

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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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) February 19, 1997

INTERNATIONAL ALLIANCE SERVICES, INC.  
(Exact name of registrant as specified in its charter)

DELAWARE	0-25890	22-2769024
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

10055 Sweet Valley Drive Valley View, Ohio	44125
(Address of principal executive offices)	(Zip Code)

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

## Item 4. Changes in Registrant's Certifying Accountant

- (a) Arthur Andersen LLP ("Arthur Andersen") served as the independent auditors of International Alliance Services, Inc. (formerly known as Republic Environmental Systems, Inc., the "Registrant") for the fiscal years ended December 31, 1994 and 1995 and until February 19, 1997. Until October 1996, when the Registrant acquired its insurance operations through the merger of Century Surety Company, and its subsidiaries (the "CSC Group"), and Commercial Surety Agency, Inc. ("CSU") into subsidiaries of the Registrant (the "Merger Transactions"), the Registrant's operations consisted primarily of its hazardous waste operations. The Registrant's specialty insurance, bonding and business services operations currently comprise a significant portion of the Registrant's total revenue. Further, the Registrant currently intends to aggressively grow its specialty insurance, bonding and business services operations both internally and through acquisitions. From 1987 until December 1996, after the consummation of the Merger Transactions, KPMG Peat Marwick LLP ("KPMG") served as independent auditors for the Registrant's insurance subsidiaries, the CSC Group and CSU.

It has been determined by the Registrant that its best interest would be served by retaining KPMG as its independent auditors. Accordingly, on February 19, 1997, the Registrant dismissed Arthur Andersen and engaged KPMG as its independent auditors. The decision to change auditors was approved by the Audit Committee of the Registrant's Board of Directors.

There have been no disagreements between the Registrant and Arthur Andersen on any matters of accounting principles or practices, financial statement disclosure or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Arthur Andersen, would have caused it to make reference to the subject matter of the disagreements in connection with its report. Further, the audit reports of Arthur Andersen on the financial statements as of and for the years ended December 31, 1994 and 1995 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

- (b) KPMG has been engaged by the Registrant as of February 19, 1997 as its independent auditors.

## Item 5. Other Events

On February 24, 1997, the Registrant announced its intention to acquire M&N Risk Management, Inc. and M&N Enterprises, Inc. (the "M&N Transaction"). It is contemplated that the Registrant will issue approximately 384,600 shares of its common stock valued at \$13.00 per share, and warrants to purchase 900,000 shares of its common stock at an exercise price of \$13 per share, exercisable for a three year period from the date of issuance, in connection with the M&N Transaction. It is anticipated that such transaction will close by February 28, 1997.

On February 24, 1997, the Registrant also announced the consummation of its acquisition of Midland Consultants, Inc. (the "Midland Transaction"). In consideration for such acquisition, the Registrant paid \$208,000 and issued 87,500 shares of its common stock valued at \$11.625 per share, and warrants to purchase 20,000 shares of its common stock at an exercise price of \$11.625 per share exercisable in whole or in part for a three year period from the date of issuance.

Subject to the occurrence of certain events, Alliance Holding Corporation ("Alliance") has agreed to grant a proxy to Mr. Michael G. DeGroot, Chairman of the Board of the Registrant, that covers the shares of common stock of the Registrant held by Alliance.

The descriptions contained herein of the M&N Transaction and the Midland Transaction are qualified in their entirety by reference to the Press Release, dated February 24, 1997, attached hereto as Exhibit 99.1, which is incorporated herein by reference.

Item 7. Financial Statements and Exhibits.

- (a) Not applicable.
- (b) Not applicable.
- (c) The following documents are filed herewith as exhibits:
  - 16.1 Letter from Arthur Andersen LLP.
  - 99.1 Press Release, dated February 24, 1997.

## SIGNATURES

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

INTERNATIONAL ALLIANCE SERVICES, INC.

Dated: February 26, 1997

/s/ Edward F. Feighan

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Edward F. Feighan  
Chief Executive Officer and President

INTERNATIONAL ALLIANCE SERVICES, INC.

EXHIBIT INDEX

NUMBER AND  
DESCRIPTION OF EXHIBIT  
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SEQUENTIAL  
PAGE NUMBER  
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16.1 Letter from Arthur Andersen LLP  
99.1 Press Release, dated February 24, 1997

## ARTHUR ANDERSEN LLP

February 26, 1997

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Gentlemen:

We have read Item 4 included in the attached Form 8-K dated February 26, 1997 of International Alliance Services, Inc. to be filed with the Securities and Exchange Commission and are in agreement with the statements contained in the first and third paragraphs and the statement in the middle sentence of the second paragraph indicating we were dismissed as independent auditors on February 19, 1997. We have no basis to agree or disagree with the other statements of the registrant contained in Item 4.

Very truly yours,

/s/ Arthur Andersen LLP  
Arthur Andersen LLP

FOR IMMEDIATE RELEASE

CONTACT: EDWARD FEIGHAN, CEO  
-or-  
GREG SKODA, CFO  
CLEVELAND, OHIO  
(216) 447-9000

INTERNATIONAL ALLIANCE SERVICES, INC. ANNOUNCES THE SIGNING OF AN AGREEMENT TO ACQUIRE M&N RISK MANAGEMENT, INC., M&N ENTERPRISES, INC., MFC, INC., THE ACQUISITION OF MIDLAND CONSULTING SERVICES AND THE LOCATION OF IASI'S EXECUTIVE OFFICES IN HAMILTON, BERMUDA

Cleveland, Ohio (February 24, 1997) International Alliance Services, Inc. (NASDAQ : IASI) ("the Company") today announced the Company has entered into an agreement to acquire M&N Risk Management, Inc. And M&N Enterprises, Inc. (M&N Companies) from the Cleveland law firm of Millisor & Nobil Co. LPA, and MFC, Inc. of Cleveland, Ohio for 384,600 shares of restricted common stock of International Alliance Services, Inc., \$1,000,000 cash and 900,000 warrants of the Company's common stock at \$13 per share over a three year period.

M&N Risk Management and M&N Enterprises, Inc. are two of the leading third party worker's compensation administrators in Ohio. The firms provide employers with a turn key operation which integrate actuarial analysis and underwriting capabilities with claims administration. The M&N Companies administer workers' compensation programs for over 4,000 self-insured and state fund employers. The M&N Companies are expected to add approximately \$6.6 million to IASI's annualized revenues.

This transaction is set to close by February 28, 1997.

"International Alliance Services now has a key component for our wide ranging business services with the acquisition of M&N Risk Management and M&N Enterprises", commented Edward F. Feighan, President and CEO of the Company.

"Workers' compensation has long been viewed as one of the central components of a professional employer organization. These companies, continuing under the leadership of Kenneth Millisor and Steven Nobel will significantly enhance the marketing of our SMR Business Services unit. Through our SMR Business Services Group, the Company markets a wide range of business services and risk management products. M&N Risk Management and M&N Enterprises, as part of SMR Business Services, will give the Company the capability to market workers' compensation benefits administration on a national level and should add additional back office services to their client base."

The Company also announced the completion of a previously signed agreement to acquire Midland Consultants, Inc. ("Midland") of Cleveland, a full service specialized employment firm with expected 1997 annualized revenue of \$2.4 million. The consideration paid for Midland was 87,500 shares of restricted common stock of International Alliance Services, Inc., \$208,000 in cash and warrants to acquire 20,000 additional shares of the Company at \$11,625 per share over a three year period, the share price was based upon the market price of the stock at the time the agreement to purchase was reached.

Midland's experience, progressive networking, computerization and specialized recruiting expertise will enable SMR Business Services to provide both its client base and candidates with a professional, timely and cost effective specialized employment service.

The combined \$9 million of annualized revenue by these new acquisitions will more than double the revenue of International Alliance Services, Inc. Business Services Group and bring the total number of corporate clients serviced by this group to approximately 5,000. This will greatly enhance the Business Services client base and create further opportunities for cross-services rendered in this highly fragmented, rapidly growing, outsourcing services industry.

International Alliance Services, Inc. also announced the location of its executive offices at the Hamilton, Bermuda offices of MGD Holdings LTD., a substantial shareholder of IASI. Mr. Michael DeGroote, who is Chairman of International Alliance Services, Inc. stated "the establishment of the executive offices in Hamilton, Bermuda will place the Company in one of the major reinsurance centers in the world."

International Alliance Services, Inc. is a diversified services company focused on integrating risk management services with other specialized business services. The Company provides specialty insurance, bonding, environmental remediation and business services to commercial enterprises in Canada and throughout the United States.