (i) were constructed in substantial accordance with all applicable Laws and with all Authorizations validly issued pursuant thereto; (ii) are in substantially the same state of maintenance and repair as when viewed and examined during the Purchaser's due diligence, subject to reasonable wear and tear thereafter; and (iii) are adequate and suitable for the purposes for which they are presently used; and with respect to each (and to the Leased Properties), the Companies have adequate rights of ingress and egress for the operation of the Business in the ordinary course. None of the Owned Properties or the Buildings and Fixtures thereon, nor the use, operation or maintenance thereof for the purpose of carrying on the Business, violates any restrictive covenant or any provision of any Law or encroaches on any property owned by any other Person, which violation has or would have a material adverse effect on the normal operation of the Business. No condemnation or expropriation proceeding is pending or, to the best knowledge of the Vendor, threatened which would preclude or materially impair the use of any such property or any part thereof for the purposes for which it is currently used. Except as may occur in the ordinary course of business, there are no outstanding work orders with respect to any of the Assets from or required by any municipality, police department, fire department, sanitation, health or safety authorities or from any other Person.

3.22 EASEMENTS. All of the Easements obtained by the Companies were obtained in accordance with all applicable Laws in all material respects and are in full force and effect as of the date hereof. The Companies are, and were at all times, in compliance with all material terms, conditions and covenants provided for in the Easements. Except for the Easements, the Companies do not require, in order to carry on the Business, any other authorization or permission from any land owner or lessee of any land involved in the carrying on of the Business by the Companies.

3.23 LEASES. The Companies are not a party to, or under any agreement or option to become a party to, any lease with respect to real property used or to be used in the Business other than the Leases. Each Lease is in good standing, creates a good and valid leasehold estate in the Leased Properties thereby demised and, in all material respects, is in full force and effect without amendment thereto. With respect to each Lease (i) all rents and additional rents due to the date hereof have been paid; (ii) neither the lessee nor, to the best knowledge, the lessor, is in material default thereunder; (iii) no waiver, indulgence or postponement of the lessee's obligations thereunder has been granted by the lessor; (iv) there exists no material event of default or event, occurrence, condition or act (including the purchase of the Purchased Shares hereunder) which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a default under such Lease; (v) the Companies have not violated any of the terms or conditions under any such Lease in any material respect; and (vi) to the best knowledge of the Vendor, all of the covenants to be performed by any other party under any such Lease have been fully performed. Each of the Leased Properties is in a state of good maintenance and repair, normal wear and tear excepted, and is adequate and suitable for the purposes for which it is presently used. True, correct and complete copies of the Leases have been provided or made available to the Purchaser. Schedule 1.1(ak) contains a true, correct and complete list of all of the Leases.

3.24 LIABILITIES. Except for those liabilities set forth on the Financial Statements, the Companies are not subject to any liabilities, absolute or contingent, and whether or not required in accordance with GAAP to be disclosed on a balance sheet.

3.25 MATERIAL CONTRACTS. Except as disclosed on the Financial Statements or in Schedule 3.25, and except for contracts of employment and contracts entered into in the ordinary course of business which require expenditures of not greater than Fifty Thousand Dollars (\$50,000.00) individually or One Hundred Thousand Dollars (\$100,000.00) in the aggregate, or which are cancelable upon thirty (30) days prior notice without penalty or payment, the Companies are not a party to or bound by:

(a) any bonus, deferred compensation, pension, profit sharing, stock option, phantom stock plan, employee stock purchase, health, insurance, retirement or other employee benefit plan, any collective bargaining agreements or any agreement (oral or written) providing for compensation to be paid to any employee consequent upon the sale of any substantial portion of outstanding shares in the capital of the Companies;

(b) any agreement or commitment relating to the borrowing of money;

- (c) any agreement or commitment relating to capital expenditures;
- (d) any loan or advance to, or investment in, any other Person or any agreement or commitment relating to the making of any such loan, advance or investment;
- (e) any bonds, debentures, mortgages, notes or other similar indebtedness or liabilities whatsoever or any agreement to create or issue any bonds, debentures, mortgages, notes or other similar indebtedness;
- (f) any guarantee or other contingent liability in respect of any indebtedness or obligation of any other Person (other than the endorsement of negotiable instruments for collection in the ordinary course of business);
- (g) any management, consulting or any other similar agreement or commitment;
- (h) any agreement or commitment limiting the freedom of the Companies or the owner of the Assets or the Business to engage in any line of business or to compete with any other Person;
- (i) any licensing or other agreement or commitment relating to intellectual property used by the Companies in the conduct of the Business;
- (j) any agreement or arrangement with any Person with whom the Companies (or its present or former directors, officers and employees) or the Vendor does not deal at arm's length;
- (k) any agreement or commitment not entered into in the ordinary course of the Business;
- (l) any oral or verbal agreement or commitment which has not been memorialized in or otherwise reduced to written form, irrespective of the amount of expenditures required thereunder; and
- (m) any agreement, arrangement, commitment or understanding with any Person whether written or oral, that is not in the Books and Records of the Companies,

except the Companies' debt and except for the Contracts, the insurance policies and the Benefit Plans described in Schedules 3.31, 1.1(s), 3.35 and 1.1(h).

3.26 NO BREACH OF CONTRACTS. Except as set forth in Schedule 3.26, each of the Contracts is in full force and effect, unamended, and there exists no default or event of default or event, occurrence, condition or act (including the purchase of the Purchased Shares hereunder) which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a material default or an event of default thereunder, except for the necessity of obtaining the Consents. The Companies have not violated or breached, in any material respect, any of the terms or conditions of any

Contract, and to the best of the knowledge of the Vendor, all the covenants to be performed by any other party thereto have been performed in all material respects. True, correct and complete copies of all written Contracts have been delivered or made available to the Purchaser.

3.27 SUBSIDIARIES. None of the Companies has any subsidiaries or agreements of any nature to acquire any subsidiary or to acquire or lease any other business operations.

3.28 CONDITION OF EQUIPMENT AND VEHICLES. All tangible personal property forming part of the Assets which are used regularly in the Business, including furniture, machinery and equipment and motor vehicles, whether owned or leased, are in substantially the same state of repair and maintenance as when viewed and examined during the Purchaser's due diligence, subject to reasonable wear and tear thereafter.

3.29 INVENTORIES. All Inventories of the Companies reflected in the Financial Statements or acquired after the date thereof and not subsequently disposed of in the ordinary course of the Business are in good condition and not obsolete.

FINANCIAL MATTERS

3.30 BOOKS AND RECORDS. All Books and Records of the Companies have been fully, properly and accurately kept and completed, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein. The Companies' records, systems, controls, data or information are not recorded, stored, maintained, operated or otherwise wholly or partly dependent upon or held by any means (including any electronic, mechanical or photographic process, whether computerized or not) which (including all means of access thereto and therefrom) are not under the exclusive ownership and direct control of the Companies or the Vendor.

3.31 FINANCIAL STATEMENTS. The financial position as at, and the results of the operations for the year ended December 31, 1996 of the Companies are fairly set forth in the Companies' Financial Statements attached hereto as Schedule 3.31. As of the date of such statements, the Companies had no liabilities, contingent or otherwise, which were not disclosed by the said statements and which were required to be disclosed by GAAP or otherwise. The said statements are correct and complete in all respects. The Companies' Financial Statements have been prepared in accordance with GAAP applied on a basis consistent with past practices.

3.32 DEBT. The total long and short term debt and notes payable and capital lease obligations of the Companies as of the Closing Date shall be no greater than Three Hundred and Sixty-Five Thousand Dollars (\$365,000).

3.33 CAPITAL EXPENDITURES. No capital expenditures exceeding, in the aggregate Two Hundred and Fifty Thousand Dollars (\$250,000) have been made or authorized by the Companies since December 31, 1996, except with the express written consent of the Purchaser.

PARTICULAR MATTERS RELATING TO THE BUSINESS

3.34 EMPLOYEES.

(a) To the best knowledge of Vendor, the Companies are in substantial compliance in all respects with all Laws respecting employment and employment practices, terms and conditions of employment, pay equity and wages and hours and have not and are not engaged in any unfair labor practice.

(b) Except as disclosed in Schedule 3.34, no unfair labour practice, complaint or grievance against the Companies is pending or, to the best of the knowledge of the Vendor, threatened before any labour relations board or similar Governmental Entity with respect to the Business.

(c) There is no labour strike, dispute, slowdown or stoppage actually pending or involving or, to the best of the knowledge of the Vendor, threatened against the Companies with respect to the Business.

(d) Except as disclosed in Schedule 3.34, no union represents the Companies' employees in connection with the Business.

(e) No grievance which would have an adverse effect upon any of the Companies or the conduct of the Business has been filed, or to the knowledge of Vendor threatened; no arbitration proceeding arising out of or under any collective bargaining agreement is pending, and no Claim therefor has been asserted.

(f) Except as disclosed in Schedule 3.34, no collective bargaining agreement is currently being negotiated by the Companies with respect to any employees of the Companies and there are no collective bargaining agreements in force with respect to its employees.

(g) The Vendor has made available to Purchaser a complete list of all employees of the Companies, their salaries and wage rates, bonus arrangements, benefits, positions and length of service.

(h) Except as disclosed in Schedule 3.34, no employee of any of the Companies has any agreement as to length of notice required to terminate his or her employment, other than such as results by law from the employment of an employee without agreement as to such notice or as to length of employment.

(i) To the extent requested, true, correct and complete copies of each of the Benefit Plans have been delivered to the Purchaser and any oral plan is accurately described in Schedule 1.1(h). The Companies have made all required contributions and premiums under each Benefit Plan for all periods through and including the fiscal year ended December 31, 1996, and for the period thereafter adequate accruals therefore have been provided. There is no requirement to

provide post-retirement pension or profit sharing benefits or medical or health benefits to employees of the Companies other than those disclosed under Schedule 1.1(h). The respective fund or funds established under the Benefit Plans are funded in accordance with applicable Laws, and no past service funding liabilities exist thereunder. All multi-employer pension plans to which the Companies have made contributions on behalf of any of its employees have no unfunded vested liabilities.

(j) Except as disclosed in Schedule 3.34, no pension plans relating to the employees of the Companies presently exist, nor have any such plans existed in the past.

(k) No payments have been made or authorized by the Companies since the Financial Statements dated December 31, 1996 to their officers, directors, former directors, shareholders or employees or to any Person not dealing at arm's length with any of the foregoing, except in the ordinary course of the Business and at the regular rates payable to them of salary, pension, bonuses, rents or other remuneration of any nature.

3.35 INSURANCE. The Companies' current policies of insurance coverage are in full force and effect and are accurately described (together with any pending Claims thereunder) in Schedule 3.35, which policies shall remain in effect to the day following the Closing Date. The Companies are not in default with respect to any of the provisions contained in any such insurance policy and have not failed to give any notice or present any Claim under any such insurance policy in due and timely fashion, the failure of which would have a adverse effect on the Companies. The Companies are not in any technical or non-material breach or default with respect to any of the provisions contained in any such insurance policy which could result in the cancellation of any policy of insurance. True, correct and complete copies of all current insurance policies and prior insurance policies of the Companies for the last two (2) years have been delivered or made available to the Purchaser.

3.36 LITIGATION. Except as set forth in Schedule 3.36, there is no action, suit or proceeding, at law or in equity, by any Person, nor any arbitration, administrative or other proceeding by or before (or to the best knowledge of each of the officers of the Companies and the Vendor) any investigation by any Governmental Entity pending, or, to the best of the knowledge of the Vendor, threatened against or affecting the Companies or any of their properties or rights or any of the Assets, and neither the Companies nor the Vendor knows of any valid basis for any such action, suit, proceeding, arbitration or investigation. The Companies are not subject to any judgment, order or decree entered in any lawsuit or proceeding. Schedule 3.36 herewith provides a summary of the nature and the outcome of any and all material actions, suit, proceeding, arbitration, investigation, claim or complaint formulated against or received by the Companies within the last two (2) years from the date hereof.

3.37 TAXES. The Companies have filed or caused to be filed, within the times and within the manner prescribed by Law, all federal, state, local and foreign tax returns and tax reports which are required to be filed by or with respect to the Companies. The information contained in such returns and reports is correct and complete in all material respects and such returns and reports reflect accurately in all material respects all liability for taxes of the Companies for the periods covered thereby. All federal, state, local and foreign income, profits, franchise, sales, use, occupancy, excise and other taxes and

assessments (including interest and penalties) that are payable by or due from the Companies have been fully paid or fully disclosed in the Books and Records and the Financial Statements. The federal income tax liability of the Companies has been assessed for all fiscal years to and including its fiscal year ended on the date of the Financial Statements. Except as disclosed in Schedule 3.37, no examination of any tax return of the Companies is currently in progress, there are no outstanding agreements or waivers extending the statutory period providing for an extension of time with respect to the assessment or re-assessment of tax or the filing of any tax return by, or any payment of any tax by the Companies, and there are no Claims now threatened or pending against the Companies in respect of taxes or any matters under discussion with any Governmental Entity relating to taxes.

3.38 BANK ACCOUNTS AND POWERS OF ATTORNEY. Schedule 3.38 is a correct and complete list showing (i) the name of each bank in which the Companies have an account or safe deposit box and the names of all persons authorized to draw thereon or to have access thereto; and (ii) the names of any persons holding powers of attorney from the Companies and a summary statement of the terms thereof.

3.39 FULL DISCLOSURE. None of this Agreement or any certificate or statement in writing which has been supplied by or on behalf of the Vendor or the Companies or by any of the directors, officers or employees of in connection with the transactions contemplated hereby contains any untrue statement of a material fact, or intentionally omits any statement of a material fact necessary in order to make the statements contained herein or therein not materially misleading.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

4.1 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER. The Purchaser represents and warrants as follows to the Vendor and acknowledges and confirms that the Vendor is relying on such representations and warranties in connection with the sale by the Vendor of the Purchased Shares:

4.2 DUE INCORPORATION AND EXISTENCE OF THE PURCHASER. The Purchaser is a corporation incorporated and existing under the laws of the State of Delaware.

4.3 VALIDITY OF AGREEMENT.

(a) The Purchaser has all necessary corporate power to enter into and to perform its obligations under this Agreement.

(b) The execution, delivery and performance by the Purchaser of this Agreement and the consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of the Purchaser.

(c) This Agreement constitutes the legal, valid and binding obligations of the Purchaser, enforceable against it in accordance with the terms hereof.

4.4 AUTHORITY. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated herein violates, conflicts with or results in, or will violate, conflict with or result in a breach by the Purchaser of, the terms, conditions or provisions, as applicable, of the Purchaser's articles or by-laws or of any deed of trust, debt instrument or loan agreement, or any other agreement affecting its assets or operations generally or its undertaking, to which it is a party or by which it is bound.

4.5 CORPORATE ACTION. All necessary action on the part of the Purchaser has been taken to authorize and approve the execution and delivery of this Agreement and the performance of its obligations hereunder. The Agreement has been duly executed and delivered by, and constitutes valid and binding obligations of the Purchaser, enforceable against it in accordance with its terms provided that enforcement may be limited by bankruptcy, insolvency, liquidations, reorganization, reconstruction and other similar laws generally affecting the enforceability of creditors' rights and that equitable remedies such as specific performance and injunction are in the discretion of the court from which they are sought.

ARTICLE 5
COVENANT OF THE VENDOR

5.1 NON-COMPETITION COVENANT. As more particularly described in the Non-Competition Agreement and subject to the terms and conditions of the environmental alliance agreement referred to in Section 7.1(g), the Vendor hereby agrees, for a period of five (5) years following the date hereof, not, on their own behalf or on behalf of or in connection with any Person, directly or indirectly, in any capacity whatsoever including as an employer, employee, mandatary, principal, agent, joint venturer, partner, shareholder or other equity holder, independent contractor, licensor, licensee, franchiser, franchisee, distributor, consultant, supplier, trustee or by and through any corporation, company, cooperative, partnership, trust, entity with juridical personality, unincorporated association or otherwise carry on, be engaged in, have any financial or other interest in or be otherwise commercially involved in any endeavor, activity or business anywhere in the United States of America which is in competition with the Business. The foregoing shall not be deemed to limit or prohibit Vendor's ownership of not more than five percent (5%) of the capital stock of a company which is publicly traded which may also be in competition with the Business.

ARTICLE 6
PRE-CLOSING COVENANTS OF THE PARTIES

6.1 CONDUCT OF BUSINESS PRIOR TO CLOSING. During the Interim Period, the Vendor will cause the Companies to and the Companies will conduct the Business in the ordinary course thereof, subject to the provisions below. Without limiting the generality of the foregoing the Vendor will cause the Companies to and the Companies shall use reasonable efforts to:

- (a) maintain adequate levels of Inventories to carry on the Business in the ordinary course;
- (b) maintain and service the physical Assets used in the conduct of the Business in the same manner as has been its consistent past practice and ensure that all of the insurance policies of the Companies shall continue in full force and effect and be in good standing up to the Closing;
- (c) keep available the services of the present employees and agents of the Business and maintain the relations and goodwill with the suppliers, customers, distributors and any others having business relations with the Companies;
- (d) consistent with past practice, preserve the possession and control of its properties and Assets and preserve the confidentiality of any confidential or proprietary information of the Business; and

(e) conduct the Business in such a manner that on Closing Date the representations and warranties of the Companies or the Vendor contained in this Agreement are true, correct and complete as if such representations and warranties were made on and as of such date.

6.2 ACCESS FOR INVESTIGATION OF ASSETS, ETC.

(a) The Companies and the Vendor (i) shall permit the Purchaser and its employees, agents, counsel, accountants or other representatives, between the date hereof and the Closing Time, without undue interference to the ordinary conduct of the Business, to have reasonable access during normal business hours and upon reasonable notice (1) to the premises of the Companies, (2) to the Companies, all the Assets and to the Business, including without limitation, accounting records, corporate records and tax records and returns whether retained by the Vendor, the Companies or otherwise, and (3) to the senior personnel of the Business; and (ii) shall furnish to the Purchaser or its employees, agents counsel, accountants, or other representatives such financial and operating data and other information with respect to the Assets and the Business as the Purchaser shall from time to time reasonably request.

(b) Subject to the provisions of Section 6.7 or unless otherwise noted herein, no investigations made by or on behalf of the Purchaser, whether under this Section 6.2 or any other provision of this Agreement shall have the effect of waiving, diminishing the scope of or otherwise affecting any representation or warranty made in this Agreement.

6.3 ACTIONS TO SATISFY CLOSING CONDITIONS. Each of the Parties hereby agrees to take all such actions as are reasonable so as to ensure compliance with all of the conditions set forth in Article 6.

6.4 TRANSFER OF THE PURCHASED SHARES. The Vendor shall take all necessary and reasonable steps and proceedings to permit good title to the Purchased Shares to be duly and validly transferred and assigned to the Purchaser at the Closing Time, free of all Encumbrances.

6.5 FILINGS AND AUTHORIZATIONS. The Vendor, the Purchaser and the Companies as promptly as practicable after the execution hereof, (i) will make, or cause to be made, all such filings and submissions under all Laws applicable to it, as may be required for it to consummate the purchase and sale of the Purchased Shares in accordance with the terms of this Agreement; (ii) will use all reasonable efforts to obtain, or cause to be obtained, all Authorizations, approvals, consents and waivers from all Persons and Governmental Entities necessary or advisable to be obtained by it in order to consummate such transfer; and (iii) will use all reasonable efforts to take, or cause to be taken, all other actions necessary, proper or advisable in order for it to fulfill its obligations hereunder. The Vendor and the Purchaser will coordinate and cooperate with one another in exchanging such information and supplying such assistance as may be reasonably requested by each in connection with the foregoing.

6.6 NOTICE OF UNTRUE REPRESENTATION OR WARRANTY. The Companies and/or the Vendor shall promptly notify the Purchaser upon any representation or warranty of the Companies or the Vendor contained in this Agreement becoming untrue or incorrect in any material respect during the Interim Period, and for the purposes of this Section each such representation and warranty shall be deemed to

be given at and as of all times during the Interim Period. The Purchaser shall promptly notify the Vendor upon any representation or warranty of the Purchaser contained in this Agreement becoming untrue or incorrect in any material respect during the Interim Period, and for the purposes of this Section each such representation and warranty shall be deemed to be given at and as of all times during the Interim Period.

6.7 KNOWLEDGE OF PARTIES. In the event that the Vendor on the one hand, or the Purchaser on the other hand (the "Knowing Party"), has actual knowledge at the time of the Closing that a representation or warranty made by the other Party is false or the other Party has violated a covenant made by it under this Agreement, and the Knowing Party proceeds to the Closing notwithstanding such knowledge, the Knowing Party shall be deemed to have waived any rights it may have for indemnification or damages against the other Party to the extent that any damages result from such breach of representation or warranty or failure to perform such covenant.

6.8 EXCLUSIVE DEALING. During the Interim Period and save and except in accordance with the provisions of Section 11.2, the Vendor shall take no action directly or indirectly, to encourage, initiate or engage in discussions or negotiations with, or provide any information to, any Person, other than the Purchaser and the attorneys, accountants and advisors of Vendor and the Companies concerning any purchase of any shares in the capital of the Companies, the Assets, a controlling interest in the Companies or any merger, sale of substantial assets or similar transaction involving the Companies or the Business.

6.9 LETTERS OF CREDIT AND BONDS. The Purchaser shall, at or before the Closing Time, take such action as is necessary in order to replace the letters of credit and bonds set forth in Schedule 6.9 which the Vendor has in place in relation to the Business with suitable replacement financial assurances arranged by the Purchaser and shall indemnify and hold harmless the Vendor from any liabilities arising therefrom.

ARTICLE 7 CONDITIONS OF CLOSING

7.1 CONDITIONS FOR THE BENEFIT OF THE PURCHASER. The purchase and sale of the Purchased Shares is subject to the following conditions to be fulfilled or performed at or prior to the Closing Time, which conditions are for the exclusive benefit of the Purchaser and may be waived in whole or in part by the Purchaser in its sole discretion:

(a) TRUTH OF REPRESENTATIONS AND WARRANTIES OF THE VENDOR. The representations and warranties of the Companies and the Vendor contained in this Agreement shall be true and correct as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of such date and the Companies and the Vendor shall also have executed and delivered a certificate to that effect. Except as otherwise specifically agreed to in writing by and between the parties, the receipt of such evidence and the Closing shall not be a waiver of the representations and warranties of the Vendor which are contained in this

Agreement, except to the extent that any such representations or warranties have been modified by the information disclosed in the certificate so delivered and accepted by the Purchaser. Upon the delivery of such certificates, the representations and warranties of the Vendor in Article 3, except for changes which are not material and which may have occurred in the ordinary course of business, shall be deemed to have been made on and as of the Closing Date with the same force and effect as if made on and as of such date.

(b) PERFORMANCE OF COVENANTS BY THE VENDOR. The Companies and the Vendor shall have fulfilled or complied in all respects with all covenants herein contained to be performed or caused to be performed by them at or prior to the Closing Time, and the Companies and the Vendor shall each have delivered a certificate to that effect. Except as otherwise specifically agreed to in writing by and between the Parties, receipt of such certificates and the Closing shall not be a waiver of the covenants of the Companies and the Vendor which are contained in this Agreement, except to the extent that any such covenants have been modified by the information disclosed in the certificate so delivered and accepted by the Purchaser.

(c) CONSENTS. All consents and authorizations material to the Business which are necessary in order to permit the Closing of the sale of the Purchased Shares on the terms and conditions set out in this Agreement (the "Consents") shall have been obtained on terms acceptable to the Purchaser acting reasonably.

(d) APPROVALS. The board of directors of the Purchaser and Philip shall have approved of the transaction contemplated herein. All regulatory approvals or consents required pursuant to the Licenses or otherwise and all waiting periods applicable under the Hart-Scott-Rodino Act or any other laws applicable to the transactions herein contemplated shall have been obtained or shall have expired, as the case may be.

(e) DELIVERIES. The Vendor shall have delivered or caused to be delivered to the Purchaser the following in form and substance reasonably satisfactory to the Purchaser:

(i) share certificates representing the Purchased Shares duly endorsed in blank for transfer to the Purchaser, or accompanied by irrevocable security transfer powers of attorney duly executed in blank, in either case by the holders of record thereof;

(ii) copies certified by the Secretaries of the Companies of (i) all resolutions of the shareholders, the board of directors or any duly authorized committee thereof, of the Companies, approving the entering into of this Agreement and the completion of all transactions contemplated hereunder; and (ii) all other instruments evidencing necessary corporate action of the Companies and of Authorizations, if any, with respect to such matters;

(iii) the certificates referred to in Sections 7.1(a) and (b);

(iv) an opinion of counsel to the Vendor in substantially the form as set forth in Schedule 7.1(e)(iv);

(v) the Non-Competition Agreement duly executed by the Vendor and the Purchaser in substantially the form as set forth in Schedule 1.1(ap);

(vi) all the originals of the Books and Records and the Corporate Records of the Companies, except for such copies of Books and Records as are required to be maintained by the Vendor for legitimate reporting or other business purposes;

(vii) evidence that all necessary steps and proceedings have been taken to permit all of the Purchased Shares to be fully transferred to the Purchaser or its nominee(s);

(viii) a duly executed resignation effective as at the Closing Time of each director and officer of the Companies as the Purchaser may specify;

(ix) a release in favor of the Companies by the Vendor and such officers and directors of the Companies as may be required by the Purchaser in substantially the form as set forth in Schedule 7.1(e)(ix);

(x) a duly executed resignation of the present auditors of each of the Companies effective as at the Closing Time;

(xi) evidence that at the Closing Time there are no arrears of or liabilities for taxes (including taxes on income), rates, assessments or other charges adversely affecting the Assets not shown as accruals or allowances on the Financial Statements, except taxes, rates, assessments or other charges accruing in the ordinary course of business since the date of the Financial Statements; and

(xii) all necessary assurances, transfers, assignments and consents, including all necessary Consents, and any other instruments necessary or reasonably required to effectively carry out the intent of this Agreement and any Ancillary Agreements and to transfer the Purchased Shares to the Purchaser, free and clear of all Encumbrances.

(f) ENVIRONMENTAL ALLIANCE AGREEMENT. Philip Services Corp. ("Philip") and International Alliance Services Inc. shall have entered into an environmental alliance agreement for a term of not less than three (3) years providing for the provision of remediation waste services, technical consulting services, insurance product development and joint marketing and sales activities.

(g) OPTION AGREEMENT. The Purchaser and the Vendor shall have entered into an option agreement, in substantially the form as is set forth in Schedule 7.1(g), outlining the terms pursuant to which Philip shall be entitled to acquire all of the outstanding capital stock of Republic Environmental Systems (Cleveland), Inc.

(h) ISRA COMPLIANCE. The Vendor shall file the General Information Notice and obtain approval from the State of New Jersey Department of Environmental Protection ("NJDEP") in order to proceed to Closing. The Purchaser shall post such financial assurances as may be required by NJDEP, if any, in order to effect the Closing and to complete ISRA compliance

after the Closing Date. In the event any investigation or remediation work is required pursuant to ISRA, the cost of such work shall be allocated between the Parties pursuant to Article 9 of this Agreement.

(i) CLOSING OF CANADIAN TRANSACTION. The transaction contemplated in and by the asset purchase agreement between Republic Environmental Systems (Fort Erie) Ltd., Republic Environmental Systems (Brantford) Ltd. and Republic Environmental Systems (Pickering) Ltd., as vendors, and Philip Enterprises Inc., as purchaser, shall have been completed.

If any condition, obligation or covenant of the Companies or the Vendor to be performed at or prior to the Closing Time shall not have been fulfilled or performed by such time, the Purchaser may terminate this Agreement by fifteen (15) days prior notice in writing to the Vendor. If Vendor fails to cure such condition, obligation or covenant within such fifteen (15) days, the Purchaser shall be entitled to terminate this Agreement, and the Parties shall thereafter be released from all obligations hereunder. Notwithstanding the foregoing, the Purchaser shall be entitled to waive compliance with any of such conditions, obligations or covenants in whole or in part if it sees fit to do so without prejudice to any of its rights of termination in the event of non-performance of any other condition, obligation, or covenant in whole or in part.

If Closing fails to occur on or prior to the Closing Date, the Vendor or the Purchaser shall be entitled, in its sole discretion, to terminate this Agreement, and thereafter the Parties shall have no further obligations hereunder. If Closing fails to occur for any reason, all documents, information and other materials of the Companies or the Vendor which are in the possession of the Purchaser or its agents shall be immediately returned to the Companies. In such event, the Purchaser agrees to keep all information and knowledge about the Companies and the Vendor strictly confidential, other than any such information or knowledge about the Companies which may be required to be disclosed by law or which may become publicly available without fault of the Purchaser.

7.2 CONDITIONS FOR THE BENEFIT OF THE VENDOR. The purchase and sale of the Purchased Shares is subject to the following conditions to be fulfilled or performed at or prior to the Closing Time, which conditions are for the exclusive benefit of the Vendor and may be waived by the Vendor in its sole discretion:

(a) TRUTH OF REPRESENTATIONS AND WARRANTIES OF THE PURCHASER. The representations and warranties of the Purchaser contained in this Agreement shall be true and correct as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of such date, and the Purchaser shall also have executed and delivered a certificate of a senior officer to that effect. The receipt of such evidence and the Closing shall not be a waiver of the representations and warranties of the Purchaser which are contained in this Agreement, except to the extent that any such representation or warranties have been modified by the information disclosed in the certificate so delivered and accepted by the Vendor. Upon the delivery of such certificates, the representations and warranties of the Purchaser in Article 4, except for changes which are not material, shall be deemed to have been made on and as of the Closing Date with the same force and effect as if made on and as of such date.

(b) PERFORMANCE OF COVENANTS BY THE PURCHASER. The Purchaser shall have fulfilled or complied with all covenants herein contained to be performed or caused to be performed by it at or prior to the Closing Time, and the Purchaser shall have executed and delivered a certificate of a senior officer to that effect. Except as otherwise specifically agreed to in writing by and between the Parties, receipt of such certificates and the Closing shall not be a waiver of the covenants of the Purchaser which are contained in this Agreement, except to the extent that any such covenants have been modified by the information disclosed in the certificate so delivered and accepted by the Vendor.

(c) DELIVERIES. Purchaser shall have delivered or caused to be delivered to the Vendor the following in form and substance reasonably satisfactory to the Vendor:

(i) copies certified by the appropriate officers of Purchaser evidencing the authority of the individual signing the Agreement on behalf of Purchaser to bind each respectively;

(ii) an opinion of counsel to the Purchaser in substantially the form as set forth in Schedule 7.2(c)(ii);

(iii) all necessary assurances, transfers, assignments and consents, including all necessary Consents, and any other instruments necessary or reasonably required to effectively carry out the intent of this Agreement and any Ancillary Agreements;

(iv) a certified cheque/wire transfer in the amount of \$8,000,000;

(v) the First and Second Notes; and

(vi) the Guaranty Agreement entered into between Philip and the Vendor in substantially the form as set forth in Schedule 7.2(c)(vi).

(d) CONSENTS. All consents and authorizations material to the Business which are necessary in order to permit the Closing of the sale of the Purchased Shares on the terms and conditions set out in this Agreement (the "Consents") shall have been obtained on terms acceptable to the Vendor acting reasonably.

(e) APPROVALS. All regulatory approvals or consents required pursuant to the Licenses or otherwise and all waiting periods applicable under the Hart-Scott-Rodino Act or any other laws applicable to the transactions herein contemplated shall have been obtained or shall have expired, as the case may be.

(f) ENVIRONMENTAL ALLIANCE AGREEMENT. Philip and International Alliance Services Inc. shall have entered into an environmental alliance agreement for a term of not less than three (3) years providing for the provision of remediation waste services, technical consulting services, insurance product development and joint marketing and sales activities.

(g) OPTION AGREEMENT. The Purchaser and the Vendor shall have entered into an option agreement, in substantially the form as is set forth in Schedule 7.1(g), outlining the terms pursuant to which Philip shall be entitled to acquire all of the outstanding capital stock of Republic Environmental Systems (Cleveland), Inc.

(h) ISRA COMPLIANCE. The Vendor shall file the General Information Notice and obtain approval from the State of New Jersey Department of Environmental Protection ("NJDEP") in order to proceed to Closing. The Purchaser shall post such financial assurances as may be required by NJDEP, if any, in order to effect the Closing and to complete ISRA compliance after the Closing Date. In the event any investigation or remediation work is required pursuant to ISRA, the cost of such work shall be allocated between the Parties pursuant to Article 9 of this Agreement.

(i) CLOSING OF CANADIAN TRANSACTION. The transaction contemplated in and by the asset purchase agreement between Republic Environmental Systems (Fort Erie) Ltd., Republic Environmental Systems (Brantford) Ltd. and Republic Environmental Systems (Pickering) Ltd., as vendors, and Philip Enterprises Inc., as purchaser, shall have been completed.

If any condition, obligation or covenant of the Purchaser to be performed at or prior to the Closing Time shall not have been fulfilled or performed by such time, the Vendor may terminate this Agreement by fifteen (15) days prior notice in writing to the Purchaser. If the Purchaser fails to cure such condition obligation or covenant within fifteen (15) days, the Vendor shall be entitled to terminate this Agreement, and the Parties shall thereafter be released from all obligations hereunder. Notwithstanding the foregoing, the Vendor shall be entitled to waive compliance with any of such conditions, obligations or covenants in whole or in part if it sees fit to do so without prejudice to any of its rights of termination in the event of non-performance of any other condition, obligation or covenant in whole or in part.

7.3 CONDITIONS PRECEDENT. The purchase and sale of the Purchased Shares is subject to the condition to be fulfilled at or prior to the Closing Time, which condition is a true condition precedent, namely that no action or proceeding shall be pending or threatened by any Person in any jurisdiction, to enjoin, restrict or prohibit any of the transactions contemplated hereby or the right of the Companies to conduct the Business after the Closing Time on substantially the same basis as heretofore operated.

ARTICLE 8 CLOSING

8.1 DATE, TIME AND PLACE OF CLOSING. The completion of the transactions contemplated by this Agreement shall take place at the offices of the Purchaser, 100 King Street West, Hamilton, Ontario, L8N 4J6 on the Closing Date at the Closing Time, or at such other place, on such other date, and at such other time as may be agreed upon in writing between the Vendor and the Purchaser.

8.2 CLOSING PROCEDURES. Subject to satisfaction or waiver by the relevant Party of the conditions of Closing set forth herein, at the Closing Time the Vendor shall deliver actual possession of the Purchased Shares and upon such delivery the Purchaser shall pay or satisfy the Purchase Price in

accordance with Section 2.2. The transfer of possession of the Purchased Shares shall be deemed to take effect as at the Closing Time on the Closing Date.

8.3 RISK OF LOSS. If, prior to the date of Closing, all or substantially all of the Assets are destroyed or damaged by fire or any other casualty or shall be seized by any Governmental Entity or other lawful authority, the Purchaser shall have the option, exercisable by notice in writing given within ten (10) Business Days of the Purchaser receiving notice in writing from the Vendor of such destruction, damage, expropriation or seizure:

(a) to reduce the Purchase Price by an amount equal to the cost of repair, or, if destroyed or damaged beyond repair, by an amount equal to the book value of the assets forming part of the Assets so damaged or destroyed and to complete the purchase provided that any insurance proceeds payable in respect of such loss shall be paid to the Vendor;

(b) to complete the purchase without reduction of the Purchase Price, in which event all proceeds of any insurance or compensation for expropriation or seizure shall be payable to the Companies and any right and claim of the Vendor to any such amounts not paid by the Closing Date shall be assigned to the Companies; or

(c) to terminate this Agreement and not complete the purchase, in which case all obligations of the Vendor and the Purchaser shall terminate forthwith upon the Purchaser giving notice as required herein.

ARTICLE 9

SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNITIES

9.1 SURVIVAL OF REPRESENTATIONS AND WARRANTIES.

(a) The representations and warranties of the Vendor contained in this Agreement shall survive the Closing for a period of one (1) year, save and except those representations made pursuant to Section 3.15(c) and Section 3.37, which shall survive for a period of five (5) years, and, notwithstanding such or any investigation made by or on behalf of the Purchaser, shall continue in full force and effect for such survival period for the benefit of the Purchaser. Any claim for indemnification shall be made in writing and shall specifically detail the basis for and nature of any alleged breach.

(b) All representations and warranties of the Purchaser contained in this Agreement shall survive the Closing for a period of one (1) year, and, notwithstanding such Closing or any investigation made by or on behalf of the Vendor, shall continue in full force and effect for such survival period for the benefit of the Vendor. Any claim for indemnification shall be made in writing and shall specifically detail the basis for and nature of any alleged breach.

9.2 INDEMNIFICATION IN FAVOR OF THE PURCHASER. The Vendor shall, subject to the "Environmental Indemnification Threshold" and the "General Indemnification Threshold" defined hereunder, indemnify and save the Purchaser and its shareholders and their directors, officers, employees, agents and representatives (in respect of whom the Purchaser hereby acts as agent and trustee with respect thereto) harmless of and from any Claim or Loss suffered by, imposed upon or asserted against the Purchaser as a result of, in respect of, connected with or arising out of, under or pursuant to:

- (a) any failure of the Companies or the Vendor, as the case may be, to perform or fulfill any covenant of it under this Agreement;
- (b) any breach or inaccuracy of any representation or warranty given by the Companies or the Vendor contained in this Agreement; and
- (c) any remedial activity necessary in order to comply with any complaint, order, citation, notice or order of violation or non-compliance issued to the Companies under any applicable Environmental Laws relating to:
 - (i) concentrations of beryllium, cadmium, chromium, lead or benzo(a)pyrene in the soil or groundwater at the Owned Property located at 2869 Sandstone Drive, Hatfield, Pennsylvania which are in excess of any clean-up criteria under any Environmental Laws; or
 - (ii) concentrations of benzene, bis(2-ethylhexyl)phthalate, methylene chloride, arsenic, beryllium, cadmium or lead in the soil or groundwater at the Owned Property located on Cenco Boulevard, Clayton, New Jersey which are in excess of any clean-up criteria under any Environmental Laws.

Notwithstanding anything herein contained to the contrary, the indemnification by the Vendor in favor of the Purchaser in respect of those matters set forth in Section 9.2(c) shall survive the Closing for a period of three (3) years thereafter.

The Vendor shall have no obligation to indemnify an indemnified party under Section 9.2 until the Purchaser has suffered (i) Claims relating to or arising from a breach of the Vendor's representations and warranties made pursuant to Section 3.15 for which the Vendor is responsible hereunder in excess of an aggregate of Five Hundred Thousand Dollars (\$500,000) (the "Environmental Indemnification Threshold"), (ii) Claims relating to or arising from the indemnification given by the Vendor in favor of the Purchaser pursuant to Section 9.2(c) above for which the Vendor is responsible in excess of One Hundred Thousand Dollars (\$100,000) (the "Limited Indemnification Threshold") or (iii) Claims for which the Vendor is responsible hereunder other than those relating to the matters set forth in (i) or (ii) above in excess of an aggregate of Two Hundred and Fifty Thousand Dollars (\$250,000) (the "General Indemnification Threshold"), and then only to the extent such Claims exceed the respective indemnification threshold. The Vendor shall not be liable for any Claims once the aggregate amount of all such Claims paid, or due to be paid, by the Vendors shall have reached

Seventeen Million Dollars (\$17,000,000). The Vendor shall be entitled to reduce the principal amount due under the First Note (and, if thereafter necessary, under the Second Note) in satisfaction of any Claims in respect of which it is obligated to indemnify the Purchaser pursuant hereto.

9.3 INDEMNIFICATION IN FAVOR OF THE VENDOR. The Purchaser shall indemnify and save the Vendor and its shareholders and their directors, officers, employees, agents and representatives (in respect of whom the Vendor hereby acts as agent and trustee with respect thereto) harmless of and from any Claim or Loss suffered by, imposed upon or asserted against the Vendor as a result of, in respect of, connected with or arising out of, under or pursuant to:

- (a) any failure by the Purchaser to perform and fulfill any covenant of the Purchaser under this Agreement;
- (b) any breach or inaccuracy of any representation or warranty given by the Purchaser contained in this Agreement; and
- (c) any Claims relating to any events or occurrences arising subsequent to the Closing Date, provided such Claims do not result from a failure of the Vendor to fulfill its covenants hereunder or from a breach of representation or warranty of the Vendor given hereunder.
- (d) any Claims arising directly or indirectly from breaches of Environmental Laws by the Companies, Environmental Activity of the Companies or the Release of Hazardous Substances to the Natural Environment by the Companies, except to the extent such Claims (i) result from a breach of any of the representations or warranties given by the Vendor hereunder within the respective survival period, (ii) result from a failure of the Vendor to fulfill any of its covenants hereunder, (iii) relate to matters in respect of which the Vendor has indemnified the Purchaser pursuant to Section 9.2(c), or (iv) are Special Indemnified Matters.

9.4 SPECIAL ENVIRONMENTAL INDEMNIFICATION. The Vendor shall, irrespective of and without reference to the survival and monetary limitations set forth in Section 9.1 or 9.2, indemnify the Purchaser and its shareholders and their directors and officers, employees, agents and representatives (in respect of whom the Purchaser hereby acts as agent and trustee with respect thereto) against, and hold them harmless from, any and all expenses, claims, demands, losses, costs, deficiencies, actions, suits, proceedings, judgments, liabilities and damages (including related counsel fees and expenses) of any nature whatsoever ("Special Indemnified Losses") incurred or suffered by the Purchaser in connection with or as a result of the Special Indemnified Matters, it being understood by the Parties that the term "Special Indemnified Losses" as used in this Section 9.4 shall have the same meaning as the term "Losses" as set forth in sections 6.2 and 7.1 of the Agreement of Merger dated March 5, 1992, between, among others, Republic Waste Industries, Inc. and Stout Environmental, Inc.

9.5 INDEMNIFICATION PROCEEDINGS.

- (a) Any Party seeking indemnification under this Article (the "indemnified party") shall forthwith and in any case within sixty (60) days of all facts giving rise to the right of indemnification becoming known to the indemnified party or, in the case of third party claim,

by the earlier of twenty (20) days after notice of such claim is received or ten (10) days prior to the date that a responsive pleading or court appearance is required, notify the Party against whom a claim for indemnification is sought hereunder (the "indemnifying party") in writing, which notice shall specify, in reasonable detail, the nature and estimated amount of the claim. If a claim by a third party is made against an indemnified party, and if the indemnified party intends to seek indemnity with respect thereto under this Article, the indemnified party shall promptly (and in any case within 30 days of such claim being made) notify the indemnifying party of such with reasonable particulars. The indemnifying party shall have 30 days after receipt of such notice to undertake, conduct and control, through counsel of its own choosing and at its expense, the settlement or defense thereof, and the indemnified party shall cooperate with it in connection therewith; except that with respect to settlements entered into by the indemnifying party (i) the consent of the indemnified party shall be required if the settlement provides for equitable relief against the indemnified party, which consent shall not be unreasonably withheld or delayed; and (ii) the indemnifying party shall obtain the release of the indemnified party. If the indemnifying party undertakes, conducts and controls the settlement or defense of such claim (i) the indemnifying party shall permit the indemnified party to participate in such settlement or defense through counsel chosen by the indemnified party, provided that the fees and expenses of such counsel shall be borne by the indemnified party; and (ii) the indemnifying party shall promptly reimburse the indemnified party for the full amount of any loss resulting from any claim and all related expenses (other than the fees and expenses of counsel as aforesaid) incurred by the indemnified party. The indemnified party shall not pay or settle any claim so long as the indemnifying party is reasonably contesting any such claim in good faith on a timely basis. Notwithstanding the two immediately preceding sentences, the indemnified party shall have the right to pay or settle any such claim, provided that in such event it shall waive any right to indemnity therefor by the indemnifying party.

(b) With respect to third party claims, if the indemnifying party does not notify the indemnified party by the earlier of twenty (20) days after notice of such claim is received or ten (10) days prior to the date that a days after the receipt of the indemnified party's notice of a claim of indemnity hereunder that it elects to undertake the defense thereof, the indemnified party shall have the right, but not the obligation, to contest, settle or compromise the claim in the exercise of its reasonable judgment at the expense of the indemnifying party.

(c) In the event of any claim by a third party against an indemnified party, the defense of which is being undertaken and controlled by the indemnifying party, the indemnified party will use all reasonable efforts to make available to the indemnifying party those employees whose assistance, testimony or presence is necessary to assist the indemnifying party in evaluating and in defending any such claims; provided that the indemnifying party shall be responsible for the expense associated with any employees made available by the indemnified party to the indemnifying party hereunder, which expense shall be equal to an amount to be mutually agreed upon per person per hour or per day for each day or portion thereof that such employees are assisting the indemnifying party and which expenses shall not exceed the actual cost to the indemnified party associated with such employees.

(d) With respect to third party claims, the indemnified party shall make available to the indemnifying party or its representatives on a timely basis all documents, invoices and financial ledgers, records and other materials in the possession of the indemnified party, at the expense of the indemnifying party, reasonably required by the indemnifying party for its use in defending any claim and shall otherwise cooperate on a timely basis with the indemnifying party in the defense of such claim.

(e) With respect to the General Indemnification Threshold, the Environmental Indemnification Threshold and the Limited Indemnification Threshold, the Purchaser shall provide to the Vendor an accounting at three (3) month intervals, commencing with the first three (3) month period after the Closing Date, summarizing the costs which the Purchaser claims are being assessed to the respective threshold amounts. Upon request of the Vendor, the Purchaser shall submit to the Vendor all documentation supporting such costs, including consultant and contractor invoices.

(f) With respect to any re-assessment for income, corporate, sales, excise, or other tax or other liability enforceable by Encumbrance against the property of the indemnified party, the indemnifying party's right to so contest shall only apply after such payment of such re-assessment or the provision of such security as is necessary to avoid the imminent filing or recording of an Encumbrance being placed on the property of the indemnified party.

9.6 REMEDIATION REQUIREMENTS. The Purchaser agrees that any remediation performed by the Purchaser or the Vendor shall be consistent with the industrial use of the Owned Properties and shall make maximum benefit, to the extent commercially reasonable to do so, of institutional controls, engineering controls and natural remediation pursuant to Environmental Laws in order to minimize investigation and remediation costs to the extent feasible.

9.7 VENDOR'S RIGHT TO ASSERT CLAIMS. Nothing in this Agreement shall prevent the Vendor from asserting any Claim which it or the Companies may have against any person, corporation, partnership or other entity (other than the Purchaser or any of its affiliated companies) related to matters which are the subject of the Vendor's indemnification obligations pursuant to Section 9.2; provided, however, that in no case shall the Vendor's obligation to indemnify the Purchaser hereunder be conditional upon the assertion or ultimate success of any such Claim. The Purchaser and the Companies, as the case may be, agree to assign to the Vendor any Claim in respect of such indemnified matters which the Purchaser or the Companies may have against any Person, other than Claims against any Persons the assertion of which, in the reasonable judgment of the Purchaser, would interfere with the on-going business relations of the Purchaser or the Companies, as the case may be, with such Persons. The Purchaser and the Companies, as the case may be, agree that any amounts recovered by the Vendor regarding any Claims asserted by it in accordance with the terms hereof shall be retained solely by the Vendor.

ARTICLE 10
POST-CLOSING COVENANTS

10.1 FURTHER ASSURANCES. From time to time subsequent to the Closing Date, each Party shall at the request of any other Party execute and deliver such additional conveyances, transfers and other assurances and take such further action as may be reasonably required effectively to carry out the intent of this Agreement and to transfer the Purchased Shares.

10.2 OTHER LETTERS OF CREDIT AND BONDS. The Purchaser shall, as soon as is reasonably practicable, and in any case within 90 days after the Closing Date, replace all outstanding letters of credit, bonds, financial assurances, guarantees and security interests, other than those set forth in Schedule 6.9, which the Vendor has in place in relation to the Business and shall indemnify and hold harmless the Vendor from any liabilities arising therefrom.

10.3 SECTION 338(h)(10) ELECTION.

(a) No later than December 31, 1997, the Purchaser may deliver to the Vendor a proposed schedule as required by section 338(h)(10) of the United States Internal Revenue Code of 1986 and the Treasury Regulations promulgated thereunder (the "Section 338 Election") setting forth the allocation of the Purchase Price (the "Allocation Schedule"). The Allocation Schedule shall be final and binding on the Parties unless, within thirty (30) days after delivery to the Vendor, the Vendor shall give notice to the Purchaser of the Vendor's good faith objection to the Allocation Schedule.

(b) Should the Purchaser and the Vendor be unable to reach agreement within fifteen (15) days following receipt of the notice of objection, the dispute shall be referred for resolution to Coopers & Lybrand, L.L.P. (the "Accountants") as promptly as practicable. The Accountants shall make a determination regarding each of the items in dispute and shall promptly deliver a written report to the Purchaser and the Vendor. The Accountants' determination shall be final and binding on the Parties. The fees and expenses of the Accountants shall be borne equally by the Purchaser and the Vendor.

ARTICLE 11
MISCELLANEOUS

11.1 NOTICES. Any notice, direction or other instrument required or permitted to be given hereunder shall be in writing and given by delivering or sending it by certified mail, return receipt requested addressed:

(a) to the Purchaser at:

Philip Environmental (Delaware), Inc.
100 King Street West, P.O. Box 2440, LCD 1
Hamilton, Ontario
L8N 4J6

Attention: General Counsel

Telephone: (905) 521-1600
Telecopier: (905) 521-9160

(b) to the Vendor at:

1787 Sentry Parkway West
Suite 400
Blue Bell, Pennsylvania 19422

Telephone: (215) 283-4900
Telecopier: (215) 283-4809

(c) to the Companies at:

c/o 1787 Sentry Parkway West
Suite 400
Blue Bell, Pennsylvania 19422

Telephone: (215) 283-4900
Telecopier: (215) 283-4809

Any such notice, direction or other instrument given as aforesaid shall be deemed to have been effectively given on the next Business Day following the date of such delivery. Any Party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to the party at its changed address.

11.2 PUBLICITY. Save as required by Law or by any stock exchange, none of the Parties shall issue any press release or make any other public statement or announcement relating to or connected with or arising out of this Agreement or the matters contained herein, without obtaining the prior written approval of the other Parties to the contents and the manner of presentation and publication thereof. If disclosure is required by Law or by any stock exchange, the disclosing Party shall consult in advance with the other Parties and attempt in good faith to reflect such other Parties' concerns in the required disclosure.

11.3 TIME OF THE ESSENCE. Time shall be of the essence of this Agreement.

11.4 BROKER'S FEES. It is understood and agreed that any fees, commissions, expenses or other remuneration of any broker, agent or other intermediary shall be the responsibility of the Party who engaged such broker, agent or other intermediary. Each Party agrees to indemnify and save harmless the others from and against any Claims whatsoever for any fees, commission, expenses or other remuneration payable or alleged to be payable to any broker, agent or other intermediary.

11.5 THIRD PARTY BENEFICIARIES. Each Party hereto intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any Person, other than the Parties hereto, and no Person, other than the Parties hereto, shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

11.6 EXPENSES. All costs and expenses (including the fees and disbursements of legal counsel, investment advisers and auditors) incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such expenses.

11.7 INUREMENT. This Agreement shall inure to the benefit of and be binding upon the Parties, their successors and any permitted assigns.

11.8 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

11.9 JOINT AND SEVERAL LIABILITY. In the event that there is no Closing under any circumstance in which the Vendor is not excused from its obligations hereunder, each of the Companies shall be jointly and severally liable with the Vendor, as a principal and not as a surety, with respect to all of the representations, warranties, covenants, indemnities and agreements made by the Vendor hereunder.

11.10 ASSIGNMENT. Except as provided in this Section, none of the rights or obligations hereunder shall be assignable or transferable by any Party without the prior written consent of the other Parties. Notwithstanding the foregoing, the Purchaser shall be entitled, prior to the Closing Date, to assign the benefits of this Agreement to any affiliated company, subject to the following two conditions:

(a) the Purchaser's assignee shall become jointly and severally liable with the Purchaser with respect to all of the representations, warranties, covenants, indemnities and agreements of the Purchaser; and

(b) such assignee shall execute an agreement confirming such assignment and the assumption by the assignee of all obligations of the Purchaser under this Agreement.

11.11 NON-MERGER. Except as otherwise expressly provided in this Agreement, the covenants, representations and warranties of the Parties contained in this Agreement and the Ancillary Agreements shall not merge on and shall survive the Closing and, notwithstanding such Closing, or any investigation made by or on behalf of any Party, shall continue in full force and effect. The Closing

shall not prejudice any right of one Party against any other Party in respect of anything done or omitted hereunder or in respect of any right to damages or other remedies.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF this Agreement has been executed by the Parties as of the date first above written.

PHILIP ENVIRONMENTAL (DELAWARE), INC.

Per: c/s
Authorized Signing Officer

REPUBLIC ENVIRONMENTAL SYSTEMS, INC.

Per: c/s
Authorized Signing Officer

REPUBLIC ENVIRONMENTAL
RECYCLING, INC.

Per: c/s
Authorized Signing Officer

REPUBLIC ENVIRONMENTAL SYSTEMS
(TECHNICAL SERVICES GROUP), INC.

Per: c/s
Authorized Signing Officer

REPUBLIC ENVIRONMENTAL SYSTEMS
(PENNSYLVANIA), INC.

Per: c/s
Authorized Signing Officer

REPUBLIC ENVIRONMENTAL SYSTEMS
(TRANSPORTATION GROUP), INC.

Per: c/s
Authorized Signing Officer

CHEM-FREIGHT, INC.

Per: c/s
Authorized Signing Officer

OPTION AGREEMENT

This Option Agreement is dated July 23rd, 1997, and is

Between RESI ACQUISITION (DELAWARE) CORPORATION, a corporation incorporated under the laws of the State of Delaware ("Purchaser")

And REPUBLIC ENVIRONMENTAL SYSTEMS, INC., a corporation incorporated under the laws of the State of Delaware ("Vendor").

RECITALS

A. Purchase and Vendor are parties to a Share Purchase Agreement dated June 13, 1997 (the "Purchase Agreement").

B. Section 7.1(g) of the Purchase Agreement requires that Purchaser and Vendor execute and deliver this Agreement.

C. Vendor is the owner of 2,000 shares of the common capital stock (the "Stock") of Republic Environmental Systems (Cleveland), Inc. ("Cleveland"), which is all of the issued and outstanding capital stock of Cleveland.

NOW, THEREFORE, in consideration of the foregoing and for good and valuable consideration, Purchaser and Vendor agree as follows:

1. OPTION. Vendor hereby grants to Purchaser the right ("Option") to purchase the Stock for consideration of US\$1,00.

2. TERM. The Option shall expire on the later of August 17, 1997 or the "Closing Date" as defined in the Purchase Agreement, unless sooner exercised by Purchaser; provided, however, that the Option and all other rights of Purchaser under this Agreement shall immediately expire without notice if there is any breach by Purchaser in the performance of any of its obligations under the Purchase Agreement or either promissory notes delivered pursuant to the Purchase Agreement or if there is any breach by Philip Enterprises, Inc. in the performance of any of its obligations under the Asset Purchase Agreement to which it and Vendor are parties dated July 7, 1997 or the promissory note delivered pursuant to that agreement.

3. EXERCISE, CLOSING.

(a) The Option may be exercised at any time during its term by written notice to Vendor.

(b) Notice of exercise of the Option must actually be received by Vendor on or prior to the expiration date specified in paragraph 2 and is to be delivered to Vendor at 101 West Avenue, Third Floor, P.O. Box 461, Jenkintown, PA, 19046, USA.

(c) Within 10 days after giving of notice of the exercise of the Option, Purchaser and Vendor shall jointly submit any documentation required by the State of Ohio Environmental Protection Agency for approval of the transfer of the Stock from Vendor to Purchaser. Each party shall bear its own expenses with respect to such submissions, and if there is any appeal from any denial of the approval the costs of such appeal shall be borne by the party prosecuting the appeal.

(d) The closing on the exercise of the Option and the transfer of the Stock shall occur five business days after the State of Ohio Environmental Protection Agency approves the transfer of the Stock from Vendor to Purchaser (the "Closing Date"). If such approval is formally denied (without right of further appeal) or otherwise is not obtained within 190 days after the date the Option is exercised and such failure does not result from Vendor's failure to take such reasonable action in furtherance of such approval as may be requested by Purchaser, then this Agreement shall terminate and neither party shall have any rights against the other.

4. INTERIM PERIOD. During the time from the date hereof until the Closing Date:

(a) Vendor shall continue to own the Stock and shall not grant any other options or rights to acquire all or any of the Stock;

(b) Vendor shall cause Cleveland not to issue any capital stock or securities convertible into capital stock, grant any options to purchase its capital stock or securities convertible into capital stock, or issue any warrants entitling the holder to purchase or otherwise acquire any of its capital stock or securities convertible into capital stock; and

(c) Vendor shall cause Cleveland to conduct its business in the usual and ordinary course consistent with past practices and shall not allow Cleveland to sell any of its assets in one or any series of transactions.

5. REPRESENTATIONS AND WARRANTIES.

(a) Vendor shall, in the event Purchaser exercises the Option, make such representations and warranties regarding title to the stock and tax issues as are customary for similar transactions. No other representations and warranties shall be made, except with respect to environmental matters, which shall be in substantially the same form as in the Purchase Agreement.

(b) The definitive purchase agreement shall provide,
inter alia

- (i) That Vendor, shall be responsible for all on-site environmental clean-up liabilities in excess of \$2,000,000, provided that no remediation shall be done without Vendors' prior written consent, not to be unreasonably withhold.
- (ii) That them will be a basket for off-site environmental liabilities of \$150,000.
- (iii) From the date of this Option Agreement, Purchaser will provide consulting and technical assistance with respect to operations of the Cleveland facility for no consideration and profits and losses from the facility will be for Purchaser's account from the date of this Option Agreement provided it exercises the Option and the transaction closes.
- (iv) Vendor will transfer to Purchaser the Digital mainframe computers used by Vendor which run the waste management and financial proprietary software and subject software, subject to the continued right of Vendor to use said software in perpetuity and without consideration. The transfer of the computers and software is absolutely "as is", without any representations and warranties.

(c) Purchaser represents that acquisition of the Stock pursuant to the Option will be for investment purposes only and not with a view to the distribution or sale of the Stock in any manner which is contrary to the laws, regulations or rules enforced or promulgated by the Securities and Exchange Commission.

6. BINDING EFFECT. This Agreement is binding on and inures to the benefit of Purchaser and Vendor and their respective successors and assigns.

7. ENTIRE AGREEMENT. This Agreement supersedes all prior agreements and constitutes the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be amended or modified only by a writing signed by both parties.

8. HEADINGS. The paragraph headings in this Agreement are for convenient reference and do not affect the provisions of this Agreement.

9. GOVERNING LAW. This Agreement is governed by the laws of the State of Pennsylvania.

10. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute the same document.

11. TIME OF THE ESSENCE. Time is of the essence with respect to all times set forth in this Agreement.

IN WITNESS WHEREOF, Purchaser and Vendor have caused this Agreement to be executed and delivered on the date first above written.

RESI ACQUISITION
(DELAWARE) CORPORATION

By: _____

Name:
Title:

REPUBLIC ENVIRONMENTAL
SYSTEMS, INC.

By: _____

Name:
Title:

GUARANTY AGREEMENT

This Guaranty Agreement ("Guaranty") is made on July 23, 1997, by PHILIP SERVICES CORP., an Ontario corporation (the "Guarantor") (which term shall be deemed to include its distributees, successors and assigns).

RECITALS

- A. RESI Acquisition (Delaware) Corporation ("Purchaser"), Republic Environmental Systems, Inc. ("Vendor"), and certain subsidiaries of Vendor are parties to a Share Purchase Agreement dated June 13, 1997 (the "Agreement").
- B. Pursuant to the Agreement, Purchaser has substantial obligations to Vendor and is delivering to Vendor two promissory notes, called the First Note and the Second Note in the Agreement (the "Notes").
- C. Execution and delivery of this Guaranty is required pursuant to Section 7.2(c)(vi) of the Agreement.
- D. Guarantor is executing and delivering this Guaranty in consideration of and as inducement for Vendor closing the transactions under the Agreement.
- E. Guarantor is the parent company of Purchaser and will derive a substantial and direct benefit from the consummation of the transactions under the Agreement.

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Guarantor agrees as follows:

1. **GUARANTY.** Guarantor, intending to be legally bound, hereby guarantees, absolutely and unconditionally, to Vendor the full and prompt payment of and any and all amounts (including, without limitation, Vendor's legal expenses and reasonable attorneys' fees and disbursements) payable by Purchaser under the Agreement and the Notes, and hereby further guarantees the full and timely performance and observance of all of the covenants, terms, indemnities, conditions and agreements therein provided to be performed and observed by Purchaser; and Guarantor hereby covenants and agrees to and with Vendor that if default shall at any time be made by Purchaser in the payment of any amounts due under the Agreement or the Notes, or if Purchaser should default in the performance and observance of any of the terms, covenants, agreements, indemnities and conditions contained in the Agreement or the Notes, Guarantor shall and will forthwith pay amounts and will faithfully perform, observe and fulfill all of such terms, covenants,

indemnities, agreements and conditions and will forthwith pay to Vendor all damages that may arise in consequence of any default by Purchaser under the Agreement or the Notes, including, without limitation, all reasonable attorneys' fees, and disbursements incurred by Vendor or caused by any such default or the enforcement of this Guaranty.

2. EFFECTIVENESS. This Guaranty is an absolute and unconditional guaranty of payment (and not of collection) and of performance. The liability of Guarantor is co-extensive with that of Purchaser. Guarantor hereby expressly agrees that the validity of this Guaranty and the obligations of Guarantor hereunder shall in no way be terminated, affected, diminished or impaired by reason of: (a) the assertion or the failure to assert by Vendor against Purchaser of any of the rights or remedies reserved to Vendor pursuant to the terms, covenants and conditions of the Agreement or the Notes, or (b) by non-liability of Purchaser under the Agreement or the Notes by reason of Purchaser's insolvency or discharge in bankruptcy.

3. CONTINUING GUARANTY. This Guaranty is a continuing guaranty, and the liability of Guarantor hereunder shall in no way be affected, modified or diminished by reason of: (a) any assignment of the Agreement or the Notes, or (b) any extension of time that may be granted by Vendor to Purchaser, or (c) any consent, indulgence or other action, inaction or omission under or in respect of the Agreement or the Notes, or (d) any bankruptcy, insolvency, reorganization, liquidation, arrangement, assignment for the benefit of creditors, receivership, trusteeship or similar proceeding affecting Purchaser, whether or not notice thereof is given to Guarantor.

4. BANKRUPTCY, ETC. Should Vendor be obligated by any bankruptcy or other law to repay to Purchaser or to Guarantor or to any trustee, receiver or other representative of either of them, any amounts previously paid, this Guaranty shall be reinstated in the amount of any such repayment. Vendor shall not be required to litigate or otherwise dispute its obligations to make such repayments if Vendor, in good faith, believes that such obligation exists.

5. NO WAIVER. No delay on the part of Vendor in exercising any right, power or privilege under this Guaranty or failure to exercise the same shall operate as a waiver of or otherwise affect any such right, power or privilege, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. No waiver or modification of any provision of this Guaranty nor any release or termination of this Guaranty shall be effective unless in writing, signed by Vendor; nor shall any such waiver be applicable except in the specific instance for which given.

6. EXERCISE OF RIGHTS. All of Vendor's rights and remedies under the Agreement, the Notes and under this Guaranty, now or hereafter existing at law or in

equity or by statute or otherwise, are intended to be distinct, separate and cumulative, and no exercise or partial exercise of any such right or remedy therein or herein mentioned is intended to be in exclusion of or a waiver of any of the others.

7. PAYMENTS. Guarantor agrees that whenever at any time or from time to time Guarantor shall make any payment to Vendor or perform or fulfill any term, covenant or condition hereunder or under the Agreement or the Notes on account of the liability of Guarantor hereunder, Guarantor will notify Vendor in writing that such payment or performance, as the case may be, is for such purpose. No such payment or performance by Guarantor pursuant to any provision hereof shall entitle Guarantor, by subrogation or otherwise, to the rights of Vendor to any payment by Purchaser or out of the property of Purchaser, except after payment of all sums or fulfillment of all covenants, terms, conditions or agreements to be paid or performed by Purchaser.

8. ESTOPPEL. Guarantor agrees that Guarantor will at any time and from time to time, within ten business days following written request by Vendor, execute, acknowledge and deliver to Vendor a statement certifying that this Guaranty is unmodified and in full force and effect (or if there has been any modification, that the same is in full force and effect as modified and stating such modification). Guarantor agrees that such certificate may be relied on by anyone holding or proposing to acquire any interest in Vendor.

9. WAIVER OF JURY TRIAL. AS A FURTHER INDUCEMENT TO VENDOR TO CLOSE UNDER THE AGREEMENT AND IN CONSIDERATION THEREOF, GUARANTOR COVENANTS AND AGREES THAT IN ANY ACTION OR PROCEEDING BROUGHT ON, UNDER OR BY VIRTUE OF THIS GUARANTY, GUARANTOR SHALL AND DOES HEREBY WAIVE TRIAL BY JURY.

10. GOVERNING LAW. Without regard to principles of conflicts of laws, the validity, interpretation, performance and enforcement of this Guaranty shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

11. LEGAL CAPACITY. Guarantor warrants and represents to Vendor that Guarantor has the legal right and capacity to execute this Guaranty. In the event that this Guaranty shall be held ineffective or unenforceable by any court of competent jurisdiction, then Guarantor shall be deemed to be Purchaser under the Agreement and the Notes with the same force and effect as if Guarantor were expressly named as Purchaser therein.

12. NUMBER; GENDER. All terms and words in this Guaranty, regardless of the number or gender in which they are used, shall be deemed to include any other number or any other gender as the context may require.

13. DEFAULT. If Guarantor fails to pay any amount payable under this Guaranty when due, interest on such amount shall accrue from the date such amount was due until paid at the prime rate per annum (or substitute similar rate) quoted by Citibank, N.A., plus 4% on the basis of a 360-day year for the actual number of days elapsed.

14. JURISDICTION; SERVICE OF PROCESS. Guarantor irrevocably submits to the jurisdiction of any Pennsylvania State or Federal court sitting in the Commonwealth of Pennsylvania over any suit, action or proceeding arising out of or relating to this Guaranty. Guarantor hereby agrees that Vendor shall have the option in its sole discretion to lay the venue of any such suit, action or proceeding in the courts of the Commonwealth of Pennsylvania or the United States of America for the District of Pennsylvania. Guarantor irrevocably waives to the fullest extent permitted by law any objection which Guarantor may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in such court and any claim that any suit, action or proceeding brought in such court has been brought in an inconvenient forum. Guarantor agrees that a final judgment in any such suit, action or proceeding brought in such court shall be conclusive and binding upon Guarantor. Guarantor hereby irrevocably appoints Purchaser as authorized agent to accept, on behalf of Guarantor, service of any and all process which may be served in any suit, action or proceeding of the nature referred to above. Process may be served in any suit, action or proceeding of the nature referred to above by any method permitted by law or by registered or certified mail, postage prepaid, return receipt requested, to Purchaser. Guarantor agrees that such service shall be deemed in every respect effective service of process upon Guarantor in any such suit, action or proceeding and shall, to the fullest extent permitted by law be taken and held to be a valid personal service upon and personal delivery to Guarantor.

IN WITNESS WHEREOF, the undersigned has duly executed this Guaranty as of the date first above written.

ATTEST: PHILIP SERVICES CORP.

By

Name:
Title:

By

Name:
Title:

ASSIGNMENT OF SHARE PURCHASE AGREEMENT

THIS AGREEMENT made as of the 21st day of July, 1997.

B E T W E E N:

PHILIP ENVIRONMENTAL (DELAWARE) INC.
a corporation incorporated pursuant to the laws
of the State of Delaware

(hereinafter referred to as the "Assignor")

- and -

RESI ACQUISITION (DELAWARE)
CORPORATION,
a corporation incorporated pursuant to the laws
of the State of Delaware

(hereinafter referred to as the "Assignee")

WHEREAS the Assignor has entered into a Share Purchase Agreement dated June 13, 1997 as Purchaser with Republic Environmental Systems, Inc. (the "Vendor") providing for the sale by the Vendor to the Assignor of all of the issued and outstanding shares in Republic Environmental Recycling (New Jersey), Inc., Republic Environmental Systems (Technical Services Group), Inc., Republic Environmental Systems (Pennsylvania), Inc., Republic Environmental Systems (Transportation Group), Inc. and Chem-Freight, Inc., which Share Purchase Agreement is attached hereto as Schedule "A";

AND WHEREAS, pursuant to Section 11.10 of the Share Purchase Agreement, the Assignor is entitled to assign all of its right, title and interest thereunder;

AND WHEREAS, the Assignor wishes to assign all of its right, title and interest in the Share Purchase Agreement to the Assignee.

NOW, THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the sum of TWO DOLLARS (\$2.00) and other good and valuable consideration and in consideration of the Assignee accepting the within assignment and assuming the Assignor's obligations thereunder, the Assignor does hereby set over, assign, transfer, release and quit claim unto the Assignee all of its right, title and interest whatsoever in and to the Share Purchase Agreement attached hereto in Schedule "A";

TO HAVE AND TO HOLD unto the Assignee, its successors and assigns, all benefits and advantages accruing thereon under the Share Purchase Agreement.

THE ASSIGNEE covenants that it is jointly and severally liable with the Assignor with respect to all of the representations, warranties, covenants, indemnities and agreements of the Purchaser under the Share Purchase Agreement.

THE ASSIGNOR covenants, represents and warrants that it has full corporate power and authority to set over the aforesaid Share Purchase Agreement.

THIS AGREEMENT shall ensure to and be binding upon the parties hereto, their respective successors and assigns.

IN WITNESS WHEREOF this Agreement has been executed by the parties as of the date first written above.

PHILIP ENVIRONMENTAL (DELAWARE), INC.

Per:

ASO

RESI ACQUISITION (DELAWARE) CORPORATION

Per:

ASO