SCHEDULE 14C
(RULE 14C-101)
INFORMATION REQUIRED IN INFORMATION STATEMENT
SCHEDULE 14C INFORMATION
INFORMATION STATEMENT PURSUANT TO SECTION 14(C) OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Check the appropriate box:
/ / Preliminary information statement
/ / Confidential, For Use of the Commission Only (as permitted by Rule 14c-5(d)(2).
/X/ Definitive Information Statement

REPUBLIC ENVIRONMENTAL SYSTEMS, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing the Information Statement)

Payment of filing fee (check the appropriate box):
/ / $125 per Exchange Act Rule 0-11(c)(1)(ii), or 14c-5(g).
/ / Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transactions applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

(4) Proposed maximum aggregate value of transaction:

(5) Total fee Paid:

/X/ Fee paid previously with preliminary materials.

/ / Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:
$50,822.40

(2) Form, schedule or registration statement no.:
Preliminary Information Statement

(3) Filing party:
Republic Environmental Systems, Inc.

(4) Date filed:
June 17, 1996

[REPUBLIC ENVIRONMENTAL SYSTEMS LOGO]

Dear Stockholders:

Republic Environmental Systems, Inc., a Delaware corporation ("RESI"), has entered into (i) an Agreement and Plan of Merger, dated as of May 19, 1996, pursuant to which RESI has agreed to issue (a) 14,760,000 shares (the "Merger Shares") of its common stock, par value $0.01 per share ("RESI Common Stock"), (b) warrants to purchase an aggregate of 4,200,000 additional shares of RESI Common Stock at exercise prices ranging from $2.625 to $3.875 per share (the "Merger Warrants") and (c) a promissory note in the principal amount of $4,000,000 in consideration for all of the outstanding common stock of Century Surety Company ("CSC") and Commercial Surety Agency, Inc., d/b/a Century Surety Underwriters ("CSU"), each a wholly-owned subsidiary of Alliance Holding Corporation ("Alliance"); CSC and CSU will become wholly-owned subsidiaries of RESI upon consummation of the mergers (the "Mergers") described therein; and (ii) Stock Purchase Agreements, dated as of May 19, 1996, pursuant to which RESI has agreed to issue and sell to (a) H. Wayne Huizenga 2,000,000 shares of RESI Common Stock (the "Huizenga Shares") and warrants to purchase 6,000,000 shares of RESI Common Stock at exercise prices ranging from $2.625 to $3.875 per share (the "Huizenga Warrants") for an aggregate purchase price of $5,250,000 and (b) MGD Holdings Ltd., a Bermuda corporation controlled by Michael G. DeGroote, and its assigns 2,000,000 shares of RESI Common Stock (the "MGD Shares") and warrants to purchase 6,000,000 shares of RESI Common Stock at exercise prices ranging from $2.625 to $3.875 per share (the "MGD Warrants" and, together with the Huizenga Warrants, the "Stock Issuance Warrants") for an aggregate purchase price of $10,500,000 (collectively, the "Stock Issuances" and, together with the Mergers, the "Combination").

RESI Common Stock is listed on the Nasdaq National Market ("Nasdaq") under the symbol "IASI." The last reported sale price of RESI Common Stock on May 17, 1996, the last full trading day preceding the public announcement of the execution of the letter of intent relating to the Combination, was $2 5/16 per share. The last reported sale price of RESI Common Stock on September 20, 1996, the last full trading day preceding the date of this Information Statement, was $6 1/8 per share. Based upon the closing price of RESI Common Stock on May 17, 1996 and September 20, 1996, the value of the Merger Shares was $34,132,500 and $90,405,000, respectively. On May 17, 1996, the Merger Warrants were not "in the money." On September 20, 1996, the "in the money value" of the Merger Warrants was $12,250,000.

The issuance of the shares of RESI Common Stock in connection with the Combination will result in a change of control of RESI and have a dilutive effect on the voting rights of holders of RESI Common Stock prior to consummation of the Combination. As of July 31, 1996, Mr. DeGroote, through MGD Holdings, beneficially owned 5,536,000 shares of the outstanding shares of RESI Common Stock, representing approximately 49.5% of the outstanding shares of RESI Common Stock. As of such date, non-affiliated stockholders as a group owned approximately 48.9% of RESI Common Stock. Upon consummation of the Combination, assuming the exercise of all of the Merger Warrants and Stock Issuance Warrants in full at such time (but not the exercise of any other outstanding options or warrants), and after giving effect to the issuance of the Merger Shares and the Stock Issuance Shares, Alliance and Mr. DeGroote, through MGD Holdings, will beneficially own approximately 41.4% and 29.3%, respectively, of the outstanding shares of RESI Common Stock and non-affiliated stockholders as a group will own approximately 29.2% of the outstanding shares of RESI Common Stock. In addition, contemporaneously with the consummation of the Combination, MGD Holdings will enter into a voting agreement with Alliance (the "Voting Agreement") pursuant to which MGD Holdings, for a period of two years commencing as of the date thereof, will agree to vote all shares of RESI Common Stock held by it from time to time in accordance with the recommendation of the management of Alliance. Accordingly, Alliance will have the ability to control the outcome of matters submitted to a vote of the RESI stockholders, including the election of directors.

In addition to the foregoing, upon consummation of the Combination, one present member of the RESI Board of Directors, Mr. Michael J. Occhionero, will resign and the RESI Board of Directors will be enlarged to seven members. At such time, Messrs. Edward F. Feighan, Craig L. Stout and Harve A. Ferrill will be nominated by Alliance and elected to the RESI Board of Directors and Mr. Richard C. Rochon will be nominated by Alliance upon the recommendation of Mr. Huizenga and elected to the RESI Board of

Directors. Mr. DeGroote will continue to serve as a director and Chairman of the Board of RESI. Mr. Joseph E. LoConti, currently a director of RESI, is the Chairman of the Board, President and controlling shareholder of Alliance. After the consummation of the Combination, Mr. LoConti will serve as Vice Chairman and a director of RESI. Consequently, Messrs. LoConti, Feighan, Stout and Ferrill will comprise four of the seven members of the RESI Board and, if they vote together, will have the ability to control most actions submitted to a vote of the RESI Board of Directors.

On June 10, 1996, the Board of Directors of RESI unanimously approved the adoption of amendments to Certificate of Incorporation (i) to change the name of RESI to International Alliance Services, Inc., (ii) to increase the number of authorized shares of RESI Common Stock from 20,000,000 to 100,000,000 (the "Amendments to the Certificate of Incorporation"). On May 31, 1995, the Board of Directors of RESI and its Compensation Committee unanimously approved the adoption of the RESI 1995 Employee Stock Option Plan (the "Employee Option Plan").

THE BOARD OF DIRECTORS OF RESI BELIEVES THAT THE APPROVAL OF THE MERGERS, THE STOCK ISSUANCES AND THE AMENDMENTS TO THE CERTIFICATE OF INCORPORATION AND THE ADOPTION OF THE EMPLOYEE OPTION PLAN ARE IN THE BEST INTEREST OF RESI AND ITS STOCKHOLDERS. ACCORDINGLY, THE DISINTERESTED MEMBERS OF THE BOARD OF DIRECTORS OF RESI HAVE UNANIMOUSLY APPROVED THE MERGERS AND THE STOCK ISSUANCES AND THE BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE AMENDMENTS TO THE CERTIFICATE OF INCORPORATION AND THE ADOPTION OF THE EMPLOYEE OPTION PLAN.

On August 23, 1996, in accordance with Delaware law, the holders of a majority of the outstanding shares of RESI Common Stock executed a written consent approving the Mergers, the Stock Issuances, the Amendments to the Certificate of Incorporation and the adoption of the Employee Option Plan. Stockholders should note that the written consent of stockholders to approve the Mergers also constituted a vote to approve an exempt acquisition of RESI Common Stock by Mr. LoConti (through his controlling interest in Alliance) from RESI pursuant to Rule 16b-3(d) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). ACCORDINGLY, STOCKHOLDERS OF RESI ARE NOT BEING ASKED FOR, AND ARE REQUESTED NOT TO SEND, PROXIES AND FOR THAT REASON NO PROXY CARD HAS BEEN ENCLOSED FOR STOCKHOLDERS. NO MEETING OF STOCKHOLDERS WILL BE HELD TO CONSIDER APPROVAL OF THE MERGERS, THE STOCK ISSUANCES AND THE AMENDMENTS TO THE CERTIFICATE OF INCORPORATION OR THE ADOPTION OF THE EMPLOYEE OPTION PLAN.

The attached Information Statement is being provided to you pursuant to Rule 14c-2 under the Exchange Act. The Information Statement contains a more detailed description of the Mergers, the Stock Issuances, the Amendments to the Certificate of Incorporation and the adoption of the Employee Option Plan. I encourage you to read the Information Statement thoroughly.

Very truly yours,

/s/ Michael DeGroote
MICHAEL G. DEGROOTE
Chairman of the Board, President
and Chief Executive Officer

Hamilton, Bermuda

September 23, 1996

REPUBLIC ENVIRONMENTAL SYSTEMS, INC.
16 SENTRY PARK WEST
1787 SENTRY PARK WEST, SUITE 400
BLUE BELL, PENNSYLVANIA 19422

INFORMATION STATEMENT

This Information Statement is being furnished to the stockholders of Republic Environmental Systems, Inc., a Delaware corporation ("RESI"), in connection with the proposed mergers (the "Mergers") of Republic/CSA Acquisition Corporation ("CSC Merger Sub") and Republic/CSU Acquisition Corporation ("CSU Merger Sub" and, together with CSC Merger Sub, the "Merger Subs"), each a Delaware corporation and wholly-owned subsidiary of RESI, with and into Century Surety Company ("CSC") and Century Surety Agency, Inc., d/b/a Century Surety Underwriters ("CSU" and, together with CSC, the "Alliance Companies"), respectively, each an Ohio corporation and wholly-owned subsidiary of Alliance Holding Corporation, an Ohio corporation ("Alliance"), pursuant to an Agreement and Plan of Merger (the "Merger Agreement") among RESI, CSC Merger Sub, CSU Merger Sub, CSC, CSU and Alliance (such Mergers being referred to herein individually as the "CSC Merger" and the "CSU Merger," respectively). Pursuant to the Merger Agreement, CSC and CSU shall be the surviving corporations in the Mergers and at the effective time thereof all outstanding shares of capital stock of CSC and CSU shall be converted into the right to receive (a) an aggregate of 14,760,000 shares of RESI common stock (the "Merger Shares"), par value $0.01 per share ("RESI Common Stock"), (b) warrants to purchase an aggregate of 4,200,000 additional shares of RESI Common Stock at exercise prices ranging from $2.625 to $3.875 per share (the "Merger Warrants") and (c) a promissory note in principal amount of $4,000,000 (the "Note").

RESI Common Stock is listed on the Nasdaq National Market ("Nasdaq") under the symbol "IASI." The last reported sale price of RESI Common Stock on May 17, 1996, the last full trading day preceding the public announcement of the execution of the letter of intent relating to the Combination, was $2 5/16 per share. The last reported sale price of RESI Common Stock on September 20, 1996, the last full trading day preceding the date of this Information Statement, was $6 1/8 per share. Based upon the closing price of RESI Common Stock on May 17, 1996 and September 20, 1996, the value of the Merger Shares was $34,132,500 and $90,405,000, respectively. On May 17, 1996, the Merger Warrants were not "in the money." On September 20, 1996, the "in the money value" of the Merger Warrants was $12,250,000.

This Information Statement also relates to (i) the issuance and sale by RESI and the purchase by (a) H. Wayne Huizenga of 2,000,000 shares of RESI Common Stock (the "Huizenga Shares") and warrants to purchase 6,000,000 shares of RESI Common Stock at exercise prices ranging from $2.625 to $3.875 per share (the "Huizenga Warrants") for an aggregate purchase price of $5,250,000 pursuant to a Stock Purchase Agreement between Mr. Huizenga and RESI (the "Huizenga Purchase Agreement"), and the transactions contemplated thereby (the "Huizenga Stock Issuance"), and (b) MGD Holdings Ltd. ("MGD Holdings"), a Bermuda corporation controlled by Michael G. DeGroote, Chairman of the Board, Chief Executive Officer and President of RESI and the beneficial owner of approximately 49.7% of the outstanding shares of RESI Common Stock as of the date of this Information Statement, and its assigns of 2,000,000 shares of RESI Common Stock (the "MGD Shares" and, together with the Huizenga Shares, the "Stock Issuance Shares") and warrants to purchase 6,000,000 shares of RESI Common Stock at exercise prices ranging from $2.625 to $3.875 per share (the "MGD Warrants" and, together with the Huizenga Warrants, the "Stock Issuance Warrants") for an aggregate purchase price of $5,250,000 pursuant to a Stock Purchase Agreement between MGD Holdings and RESI (the "MGD Purchase Agreement" and, together with the Huizenga Purchase Agreement, the "Purchase Agreements"), and the transactions contemplated thereby (the "MGD Stock Issuance" and, together with the Huizenga Stock Issuance, the "Stock Issuances"), (ii) an amendment to RESI's Certificate of Incorporation to change RESI's name to International Alliance Services, Inc. (the "Name Change"), (iii) an amendment to RESI's Certificate of Incorporation to increase the number of authorized shares of RESI Common Stock from 20,000,000 to 100,000,000 (the "Authorized Share Increase" and, together with the Name Change, the "Amendments to the Certificate of Incorporation") and (v) the adoption of the RESI 1995 Employee Stock Option Plan (the "Employee Stock Option Plan"). The Mergers and the Stock Issuances may be referred to herein collectively as the "Combination."

The issuance of the 34,960,000 shares of RESI Common Stock in connection with the Combination, including the shares to be issued upon exercise of the Merger Warrants and the Stock Issuance Warrants (the "Combination Shares"), will result in a change of control of RESI and have a dilutive effect on the voting rights of holders of RESI Common Stock prior to consummation of the Combination. As of July 31, 1996, Mr. DeGroote, through MGD Holdings, beneficially owned 5,536,000 shares of RESI Common Stock, representing approximately 49.5% of the outstanding shares of RESI Common Stock. As of such date, non-affiliated stockholders as a group owned approximately 48.9% of RESI Common Stock. Upon consummation of the Combination, assuming the exercise of all of the Merger Warrants and Stock Issuance Warrants in full at such time (but not the exercise of any other outstanding options or warrants), and giving effect to the issuance of the Merger Shares and the Stock Issuance Shares, Alliance and Mr. DeGroote (through MGD Holdings) will beneficially own approximately 41.4% and 29.3%, respectively, of the outstanding shares of RESI Common Stock and non-affiliated stockholders as a group will own approximately 29.2% of the outstanding shares of RESI Common Stock. See "Risk Factors -- Risks Related to the Combination -- Dilution." In addition, contemporaneously with the consummation of the Combination, MGD Holdings will enter into a voting agreement with Alliance (the "Voting Agreement") pursuant to which MGD Holdings, for a period of two years commencing as of the date thereof, will agree to vote all shares of RESI Common Stock held by it from time to time in accordance with the recommendation of the management of Alliance. See "Risk Factors -- Risks Related to the Combination -- Change of Control of RESI" and "The Combination -- The Mergers -- Other Agreements -- Voting Agreement." Accordingly, Alliance will have the ability to control the outcome of matters submitted to a vote of the RESI stockholders, including the election of directors. See "Principal Stockholders."

In addition to the foregoing, upon consummation of the Combination, one present member of the RESI Board of Directors, Mr. Michael J. Occhionero, will resign and the RESI Board of Directors will be enlarged to seven members. At such time, Messrs. Edward F. Feighan, Craig L. Stout and Harve A. Ferrill will be nominated by Alliance and elected to the RESI Board of Directors and Mr. Richard C. Rochon will be nominated by Alliance upon the recommendation of Mr. Huizenga and elected to the RESI Board of Directors. Mr. DeGroote will continue to serve as Chairman of the Board and a director of RESI. Mr. Joseph E. LoConti, currently a director of RESI, is the Chairman of the Board, President and controlling shareholder of Alliance. See "Risk Factors -- Mr. LoConti's Affiliation with RESI and Alliance" and "The Combination -- Interests of Certain Persons in the Combination." After the consummation of the Combination, Mr. LoConti will serve as Vice Chairman and a director of RESI. Consequently, Messrs. LoConti, Feighan, Stout and Ferrill will comprise four of the seven members of the RESI Board and, if they vote together, will have the ability to control most actions submitted to a vote of the RESI Board of Directors. See "Risk Factors -- Risks Related to the Combination -- Change of Control of RESI" and "Management After the Combination."

THE BOARD OF DIRECTORS OF RESI BELIEVES THAT THE APPROVAL OF THE MERGERS, THE STOCK ISSUANCES AND THE AMENDMENTS TO THE CERTIFICATE OF INCORPORATION AND THE ADOPTION OF THE EMPLOYEE OPTION PLAN IS IN THE BEST INTEREST OF RESI AND ITS STOCKHOLDERS. ACCORDINGLY, ON MAY 19, 1996, THE DISINTERESTED MEMBERS OF THE BOARD OF DIRECTORS UNANIMOUSLY APPROVED THE MERGERS AND THE STOCK ISSUANCES; ON JUNE 10, 1996, THE BOARD OF DIRECTORS UNANIMOUSLY APPROVED THE ADOPTION OF THE AMENDMENTS TO THE CERTIFICATE OF INCORPORATION; AND ON MAY 31, 1995, THE BOARD OF DIRECTORS AND ITS COMPENSATION COMMITTEE UNANIMOUSLY APPROVED THE ADOPTION OF THE EMPLOYEE OPTION PLAN.

Under Delaware law, holders of RESI Common Stock do not have appraisal rights in connection with the Mergers, the Stock Issuances, the Amendments to the Certificate of Incorporation or the adoption of the Employee Option Plan. Under Delaware law, the affirmative vote of the holders of a majority of the outstanding shares of RESI Common Stock (as of the Record Date) is required to approved the Mergers, the Stock Issuances and the Amendments to the Certificate of Incorporation. August 16, 1996 has been fixed as the record date for the determination of RESI stockholders entitled to notice of, and to vote upon, the

Mergers, the Stock Issuances, the Amendments to the Certificate of Incorporation (the "Record Date") and the adoption of the Employee Option Plan. On August 23, 1996, in accordance with Delaware law, the holders of a majority of the outstanding shares of RESI Common Stock executed a written consent approving the Mergers, the Stock Issuances, the Amendments to the Certificate of Incorporation and the adoption of the Employee Option Plan. Stockholders should note that the written consent of stockholders to approve the Mergers also constituted a vote to approve an exempt acquisition of RESI Common Stock by Mr. LoConti (through his controlling interest in Alliance) from RESI pursuant to Rule 16b-3(d) under the Securities Exchange Act 1934, as amended (the "Exchange Act"). ACCORDINGLY, STOCKHOLDERS OF RESI ARE NOT BEING ASKED FOR, AND ARE REQUESTED NOT TO SEND, PROXIES, AND FOR THAT REASON NO PROXY CARD HAS BEEN ENCLOSED FOR STOCKHOLDERS. NO MEETING OF STOCKHOLDERS WILL BE HELD TO CONSIDER APPROVAL OF THE MERGERS, THE STOCK ISSUANCES AND THE AMENDMENTS TO THE CERTIFICATE OF INCORPORATION OR THE ADOPTION OF THE EMPLOYEE OPTION PLAN.

FOR A DESCRIPTION OF CERTAIN RISK FACTORS ASSOCIATED WITH AN INVESTMENT IN RESI COMMON STOCK FOLLOWING THE COMBINATION, SEE "RISK FACTORS" BEGINNING ON PAGE 3.

This Information Statement is being furnished by RESI and was first mailed on or about September 26, 1996 to holders of record of RESI Common Stock as of the close of business on the Record Date.

NEITHER THE MERGERS NOR THE STOCK ISSUANCES HAVE BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS INFORMATION STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

The date of this Information Statement is September 23, 1996.

TABLE OF CONTENTS

INTRODUCTION

RESI

RESI is a waste services company providing hazardous and non-hazardous waste treatment, storage and transportation and disposal and recycling services through its subsidiaries. RESI currently operates seven hazardous and non-hazardous waste treatment, storage and disposal facilities ("TSD Facilities") located in the United States and Canada. These TSD Facilities are serviced by RESI's integrated trucking operations. RESI does not own any hazardous waste disposal sites. RESI also provides a broad range of related environmental services including engineering, consulting and analysis, remediation, groundwater/wastewater services and other technical services.

In April 1995, Republic Industries, Inc., formerly Republic Waste Industries, Inc. ("Republic Industries"), the sole stockholder of RESI at such time, effected a spin-off of its hazardous waste operations through a distribution of RESI Common Stock to the stockholders of record of Republic Industries (the "Spin-off"). Pursuant to the Spin-off, the Republic Industries stockholders received one share of RESI Common Stock for every five shares of Republic Industries common stock. Approximately 10,800,000 shares of RESI Common Stock were distributed to Republic Industries stockholders. Public trading of the RESI Common Stock commenced on Nasdaq on April 27, 1995 under the symbol "RESI." On June 24, 1996 RESI began trading under the symbol "IASI" in anticipation of the Name Change.

The principal executive office of RESI is located at 16 Sentry Park West, 1787 Sentry Parkway West, Suite 400, Blue Bell, Pennsylvania 19422, and its telephone number is (215) 283-4900.

MERGER SUBS

Each of the Merger Subs is a Delaware corporation with its principal executive office located at 16 Sentry Park West, 1787 Sentry Parkway West, Suite 400, Blue Bell, Pennsylvania 19422 (telephone number (215) 283-4900). Each of the Merger Subs was organized in connection with the Mergers and is a direct wholly-owned subsidiary of RESI. The Board of Directors of each of the Merger Subs and RESI, as sole stockholder, have approved the Mergers. The Merger Subs are not engaged in any activities other than in connection with the Mergers and the Merger Agreement. It is not anticipated that the Merger Subs will have any material assets or liabilities (other than those arising under the Merger Agreement and the transactions contemplated thereby) or engage in any activities other than those incident to their formation and the Mergers. Upon consummation of the Mergers, CSC Merger Sub will merge with and into CSC, with CSC being the surviving corporation, and CSU Merger Sub will merge with and into CSU, with CSU being the surviving corporation.

ALLIANCE COMPANIES

CSC and its subsidiaries (the "CSC Group"), along with CSU, provide specialty insurance and bonding to small- and medium-sized commercial enterprises in over forty states throughout the United States. CSC was originally formed in 1978 and was acquired in 1988 by Alliance. Later that year, Alliance formed CSU.

The principal executive office of CSC is located at 2400 Corporate Exchange Drive, Suite 290, Columbus, Ohio 43231, and its telephone number is (614) 895-2000. The principal executive office of CSU is located at 10055 Sweet Valley Drive, Suite 1, Valley View, Ohio 44125, and its telephone number is (216) 447-9222.

RECENT DEVELOPMENTS

As of June 30, 1996, RESI effected a two-for-one stock split by means of the issuance of a stock dividend of one share of RESI Common Stock for each outstanding share of RESI Common Stock held of record on June 14, 1996 (the "Stock Split"). Unless otherwise indicated, all share information contained in this Information Statement reflects the Stock Split.

On July 16, 1996, CSU announced it had entered into an agreement to acquire Environmental & Commercial Insurance Agency, Inc. ("ECI"), a small, privately held insurance agency based in Columbus,

Ohio, for $1,000,000 and 192,500 shares of RESI Common Stock. The acquisition is subject to consummation of the Combination, regulatory approval and execution of definitive agreements with ECI. See "Business of the Alliance Companies -- Recent Developments."

On July 25, 1996, the Alliance Companies announced that they had entered into agreements with Gulf Insurance Company ("Gulf"), a subsidiary of The Travelers Inc., and Midwest Indemnity Corporation of Skokie, Illinois ("Midwest"). The agreements with Gulf and Midwest are subject to completion of due diligence and negotiation of definitive agreements. The agreements with Gulf and Midwest are also contingent on each other and on the consummation of the Combination.

Under the agreement with Gulf, the CSC Group and Gulf will pool their prospective non-standard contract and other surety bond programs by means of various quota share and reinsurance arrangements to form a new combined program (the "combined program"). The combined program will be a separate and distinct book of surety bonds, which will not be part of any previous surety program written through Midwest. New underwriting standards for the combined program will be established by Gulf and the CSC Group as the insurers. CSU will act as exclusive underwriter for the combined program with responsibility for establishing new underwriting procedures and enforcing the new underwriting standards. Midwest's role in the combined program will be to process surety bond applications generated from its network of approximately 100 agents and subagents throughout the United States and to perform selected underwriting functions, as determined by CSU.

In partial consideration for Gulf agreeing to enter into this new reinsurance arrangement with CSU and for Midwest agreeing to enter into the combined program, at closing, CSU will purchase from Gulf at face value certain notes issued to Gulf by Midwest. The total payment to Gulf will not exceed $3.6 million. Also, CSU will agree to be obligated for certain contingent obligations of Midwest equaling up to an additional $1.525 million (the Gulf notes and the contingent obligations are hereinafter referred to collectively as the "Obligations"). The Obligations are secured by a pledge of all of the tangible and intangible assets of Midwest.

As part of the Midwest agreement, Midwest will give CSU an exclusive option to purchase Midwest's assets on or before March 2000 for $5.125 million. The initial option period expires March 31, 1997, but may be extended annually for three years through March 2000 if CSU makes option payments of $800,000 per year against the $5.125 million for a total of $2.4 million. Midwest's assets consist primarily of its agency network, the surety business generated by that network and minimal tangible assets.

If CSU exercises the option under the option agreement, the purchase price will be $10.25 million comprised of the cancellation of the Obligations ($5.125 million) plus the payment of an additional $5.125 million in cash. The cash amount includes the $800,000 payments, which may be paid to extend the option, plus a final payment of $2.725 million, if and when the option is exercised. If the option is not exercised by CSU and Midwest is not in default of its obligations under the agreements, CSU will be required to pay a termination fee consisting of cancellation of the Obligations ($5.125 million) and payment of an additional $2.4 million less any of the $800,000 payments made for extension of the option. Therefore, CSU is committed to payment of between $5.125 million and $10.25 million under the Gulf and Midwest agreements. For more information regarding this transaction, see "Business of the Alliance Companies -- Recent Developments."

RISK FACTORS

RISKS RELATED TO THE COMBINATION

CHANGE OF CONTROL OF RESI

As of July 31, 1996, Mr. DeGroote, through MGD Holdings, beneficially owned 5,536,000 shares of RESI Common Stock, representing approximately 49.5% of the outstanding shares of RESI Common Stock. Upon consummation of the Combination, assuming the exercise of all of the Merger Warrants and Stock Issuance Warrants in full at such time (but not the exercise of any other outstanding options or warrants), and giving effect to the issuance of the Merger Shares and the Stock Issuance Shares, Alliance and Mr. DeGroote (through MGD Holdings) will beneficially own approximately 41.4% and 29.3%, respectively, of the outstanding shares of RESI Common Stock. In addition, contemporaneously with the consummation of the Combination, MGD Holdings will enter into a voting agreement with Alliance (the "Voting Agreement") pursuant to which MGD Holdings, for a period of two years commencing as of the date thereof, will agree to vote all shares of RESI Common Stock held by it from time to time in accordance with the recommendation of the management of Alliance. See "The Combination -- The Mergers -- Other Agreements -- Voting Agreement." Accordingly, Alliance will have the ability to control the outcome of matters submitted to a vote of the RESI stockholders, including the election of directors. See "Principal Stockholders."

In addition to the foregoing, upon consummation of the Combination, one present member of the RESI Board of Directors, Mr. Michael J. Occhionero, will resign and the RESI Board of Directors will be enlarged to seven members. At such time, Messrs. Edward F. Feighan, Craig L. Stout and Harve A. Ferrill will be nominated by Alliance and elected to the RESI Board of Directors and Mr. Richard C. Rochon will be nominated by Alliance upon the recommendation of Mr. Huizenga and elected to the RESI Board of Directors. Mr. DeGroote will continue to serve as Chairman of the Board and a director of RESI. Mr. Joseph E. LoConti, currently a director of RESI, is the Chairman of the Board, President and controlling shareholder of Alliance. See "The Combination -- Interests of Certain Persons in the Combination." After the consummation of the Combination, Mr. LoConti will serve as Vice Chairman and a director of RESI. Consequently, Messrs. LoConti, Feighan, Stout and Ferrill will comprise four of the seven members of the RESI Board and, if they vote together, will have the ability to control most actions submitted to a vote of the RESI Board of Directors. See "Management After the Combination."

MR. LOCONTI'S AFFILIATION WITH RESI AND ALLIANCE

Mr. LoConti, a director of RESI, is also Chairman of the Board, President and a controlling stockholder of Alliance. Through his relationship with each of RESI and Alliance, Mr. LoConti was and remains in a position to influence the business decisions of both parties to the Merger. See "The Combination -- Recommendation of the RESI Board of Directors" for additional information concerning Mr. LoConti's relationships with RESI and Alliance and his involvement in the approval of the Merger.

LIMITATION ON USE OF NET OPERATING LOSSES

Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), imposes limitations on a corporation's ability to use net operating loss ("NOL") carryforwards if the corporation experiences a more-than-50-percent ownership change over a three-year testing period. In general, if such an ownership change occurs, Section 382 limits the amounts of the NOL carried over from pre-ownership change years that can be used in any one post-change year to an amount equal to the product of the value of the corporation's stock (with certain adjustments at the time of the change multiplied by an interest rate determined by the Internal Revenue Service (the "IRS")).

DEPENDENCE ON KEY PERSONNEL

Upon consummation of the Combination, Messrs. Feighan and Stout will be added to the senior management of RESI and, consequently, will manage the operations of RESI along with Messrs. DeGroote, LoConti and Gowland. See "Management After the Combination." The loss of the services of any of these individuals could have a material adverse effect on the operations and future success of RESI.

NECESSITY FOR CONSENTS OF REGULATORY AUTHORITIES

RESI and the Alliance Companies are required to seek consents from certain regulatory authorities as a result of the Mergers. The Ohio attorney general's office has determined that the Mergers will constitute a change of ownership of Ohio Environmental Protection Agency ("Ohio EPA") permitted facilities owned by Republic Environmental Systems (Cleveland), Inc. ("RES (Cleveland)") and Republic Environmental Systems (Ohio), Inc. ("RES (Ohio)"). In addition, the Ohio EPA may determine that the Mergers constitute a modification of such permits. As a result, Ohio law requires that disclosure statements be filed with the Ohio EPA and the Ohio attorney general's office at least 180 days prior to the consummation of the Mergers. RESI has requested from the Ohio EPA an exemption from the requirement that the disclosure statements be filed at least 180 days prior to consummation of the Mergers. The failure to obtain such exemption could delay the consummation of the Mergers and, consequently, have a material adverse effect on the financial condition of RESI. In the event RESI does not obtain such exemption and consummates the Mergers prior to the end of the 180-day period, RESI could be subject to enforcement actions and penalties as well as civil actions under Ohio law; including, without limitation, fines, imprisonment, injunctive relief and revocation of the Ohio EPA permits. The imposition of any such actions or penalties could have a material adverse effect on RESI.

Ohio law also requires that the change of ownership of the permitted facilities, as well as the permit modifications, if any, be approved by the director of the Ohio EPA, based upon the disclosure statements and an investigative report prepared by the Ohio attorney general's office. RESI intends to consummate the Mergers prior to receipt of the requisite approval of the director of the Ohio EPA as permitted by applicable law. During the approval process, the Company does not anticipate that the operations at such facilities will be effected. In the event that the director of the Ohio EPA ultimately disapproves such change of ownership or, if required, such permit modifications, RESI would be required to effect the negation of the change of ownership of such facilities. The negation could be accomplished through the restoration of the original ownership structure of RESI as it effects such facilities, the disposition of the facilities or another means that complies with the requirements of applicable law. The failure to obtain approval of such change of ownership or permit modifications, if any, could have a material adverse effect on the financial condition and operations of RESI. See "The Combination -- The Mergers -- Governmental and Regulatory Approval."

Further, the Alliance Companies may be required to seek consents from certain insurance regulatory authorities as a result of the Mergers. To the extent that such consents are required, the failure to receive such consents could prevent the consummation of the Combination and, as a result, have a material adverse effect on RESI.

POSSIBLE DEPRESSING EFFECT OF FUTURE SALES OF RESI COMMON STOCK

Future sales of shares of the Combination Shares, or the perception that such sales could occur, could adversely affect the market price of the RESI Common Stock. Upon consummation of the Combination and assuming the exercise of all of the Merger Warrants and Stock Issuance Warrants in full at such time and no other share issuances, RESI will have, as of the consummation of the Combination, 45,815,918 shares outstanding and will receive approximately $62.5 million as a result of the issuance of the Combination Shares; however, there can be no assurance as to when and if each of the Merger Warrants and Stock Issuance Warrants will be exercised and, consequently, when RESI will receive approximately $52.0 million of such proceeds which relate to the exercise of the Merger Warrants and Stock Issuance Warrants. RESI currently intends to use any infusion of capital from the Purchase Agreements to finance growth and acquisitions although there can be no assurance that any such cash infusion will result in an enhancement of RESI's financial condition.

In connection with the Combination, RESI has agreed to register all of the Combination Shares for resale under the Securities Act pursuant to a shelf registration statement (the "Shelf Registration") and to use its best efforts to cause the Shelf Registration to be declared effective by the Securities and Exchange Commission (the "SEC") as soon as practicable after consummation of the Combination. In addition, RESI has an obligation to include in the Shelf Registration 912,300 shares of RESI Common Stock representing all

of the shares of RESI Common Stock issuable upon the exercise of existing options and warrants. Once registered under the Shelf Registration, such shares may be sold thereunder at any time and from time to time in the public securities market; provided, however, for a period of two years from the date of the consummation of the Combination, the offer, sale or other disposal of up to 85% of the Merger Shares and the Warrant Shares, without the unanimous consent of the Board of Directors, will be prohibited by the Lock-up Agreement. See "The Combination -- The Mergers -- Other Agreements -- Lock-up Agreement." There can be no assurance as to when and how many of the shares registered under the Shelf Registration will be sold and the effect such sales may have on the market price of the RESI Common Stock.

DILUTION

The issuance of the Combination Shares will have a dilutive effect on the voting rights of the holders of RESI Common Stock as of the date of the closing of the Combination. The following table sets forth the percentage beneficial ownership of RESI Common Stock as of July 31, 1996 and as of the consummation of the Combination by each of Alliance, MGD Holdings, Mr. Huizenga, executive officers and directors of RESI as a group and non-affiliated stockholders as a group:

	RESI COMMON STOCK OWNED BENEFICIALLY		
			FULLY-DILUTED
	PRE-COMBINATION(1)	POST-COMBINATION(1)	POST-COMBINATION(2)
Alliance(3)	--	56.1%	41.4%
MGD Holdings(4)	49.5%	37.7	29.3
H. Wayne Huizenga	--	22.5	17.5
All directors and executive officers as a group	51.1	81.4	70.8
Non-affiliated stockholders as a group	48.9	18.6	29.2

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(1) See "Principal Stockholders."

(2) Gives effect to the exercise of all of the Warrants issued in connection with the Combination (but not the exercise of any other outstanding options or warrants).

(3) Mr. LoConti is the Chairman of the Board, President and controlling shareholder of Alliance.

(4) Mr. DeGroote is the sole stockholder, the President and a director of MGD Holdings.

RISKS RELATED TO THE BUSINESS OF RESI

REGULATION OF HAZARDOUS WASTE INDUSTRY

The collection, treatment, storage and disposal of solid and chemical wastes, operation of landfills and rendering of related environmental services are subject to federal, state, provincial and local requirements which regulate health, safety, the environment, zoning and land-use. Operating permits are generally required for landfills, TSD Facilities and certain collection vehicles, and these permits are subject to revocation, modification and renewal. Federal, state, provincial and local regulations vary, but generally govern disposal activities and the location and use of facilities and also impose restrictions to prohibit or minimize air, land and water pollution. In addition, governmental authorities have the power to enforce compliance with these regulations and to obtain injunctions or impose fines in the case of violations, including criminal penalties. These regulations are administered by the U.S. Environmental Protection Agency (the "EPA") and various other federal, state, provincial and local environmental and health and safety agencies and authorities, including the Occupational Safety and Health Administration of the U.S. Department of Labor. In addition, certain of RESI's operations are regulated under applicable laws and regulations in Canada.

RESI believes that in the existing climate of heightened legal, political and citizen awareness and concerns, companies in the waste management and environmental services industry, including RESI, may be faced with material fines and penalties and the need to expend funds for remedial work and related activities at TSD Facilities and landfills. RESI has established a reserve (which as of June 30, 1996 was approximately $3.6 million) based upon RESI's estimate of funds needed to cover such fines, penalties and costs. Further, in connection with the acquisition of RESI (formerly known as Stout Environmental, Inc. ("Stout")) by Republic Industries, certain former stockholders of RESI agreed to indemnify RESI against certain environmental liabilities. See "Business of RESI -- Legal Proceedings -- Environmental Proceeding Covered

by Third-Party Indemnity." There can be no assurance that such reserve or indemnities will be adequate or that technological, regulatory or enforcement developments, the results of environmental studies or other factors will not have a material adverse effect on RESI's business and consolidated financial condition.

RESI's operation of TSD Facilities subjects it to certain operating, monitoring, site maintenance, closure and post-closure obligations, including posting financial assurance requirements for such obligations. In order to construct, expand and operate a TSD Facility, one or more construction or operating permits, as well as zoning approvals, must be obtained. These construction and operating permits and zoning approvals are difficult and time-consuming to obtain, and the issuance of such permits and approvals often is opposed by neighboring landowners and local and national citizens' groups. Once obtained, the operating permits may be subject to periodic renewal and are subject to modification and revocation by the issuing agencies. In connection with RESI's acquisition of TSD Facilities, it often may be necessary to expend considerable time, effort and money to bring the acquired facilities into compliance with applicable requirements and to obtain the permits and approvals necessary to increase their capacity.

Governmental authorities have the power to enforce compliance with regulations and permit conditions and to obtain injunctions or impose fines in case of violations. Citizens' groups may also bring suit for alleged violations. During the ordinary course of its operations, RESI has from time to time received citations or notices from such authorities that its operations are not in compliance with applicable environmental or health or safety regulations. Upon receipt of such citations or notices, RESI works with the authorities to attempt to resolve the issues raised. Failure to correct the problems to the satisfaction of the authorities could lead to monetary or criminal penalties, curtailed operations or facility closures which could have a material adverse effect on RESI's business and consolidated financial condition.

Subtitle D of the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), establishes a framework for regulating the disposal of non-hazardous solid wastes. In the past, the Subtitle D framework has left the regulation of non-hazardous waste disposal largely to the states. On October 9, 1991, however, the EPA promulgated a final rule which imposes minimum federal comprehensive solid waste management criteria and guidelines including location restrictions, facility design and operating criteria, closure and post-closure requirements, financial assurance standards, groundwater monitoring requirements and corrective action standards, many of which have not commonly been in effect or enforced in connection with solid waste landfills. States will be required to revise their landfill regulations to meet these requirements. Because some parts of the new regulations will be phased in over time, the full effect of these regulations may not be felt for several years. However, other than for groundwater monitoring and financial assurance requirements, all provisions of the final rule became effective October 9, 1993. Operating and design criteria for existing operations may have to be modified to comply with these new regulations. In addition, new requirements applicable to the disposal of non-hazardous solid waste may be adopted when reauthorization of RCRA is taken up by Congress and RESI cannot predict the effect of such new requirements.

POSSIBILITY OF LIABILITY FOR HAZARDOUS SUBSTANCE REMEDIATION AND DAMAGES

With very limited exceptions, federal law imposes joint and several liability upon present and former owners and operators of facilities that release "hazardous substances" into the environment and the generators and transporters of those substances, regardless of the care exercised by such persons and regardless of when the hazardous substance is first detected in the environment. All such persons may be liable for the costs of waste site investigation, waste site cleanup and damages to natural resources. There is an inherent industry risk of liability arising from the release of "hazardous substances" into the environment, notwithstanding extensive safety and other measures taken by RESI or other owners or operators of facilities. In addition, because the term "hazardous substances" is very broadly defined under applicable federal law, "hazardous substances" or "hazardous wastes" may have been deposited in properties with which RESI has been, or will become, associated as an owner or operator. Moreover, waste collection companies acquired by RESI have transported hazardous waste in the past and will do so in the future, and some of RESI's operations may generate small amounts of hazardous waste. As a result of the foregoing, RESI may face claims for remediation of environmental contamination, personal injury or damage to natural resources at sites with which it is, or has been, associated as owner, operator, transporter or waste generator and from which there is a release or

threatened release of hazardous substances which causes the incurrence of response costs and damages. Costs for remediation of, and damages for environmental contamination can be very substantial. Given the limitations in insurance coverage for these risks, such liability could have a material adverse impact on RESI's business and consolidated financial condition.

LEGAL PROCEEDINGS

RESI is a party to various legal proceedings as well as the environmental proceedings discussed above which have arisen in the ordinary course of its business. See "Business of RESI -- Legal Proceedings." No assurance can be given with respect to the outcome of any of these legal proceedings and the effect any such outcome may have on RESI.

LACK OF ENVIRONMENTAL LIABILITY INSURANCE

The majority of RESI's domestic locations currently carry site-specific pollution legal liability insurance, which may provide coverage under certain circumstances for pollution damage to third parties. In addition, RESI's domestic contracting operations carry contractors' pollution liability insurance, which provide coverage under certain circumstances for damage to third parties. However, both of these coverages are restrictive in nature, as they are subject to certain exclusions and effective dates, consistent with insurance industry requirements. In addition, such coverage is subject to specific and aggregate limits which may not be sufficient to cover claims, if they should arise.

In prior years, consistent with industry trends, RESI was not able to obtain pollution insurance at reasonable costs and, therefore, carried only such coverage as was required by regulatory permits. In addition, the extent of insurance coverage under certain forms of policies has been the subject in recent years of litigation in which insurance companies have, in some cases, successfully taken the position that certain risks are not covered by such policies. If, in the absence of such insurance, RESI were to incur liability for environmental damages of sufficient magnitude, it could have a material adverse effect on RESI's business and consolidated financial condition.

COMPETITION

The hazardous waste industry is highly competitive. Entry and ongoing operations require substantial technical, managerial and financial resources. RESI competes with large national companies and with regional and local companies, some of which have significantly greater financial resources and more established market positions than RESI. While RESI has acquired certain types of recycling operations and intends to acquire or develop such additional recycling operations in the future, they are not currently its principal focus.

RISKS RELATED TO THE BUSINESS OF THE ALLIANCE COMPANIES

INADEQUATE PRICING RISK

The primary risk of any insurance enterprise is the risk of inadequate pricing, which is a problem that manifests itself in the form of an unexpectedly high level of claims after policy issuance. The CSC Group utilizes a variety of actuarial and qualitative methods to set price levels, ultimately, however, pricing depends upon an evaluation of prior experience as a predictor of future experience. Events or trends that have not occurred in the past may not be anticipated for the future and, therefore, could result in inadequate pricing leading to elevated levels of losses. Such losses could have a material adverse effect on the financial condition of the Alliance Companies and, after the Combination, RESI.

UNANTICIPATED LOSSES DUE TO INADEQUATE RESERVE ESTIMATES

When claims are made, the ultimate amount of liability cannot be determined until claims are paid to the satisfaction of the insured or until litigation finally determines liability in disputed cases. Since the process of litigation and settlement can continue for years, the CSC Group can only assess its ultimate liability (and the ultimate expense of litigating disputed issues) by estimation. These estimates, or reserves for losses and loss adjustment expense ("LAE") (which, as of June 30, 1996, were $39.3 million) are, like prices, determined by

a variety of actuarial and qualitative methods based on prior experience. There can be no assurance that such reserves will be sufficient to cover the ultimate liabilities of the CSC Group for policy and bond exposures.

The CSC Group uses a reserving system which it believes will enable it to meet its claims obligations. Due to the nature of some of the coverages written, claims may be presented which may not be settled for many years after they are incurred; thus, subjective judgments as to the ultimate exposure to losses are an integral and necessary component of the loss reserving process. The CSC Group continually reviews reserves, using a variety of statistical and actuarial techniques to analyze current claim costs, frequency and severity data, and prevailing economic, social and legal factors. Reserves established in prior years are adjusted as dictated by changes in loss experience and as new information becomes available. An integral part of the reserving policy of the CSC Group includes a reserve for incurred but not reported ("IBNR") claims. There can be no assurance that the assumptions upon which reserves are based will continue to be valid in the future.

To help assure the adequacy of its IBNR reserves and individual case reserves, the CSC Group submits to an annual review by professional actuaries who test reserve adequacy with a variety of sophisticated mathematical models. In recent years, these actuaries have certified that reserve levels are adequate. There can be no assurance, however, that the modeling techniques of these actuaries will correctly forecast the adequacy of the CSC Group's reserves.

The inadequacy of reserves may result in unanticipated losses which could have a material adverse effect on the financial condition of the CSC Group, and, after the Combination, RESI.

COMPETITION

Both the property and casualty ("P&C") and the surety industries have been highly competitive in recent years resulting in the consolidation of some of the industries' largest companies. Competition is particularly acute for smaller, specialty carriers like the CSC Group because the market niches exploited by the CSC Group are small and can be penetrated by a larger carrier that elects to cut prices or expand coverage. The CSC Group has endured this risk historically by maintaining a high level of development of new products, such as its environmental coverage and landfill bonds eschewed by most major carriers. Nevertheless, there can be no assurance that future development efforts will succeed or that product erosion from intensifying competition will not outpace development efforts.

EXPANSION OF INSURANCE LIABILITY DUE TO LAW CHANGES

The CSC Group is vulnerable to both judicial and legislative law changes. Judicial expansion of terms of coverage can increase risk coverage beyond levels contemplated in the underwriting and pricing process. Judicial imposition of pollution liability on insurers before the era of specific pollution exclusions in insurance policies created an estimated $25 billion liability, according to industry estimates reported by A.M. Best, a leading rating agency of insurance companies and reinsurers, for U.S. insurers and reinsurers that such companies did not know they were underwriting and for which they received no premium.

At the same time, coverages that are established by statute may be adversely affected by legislative or administrative changes of law. Most surety bonds exist because they are required by government agencies. When governments change the threshold for requiring surety, the market for surety bonds is directly affected. Indeed, the repeated postponement by the EPA of deadlines for compliance with the financial assurance portions of RCRA Subtitle D has significantly slowed growth of the CSC Group's landfill closure bond program, which was begun in March 1994 because of the anticipated deadline of April 1994 for universal compliance. Such compliance currently is not anticipated to be universally mandated until after April 1997.

INADEQUATE REINSURANCE PROTECTION OF INSURANCE LIABILITIES

The CSC Group depends heavily on reinsurers to assume a substantial portion of the exposures underwritten by it. Failure of one or more reinsurers (which are assuming risks from many sources over which the CSC Group has no control) could have a material adverse impact on performance, since the CSC Group would then be obligated to pay the failed reinsurer's portion of losses. Moreover, the adequacy of reinsurance,

even assuming the solvency of all reinsurers, is a matter of estimation. As with pricing and reserving, procurement of reinsurance is premised upon assumptions about the future based upon past experience. Unanticipated events or trends could produce losses inadequately covered by reinsurance.

MARKET REVERSES IN INVESTED ASSET PORTFOLIO

Investment of the CSC Group's assets to balance its reserves and surplus is critical to the maintenance of the CSC Group's solvency and profitability. The CSC Group believes that many insurance companies earn far more in investment returns on their portfolio assets than they do from underwriting; and many companies actually underwrite at a loss to develop premium balances, hence portfolio assets, for investment as evidenced by the number of insurers operating at combined ratios in excess of 100%. See "Alliance Companies Management's Discussion and Analysis of Results of Operations and Financial Condition -- Century Surety Company -- Investments." The CSC Group maintains an investment policy of investing primarily in debt instruments of government agencies and corporate entities with quality ratings of AA or better, and of diversifying investments sufficiently to minimize the risk of a substantial reverse or default in any one investment. These policies are articulated by a written policy statement and overseen by a formal investment committee of senior company officials. The CSC Group also employs professional investment advisers to counsel the companies on matters of policy as well as individual investment transactions, although these advisers have no discretionary authority to deploy company assets. Notwithstanding these measures, an aggregation of serious reverses or defaults in the investment portfolio could produce a materially adverse impact on its earnings and financial condition.

Federal Income Taxes

The CSC Group accounts for federal income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109. CSC has reduced its deferred tax asset by a valuation allowance because it believes "it is more likely than not" that the deferred asset would not be realized through future taxable income. In reaching the CSC Group's determination of the need to provide a deferred tax valuation allowance, management considered all available evidence, both positive and negative, as well as the weight and importance given to such evidence. The negative factors CSC relied upon in determining the need for the valuation allowance are that the CSC Group has a history of significant portions of its taxable income coming from non-recurring transactions, as well as the risks that CSC has in the areas of product pricing, reserves, niche market competition and adequacy of reinsurance.

MARKET PRICES AND DIVIDEND POLICY

The market price information set forth below gives effect to the Stock Split. See "Introduction -- Recent Developments."

MARKET AND MARKET PRICES

The RESI Common Stock is listed on Nasdaq under the symbol "IASI." The last reported sale price of the RESI Common Stock on May 17, 1996, the last full trading day preceding the public announcement of the execution of the letter of intent relating to the Combination, as reported on Nasdaq, was $2 5/16 per share. The last reported sale price of the RESI Common Stock on June 18, 1996 (the last full trading day preceding the public announcement of the execution of the Merger Agreement and the Purchase Agreements), as reported on Nasdaq was $15 per share. The last reported sale price of the RESI Common Stock on September 20, 1996, the last full trading day preceding the printing of this Information Statement was $6 1/8 per share. See "Principal Stockholders" for certain information on the change in the percentage of stock ownership owned by certain executive officers, directors and 5% stockholders of RESI as a result of the Combination.

The following table sets forth, for the calendar periods indicated, the high and low per share sale prices of RESI Common Stock as reported on Nasdaq.

1995	HIGH	LOW
2nd Quarter(1)	$ 2 1/4	$ 1 1/4
3rd Quarter	4	1 13/16
4th Quarter	2 5/16	1 9/16
1996		
1st Quarter	$ 1 19/32	$ 1 1/4
2nd Quarter	20 7/8	1 7/16
3rd Quarter(2)	18 3/4	4 3/4

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(1) Consists of the period from the date on which the RESI Common Stock was first listed on Nasdaq, April 27, 1995, through June 30, 1995.

(2) Through September 20, 1996.

DIVIDEND POLICY

Since commencement of operations as a separate waste management and environmental services company in April 1995, RESI has not declared or paid any dividends on its RESI Common Stock and the RESI Board of Directors does not currently anticipate paying dividends on the RESI Common Stock at any time in the foreseeable future. The payment of future dividends will be determined by the RESI Board of Directors in light of conditions then existing, including RESI's earnings, financial condition, capital requirements, restrictions in financing agreements, business conditions and other factors, including funds required for acquisitions. The payment of dividends on the RESI Common Stock is presently prohibited under the terms of RESI's credit facility. See "RESI Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Amendments to the Certificate of Incorporation -- Description of Capital Stock."

SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA

The following table presents selected historical financial data for each of RESI, the CSC Group and CSU. The selected historical financial data of RESI for each of the years in the five-year period ended December 31, 1995 are derived from the audited historical consolidated and combined financial statements of RESI. The selected historical financial data of the CSC Group for each of the years in the five-year period ended December 31, 1995 are derived from the audited consolidated financial statements of the CSC Group. The selected historical financial data of CSU as of December 31, 1995 and 1994, and for each of the years in the three-year period ended December 31, 1995 are derived from the audited financial statements of CSU. The selected historical financial data of CSU as of December 31, 1993, 1992 and 1991 and for each of the years in the two-year period ended December 31, 1992 are derived from the unaudited financial statements of CSU. The selected historical financial data as of June 30, 1996 and 1995, and for the six months then ended, have been derived from the unaudited historical consolidated and combined financial statements of RESI, the CSC Group and CSU, as appropriate.

The selected unaudited pro forma income statement data of RESI for the year ended December 31, 1995 and for the six months ended June 30, 1996 give effect to the Combination as if it had occurred on January 1, 1995. The selected unaudited pro forma balance sheet data as of June 30, 1996 give effect to the Combination as if it had occurred on June 30, 1996. Such pro forma data are presented for illustrative purposes only and do not purport to represent what RESI's results actually would have been if the Combination had occurred at the dates indicated, nor do such data purport to project the financial position or results of operations for any future period or as of any future date.

The information set forth below should be read in conjunction with "RESI Management's Discussion and Analysis of Results of Operations and Financial Condition," "Alliance Companies Management's Discussion and Analysis of Results of Operations and Financial Condition," the consolidated and combined financial statements of RESI and the notes thereto, the consolidated financial statements of the CSC Group and the notes thereto, the financial statements of CSU and the notes thereto, and RESI's unaudited pro forma condensed financial statements and notes thereto that are included elsewhere in this Information Statement.

REPUBLIC ENVIRONMENTAL SYSTEMS, INC.

SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31,						SIX MONTHS ENDED JUNE 30,		
	HISTORICAL					PRO FORMA	HISTORICAL		PRO FORMA
	1991	1992	1993	1994	1995	1995	1995	1996	1996
						(UNAUDITED)		(UNAUDITED)	
INCOME STATEMENT DATA:									
Revenues	$78,076	$74,668	$ 61,617	$46,599	$44,537	$ 75,476	$ 25,165	$ 15,796	$ 32,146
Income (loss) before extraordinary gain and income taxes(1)	4,190	2,989	(14,789)	(5,964)	2,041	6,680	1,914	(393)	1,305
Income (loss) before extraordinary gain	2,299	1,547	(14,579)	(2,872)	1,286	4,591	1,206	(247)	781
Extraordinary gain, net of income taxes(2)	--	--	--	5,556	--	--	--	--	--
Net Income (loss)	2,299	1,547	(14,579)	2,684	1,286	4,591	1,206	(247)	781
EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE(3):									
Income (loss) before extraordinary gain	$0.30	$0.15	$(1.33)	$(0.26)	$0.12	$0.15	$0.11	$(0.02)	$ 0.03
Net income (loss)	$0.30	$0.15	$(1.33)	$0.25	$0.12	$0.15	$0.11	$(0.02)	$ 0.03
BALANCE SHEET DATA (AT PERIOD END):									
Working capital	$(8,136)	$ 4,642	$ 270	$ 555	$ 4,166				(4)
Total assets	61,330	67,822	49,518	39,942	41,750				143,095
Short-term debt, including current maturities of long-term debt and capitalized lease obligations	8,938	3,516	2,116	2,390	700				433
Long-term debt and capitalized lease obligations, net of current maturities	12,160	15,877	12,384	1,128	618				461
Stockholders' equity	11,377	28,533	16,872	20,292	28,593				64,340

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(1) Includes restructuring and unusual charges of $5,577, $14,906 and $8,484 in 1992, 1993 and 1994, respectively. See Note 3 to RESI's consolidated and combined financial statements included herein with respect to 1993 and 1994. Additionally, as part of this restructuring, RESI closed and consolidated certain TSD Facilities, resulting in decreasing revenues for the periods presented. See "RESI Management's Discussion and Analysis of Results of Operations and Financial Condition -- Results of Operations."

(2) In December 1994, RESI recorded an extraordinary gain of $5,556 (net of an income tax provision of $3,092) due to the conversion of the subordinated term loan payable by Republic Environmental Systems Ltd., formerly known as Great Lakes Environmental Group Ltd. ("RESL"), to shares of redeemable convertible participating preferred stock of RESL. See Note 5 of the RESI consolidated and combined financial statements included herein.

(3) The per share data were calculated after giving effect to the Stock Split.

(4) Such information is not meaningful.

CENTURY SURETY COMPANY AND SUBSIDIARIES

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEARS ENDED DECEMBER 31,					SIX MONTHS ENDED JUNE 30,	
	1991	1992	1993	1994	1995	1995	1996
						(UNAUDITED)	
INCOME STATEMENT DATA:							
Revenues	$14,178	$13,061	$19,170	$26,955	$30,824	$15,139	$16,612
Income before income taxes	1,992	2,205	3,362	4,066	4,581	206	2,163
Net Income	1,288	1,427	2,218	2,987	3,267	254	1,334
BALANCE SHEET DATA (AT PERIOD END):							
Total investments	$23,758	$26,114	$45,619	$50,749	$58,214	56,176	$61,956
Total assets	29,178	36,445	67,801	80,639	85,998	85,513	90,616
Losses and loss expense payable	12,775	14,107	29,528	34,661	37,002	38,046	39,265
Unearned premiums	4,652	5,352	12,166	15,453	15,636	16,453	17,248
Shareholder's equity	8,826	13,631	19,092	23,758	26,744	25,932	28,124

COMMERCIAL SURETY AGENCY, INC.

SELECTED HISTORICAL FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEARS ENDED DECEMBER 31,					SIX MONTHS ENDED JUNE 30,	
	1991	1992	1993	1994	1995	1995	1996
	(UNAUDITED)	(UNAUDITED)				(UNAUDITED)	
INCOME STATEMENT DATA:							
Revenues	$ 1,941	$ 1,916	$ 2,322	$ 3,025	$ 2,602	$ 1,142	$ 1,425
Income before income taxes	(374)	(14)	123	778	310	109	139
Net Income	(247)	(10)	78	512	202	72	92
BALANCE SHEET DATA (AT PERIOD END):	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)				
Working capital (deficit)	$ (500)	$ (437)	$ (260)	$ (129)	$ 48	(212)	$ (274)
Total assets	1,248	1,178	1,093	1,786	1,527	1,600	1,289
Short-term debt, including current maturities of long-term debt and capitalized lease obligations	139	144	634	173	36	98	10
Long-term debt and capitalized lease obligations, net of current maturities	475	330	197	30	12	18	7
Shareholder's equity	(409)	(419)	(340)	172	374	244	115

THE COMBINATION

BACKGROUND OF THE COMBINATION

In April 1995, Republic Industries, the sole stockholder of RESI at such time, effected a spin-off of its hazardous waste operations through the Spin-off of RESI Common Stock to the stockholders of record of Republic Industries. Pursuant to the Spin-off, the Republic Industries stockholders received one share of RESI Common Stock for every five shares of Republic Industries common stock. Approximately 10,800,000 shares of RESI Common Stock were distributed to Republic Industries stockholders. Public trading of the RESI Common Stock commenced on Nasdaq on April 27, 1995 under the symbol "RESI." On June 24, 1996, RESI began trading under the symbol "IASI" in anticipation of the Name Change.

In June 1995, RESI began evaluating various business alternatives for RESI, including mergers, acquisitions, asset sales and other business combinations, with the goal of increasing stockholder value. During the second half of 1995, certain senior officers of RESI internally evaluated over ten companies engaged in the hazardous waste business. From this group, RESI entered into preliminary discussions with respect to possible transactions with five different companies engaged in the hazardous waste business in Canada, Michigan, New York, Pennsylvania and Texas.

During an informal meeting in January 1996, and while the evaluation of other hazardous waste companies was continuing, certain officers and shareholders of Alliance, including Mr. Joseph E. LoConti, a Director of RESI and the President and founder of Alliance, informally raised with Mr. Douglas R. Gowland, Executive Vice President, Chief Operating Officer and a Director of RESI, the possibility of a merger involving RESI and the insurance operations of Alliance as a means of expanding the operations of both companies and achieving Alliance's goal of becoming a public company. No specific proposal was made or terms discussed at that time. Rather, the discussion focused on the possibility of combining a company engaged in the hazardous waste business with an insurance company with an increasing focus on providing insurance and bonding to the environmental industry. Following his conversation with Mr. LoConti, Mr. Gowland discussed the concept of a transaction with Alliance and the diversification of RESI into the insurance industry with Mr. Michael G. DeGroote, Chairman of the Board, President and Chief Executive Officer of RESI. As a result of such discussions, it was decided that RESI should table further consideration of a transaction with Alliance and continue to focus on possible transactions with companies in the hazardous waste business. That decision was based primarily on the fact that RESI was engaged in the hazardous waste business and that a transaction with one or more companies engaged in that business was consistent with RESI's experience and its then current business objectives.

During the period of January 1996 through early May 1996, Messrs. DeGroote and Gowland continued discussions with the five hazardous waste companies concerning a possible business combination. Discussions with one of these companies led to the execution of a confidentiality agreement in contemplation of the exchange of due diligence information. Mr. LoConti brought the acquisition company to the attention of RESI management following an initial contact made to Mr. LoConti, as a director of RESI, by the acquisition company's investment banker. Mr. LoConti met the investment banker in 1993 when the investment banker represented a third party in a transaction involving the CSC Group. As a result of his prior acquaintance with the investment banker, Mr. LoConti remained actively involved in the discussions among the acquisition candidate, its investment banker and RESI. Discussions with this company terminated in March 1996 when such company executed an agreement to enter into a business combination transaction with a company unaffiliated with RESI. None of the discussions with any of the companies advanced to the point where specific proposals or terms were discussed.

During the second week of April 1996, while discussions with certain of the hazardous waste companies were continuing, Mr. DeGroote contacted Mr. LoConti regarding a meeting to reintroduce discussions concerning a possible business transaction involving RESI and Alliance. Mr. DeGroote and Mr. Gowland met with approximately four representatives of Alliance, including Mr. LoConti, on April 13, 1996, and held conceptual discussions concerning a business transaction involving RESI and Alliance. At such meeting, Messrs. DeGroote and Gowland learned more about the business of the Alliance Companies and discussed the possibility of RESI diversifying its operations by entering the environmental insurance industry. Given the

decrease in demand within the hazardous waste industry and the highly competitive nature of the business, Messrs. DeGroote and Gowland concluded that such diversification warranted further review, and all of the parties agreed that further discussions were warranted.

On April 30, 1996, Mr. DeGroote met with Mr. LoConti, Mr. Feighan and approximately nine other representatives of Alliance at their office in Cleveland, Ohio to further explore the possibility of a business transaction. At such meeting, the Alliance representatives described the insurance industry generally and the Alliance Companies operations specifically, and Mr. DeGroote also discussed the hazardous waste industry and RESI's business operations. No specific proposals were made or terms for a transaction involving RESI and the Alliance Companies discussed at the meeting. Following such meeting, Mr. DeGroote concluded that the business of the Alliance Companies presented an attractive business opportunity for RESI because of the Alliance Companies position as a niche market specialty insurance and bonding company providing services to the waste industry. Consequently, following such meeting, RESI engaged Arthur Andersen LLP to assist in RESI's due diligence review of the Alliance Companies. Such accountants reviewed certain financial information concerning the operations of the Alliance Companies at the offices of the Alliance Companies during the period of May 13, 1996 through May 16, 1996. RESI's due diligence review continued through May 17, 1996.

During the period between April 30, 1996 and May 15, 1996, Messrs. DeGroote and LoConti continued to discuss the possibility of a business combination involving RESI and the Alliance Companies. Through such discussions, RESI management concluded that the terms of the transaction were favorable to RESI and that RESI was unlikely to find an insurance enterprise comparably sized to the Alliance Companies that offered the degree of experience, the variety of environmental niche products and the depth of market penetration in the product areas that RESI viewed as critical to providing potential opportunities for its various remediation operations and, consequently, RESI elected not to pursue transactions with any other company engaged in the insurance and bonding business, or to seek to identify any other possible insurance companies as partners. On May 15, 1996, following an unexplained increase in the price of RESI Common Stock on Nasdaq, Mr. DeGroote contacted Mr. LoConti and advised him that the terms of an agreement between RESI and Alliance would have to be reached by May 19, 1996 and publicly announced immediately thereafter or negotiations would be terminated.

On May 16 and May 17, 1996, Messrs. LoConti and Feighan, representing Alliance, had a series of meetings with Mr. DeGroote, representing RESI, to discuss the proposed transaction between Alliance and RESI. At such meetings, the parties discussed the terms of the transaction and the strategy for RESI following the consummation of a transaction. The parties agreed that a key element of such strategy would be to focus on the growth of the environmental insurance operations through acquisitions. The parties determined that an additional capital infusion would be required to implement that strategy. In order to provide such capital infusion, Mr. DeGroote agreed that as a condition to the Mergers, Mr. DeGroote would make an equity investment in RESI. Mr. DeGroote then presented to the Alliance representatives the terms on which he would make such equity investment and the terms on which RESI would be prepared to enter into the Mergers, all subject to the approval of the RESI Board of Directors. The terms of the Mergers and the MGD Stock Issuance were based upon the closing price of RESI Common Stock on May 17, 1996 and the value of the contribution each of RESI and Alliance brought to the transaction as determined by both parties. See "-- RESI's Valuation Analysis of the Mergers."

Later in the day on May 17, 1996, in an effort to raise additional capital for RESI to help finance the acquisition strategy following the consummation of the transaction, Mr. DeGroote placed a telephone call to Mr. H. Wayne Huizenga to determine whether Mr. Huizenga would be interested in making an equity investment in RESI. Messrs. DeGroote and Huizenga had a previous relationship based in part on their service as directors of Republic Industries and Mr. DeGroote's investment with Mr. Huizenga in one of Mr. Huizenga's other ventures. Mr. Huizenga acquired control of Republic Industries in August 1995, approximately three months following the Spin-off. After discussion of the proposed Combination, Mr. Huizenga agreed to make an investment in RESI on the same terms as the equity investment by Mr. DeGroote. Mr. DeGroote then presented to the Alliance representatives that Mr. Huizenga had agreed to make an equity investment in RESI on the same terms as MGD Holdings' equity investment and that each of

such investments would be contingent on the consummation of the Mergers since the primary purpose of such capital is to finance RESI's acquisition strategy following the consummation of the Mergers. The Alliance representatives agreed to the investment by Mr. Huizenga and the parties continued to finalize the other terms and conditions of the Combination as reflected in the Letter Agreement dated May 19, 1996 among RESI, Alliance, the Alliance Companies, MGD Holdings and Mr. Huizenga (the "Letter Agreement").

The terms of the Letter Agreement were approved by the Board of Directors and shareholders of Alliance on May 19, 1996.

On May 19, 1996, a special telephone meeting of the RESI Board of Directors was held. All directors were present by telephone, although Mr. LoConti, due to his affiliation with the Alliance Companies as the President, director and controlling stockholder of Alliance, did not participate in the meeting with respect to consideration of the Combination and Mr. DeGroote, due to his affiliation as the President, director and controlling stockholder of MGD Holdings, did not participate in the meeting with respect to consideration of the MGD Stock Issuance. Also in attendance was a representative of Akin, Gump, Strauss, Hauer & Feld, L.L.P., RESI's outside counsel. At the special meeting, Mr. DeGroote reviewed with the RESI Board of Directors the terms of the agreement proposed to be entered into with Alliance. It was believed by the Board of Directors, including Messrs. LoConti and DeGroote, that the abstention by Messrs. LoConti and DeGroote from such participation in the meeting would assist the Board in ensuring procedural fairness in the Board's evaluation of the Combination.

At the special meeting of the RESI Board of Directors, Mr. DeGroote reviewed with the Board the terms of the agreement proposed to be entered into with Alliance. In determining the fairness of the Merger to RESI and its stockholders from a financial standpoint, the Board considered the valuation analysis discussed below and carefully evaluated the following material factors:

(i) the financial condition, assets, results of operations, business of RESI and the prospects of RESI in the event that it did not consummate the Combination;

(ii) that RESI's business has been contracting due to over-capacity and intense competition in the hazardous waste industry;

(iii) the status of the negotiations with other companies engaged in the hazardous waste business and the prospects for the success of those or other transactions within that industry;

(iv) the terms and conditions of the proposed Merger Agreement and Purchase Agreements, and the nature and extent of RESI's obligations thereunder;

(v) that the merger could potentially expand the operations and prospects of both RESI and the Alliance Companies by utilizing RESI's environmental expertise to help design and underwrite new insurance products and manage and mitigate the claims arising from such products for the Alliance Companies, and also by providing access to RESI through the Alliance Companies to hazardous waste clean-ups that other insurance companies may wish to transfer to the Alliance Companies in order to terminate their own liability for environmental clean-up;

(vi) that the infusion of capital pursuant to the Purchase Agreements would enable RESI to fund both its hazardous waste and new insurance operations and provide capital to effect acquisitions in the insurance industry; and

(vii) that the Letter Agreement requires Alliance to execute and deliver to RESI the Lock-up Agreement pursuant to which Alliance will agree to hold at least 85% of the Merger Shares and Merger Warrants for a period of two years unless otherwise unanimously approved by the RESI Board of Directors, thereby committing Alliance to a long-term strategy of maintaining and enhancing stockholder value.

Following such evaluation, the RESI Board of Directors, other than Mr. LoConti, President, director and controlling stockholder of Alliance, with respect to the Combination, and Mr. DeGroote, President, director and controlling stockholder of MGD Holdings, with respect to the MGD Stock Issuance, determined that the

terms of the Combination were financially and procedurally fair to the stockholders of RESI, and the directors unanimously approved the Combination on the terms set forth in the Letter Agreement.

In June 1996, RESI received the audited financial statements for the Alliance Companies for the period ended December 31, 1995, upon which the purchase price for the Mergers was in part based. Upon review of such financial statements, Mr. DeGroote noted that the income number that was used to determine the purchase price was slightly higher than the audited numbers. Mr. DeGroote contacted Mr. LoConti notifying him of this discrepancy. After some discussion and negotiation, on July 29, 1996, Mr. LoConti, on behalf of Alliance, and Mr. DeGroote, on behalf of RESI, agreed that the income number set forth in the audited financial statements was less than the income number upon which the purchase price was based and that an amendment to the Merger Agreement to reduce the purchase price was appropriate. The parties then agreed that the number of shares to be acquired by Alliance would be reduced from 15,000,000 shares to 14,760,000 and Amendment No. 1 to the Merger Agreement was executed as of such date. The amendment has been approved by the Board of Directors of RESI and Alliance.

RESI'S VALUATION ANALYSIS OF THE MERGERS

With respect to the Mergers, RESI valuation analysis included consideration of the following: (i) the historical financial and operating information with respect to the business and operations of the Alliance Companies as furnished to RESI by Alliance; (ii) historical financial and operating information with respect to RESI and projected financial and operating results for RESI assuming the consummation of the Mergers; (iii) the relative contribution of the Alliance Companies to the historical financial and operating results of RESI on a pro forma basis; (iv) certain operating synergies expected to result from a combination of the businesses of RESI and the Alliance Companies; and (v) the proposed accounting treatment of the Mergers. In addition, RESI had discussions with the management of Alliance and the Alliance Companies concerning their respective operations, assets, financial condition and prospects.

RESI also considered a financial analysis based upon the relative income statement, operating cash flow and equity contribution of the Alliance Companies to RESI based on 1995 and 1996 financial data. On May 19, 1996, RESI's market capitalization was $25.0 million based upon 10,797,950 shares outstanding valued at the closing price on such date of $2.3125. In addition, for the year ended December 31, 1995, RESI reported annual earnings of $1.3 million, cash flow provided from operations of $2.7 million and stockholders' equity of $28.6 million. For the year ended December 31, 1995, the Alliance Companies reported annual earnings of $3.5 million, cash flow provided from operations of $3.0 million and stockholders' equity of $27.1 million. Since the Alliance Companies are not publicly traded there was no market capitalization to which RESI could refer.

Based upon the foregoing financial information, for the year ended December 31, 1995, Alliance would have represented, pro forma for the Mergers, 73% of RESI's earnings, 53% of RESI's cash flow from operations and 49% of RESI's stockholders' equity.

RESI also considered a valuation of the Alliance Companies based upon a peer group of approximately 20 mid-sized specialty insurance companies. The median valuation of the companies in this peer group was 15 times earnings (with a range of 9.6 times to 26.6 times earnings) and two times stockholders' equity (with a range of 1.02 to 3.56 times stockholders equity). Using such median valuation, the valuation of Alliance based on its earnings would equal $52.0 million and the valuation based on its stockholders' equity would equal $54.2 million.

Based upon the foregoing analysis, RESI management concluded that the Alliance Companies would contribute a percentage of RESI's combined net income and combined cash flow from operations that was in excess of the equity interest that Alliance would receive in RESI as a result of the Combination. Consequently, it was felt by both management and the RESI Board of Directors that the Combination was financially fair and in the best interest of the stockholders of RESI and that a fairness opinion from a third party was not necessary. Accordingly, a fairness opinion with respect to the Combination was not obtained.

BUSINESS STRATEGY AFTER THE COMBINATION

The business strategy of RESI upon consummation of the Combination contemplates the continuation and expansion of the existing business operations of RESI and the Alliance Companies, enhanced by new initiatives designed to take advantage of the synergies created by the combination of the two businesses. In contemplation of the Combination, the Alliance Companies have signed letter agreements relating to an acquisition and expansion of the surety business of the Alliance Companies. See "Business of the Alliance Companies -- Recent Developments." The principal synergies, which the parties believe cannot be accurately quantified at this time, are described below.

First, by providing access to the technical and physical resources of RESI the Combination will enable the Alliance Companies to explore new and different insurance products designed for commercial enterprises confronted with environmental risk. Few insurance companies possess the in-depth technical understanding of the risks associated with the hazardous waste industry that will be available to RESI after the Combination. RESI's technological understanding of such risks will be a resource for designing insurance and surety coverages of hazardous waste risks, which tend to be less competitive than commercial P&C insurance generally, and for assisting in the underwriting of specific policies and bonds. At the same time, it is expected that RESI's facilities and personnel will assist in analyzing claims arising under such policies when clean-up activity is required.

Second, RESI's resources may enable the Alliance Companies to more accurately assess loss portfolio assumptions with other insurance companies that already have environmental liabilities which they desire to shed. Loss portfolio assumptions are transactions whereby one insurance company transfers to another a defined batch of reserves for liabilities, along with a matching amount of assets, which the transferor wants off its books and which the transferee is willing to assume. Since many insurance companies possess environmental liabilities which they are not comfortable managing (in some cases because of judicial interpretations of coverage that the insurer never intended to be underwritten), the opportunity may exist for the CSC Group to assume such liabilities at a profit if RESI's technicians can establish that the actual clean-up costs will be sufficiently less than assumed reserves to generate an acceptable profit.

Third, new captive markets for RESI's services may emerge from the initiatives summarized above. To the extent that claims on hazardous waste insurance policies and bonds require clean-up of contaminants that RESI is equipped to remediate. RESI will automatically receive the remediation work from the CSC Group. In addition to captive business, the CSC Group intends to use its insurance network to acquire claims from other insurance companies that have hazardous waste claims and are unable to resolve them cost effectively. Therefore, it is expected that RESI will receive both the captive business which results from internal claims and business generated by the CSC Group from outside insurance sources.

Fourth, RESI's resources (including the $10.5 million RESI will receive upon consummation of the Stock Issuances) may provide it with the ability to capitalize upon acquisition opportunities in the insurance or hazardous waste or related businesses. Both the insurance and hazardous waste businesses are burdened with excess capacity, which creates the opportunity for consolidation with competitors to achieve economies of scale. In addition, opportunities to expand product and service lines into new areas logically related to the existing product/service mix through acquisitions will also be investigated. Management believes the Mergers will reposition the balance sheet of the combined entities to support an appropriate level of acquisition activity. See "RESI Management's Discussion and Analysis of Results of Operations and Financial Condition -- Liquidity and Capital Resources."

RECOMMENDATION OF THE RESI BOARD OF DIRECTORS

The RESI Board of Directors believes that the terms of the Combination are financially and procedurally fair to and in the best interests of RESI and its stockholders. ACCORDINGLY, THE DISINTERESTED MEMBERS OF THE RESI BOARD OF DIRECTORS HAVE UNANIMOUSLY APPROVED THE MERGERS AND THE STOCK ISSUANCES AND THE BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED EACH OF THE AMENDMENTS TO THE CERTIFICATE OF INCORPORATION.

Mr. LoConti, a director of RESI, is also the Chairman of the Board, President and a controlling shareholder of Alliance. See "Risk Factors -- Mr. LoConti's Affiliation with RESI and Alliance" and "-- Interests of Certain Persons in the Combination." Mr. LoConti participated in the negotiations of the Combination as an affiliate of Alliance and not as a director of RESI. See " -- Background of the Combination." The Board of Directors of RESI, recognizing Mr. LoConti's role in the negotiations of the Combination and his interest in Alliance, agreed with Mr. LoConti when he informed the Board of Directors of RESI of his decision not to participate in the meeting. It was believed by the Board of Directors, including Mr. LoConti, that such action would assist the Board in ensuring procedural fairness in their evaluation of the Combination. In determining the fairness of the Combination to RESI and its stockholders from a financial standpoint, the Board considered the valuation analysis and the other material factors discussed above. For additional information concerning the material factors considered by the Board, management's financial analysis of the Mergers and the roles of Messrs. LoConti, DeGroote and Huizenga in the negotiations of the Combination, see " -- Background of the Combination" and "-- RESI's Valuation Analysis of the Mergers."

The belief of the RESI Board of Directors that the terms of the Combination are financially and procedurally fair to and in the best interests of RESI and its stockholders and the resulting decision to approve the Combination was based upon the factors set forth under the caption "-- Background of the Combination."

The foregoing discussion of the information and factors considered and given weight by the RESI Board of Directors is not intended to be exhaustive but is believed to include the material factors the RESI Board of Directors considered. In addition, in making the determination to approve and recommend the Combination, considering the wide variety of factors considered in connection with its evaluation of the proposed Combination, the RESI Board of Directors did not find it practical to, and did not quantify or otherwise attempt to assign any relative or specific weights to the foregoing factors, and individual directors may have given different weights to different factors.

STOCKHOLDER APPROVAL OF THE COMBINATION

On August 23, 1996, in accordance with Delaware law, the holders of a majority of the outstanding shares of RESI Common Stock executed a written consent approving the Mergers and the Stock Issuances.

EXEMPT ACQUISITION OF MERGER SHARES AND MERGER WARRANTS UNDER SECTION 16B-3(d) OF THE SECURITIES ACT

Pursuant to Rule 16b-3(d)(2) of the Exchange Act, the written consent of the RESI stockholders to approve the Mergers also constituted a vote to approve an acquisition of RESI Common Stock by Mr. LoConti (through his controlling interest in Alliance) that is exempt from the provisions of Rule 16b under the Exchange Act. Upon consummation of the Merger, Mr. LoConti, as Chairman of the Board, President and a controlling stockholder of Alliance, will acquire an indirect interest in all of the Merger Shares (14,760,000 shares of RESI Common Stock) and Merger Warrants (warrants to purchase an aggregate of 4,200,000 shares of RESI Common Stock). See "Principal Stockholders."

MANAGEMENT AFTER THE COMBINATION

Pursuant to the Merger Agreement, RESI and Alliance have agreed that immediately after the Closing a meeting of RESI's Board of Directors will be held and, at that meeting, (i) Mr. Michael J. Occhionero will resign as a director of RESI, (ii) the number of directors constituting the RESI Board of Directors will be increased to seven, (iii) Messrs. Edward E. Feighan, Craig L. Stout and Harve A. Ferrill will be nominated by Alliance and elected to the RESI Board of Directors, and (iv) Mr. Richard C. Rochon will be nominated by Alliance upon the recommendation of Mr. Huizenga and elected to the RESI Board of Directors. In addition, the RESI Board of Directors will appoint Mr. Joseph E. LoConti, President, Chairman of the Board and controlling shareholder of Alliance and a director of RESI, as Vice-Chairman of the Board of RESI, Mr. Feighan as Chief Executive Officer and Mr. Stout as Executive Vice President and Chief Operating Officer of RESI. Mr. DeGroote, currently Chairman of the Board, Chief Executive Officer and President of RESI and President and a director of MGD Holdings, will continue to serve as Chairman of the Board of

RESI after the Combination. See "-- Interests of Certain Persons in the Combination" and "Management After the Combination."

INTERESTS OF CERTAIN PERSONS IN THE COMBINATION

Mr. LoConti, currently a director of RESI, is also the Chairman of the Board, President and the controlling shareholder of Alliance. Alliance has entered into the Merger Agreement pursuant to which RESI has agreed to issue 14,760,000 shares of RESI Common Stock and warrants to purchase 4,200,000 shares of RESI Common Stock on the terms and conditions set forth therein. See "-- The Mergers."

Mr. DeGroote, the Chairman of the Board, Chief Executive Officer and President of RESI, through MGD Holdings, has entered into the MGD Purchase Agreement with RESI pursuant to which RESI has agreed to sell, and MGD Holdings has agreed to purchase, 2,000,000 shares of RESI Common Stock and warrants to purchase 6,000,000 shares of RESI Common Stock on the terms and conditions set forth therein. See "-- The Stock Issuances."

APPRAISAL RIGHTS

Holders of RESI Common Stock that have not consented to the Combination will not have any appraisal rights or the right to receive cash for their shares of RESI Common Stock.

THE MERGERS

GENERAL

The following is a brief summary of certain aspects of the Mergers. This summary does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement and Amendment No. 1 and Amendment No. 2 to the Merger Agreement, copies of which are attached to this Information Statement in Appendices I, IV and V, respectively, and incorporated herein by reference. RESI stockholders are urged to read the Merger Agreement carefully in its entirety.

On June 10, 1996, the Merger Agreement, dated as of May 19, 1996, was executed by RESI, Alliance, the Merger Subs and the Alliance Companies. Amendment No. 1 and Amendment No. 2 to the Merger Agreement were executed by the parties to the Merger Agreement as of July 29, 1996 and August 23, 1996, respectively.

EFFECTIVE TIME

Pursuant to the Merger Agreement, at the Effective Time (defined therein), CSC Merger Sub will merge with and into CSC (with CSC to be the surviving corporation), CSU Merger Sub will merge with and into CSU (with CSU to be the surviving corporation) and RESI will issue the Merger Shares and the Merger Warrants to Alliance. The separate corporate existence of each Merger Sub will cease at the Effective Time and CSC and CSU will be the surviving corporations. The closing of the Mergers (the "Merger Closing") shall occur as soon as practicable after satisfaction or waiver of all conditions to the Mergers. Following consummation of the Mergers, the Alliance Companies will be wholly-owned subsidiaries of RESI.

To effect the Mergers, each of CSC and CSC Merger Sub and CSU and CSU Merger Sub will file a certificate of merger with the Secretary of State of the State of Delaware, a certificate of merger with the Secretary of State of the State of Ohio and all other documents required as promptly as possible after the satisfaction, or waiver, of the conditions contained in the Merger Agreement. See "-- The Merger Agreement -- Conditions to the Mergers." The Mergers will be effective under Delaware law upon the filing of a certificates of merger with the Secretary of State of the State of Delaware and will be effective under Ohio law upon filing of the certificates of merger with the Secretary of State of the State of Ohio (the "Effective Time").

MERGER CONSIDERATION

In consideration for all of the outstanding capital stock of the Alliance Companies, RESI has agreed to issue to Alliance, the sole stockholder of each of the Alliance Companies, (i) the Merger Shares, consisting of an aggregate of 14,760,000 shares of RESI Common Stock, (ii) the Merger Warrants, consisting of warrants to purchase (a) 1,400,000 shares of RESI Common Stock at an exercise price of $2.625 per share exercisable in whole or in part for the two-year period beginning on the date of the Merger Closing, (b) 1,400,000 shares of RESI Common Stock at an exercise price of $3.125 per share exercisable in whole or in part for the three-year period beginning on the date of the Merger Closing and (c) 1,400,000 shares of RESI Common Stock at an exercise price of $3.875 per share exercisable in whole or in part for the four-year period beginning on the date of the Merger Closing and (iii) the Note in the principal amount of $4,000,000 payable to Alliance (collectively, the "Merger Consideration"). The issuance and sale of the Merger Shares and the Merger Warrants are being effected without registration pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"). As of the Effective Time, the certificates that previously represented shares of common stock of each of CSC and CSU shall be deemed for all purposes to evidence the right to receive the Merger Consideration pursuant to the Merger Agreement until surrendered to RESI.

The last reported sale price of RESI Common Stock on May 17, 1996, the last full trading day preceding the public announcement of the execution of the letter of intent relating to the Combination was $2 5/16 per share. The last reported sale price of RESI Common Stock on September 20, 1996, the last full trading day preceding the date of this Information Statement, was $6 1/8 per share. Based upon the closing price of RESI Common Stock on May 17, 1996 and September 20, 1996, the value of the Merger Shares was $34,132,500 and $90,405,000, respectively. On May 17, 1996, the Merger Warrants were not "in the money." On September 20, 1996, the "in the money value" of the Merger Warrants was $12,250,000.

THE MERGER AGREEMENT

Representations and Warranties. The Merger Agreement contains representations and warranties by each of Alliance and the Alliance Companies which are customary in transactions such as the Mergers and relate to, among other things, (i) corporate status and authority, (ii) the authorization and validity of the Merger Agreement, (iii) enforceability, (iv) the absence of (a) a material default under any contract or governing instrument of the respective party, (b) a violation of law or (c) a lien resulting from the execution and delivery of the Merger Agreement, (v) consents, approvals, waivers or other actions under any contract to which it is a party or by which any material portion of its assets or properties are bound, (vi) capitalization, (vii) subsidiaries, (viii) litigation, (ix) the business, operations and assets of the Alliance Companies, (x) financial statements, (xi) material changes since the Alliance Companies' fiscal year-end, (xii) employee matters, (xiii) tax matters, (xiv) board and stockholder approval by Alliance and the Alliance Companies, (xv) material contracts, (xvi) other interests held by Alliance in any insurance brokerage business and (xvii) within the meaning of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR"), each of Alliance and the Alliance Companies and their respective subsidiaries, including "the ultimate parent entity" in which each is included, has a "size of person" less than $100 million.

The Merger Agreement also contains representations and warranties by each of RESI and the Merger Subs which are customary in transactions such as the Mergers and relate to, among other things, (i) corporate status and authority, (ii) the authorization and validity of the Merger Agreement, (iii) enforceability, (iv) the absence of (a) a material default under any contract or governing instrument of the respective party, (b) a violation of law or (c) a lien resulting from the execution and delivery of the Merger Agreement, (v) consents, approvals, waivers or other actions under any contract to which it is a party or by which any material portion of its assets or properties are bound, (vi) capitalization, (vii) financial statements, (viii) material changes since RESI's fiscal year-end, (ix) employee matters, (x) board and stockholder approval by RESI and the Merger Subs, (xi) material contracts, (xii) compliance with the securities laws and the National Association of Securities Dealers ("NASD") rules, (xiii) the inapplicability of Section 203 of the Delaware General Corporation Law ("DGCL") to Alliance and (xiv) within the meaning of the HSR Act each of RESI and the Merger Subs, including the "ultimate parent entity" in which each is included, has a "size of person" less than $100 million.

Conduct of Business Pending the Mergers. The Merger Agreement restricts the ability of RESI and the Alliance Companies to take certain actions and enter into certain transactions pending the Mergers.

Additional Agreements. Pursuant to the Merger Agreement, each of RESI, the Merger Subs, Alliance and the Alliance Companies has agreed that it will, among other things, (i) provide the other party with reasonable access to its officers, employees, properties, offices, financial and operating data, and books and records; (ii) consult with the other party prior to making any press releases regarding the Mergers and any matters contained in the Merger Agreement; (iii) promptly inform the other party of the occurrence or non-occurrence of any event which would likely cause any representation or warranty contained therein to be untrue or inaccurate, or any covenant, condition or agreement not to be complied with or satisfied; (iv) use reasonable efforts to take all actions, or cause to be done all things, necessary to consummate the transactions contemplated by the Merger Agreement as soon as practicable, including seeking or making all filings, orders, consents or authorizations required under applicable law and obtaining consents from governmental bodies or parties to any material contracts; (v) refrain from trading in the RESI Common Stock prior to the date of the Merger Closing; (vi) reconstitute the Board of Directors and officers of RESI (see "Management After the Combination"); (vii) with respect to RESI, file an information statement and registration statement; (viii) with respect to RESI, obtain stockholder approval; (ix) use their best efforts to cause the Mergers to qualify as a reorganization under Section 368(a) of the Code; (x) with respect to RESI, move its executive offices to Cleveland, Ohio; (xi) with respect to Alliance, not compete directly or indirectly in the insurance or brokerage business or, except to the extent previously owned, own any interest (other than for investment purposes) in any entity which engages in the insurance or brokerage business for so long as it owns 20% or more of RESI; (xi) deliver all schedules and exhibits contemplated by the Merger Agreement, together with any other exhibits or schedules reasonably requested by the other party within 30 days after execution of the Merger Agreement; (xii) with respect to RESI, reimburse Mr. DeGroote for all out-of-pocket costs and expenses related to, or arising from, the performance of his duties as Chairman of the Board of RESI; and (xiii) with respect to Alliance, cause certain key employees, including Messrs. LoConti, Feighan and Stout, to enter into employment/non-competition agreements with RESI.

Conditions to Consummation of the Merger. Pursuant to the Merger Agreement, the obligations of all parties to effect the Mergers are subject to the following conditions: (i) the Mergers and the Authorized Share Increase shall have been approved by the RESI stockholders; (ii) no injunction, order, restraint, suit or other proceeding shall exist that would prevent the consummation of the Mergers; (iii) all consents, approvals, waivers and any other action required under law or any contract or that is necessary for the execution, delivery and performance of the Merger Agreement and the transactions contemplated thereby shall have been obtained; and (iv) the applicable period under the HSR Act shall have expired or been terminated.

The obligation of RESI to effect the Mergers is subject to the following conditions: (i) the representations and warranties of Alliance, the Alliance Companies contained in the Merger Agreement being true and correct in all material respects as of the Effective Time; (ii) the performance or compliance in all material respects of all agreements or covenants required by the Merger Agreement to be performed or complied with by each of the Alliance Companies, as the case may be, on or prior to the Effective Time; (iii) the delivery of customary closing documents; (iv) the receipt of an opinion of legal counsel in form and substance satisfactory to RESI and the Merger Subs; (v) the receipt of executed employment/non-competition agreements; and (vi) the receipt of an executed Lock-up Agreement.

The obligations of each of Alliance and the Alliance companies to effect the Mergers is subject to the following conditions: (i) the representations and warranties of RESI and the Merger Subs contained in the Merger Agreement being true and correct in all material respects as of the Effective Time; (ii) the performance or compliance in all material respects of all agreements or covenants required by the Merger Agreement to be performed or complied with by RESI or the Merger Subs, as the case may be, on or prior to the Effective Time; (iii) each of the Purchase Agreements having been closed contemporaneously with the Merger Closing; (iv) the delivery of customary closing documents; (v) the receipt of an opinion of legal counsel in form and substance satisfactory to RESI and the Merger Subs; (vi) receipt of a registration rights agreement in form and substance satisfactory to RESI and Alliance; and (vii) the receipt of an executed Voting Agreement.

Amendments and Waivers. The Merger Agreement may be amended in writing executed by all parties thereto at any time before or after approval thereof by the RESI stockholders, but, after such approval, no amendment may be made which adversely affects any RESI stockholder without further approval of the RESI stockholders. Any provision contained in the Merger Agreement may be waived in writing by the party benefitting from such provision.

Termination. The Merger Agreement has termination provisions that provide that such agreements may each be terminated respectively (i) by written agreement of the Parties; (ii) by RESI or Alliance if the transactions contemplated by the Merger Agreement have not been consummated on or before September 30, 1996 other than as a result of a failure to fulfill any obligation under the Merger Agreement by the terminating party; (iii) by RESI, upon a breach of any representation, warranty, covenant or agreement on the part of Alliance or the Alliance Companies set forth in the Merger Agreement or if any representation or warranty of Alliance or the Alliance Companies shall have become untrue such that the conditions to RESI's obligation to consummate the CSC Merger or the CSU Merger, as appropriate, would not be satisfied; provided, however, that if such breach is curable by Alliance or the Alliance Companies, as appropriate, within 60 days after notice thereof through the continuous exercise of its best efforts, RESI may not terminate the Merger Agreement as a result of such breach; or (iv) by Alliance, upon a breach of any representation, warranty, covenant or agreement on the part of RESI or the Merger Subs set forth in the Merger Agreement or if any representation or warranty of RESI or the Merger Subs shall have become untrue such that the conditions to Alliance's obligation to consummate the Mergers would not be satisfied; provided, however, that if such breach is curable by RESI or the Merger Subs, as appropriate, within 60 days after notice thereof through the continuous exercise of its best efforts, Alliance may not terminate the Merger Agreement as a result of such breach.

Indemnification. As provided in the Merger Agreement, RESI, on the one hand, and Alliance, on the other hand, shall indemnify the other from and against all claims, resulting from any breach of a representation or warranty or default in the performance of any covenant or agreement by the indemnifying party. Such indemnification obligations shall survive until April 1, 1998.

Registration Rights. As a condition to the obligation of Alliance and the Alliance Companies to effect the Mergers, RESI has agreed to execute a Registration Rights Agreement with respect to Merger Shares and the Merger Warrant Shares in form and substance satisfactory to RESI and Alliance to register all of the Merger Shares and the shares of RESI Common Stock to be issued upon exercise of the Merger Warrants (the "Merger Warrant Shares") on a registration statement on Form S-1, or other applicable form, as soon as practicable after the Merger Closing.

Purchase Option. Alliance has an option to purchase up to 51% of Alliance Foreign Holding Company, a company which is involved in developing insurance brokerage business in Russia. Alliance has agreed to assign its rights under the option to RESI under the terms of the Merger Agreement.

GOVERNMENTAL AND REGULATORY APPROVALS

RESI and Alliance have or intend to make all necessary filings with the appropriate insurance regulatory authorities and to seek such authorities' consents where necessary in connection with the Mergers. The Ohio attorney general's office has determined that the Mergers will constitute a change of ownership of Ohio EPA permitted facilities owned by RES (Cleveland) and RES (Ohio). In addition, the Ohio EPA may determine that the Mergers constitute a modification of such permits. As a result, Ohio law requires that disclosure statements be filed with the Ohio EPA and the Ohio attorney general's office at least 180 days prior to the consummation of the Mergers. RESI has requested from the Ohio EPA an exemption from the requirement that the disclosure statements be filed at least 180 days prior to consummation of the Mergers. The failure to obtain such exemption could delay the consummation of the Mergers and, consequently, have a material adverse effect on the financial condition of RESI. In the event RESI does not obtain such exemption and consummates the Mergers prior to the end of the 180-day period, RESI could be subject to enforcement actions and penalties as well as civil actions under Ohio law; including, without limitation, fines, imprisonment, injunctive relief and revocation of the Ohio EPA permits. The imposition of any such actions or penalties could have a material adverse effect on RESI.

Ohio law also requires that the change of ownership of the permitted facilities, as well as permit modifications, if any, be approved by the director of the Ohio EPA based upon the disclosure statements and an investigative report prepared by the Ohio attorney general's office. RESI intends to consummate the Mergers prior to receipt of the requisite approval of the director of the Ohio EPA as permitted by applicable law. During the approval process, the Company does not anticipate that operations at such facilities will be effected. In the event that the director of the Ohio EPA ultimately disapproves such change of ownership of such facilities, or, if required such permit modifications, RESI would be required to effect the negation of the change of ownership of such facilities. Pursuant to the Merger Agreement, in the event that the change of ownership is negated, RESI, Alliance and the Alliance Companies have agreed to cooperate to effect the negation of the transfer of ownership through the restoration of the original ownership structure of RESI as it effects such facilities, the disposition of such facilities or any other mutually acceptable means, each in a manner that complies with the requirements of applicable law. See "Risk Factors -- Risks Related to the Combination -- Necessity for Consents of Regulatory Authorities."

Further, the Alliance Companies may be required to seek consents from certain insurance regulatory authorities as a result of the Mergers. To the extent that such consents are required, the failure to receive such consents could prevent the consummation of the Combination and, as a result, have a material adverse effect on RESI.

Other than any such filings, none of RESI, Alliance or the Alliance Companies is aware of any other governmental or regulatory approvals required for the consummation of the Mergers, other than compliance with applicable securities laws.

ACCOUNTING TREATMENT

For accounting and financial reporting purposes, the Mergers will be accounted for as a purchase business combination whereby the Alliance Companies are acquiring RESI. Consequently, in RESI's consolidated financial statements, the assets and liabilities of the Alliance Companies will be recorded at historical book value and the assets and liabilities of RESI will be recorded at fair value based upon the outstanding shares of RESI Common Stock on May 19, 1996, the date that RESI and Alliance agreed to the principal terms of the Merger. For presentation of certain anticipated effects of the accounting treatment on the consolidated financial position and results of operations of RESI and the Alliance Companies after the Mergers, see RESI's unaudited pro forma financial information included elsewhere in this Information Statement.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

RESI believes that the Mergers and the transactions contemplated by the Merger Agreement are nontaxable events for RESI within the meaning of Section 368(a) of the Code.

LIMITATION ON USE OF NET OPERATING LOSSES

Section 382 of the Code imposes limitations on a corporation's ability to use NOL carryforwards if the corporation experiences a more-than-50-percent ownership change over a three-year testing period. In general, if such an ownership change occurs, Section 382 limits the amounts of the NOL carried over from pre-ownership change years that can be used in any one post-change year to an amount equal to the product of the value of the corporation's stock (with certain adjustments at the time of the change multiplied by an interest rate determined by the IRS.

OTHER AGREEMENTS

The Note. In addition to the Merger Shares and the Merger Warrants, as consideration for the acquisition of all of the outstanding capital stock of the Alliance Companies, RESI has agreed to issue on the date of the Merger Closing the Note payable to Alliance. The Note will bear interest at the three-month LIBOR rate and will be due on December 15, 1998. Principal and accrued and unpaid interest under the Note will be payable in 10 equal quarterly installments.

Voting Agreement. On the date of the Merger Closing, MGD Holdings and Alliance will enter into the Voting Agreement pursuant to which MGD Holdings, for a period of two years commencing on the date

thereof, will agree to vote the shares of RESI Common Stock held by MGD Holdings from time to time in accordance with the recommendation of management of Alliance. Further, MGD Holdings will agree to revoke and not grant, without the prior written consent of Alliance, directly or indirectly, any proxies or enter into any voting trust or other agreement or arrangement with respect to the voting of such shares inconsistent with the Voting Agreement.

Lock-up Agreement. On the date of the Merger Closing, RESI and Alliance will enter into the Lock-up Agreement pursuant to which Alliance will agree that it will not, directly or indirectly, sell, assign, transfer, pledge or otherwise dispose of, other than by pledge or other grant of a security interest if the pledgee or grantee agrees in writing to be bound by the terms of the Lock-up Agreement (collectively, "Transfer"), the Merger Shares, Merger Warrants or the Merger Warrant Shares prior to the end of the two-year period following the date of the Merger Closing; provided, however, Alliance will be permitted to transfer the Merger Shares, Merger Warrants and Merger Warrant Shares to stockholders or debt holders of Alliance as of May 19, 1996 (the "Stockholder Transferees"), if the Stockholder Transferees agree in writing to be bound by the foregoing two-year restriction on transfer of the Merger Shares, Merger Warrants or Merger Warrant Shares. Notwithstanding the foregoing, Stockholder Transferees that are not officers, directors or employees of RESI or any of its subsidiaries will be permitted under the Lock-up Agreement to Transfer Merger Shares, Merger Warrants or Merger Warrant Shares at the end of the 180-day period beginning on the date of the Merger Closing. In connection therewith, the maximum number of Merger Shares, Merger Warrants or Merger Warrant Shares that Alliance is permitted to Transfer under the Lock-up Agreement to Stockholder Transferees that are not officers, directors or employees of RESI or any of its subsidiaries is an aggregate of 15% of the total number of Merger Shares, Merger Warrants and Merger Warrant Shares issued to Alliance under the Merger Agreement. The obligations of Alliance and any pledgees and grantees may be waived by unanimous approval of the RESI Board of Directors.

Employment Agreements. Concurrently with the consummation of the Combination, Alliance shall cause each of Joseph E. LoConti, a director of RESI and President, a director and controlling stockholder of Alliance, Edward F. Feighan and Craig L. Stout to execute employment/non-competition agreements. Upon consummation of the Combination Mr. LoConti shall serve as a director and Vice-Chairman of the Board of Directors of RESI, Mr. Feighan shall serve as a director, Chief Executive Officer and President and Craig L. Stout shall serve as a director and Chief Operating Officer. See "Management After the Combination." Although these employment agreements have not yet been negotiated and, therefore, are subject to change, it is anticipated that such agreements will be for terms of one to three years, include non-competition clauses that extend for one to three years following the termination date and specify compensation levels for each of Messrs. LoConti, Feighan and Stout, the amounts of which have not yet been determined. It is further anticipated that the agreements will not provide for severance benefits. See "Management After the Combination -- Employment Agreements."

THE STOCK ISSUANCES

GENERAL

The following is a brief summary of certain aspects of the proposed Stock Issuances by RESI pursuant to (i) the MGD Purchase Agreement, dated as of May 19, 1996, between MGD Holdings and RESI and (ii) the Huizenga Purchase Agreement, dated as of May 19, 1996, between H. Wayne Huizenga and RESI. This summary does not purport to be complete and is qualified in its entirety by reference to the Huizenga Purchase Agreement and the MGD Purchase Agreement, copies of which are included as Appendices II and III, respectively, to this Information Statement. The issuance and sale of the Stock Issuance Shares and the Stock Issuance Warrants are being effected without registration pursuant to Section 4(2) of the Securities Act.

THE PURCHASE AGREEMENTS

Huizenga Purchase Agreement. Pursuant to the Huizenga Purchase Agreement, RESI will issue and sell to Mr. Huizenga for an aggregate purchase price of $5,250,000 (the "Huizenga Purchase Price"), (i) the

Huizenga Shares, consisting of 2,000,000 shares of RESI Common Stock, and (ii) the Huizenga Warrants, consisting of warrants to purchase: (a) 2,000,000 shares of RESI Common Stock at an exercise price of $2.625 per share, exercisable in whole or in part for the two-year period beginning on the date of the Stock Issuance Closing (as defined herein), (b) 2,000,000 shares of RESI Common Stock at an exercise price of $3.125 per share, exercisable in whole or in part for the three-year period beginning on the date of the Stock Issuance Closing, and (c) 2,000,000 shares of RESI Common Stock at an exercise price of $3.875 per share, exercisable in whole or in part for the four-year period beginning on the date of the Stock Issuance Closing.

MGD Purchase Agreement. Pursuant to the MGD Purchase Agreement, RESI will issue and sell to MGD Holdings and its assigns for an aggregate purchase price of $5,250,000 (the "MGD Purchase Price"), (i) the MGD Shares, consisting of 2,000,000 shares of RESI Common Stock, and (ii) the MGD Warrants, consisting of warrants to purchase: (a) 2,000,000 shares of RESI Common Stock at a purchase price of $2.625 per share, exercisable in whole or in part for the two-year period beginning on the date of the Stock Issuance Closing, (b) 2,000,000 shares of RESI Common Stock at a purchase price of $3.125 per share, exercisable in whole or in part for the three-year period beginning on the date of the Stock Issuance Closing, and (c) 2,000,000 shares of RESI Common Stock at a purchase price of $3.875 per share, exercisable in whole or in part for the four-year period beginning on the date of the Stock Issuance Closing.

Representations and Warranties. Each of the Purchase Agreements contain representations and warranties customary in transactions relating to the issuance and purchase of stock, including, among other things, (i) corporate status, (ii) power and authority, (iii) the authorization and validity of the Purchase Agreements, (iv) capitalization, (v) the absence of (a) material defaults under any contract or governing instrument of the respective party, (b) violations of law, or (c) liens resulting from the execution and delivery of the Purchase Agreements, (vi) capitalization, (vii) investment intent and knowledge on behalf of the respective investors, and (viii) consents, approvals, waivers or other action as required under any contract or bylaw to consummate the transactions contemplated by the Purchase Agreements. In addition, the Huizenga Purchase Agreement contains representations and warranties relating to, (i) financial statements and changes since RESI's fiscal year-end, (ii) RESI's compliance with securities laws and the NASD rules (iii) the delivery of governing documents, (iv) subsidiaries and (v) the inapplicability of Section 203 of the DGCL to MGD Holdings or Mr. Huizenga, as the case may be.

Conduct of RESI's Business Prior to Closing. The Huizenga Purchase Agreement restricts the ability of RESI to take certain actions and enter into certain transactions pending the Stock Issuances.

Certain Pre-Closing Covenants. Pursuant to each of the Purchase Agreements, each of the parties thereto has agreed that it will, among other things, (i) make on a prompt and timely basis all governmental or regulatory notifications and filings required to be made by it for the consummation of the transactions contemplated by the Purchase Agreements, (ii) obtain approval from the other party prior to making any press release or other public communication relating to the subject matter of the Purchase Agreements, (iii) use reasonable efforts to take all actions or cause to be done all things necessary to consummate the transactions contemplated by the Purchase Agreements as soon as practicable, including seeking or making all filings, orders, consents or authorizations required under applicable law and obtaining consents from governmental bodies or parties to any contracts, and (iv) promptly notify the other party of the occurrence, or non-occurrence, of any event which would be likely to cause any representation or warranty to be untrue.

RESI further agreed (i) to prepare and file this Information Statement with the SEC, (ii) to obtain the approval of its stockholders in favor of the Purchase Agreements and the transactions contemplated thereby and (iii) to provide Mr. Huizenga reasonable access to its personnel, properties, operations, books and records and Mr. Huizenga has agreed to maintain the confidentiality of such information.

Conditions to Closing. The closing of the transactions contemplated by the Purchase Agreements (the "Stock Issuance Closing") will take place as promptly as practicable after satisfaction or waiver of the conditions set forth therein. The respective obligations of each party to effect the Stock Issuance Closing is subject to the fulfillment of the following conditions, any and all of which may be waived, in whole or in part, to the extent permitted by law: (i) approval of the Purchase Agreements by the stockholders of RESI; (ii) no court, administrative agency or commission shall have enacted or entered any rule or other order which is in

effect and which materially restricts, prevents or prohibits consummation of the Stock Issuance Closing; (iii) any waiting period (and any extension thereof) applicable to the consummation of the Stock Issuance Closing under the HSR Act, shall have expired or been terminated; and (iv) the Stock Issuances and Authorized Share Increase shall have been approved by the RESI stockholders.

The obligation of each of Mr. Huizenga and MGD Holdings under the respective Purchase Agreement to proceed with the Stock Issuance Closing is also subject to the following conditions any and all of which may be waived, in whole or in part, to the extent permitted by law: (i) each of the representations and warranties by RESI contained in the Purchase Agreements shall be true and correct as of the Stock Issuance Closing except for such failures which would not, either individually or in the aggregate, have a material adverse effect on RESI; (ii) RESI shall have performed or complied in all material respects with all agreements and covenants in the Purchase Agreements on or prior to the Stock Issuance Closing; and (iii) the Mergers shall be closed contemporaneously with the Stock Issuances.

The obligations of RESI to proceed with the closing under the Purchase Agreements are also subject to the following conditions: (i) each of the representations and warranties of Mr. Huizenga and MGD Holdings, as the case may be, contained in the respective Purchase Agreement shall be true and correct in all material respects as of the Stock Issuance Closing and (ii) Mr. Huizenga and MGD Holdings, as the case may be, shall have performed or complied in all material respects with all agreements and covenants in the respective Purchase Agreement on or prior to the Stock Issuance Closing.

Termination of Purchase Agreements. Each of the Purchase Agreements has termination provisions that provide that such agreement may be terminated (a) by written agreement of the parties; (b) by RESI or Mr. Huizenga or MGD Holdings, as the case may be, if the transactions contemplated by the respective Purchase Agreement have not been consummated on or before September 30, 1996 other than as a result of a failure to fulfill any obligation under such Purchase Agreement by the terminating party; (c) by RESI, upon a breach of any representation, warranty, covenant or agreement on the part of Mr. Huizenga or MGD Holdings, as the case may be, set forth in the respective Purchase Agreement, or if any representation or warranty of Mr. Huizenga or MGD Holdings, as the case may be, set forth in the respective Purchase Agreement shall have become untrue, such that the conditions to RESI's obligation to consummate the transactions contemplated by the Huizenga Stock Issuance or the MGD Stock Issuance, as applicable, would not be satisfied; provided, however, that if such breach is cured by either Mr. Huizenga or MGD Holdings, as the case may be, within 60 calendar days after notice thereof through the continuous use of his or its best efforts, then RESI may not terminate the respective Purchase Agreement as a result of such breach; or (d) by Mr. Huizenga or MGD Holdings, as the case may be, upon a breach of any representation, warranty, covenant or agreement on the part of RESI set forth in the respective Purchase Agreement or if any representation or warranty of RESI shall have become untrue, in either case such that the conditions would not be satisfied; provided, however, that if such breach is cured by RESI within 60 calendar days after notice thereof through the continuous use of its best efforts, then Mr. Huizenga or MGD Holdings may not terminate the respective Purchase Agreement as a result of such breach.

Indemnification. The Purchase Agreements provide for the mutual indemnification of the parties thereto for any losses, damages, liabilities, claims, charges, actions, proceedings, demands, judgments, settlement costs and expenses of any nature whatsoever (including without limitation, attorneys' fees and expenses) or deficiencies ("Claims") resulting from any breach of a representation, warranty or covenant by the indemnifying party and all claims, charges, actions or proceedings incident to or arising out of the foregoing.

Registration Rights. Pursuant to the Purchase Agreements, RESI has agreed to register all of the Stock Issuance Shares and all of the shares that will be issued in connection with the exercise of the Stock Issuance Warrants (the "Stock Issuance Warrant Shares") pursuant to the Shelf Registration and to use its best efforts to cause the Shelf Registration to be declared effective by the SEC as soon as practicable after the Stock Issuance Closing. RESI shall maintain the effectiveness of the Shelf Registration until such time as RESI reasonably determines, based on an opinion of counsel, that the holders of the Stock Issuance Shares and the Stock Issuance Warrant Shares (the "Holders") will be eligible to sell all of such Stock Issuance Shares and Stock Issuance Warrant Shares without the need for their continued registration in the three-month period

immediately following the termination of the effectiveness of such registration statement. RESI's obligations with respect to such registration statement terminate on the second anniversary following the earlier of (i) the date on which all of the Stock Issuance Warrants not yet exercised have expired or (ii) the date on which all of the Stock Issuance Warrants have been exercised.

RESI will be obligated to pay all expenses associated with the registration of the Stock Issuance Shares and the Stock Issuance Warrant Shares other than discounts and commissions with respect to the resale. Mr. Huizenga and MGD Holdings may assign the registration rights with any permitted transfer of the Stock Issuance Shares or Stock Issuance Warrant Shares. RESI has further agreed to indemnify each of the Holders whose securities are included in such registration and certain related parties against certain liabilities, including liabilities under the Securities Act. In addition, each of the Holders whose securities are included in such registration statement has agreed to indemnify RESI against certain liabilities, including liabilities under the Securities Act, relating to any information provided by, or any action or inaction of, respectively, each of the Holders.

Assignment of Securities. The rights and obligations of the parties to the Purchase Agreements may not be assigned by any party without the prior written consent of the other party except, prior to the Stock Issuance Closing, MGD Holdings may assign its rights to purchase up to 100,000 MGD Shares and 300,000 MGD Warrants to its and Mr. DeGroote's employees and business associates ("Permitted Assigns"). In connection therewith, MGD Holdings assigned the right to receive at Closing 100,000 MGD Shares and 300,000 MGD Warrants to Permitted Assigns.

PROCEEDS FROM THE STOCK ISSUANCES

RESI intends to use the $10,500,000 aggregate proceeds under the Purchase Agreements for general corporate purposes, which may include the repayment of debt and the financing of acquisitions in both the insurance and hazardous waste business. See "RESI Management's Discussion and Analysis of Results of Operations and Financial Condition -- Liquidity and Capital Resources."

GOVERNMENTAL AND REGULATORY FILINGS AND APPROVALS

HSR Act. Under the HSR Act, certain transactions, including the Stock Issuances, may not be consummated unless certain information has been furnished to the Federal Trade Commission ("FTC") and the Antitrust Division of the Department of Justice (the "Department of Justice") and certain waiting period requirements have expired or been terminated by the FTC. To the extent required, MGD Holdings, RESI and Mr. Huizenga, respectively, will file notification reports under the HSR Act with the FTC and the Department of Justice in connection with the Purchase Agreements. Under the HSR Act, the FTC and the Department of Justice will have 30 days to request additional information from any of the filing persons. In the event that a second request is made, the FTC and the Department of Justice will have 20 days following the compliance by the parties to the second request (subject to extension upon mutual agreement by the parties and the FTC and the Department of Justice) to request further information, to request that the parties take certain actions or to take action to enjoin the Combination.

The FTC and the Department of Justice frequently scrutinize the legality under the antitrust laws of transactions such as the Stock Issuances. Notwithstanding the early termination of the HSR Act waiting period, at any time before or after the Stock Issuance Closing, either the FTC or the Department of Justice has the authority to take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the consummation of the Stock Issuances. Private parties may also seek to take actions under the antitrust laws. There can be no assurance that a challenge to the Stock Issuances on antitrust grounds will not be made or, if such a challenge is made, what the result of any such challenge will be.

Others. None of RESI, MGD Holdings and Mr. Huizenga is aware of any other governmental or regulatory approvals required for consummation of the Stock Issuances, other than compliance with applicable securities laws and stock exchange rules.

BUSINESS OF RESI

BUSINESS DESCRIPTION

GENERAL

RESI is a waste services company providing hazardous and non-hazardous waste treatment, storage and transportation and disposal and recycling services through its subsidiaries. RESI currently operates seven hazardous and non-hazardous TSD Facilities located in the United States and Canada. These TSD Facilities are serviced by RESI's integrated trucking operations. RESI does not own any hazardous waste disposal sites. RESI also provides a broad range of related environmental services including engineering, consulting and analysis, remediation, groundwater/wastewater services and other technical services.

In April 1995, Republic Industries, the sole stockholder of RESI at such time, effected a Spin-off of its hazardous waste operations through the Spin-off of the stock of RESI to the stockholders of record of Republic Industries. Pursuant to the Spin-off, the Republic Industries stockholders received one share of RESI Common Stock for every five shares of Republic Industries common stock. Approximately 10,800,000 shares of RESI were distributed to Republic Industries stockholders. Public trading of the RESI Common Stock commenced on Nasdaq on April 27, 1995 under the symbol "RESI." On June 24, 1996, RESI began trading under the symbol "IASI" in anticipation of the Name Change.

RESI, formerly known as Stout, was incorporated in Delaware on June 16, 1987. In March 1992, Stout merged with a wholly-owned subsidiary of Republic Industries, SEI Acquisition, Inc., a Delaware corporation, with RESI being the surviving corporation. None of the former Stout stockholders is related to Craig L. Stout, an officer and director of the Alliance Companies who will serve as the Chief Operating Officer and a director of RESI upon consummation of the Combination.

SERVICES

RESI's hazardous waste operations include the operation of its TSD Facilities, transportation, remediation and technical services and related engineering, consulting and analytical services. The following provides certain information regarding RESI's operations in the hazardous and non-hazardous waste industry as of June 1, 1996, unless otherwise indicated.

TSD FACILITIES

RESI provides hazardous and non-hazardous waste treatment, storage and disposal services through seven commercial hazardous TSD Facilities located in the United States and Canada. The wastes handled by these TSD Facilities include substances which are classified as hazardous under applicable law because of their source of generation, characteristic properties, specific constituents and other substances subject to federal, provincial and state environmental regulations.

Treatment, storage and disposal services are typically performed under service agreements that obligate RESI to accept from its customer waste material conforming to the specifications set forth in the services agreement. Before RESI signs a service agreement with a customer, a representative sample of the waste is analyzed by a laboratory to enable RESI to recommend the best method of transportation, treatment and disposal. Prior to unloading at RESI's treatment facility, a representative sample of the delivered waste is tested and analyzed on site to ensure that it conforms to the customer's waste profile sheet. Once the wastes are characterized, compatible groups are consolidated to achieve economies in storage, handling, transportation and ultimate treatment and disposal.

The operational and permitted capabilities of the seven TSD Facilities operated by RESI vary extensively with each facility operating under site specific permit requirements. The seven TSD Facilities in the aggregate have the ability to process bulk liquids, solids, drums and laboratory-packaged waste materials. Six of these TSD Facilities have received final hazardous waste permits (EPA and/or state-issued Part B Permits or Canadian Ministry of the Environment ("MOE") Permits) from the appropriate regulatory agencies and the remaining TSD Facility is operating under an interim status permit. See "-- Regulation." RESI expects to obtain the final Part B permit for this facility in 1996. If this Part B permit application is denied, the TSD

Facility would be forced to cease hazardous waste operations and be subject to closure procedures with respect to such operations. The oil recycling operations that are conducted at such location would be permitted to continue even if the permit is denied. It is the opinion of management that the failure to obtain such permit and the subsequent closure of the facility would not have a material adverse effect on RESI.

The TSD Facilities have the collective ability to accept virtually all types of hazardous and non-hazardous wastes, except radioactive materials. Each TSD Facility is specifically regulated with respect to waste types that are included in its permits.

The TSD Facilities collectively perform the following treatment and storage services:

- -- bulking and consolidation for off-site incineration
- -- waste water treatment, including heavy metal precipitation, carbon absorption, oxidation, reduction, biological treatment and filtration
- -- low level cyanide destruction
- -- fuels blending
- -- oil recycling
- -- phase separation
- -- PCB storage
- -- solids liquification
- -- stabilization of solid and semi-solid sludges

RESI currently owns nine TSD Facilities, seven of which are operational. The following table provides certain information concerning the operating TSD Facilities owned by RESI. These facilities serve markets in the northeastern and midwestern United States and southern Ontario regions.

TSD FACILITY	PERMITTED ACTIVITIES	PERMITTED OPERATING AND STORAGE CAPACITIES
Republic Environmental Systems (Pennsylvania), Inc. (Hatfield, PA).....	Part B Permit -- hazardous waste treatment and storage facilities for hazardous and non-hazardous solid and liquid waste in bulk, drum and lab pack; interim status PCB storage facility	Operating capacities -- approximately 55 million gallons per year bulk liquid, 73,000 tons per year bulk solid, 99,000 drums per year; storage capacity -- approximately 568 drums, 335,000 gallons bulk liquid, 1,500 cubic yards solid
Republic Environmental Recycling (New Jersey), Inc. (Clayton, NJ).....	Part B application filed in 1986; EPA and NJDEP (defined herein) interim status-waste oil blending and recycling, fuels blending and transfer facility	Operating capacities approximately 18 million gallons per year of bulk waste; storage capacity -- 2 million gallons
Republic Environmental Systems (Cleveland), Inc. (formerly Evergreen Environmental Group, Inc.) (Bedford, OH).....	Part B Permit -- bulk solid hazardous waste treatment and storage, hazardous and non-hazardous drum treatment, bulk liquids and oils treatment and fuels blending	Operating capacities -- approximately 124,800 tons per year bulk solid, 18,250 drums per year; storage capacity -- approximately 975 drums and 47,500 gallons bulk liquid, 1,000 cubic yards solid
Republic Environmental Systems (Port Colborne) Ltd. (Port Colborne, Ontario).....	MOE Permit -- hazardous waste treatment, processing, recovery, transfer and storage	Operating capacities -- approximately 3.4 million gallons per year bulk liquid, 1,170 tons per year bulk solid, 52,000 drums per year; storage capacity -- approximately 1,300 drums and 65,000 gallons bulk liquid, 120 tons solid
Republic Environmental Systems (Brantford) Ltd. (Brantford, Ontario).....	MOE Permit -- hazardous waste treatment, processing, recovery, transfer and storage	Operating capacities -- approximately 12.5 million gallons per year bulk liquid; storage capacity -- 175,000 gallons

TSD FACILITY	PERMITTED ACTIVITIES	PERMITTED OPERATING AND STORAGE CAPACITIES
Republic Environmental Systems (Pickering) Ltd. (Pickering, Ontario).....	MOE Permit -- hazardous waste treatment, processing, recovery, transfer and storage	Operating capacities -- approximately 2.9 million gallons per year bulk or drum liquid or solid; storage capacity -- 110,000 gallons bulk or drum
Republic Environmental Systems (Brockville) Ltd. (Brockville, Ontario).....	MOE Permit -- hazardous waste treatment, processing, recovery, transfer and storage	Operating capacities -- approximately 3.1 million gallons per year bulk liquid, 24,000 tons per year bulk solid, approximately 39,000 drums per year; storage capacity -- 3,000 drums and 120,000 gallons bulk solid

RESI also owns TSD Facilities in Farmingdale, New York and Dayton, Ohio, which terminated operations in June 1993 and October 1995, respectively. See "-- Legal Proceedings" and "RESI Management's Discussion and Analysis of Results of Operations and Financial Condition -- Results of Operations." With respect to the closing of both of these TSD Facilities, RESI has accrued the appropriate costs.

During June 1996, the Ohio EPA approved the expansion of the types of waste managed in RESI's TSD Facility located in Cleveland, Ohio. The remaining permit revisions are currently still under review. Management expects final approval of the remaining permit revisions throughout the remainder of 1996.

TRANSPORTATION SERVICES

As an integral part of RESI's treatment, storage and disposal operations, hazardous and non-hazardous wastes are collected from customers and transported by RESI to and between its TSD Facilities for treatment or bulking in preparation for shipment to final disposal locations. In providing this service, RESI utilizes a variety of specially designed and constructed tank trucks, vacuum trucks and semi-trailers. Liquid waste is frequently transported in bulk, but may also be transported in drums. Heavier sludges or bulk solids are transported in sealed roll-off containers or sealed gate-dump trailers.

RESI's United States hazardous waste transportation services are performed primarily by two of RESI's subsidiaries, Republic Environmental Systems (Transportation Group), Inc. ("RES (Transportation Group)") and Chem-Freight, Inc. ("Chem-Freight"). RES (Transportation Group) is located in Hatfield, Pennsylvania and has been operating since 1985. Chem-Freight is located in Walton Hills, Ohio and has been operating since 1971. These trucking companies provide a majority of their direct services to RESI's TSD Facilities. RESI believes that this transportation arrangement ensures quality control and improved efficiency and helps prevent delays at the TSD Facilities. Trucking revenues for services provided to third parties, such as other environmental service companies, waste brokers and waste generators, are recognized as trucking revenue. Third-party customers of RES (Transportation Group) and Chem-Freight include general industrial businesses and other waste management companies. RES (Transportation Group) is licensed to haul in 36 states from the eastern to the midwestern regions of the United States, and Chem-Freight is licensed to haul in the 48 contiguous states.

Most of the transportation services provided to RESI's Canadian TSD Facilities are performed by one of RESI's subsidiaries, Republic Environmental Systems (Brockville) Ltd. ("RES (Brockville)"). RES (Brockville) is licensed to haul in the provinces of Ontario and Quebec in Canada and in the states of Michigan and New York in the United States.

REMEDIATION

RESI's hazardous waste division provides selected remediation services through its subsidiary, Republic Environmental Systems (Technical Services Group), Inc. ("RES (Technical Services)"). RES (Technical Services) is a full-service environmental remediation contractor specializing in remedial services, tank cleaning, testing and removal, decontamination/lagoon closure, excavation and removal of contaminated soils,

dewatering, emergency response, "Superfund" clean-up work and waste sampling. These services are provided to RESI's TSD Facility customers and others on a competitive bid basis.

When RESI is engaged to perform an entire environmental remediation project, it will first perform a site or situation assessment which involves gathering samples from the contaminated site and then analyzing them to establish or verify the nature and extent of the contaminants. Analysis of samples is conducted by RESI at its TSD Facilities or by independently-operated laboratory companies. RESI's engineering and consulting group then develops, evaluates and presents alternative solutions to remedy the particular situation.

TECHNICAL SERVICES

At RESI's analytical facilities, technicians test samples provided by customers through the use of comprehensive analytical procedures to identify and quantify toxic pollutants in virtually every component of the environment, including, without limitation, drinking water, surface and groundwater, soil, air, food, industrial effluents and biological tissues. The laboratory staff evaluates the properties of a given material, selects appropriate analytical methods, and designs, documents and executes a laboratory work plan that results in a comprehensive technical report.

RESI also provides environmental consulting services, including regulatory consulting, RCRA consulting, Environmental Clean-up Responsibility Act site assessment, remedial action plan preparation, treatment process technology and system design, waste minimization programs planning and alternate waste disposal evaluations.

RESI'S OPERATIONS IN DIFFERENT GEOGRAPHIC AREAS

RESI provides integrated hazardous waste disposal, collection, recycling, environmental and treatment services to the public and private sectors in the United States and Canada.

Operating revenues and operating income of RESI by geographic area and the related disclosures of depreciation and amortization, capital expenditures and identifiable assets by geographic area as of, and for the years ended, December 31, 1995, 1994 and 1993 are set forth in Note 11 to RESI's consolidated and combined financial statements included herein.

SALES AND MARKETING

RESI's sales and marketing strategy is to provide full-service environmental management to its customers. RESI targets customers of all sizes from small quantity generators to large "Fortune 100" companies. Marketing efforts also target environmental engineers, real estate brokers, potentially responsible party ("PRP") committees, lawyers, hospitals and waste brokers.

RESI believes in maintaining a strong foundation of repeat business. RESI derives its business from a broad base of clientele which management believes enables RESI to experience stable growth. Marketing efforts focus on continuing and increasing business with existing customers, as well as attracting new clients.

COMPETITION

The hazardous waste treatment, storage and disposal industry is highly competitive and requires substantial amounts of capital. The competition in this industry includes large national companies such as Clean Harbors, Inc., Laidlaw Environmental Services, Inc. and Rollins Environmental, Inc., as well as local TSD Facilities and disposal and treatment companies. RESI competes for business on a basis of price and geographic location.

CUSTOMERS

RESI's sales efforts are directed toward establishing and maintaining business relationships with businesses in the eastern and midwestern regions of the United States and Ontario, Canada, which have

ongoing requirements for one or more of RESI's services. No one customer individually comprises more than 6% of the total consolidated revenue of RESI.

SEASONALITY

RESI's operations experience seasonal fluctuations, with higher demand commencing in approximately April of each year and continuing through October, and lower demand occurring from November through March. Additionally, RESI's operations may experience operational limitations from November through March due to weather conditions in the northeastern United States and southeastern Ontario. Severe weather experienced during winter months may adversely affect RESI's results of operations.

REGULATION

The transportation and disposal of solid and chemical wastes and rendering of related environmental services are subject to federal, state, provincial and local requirements which regulate health, safety, the environment, zoning and land-use. Operating permits are generally required for TSD Facilities and certain transportation vehicles, and these permits are subject to revocation, modification and renewal. Federal, state, provincial and local regulations vary, but generally govern waste management activities (including final disposal) and the location and use of facilities and also impose restrictions to prohibit or minimize air and water pollution. In addition, governmental authorities have the power to enforce compliance with these regulations and to obtain injunctions or impose fines in the case of violations, including criminal penalties. These regulations are administered by the EPA and various other federal, state, provincial and local environmental, health and safety agencies and authorities, including the Occupational Safety and Health Administration of the United States Department of Labor.

Although RESI strives to conduct its operations in compliance with applicable laws and regulations, RESI believes that in the existing climate of heightened legal, political and citizen awareness and concerns, companies in the hazardous waste and environmental services industry, including RESI, may be faced with fines and penalties and the need to expend funds for remedial work and related activities at TSD Facilities. RESI has established a reserve to cover such fines, penalties and costs which Management believes will be adequate. Further, in connection with the acquisition of certain TSD Facilities, RESI has been indemnified against certain environmental liabilities. See "-- Legal Proceedings." While such amounts expended in the past or anticipated to be expended in the future have not had and are not expected to have a materially adverse effect on RESI's financial condition or operations, the possibility remains that technological, regulatory or enforcement developments, the results of environmental studies or other factors could materially alter this expectation and despite such reserves and indemnification obligations, could adversely affect RESI's operating results.

RESI's operation of TSD Facilities subjects it to certain operating, monitoring, site maintenance and closure obligations. In order to construct, expand and operate a TSD Facility, one or more construction or operating permits, as well as zoning approvals, must be obtained. These operating permits and zoning approvals are difficult and time-consuming to obtain, and the issuance of such permits and approvals often is opposed by neighboring landowners and local and national citizens' groups. Once obtained, the operating permits may be subject to periodic renewal and are subject to modification and revocation by the issuing agency. In connection with RESI's acquisition of existing TSD Facilities, it often may be necessary to expend considerable time, effort and money to bring the acquired facilities into compliance with applicable requirements and to obtain the permits and approvals necessary to increase their capacity. The failure of RESI to renew existing permits or obtain newly required permits, could adversely affect RESI's operating results. In addition, RESI's waste transportation operations are subject to evolving and expanding laws and regulations that may impose additional monitoring, training and safety requirements.

Governmental authorities have the power to enforce compliance with regulations and permit conditions and to obtain injunctions or impose fines in case of violations. Citizens' groups may also bring suit for alleged violations. During the ordinary course of its operations, RESI may from time to time receive citations or notices from such authorities that its operations are not in compliance with applicable environmental or health

or safety regulations. Upon receipt of such citations or notices, RESI will work with the authorities to attempt to resolve the issues raised. Failure to correct the problems to the satisfaction of the authorities could lead to monetary or criminal penalties, curtailed operations or facility closure any of which could have a material adverse affect on RESI's operating results.

Federal Regulation. The following summarizes the primary U.S. federal statutes affecting the business of RESI:

(1) The Solid Waste Disposal Act ("SWDA"), as amended by RCRA. SWDA and its implementing regulations establish a framework for the regulation of the generation, handling, transportation, treatment, storage and disposal of hazardous and non-hazardous wastes. They also require states to develop programs to insure the safe disposal of solid wastes in sanitary landfills.

Subtitle C of RCRA imposes a variety of regulatory requirements on a person who is either a "generator" or "transporter" of hazardous waste, or an "owner" or "operator" of a hazardous waste treatment, storage or disposal facility. The EPA has issued regulations under RCRA for hazardous waste generators, transporters, and owners and operators of TSD Facilities. These regulations impose, among other requirements, detailed operating, inspection, training and emergency preparedness and response standards, as well as requirements for permitting, manifesting, record keeping and reporting, facility closure, post-closure care and financial assurance. Owners and operators of TSD Facilities also are subject to stringent corrective action requirements that can be very expensive. The Hazardous and Solid Waste Amendment of 1984 mandated that hazardous wastes be treated prior to land disposal. Owners and operators of TSD Facilities must treat wastes to meet specified performance-based or technology-based treatment standards.

(2) The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"). CERCLA, among other things, established a regulatory and remedial program intended to provide for the investigation and the clean-up of sites from which there is or has been a release or threatened release of a hazardous substance into the environment. CERCLA's primary mechanism for remedying such problems is to impose strict liability (and pursuant to the interpretation of certain courts, joint and several liability) for clean-up and for damages to natural resources upon: (a) any person who currently owns or operates the facility or site; (b) any person who owned or operated the facility or site at the time of disposal of hazardous substances; (c) any person who by contract, agreement or otherwise, arranged or accepted for disposal or treatment (or for transport for disposal or treatment) of the hazardous substances; and (d) any generator of the hazardous substances. Under the authority of CERCLA and its implementing regulations, detailed requirements apply to the manner and degree of remediation of facilities and sites where hazardous substances have been or are threatened to be released into the environment. The costs of CERCLA investigation and clean-up can be substantial.

Among other things, CERCLA authorizes the federal government either to remediate sites at which hazardous substances were disposed and have been or are threatened to be released into the environment, or to order (or offer an opportunity to order) persons potentially liable for the clean-up of the hazardous substances to do so. In addition, CERCLA requires the EPA to establish a National Priorities List ("NPL") of sites at which hazardous substances have been or are threatened to be released and which require investigation or clean-up.

Liability under CERCLA is not dependent upon the intentional disposal of "hazardous wastes." It can be founded upon the release or threatened release, even as a result of unintentional and non-negligent action, of very small amounts of any one of thousands of "hazardous substances" listed by the EPA, many of which can be found in household waste. If this is the case, and if there is a release or threatened release of such substances, RESI could be held liable under CERCLA for all investigative and remedial costs even if others may also be liable. CERCLA also authorizes the imposition of a lien in favor of the United States upon all real property subject to or affected by a remedial action for all costs for which a party is liable. The ability of RESI to obtain reimbursement from others for their allocable share of such costs would be limited by its ability to find other responsible parties and prove the extent of each of such other parties' responsibility and by the financial resources of such other parties. The costs of a CERCLA clean-

up can be very expensive. Given the difficulty of obtaining insurance for environmental impairment liability, such liability could have a material impact on RESI's business and financial condition. See "-- Liability Insurance and Bonding."

(3) The Federal Water Pollution Control Act of 1972, as amended (the "Clean Water Act"). The Clean Water Act establishes a framework for regulating the discharge of pollutants from a variety of sources, including TSD Facilities, into streams, rivers and other waters. Whenever point source runoff from RESI's facilities is to be discharged into surface waters, the Clean Water Act requires RESI to apply for and obtain discharge permits, conduct sampling and monitoring and, under certain circumstances, reduce the quantity of pollutants in those discharges. In 1990, the EPA published new storm water discharge regulations which require a facility to apply for a storm water discharge permit unless it is covered under a storm water general permit promulgated by the agency. These storm water discharge regulations also require a permit for certain construction activities, which may affect RESI's operations. If a facility discharges wastewater through a sewage system to a publicly-owned treatment works ("POTW"), the facility must comply with discharge limits imposed by the POTW. In addition, states may adopt groundwater protection programs under the Clean Water Act or Safe Drinking Water Act or independent state authority that could affect TSD Facilities.

(4) The Clean Air Act. The Clean Air Act establishes a framework for the federal, state and local regulation of the emission of air pollutants. These regulations may impose emission limitations and monitoring and reporting requirements on certain of RESI's operations. The Clean Air Act Amendments, which were enacted into law at the end of 1990, resulted in the imposition of stringent requirements on many activities that were previously largely unregulated, such as emissions of solvents used in small parts degreasing baths in RESI's vehicle maintenance shops, as well as imposing more stringent requirements on, among others, motor vehicle emissions and emissions of hazardous air pollutants.

(5) The Occupational Safety and Health Act of 1970 (the "OSH Act"). The OSH Act authorizes the Occupational Safety and Health Administration to promulgate occupational safety and health standards. Various of these standards, including standards for notices of hazardous chemicals and the handling of asbestos, may apply to RESI's operations.

State Regulation. Each state in which RESI operates has its own laws and regulations governing hazardous and solid waste disposal, water and air pollution and, in most cases, release and clean-up of hazardous substances and liability for such matters. The states also have adopted regulations governing the design, operation, maintenance and closure of TSD Facilities. RESI's facilities and operations are likely to be subject to many, if not all, of these types of requirements.

Finally, various states have enacted, or are considering enacting, laws that restrict the disposal within the state of solid or hazardous wastes generated outside the state. While laws that overtly discriminate against out-of-state waste have been found to be unconstitutional, some laws that are less overtly discriminatory have been upheld in court. Challenges to other such laws are pending. The outcome of pending litigation and the likelihood that other such laws will be passed and will survive constitutional challenge are uncertain. In addition, Congress is currently considering legislation authorizing states to adopt such restrictions.

Canadian Regulation. RESI's operations in Canada relating to hazardous waste treatment, recycling and recovery of chemical waste and waste water are subject to the general business and environmental laws and regulations of Canada, which are similar in nature to U.S. laws and regulations. While RESI believes that its Canadian operations are in substantial compliance with applicable laws and regulations, RESI is unable to predict the course of development of such laws and regulations.

LIABILITY INSURANCE AND BONDING

The nature of RESI's business exposes it to a significant risk of liability for legal damages arising out of its operations, as discussed above. See "-- Legal Proceedings." The majority of RESI's operations have environmental liability insurance subject to certain limitations and exclusions in excess of the limits required by permit regulations; however, there is no assurance that such limits would be adequate in the event of a

major loss. RESI carries commercial general liability insurance, automobile liability insurance, workers' compensation, pollution legal liability and employer's liability insurance as required by law in the various states and provinces in which operations are conducted and umbrella policies to provide excess limits of liability over the underlying limits contained in the commercial general liability, automobile liability and employer's liability policies.

From time to time, RESI may be required to post a performance bond or a bank letter of credit in connection with the operation of TSD Facilities, certain remediation contracts and certain environmental permits. Bonds issued by surety companies operate as a financial guarantee of RESI's performance. To date, RESI has satisfied financial responsibility requirements by making cash deposits, obtaining bank letters of credit or by obtaining surety bonds.

EMPLOYEES

At July 31, 1996, RESI employed approximately 268 employees, four of which are party to collective bargaining agreements. RESI considers its relationships with its employees to be satisfactory.

PROPERTIES

In April 1995, RESI established its corporate headquarters at 16 Sentry Park West, 1787 Sentry Parkway West, Suite 400, Blue Bell, Pennsylvania in leased premises. All of RESI's property and equipment located in the United States is subject to liens securing payment of RESI's borrowings under the RESI Credit Facility. See "RESI Management's Discussion and Analysis of Results of Operations and Financial Condition -- Liquidity and Capital Resources." RESI also leases certain of its offices, shop, storage space and equipment.

RESI has nine waste treatment locations, seven of which are operational. RESI has five locations in the United States and four in Canada. See "-- Business Description -- TSD Facilities."

LEGAL PROCEEDINGS

Republic Environmental Systems (Cleveland), Inc. In June 1993, RES (Cleveland) (formerly known as Evergreen Environmental Group, Inc.) received a Complaint and Compliance Order from the Enforcement Division of EPA Region 5 alleging that the former owners of RES (Cleveland)'s TSD Facility failed to submit a proper RCRA Facility Investigation ("RFI") workplan to the EPA on a timely basis and fined RES (Cleveland). This RFI workplan included the evaluation of sub-surface soils and groundwater at the TSD Facility to determine whether a remedial action plan was necessary. In September 1993, EPA Region 5 granted approval for implementation of the RFI workplan submitted by RES (Cleveland). In June 1995, RES (Cleveland) reached an agreement with EPA Region 5 by consent agreement and final order (the "CAFO") to settle the issues related to the former owners' failure to achieve an approvable RFI workplan. The CAFO included a fine of $60,000 and required the meeting of certain stipulations. RESI paid the fine in June 1995.

In addition, RES (Cleveland) was involved in negotiations with the Ohio EPA to bring RES (Cleveland)'s facility located in Bedford, Ohio into full compliance with the Ohio EPA regulations and settle a proposed penalty. In August 1994, RES (Cleveland) reached an agreement by consent order with the Ohio EPA which included a penalty for $250,000, payable over a three-year period, as well as meeting certain stipulations.

Republic Environmental Systems (New York), Inc. In late June 1993, Republic Environmental Systems (New York), Inc. ("RES (New York")) ceased operations at its TSD Facility in Farmingdale, New York, due to ongoing disputes and negotiations with various regulatory agencies including the New York Department of Environmental Conservation ("New York DEC"), the town of Oyster Bay and Nassau County. In addition, RES (New York) received from the New York DEC a proposed Summary Order in an Administrative Action commenced by the New York DEC against the RES (New York) facility, whereby the New York DEC sought revocation of RES (New York)'s permit to operate as a TSD Facility. The New York DEC withdrew a previous consent order against RES (New York), under which RES (New York) had

agreed to pay $100,000 for past alleged violations at the facility and to resolve several administrative permit issues.

In early 1994, RES (New York) voluntarily ceased operations at its hazardous waste TSD facility in Farmingdale, New York, due to ongoing disputes and negotiations with the New York DEC, the town of Oyster Bay and Nassau County. In addition, RES (New York) entered into negotiations for a consent decree with the New York DEC which provided for payment by RES (New York) of $270,000, $170,000 of which would be suspended upon successful completion of the terms of the consent order, and the manner in which RESI was required to close the facility. The parties are currently negotiating the technical aspects of the requirements relating to facility closure.

RESI is also a party to various environmental proceedings related to its hazardous waste services operations which have arisen in the ordinary course of its business. Management believes that these matters will not have a material adverse effect on RESI's results of operations or financial position.

ENVIRONMENTAL PROCEEDINGS COVERED BY THIRD-PARTY INDEMNITY

In connection with the acquisition of Stout, the former stockholders of Stout (the "Party Stockholders") agreed to indemnify Republic Industries, RESI, subsidiaries of RESI and their respective officers, directors, agents and representatives from losses associated with, among other things, soil, water and groundwater contamination occurring prior to Republic Industries' acquisition of Stout.

RESI has been identified as a PRP in a number of governmental investigations and actions relating to waste disposal facilities which may be subject to remedial action under CERCLA. Proceedings arising under CERCLA typically involve numerous waste generators and other waste transportation and disposal companies. Generally, these proceedings are based on allegations that these entities (or their predecessors) transported hazardous substances to the facilities in question, in all cases prior to acquisition of Stout by Republic Industries. As a successor to Stout, RESI and Republic Industries have become a party to and become potentially liable in these proceedings to the same extent as Stout. RESI and Republic Industries have been indemnified for all costs and expenses incurred with regard to these proceedings by Party Stockholders of Stout. The Party Stockholders' obligation under the indemnity was secured by a first lien and perfected security interest covering two million shares of Republic Industries' common stock. During June 1995, Party Stockholders had placed $7 million in an escrow account in lieu of the two million shares of Republic Industries stock as security for the remaining indemnification obligations. RESI is currently paying costs and legal expenses with regard to these proceedings which are then reimbursed by the former stockholders of Stout. Pursuant to agreements with Republic Industries, RESI has agreed to assume any and all liabilities of Republic Industries in these proceedings and has accepted assignment from Republic Industries of all of its rights in connection therewith, including, without limitation, Republic Industries' rights as indemnitee and pledgee pursuant to the Party Stockholders indemnification obligations. See Note 4 to RESI's consolidated and combined financial statements included herein.

Management believes that the legal and environmental proceedings covered by the indemnity will be resolved in a manner that will not have a materially adverse effect on RESI's results of operations or combined financial position.

The following is a description of proceedings whose claims are covered by the indemnity obligations of the former Stout stockholders.

Adams Oil, Inc. Adams Oil, Inc. ("Adams Oil"), a wholly-owned subsidiary of RESI, previously operated an oil terminal located in Camden, New Jersey. RESI is aware that there is evidence of contamination on the property which may have been caused by past spills of possible hazardous materials (i.e., petroleum hydrocarbons, gasoline, diesel fuel). The amount and the sources of the contamination are currently under investigation by Adams Oil. The New Jersey Department of Environmental Protection (the "NJDEP") has knowledge of the problem and has requested more information from Adams Oil. Management believes that remedial action may be required and a clean-up plan has been submitted to NJDEP for approval.

Republic Environmental Systems (Pennsylvania), Inc. Republic Environmental Systems (Pennsylvania), Inc. ("RES (Pennsylvania)") has been named as a PRP in the North Penn Area No. 2 regional groundwater problem involving 56 square miles occupied by hundreds of industrial companies. The EPA has requested that RES (Pennsylvania) enter into a regional administrative consent order to investigate and determine its contribution, if any, to the regional groundwater problem. RES (Pennsylvania) believes that it should not agree to a consent order under CERCLA, but instead should be regulated under its RCRA corrective action permit. The EPA is looking at the septic system and the contamination of groundwater, as well as considering adding other PRP companies. RES (Pennsylvania) has signed an administrative consent order to conduct a limited investigation of the RES (Pennsylvania) TSD Facility to determine whether it is reasonable to continue to include RES (Pennsylvania) as a PRP. RES (Pennsylvania) is not aware of any evidence that it contributed to a regional groundwater problem.

In addition, RES (Pennsylvania) (formerly known as Waste Conversion, Inc.) also has been named as a PRP along with 13 other primary defendants for the recovery costs to remediate the Moyers Landfill Site in eastern Pennsylvania. A company previously known as Waste Conversion of Delaware, Inc. disposed of materials at Moyers Landfill from 1979 to 1981. This company then sold its assets to Waste Conversion, Inc., which was owned by Stout. RES (Pennsylvania) is currently in settlement negotiations with the EPA to limit its exposure in this matter.

RES (New York) and RES (Pennsylvania) are parties in a PRP action with respect to the Aqua-Tech TSD facility in South Carolina. There are 180 parties to date. In April 1993, an agreement was reached whereby RESI paid approximately $360,000 for proposed settlement of certain issues at the facility, pending the final allocation to the PRPs.

Republic Environmental Systems (New York), Inc. The New York DEC has alleged that RES (New York) is liable for unpaid generator fees in the amount of $240,000 plus interest. RES (New York) and other owners of New York TSD Facilities argue that the state is subjecting them to excess fees by categorizing them both as a TSD Facility and as an original waste generator. The central issue of the amount of generator fees owed by RES (New York) has been stayed pending New York DEC determination of the appropriate category for RES (New York) and what generator fee it should pay as a result thereof. This matter will be settled under the consent order being negotiated for the facility's closure. Payments scheduled under this order will be credited to settle this matter.

In addition, on March 19, 1992, the New York State DEC informed RES (New York) that it may be a PRP with respect to the Quanta Resources site in Queens, New York. At present, RES (New York) is awaiting additional information from the New York DEC in order to assess the extent of its exposure, but believes it is not material.

RESI MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESI provides its hazardous and non-hazardous waste treatment, storage and transportation and disposal and recycling services through its subsidiaries. As a holding company whose material assets consist primarily of stock of the subsidiaries, RESI is, and expects to continue to be dependent upon quarterly distributions of earnings and interest on and repayment of principal under intercompany debt of the subsidiaries to service its debt obligations and satisfy its other obligations.

RESI's revenue from its TSD Facilities consists of fees from the generators of hazardous and non-hazardous materials for the transportation and processing of their waste materials. Revenue from RESI's remediation operations results from contracts which are generally awarded on a competitive bid basis. Operating costs incurred in the TSD Facilities include primarily labor, materials, disposal fees, compliance costs and facility overhead and maintenance. Cost of operations associated with remediation includes primarily labor and supplies.

RESI provides for accrued environmental costs which includes facility closure costs as well as environmental and remediation costs. RESI estimates its future cost requirements for closure of its facilities based on its interpretation of the technical standards of the EPA's Subtitle C regulations. These estimates do not take into account discounts for the present value of such total estimated costs. Environmental costs are accrued by RESI through a charge to income in the appropriate period for known and anticipated environmental liabilities.

RESI periodically reassesses its methods and assumptions used to estimate such accruals for environmental costs and adjusts such accruals accordingly. Such factors considered include changing regulatory requirements, the effects of inflation, changes in operating climates in the regions in which RESI's facilities are located and the expectations regarding costs of securing remediation and other environmental services.

In July 1994, Republic Industries announced the contemplation of a plan to restructure and distribute its hazardous waste services segment to the Republic Industries stockholders. Pursuant to the plan, Republic Industries consolidated its hazardous waste services operations in RESI and subsidiaries of RESI. The plan provided for the distribution of the stock of RESI to the stockholders of record of Republic Industries. The Spin-off was treated as a tax-free distribution by Republic Industries for tax reporting purposes. Republic Industries stockholders received, as of the date of the Spin-off, one share of RESI Common Stock for every five shares of RESI Common Stock of Republic Industries owned on April 21, 1995, the record date, established by the Republic Industries Board of Directors with respect to the Spin-off. Republic Industries has no ownership interest in RESI.

In connection with the Spin-off, RESI and Republic Industries entered into various agreements including a Distribution Agreement, Corporate Services Agreement, Tax Sharing Agreement and various indemnity agreements.

The Distribution Agreement provided for the principal corporate transactions which were required to effect the Spin-off, including the contribution of Republic Industries' Canadian hazardous waste services subsidiary to RESI and the intercompany balance to RESI's equity at the date of the Spin-off. The Distribution Agreement also provided for Republic Industries to contribute an additional $2.2 million to RESI to repay indebtedness and to provide working capital in connection with the Spin-off.

The Tax Sharing Agreement provides for, among other things, the treatment of tax matters for periods through the date of the Spin-off and responsibility for any adjustments as a result of audit by any taxing authority. The general terms provide for the indemnification for any tax detriment incurred by one party which is caused by the other party's actions.

Other agreements include various indemnity agreements which provide for indemnification by RESI to Republic Industries, and vice versa, for potential increases, or decreases, in any RESI liabilities which remain with Republic Industries as a result of previously shared arrangements.

The following is a description of the business of RESI and a discussion of the consolidated and combined historical financial position and results of operations of RESI for each of the years ended December 31, 1995, 1994 and 1993 and the factors affecting RESI's financial resources and capital after the Distribution. This discussion should be read in conjunction with RESI's consolidated and combined financial statements and notes thereto included herein.

The consolidated and combined historical financial statements include the assets, liabilities and operations of RESI, as well as the assets, liabilities and operations of RESI's subsidiaries including Republic Canada, Inc., a Delaware corporation, and its subsidiaries, including Republic Environmental Systems Ltd. ("RESL") (formerly known as Great Lakes Environmental Group Ltd.), the Canadian hazardous waste services subsidiary of Republic Industries, which was acquired by Republic Industries in July 1991 and contributed to RESI in connection with the Distribution; and Republic Environmental Systems (Cleveland), Inc. (formerly known as Evergreen Environmental Group, Inc.), which was acquired by Republic Industries in September 1991 and contributed to RESI in May 1993.

RESULTS OF OPERATIONS

The following table sets forth the percentage relationship that the line items in RESI's consolidated and combined statement of operations bear to total revenue:

	PERCENTAGE OF REVENUE			
	SIX MONTHS ENDED JUNE 30,	YEAR ENDED DECEMBER 31,		
	1996	1995	1994	1993
Revenues	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Cost of operations	74.2	73.4	71.6	76.3
Selling, general and administrative	29.2	21.9	22.2	21.9
Restructuring and unusual charges	--	--	18.2	24.2
Operating income (loss)	(3.4)%	4.7%	(12.0)%	(22.4)%

COMPARISON OF SIX MONTHS ENDED JUNE 30, 1996 TO SIX MONTHS ENDED JUNE 30, 1995

Revenue. Revenue for the six months ended June 30, 1996 decreased $9.4 million to $15.8 million from $25.2 million for the same period in 1995. This decrease is primarily a result of the delay in the commencement of several significant remediation projects which were to begin during the second quarter of 1996 but were delayed due to administrative and regulatory issues. Also, decreased demand within the hazardous waste industry due, in part, to continuing efforts by generators of hazardous waste to implement waste minimization programs and the shipment of waste by such generators directly to the ultimate disposal location, contributed to the decrease in revenues. The decrease in demand resulted in a decrease in volumes serviced as well as a reduction in prices changed by RESI and, consequently, lower margins. Also contributing to the decrease in services provided was the severe winter weather conditions experienced throughout the Northeastern United States and Canada during the first quarter of 1996. Finally, RESI results for the six months ended June 30, 1996 were also adversely affected by the delay in the granting of certain permit extensions and revisions at RESI's Cleveland, Ohio TSD Facility that were anticipated to coincide with the closure of RESI's Dayton, Ohio facility in the fourth quarter of 1995. During June 1996, the Ohio EPA approved the expansion of the types of waste managed in RESI's TSD Facility located in Cleveland, Ohio. The remaining permit revisions are currently still under review by the Ohio EPA. Management expects final approval of the remaining permit revisions throughout the remainder of 1996; however, failure to obtain the remaining permit revisions could continue to have a negative impact on revenues.

Cost of Operations. Cost of operations decreased $6.3 million, or 34.8%, to $11.8 million during the six months ended June 30, 1996 from $18.1 million for the same period in 1995. As a percentage of revenue these costs were 75.0% and 72.0% for the six months ended June 30, 1996 and 1995, respectively. This increase is

primarily due to the lower margins resulting from the reduction in prices. Also contributing to the increase is the significant portion of fixed costs associated with RESI's operations.

SG&A. Selling, general and administrative expenses decreased by 7.8% to $4.7 million for the six months ended June 30, 1996 from $5.1 million for the same period in 1995. This decrease is a result of RESI's continued efforts to improve efficiencies and reduce costs. As a percentage of revenue these costs were approximately 29.5% and 20.2% for the six months ended June 30, 1996 and 1995, respectively. This increase as a percentage to revenue is the result of a portion of the selling, general and administrative expenses associated with RESI's operations being fixed.

Interest Expense. Interest expense decreased to $110,000 for the six months ended June 30, 1996 from $154,000 for the six months ended June 30, 1995. This decrease is a result of the Company's repayment of debt of its Canadian subsidiaries during the second quarter of 1995.

Income Taxes. RESI recorded an income tax benefit of $146,000 for the six months ended June 30, 1996, reflecting an effective tax rate of approximately 37.0%. RESI's income tax provision in the same period for 1995 was $708,000 reflecting an effective tax rate of approximately 37.0%.

COMPARISON OF YEAR ENDED DECEMBER 31, 1995 TO YEAR ENDED DECEMBER 31, 1994

Revenues. Revenues decreased 4.5% to $44.5 million in the year ended December 31, 1995 from $46.6 million in 1994. RESI attributes the decrease in revenue for this period to several factors including, the continued intense competition in the hazardous waste management industry and the uncertainties that prevail regarding state and federal regulation changes which affect waste generators. These factors had a negative impact on pricing and volumes within the industry. In addition, RESI also experienced a delay in the granting of certain permit extensions and revisions at RESI's Cleveland, Ohio facility. This delay coincided with the expiration of the operating permit and the closure of RESI's Dayton, Ohio facility. Also, the severe weather conditions throughout the northeastern United States and Canada had a negative effect on RESI's operations in the fourth quarter of 1995.

Cost of Operations and Selling, General and Administrative Expenses. Cost of operations decreased 2.1% to $32.7 million in the year ended December 31, 1995 from $33.4 million in 1994. As a percentage of revenue, these costs were 73.4% and 71.6%, respectively. This overall decrease is attributable to the reduced level of revenues. The increase as a percentage of revenue for 1995 is due to an increase in lower margin projects as compared with the same period in 1994. Selling, general and administrative expenses decreased to $9.8 million in the year ended December 31, 1995 from $10.3 million in 1994. As a percentage of revenue for the years ended 1995 and 1994, these costs were approximately 21.9% and 22.2%, respectively. This decrease is a result of the decrease in operations in 1995 and additional cost reduction measures taken during 1995.

RESI has historically relied on Republic Industries for certain services including human resources administration, financial reporting, tax services, legal services and environmental services. Charges for these services, which amounted to $391,000, $851,000 and $839,000 during the years ended December 31, 1995, 1994 and 1993, respectively, were allocated to RESI on a basis which approximated the cost of actual services. Management believes that the allocation of expenses was made on a reasonable basis and that expenses to be incurred by RESI as a stand-alone entity will not differ significantly. In addition, concurrent with the Distribution, RESI has obtained engineering services from a subsidiary of Republic Industries on a competitive bid basis. RESI had entered into a Corporate Services Agreement with Republic Industries pursuant to which Republic Industries provided all of these services until March 31, 1996.

Interest Expense. Interest expense decreased to $219,000 in the year ended December 31, 1995 from $473,000 during the same period in 1994. This decrease is primarily due to the conversion of RESL's subordinated debt to redeemable participating preferred stock of RESL in the fourth quarter of 1994.

Restructuring and Unusual Charges. In connection with the Distribution, which included the contribution of the Canadian hazardous waste services subsidiary, RESL, to RESI, Republic Industries recapitalized RESL. As such, RESI evaluated each of the individual TSD Facility operations of RESL considering the continued weak Canadian economy and the amount of capital RESI could devote to RESL's operations in the

future. The results of this evaluation indicated that the undiscounted cash flows of certain of the individual Canadian TSD Facilities did not support the recorded amounts of goodwill without a substantial improvement in the Canadian economy or the investment of substantial amounts of capital. Additionally, the amount of goodwill recorded as a result of the acquisition of RESL by Republic Industries in 1991 could not be supported by the expected changes in operations after the planned contribution of RESL to RESI. As a result, RESI wrote off approximately $6.4 million of goodwill at RESL in the fourth quarter of 1994. RESI also wrote off $1.2 million of abandoned or to-be-abandoned properties and accrued approximately $910,000 of legal, accounting and investment banking costs associated with the Spin-off. The write-off of these assets has resulted in annual savings of depreciation and amortization of approximately $250,000.

In December 1994, RESI's Canadian subsidiary finalized an agreement with the holders of a $9.2 million subordinated term loan of RESL to convert that loan to redeemable convertible participating preferred stock of RESL. The preferred stock, with a face amount of Canadian $9.0 million (United States $6.6 million at December 31, 1995), is redeemable at the option of RESI and convertible into 15% of the common stock of RESL. RESI recorded a gain on the conversion to preferred stock of approximately $8.6 million, based on management's estimation of the preferred stock's fair market value. As a result of the conversion, interest expense was reduced by approximately $400,000 for year ended December 31, 1995.

Income Taxes. The provision for income taxes for the year ended December 31, 1995 was $.8 million (an effective tax rate of 37%). The effective rate was higher than the statutory federal rate of 34%, primarily due to the effect of nondeductible amortization of goodwill and other permanent items, and state income taxes.

COMPARISON OF YEAR ENDED DECEMBER 31, 1994 TO YEAR ENDED DECEMBER 31, 1993

Revenues. Revenues decreased 24.4% to $46.6 million in the year ended December 31, 1994 from $61.6 million in 1993. This decrease is primarily the result of the closure and consolidation of certain TSD Facilities in late 1993 and continued pressure on margins and volumes in the hazardous waste services industry. See "-- Restructuring and Unusual Charges."

Cost of Operations, Selling, General and Administrative Expenses. Cost of operations decreased 28.9% to $33.4 million in the year ended December 31, 1994 from $47.0 million in 1993. As a percentage of revenue for the years ended 1994 and 1993, these costs were 71.6% and 76.3%, respectively. The decrease in cost of operations is due primarily to the decrease in volumes in 1994. Selling, general and administrative expenses were $10.3 million in 1994 as compared with $13.5 million in 1993, or approximately 22.2% and 21.9% of revenue, respectively. These decreases are a result of the decrease in operations in 1994 and cost reduction measures taken during 1994.

Interest Expense. Interest expense decreased to $473,000 for the year ended December 31, 1994 from $1,153,000 in the same period in 1993. The decrease is primarily due to the refinancing of certain existing debt through Republic Industries' line of credit in September 1993 and the conversion of RESL's subordinated debt to redeemable participating preferred stock of RESL in the fourth quarter of 1994. See "-- Restructuring and Unusual Changes."

Restructuring and Unusual Charges. In the fourth quarter of 1993, in order to counteract severe market conditions in the hazardous waste sector of the industry, RESI reorganized its operations, which resulted in a non-recurring charge of $14.9 million. As a result, RESI consolidated certain operations of its TSD Facilities, terminated certain contracts, closed or decided to close certain facilities, reduced its work force by over 135 people (or 30%) and wrote off goodwill and other intangibles associated with the closed and abandoned TSD Facilities. In accordance with industry standards, RESI provides for closure and post-closure costs over the life of a TSD Facility. Accordingly, RESI has fully provided for these costs on the closed and to-be-closed TSD Facilities. In addition to the reorganization of operations, RESI also re-evaluated its exposure related to litigation and environmental matters and provided additional accruals of approximately $1.0 million for the costs to defend or settle certain litigation and environmental matters.

Income Taxes. In 1994, RESI recorded an income tax benefit of $3.1 million as the result of a reduction in the valuation allowance recorded in 1993, based on the expected realization of deferred tax assets. The valuation allowance was recorded in 1993 due to the uncertainty surrounding the future utilization of deferred tax assets generated as a result of the restructuring and unusual charges incurred in the fourth quarter of 1993.

RESI did not provide for income taxes at full rates in 1993 due to the losses incurred as a result of the restructuring and unusual charges recorded in the fourth quarter of 1993. In management's estimation, these losses could not be currently benefited due to the uncertainty surrounding the future utilization of deferred tax assets generated in connection with these losses. See Note 9 to RESI consolidated and combined financial statements included herein for additional discussion of RESI's taxes.

LIQUIDITY AND CAPITAL RESOURCES

RESI had working capital of $4,166 and $555 at December 31, 1995 and 1994, respectively. RESI had cash and cash equivalents of $3,255 and $1,433 at December 31, 1995 and 1994, respectively. Cash flow from operations was $2.7 million for the year ended December 31, 1995, compared with $6.2 million in 1994. This decrease is attributable to a lower net income in 1995 coupled with the elimination of working capital funding by Republic Industries. Cash flow from operations decreased slightly to $6.2 million in the year ended December 31, 1994 from $6.3 million in 1993.

Cash flow from operations was $1.0 million for the six months ended June 30, 1996, compared with $3.0 million for the same period in 1995. During the six months ended June 30, 1996, RESI made capital expenditures from cash on hand and operating cash flow. RESI anticipates that during the remainder of 1996, it will continue to fund expenditures from operating cash flow supplemented by borrowing under its revolving credit facility, as necessary. Management believes that RESI currently has sufficient cash and lines of credit to fund current operations and expansion thereof.

RESI's capital expenditures totaled $4.2 million for the year ended December 31, 1995 which included expenditures for fixed assets for normal replacement, compliance with regulations and market development. Capital expenditures in 1994 of $1.8 million were well below anticipated expenditures, and well below the $3.6 million of expenditures for the year ended December 31, 1993, primarily due to decreased operations resulting from poor economic conditions in the hazardous waste industry. In the first six months of 1996, RESI's capital expenditures totaled $1.7 million, which included expenditures to upgrade existing TSD Facilities and fixed assets for normal replacement, compliance with regulations and market development. RESI anticipates that it may make up to approximately $0.7 million in capital expenditures during the remainder of 1996 to upgrade existing TSD Facilities and comply with current and proposed regulations. RESI considers its financial resources to be adequate to fund its capital expenditures for 1996.

RESI is subject to various environmental laws and regulations in the United States and Canada where it has operations. The requirements of these laws and regulations generally result in increased operating costs. Additionally, from time to time the Company is involved in proceedings under CERCLA, similar state laws, and RCRA relating to the designation of certain sites for investigation and possible cleanup. RESI's accounting policies on environmental expenditures are discussed in Note 2 to the consolidated and combined financial statements.

It is RESI's policy to accrue environmental investigatory and noncapital remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The cash expenditures for 1995 and 1994 were $1.6 million and $1.5 million, of which $1.3 million were indemnified. The estimate for 1996 cash expenditures is $2.0 million, of which $1.1 million is expected to be indemnified. The balance sheet at March 31, 1996 and December 31, 1995 includes an accrual of $3.6 and $3.8 million, respectively.

Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. Subject to the imprecision in estimating future environmental costs, RESI does not expect that any sum it may have to pay in connection with environmental

matters in excess of the amounts recorded or disclosed above would have a materially adverse effect on its financial condition or results of operations in any one year.

In May 1995, RESI secured a $6.0 million credit facility with a United States commercial bank to provide RESI with additional liquidity and working capital. This facility provides for borrowings at the prime lending rate plus 0.5% or adjusted LIBOR rate plus 2.5%, which would be 8.75% and 7.95% at June 30, 1996, respectively, and will mature in 1998. Up to $4.5 million of the credit facility is available for the issuance of standby letters of credit. At June 30, 1996, RESI had issued $2.2 million in standby letters of credit and had no cash borrowing under the credit facility. The credit facility contains various affirmative and negative covenants which, among other things, restrict the payment of dividends and require the maintenance of certain financial ratios. Borrowings under the credit facility are secured by substantially all of RESI's U.S. based assets.

The infusion of $10.5 million upon consummation of the Stock Issuances is expected to provide RESI with the ability to capitalize upon acquisition opportunities that may arise in the insurance or hazardous waste or related businesses. On July 16, 1996 CSU announced that it had entered into an agreement to acquire ECI for $1,000,000 and 192,500 shares of RESI Common Stock, subject to the consummation of the Combination. See "Business of the Alliance Companies -- Recent Developments."

On July 25, 1996, the Alliance Companies announced that they had entered into agreements with Gulf and Midwest. Under these agreements the CSC Group and Gulf will pool their prospective non-standard contract and other surety bond programs by means of various quota share and reinsurance arrangements to form a new combined program (the "combined program"). The combined program will be a separate and distinct book of surety bonds, which will not be part of any previous surety program written through Midwest. New underwriting standards for the combined program will be established by Gulf and the CSC Group as the insurers. CSU will act as exclusive underwriter for the combined program with responsibility for establishing new underwriting procedures and enforcing the new underwriting standards. Midwest's role in the combined program will be to process surety bond applications generated from its network of approximately 100 agents and subagents throughout the United States and to perform selected underwriting functions, as determined by CSU. In partial consideration for Gulf agreeing to enter into this reinsurance arrangement with CSU and for Midwest agreeing to enter into the combined program, at closing, CSU will purchase from Gulf at face value certain notes issued to Gulf by Midwest. The total payment to Gulf will not exceed $3.6 million. Also, CSU will agree to be obligated for certain contingent obligations of Midwest equaling up to an additional $1.525 million (the Gulf notes and the contingent obligations are hereinafter referred to collectively as the "Obligations"). The Obligations are secured by a pledge of all of the tangible and intangible assets of Midwest.

As part of the Midwest agreement, Midwest will give CSU an exclusive option to purchase Midwest's assets on or before March 2000 for $5.125 million. The initial option period expires March 31, 1997, but may be extended annually for three years through March 2000 if CSU makes option payments of $800,000 per year against the $5.125 million for a total of $2.4 million. Midwest's assets consist primarily of its agency network, the surety business generated by that network and minimal tangible assets. If CSU exercises the option under the option agreement, the purchase price will be $10.25 million comprised of the cancellation of the Obligations ($5.125 million) plus the payment of an additional $5.125 million in cash. The cash amount includes the $800,000 payments, which may be paid to extend the option, plus a final payment of $2.725 million, if and when the option is exercised. If the option is not exercised by CSU and Midwest is not in default of its obligations under the agreements, CSU will be required to pay a termination fee consisting of cancellation of the Obligations ($5.125 million) and payment of an additional $2.4 million less any of the $800,000 payments made for extension of the option. Therefore, CSU is committed to payment of between $5.125 million and $10.25 million under the Gulf and Midwest agreements. See "Business of the Alliance Companies -- Recent Developments."

Other acquisitions are possible due to the fact that both the insurance and hazardous waste industries may be generally characterized as oversupplied, creating the possibility that some competitors may be motivated to exit those industries on terms that may be favorable for a capable buyer. Management believes

that $10.5 million as well as its credit facility should provide RESI with adequate capital to enable it to effect the transactions described above as well as any acquisitions in the foreseeable future.

In April 1995, the RESI Board of Directors authorized RESI to repurchase up to 500,000 shares or 4.6% of RESI Common Stock during 1995 as deemed appropriate by management and authorized an additional repurchase of 500,000 shares or 4.6% of RESI Common Stock in February 1996. The repurchasing of shares was intended to achieve a more favorable balance between the market supply of the shares and expected market demand, as well as establish stability in the trading market for RESI shares. Repurchases were effected at prevailing market prices from time to time on the open market prior to the negotiation of the Combination. The last repurchase was effected by RESI on March 4, 1996 and as of such date RESI had repurchased approximately 695,842 shares of RESI Common Stock for an aggregate cost of approximately $1,040,000. The repurchased shares have been retired.

INFLATION AND PREVAILING ECONOMIC CONDITIONS

To date, inflation has not had a significant impact on RESI's operations. RESI has no long-term fixed-price contracts and RESI believes it will be able to pass through most cost increases resulting from inflation to its customers. In recent years RESI has been affected adversely by reduced volumes in both the United States and Canadian markets served and is unable to determine the future impact of a sustained economic downturn. See "-- Results of Operations."

FOREIGN CURRENCY

RESI is subject to the effects of Canadian currency fluctuations, however RESI derives less than 20% of its revenues from Canadian sources. Because of the relative size of its Canadian operations, RESI does not anticipate significant foreign currency gains or losses. There was no material effect on foreign cash balances of foreign currency translation in 1995 and 1994 or the six months ended June 30, 1996.

ACCOUNTING PRONOUNCEMENTS

The FASB has issued SFAS No. 123 "Accounting for Stock Based Compensation" which will be effective for RESI for the year ended December 31, 1996. This statement allows for either the adoption of the "fair value" method of accounting for stock based compensation or the continued use of APB No. 25. RESI has opted to continue to comply with APB No. 25.

BUSINESS OF THE ALLIANCE COMPANIES

GENERAL

The CSC Group consists of (i) CSC, a non-life, property and casualty ("P&C") Ohio insurance company with corporate offices in Columbus, Ohio; (ii) CSC's two wholly-owned P&C insurance company subsidiaries, (a) Evergreen National Indemnity Company ("Evergreen") with corporate offices in Columbus, Ohio and marketing offices in Valley View, Ohio, and (b) Continental Heritage Insurance Company ("CHIC") with corporate offices in Salt Lake City, Utah; and (iii) two other wholly-owned subsidiaries of CSC, CSC Agency, Inc. and American Inspection and Audit, Inc. ("AIAI"), both with corporate offices in Columbus, Ohio.

CSU is an Ohio insurance agency located in Valley View, Ohio and doing business as Century Surety Underwriters. CSU and CSC are both wholly-owned by Alliance. CSU and CSC, together with the subsidiaries identified above, constitute the "Alliance Companies."

The Alliance Companies provide specialty insurance and surety bonding to small- and medium-sized commercial enterprises in over 40 states throughout the United States. CSC was originally established in 1979 and was acquired by Alliance in 1988. In December of that year, Alliance formed CSU.

MARKETING

The business of the Alliance Companies is focused on niche insurance and surety coverages known in the insurance business as "non-standard" or specialty coverages. These terms refer to risks regarded as higher than standard or normal risks and to risk groups regarded as too small or too specialized to permit profitable underwriting by larger, "standard market" insurance companies. In general, non-standard insurance and bonds are more expensive, and coverage more limited, because of perceived additional risk associated with this type of business. The Alliance Companies attempt to identify and exploit such niches in the non-standard insurance market where the actual risk is significantly less than the perceived risk at which the coverage is defined and priced, or where the CSC Group, because of its smaller size and lower overhead, is able to underwrite coverages more economically than larger carriers can.

Many non-standard insurance products can be marketed on an excess and surplus lines ("E&S") basis, which means that the carrier is not fully admitted in a given state but instead satisfies a less restrictive threshold of regulatory scrutiny, known as "eligibility" to write excess and surplus lines. E&S eligibility offers much more flexibility than admitted carriers enjoy. For example, E&S eligibility offers certain marketing advantages, principally exemption from rate and form filing requirements that apply to admitted carriers, which permits E&S carriers to adjust prices and coverages, or to cease writing altogether. Accordingly, the majority of the non-surety business of the CSC Group is written on an E&S basis. CSC is admitted in only five states (including Ohio, its state of domicile) but is eligible to write on an E&S basis in 31 other states plus the District of Columbus, the most significant of such states being California, Texas and Florida.

Certain P&C products, however, are virtually impossible to write on an E&S basis because of competitive or regulatory requirements to use admitted carriers. Surety is the largest of the CSC Group's products that falls into this category. In order to market its surety programs, therefore, as well as other products where E&S coverage cannot compete, the CSC Group uses the admitted status of Evergreen and CHIC, which are admitted in 26 states, plus the four admitted states of CSC (other than Ohio) to reach a market of 30 states. This strategy of employing both admitted and non-admitted E&S carriers maximizes the CSC Group's flexibility within the insurance regulatory environment by enabling it to market the broadest range of products on the most profitable basis available.

OPERATIONS

The products of the Alliance Companies can be divided into two categories: commercial lines P&C, which constitutes approximately 85% of the group's business, and surety bonds, which constitutes the other 15%. Commercial lines operations are based in Columbus, Ohio, where the CSC Group employs approxi-

mately 80 people. Surety operations are based in Cleveland, Ohio, where the CSC Group and CSU employ approximately 20 people.

COMMERCIAL LINES

The Alliance Companies' commercial line operations consist of nearly 40 different programs for a wide variety of risk groups. Largest among these are general liability insurance and related coverages for small construction contractors; restaurants, bars, and taverns; smaller commercial and retail establishments; sun tanning salons, in which the group holds a position of national leadership; and environmental contractors and professionals.

Environmental coverages include property and general liability insurance for remediation action contractors ("RAC") engaged in a full hazard range of clean-ups; asbestos abatement contractors; underground storage tank ("UST") removal and remediation contractors, solid waste landfill operations; and errors and omissions ("E&O") insurance for environmental consultants. Comprehensive inspection of environmental risks by AIAI has enhanced the CSC Group's position as a leader in environmental insurance.

Examples of other specialty insurance products offered include coverage for security guards, liquor liability, special events and prize indemnity, motor truck cargo, barber shops and beauty salons and day care centers.

The CSC Group offers coverages on both an occurrence and claims-made basis. "Occurrence" means that all valid claims occurring in the insured period will be paid, regardless of when such claims are discovered. "Claims made" means that all valid claims occurring and presented in the insured period will be paid. Being more restrictive, claims made coverage is generally less expensive.

The commercial lines business of the CSC Group is produced by a network of 73 appointed wholesale agents covering the over 40-state market territory of the CSC Group. These agents have limited authority to bind coverage, subject to strict and detailed written underwriting guidelines published by the CSC Group and updated from time to time regarding pricing and coverage limitations. Policies bound in this way are immediately subjected to inspection and forwarded to home office for review. Risks outside of pre-defined authority must be submitted for underwriting to home office underwriters in Columbus, Ohio for specific approval.

All policies and inspection reports are reviewed for correct and complete issuance. The CSC Group, and not the general agent, reserves the right of final underwriting decision on acceptability or rejection of individual risks. General agency contracts do not grant blanket authority for classes of businesses or particular programs. For casualty coverage, agents may bind and write up to $1,000,000 combined single limit of liability for risks other than those on the list of prohibited classes or on the list for referral to the respective CSC Group company.

Premium rating is continuously checked on a selective basis to verify that program rules and rates are being followed. A continuous "renewal review" is done by underwriters each month to review files on renewal risks on a selective basis by policy type, particular risk classes, or individual general agent as loss experience and/or changing underwriting practices indicate is necessary. In addition to other underwriting quality control measures, a continuous audit process for each general agent is maintained. Additionally, at least once a year a visit to each agent's office is arranged to review all of these areas, as well as premium production, losses and loss ratio. Underwriting management performs internal underwriting audits of all underwriters on a regular basis to maintain control of the underwriting quality and pricing of the Alliance Companies.

All claims against commercial policies are managed from the CSC Group's claim departments in Columbus. Outside adjusters and attorneys are engaged as necessary to supplement the CSC Group's in-house staff and to represent the company in litigation over disputed claims.

Claims guidelines are in place on all programs. State regulations and data on unfair claims practices are also provided to all appropriate staff. The CSC Group's philosophy is to pay valid claims as expeditiously as possible but to resist firmly unjust and fraudulent claims. In an effort to provide adequate resources to the

claims staff, CSC became a member of the Property Loss Research Bureau ("PLRB") and the Liability Insurance Research Bureau ("LIRB") in 1995. The CSC Group also submits claim data to the index bureaus of the American Services Insurance Group ("ASIG") and the Property Insurance Loss Register ("PILR").

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

When a suit is received, immediate action is taken to protect the interest of the respective CSC Group company and the insured. A letter is sent to the insured which informs him of the CSC Group's prior appointed defense attorney, coverage limits and whether limits are adequate to cover the suit amount. If the limits are inadequate, the insured must be informed and advised that he can seek his own counsel to cover the amount above the limits of his policy.

SURETY BONDING

The Alliance Companies surety bonding operations consist of two major programs, contract surety bonds for smaller construction contractors (with work programs typically ranging from $250,000 to $10 million per year) and bonds for the solid waste industry, including waste haulers and landfill operators.

Contract surety consists of bonds which government authorities and some private entities require construction contractors to post to provide assurance that contract work will be performed timely, to specification, on budget, and without encumbrance from suppliers or subcontractors who may have lien rights for non-payment. Contract surety business is underwritten by CSU subject to authority defined in agency agreements with the insurance companies. The business is produced by 29 appointed agents, who have no authority to bind the companies except in accordance with specific limits established on particular accounts by CSU underwriters, and by 305 brokers who refer business to CSU for handling. The Alliance Companies' contract surety business is concentrated in Ohio and surrounding states, although business from more distant states is occasionally written. Because the contract surety business is specialized in smaller, newer and more difficult accounts, underwriters take collateral, require contract funds control, and take other risk control measures considered extraordinary by standard market sureties. In virtually all cases, bond principals indemnify the surety against loss with their personal as well as corporate assets.

Contract surety underwriting requires case-by-case analysis of each individual account as to financial wherewithal, physical capabilities, and moral character of the account. Assessment begins with close analysis of financial statements for the bonded entity and key individuals who are indemnifying the account by professional underwriters trained and experienced in financial analysis. References of prior work and key suppliers are checked, along with credit reporting agencies. For larger risks, physical inspection may be undertaken. Individual underwriters have varying levels of authority to issue bonds within the written guidelines and filed rates of the companies, with the most senior underwriter possessing $2.5 million authority. Above this level, approval of an underwriting committee is required.

Once bonds are issued, CSU follows up on all projects to determine job progress, bill payment, and other factors. CSU maintains real-time records of all bonded exposures, amended as appropriate by the follow-up system, to assure the most current possible assessment of exposures for each account to avoid excessive exposure on any one account. The follow-up system also serves to provide the companies with early notice of potential difficulty so that claim resources can be brought to bear at the earliest possible stage to mitigate losses. Construction problems typically require rapid response while a project still has momentum and all parties are still amenable to practical solutions. Once construction is delayed or halted and the parties have engaged counsel, the size and expense of bond claims tend to escalate rapidly. For this reason, the CSC Group takes great pains to monitor risks closely and respond to trouble swiftly.

Claims against surety bonds are managed by Contract Operations Planning, Inc. ("COP") of Cleveland, Ohio, a firm specializing in the investigation of surety claims, subject to authority established by the CSC

Group's claim managers in Columbus and Cleveland, Ohio. The CSC Group also engages outside counsel to manage surety defense litigation. In addition, through COP, the CSC Group has or has access to completion capability for finishing bonded work which bonded principals are unable to prosecute, and pursues recoveries on behalf of the companies from principals who have defaulted on bond obligations. Such recovery efforts range from execution on collateral posted by bonded principals to indemnity litigation to recover surety losses from indemnitors' personal assets. Finally, COP manages funds control escrow accounts as specified by CSU underwriters for particular accounts. COP is wholly-owned by Alliance.

In contrast to the contract surety program, the solid waste bond program is national in scope, is largely written directly (as opposed to agency-produced), and deals with bond accounts that are generally much larger. The centerpiece of this program is bonds for landfill closure and post-closure care required by states in accordance with RCRA Subtitle D. These bonds are designed to assure that non-hazardous solid waste landfills will be closed when their useable airspace is exhausted in accordance with Subtitle D closure requirements (or such higher standards as individual states may impose) and that the sites will be maintained in accordance with Subtitle D standards for a period of at least 30 years after closure. This program is believed to be one of only a few landfill bond programs in the U.S., although bank letters of credit and other devices may be used to satisfy Subtitle D financial assurance requirements. Full implementation of Subtitle D financial assurance requirements by the EPA is not currently scheduled until April 1997, although several states have already proceeded with such implementation, including, most significantly for the CSC Group, Ohio, Kentucky, and Pennsylvania. Evergreen and CSC currently write landfill bonds for some of the largest solid waste disposal firms in the country.

As a companion to the landfill closure bonds, the group also writes bonds required of waste haulers to assure the observance of terms of their contracts with the local communities from which they collect waste. This product is quite common in the marketplace, from many standard as well as specialty surety writers, and is thus most successfully marketed by the CSC Group either to smaller waste haulers without the financial ability to qualify for standard market surety or in conjunction with the closure and post-closure bonds for accounts with integrated collection and disposal operations.

Financial underwriting of solid waste accounts is performed by CSU under a fee-for-service agreement with the CSC Group. Because solid waste accounts typically are heavily collateralized or extraordinarily indemnified or both, significant use of outside counsel is common in the development of security packages for solid waste accounts. In addition, the CSC Group engages AIAI to perform compliance reviews of bonded accounts in the public records of relevant state and local authorities.

To stay abreast of technical and market developments in the surety industry, certain of the CSC Group companies are members of the Surety Association of America, the National Association of Independent Sureties and The American Surety Association, on which Board of Directors the CSC Group occupies a position, and the Surety Federation of Ohio. CSU is a member of the National Association of Surety Bond Producers.

REINSURANCE

Insurance companies in general, and the CSC Group's insurance companies in particular, employ reinsurance to limit their exposures on policies and bonds they have written. The CSC Group utilizes several different reinsurance programs to cover its exposures, including "treaties" that cover all business in a defined class and "facultative" reinsurance that covers individual risks. The CSC Group retains from $50,000 to $200,000 of each commercial line risk, depending on the program. Surety retentions may go as high as $1 million or more, but typically are less than $250,000.

Numerous domestic and international reinsurers support these various programs in different combinations. The CSC Group's reinsurers generally are rated A- or better by A.M. Best and demonstrate capital and surplus in excess of $80 million (collectively in excess of $10 billion). Cessions are diversified so that every reinsurance treaty (i.e., excluding facultative arrangements) are supported by more than one reinsurer and no reinsurer is participating in all of the CSC Group's reinsurance programs.

RECENT DEVELOPMENTS

On July 16, 1996, CSU announced it had entered into an agreement to acquire ECI, a small, privately held insurance agency based in Columbus, Ohio, for $1,000,000 and 192,500 shares of RESI Common Stock. The acquisition is subject to consummation of the Combination, regulatory approval and execution of definitive agreements with ECI. ECI markets, through over 100 independent agents, property and casualty insurance and surety bonds to environmental remediation contractors, landfill operators, consultants, and other small and medium-sized companies specializing in environmental businesses throughout the United States. Written premiums in 1995 totaled in excess of $14 million, including $4.25 million of insurance sold on behalf of the CSC Group.

On July 25, 1996, the Alliance Companies announced that they had entered into agreements with Gulf and Midwest. The agreements with Gulf and Midwest are subject to completion of due diligence and negotiation of definitive agreements. The agreements with Gulf and Midwest are also contingent on each other and on the consummation of the Combination.

Under the agreement with Gulf, the CSC Group and Gulf will pool their prospective non-standard contract and other surety bond programs by means of various quota share and reinsurance arrangements to form a new combined program (the "combined program"). The combined program will be a separate and distinct book of surety bonds, which will not be part of any previous surety program written through Midwest. New underwriting standards for the combined program will be established by Gulf and the CSC Group as the insurers. CSU will act as exclusive underwriter for the combined program with responsibility for establishing new underwriting procedures and enforcing the new underwriting standards. Midwest's role in the combined program will be to process surety bond applications generated from its network of approximately 100 agents and subagents throughout the United States and to perform selected underwriting functions, as determined by CSU.

Midwest is currently experiencing financial difficulties and has disputed liabilities resulting from its administration of prior surety bond programs. These financial difficulties could jeopardize Midwest's arrangements with its network of agents as well as its relationship with Gulf. The agreements will allow Midwest to preserve its agency network through its participation with Gulf and the Alliance Companies in the combined program.

The goal of the alliance with Gulf and Midwest is to provide the Alliance Companies with a portion of the revenues from surety bonds that will be produced by Midwest and, more importantly, to obtain a distribution network encompassing all 50 states in an effort both to expand its market for the type of surety products it has historically sold on a regional basis and to open up new markets for new products expected to be developed after consummation of the Combination. Revenues generated from the combined program will provide CSU with commission income and the CSC Group with insurance and reinsurance premiums and investment income. Moreover, the Alliance Companies believe they will obtain additional marketing benefits through the alliance with Gulf, which is a significant insurance provider in the United States.

In partial consideration for Gulf agreeing to enter into this new reinsurance arrangement with CSU and for Midwest agreeing to enter into the combined program, at closing, CSU will purchase from Gulf at face value certain notes issued to Gulf by Midwest. The total payment to Gulf will not exceed $3.6 million. Also, CSU will agree to be obligated for certain contingent obligations of Midwest equaling up to an additional $1.525 million (the Gulf notes and the contingent obligations are hereinafter referred to collectively as the "Obligations"). The Obligations are secured by a pledge of all of the tangible and intangible assets of Midwest. The Alliance Companies view Gulf's involvement in the combined program as a critical element of the transaction because of Gulf's prominence in the insurance marketplace. CSU agreed to pay face value for the Obligations in order to reach agreement with all necessary parties.

As part of the Midwest agreement, Midwest will give CSU an exclusive option to purchase Midwest's assets on or before March 2000 for $5.125 million. The initial option period expires March 31, 1997, but may be extended annually for three years through March 2000 if CSU makes option payments of $800,000 per year

against the $5.125 million for a total of $2.4 million. Midwest's assets consist primarily of its agency network, the surety business generated by that network and minimal tangible assets.

Whether CSU exercises the option depends on future developments which presently cannot be predicted. The performance of the combined program must satisfy certain requirements; Midwest must comply with certain underwriting standards and procedures and be able to extricate itself from financial difficulties incurred in connection with its administration of surety bond programs written before the inception of the combined program. The option period will give CSU the necessary experience with the modified operations of Midwest to determine the performance of the combined program and will give Midwest time to resolve its liabilities.

If CSU exercises the option under the option agreement, the purchase price will be $10.25 million comprised of the cancellation of the Obligations ($5.125 million) plus the payment of an additional $5.125 million in cash. The cash amount includes the $800,000 payments, which may be paid to extend the option, plus a final payment of $2.725 million, if and when the option is exercised. If the option is not exercised by CSU and Midwest is not in default of its obligations under the agreements, CSU will be required to pay a termination fee consisting of cancellation of the Obligations ($5.125 million) and payment of an additional $2.4 million less any of the $800,000 payments made for extension of the option. In order to satisfy its obligations under the option agreement, Midwest must, among other things, demonstrate an ability to transfer the assets of Midwest free and clear of all liabilities and be current in its obligations under its agreement to produce surety bonds for CSU under the combined program. If Midwest defaults on its obligations under these agreements, CSU believes it can recover the value of the Obligations by enforcing its rights as the primary secured party against Midwest's assets. Therefore, CSU is committed to payment of between $5.125 million and $10.25 million under the Gulf and Midwest agreements.

The Company's accounting treatment of the Gulf and Midwest transactions will be ultimately determined after a review of the definitive agreements which are yet to be negotiated. However, if the transactions occur as presently contemplated, the payments made to Gulf of up to $3.6 million and the additional payments of $1.525 million would be accounted for in accordance with APB Opinion No. 17 as an "investment in the Gulf relationship." Management believes that the substance of these payments is that CSU is investing in a relationship with Gulf which will produce significant economic benefits to them as Gulf is a large and prominent national insurance provider which underwrites surety bonds in 50 states. Such an investment will allow CSU, currently a regional provider of surety products, to gain admission to the national marketplace. Management believes that this relationship, along with the Midwest arrangement, will bring CSU both a national acceptance of its products and a national distribution network to market its products. Management intends to amortize this investment on a straight-line basis over the estimated useful life of the Gulf relationship. The agreement with Gulf does not specify a term for the underwriting services agreement or other relationships with Gulf. The Company intends to use a life of three years and would periodically evaluate the realization of this intangible asset using criteria outlined in SFAS No. 121.

With respect to the payments which may be made to Midwest for the option of acquiring Midwest's assets, management believes that such payments are an investment in the Midwest network of approximately 100 agents and subagents and access to an existing distribution network in all 50 states in the United States. The Midwest investment would be amortized on a straight-line basis over the estimated useful life of the relationships with the agents and subagents, which management currently estimates to be three years. The Company will determine at each option renewal date whether it believes the future benefits associated with additional investments in the Midwest relationship is warranted. If the Company decides to exercise its option to acquire the Midwest assets, the acquisition of such assets would be accounted for under APB No. 16. However, as the Midwest tangible assets are minimal, management expects that substantially all of the purchase price would be allocated to investment in relationships with the agents and subagents and the Midwest distribution network. In all cases, management would periodically evaluate the realization of the intangible asset using the criteria outlined in SFAS No. 121. Also, the agreement with Midwest will allow a period of time for Midwest to become financially stable. Should Midwest become financially stable and repay the notes it issued to Gulf that were acquired by CSU, any proceeds from the repayment of such notes would be accounted for as a reduction of the investment in Gulf.

THE ALLIANCE COMPANIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

CENTURY SURETY COMPANY AND SUBSIDIARIES

GENERAL

The following discussion and analysis should be read in conjunction with the consolidated financial statements of the CSC Group and notes thereto included elsewhere herein. The CSC Group includes CSC and its subsidiaries, including its two principal insurance subsidiaries: Evergreen and CHIC.

The CSC Group's principal sources of revenue are premiums paid by insureds for insurance policies issued by the CSC Group. The premiums written become premiums earned for financial statement purposes as the premium is earned incrementally over the term of each insurance policy and after deducting the amount of premium ceded to reinsurers pursuant to reinsurance treaties or agreements. The CSC Group is required to establish a reserve for unearned premiums. The CSC Group's principal costs and factors in determining the level of profit is the difference between premiums earned and losses, loss adjustment expenses and agent commissions.

Loss and loss adjustment expense reserves are estimates of what an insurer expects to pay on behalf of claimants. The CSC Group is required to maintain reserves for payment of estimated losses and loss adjustment expenses for both reported claims ("case reserves") and for IBNR claims. Although the ultimate liability incurred by the CSC Group may be different from current reserve estimates, management believes that the reserves are adequate.

RESULTS OF OPERATIONS

COMPARISON OF SIX MONTHS ENDED JUNE 30, 1996 TO SIX MONTHS ENDED JUNE 30, 1995

Revenue increased 9.7% or $1.5 million for the six months ended June 30, 1996 from $15.1 million in 1995 to $16.6 million in 1996, primarily because of net realized gains on investments of $599,000 partially offset by a $228,000 decrease in net premiums earned. Also included in the $1.5 million increase is $1,150,000 of income recognized from the American Sentinel transaction. The transaction, entered into in 1994, included a contingent receivable ranging from zero to $2.9 million due Evergreen from Republic Western Insurance Company ("Republic Western") by December 1996. During the first quarter of 1996, $1.15 million of the $2.9 million receivable due Evergreen from Republic Western was included in income. The balance of the receivable in the amount of $1.75 million has not been included in income because it is subject to a reduction in its entirety based on the performance, including loss development of the sold operations, through December 1996. Republic Western is not affiliated with RESI.

For the six month period ended June 30, 1996, total expenses decreased $0.5 million from $14.9 million in 1995 to $14.4 million in 1996. The decrease is primarily a result of a $1.1 million decrease in acquisition and other expenses, which was partially offset by a $660,000 increase in loss and loss expenses during the first six months of 1996. The largest component of the $1.1 million decrease was caused by the elimination of discontinued products (miscellaneous surety and private passenger auto physical damage) resulting in a $200,000 savings and a $50,000 decrease in consulting fees. Property losses incurred were higher than normal as a result of adverse development on property losses for prior years. The majority of these losses were the result of two large claims in which the results were unexpected. One was a 1992 claim in the amount of $330,000 and the other a 1995 claim for $209,000. The 1992 claim has been reflected in full; although the decision of the court has been appealed. CSC settled the 1995 claim rather than litigate. The balance is made up of smaller prior year claims.

Primarily for the reasons stated above, net income for the six months ended June 30, 1996 was approximately $1.3 million compared with $254,000 for the same period in 1995. This represented an increase of $1.1 million, or 425%.

COMPARISON OF YEAR ENDED DECEMBER 31, 1995 TO YEAR ENDED DECEMBER 31, 1994

Total revenues increased $3.9 million, or 14%, over 1994 levels from $26.9 million to $30.8 million. While net premiums written actually declined from $27.2 million to $26.7 million, the timing of earned premiums primarily accounted for the increase in total revenues. Timing differentials reflect the changing mix of products to a substantially greater concentration in the property/casualty and environmental surety businesses and a decrease in the private passenger auto physical damage and miscellaneous surety (public official, licenses and permits) business. Premiums earned increased $3.6 million in 1995 to $27.0 million from $23.4 million in 1994. Property/casualty written premiums increased by $1.5 million, offset by a reduction in automotive and miscellaneous surety business following the CSC Group's decision to withdraw from these markets. Also, contributing to the revenue increase was $865,000 in net investment income during 1995, a 35% increase over 1994 revenues. Total revenue in 1994 included a gain of $807,000 attributable to the American Sentinel transaction.

Total expenses increased from $22.9 million in 1994 to $26.2 million primarily as result of a $2.6 million increase in loss and loss adjustment expenses. The increase in loss and loss adjustment expense was a direct result of the increased premium revenue of $3.6 million. Acquisition expenses increased $1.3 million to $6.6 million in 1995 from $5.3 million in 1994, reflective of the growth in property and casualty insurance and decrease in surety business. The surety business, in general, has a greater expense capitalization rate than the property and casualty business and the expense associated with these policies is recognized when income is recognized. These timing effects may distort the ratio between income and expense in those periods when the mix of business is shifting. The decrease in other expenses reflected the elimination of expenses associated with the discontinued products, offsetting an increase in operating costs attributable to the growth in the property/casualty and landfill businesses. Additionally, 1995 revenues reflected additional reinsurance commissions (accounted for as a credit against expenses) returned to the CSC Group. As a percentage of total revenue, total expenses remained constant at 85%.

Primarily for the reasons stated above, 1995 net income before taxes increased $516,000, or 13%, to $4.6 million in 1995 from $4.1 million in 1994 and net income increased $280,000, or 9%, to $3.3 million in 1995 from $3.0 million in 1994.

During 1995, other assets increased $520,000. The increase included $283,000 set aside in an employment trust for CSC's president under a previous employment contract. This amount is fully reserved for and is reflected as a liability as well. In addition, the balance of the increase is made up of a $100,000 non-trade receivable, $40,000 of a quarterly interest installment paid CSC in early 1996 and $97,000 in commissions due from sub-agents.

COMPARISON OF YEAR ENDED DECEMBER 31, 1994 TO YEAR ENDED DECEMBER 31, 1993

Net revenues increased $7.8 million or 41% from $19.2 million in 1993 to $27.0 million in 1994. The increase was primarily due to a $6.0 million increase in insurance premiums earned and a $1.1 million increase in net investment income. The 1994 figures also included a gain of $807,000 resulting from the American Sentinel transaction. The premium increase was attributable to a 25% increase in the property and casualty revenues and an 80% increase in private passenger auto physical damage insurance revenues. The CSC Group increased premiums developed in California by over $4.7 million, reflective of the 20% growth in appointed agents.

Expenses increased from $16.0 million in 1993 to $22.9 million in 1994 primarily as result of a $3.9 million increase in loss and loss adjustment expenses and a $2.7 million increase in other expenses. The increase in loss and loss adjustment expense was a direct result of the increased premium revenue. Other expenses increased directly related to costs associated with the CSC Group's increased premium writings, particularly with respect to its expansion into additional geographic territories as it expanded its marketing effort. However, as a percentage of total revenue, expenses remained relatively constant at 85% in 1994 compared to 84% in 1993.

Income before taxes increased $703,000, or 21%, to $4.1 million in 1994 from $3.4 million in 1993. The income before taxes in 1993 included $219,000, the last of the amortization of negative goodwill associated with the 1988 acquisition of CSC by Alliance.

The tax effect of temporary differences between financial and tax reporting causes fluctuations in the amount of current and deferred tax provisions. These effects result in significant percentage of revenue differences between periods. See Note 6 to the CSC Group's consolidated financial statements for a detailed analysis of the temporary differences.

Primarily for the reasons stated above, 1994 net income increased $769,000, or 35%, to $3.0 million in 1994 from $2.2 million in 1993.

Assets

Following is a comparison of key elements of the CSC Group's assets:

	SIX MONTHS ENDED JUNE 30, 1996	YEAR ENDED DECEMBER 31, 1995	1994	1993
Total Cash and Invested Assets.....	$64,329,681	$60,905,727	$57,326,394	$46,388,473
Agent's Balances Receivable.....	6,399,504	4,357,298	4,623,574	4,108,706
Other Assets.....	19,886,932	20,735,149	18,689,211	17,303,681
Total Assets.....	$90,616,117	$85,998,174	$80,639,179	$67,800,860

Liabilities

Following are the key elements of the CSC Group's outstanding liabilities:

	SIX MONTHS ENDED JUNE 30, 1996	YEAR ENDED DECEMBER 31, 1995	1994	1993
Total Loss/LAE Reserve.....	$39,264,593	$37,001,841	$34,661,007	$29,527,805
Unearned Premium Reserve.....	17,248,372	15,636,442	15,453,487	12,166,463
Other Liabilities.....	5,979,464	6,616,137	6,767,053	7,014,724
Total Liabilities.....	$62,492,429	$59,254,420	$56,881,547	$48,708,992

Capital and Surplus

The following is a summary of shareholder's equity:

	SIX MONTHS ENDED JUNE 30, 1996	YEAR ENDED DECEMBER 31, 1995	1994	1993
Total Shareholder's Equity.....	$28,123,688	$26,743,754	$23,757,632	$19,091,868

Combined and Operating Ratios

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

The following table reflects the loss, LAE, expense, combined, net investment and operating ratios of the CSC Group on a GAAP basis for each of the years ending on December 31 and the six months ended June 30, 1996 and 1995.

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1996	1995	1995	1994	1993
Loss Ratio	45.5	42.0	39.2	37.9	38.0
LAE Ratio	19.3	16.8	16.9	15.6	11.6
Expense Ratio	44.5	52.4	39.9	43.5	39.7
Combined Ratio	109.3	111.2	96.0	97.0	89.3
Net Investment Ratio	12.5	12.5	12.4	10.6	7.9
Operating ratio	96.8	98.7	83.6	86.4	81.4

Expenses

The expense ratio is the relationship of operating costs to net written premium. The statutory ratio differs from the GAAP ratio as a result of different treatment of acquisition cost. Expense ratios have been favorably impacted by reinsurance contingencies.

Investments

Investments of the CSC Group's assets are restricted to certain investments permitted by Ohio Insurance Laws (and Utah Insurance Laws for CHIC). The CSC Group's investment policy has been established by the CSC Group's investment committee and is reviewed periodically. The CSC Group has retained an independent professional investment firm to manage its fixed income portion of the investment portfolio pursuant to the investment policy and strategy.

The CSC Group accounts for its investment securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which was adopted by the FASB. Fixed maturity securities that the CSC Group has the positive intent and ability to hold to maturity are carried at amortized cost. As the CSC Group's fixed income securities mature, there can be no assurance that the CSC Group will be able to reinvest in securities with comparable yields. The CSC Group's other fixed maturity and all equity securities are classified as available-for-sale and are carried at market value. The unrealized gains and losses as a result of the valuation is reported as a separate component of shareholder's equity net of appropriate deferred income taxes. The CSC Group has no investments classified as trading securities.

Investment Income

Following is a summary of investments:

	SIX MONTHS ENDED JUNE 30,	YEAR ENDED DECEMBER 31,		
	1996	1995	1994	1993
Net investment income	$1,629,393	$3,340,956	$ 2,477,428	$1,376,916
Net realized gain (loss) on investments	598,781	166,286	79,955	(91,450)
Total investment gain	$2,228,174	$3,507,242	$ 2,557,383	$1,285,466
Investment yield	5.27%	5.65%	4.78%	3.58%
Net unrealized appreciation (depreciation) of investments	$3,888,993	$3,265,550	$(1,208,641)	$ (80,139)

Liability for Unpaid Losses and Loss Expenses

As of June 30, 1996, loss reserves constituted 62.8% of the CSC Group's consolidated liabilities. The CSC Group has established reserves that reflect its estimates of the total losses and loss adjustment expenses it will ultimately have to pay under insurance and reinsurance policies. These include losses that have been reported but not settled and losses that have been incurred but not reported ("IBNR"). Loss reserves are established on an undiscounted basis after reductions for deductibles and estimates of salvage and subrogation.

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

Liability for Property-Casualty and Loss Adjustment Expenses Payable

The consolidated financial statements of the CSC Group include the estimated liability for unpaid losses and LAEs of the CSC Group's insurance operations. Reserves for unpaid losses covered by insurance policies and bonds consist of reported losses and IBNR losses. These reserves are determined by claims personnel and the use of actuarial and statistical procedures and they represent undiscounted estimates of the ultimate cost of all unpaid losses and LAE through year end. Although management uses many resources to calculate reserves, a degree of uncertainty is inherent in all such estimates. Therefore, no precise method for determining ultimate losses and LAE exists. These estimates are subject to the effect of future claim settlement trends and are continually reviewed and adjusted (if necessary) as experience develops and new information becomes known. Any such adjustments are reflected in current operations.

The first table shown below provides reconciliation of beginning and ending loss and LAE reserves for 1993 through 1995. The second table below shows the reserve development.

During the years 1985 and 1986, the CSC Group experienced deficiencies predominantly in the reclamation bond and private passenger auto lines (the reclamation bond program was discontinued in 1990). In response, the CSC Group strengthened claims and underwriting staff in these lines and in 1987, experienced a small redundancy. The years from 1987 through 1994 produced redundancies primarily in the surety and other liability lines. These redundancies were the result of reserving policies which were established to react to concern about the volatility of its small, largely unknown, and changing book of business. Between 1992 and 1994, the CSC Group reevaluated its business and reduced reserves for lines which now had sufficient credible experience.

Within the constraints of the precision of actuarial methods, it is management's opinion that the reported loss and LAE reserves at December 31, 1995 are adequate to cover the ultimate cost of policy benefits and related expenses incurred, and the estimates shown for prior years approximate ultimate claim costs.

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

	SIX MONTHS ENDED JUNE 30, 1996	YEAR ENDED DECEMBER 31, 1995	1994	1993
Balance at January 1	$37,002	$34,661	$29,528	$18,908
Less reinsurance recoverables	8,914	9,383	8,505	4,801
Net balance at January 1	28,088	25,278	21,023	14,107
Incurred related to:				
Current year	8,397	17,297	14,753	10,060
Prior years	74	(2,180)	(2,259)	(1,447)
Total Incurred	8,471	15,117	12,494	8,613
Paid related to:				
Current year	1,418	5,963	4,269	2,823
Prior years	4,789	6,344	3,970	3,054
Total Paid	6,207	12,307	8,239	5,877
Reserves assumed through purchase of Evergreen	0	0	0	4,180
Net balance at end of period	30,352	28,088	25,278	21,023
Plus reinsurance recoverables	8,913	8,914	9,383	8,505
Balance at end of period	$39,265	$37,002	$34,661	$29,528

The CSC Group has experienced lower-than-anticipated ultimate losses on prior years due primarily to a reduction in claims severity from that assumed in establishing the liability for losses and loss expenses payable. The CSC Group's environmental exposure relates primarily to its coverage of remediation related risks; thus, management believes the CSC Group's exposure to historic pollution situations is minimal.

ANALYSIS OF LOSS AND LOSS ADJUSTMENT EXPENSE DEVELOPMENT (IN THOUSANDS):

	YEAR ENDED DECEMBER 31,										
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Net liability for losses and loss expenses.....	$ 586	2,276	3,484	7,202	8,168	10,428	12,775	14,107	21,023	25,278	28,088
Cumulative amount of net liability paid through:											
One year later.....	352	1,262	1,566	2,985	2,404	2,404	2,811	3,026	4,131	6,309	--
Two years later....	786	1,943	2,172	3,876	3,433	4,090	4,894	3,848	7,503		
Three years later.....	1,079	2,205	2,623	4,398	4,322	5,239	5,372	4,786			
Four years later...	1,069	2,482	2,759	4,799	4,984	5,184	6,010				
Five years later...	1,166	2,562	2,907	5,140	4,880	5,352					
Six years later....	1,216	2,677	2,927	5,147	4,953						
Seven years later.....	1,324	2,693	2,935	5,152							
Eight years later.....	1,362	2,702	2,935								
Nine years later...	1,365	2,702									
Ten years later....	1,365										
The retroactively reestimated net liability for loss and loss expenses as of:											
One year later.....	1,020	2,888	4,277	7,406	8,388	10,674	12,003	12,587	18,910	23,049	--
Two years later....	1,423	3,375	4,032	7,445	8,504	9,239	10,877	9,829	17,531		
Three years later.....	1,714	3,132	4,042	7,419	7,025	8,183	8,419	8,899			
Four years later...	1,490	3,056	4,028	6,365	6,668	6,631	8,675				
Five years later...	1,451	3,039	3,420	6,311	5,638	6,320					
Six years later....	1,453	2,849	3,406	5,534	5,243						
Seven years later.....	1,389	2,829	3,009	5,308							
Eight years later.....	1,366	2,708	2,949								
Nine years later...	1,365	2,713									
Ten years later....	1,371										
Net cumulative redundancy (deficiency).....	$ (785)	(437)	535	1,894	2,925	4,108	4,100	5,208	3,492	2,229	--
Gross liability -- end of year									$29,528	34,661	37,002
Reinsurance recoverable									8,505	9,383	8,914
Net liability -- end of year									$21,023	25,278	28,088

The data in the table above does not reflect the adoption of Statement No. 113.

DISCONTINUED PRODUCTS

In May of 1995, the CSC Group discontinued its miscellaneous bond operation which accounted for 5.4% of its sales in 1993, 4.3% in 1994, and 2.9% in 1995. The operation was discontinued as a result of the sale of the book of miscellaneous bonds to another insurance company which specialized in this product. The transaction was completed by means of a reinsurance transaction whereby the CSC Group transferred its business to the purchaser. The agreement provided for a short period of time during which the CSC Group would issue bonds that would also be reinsured by the new company. The transfer resulted in a profit to the CSC Group, however, the amount is undetermined because certain bonds were not transferred and are currently in runoff. Any prior reinsurance covering the remaining bonds will continue to inure to the benefit of the CSC Group.

The Company's niche product mix is continually changing. An aggregate of approximately $4.9 million of the CSC Group's 1995 sales were from products in miscellaneous bonds (reflected above), physical damage auto, apartment building and asbestos abatement areas which were not expected to re-occur in future years.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of liquidity for the CSC Group are funds generated from insurance and reinsurance premiums, investment income, commission and fee income, capital contributions from Alliance and proceeds from sales and maturities of investment securities. The property and liability operation of the CSC Group generates positive cash flow from operations as a result of premiums being received in advance of the time when the claim payments are made. The principal uses of funds are for payments of losses and loss adjustment expenses, underwriting, other operating expenses, commissions and dividends to Alliance.

The CSC Group maintains a liquid operating position and follows investment policies that are intended to provide for an acceptable return on investments while maintaining sufficient liquidity to meet its obligations and a sufficient margin of capital and surplus to ensure its ability to write insurance and assume reinsurance.

Cash and investments excluding mortgage loans increased from $44.8 million in 1993 to $54.4 million in 1994 to $57.5 million in 1995. This increase is a result of the CSC Group's generation of profits and additional loss reserves on an increasing volume of liability coverages which have slower payout patterns that property coverages.

Net cash provided by operations for the six months ended June 30, 1996 and June 30, 1995 was $3.3 million and $216,000, respectively, and resulted from the timing of reinsurance transactions, balances of premiums receivable and losses and loss expenses payable. For the years ended December 31, 1995, 1994 and 1993, net cash provided from operations amounted to $2.9 million, $8.7 million and $7.5 million, respectively. These amounts were adequate to meet all of the CSC Group's obligations and resulted primarily from earnings and the timing of reinsurance contingency transactions.

Cash used in investing activities for the six months ended June 30, 1996 and 1995 and for the years ended December 31, 1995, 1994 and 1993, primarily came as the result of differences in the purchases and sales of investments and the purchases of furniture and equipment. The expenditures for furniture and equipment were for normal replacement and market development and the CSC Group has no plans for its future expenditures to exceed historical levels.

Financing activities for the CSC Group reflected net cash used for the six months ended June 30, 1996 and June 30, 1995 of $578,000 and $495,000, respectively, and for the years ended December 31, 1995, 1994 and 1993 of $4.8 million, $660,000 and $554,000, respectively, as dividends paid to Alliance exceeded capital received from Alliance for all periods discussed.

The CSC Group believes its cash flow from operations and available capital from Alliance provides for adequate liquidity to fund existing and anticipated capital and operational requirements. The CSC Group is investigating additional acquisitions that may require other sources of funding.

Management is not aware of any current recommendations by regulatory authorities that, if implemented, could have a material impact on the CSC Group's liquidity, capital resources and operations.

TAX ALLOCATION AGREEMENT

CSC Group and CSU have entered into a tax allocation agreement with other affiliates of Alliance (the "Alliance Affiliates") forming its consolidated group for federal and state tax reporting purposes. The Alliance Affiliates will be obligated to make a payment to the CSC Group and/or CSU based upon the amount of taxes that would have been payable on a "stand alone" basis on account of income relating to that portion of calendar 1996 (pre-effective date) when they were part of the consolidated group. In addition, if there is an adjustment of any prior years' tax returns, which was attributable to a change in the reported income, deduction, expense or other tax attribute of the CSC Group and CSU or the stated tax effect of the transaction whereby they leave the consolidated group, the CSC Group and CSU shall receive the amount of any reduction in tax or indemnify the consolidated group for additional tax, interest and penalties, on account thereof, as the case may be.

COMMERCIAL SURETY AGENCY, INC.

RESULTS OF OPERATIONS

COMPARISON OF SIX MONTHS ENDED JUNE 30, 1996 TO SIX MONTHS ENDED JUNE 30, 1995

Revenues increased $283,000 from $1.1 million for the six months ended June 30, 1995 to $1.4 million for the same period in 1996, reflecting both an increase in contract surety bond business and an accumulation of $99,000 in expenses previously paid by CSU on behalf of Alliance. Contract surety bond revenue increased $183,000 from $842,000 for the six months ended June 30, 1995 to $1.0 million for the same period in 1996 evidencing the continuation of the trend, begun in the 1995 fourth quarter, of a decrease in price competition as other companies tightened their underwriting standards and increased prices.

Commission expense, reflecting monies paid to agents and brokers, in the first six months of 1996 increased $186,000 due to the increase in surety bonds that were underwritten. Operating expenses increased $67,000, or approximately 11%, from $620,000 for the six months ended June 30, 1995 to $687,000 for the same period in 1996.

Primarily for the reasons stated above, net income for the six months ended June 30, 1996 increased to $92,000 from $72,000 for the same period in 1995.

COMPARISON OF YEAR ENDED DECEMBER 31, 1995 TO YEAR ENDED DECEMBER 31, 1994

1995 revenues declined $423,000, or 14%, to $2.6 million from $3.0 million in 1994. Commission income from contract surety bonds declined 26% reflecting intensified penetration of CSU's market by competitors offering reduced rates and indemnity requirements. The Company elected not to reduce either its rates or underwriting standards in an effort to maintain market share. As a result, the Company's production dropped, although business began to increase in the fourth quarter as price competition earlier in the year subsided.

Offsetting the decline in contract surety income was an increase in management fees earned from Evergreen from $337,500 in 1994 to $600,000 in 1995. Such increase was the result of 1995 being the first full year of operation for Evergreen and the overall improvement in landfill bond activity.

Commission expenses in 1995 declined by $239,000 reflective of the drop in business. Operating expenses increased 26% from $1.1 million to $1.4 million as CSU bolstered its commitment to the Evergreen landfill bond business in response to the decrease in contract surety. The increase was attributable principally to an increase of approximately $264,000 in salaries and other payroll expenses as the Company added personnel to market the Evergreen bonds.

Net income for 1995 declined to $202,000 from $512,000 in 1994 for the reasons stated above.

COMPARISON OF YEAR ENDED DECEMBER 31, 1994 TO YEAR ENDED DECEMBER 31, 1993

Total revenues increased $700,000 to $3.0 million in 1994 from $2.3 million in 1993.

Commission income in 1994 increased 16% to $2.7 million from $2.3 million in 1993. The increase was primarily due to a $476,000 increase in bonus income paid to CSU by the CSC Group. Increased competition in the local market for surety bonds prevented CSU from adding new accounts at a replacement pace commensurate with the loss of old business, together with pricing pressure derived from the new entries in the market.

Income in 1994 included $337,500 in management fees derived from Evergreen. Evergreen commenced operations in March 1994.

Commission expenses in 1994 were substantially unchanged from 1993 levels, reflective of the stability in surety bond sales. Operating expenses in 1994 were also substantially unchanged from 1993 levels. Amortization expense declined by $101,000 as a result of the last of the costs capitalized related to the original financing of CSU being amortized. Salary and related payroll expenses increased 31%, or $135,000, as a result of additional staffing for the new management services being provided to Evergreen. Rent and other general

administrative expenses (other than salary and related expenses as described above), in the aggregate, declined $160,000, or 33%, reflecting improved operating efficiencies.

Primarily for the reasons set forth above, income before taxes increased $655,000 and net income increased $434,000 to $512,000 in 1994 from $78,000 in 1993.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of liquidity for CSU are funds generated from insurance commissions, management fees and interest income. The principal uses of funds are for commission payments, operating expenses, interest on long term debt and dividends to Alliance.

Cash flows from operations have generally been adequate for its current operating needs. Net cash provided from operations totaled $57,000, $519,000 and $180,000 for the years ended December 31, 1995, 1994 and 1993, respectively, and resulted primarily from operating profits. CSU had negative working capital at June 30, 1996 of $274,000, however this is due to the timing of advances and dividends to Alliance and is not viewed by management as material.

Cash used in investing activities are related to the purchases of furniture and equipment. The expenditures for furniture and equipment were for both replacement and to meet the needs of additional staff. Management does not anticipate that its future fixed asset expenditures will exceed historical levels. Fixed asset expenditures were $75,000, $105,000 and $63,000 for the years ended 1995, 1994 and 1993, respectively.

During the years ended December 31, 1995, 1994 and 1993, CSU's use of cash in its financing activities consisted of repayments of long-term debt of $142,000, $154,000 and $121,000, respectively, and net advances to (from) Alliance of $140,000, $234,000 and ($124,000), respectively. On a combined basis this resulted in net cash used in financing activities of $295,000, $380,000 and $3,000 for the years ended December 31, 1995, 1994 and 1993, respectively.

From time to time CSU has borrowed funds from related parties and lending institutions. At June 30, 1996 the total amount owed on all debt was $19,000. It is anticipated that future acquisitions will be funded by CSU's parent, which post-Combination will be RESI.

OUTLOOK

The CSC Group believes there is opportunity for profitable growth in its property/casualty and surety lines. While the market continues to be soft, management believes that the addition of new products which the CSC Group has been researching shows promise. These products include expanded garage liability and property, business owners protective, environmental auto, and landfill surety. The CSC Group will continue to pursue niches where market opportunities exist. In 1996, Evergreen received authorization to write bonds for the U.S. Government (T-Listing) which should enhance the CSC Group's acceptability in the marketplace. Additionally, much development effort has been expended to create a program to provide reinsurance for small bonding companies and this effort is expected to produce positive results in 1996. The CSC Group has added staff in key underwriting and claims positions in 1995 which are expected to produce positive results in production and improved claims handling.

MANAGEMENT AFTER THE COMBINATION

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

Set forth below is certain information with respect to those individuals who will serve as members of the RESI Board of Directors and executive officers of RESI after the consummation of the Combination.

NAME	AGE*	POSITION(S)
Michael G. DeGroote.....	62	Chairman of the Board and Director
Joseph E. LoConti.....	43	Vice Chairman and Director
Edward F. Feighan.....	48	Chief Executive Officer, President and Director
Craig L. Stout.....	47	Chief Operating Officer and Director
Harve A. Ferrill.....	63	Director
Douglas R. Gowland.....	54	Director
Richard C. Rochon.....	39	Director

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* As of June 1, 1996

The Board of Directors of RESI currently consists of four members and, upon consummation of the Combination, the Board will be enlarged to seven members, and one present member of the Board of Directors, Michael J. Occhionero, will resign. Messrs. Rochon, Feighan, Stout and Ferrill will be nominated and elected as directors to serve on the Board of Directors. The Board of Directors is divided into three classes, one class of which is elected each year to hold office for a three-year term and until successors are elected and qualified. Successors to those directors whose terms have expired are required to be elected by stockholder vote while vacancies in unexpired terms and any additional positions created by board action are filled by action of the existing Board of Directors. The executive officers named above were elected to serve in such capacities until the next annual meeting of the Board of Directors, or until their respective successors have been duly elected and have been qualified, or until their earlier death, resignation, disqualification or removal from office.

Set forth below is biographical information for each person who will serve as a director following consummation of the Combination.

Michael G. DeGroote will serve as Chairman of the Board and a Director of RESI upon consummation of the Combination. Mr. DeGroote has served as the Chairman of the Board, President and Chief Executive Officer of RESI since April 1995. Mr. DeGroote has served as Vice Chairman and a Director of Republic Industries since August 1995. Mr. DeGroote also served as Chairman of the Board, President and Chief Executive Officer of Republic Industries from May 1991 to August 1995 and Senior Chairman of the Board of Republic Industries from May 1991 to August 1991. Mr. DeGroote is a private investor who owned a controlling interest in Laidlaw Inc. ("Laidlaw"), a Canadian waste services company, from 1959 until he sold his interest to Canadian Pacific Limited in 1988. Mr. DeGroote served as Chairman and Chief Executive Officer of Laidlaw from 1959 until June 1990, when he resigned from those positions to pursue personal business matters. Mr. DeGroote has served as a Director of Gulf Canada, Inc. since May 1995. Mr. DeGroote's term as a director of RESI will expire at the 1997 Annual Meeting of Stockholders of RESI.

Joseph E. LoConti will serve as Vice Chairman and a Director of RESI upon consummation of the Combination. Mr. LoConti has served as Director of RESI since April 1995. Mr. LoConti founded Alliance in 1987, and currently serves as its President and as Chairman of the Board. Mr. LoConti practiced law and operated a private law firm in Cleveland, Ohio from 1978 through 1985 and has had extensive experience in the insurance and environmental industries since that time. In 1991, a Federal District Court in Ohio convicted Mr. LoConti of willful failure to file federal income tax returns on a timely basis for the years 1984 and 1985. Although the returns were filed and the taxes paid prior to the conviction, the offenses for which

Mr. LoConti was convicted required proof only of failing to file such returns on a timely basis. Mr. LoConti's term as a director of RESI will expire at the 1998 Annual Meeting of Stockholders of RESI.

Edward F. Feighan will serve as Chief Executive Officer, President and a Director of RESI upon consummation of the Combination. Edward F. Feighan is currently Vice President of Alliance and a director of Evergreen. He has held those posts since joining Alliance in 1993. From 1983 until 1993, Mr. Feighan served as the representative from the Ohio 19th Congressional District of the United States House of Representatives. During his tenure in Congress, Congressman Feighan served on the House Committee on the Judiciary and the House Foreign Affairs Committee; Chairman, International Narcotics Control Committee; President, The Interparliamentary Union; and permanent Representative to the Helsinki Commission. In 1978, Mr. Feighan was elected to serve a four year term as County Commissioner for Cuyahoga County. In 1979, he received a Presidential Appointment and Commission from President Jimmy Carter to serve on the National Advisory Council for Economic Opportunity. From 1972-1978, Mr. Feighan served as a State Representative in the Ohio House of Representatives. He currently serves on the board of trustees of the National Democratic Institute for International Affairs, the Handgun Control Federation of Ohio, and the Rock and Roll Hall of Fame and Museum. Mr. Feighan's term as a director of RESI will expire at the 1999 Annual Meeting of Stockholders of RESI.

Craig L. Stout will serve as Chief Operating Officer and a Director of RESI upon consummation of the Combination. Craig L. Stout currently serves as Executive Vice-President of Alliance, positions he has held since the formation of Alliance in 1987. He also is a Vice President and a member of the Board of Directors and the Investment Committee of CSC. Mr. Stout is also President and a member of the Board of Directors of Evergreen and Chairman of the Board of CSU. In addition to his duties and offices in the Alliance Companies, Mr. Stout serves as President and Chairman of two other companies which he founded, Contract Operations Planning, Inc., a surety claims management firm, and Contract Surety Reinsurance Corporation, a reinsurance intermediary for facultative surety reinsurance. Prior to his association with Alliance, Mr. Stout managed a variety of construction related companies at the manufacturing, wholesale, and contracting levels. Mr. Stout's term as a director of RESI will expire at the 1998 Annual Meeting of Stockholders of RESI.

Harve A. Ferrill will serve as a Director of RESI upon consummation of the Combination. Mr. Ferrill has served as Chief Executive Officer of Advance Ross Corporation, a company that provides tax refunding service ("ARC"), since 1991 and as President of Ferrill-Plauche Co., Inc., a private investment company, since 1982. Mr. Ferrill served as President of ARC from 1990 to 1993 and as Chairman of the Board from 1992 to 1996. From 1981 to 1989 Mr. Ferrill served as Chairman of the Board and Chief Executive Officer of Efficient Health Systems, Inc. Mr. Ferrill also serves on the Board of Directors of Gaylord Container Corporation and GeoWaste Incorporated ("GeoWaste") and is Chairman of the Board of GeoWaste. Mr. Ferrill's term as a director of RESI will expire at the 1997 Annual Meeting of Stockholders of RESI.

Douglas R. Gowland will serve as a Director of RESI upon consummation of the Combination and will continue to serve as the president of RESI's hazardous waste companies. Mr. Gowland has served as Executive Vice President and Chief Operating Officer of RESI since April 1995 and Director of RESI since March 1992. From March 1992 until the Spin-off was effected (April 1995), Mr. Gowland served as President of RESI. From January 1992 to April 1995, Mr. Gowland served as Vice President -- Hazardous Waste Operations of Republic Industries. From March 1991 to January 1992, Mr. Gowland served as Vice President of DRG Environmental Management, Inc. From March 1990 to February 1991, Mr. Gowland served as President of Great Lakes Environmental Systems, Ltd. Mr. Gowland's term as a director of RESI will expire at the 1999 Annual Meeting of Stockholders of RESI.

Richard C. Rochon will serve as a Director of RESI upon consummation of the Combination. Mr. Rochon has served, since 1988, as President of Huizenga Holdings, Inc., a management and holding company for diversified investments in operating companies, professional sports teams, joint ventures, and real estate, on behalf of its owner, Mr. H. Wayne Huizenga. From 1985 until 1988, Mr. Rochon served as Treasurer of Huizenga Holdings, Inc., and from 1979 until 1985, he was employed as a certified public accountant by the international public accounting firm of Coopers & Lybrand. Mr. Rochon's term as a director of RESI will expire at the 1999 Annual Meeting of Stockholders of RESI.

COMMITTEES OF THE RESI BOARD OF DIRECTORS

EXECUTIVE COMMITTEE

The Executive Committee has full authority to exercise all the powers of the Board of Directors except as reserved by the Board of Directors. The Executive Committee does not have the power to elect or remove officers, approve a merger of RESI, recommend a sale of substantially all of RESI's assets, recommend a dissolution of RESI, amend RESI's Bylaws or Certificate of Incorporation or, except as expressly authorized by the Board, declare dividends on RESI's outstanding securities or issue any of the RESI Common Stock or preferred stock. After the Combination, the Executive Committee will be comprised of Messrs. DeGroote and LoConti.

AUDIT COMMITTEE

The Audit Committee recommends the independent public accountants appointed by the Board of Directors of RESI and reviews issues raised by such accountants as to the scope of their audit and their report thereon including questions and recommendations that arise relating to internal accounting and auditing control procedures. After the Combination, the Audit Committee will be comprised of Messrs. Rochon and Ferrill.

COMPENSATION COMMITTEE

The Compensation Committee reviews and makes recommendations to the Board of Directors with respect to compensation of the officers of RESI, including salary, bonus and benefits under any existing and future compensation plans. The Compensation Committee also administers the 1995 Adjustment Plan. After the Combination, the Compensation Committee will be comprised of Messrs. LoConti, Rochon and Ferrill. Mr. LoConti will also serve as Vice Chairman of RESI following the Combination.

DIRECTOR COMPENSATION

Directors who are employees of RESI are not paid any fees or additional compensation for service as members of the Board of Directors or any committee thereof. Directors who are not employees of RESI receive a $15,000 annual retainer fee, as well as a fee of $1,000 for each meeting of the Board of Directors attended. In addition, directors who are committee members receive a fee of $500 for each committee meeting attended.

EXECUTIVE COMPENSATION

The following tables set forth information with respect to the current Chief Executive Officer who will serve as Chairman of the Board upon consummation of the Combination and the other most highly compensated executive officer of RESI as to whom the total annual salary and bonus for the year ended December 31, 1995, exceeded $100,000.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		OTHER ANNUAL COMPENSATION	LONG-TERM COMPENSATION AWARDS	
		SALARY	BONUS		SECURITIES UNDERLYING WARRANTS/ OPTIONS	
Michael G. DeGroote.....	1995	--	--	--	400,000(1)	
Chairman of	1994	--	--	--	--	
the Board	1993	--	--	--	--	
Douglas R. Gowland.....	1995	$204,430	--	--(2)	120,000(3)	
Executive Vice	1994	$204,613	--	--	--	
President	1993	$204,800	--	$30,874(4)	--	

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(1) Warrants beneficially owned by Mr. DeGroote include 400,000 RESI Management Warrants held of record by MGD. See "Certain Relationships and Related Transactions" for more information regarding these warrants.

(2) Excludes the aggregate value of perquisites as such value is less than 10% of total annual salary and bonus for Mr. Gowland.

(3) See "-- Executive Warrants" for more information regarding these warrants.

(4) Consists of reimbursements to Mr. Gowland for expenses incurred by him relating to the sale of his residence and relocation to Philadelphia, Pennsylvania in November 1993 in connection with the reorganization of the hazardous waste services operations of RESI.

WARRANTS GRANTED IN THE LAST FISCAL YEAR

	INDIVIDUAL GRANTS MADE IN 1995				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR WARRANT TERM		
	NUMBER OF SECURITIES UNDERLYING WARRANTS/ OPTIONS/ GRANTED(1)	% OF TOTAL OPTIONS/ WARRANTS GRANTED TO EMPLOYEES IN 1995	EXERCISE PRICE PER SHARE	EXPIRATION DATE	AT 0% ANNUAL GROWTH RATE	AT 5% ANNUAL GROWTH RATE	AT 10% ANNUAL GROWTH RATE
Michael G. DeGroote.....	80,000	13.5%	$3.60	June 30, 1996	-0-	-0-	-0-
	80,000	13.5%	$3.60	June 30, 1997	-0-	-0-	-0-
	80,000	13.5%	$3.60	June 30, 1998	-0-	-0-	-0-
	80,000	13.5%	$3.60	June 30, 1999	-0-	-0-	-0-
	80,000	13.5%	$3.60	June 30, 2000	-0-	-0-	-0-
Douglas R. Gowland.....	10,000	1.7%	$5.10	May 31, 1996	-0-	-0-	-0-
	24,000	4.0%	$1.60	May 31, 1997	$600	$ 4,800	$ 9,240
	24,000	4.0%	$1.60	May 31, 1998	$600	$ 6,940	$14,040
	24,000	4.0%	$1.60	May 31, 1999	$600	$ 9,240	$19,320
	24,000	4.0%	$1.60	May 31, 2000	$600	$11,640	$25,080
	14,000	2.4%	$1.60	December 31, 2000	$350	$ 7,630	$16,800

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(1) All warrants set forth in the table were granted as of April 25, 1995. See "-- Executive Warrants."

AGGREGATED WARRANT EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END WARRANT VALUE

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF SECURITIES UNDERLYING UNEXERCISED WARRANTS AT DECEMBER 31, 1995		VALUE OF UNEXERCISED IN-THE-MONEY WARRANTS AT DECEMBER 31, 1995	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Michael G. DeGroote(1).....	-0-	-0-	320,000	80,000	-0-(2)	-0-(2)
Douglas R. Gowland.....	50,000	$28,750	32,000	38,000	$2,800	$3,325

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(1) Warrants beneficially owned by Mr. DeGroote include 400,000 RESI Management Warrants held of record by MGD Holdings.

(2) None of these warrants were "in-the-money" at year-end as the exercise price of the warrants exceeded the market price of RESI Common Stock at December 31, 1995.

EXECUTIVE WARRANTS

In April 1995, in connection with the Spin-off, the Board of Directors of RESI adopted, and Republic Industries, as its sole stockholder, approved the issuance, to holders of unexercised warrants to purchase Republic Industries common stock, of warrants to purchase a number of shares of RESI Common Stock equal to one-fifth the number of shares of Republic Industries common stock that they could acquire upon exercise of their Republic Industries warrants. The warrants to purchase RESI Common Stock issued pursuant to this arrangement are only exercisable if exercised together with the Republic Industries warrants with respect to which they were granted. The per share exercise price for shares issued pursuant to warrants granted under this arrangement was adjusted to reflect the effect of the Spin-off on the market price of Republic Industries common stock and the RESI Common Stock. The combined exercise price of warrants to purchase shares of Republic Industries common stock and warrants to purchase shares of RESI Common Stock granted with respect thereto is equal to the adjusted exercise price of the Republic Industries warrants held by any warrant holder. The RESI warrants granted pursuant to this arrangement vest in accordance with the vesting schedule of the Republic Industries warrant held by such warrant holder as long as the warrant holder is employed by, or performs services for, Republic Industries or RESI or their respective affiliates.

As of April 25, 1995, the date of the Spin-off (the "Spin-off Date"), Mr. Gowland held warrants to purchase 600,000 shares of Republic Industries common stock (the "Republic Industries Executive Warrants"), which he received as compensation for his service as an officer of Republic Industries. Accordingly, in connection with the Spin-off, Mr. Gowland received warrants to purchase 120,000 shares of RESI Common Stock (the "RESI Executive Warrants" and, together with the Republic Industries Executive Warrants, the "Executive Warrants"). The Executive Warrants vest in increments of 8.33% on May 31, 1992, 20% per year over the subsequent four years through May 31, 1996, and the remaining 11.67% vest December 31, 1996. Of Mr. Gowland's RESI Executive Warrants, 10,000 have an exercise price of $5.10 per share and 110,000 have an exercise price of $1.60 per share. The Executive Warrants are exercisable, with respect to the portion vested, for a period of four years following such vesting. As of June 1, 1996, RESI Executive Warrants to purchase 106,000 shares of RESI Common Stock had vested and Mr. Gowland had exercised his right to purchase 50,000 of such shares.

EMPLOYMENT AGREEMENTS

Concurrently with the consummation of the Combination, Alliance shall cause each of Messrs. LoConti, Feighan and Craig L. Stout to execute employment/non competition agreements. Although these employment agreements have not yet been negotiated and, therefore, are subject to change, it is anticipated that such agreements will be for terms of one to three years, include non-competition clauses that extend for one to three years following the termination date and specify compensation levels for each of Messrs. LoConti, Feighan and Stout, the amounts of which have not yet been determined. It is further anticipated that the agreements will not provide for severance benefits. See "The Combination -- The Mergers -- Other Agreements -- Employment Agreements."

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

MGD Holdings, a company of which Mr. DeGroote is a Director, President and the sole stockholder, has entered into the MGD Purchase Agreement with RESI. See "The Combination -- Interests of Certain Persons in the Combination." For a description of the terms and conditions of the MGD Purchase Agreement, see "The Stock Issuances."

Mr. LoConti, a director of RESI, is also the Chairman of the Board, President and the controlling shareholder of Alliance. See "Risk Factors -- Mr. LoConti's Affiliation with RESI and Alliance" and "-- Interests of Certain Persons in the Combination." Mr. LoConti participated in the negotiation of the Combination as an affiliate of Alliance and not as a director of RESI and did not participate in the meeting of the RESI Board of Directors at which the Combination was approved. See "The Combination -- Background of the Combination" and "-- Recommendation of the RESI Board of Directors" for additional information concerning the negotiations and the meeting of the RESI Board of Directors at which the Combination was approved.

In June 1991, MGD Holdings entered into a management agreement (the "Management Agreement") pursuant to which MGD Holdings acquired warrants to purchase 2,300,000 shares of Republic Industries common stock at an exercise price of $4.50 per share after giving effect to a two-for-one stock dividend of Republic Industries common stock effective June 10, 1996 (the "Republic Industries Management Warrants"). On the Spin-off Date, MGD Holdings was the holder of warrants to purchase 2,000,000 shares of Republic Industries common stock. Accordingly, pursuant to the grant by RESI of warrants to purchase RESI Common Stock in connection with the Spin-off, MGD Holdings received warrants to purchase 400,000 shares of RESI Common Stock ("RESI Management Warrants" and, together with the Republic Industries Management Warrants, the "Management Warrants") at an exercise price of $3.60 per share. The Management Warrants vest at the rate of 20% per year over a five-year period. As of the date hereof, RESI Management Warrants to purchase 400,000 shares of RESI Common Stock have vested and MGD Holdings had exercised its right to purchase 80,000 of such shares. The Management Warrants are exercisable, with respect to each portion vested, for a period of four years following such vesting. The Management Agreement may be terminated by either Republic Industries or MGD Holdings under certain circumstances. Under an agreement with Mr. Huizenga, Republic Industries has agreed that upon Mr. Huizenga's request, Republic Industries will terminate the Management Agreement. In the event of termination of the Management Agreement by Republic Industries, the holder will become vested in all remaining Management Warrants; however, in the event of termination by MGD Holdings, the holder will forfeit all remaining unvested Management Warrants. The Management Warrants also fully vest in the event of the death or incapacity of Mr. DeGroote.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding beneficial ownership of the RESI Common Stock as of July 31, 1996, by (i) each person who is known by RESI to own beneficially 5% or more of the RESI Common Stock, (ii) each director of RESI, (iii) each executive officer of RESI named in the Summary Compensation Table and (iv) all directors and executive officers of RESI as a group. In addition, the table sets forth certain information, regarding beneficial ownership of RESI Common Stock by (i) each person who RESI believes will beneficially own more than 5% of the outstanding RESI Common Stock upon consummation of the Combination, (ii) each person who will serve on the RESI Board of Directors upon consummation of the Combination, (iii) all directors and officers of RESI as a group upon consummation of the Combination.

	SHARES OWNED BENEFICIALLY PRIOR TO THE COMBINATION(1)		SHARES OWNED BENEFICIALLY AFTER THE COMBINATION(1)	
NAME	NUMBER	PERCENT	NUMBER	PERCENT
Alliance Holding Corporation(2).....	--	--	18,960,000 (3)	56.1%
Joseph E. LoConti(2).....	5,500 (4)	*	18,965,500 (5)	56.1
MGD Holdings Ltd.(6).....	5,536,000 (7)	49.5%	13,536,000 (8)	37.7
Michael G. DeGroote(6).....	5,536,000 (7)	49.5	13,536,000 (8)	37.7
H. Wayne Huizenga(9).....	--	--	8,000,000(10)	22.5
Edward F. Feighan.....	6,800	*	6,800(11)	*
Craig L. Stout.....	1,600(12)	*	1,600(12)(13)	*
Harve A. Ferrill.....	2,000(14)	*	2,000(14)	*
Douglas R. Gowland.....	192,800(15)	1.8	192,800(15)	*
Richard C. Rochon.....	--	--	--	--
Michael J. Occhionero.....	6,000(16)	*	6,000(16)	*
All directors and executive officers as a group.....	5,745,200	51.1%	32,709,600	81.4%

- ---

* Less than 1%.

(1) Shares of RESI Common Stock that are not outstanding but that may be acquired by a person upon exercise of options or warrants within 60 days after the date of this Information Statement are deemed outstanding for the purpose of computing the percentage of outstanding shares beneficially owned by such person. However, such shares are not deemed outstanding for the purpose of computing the percentage of outstanding shares beneficially owned by any other person

(2) The address of this stockholder is 10055 Sweet Valley Drive, Valley View, Ohio 44125.

(3) Includes 4,200,000 shares issuable upon exercise of warrants issuable in the Combination.

(4) Includes 1,000 shares owned by Mr. LoConti's wife and 4,500 shares owned by Alliance Prime Associates, Inc., a corporation of which Mr. LoConti is a director and sole shareholder.

(5) Includes 4,200,000 shares issuable upon exercise of the Merger Warrants to be held of record by Alliance, a company of which Mr. LoConti is the President, a director and the controlling shareholder, and the shares described in footnote (4).

(6) Mr. DeGroote is the sole stockholder, President and a director of MGD Holdings. The address of Mr. DeGroote and MGD Holdings is Victoria Hall, 11 Victoria Street, P.O. Box HM 1065, Hamilton, HMEX Bermuda.

(7) Includes 320,000 shares of RESI Common Stock that MGD Holdings has the right to acquire upon exercise of the RESI Management Warrants. See "Management After the Combination -- Certain Relationships and Related Transactions."

(8) Includes 6,000,000 shares issuable upon exercise of the MGD Warrants.

(9) The address of Mr. Huizenga is 200 S. Andrews Avenue, 6th Floor, Fort Lauderdale, Florida 33301.

(10) Includes 6,000,000 shares issuable upon exercise of the Huizenga Warrants.

(11) Excludes the Merger Shares and the Merger Warrant Shares to be issued to Alliance in which Mr. Feighan is an officer and minority shareholder.

(12) Includes 1,200 shares held in a trust for the benefit of Mr. Stout's children for which Mr. Stout's wife is the trustee.

(13) Excludes the Merger Shares and the Merger Warrant Shares to be issued to Alliance in which Mr. Stout is an officer, director and minority shareholder.

(14) Includes 2,000 shares owned by the Harve A. Ferrill Trust dated 12/31/69.

(15) Includes 56,000 shares of RESI Common Stock that Mr. Gowland has the right to acquire upon exercise of the RESI Executive Warrants. See "Management After the Combination -- Executive Compensation --RESI Executive Warrants."

(16) Includes 1,200 shares owned by BAY Properties Co., a general partnership of which Mr. Occhionero is a 50% owner. Mr. Occhionero disclaims beneficial ownership of 600 of such shares.

AMENDMENTS TO THE CERTIFICATE OF INCORPORATION

NAME CHANGE

By resolution adopted June 10, 1996, the Board of Directors of RESI unanimously voted to approve an amendment to RESI's Certificate of Incorporation to change RESI's name to International Alliance Services, Inc. and proposed the approval of the Name Change by the RESI stockholders. The RESI Board of Directors recommends the approval of the Name Change because it believes that the adoption of a new name will help convey to RESI's stockholders and customers, the financial markets and the public that the Mergers involve the integration of RESI with a niche market insurance and surety company in order to form a company with a greater potential for growth and increased profitability. The RESI Board of Directors believes that the adoption of a new name is an appropriate method for recognizing the significant contribution that the Alliance Companies will make to the business of RESI.

AUTHORIZED SHARE INCREASE

The holders of RESI Common Stock also will be asked to approve the Authorized Share Increase, a proposed amendment to Article Four of the Certificate of Incorporation, as amended to date, to increase the number of authorized shares of RESI Common Stock from 20,000,000 to 100,000,000. By resolution adopted June 10, 1996, the RESI Board of Directors unanimously approved the Authorized Share Increase and proposed the adoption of the Authorized Share Increase by the RESI stockholders. The newly authorized shares will have voting and other rights identical to the currently authorized shares of RESI Common Stock.

Approval of the Authorized Share Increase is a condition to the obligations of RESI, Alliance, the Merger Subs and the Alliance Companies to consummate the Mergers and of RESI and Messrs. Huizenga and DeGroote to consummate the Stock Issuance since, at the present time, RESI does not have a sufficient number of shares of RESI Common Stock authorized to consummate the Mergers and the Stock Issuances. Of the 20,000,000 currently authorized shares of RESI Common Stock, as of June 13, 1996, 10,810,038 shares were issued and an additional 1,142,960 shares were reserved for issuance in connection with outstanding options and warrants. Pursuant to the Purchase Agreements and the Merger Agreement, RESI will issue 19,000,000 shares of RESI Common Stock and has reserved for issuance upon exercise of the Warrants an additional 16,200,000 shares of RESI Common Stock.

In addition to increasing the number of authorized shares of RESI Common Stock in order to consummate the Mergers and Stock Issuances, the RESI Board of Directors believes that is desirable that RESI have the flexibility to issue a substantial number of shares of RESI Common Stock without further stockholder action unless required by applicable law or regulation. The availability of additional shares will enhance RESI's flexibility in connection with possible future actions, such as corporate mergers, acquisitions of property, stock dividends, stock splits and employee benefit programs. The RESI Board of Directors will determine whether, when and on what terms the issuance of shares of RESI Common Stock may be warranted in connection with any of the foregoing purposes.

The RESI Board of Directors does not intend to seek further stockholder approval prior to the issuance of any additional shares of RESI Common Stock in future transactions unless required by law, the Certificate of Incorporation or the rules of Nasdaq or any stock exchange upon which the RESI Common Stock may be listed, or unless RESI deems it advisable to do so in order to qualify an employee benefit plan under Rule 16b-3 under the Exchange Act or as permitted by recent changes to exempt the acquisition of any such shares from the provisions of Section 16 of the Exchange Act.

The Board of Directors of RESI does not intend to issue any RESI Common Stock to be authorized under the Amendment to the Certificate of Incorporation except upon terms the Board of Directors deems to be in the best interest of RESI and its stockholders. However, the issuance of RESI Common Stock without further stockholder approval may, among other things, have a dilutive effect on earnings per share and the equity of the present holders of RESI Common Stock and their voting rights. Holders of RESI Common Stock have no preemptive rights.

The availability of additional shares of RESI Common Stock also could have the effect of rendering more difficult or discouraging an attempt to obtain control of RESI. For example, the issuance of shares of RESI Common Stock (within the limits imposed by applicable law and the rules of Nasdaq or any exchange upon which the RESI Common Stock is listed) in a public or private sale, merger or similar transaction would increase the number of outstanding shares, thereby possibly diluting the interest of a party attempting to obtain control of RESI. The additional shares also could be used to render more difficult a merger or similar transaction even if it appears to be desirable to a majority of the stockholders of RESI. RESI is not aware of any pending or threatened efforts to obtain control of RESI other than pursuant to the transactions described herein. Additionally, any change in control of RESI would require the consent of applicable state insurance regulatory authorities since such change would also be deemed to be a change in control of CSC and the other insurance companies. See "Risk Factors -- Change of Control."

On August 23, 1996, in accordance with Delaware law, holders of a majority of the outstanding shares of RESI Common Stock executed a written consent approving the Amendments to the Certificate of Incorporation.

DESCRIPTION OF CAPITAL STOCK

After stockholder approval of the Amendments to the Certificate of Incorporation and effectiveness of such amendments in accordance with the DGCL, RESI's authorized capital stock will consist of 100,000,000 shares of RESI Common Stock, par value $0.01 per share, of which 46,010,038 shares will be outstanding (giving effect to the Combination and the exercise of all of the Warrants and assuming no other share issuances). All of the shares of RESI Common Stock issuable in the Combination will be validly issued, fully paid and nonassessable upon consummation of the Combination or subsequent exercise of the Warrants, as applicable. In addition to the shares of RESI Common Stock issuable in the Combination, as of June 13, 1996, 1,142,960 shares of RESI Common Stock have been reserved for issuance in connection with the exercise of options under RESI's employee benefit plans.

The holders of RESI Common Stock are entitled to one vote for each share on all matters voted on by stockholders, including elections of directors, and, except as otherwise required by law, the holders of such shares exclusively will possess all voting power. RESI's Certificate of Incorporation does not provide for cumulative voting in the election of directors. The holders of RESI Common Stock will be entitled to such dividends as may be declared from time to time by the RESI Board of Directors from funds available therefor, and upon liquidation will be entitled to receive pro rata all assets of RESI available for distribution to such holders. Other than the transfer restrictions permitted by Section 202 of the DGCL, and other than stop transfer orders directed in good faith by RESI to prevent possible violations of federal or state securities laws, rules and regulations, there can be no restrictions on transfer of the shares of RESI Common Stock pursuant to RESI's Certificate of Incorporation or RESI's Bylaws.

The payment and level of dividends on the RESI Common Stock will be subject to the discretion of the RESI Board of Directors. The payment of dividends will depend on business decisions that will be made by the RESI Board of Directors from time to time based upon the results of operations and financial conditions of RESI and its subsidiaries and such other considerations as the RESI Board of Directors considers relevant and may from time to time be restricted by debt instruments. RESI's credit facility currently prohibits the payment of dividends and other distributions to the RESI Stockholders. RESI currently does not anticipate paying any cash dividends in the foreseeable future. See "Market Prices and Dividend Policy -- Dividend Policy."

EMPLOYEE OPTION PLAN

On May 31, 1995, the RESI Board of Directors and its Compensation Committee adopted, subject to stockholder approval, the Employee Option Plan. The purpose of the Employee Option Plan is to offer certain present and future key employees, officers and independent contractors of RESI (herein, collectively the "Employees" and individually an "Employee"), a favorable opportunity to become holders of Common Stock, thereby giving them a permanent stake in the growth and prosperity of RESI and encouraging the continuance of their involvement with RESI. On August 23, 1996, in accordance with Delaware law holders of a majority of the outstanding shares of RESI Common Stock executed a written consent approving the adoption of the Employee Option Plan.

DESCRIPTION OF THE EMPLOYEE OPTION PLAN

General. Subject to stockholder approval, a committee of the Board of Directors of RESI consisting of two or more outside directors (the "Committee") will administer the Employee Option Plan and may grant options to purchase RESI Common Stock (the "Employee Options") to any Employees pursuant to the terms of the Employee Option Plan. The total number of shares of RESI Common Stock issuable under the Employee Option Plan may not exceed 500,000 shares. In the event any change is made to the RESI Common Stock issuable under the Employee Option Plan (by reason of any stock split, stock dividend, combination of shares, merger, consolidation, reorganization or other change in the capitalization of RESI), an appropriate adjustment would be made as necessary to reflect/adjust (i) the aggregate number of shares of RESI Common Stock and/or the kind of securities available for issuance under the Employee Option Plan, (ii) the number of shares of RESI Common Stock and/or the kind of securities to be made the subject of each subsequent grant, (iii) the exercise price and (iv) the number of shares of RESI Common Stock and/or the kind of securities purchasable under each outstanding Employee Option and the exercise price payable per share so that no dilution or enlargement of benefits will occur under such Employee Options.

Price; Exercisability. The exercise price of Employee Options shall be determined by the Committee, but in no event shall be less than 100% of the fair market value of the RESI Common Stock at the time the Employee Option is granted. Generally, the Employee Options will be for a term of not less than five nor more than ten years from the date of grant, and will vest in increments of 20% per year over a five year period on the yearly anniversary of the grant date. The Committee, in its discretion, may provide at the date of grant for another vesting schedule, termination date or other limitations or conditions as the Committee deems necessary or appropriate. Further, the Committee may accelerate the exercisability of any Employee Option subject to such terms and conditions as the Committee deems necessary and appropriate. In addition, the Committee may, at any time prior to the expiration or termination of outstanding Employee Options, extend the term of such Employee Options for an additional period as it shall, in its discretion, determine appropriate (but only insofar as the aggregate term of any Employee Option does not exceed ten years).

Change of Control. In the event Michael G. DeGroote, MGD Holdings or any other entity holding the common voting shares of RESI on Mr. DeGroote's behalf loses control of RESI, as determined by the RESI Board of Directors in good faith, and if the Employee within two years of the date of that event is dismissed, otherwise than for cause, death or disability, then all rights of the Employee to purchase shares under the Employee Option Plan, granted but unvested, will become immediately exercisable and the prescribed time limits for exercise will run from such vesting. A change of control will be deemed to have occurred if MGD Holdings' effective holdings of RESI voting stock are less than 20% of the outstanding shares of voting stock. The Board of Directors has determined that the Combination does not constitute a change of control under the Employee Option Plan.

Assignability. Employee Options are not assignable or transferable other than by will or the laws of descent and distribution, or by a qualified domestic relations order, and, during the optionee's lifetime, the Employee Option may be exercised only by such optionee.

Amendments. The RESI Board of Directors may amend or discontinue the Employee Option Plan at any time, provided that no such amendment may be made without the requisite approval of the stockholders of

RESI if stockholder approval is required as a condition to the Employee Option Plan continuing to comply with the provisions of Rule 16b-3 under the Exchange Act or Section 162(m) of the Code.

Termination. Employee Options terminate five (5) business days after termination of employment by RESI if the optionee's employment is terminated for any reason other than death, disability or retirement. The Committee, in its sole discretion, may permit outstanding Employee Options to be exercised for a period after termination of employment but in no event after the expiration date of the Employee Options. In the event of the optionees death, disability retirement, the optionee or, if he is not living, the personal representative or guardian of the optionee or the optionee's estate, or the person inheriting the employee Option, will have three years (or such longer period as the Committee may prescribe) after the date of the optionee's death, disability or retirement to exercise the Employee Options in full. Under no circumstances, however, may the Employee Option be exercised after the termination date of the Employee Option. If any Employee Option granted under the Employee Option Plan expires or is terminated or canceled unexercised as to any shares of Common Stock, such released shares may again be optioned (including a grant in substitution for canceled Employee Options).

FEDERAL INCOME TAX ASPECTS

The Employee Options do not constitute incentive stock options, within the meaning of section 422(b) of the Code. As a general rule, no federal income tax is imposed on the holder of options upon the issuance of options such as the Employee Options and RESI is not entitled to a tax deduction by reason of such issuance. Generally, upon the exercise of options such as the Employee Options, the holder of the options will be treated as receiving compensation taxable as ordinary income in the year of exercise, which in the case of an option, is an amount equal to the excess of the fair market value of the shares on the date of exercise over the exercise price of the options. Upon the exercise of options such as the Employee Options, RESI may claim a deduction for compensation paid at the same time and in the same amount as compensation income is recognized to the holder of the options, assuming any federal income tax withholding requirements are satisfied. Upon a subsequent disposition of the shares received upon exercise of options such as Employee Options, the difference between the amount realized on the disposition and the basis of the stock (exercise price plus any ordinary income recognized) should qualify as long-term or short-term capital gain, depending on the holding period.

NEW PLAN BENEFITS

The following table sets forth the number of underlying shares, the exercise price and the value of the Employee Options received pursuant to the Employee Option Plan by (i) each executive officer of RESI named in the Summary Compensation Table, (ii) all current executive officers as a group, (iii) all current directors who are not executive officers as a group and (iv) all employees who are not executive officers as a group:

NAME	NUMBER OF UNDERLYING OPTIONS	EXERCISE PRICE	IN-THE-MONEY VALUE AS OF JULY 31, 1996
Michael G. DeGroote.....	--	--	--
Douglas R. Gowland.....	200,000	$2.3125	$887,500
Executive officers as a group.....	202,500	$2.3125	$898,594
Non-executive directors, as a group....	--	--	--
Non-executive officers, as a group.....	27,500	$2.3125	$122,031

LEGAL MATTERS

The validity of the issuance of the shares of RESI Common Stock offered in the Combination have been passed upon for RESI by Akin, Gump, Strauss, Hauer & Feld, L.L.P.

EXPERTS

The audited consolidated and combined financial statements of RESI included in this Information Statement have been audited by Arthur Andersen LLP, independent public accountants as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said report.

The audited consolidated financial statements and schedules of the CSC Group as of December 31, 1995 and 1994 and each of the years in the three-year period ended December 31, 1995, and the audited financial statements of CSU as of December 31, 1995 and 1994 and each of the years in the three-year period ended December 31, 1995 included herein have been audited and reported upon by KPMG Peat Marwick LLP, independent certified public accountants. The financial information in the schedules included herein have been derived from financial statements audited by KPMG Peat Marwick LLP and have been reported upon by KPMG Peat Marwick LLP. Such financial statements, schedules and selected financial data have been included herein in reliance upon the report of KPMG Peat Marwick LLP, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The report of KPMG Peat Marwick LLP for the CSC Group dated April 9, 1996, except with respect to the matter discussed in Note 12 as to which the date is June 14, 1996, contains an explanatory paragraph that states that as discussed in Note 1 to the consolidated financial statements, in 1994, the CSC Group adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

AVAILABLE INFORMATION

RESI is subject to the informational filing requirements of the Exchange Act and in accordance therewith files reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information are available for inspection and copying at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, and at the regional offices of the SEC located at 7 World Trade Center, New York, New York 10048, and 500 West Madison Street, Suite 1400, Chicago, Illinois 60601. Copies of such materials can also be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549 at the prescribed rates.

UNCERTAINTY OF FORWARD LOOKING STATEMENTS

This Information Statement contains forward looking statements. Such statements are typically punctuated by words or phrases such as "anticipate," "estimate," "projects," "management believes," "RESI believes," "the Alliance Companies believe" and words or phrases of similar import. Such statements are subject to certain risks, uncertainties or assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Among the key factors that may have a direct bearing on RESI's results and financial condition are: (i) competitive practices in the hazardous waste industry in which RESI will compete, (ii) fluctuations in waste transportation prices, (iii) environmental liabilities to which RESI may become subject in the future which are not covered by an indemnity or insurance and (iv) the impact of current and future laws and governmental regulations (particularly environmental regulations) affecting the hazardous waste industry in general and RESI's operations in particular. Among the key factors that may have a direct bearing on the Alliance Companies' results of operations and financial condition are: (i) competitive practices in the specialty insurance and bonding industries, (ii) competitive practices in the reinsurance markets utilized by the Alliance Companies, (iii) judicial, legislative, and regulatory changes of law relating to risks covered by the Alliance Companies or to the operations of insurance companies in general, (iv) market fluctuations in the values or returns on assets in the CSC Group investment portfolios, (v) pricing of the Alliance Companies' insurance products and (vi) adverse loss development.

INDEX TO FINANCIAL INFORMATION AND FINANCIAL STATEMENTS

REPUBLIC ENVIRONMENTAL SYSTEMS, INC. AND SUBSIDIARIES

REPUBLIC ENVIRONMENTAL SYSTEMS, INC.

PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma condensed income statements of RESI for the year ended December 31, 1995 and for the six months ended June 30, 1996 give effect to the Combination as if it had occurred on January 1, 1995. The unaudited pro forma condensed balance sheet as of June 30, 1996 gives effect to the Combination as if it had occurred on June 30, 1996. The pro forma adjustments are based on currently available information and upon certain assumptions that management believes are reasonable under the circumstances as described in the accompanying Notes to Pro Forma Financial Information.

THE PRO FORMA FINANCIAL INFORMATION DOES NOT PURPORT TO REPRESENT WHAT RESI'S FINANCIAL POSITION OR RESULTS OF OPERATIONS WOULD ACTUALLY HAVE BEEN IF THE COMBINATION IN FACT HAD OCCURRED AT THE DATES INDICATED OR TO PROJECT RESI'S FINANCIAL POSITION OR RESULTS OF OPERATIONS FOR ANY FUTURE DATE OR PERIOD.

The following financial information should be read in conjunction with the "RESI Management's Discussion and Analysis of Results of Operations and Financial Condition," "Alliance Companies Management's Discussion and Analysis of Results of Operations and Financial Condition," the consolidated and combined financial statements of RESI and subsidiaries and the notes thereto, the consolidated financial statements of CSC and the notes thereto, and the financial statements of CSU and the notes thereto which are included elsewhere herein.

REPUBLIC ENVIRONMENTAL SYSTEMS, INC.

UNAUDITED PRO FORMA CONDENSED BALANCE SHEET
AS OF JUNE 30, 1996
(IN THOUSANDS)

	HISTORICAL(A)						
	REPUBLIC ENVIRONMENTAL SYSTEMS, INC. AND SUBSIDIARIES	CENTURY SURETY COMPANY AND SUBSIDIARIES	COMMERCIAL SURETY AGENCY, INC.	ACQUISITION PRO FORMA ADJUSTMENTS AND INTERCOMPANY ELIMINATIONS(B)	COMBINED COMPANIES	EQUITY TRANSACTIONS PRO FORMA ADJUSTMENTS(C)	PRO FORMA TOTAL
ASSETS							
Cash and cash equivalents	$ 2,442	$ 2,374	$ 138	$	$ 4,954	$ 10,500	$ 15,454
Investments							
Fixed maturities held to maturity		15,240			15,240		15,240
Securities available for sale, at fair value:							
Fixed maturities		33,422			33,422		33,422
Equity securities		8,098			8,098		8,098
Mortgage loans on real estate		2,611			2,611		2,611
Other investments		2,584			2,584		2,584
Premium balances receivable		6,400	713	(1,020)(3)	6,093		6,093
Deferred policy acquisition costs		3,954			3,954		3,954
Reinsurance receivables		10,282			10,282		10,282
Prepaid insurance premiums		2,834			2,834		2,834
Accounts receivable, net	6,184				6,184		6,184
Property and equipment, net	20,322	367	172		20,861		20,861
Goodwill	8,984			1,285(1)	10,269		10,269
Other assets	2,493	2,450	266		5,209		5,209
Total assets	$40,425	$ 90,616	$1,289	$ 265	$132,595	$ 10,500	$143,095
LIABILITIES AND STOCKHOLDERS' EQUITY							
Accounts payable	$ 2,516	$	$ 10	$	$ 2,526	$	$ 2,526
Losses and loss expenses payable		39,265			39,265		39,265
Unearned premiums		17,248		(1,020)(3)	16,228		16,228
Reinsurance balances payable		2,392			2,392		2,392
Income taxes payable	60	500			560		560
Accrued expenses and other liabilities	2,394	2,681	1,146		6,221		6,221
Note Payable -- Alliance Holding Company				4,000(1)	4,000		4,000
Long-term debt	877		17		894		894
Accrued environmental costs	3,569				3,569		3,569
Deferred income taxes	2,437	406			2,843		2,843
Minority interest	257				257		257
Total liabilities	12,110	62,492	1,173	2,980	78,755		78,755
Stockholders' equity							
Common stock	109	2,000	1	(1,853)(1)	257	40	297
Paid-in-capital	27,479	17,591		181 (1)(5	45,251	10,460	55,711
Retained earnings	531	4,644	115	(847)(1)(5)	4,443		4,443
Net unrealized appreciation of investments		3,889			3,889		3,889
Cumulative translation adjustment	196			(196)(1)			
Total stockholders' equity	28,315	28,124	116	(2,715)	53,840	10,500	64,340
Total liabilities and stockholders' equity	$40,425	$ 90,616	$1,289	$ 265	$132,595	$ 10,500	$143,095

REPUBLIC ENVIRONMENTAL SYSTEMS, INC.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1995
(IN THOUSANDS EXCEPT PER SHARE DATA)

	HISTORICAL(A)				
	REPUBLIC ENVIRONMENTAL SYSTEMS, INC. AND SUBSIDIARIES	CENTURY SURETY COMPANY AND SUBSIDIARIES	COMMERCIAL SURETY AGENCY, INC.	MERGER ADJUSTMENTS AND INTERCOMPANY ELIMINATIONS(B)	PRO FORMA TOTAL
Revenues	$44,537	$ 30,824	$2,602	$ (2,487)(3)	$75,476
Expenses:					
Cost of operations	32,702		893		33,595
Selling, general, and administrative	9,768		1,399	32 (2)	11,199
Losses and loss expenses		15,117			15,117
Acquisition and other expenses		11,126		(2,487)(3)	8,639
Other, net	26			220 (4)	246
	42,496	26,243	2,292	(2,235)	68,796
Income before income taxes	2,041	4,581	310	(252)	6,680
Income tax expense (benefit)					
Current	369	2,013	108	(88)(4)	2,402
Deferred	386	(699)			(313)
	755	1,314	108	(88)	2,089
Net Income	$ 1,286	$ 3,267	$ 202	$ (164)	$ 4,591
Earnings per common and common equivalent share(D)	$ 0.12				$ 0.15
Weighted average shares(D)	11,110				29,870

REPUBLIC ENVIRONMENTAL SYSTEMS, INC.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 1996
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	HISTORICAL(A)				
	REPUBLIC ENVIRONMENTAL SYSTEMS, INC. AND SUBSIDIARIES	CENTURY SURETY COMPANY AND SUBSIDIARIES	COMMERCIAL SURETY AGENCY, INC.	ACQUISITION PRO FORMA ADJUSTMENTS AND INTERCOMPANY ELIMINATIONS	PRO FORMA TOTAL
Revenues	15,796	$ 16,612	$1,425	$ (1,687)(3)(5)	$32,146
Expenses:					
Cost of operations	11,849		599		12,448
Selling, general, and administrative	4,656		687	16 (2)	5,359
Losses and loss expenses		8,471			8,471
Acquisition and other expenses		5,978		(1,209)(3)	4,769
Other, net	(316)			110 (4)	(206)
	16,189	14,449	1,286	(1,083)	30,841
Income (loss) before income taxes	(393)	2,163	139	(604)	1,305
Income tax expense (benefit)					
Current	(146)	797	47	(206)(4)(5)	492
Deferred		32			32
	(146)	829	47	(206)	524
Net Income (Loss)	$ (247)	$ 1,334	$ 92	$ (398)	$ 781
Earnings (loss) per common and common equivalent share(D)	$ (0.02)				$ 0.03
Weighted average shares(D)	10,850				29,610

REPUBLIC ENVIRONMENTAL SYSTEMS, INC.

NOTES TO PRO FORMA FINANCIAL INFORMATION

A. DESCRIPTION OF THE MERGERS

On May 19, 1996, Alliance and RESI signed a binding letter of intent and agreed to the terms of mergers (the "Mergers") pursuant to which Alliance would receive (i) 14,760,000 shares of RESI's common stock, par value $0.01 per share ("RESI Common Stock"), (ii) warrants to acquire an additional 4,200,000 shares of RESI Common Stock, at prices ranging from $2.625 to $3.875 per share and exercisable over two to four year periods and (iii) a promissory note in the principal amount of $4.0 million in consideration for all of the outstanding common stock of its wholly-owned subsidiaries, Century Surety Company ("CSC") and Commercial Surety Agency, Inc. ("CSU"). In connection with such transaction, each of MGD Holdings, Ltd. ("MGD Holdings") and H. Wayne Huizenga ("Huizenga") will purchase 2,000,000 shares of RESI Common Stock and warrants to purchase 6,000,000 additional shares of RESI Common Stock at exercise prices ranging from $2.625 to $3.875 per share and exercisable over two to four year periods for an aggregate purchase price of $5,250,000. After the Mergers, but before the exercise of the Merger Warrants and Stock Issue Warrants, Alliance and MGD Holdings will beneficially own approximately % and %, respectively of the outstanding shares of RESI common stock. As a result of the Mergers, Alliance will control four of the seven board positions, thereby having the ability to control the RESI Board of Directors. In addition, contemporaneously with the consummation of the Mergers, MGD Holdings will enter into a voting agreement with Alliance whereby MGD Holdings, for a period of two years commencing as of the completion of the Mergers thereof agrees to vote all shares of RESI Common Stock in accordance with the recommendation of the management of Alliance. Accordingly, Alliance will have the ability to control the outcome of matters submitted to a vote of the RESI Stockholders, including the election of directors. The Mergers will be accounted for as a purchase business combination pursuant to which Alliance is acquiring RESI. Consequently, in RESI's consolidated financial statements, the assets and liabilities of RESI will be recorded at fair value based upon the closing market price of the outstanding shares of RESI common stock on May 17, 1996 (10,797,950 shares at 2 5/16 per share). The historical balances shown in the pro forma statements for RESI, CSC and CSU are derived from the financial statements of each company included elsewhere herein.

B. ACQUISITION PRO FORMA ADJUSTMENTS AND INTERCOMPANY ELIMINATIONS

(1) Reflects the adjustments related to the Mergers including (a) a purchase price of approximately $29.6 million (including transaction costs of approximately $0.7 million) based on the number of RESI common shares outstanding at the market price of May 17, 1996 and an additional $4.0 million note payable to Alliance, (b) elimination of the historical equity balances of CSC and CSU to reflect the new capital structure of RESI as a result of the transaction and (c) recognition of $1.285 million of goodwill resulting from the excess purchase price over the estimated fair value of the net assets of RESI at June 30, 1996.

(2) Records the amortization over 40 years of the resulting goodwill for the year ended December 31, 1995 and the six months ended June 30, 1996.

(3) Reflects the elimination of intercompany balances between CSC and CSU.

(4) Reflects the interest expense associated with the $4.0 million note payable to Alliance at the current LIBOR rate of 5.5% and the related adjustment to income taxes (using an estimated combined federal and state tax rate of 40%) for the year ended December 31, 1995 and the six months ended June 30, 1996.

(5) Reflects the elimination of the 1996 CSC sale of RESI stock it owned prior to the Mergers.

C. EQUITY TRANSACTIONS PRO FORMA ADJUSTMENTS

Reflects the purchase of 2.0 million RESI common shares each and warrants to purchase an additional 6.0 million RESI common shares each by MGD Holdings and Huizenga as noted in A. above.

D. EARNINGS PER SHARE

Pro forma earnings per share reflect the issuance of 14,760,000 common shares to Alliance and the 4,000,000 new shares issued to MGD Holdings and Huizenga and also reflect the effect of a two-for-one stock split, effected in the form of a stock dividend in June 1996. Primary and fully diluted pro forma earnings per share are the same.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Republic Environmental Systems, Inc.:

We have audited the accompanying consolidated and combined balance sheets of Republic Environmental Systems, Inc. (a Delaware corporation) and subsidiaries, as of December 31, 1995 and 1994, and the related consolidated and combined statements of operations, cash flows and stockholders equity for the years then ended, as discussed in Note 2 to the financial statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Republic Environmental Systems, Inc. and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Philadelphia, PA.,
February 13, 1996
(except with respect
to the matters discussed
in Note 12, as to which
the date is June 14, 1996)

REPUBLIC ENVIRONMENTAL SYSTEMS, INC. AND SUBSIDIARIES

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

	DECEMBER 31	
	1995	1994
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,255	$ 1,433
Accounts receivable, less allowance for doubtful accounts of $1,031 and $1,174, respectively	7,614	10,870
Other current assets	1,445	1,292
Total current assets	12,314	13,595
Property and equipment, net	19,469	16,844
Goodwill, net of accumulated amortization of $1,187 and $935, respectively	9,109	9,255
Other assets	858	248
Total assets	$41,750	$39,942
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,568	$ 4,686
Accrued liabilities	2,825	3,127
Notes payable	193	257
Current maturities of long-term debt and capitalized lease obligations	507	2,133
Current portion of accrued environmental costs	1,999	2,677
Income taxes payable	56	160
Total current liabilities	8,148	13,040
Long-term debt and capitalized lease obligations, net of current maturities	618	1,128
Accrued environmental costs, net of current portion	1,790	2,850
Deferred income taxes	2,344	2,375
Minority interest	257	257
Total liabilities	13,157	19,650
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $.01 per share; 20,000,000 shares authorized, 11,366,432 shares issued	114	--
Additional paid-in capital	27,653	--
Retained earnings	778	--
Cumulative translation adjustment	193	
Treasury stock, 102,000 shares, at cost	(145)	--
Investment by Republic Industries, Inc.	--	20,292
Total stockholders' equity	28,593	20,292
Total liabilities and stockholders' equity	$41,750	$39,942

The accompanying notes are an integral part of these financial statements.

REPUBLIC ENVIRONMENTAL SYSTEMS, INC. AND SUBSIDIARIES

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

	YEAR ENDED DECEMBER 31		
	1995	1994	1993
Revenues	$44,537	$46,599	$ 61,617
Expenses:			
Cost of operations	32,702	33,377	47,028
Selling, general and administrative	9,768	10,349	13,480
Restructuring and unusual charges	--	8,484	14,906
Operating income (loss)	2,067	(5,611)	(13,797)
Other (income) expense:			
Interest and other income	(193)	(120)	(161)
Interest expense	219	473	1,153
Income (loss) before income taxes and extraordinary gain	2,041	(5,964)	(14,789)
Income tax provision (benefit)	755	(3,092)	(210)
Income (loss) before extraordinary gain	1,286	(2,872)	(14,579)
Extraordinary gain on conversion of debt, net of income tax provision of $3,092	--	5,556	--
Net income (loss)	$ 1,286	$ 2,684	$(14,579)
Earnings (loss) per common and common equivalent share:			
Income (loss) before extraordinary gain	$ 0.12	$ (0.26)	$ (1.32)
Extraordinary gain	--	0.51	--
Net income (loss)	$ 0.12	$ 0.25	$ (1.32)
Weighted average common and common equivalent shares	11,110	10,966	11,004

The accompanying notes are an integral part of these financial statements.

REPUBLIC ENVIRONMENTAL SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31		
	1995	1994	1993
Cash flows from operating activities:			
Net income (loss)	$ 1,286	$ 2,684	$(14,579)
Adjustments to reconcile net income (loss) to net cash provided by operations:			
Extraordinary gain on conversion of debt	--	(5,556)	--
Restructuring and unusual charges	--	8,484	14,906
Depreciation and amortization	2,312	2,457	2,803
Provision for doubtful accounts	569	929	469
Provision for accrued environmental costs	347	373	267
(Loss) gain on the sale of equipment	(74)	6	(1)
Changes in assets and liabilities			
Accounts receivable	2,671	(81)	4,714
Prepaid expenses and other assets	(986)	227	(187)
Accounts payable and accrued liabilities	(2,231)	(1,213)	(3,383)
Income taxes payable	(105)	20	(395)
Due to Republic Industries, Inc	784	2,515	2,659
Other liabilities	(1,835)	(4,682)	(1,014)
Net cash provided by operations	2,738	6,163	6,259
Cash flows from investing activities:			
Business acquisitions, net of cash acquired	--	--	(317)
Capital additions	(4,197)	(1,837)	(3,569)
Proceeds from the sale of equipment	212	112	240
Net cash used in investing activities	(3,985)	(1,725)	(3,646)
Cash flows from financing activities:			
Amounts borrowed from Republic Industries, Inc	--	2,788	6,717
Repayment of borrowings from Republic Industries, Inc	--	(5,495)	(5,016)
Cash received from exercise of stock options and warrants	1,664	--	--
Purchase of treasury stock	(145)	--	--
Payments of long-term debt and notes payable	(3,922)	(2,380)	(8,832)
Proceeds from long-term debt and notes payable	827	395	3,888
Capital contributions and other payments from Republic Industries, Inc	2,518	--	--
Cash received from Stout-capital contribution	2,127	--	--
Net cash provided by (used in) financing activities	3,069	(4,692)	(3,243)
Increase (decrease) in cash and cash equivalents	1,822	(254)	(630)
Cash and cash equivalents:			
Beginning of year	1,433	1,687	2,317
End of year	$ 3,255	$ 1,433	$ 1,687
Supplemental disclosure of cash paid for:			
Interest	$ 216	$ 469	$ 826
Income taxes	$ 128	$ 64	$ 42
Supplemental disclosure of noncash investing and financing activities:			
Equipment purchases of $536, $137 and $232 were financed in the years ended December 31, 1995, 1994 and 1993, respectively by borrowings and capitalized lease obligations.			

The accompanying notes are an integral part of these financial statements.

REPUBLIC ENVIRONMENTAL SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	CUMULATIVE TRANSLATION ADJUSTMENT	TREASURY STOCK	EQUITY INVESTMENT BY RII	TOTAL
Balance at December 31, 1992	$	$	$ (8,965)	$	$	$ 37,498	$ 28,533
Net loss			(14,579)				(14,579)
Net advances from RII						1,701	1,701
Return of consideration held in escrow for an acquisition						(929)	(929)
Other transactions with RII, net(1)						2,146	2,146
Balance at December 31, 1993			(23,544)			40,416	16,872
Net income			2,684				2,684
Net payments to RII						(2,707)	(2,707)
Other transactions with RII, net(1)						3,425	3,425
Balance at December 31, 1994			(20,860)			41,152	20,292
Net income through spin-off			508				508
Contributions from RII prior to spin-off						261	261
Spin-off from RII	108	20,802	20,352	151		(41,413)	--
Capital contribution from RII		2,518					2,518
Net income post-spin-off			778				778
Capital contribution from Stout		2,127					2,127
Issuance of shares for stock options	6	1,661					1,667
Tax benefit of stock options and warrants		545					545
Purchases of treasury stock					(145)		(145)
Currency translation adjustment				42			42
Balance at December 31, 1995	$ 114	$ 27,653	$ 778	$ 193	$ (145)	$ --	$ 28,593

- ---

(1) Includes insurance premiums, self-insured losses and corporate services expense allocations directly attributable to RESI.

The accompanying notes are an integral part of these financial statements.

REPUBLIC ENVIRONMENTAL SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

1. BACKGROUND

In July 1994, Republic Industries, Inc. ("RII"), formerly Republic Waste Industries, Inc., announced the contemplation of a plan to exit the hazardous waste services segment of the environmental industry. The plan included the combination of RII's former hazardous waste services operations in Republic Environmental Systems, Inc. ("RESI") and the distribution of the stock of RESI to the stockholders of record of RII (the "Distribution"). In April 1995, the Board of Directors approved the Distribution to RII stockholders of record as of April 21, 1995. RII stockholders received one share of RESI's common stock for every five shares of RII common stock owned on the record date of the Distribution (the "Distribution Date"). RII currently has no ownership interest in RESI.

In connection with the Distribution, RESI and RII entered into various agreements including the Distribution Agreement, Corporate Services Agreement, Tax Sharing Agreement and various indemnity agreements.

The Distribution Agreement provided for, among other things, the principal corporate transactions required to effect the Distribution and the contribution of RII's Canadian hazardous waste services subsidiary to RESI. The Distribution Agreement also provided for RII to contribute an additional $2.4 million in capital to RESI to repay indebtedness and to provide working capital in connection with the Distribution.

The Corporate Services Agreement provides for RII to provide certain services, including insurance administration, human resources management, financial reporting and tax, legal and environmental engineering services to RESI after the Distribution, until the agreement is terminated by either party. The cost to RESI of such arrangement did not differ significantly from the costs allocated to RESI in the past, as included in the accompanying statements of operations. This agreement is expected to terminate at the end of the first quarter in 1996.

The Tax Sharing Agreement provides for, among other things, the treatment of tax matters for periods through the date of the Distribution and responsibility for any adjustments as a result of audit by any taxing authority. The general terms provide for the indemnification for any tax detriment incurred by one party which is caused by the other party's actions.

Other agreements include various indemnity agreements which provided for indemnification by RESI to RII, and vice versa, for potential increases or decreases in any RESI liabilities which remained with RII as a result of previously shared arrangements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements at December 31, 1995 include the accounts of RESI and its subsidiaries, the successor to the business of Stout Environmental, Inc. ("Stout"), a Delaware corporation, acquired by RII in March 1992, as well as the accounts of Republic Environmental Systems Ltd. ("RESL") (formerly known as Great Lakes Environmental Group Ltd.), the former Canadian hazardous waste services subsidiary of RII, which was acquired by RII in July 1991 and was contributed to RESI as of the Distribution Date (collectively, the "Company"). One of RESI's subsidiaries, Republic Environmental Systems (Cleveland) (RES (Cleveland)), Inc. (formerly known as Evergreen Environmental Group, Inc.), was acquired by RII in September 1991, in a transaction separate from the Stout acquisition and was contributed to RESI in May 1993. The accounts of RESI and all its majority owned subsidiaries are included in the accompanying consolidated financial statements. All significant intercompany transactions have been eliminated.

The combined financial statements for all periods presented prior to the Distribution Date include the historical accounts and operations of the former RII businesses that now comprise the Company. Material transactions between entities included herein have also been eliminated.

RII has in the past provided certain corporate general and administrative services to the Company as described previously. The expenses for these services, which amounted to $391,000, $851,000, and $839,000 during 1995, 1994 and 1993, respectively, were charged or allocated to the Company on a basis that approximated the cost of actual services provided. Management believes that the allocation of expenses was made on a reasonable basis and that expenses to be incurred as a stand-alone entity will not differ significantly from the amount of expenses allocated to the Company by RII.

Revenue Recognition

The Company provides a full range of hazardous waste services including collection, disposal, treatment, storage and recycling services to a broad base of industrial and commercial waste generators in the Eastern United States and Canada. Consistent with industry practice, the Company recognizes revenue upon the receipt and acceptance of waste material at its waste treatment, storage and disposal facilities ("TSD Facilities"). Appropriate disposal costs are accrued upon acceptance at its TSD Facilities.

Earnings Per Share

Primary earnings per share computations are based on the weighted average number of outstanding common and common share equivalents with dilutive effects. Primary and fully diluted income (loss) per share are the same in each period.

Income (loss) per share for periods prior to the Distribution, have been determined based on the assumed weighted average number of shares of common stock outstanding which was considered to be equal to one-fifth of the weighted average number of shares of RESI common stock for the respective periods.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized, while minor replacements, maintenance and repairs are charged to expense as incurred. When property is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in current operations.

Depreciation is provided over the estimated useful lives of the assets involved using the straight-line method. The estimated useful lives are: twenty years for buildings and improvements, five to fifteen years for vehicles and equipment and five years for furniture and fixtures.

A summary of property and equipment is shown below (in thousands):

	DECEMBER 31	
	1995	1994
Vehicles and equipment	$ 16,624	$ 16,093
Land, buildings and improvements	14,655	11,063
Furniture and fixtures	2,212	2,407
	33,491	29,563
Less- Accumulated depreciation	(14,022)	(12,719)
	$ 19,469	$ 16,844

Accrued Liabilities

The Company provides accruals for the disposal of hazardous and nonhazardous waste which has been accepted at its TSD Facilities. At December 31, 1995 and 1994, disposal accruals of $948,000 and $1,107,000, respectively, were included in accrued liabilities.

Also reflected in accrued liabilities are insurance reserves. Since 1991, the Company has participated in RII's combined risk management programs for property and casualty insurance. The Company has agreed to indemnify RII against increases in current losses and any future losses incurred in connection with the Company's participation in these programs. The Company continued to participate in RII's combined risk management programs until the expiration of these policies in June 1995. The Company has its own insurance program after that date. At December 31, 1995 and 1994, the insurance accrual was $488,000 and $72,000, respectively.

Accrued Environmental Costs

Accruals for investigatory and remediation costs are recorded when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Accrued costs include investigative, administrative, legal and remediation costs associated with site clean-up. Environmental compliance costs including maintenance, monitoring and similar costs are expensed as incurred.

The measurement of environmental liabilities is based on an evaluation of currently available facts with respect to each individual site and considers factors such as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. While the current law potentially imposes joint and several liability upon each party at any Superfund site, the Company's contribution to clean up these sites is expected to be limited, given the number of other companies which have also been named as potentially responsible parties, the volumes of waste involved, and that most of these matters are indemnified by the former shareholders of Stout (see Note 4). A reasonable basis for apportionment of costs among responsible parties is determined and the likelihood of contribution by other parties is established. If it is considered probable that the Company will only have to pay its expected share of the total site cleanup, the liability reflects the Company's expected share. In determining the probability of contribution, the Company considers the solvency of the parties, whether responsibility is being disputed, the terms of any existing agreements, and experience to date regarding similar matters. These liabilities do not take into account any claims for recoveries from insurance or third parties and are not discounted. As assessments and remediation progress at individual sites, these liabilities are reviewed periodically and adjusted to reflect additional technical and legal information which becomes available. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures.

Anticipated cash expenditures for 1996 are expected to be approximately $2.0 million ($1.1 million expected to be indemnified). The exact timing of cash payments from beyond this period are impacted by various governmental and non-governmental agencies and therefore difficult to predict with any certainty.

Income Taxes

The U.S. operations of the Company are included in the combined federal income tax return of RII through the Distribution date and on a stand alone basis thereafter, whereas the Company's Canadian operations file a separate Canadian tax return. The Company's income tax provision in the accompanying statements of operations is calculated as if it filed separate tax returns in both the United States and Canada for all periods.

The Company uses the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109. Under this method, deferred tax assets and liabilities are

recognized for the tax effects of temporary differences between the financial reporting and tax basis of assets and liabilities using enacted rates.

Goodwill

Goodwill is amortized on a straight-line basis over forty years. Amortization expense related to goodwill and other intangible assets was $255,000, $460,000, and $734,000 in 1995, 1994 and 1993, respectively.

It is the Company's policy to review goodwill for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The realizability of goodwill is evaluated periodically as events and circumstances dictate. Such evaluation is based on various analyses, including cash flow and profitability projections. Generally, the unamortized goodwill from each acquisition is measured against undiscounted cash flows from such entity. If such an evaluation indicates an impairment has occurred, an appropriate writedown would be made based upon a discounted cash flow analysis or similar determination of fair value. Such adjustment would be recorded in the period when such events occur and analyses are completed. If such review indicates that the carrying amount of goodwill is not recoverable, it is the Company's policy to reduce the carrying amount of such assets to fair value (see Note 3).

Statements of Cash Flows

The Company considers all highly liquid investments with purchased maturities of three months or less to be cash equivalents. The effect of noncash transactions are excluded from the statements of cash flows.

Foreign Currency Translation

All asset and liability accounts of foreign subsidiaries are translated to U.S. dollars at the rate of exchange in effect at the balance sheet date. All income statement accounts of foreign subsidiaries are translated at average exchange rates during the year. Resulting translation adjustments arising from these translations are charged or credited directly to equity. Gain or loss on foreign currency transactions is included in income as incurred. Such amounts were not material in any year presented.

Fair Value of Financial Instruments

The book values of cash, trade accounts receivable, accounts payable and financial instruments included in other current assets and other assets approximate their fair values principally because of the short-term maturities of these instruments. The fair value of the Company's long-term debt is estimated based on the current rates offered to the Company for debt of similar terms and maturities. Under this method the Company's fair value of long-term debt was not significantly different than the stated value at December 31, 1995 and 1994.

In the normal course of business, the Company has letters of credit, performance bonds and other guarantees which are not reflected in the accompanying balance sheets. Management believes that the likelihood of nonperformance under these financial instruments is minimal and expects no material losses to occur in connection with these financial instruments.

Concentrations of Credit Risk

Concentrations of credit risk with respect to trade receivables are limited due to the wide variety of customers and markets into which the Company's services are provided, as well as their dispersion across different geographic areas. As a result, as of December 31, 1995, the Company does not consider itself to have any significant concentrations of credit risk. For the years ended 1995, 1994 and 1993, bad debt expense was $119,000, $929,000 and $914,000 and bad debt write-offs were $262,000, $635,000 and $632,000, respectively.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Accounting Pronouncements

In March 1995, the Financial Accounting Standards Board issued Statement No. 121 (the "Statement") on accounting for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to assets to be held and used. The Statement also establishes accounting standards for long-lived assets and certain identifiable intangibles to be disposed of. The Company is required to adopt the Statement in 1996, and based on a preliminary review, no material impact is anticipated.

3. RESTRUCTURING AND UNUSUAL CHARGES

Recapitalization of RESL in 1994

In connection with the decision by RII to distribute the hazardous waste services segment to its existing shareholders, which included the contribution of the Canadian hazardous waste services subsidiary, RESL, to RESI at the Distribution Date, RII recapitalized RESL. As such the Company evaluated each of the individual TSD Facility operations of RESL considering the continued weak Canadian economy and the amount of capital RESI could devote to RESL's operations in the future. The results of this evaluation indicated that the undiscounted cash flows of certain of the individual Canadian TSD Facilities did not support the recorded amounts of goodwill without a substantial improvement in the Canadian economy or the investment of substantial amounts of capital. Additionally, the amount of goodwill recorded as a result of the acquisition of RESL by RII in 1991 could not be supported by the expected changes in operations after the planned contribution of RESL to RESI. As a result, the Company wrote off approximately $6,380,000 of goodwill at RESL in the fourth quarter of 1994. The Company also wrote off $1,194,000 in abandoned or to-be-abandoned property and accrued approximately $910,000 of costs associated with the Distribution.

Reorganization of hazardous waste operations in 1993

In order to counteract severe market conditions in the hazardous waste industry, the Company decided to reorganize its operations in the fourth quarter of 1993. As a result, the Company consolidated certain TSD operations, terminated certain contracts, closed or decided to close certain facilities, reduced its workforce by over 135 people (or 30%) and wrote off goodwill and other intangibles associated with the closed and abandoned facilities. In accordance with industry standards, the Company provides for closure costs over the life of a facility. Accordingly, the Company has fully provided for these costs on the closed and to-be-closed facilities. In addition to the reorganization of operations, the Company also reevaluated its exposure related to litigation and environmental matters and provided additional accruals for the costs to defend or settle certain

litigation and environmental matters. A summary of these charges for the closed, abandoned and to-be-closed facilities is as follows (in thousands):

Property and equipment	$ 3,427
Goodwill and other intangibles	4,476
Accumulated permitting costs	1,492
Cost of terminating contracts and employees and office relocation costs	2,705
Closure and environmental accruals	1,756
Accruals for cost of settlement of defense and existing litigation and environmental matters	1,050
	$14,906

4. ACCRUED ENVIRONMENTAL COSTS

The Company's waste services activities are conducted in the context of a developing and changing statutory and regulatory framework, aggressive government enforcement and a highly visible political environment. Governmental regulation of the waste management industry requires the Company to obtain and retain numerous governmental permits to conduct various aspects of its operations. These permits are subject to revocation, modification or denial. The costs and other capital expenditures which may be required to obtain or retain the applicable permits or comply with applicable regulations could be significant.

Certain of the Company's facilities are contaminated from past spills of potentially hazardous material. The amount and severity of contamination are currently under investigation. The Company believes that remedial action will be required, including continued investigation, monitoring and treatment of groundwater and/or possible soil removal. As part of the acquisition of Stout in 1992 by RII, certain of the former stockholders of Stout agreed to indemnify RII and the Company for certain litigation matters and environmental matters identified as of the closing date of the merger. The obligation under this indemnity is secured by amounts held in an escrow fund. The Company accrues for known exposures in regards to these indemnified matters. Reimbursements from the escrow account are reflected as capital contributions as cash is received. In 1995, the Company received reimbursement of $2.1 million with respect to these indemnified matters.

The following is a description of proceedings whose claims are covered by the indemnity obligations of the former Stout stockholders.

Adams Oil, Inc.

Adams Oil, Inc.("Adams Oil"), a wholly-owned subsidiary of RESI, previously operated an oil terminal located in Camden, New Jersey. RESI is aware that there is evidence of contamination on the property which may have been caused by past spills of possible hazardous materials (i.e., petroleum hydrocarbons, gasoline, diesel fuel). The amount and the sources of the contamination are currently under investigation by Adams Oil. The New Jersey Department of Environmental Protection and Energy (the "NJDEPE") has knowledge of the problem and has requested more information from Adams Oil. Management believes that remedial action may be required and a clean-up plan has been submitted to NJDEPE for approval.

Republic Environmental Systems (Pennsylvania), Inc.

Republic Environmental Systems (Pennsylvania), Inc. ("RES (Pennsylvania)") has been named as a PRP in the North Penn Area No. 2 regional ground water problem involving 56 square miles

occupied by hundreds of industrial companies. The EPA has requested that RES (Pennsylvania) enter into an administrative consent order to investigate and determine its contribution, if any, to the regional groundwater problem. RES (Pennsylvania) believes that it should not agree to a consent order under CERCLA, but instead should be regulated under its RCRA corrective action permit. The EPA is looking at the septic system and the contamination of groundwater, as well as considering adding other PRP companies. RES (Pennsylvania) is assisting the EPA by conducting testing. RES (Pennsylvania) is not aware of any evidence that it contributed to a regional groundwater problem.

In addition, RES (Pennsylvania) (formerly known as Waste Conversion, Inc.) also has been named as a PRP along with 13 other primary defendants for the recovery costs to remediate the Moyers Landfill Site in eastern Pennsylvania. A company previously known as Waste Conversion of Delaware, Inc. disposed of materials at Moyers Landfill from 1979 to 1981. This company then sold its assets to Waste Conversion, Inc., which was owned by Stout. RES (Pennsylvania) is currently in settlement negotiations with the EPA to limit its exposure in this matter.

Also, RES (New York) and RES (Pennsylvania) are parties in a PRP action with respect to the Aqua-Tech TSD facility in South Carolina. There are 180 parties to date. In April 1993, an agreement was reached whereby RESI paid $360,060 for proposed settlement of certain issues at the facility, pending the final allocation to the PRP's.

The Company is involved in various matters of litigation and is subject to ongoing environmental investigations by certain regulatory agencies involving environmental matters, as well as other claims and disputes that could result in additional litigation. The environmental investigations include notifications that the Company is a Potentially Responsible Party, as defined under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, in several site cleanups. With regard to certain of these matters, the Company has been assessed penalties which it has appealed or has ongoing negotiations to reduce the level of the assessments. The more significant items include:

RES (Cleveland), Inc.

In June 1993, RES (Cleveland) received a Complaint and Compliance Order from the Enforcement Division of Region 5 of the EPA alleging that the former owners of RES (Cleveland)'s TSD Facility failed to submit a proper RCRA Facility Investigation ("RFI") Workplan to the EPA on a timely basis and fined RES (Cleveland). This RFI Workplan included any remedial action plan necessary for the remediation of sub-surface soil at the TSD Facility. In September 1993, Region 5 of the EPA approved for implementation the RFI Workplan submitted by RES (Cleveland).

Republic Environmental Systems (New York), Inc.

In late June 1993, the Company voluntarily ceased operating at its TSD Facility in Nassau County, New York, due to ongoing disputes and negotiations with various regulatory agencies including the New York Department of Environmental Conservation, the town of Oyster Bay and Nassau County. In addition, RES (New York) received from the New York DEC a proposed Summary Order in an Administrative Action commenced by the New York DEC against the RES (New York) facility, whereby the New York DEC sought revocation of RES (New York)'s permit to operate as a TSD Facility. The New York DEC withdrew a previous consent order against RES (New York), under which RES (New York) had agreed to pay $100,000, and subsequently fined RES (New York) for alleged violations at the facility.

In early 1994, RES (New York) also permanently closed its hazardous waste treatment, storage and disposal facility in Nassau County, New York due to ongoing disputes and negotiations with the New York DEC, the town of Oyster Bay and Nassau County. In addition, RES (New York) entered into a

consent decree with the New York DEC which provided for payment by RES (New York) of $150,000 and the manner in which RESI was required to close the facility. The parties are currently negotiating the technical aspects of the requirements relating to facility closure.

Additionally, due to the reorganization of operations in 1993 as discussed in Note 3, the Company evaluated its exposure related to certain environmental matters and litigation related to its closed or to-be-closed TSD Facilities. As a result, the Company provided additional accruals of $2,806,000 for the costs to defend or settle these matters in 1993, of which approximately $468,000 remains as of December 31, 1995.

Although it is possible that a loss exceeding amounts already recorded may be incurred upon the resolution of the litigation and environmental matters described above, management believes that such losses, if realized, will not have a material adverse effect on the Company's cash flows, consolidated results of operations or combined financial position.

5. SHORT-TERM BORROWINGS, NOTES PAYABLE, LONG-TERM DEBT AND CAPITALIZED LEASES

Short-Term Borrowings and Notes Payable

In May 1995, the Company secured a $6 million credit facility with CoreStates Bank, N.A., to be used for additional working capital and other funding needs. Up to $4.5 million of the credit facility is available for the issuance of standby letters of credit. At December 31, 1995, the Company had issued $2.6 million in standby letters of credit. The unused portion of the facility is available for cash borrowings. There were no cash borrowings under the credit facility during 1995.

The credit facility provides for the maintenance of certain restrictive covenants including, among others, minimum working capital levels, maintaining current and fixed charges ratios and a predetermined level of interest coverage. The Company is also restricted from making any dividend payments and incurring additional debt. This facility is collateralized by substantially all of the Company's U.S. assets. During 1995, the Company was in full compliance with all covenants.

Notes payable consisted primarily of borrowings to fund the Company's insurance premiums at December 31, 1995 and in 1994, amounts reflect borrowings from lines of credit for working capital purposes. Long-Term Debt and Capitalized Leases

Long-term debt, including obligations under capitalized leases, consists of the following (in thousands):

	DECEMBER 31	
	1995	1994
Notes payable and capitalized lease obligations to banks and financial institutions, secured by equipment and other assets, interest ranging from 7.3% to 9.54% (weighted average interest rate of 8.0% as of December 31, 1995), payable monthly through 2000	$ 854	$1,418
Note payable for an acquisition, secured by a letter of credit, interest at Canadian prime, (7.50% as of December 31, 1994), payable monthly through April 1995	--	1,367
Other notes payable, secured by equipment and other assets, interest ranging from 8.0% to 9.25% (weighted average interest rate of 7.9% as of December 31, 1995) payable monthly through 1998	271	476
	1,125	3,261
Less -- Current maturities	(507)	(2,133)
	$ 618	$1,128

At December 31, 1995, aggregate maturities of long-term debt, including obligations under capitalized leases, were as follows (in thousands):

1996	$ 507
1997	361
1998	151
1999	104
2000	2
	$1,125

In connection with the decision by RII to distribute the hazardous waste services segment to its existing shareholders, as discussed in Note 2, RII recapitalized RESL. In December 1994, the Company's Canadian subsidiary converted its U.S. subordinated term loan payable by RESL to 360,000 shares of redeemable convertible participating preferred stock of RESL. The preferred stock, with a face amount of Canadian $9.0 million ($6.6 million U.S. as of December 31, 1995), is redeemable at the option of the Company and is convertible into 15% of the common stock of RESL at the option of the holder. The holders of the preferred stock are eligible to receive dividends based on the future profitability of RESL in excess of specified target earnings levels. The Company recorded an extraordinary gain on the conversion to preferred stock of approximately U.S. $5.6 million, net of income taxes, based on the preferred stock's fair market value.

The fair market value of the preferred stock was estimated by management based on the current financial condition of the Canadian subsidiary, projected undiscounted net income of that subsidiary and the current estimated fair market value of the Canadian subsidiary.

6. STOCK OPTIONS AND WARRANTS

Stock Options

On the Distribution Date, holders of options to acquire RII Common Stock, previously granted to employees, directors and affiliates of RII, received options to acquire RESI Common Stock at the ratio of one RESI option for each five RII options. These options have substantially similar terms to the RII options. The outstanding options of RII at the Distribution Date and the RESI options granted with respect thereto are stapled (i.e., RII options and RESI options granted with respect thereto are only exercisable if exercised together). The per share exercise prices of RII and RESI options at the Distribution Date were appropriately adjusted to reflect the effect of the Distribution on the market prices of RII and RESI Common Stock. The combined exercise price of an option to purchase shares of RII Common Stock and the option to purchase shares of RESI Common Stock granted with respect thereto was equal to the exercise price of the RII option prior to the Distribution Date. Unvested RII options held by any optionee and the unvested RESI options granted to such optionee with respect to such RII options, vests in accordance with the vesting schedule of the RII options held by such optionee as long as the optionee is employed by RII or RESI or their affiliates. Options granted under this plan expire ten years from the date of grant and vest over varying periods. In April 1995, the RESI Board of Directors approved the RESI Adjustment Plan ("Adjustment Plan") and approved the issuance, on the Distribution Date, of options to purchase up to 450,000 shares of RESI Common Stock. The purpose of the Adjustment Plan is to provide for the issuance of RESI options to certain optionees who have been granted options to purchase RII Common Stock which were outstanding as of the Distribution Date. The option price of these plans is based on the fair market value of the common shares on the date that the stock options are granted.

In May 1995, the RESI Board of Directors approved the RESI 1995 Employee Stock Option Plan for certain key employees of the Company. A maximum of 500,000 options may be awarded to purchase the Company's Common Stock. The option price under this plan shall not be less than the fair market value of the Common Stock on the date the stock option is granted. In the event of a change of control, as defined in the plan, all outstanding employee options shall become immediately exercisable and the prescribed time limits for exercise will run from such vesting.

Certain information for 1995 relative to these stock option plans is summarized below:

Number of Shares	
Granted at Distribution Date	420,400
Granted subsequent to distribution	31,000
Exercised (a)	(257,800)
Expired or canceled	(3,400)
Outstanding at end of year (b)	190,200
Exercisable at end of year	70,000
Participants at end of year	40
Available for future grant at the end of year	502,000

- ---

(a) Options were exercised at prices ranging from $1.08 to $5.80.

(b) For outstanding shares under option at December 31, 1995, option prices ranged from $1.08 to $5.80 (and averaged $2.25). The expiration dates for these options from May 1996 to May 2004.

Warrants

As of the Distribution Date, there were outstanding unexercised warrants (the "RII Warrants") to acquire 4,361,500 shares of RII Common Stock. On the Distribution Date, the holders of unexpired RII Warrants received additional warrants (the "RESI Warrants") to acquire a number of shares equal to one-fifth the number of shares of RII Common Stock (or 872,300 of RESI Common Stock) which they may acquire upon exercise of their outstanding RII options. The outstanding RII and RESI options are stapled and contain substantially similar terms. The per share exercise price of the RESI warrants has been appropriately adjusted to reflect the effect of the Distribution on the market prices of the RII and RESI Common Stock. There were 250,000 RESI warrants exercised at prices ranging from $1.08 to $5.10 with no cancellations occurring during the year. These warrants expire beginning July 1996 to May 2003.

7. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

The Company leases certain of its premises and certain equipment under various operating lease agreements. At December 31, 1995, future minimum rental commitments becoming payable under all operating leases are as follows (in thousands):

1996	$412
1997	370
1998	316
1999	302
2000	233
Thereafter	222

Total rental expense incurred under operating leases was $709,000, $848,000, and $1,058,000 in 1995, 1994 and 1993, respectively.

Employee Benefits

Effective January 1, 1994, RESI instituted a defined contribution 401(k) savings plan ("the Plan") for employees meeting certain employment requirements which covered the Company's eligible employees. Under the Plan, RESI may, at its discretion, match a portion of employee contributions based on the profitability and growth of RESI. There have been no contributions to the Plan.

Other Matters

In May 1994, RESI decided to terminate its operations at a TSD Facility in Farmingdale, New York. RESI's Dayton, Ohio TSD facility terminated operations in October, 1995. RESI has ceased its efforts to relocate the Dayton, Ohio TSD facility, but will continue to provide services in Ohio through its Bedford, Ohio facility. With respect to the closing of each of these TSD facilities, RESI has accrued the appropriate costs.

At December 31, 1995, RESI had placed in escrow accounts approximately $873,000 in connection with TSD Facility closure and certain other obligations, of which $813,000 was included in cash and cash equivalents and $60,000 was included in other current assets. Additionally, RESI has used its bonding facilities for the issuance of payment, performance and bid bonds, of which $1.9 million in bonds were outstanding at December 31, 1995.

8. CAPITAL STOCK

At the Distribution Date, RII stockholders of record as of April 21, 1995 received one share of RESI's common stock for each five shares of RII common stock held. If the Distribution had taken place on December 31, 1994, approximately 10,800,000 million shares of RESI's common stock would have been issued.

During the current year, the Board of Directors adopted resolutions authorizing, but not requiring, RESI to purchase up to a total of 500,000 shares from time to time. As of December 31, 1995, 102,000 shares had been acquired at a cost of $145,000. Subsequent to year-end, the Board of Directors authorized an additional 500,000 shares to be purchased. and 594,000 shares were repurchased at a cost of $896,000.

9. INCOME TAXES

The components of the income tax provision are shown below (in thousands):

	YEAR ENDED DECEMBER 31		
	1995	1994	1993
Current:			
Federal	$ 227	$ (11)	$ --
Foreign	43	--	(729)
State	99	155	121
	369	144	(608)
Deferred:			
Federal	749	910	(3,110)
Foreign	(363)	(638)	--
	386	272	(3,110)
Change in valuation allowance	--	(3,508)	3,508
Income tax provision (benefit)	$ 755	$(3,092)	$ (210)

In addition to the above, RESI recorded a deferred income tax provision of $3,092,000 in 1994 related to the extraordinary gain on conversion of debt.

Deferred tax assets are recognized under SFAS No. 109 unless it is "more likely than not" that they will not be realized. In 1993, RESI recorded a $3,508,000 valuation allowance related to the realization of deferred tax assets generated as a result of the restructuring and unusual charges. This valuation allowance was recorded due to the uncertainty surrounding the future utilization of such deferred tax assets. In 1994, the valuation allowance was eliminated based on the expected realization of such deferred tax assets primarily as a result of the deferred tax gain generated from the conversion of the Canadian debt to redeemable convertible participating preferred stock (see Note 5).

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate as reported is shown below:

	YEAR ENDED DECEMBER 31		
	1995	1994	1993
Statutory federal income tax rate.....	34.0%	(34.0)%	(34.0)%
Goodwill and other permanent items.....	9.3	27.6	11.4
State income taxes, net of federal benefit....	3.2	1.4	0.7
Foreign income tax (benefit) provision at other than U.S. rates.....	(4.2)	2.8	(3.2)
Nondeductible expenses related to the distribution.....	--	5.2	--
Change in valuation allowance.....	--	(58.8)	23.7
Reduction of previously accrued taxes.....	(5.3)	--	--
Other, net.....	--	4.0	--
Effective tax rate.....	37.0%	(51.8)%	(1.4)%

Components of the net deferred income tax liability are shown below (in thousands):

	DECEMBER 31	
	1995	1994
Deferred tax liabilities:		
Book basis in property over tax basis.....	$ 5,855	$ 5,532
Deferred gain on the conversion of Canadian debt.....	2,617	2,617
	8,472	8,149
Deferred tax assets:		
Net operating losses.....	(4,727)	(3,405)
Accrued environmental costs.....	(1,191)	(2,100)
Accruals not currently deductible.....	(210)	(269)
	(6,128)	(5,774)
Net deferred income tax liability.....	$ 2,344	$ 2,375

At December 31, 1995 the Company had available U.S. net operating loss carryforwards of approximately $8.9 million which begin to expire in the year 2006. The Company also has approximately $3.8 million of Canadian net operating loss carryforwards, the majority of which will begin to expire in 1999.

The U.S. operations of RESI are included in the consolidated federal income tax return of RII through the date of the Distribution. All tax amounts above as well as tax amounts included in the accompanying combined financial statements have been reflected as if RESI filed a separate federal tax return.

The Company and RII have entered into a tax sharing agreement which reflects each party's rights and obligations with respect to deficiencies and refunds, if any, of federal, state or other taxes related to RESI, or RII's hazardous waste services subsidiaries prior to their distribution to RESI, for tax periods prior to the Distribution. RESI has agreed to indemnify RII for positions taken in tax periods prior to the Distribution.

The tax sharing agreement provides for adjustments to the Company's net deferred tax liability based on the completion of federal tax returns, in which RESI will be included in the RII consolidated return. Adjustments might be necessary due to the timing of certain deductions and the calculation of interim period taxable income in 1995. Per the tax sharing agreement, any adjustments necessary would affect the Company's equity as if such adjustments had been made at the Distribution Date.

10. RELATED PARTY TRANSACTIONS

The Company has entered into several agreements to lease office space and obtain other services for certain subsidiaries with the former owners of these subsidiaries, primarily Stout, who were formerly officers of the Company. Aggregate payments for such leases and other services were $814,000, $647,000 and $1,202,000 in 1995, 1994, and 1993, respectively.

11. OPERATIONS BY GEOGRAPHIC AREA

The Company's only line of business is providing environmental services to hazardous and non-hazardous waste generators.

The following tables present information regarding the Company's different geographic regions based on the historical operations of the Company (in thousands):

	YEAR ENDED DECEMBER 31		
	1995	1994	1993
Revenue			
United States	$ 38,815	$ 41,539	$ 54,047
Canada	5,722	5,060	7,570
	$ 44,537	$ 46,599	$ 61,617
Operating income (loss):			
United States	$ 2,760	$ 1,061	$(10,164)
Canada	(693)	(6,672)	(3,633)
Interest, net	(26)	(353)	(992)
Income (loss) before income taxes and extraordinary gain	$ 2,041	$ (5,964)	$(14,789)
Depreciation and amortization:			
United States	$ 1,894	$ 1,910	$ 2,000
Canada	418	547	803
	$ 2,312	$ 2,457	$ 2,803
Capital expenditures:			
United States	$ 3,600	$ 1,707	$ 1,870
Canada	1,133	267	1,931
	$ 4,733	$ 1,974	$ 3,801
Identifiable assets:			
United States	$ 32,155	$ 31,494	$ 33,662
Canada	9,595	8,448	15,856
	$ 41,750	$ 39,942	$ 49,518

12. SUBSEQUENT EVENTS

On May 19, 1996, RESI and Alliance Holding Company ("Alliance") signed a binding letter of intent and agreed to the terms of mergers (the "Mergers") pursuant to which RESI would issue to Alliance (i) 14,760,000 shares of RESI Common Stock, (ii) warrants to acquire an additional 4,200,000 shares of RESI Common Stock at exercise prices ranging from $2.625 to $3.875 per share and exercisable over two to four year periods and (iii) a promissory note in the principal amount of $4.0 million, in consideration for all of the outstanding common stock of Alliance's wholly-owned subsidiaries, Century Surety Company and Commercial Surety Agency, Inc. As part of the same transaction, MGD Holdings Ltd. and Mr. H. Wayne Huizenga will each purchase 2,000,000 shares of RESI common stock for $2.625 per share and will each

receive warrants to purchase an additional 6,000,000 shares of RESI Common Stock at exercise prices ranging from $2.625 to $3.875 per share and exercisable over two to four year periods.

As a result of the Mergers, there will be a change in control of RESI to Alliance and utilization of the RESI net operating losses of approximately $8.9 million (at December 31, 1995) will be subject to certain limitations imposed by the Internal Revenue Code.

Additionally, on June 7, 1996, RESI announced a two for one stock split, effected in the form of a stock dividend effective June 14, 1996. These consolidated and combined financial statements have been adjusted to reflect the effect of the stock split.

Also, in May 1996, the Board of Directors approved a resolution to retire all of the common shares held in the Company's treasury.

REPUBLIC ENVIRONMENTAL SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	JUNE 30, 1996 (UNAUDITED)	DECEMBER 31, 1995
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,442	$ 3,255
Accounts receivable, less allowance for doubtful accounts of $1,036 and $1,031, respectively	6,184	7,614
Other current assets	1,625	1,445
TOTAL CURRENT ASSETS	10,251	12,314
Property and equipment, net	20,322	19,469
Goodwill, net of accumulated amortization of $1,326 and $1,187, respectively	8,984	9,109
Other assets	868	858
TOTAL ASSETS	$40,425	$41,750
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 2,516	$ 2,568
Accrued liabilities	1,991	2,825
Notes payable	403	193
Current maturities of long-term debt and capitalized lease obligations	423	507
Current portion of accrued environmental costs	1,759	1,999
Income taxes payable	60	56
TOTAL CURRENT LIABILITIES	7,152	8,148
Long-term debt and capitalized lease obligations, net of current maturities	454	618
Accrued environmental costs, net of current portion	1,810	1,790
Deferred income taxes	2,437	2,344
Minority interest	257	257
TOTAL LIABILITIES	12,110	13,157
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, par value $0.01 per share; 20,000,000 shares authorized, 10,855,238 and 11,366,432 shares issued, respectively	109	57
Additional paid-in capital	27,479	27,710
Retained earnings	531	778
Cumulative translation adjustment	196	193
Treasury stock, 102,000 shares, at cost	--	(145)
TOTAL STOCKHOLDERS' EQUITY	28,315	28,593
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$40,425	$41,750

The accompanying notes are an integral part of these financial statements.

REPUBLIC ENVIRONMENTAL SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	1996	1995
Revenues	$15,796	$25,165
Expenses:		
Cost of operations	11,849	18,123
Selling, general and administrative	4,656	5,092
Operating income (loss)	(709)	1,950
Other (income) expense:		
Interest and other income	(426)	(118)
Interest expense	110	154
Income (loss) before income taxes	(393)	1,914
Income tax (benefit) provision	(146)	708
Net (loss) income	$ (247)	$ 1,206
(Loss) earnings per common and common equivalent share	$ (0.02)	$ 0.11
Weighted average common and common equivalent shares	11,150	10,850

The accompanying notes are an integral part of these financial statements.

REPUBLIC ENVIRONMENTAL SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (247)	$ 1,206
Adjustments to reconcile net (loss) income to net cash provided by operations:		
Depreciation and amortization	1,078	1,184
Provision for doubtful accounts	98	424
Provision for accrued environmental costs	148	204
Loss (gain) on the sale of equipment	(64)	(20)
Changes in assets and liabilities --		
Accounts receivable	1,337	1,404
Prepaid expenses and other assets	(354)	(537)
Accounts payable and accrued liabilities	(1,015)	(378)
Income taxes payable	4	144
Due to Republic Industries, Inc	--	762
Other liabilities	(192)	(1,367)
Net cash provided by operations	793	3,026
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital additions	(1,704)	(2,201)
Proceeds from the sale of equipment	119	41
Net cash used in investing activities	(1,585)	(2,160)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from stock options	872	--
Capital contributions from Republic Industries, Inc	--	2,191
Repayment of borrowings from Republic Industries, Inc	--	(501)
Cash received from Stout -- capital contribution	74	2,454
Purchase of treasury stock	(895)	(141)
Payments of long-term debt and notes payable	(440)	(3,044)
Proceeds from long-term debt and notes payable	368	319
Net cash (used) provided in financing activities	(21)	1,278
DECREASE IN CASH AND CASH EQUIVALENTS	(813)	2,144
CASH AND CASH EQUIVALENTS:		
Beginning of period	3,255	1,433
End of period	$ 2,442	$ 3,577
SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR:		
Interest	$ 110	$ 152
Income taxes	$ 89	$ 65

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:
Equipment purchases of $0 and $536 were financed in the six months ended June 30, 1996 and 1995, respectively by borrowings and capitalized lease obligations.

The accompanying notes are an integral part of these financial statements.

REPUBLIC ENVIRONMENTAL SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying unaudited consolidated and combined financial statements at June 30, 1996 include the accounts of Republic Environmental Systems, Inc. and its subsidiaries ("RESI"), the successor to the business of Stout Environmental, Inc. ("Stout"), a Delaware corporation, acquired by Republic Industries, Inc. ("RII"), formerly Republic Waste Industries, Inc., in March 1992, as well as the accounts of Republic Environmental Systems Ltd. ("RESL") (formerly known as Great Lakes Environmental Group Ltd.), the former Canadian hazardous waste services subsidiary of RII, which was acquired by RII in July 1991 and was contributed to RESI as of the Distribution Date (collectively, the "Company"). One of RESI's subsidiaries, Republic Environmental Systems (Cleveland) (RES (Cleveland)), Inc. (formerly known as Evergreen Environmental Group, Inc.), was acquired by RII in September 1991, in a transaction separate from the Stout acquisition and was contributed to RESI in May 1993. The accounts of RESI and all its majority owned subsidiaries are included in the accompanying consolidated financial statements. All significant intercompany transactions have been eliminated.

The consolidated and combined financial statements of RESI and its subsidiaries included herein have been prepared by RESI, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of RESI, the accompanying statements reflect all adjustments necessary to present fairly the financial position, results of operations and cash flows for those periods indicated, and contain adequate disclosure to make the information presented not misleading. Such adjustments are of a normal, recurring nature unless otherwise disclosed in the notes to consolidated and combined financial statements. It is suggested that these condensed consolidated and combined financial statements be read in conjunction with the financial statements and notes thereto included elsewhere herein.

Results of operations for any six month period are not necessarily indicative of the results of operations for a full year.

The combined financial statements for all periods presented prior to the Distribution Date include the historical accounts and operations of the former RII businesses that now comprise the Company. Material transactions between entities included herein have also been eliminated.

2. EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

The computation of weighted average common and common equivalent shares used in the calculation of earnings per share for the six months ended June 30, 1996 is shown below (in thousands):

	SIX MONTHS ENDED JUNE 30, 1996
Common shares outstanding, net of treasury shares	10,855
Effect of stock options and warrants assumed exercisable	299
Effect of using weighted average common shares outstanding during the period	(4)
Weighted average common and common equivalent shares	11,150

On June 7, 1996 the Board of Directors declared a two-for-one split of RESI's common stock, $.01 par value per share ("Common Stock"), in the form of a 100% stock dividend, payable June 30, 1996, to holders of record on June 14, 1996. Accordingly, all prior year share and per share information contained herein reflects the stock split.

The difference between shares for primary and fully diluted earnings per common and common equivalent share was not dilutive for the periods presented.

3. TREASURY STOCK

In April 1995 the RESI Board of Directors adopted resolutions authorizing, but not requiring, RESI to repurchase up to a total of 500,000 shares (or 4.6% of the then outstanding RESI Common Stock) from time to time. The repurchasing of shares was intended to achieve a more favorable balance between the market supply of the shares and expected market demand, as well as establish stability in the trading market for RESI shares. Repurchases were effected at prevailing market prices from time to time on the open market prior to the negotiation of the Combination (see: Note 4). The last repurchase was effected by RESI on March 4, 1996 and as of such date RESI had repurchased approximately 695,842 shares of RESI Common Stock for an aggregate cost of approximately $1,040,000. On May 9, 1996, the RESI Board of Directors authorized the retirement of the 695,842 shares of RESI Common Stock.

4. PROPOSED MERGER AND SUBSEQUENT EVENTS

On May 19, 1996, RESI and Alliance Holding Company ("Alliance") signed a binding letter of intent and agreed to the terms of mergers (the "Mergers") pursuant to which RESI would issue to Alliance (i) 14,760,000 shares of RESI Common Stock, (ii) warrants to acquire an additional 4,200,000 shares of RESI Common Stock at exercise prices ranging from $2.625 to $3.875 per share and exercisable over two to four year periods and (iii) a promissory note in the principal amount of $4.0 million, in consideration for all of the outstanding common stock of Alliance's wholly-owned subsidiaries, Century Surety Company and Commercial Surety Agency, Inc. As part of the same transaction, MGD Holdings Ltd. and Mr. H. Wayne Huizenga will each purchase 2,000,000 shares of RESI common stock for $2.625 per share and will each receive warrants to purchase an additional 6,000,000 shares of RESI Common Stock at exercise prices ranging from $2.625 to $3.875 per share and exercisable over two to four year periods.

As a result of the Mergers, there will be a change in control of RESI to Alliance and utilization of the RESI net operating losses of approximately $8.9 million (at December 31, 1995) will be subject to certain limitations imposed by the Internal Revenue Code.

On June 7, 1996, RESI announced a two for one stock split, effected in the form of a stock dividend effective June 14, 1996. These consolidated and combined financial statements have been adjusted to reflect the effect of the stock split.

In May 1996, the Board of Directors approved a resolution to retire all of the common shares held in the Company's treasury.

During July 1996, the Alliance Companies entered into an agreement to acquire Environmental & Commercial Insurance Agency, Inc.; an agreement with Gulf Insurance Company and Midwest Indemnity Corporation ("Midwest") for the production, underwriting and reinsurance of contract surety and surety bond business primarily to environmental businesses; and an option to purchase assets of Midwest. These transactions are subject to the consummation of the Mergers.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Century Surety Company:

We have audited the consolidated financial statements of Century Surety Company (a wholly owned subsidiary of Alliance Holding Corporation) and subsidiaries (collectively, the Company), as listed in the accompanying index on page F-1. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedules as listed in the accompanying index on page F-1. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Century Surety Company and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1995, in conformity with generally accepted accounting principles. Also, in our opinion, the financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in note 1 to the consolidated financial statements, in 1994 the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities.

KPMG Peat Marwick LLP

Columbus, Ohio
April 9, 1996
except as to Note 12,
which is as of June 14, 1996

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1995 AND 1994

	1995	1994
ASSETS		
Investments (note 2):		
Fixed maturities held to maturity, at amortized cost	$15,308,405	$20,129,353
Securities available for sale, at fair value:		
Fixed maturities	33,153,196	24,884,791
Equity securities (cost $1,999,419 and $2,468,337, respectively)	5,425,813	1,764,521
Mortgage loans on real estate (note 7)	3,393,205	2,960,723
Other investments	90,267	139,283
Short-term investments, at cost	843,095	870,242
Total investments	58,213,981	50,748,913
Cash (note 2)	2,691,746	6,577,481
Premium balances receivable, net of allowance for bad debts of $137,736 and $56,396, respectively (note 7)	4,357,298	4,623,574
Deferred policy acquisition costs (note 7)	3,427,551	3,725,611
Reinsurance receivables (note 5)	12,646,960	10,887,657
Prepaid reinsurance premiums	2,881,174	2,413,623
Accrued investment income	870,245	784,969
Deferred federal income taxes (note 6)	--	467,680
Furniture and equipment at cost, net of accumulated depreciation of $527,254 and $355,857, respectively	329,435	349,914
Other assets	579,784	59,757
Total assets	$85,998,174	$80,639,179
LIABILITIES AND SHAREHOLDER'S EQUITY		
Losses and loss expenses payable (note 4)	37,001,841	34,661,007
Unearned premiums	15,636,442	15,453,487
Reinsurance balances payable	2,259,400	2,055,562
Current federal income taxes payable (note 7)	1,322,280	597,465
Deferred federal income taxes (note 6)	53,337	--
Accrued expenses and other liabilities	2,660,005	2,865,364
Collateral held	321,115	1,248,662
Total liabilities	59,254,420	56,881,547
Shareholder's equity (notes 8 and 11):		
Capital stock, $10,000 par value per share. Authorized 500 shares; issued and outstanding 200 shares	2,000,000	2,000,000
Additional paid-in capital	17,293,158	16,698,158
Net unrealized appreciation (depreciation) of investments	3,265,550	(1,208,641)
Retained earnings	4,185,046	6,268,115
Total shareholder's equity	26,743,754	23,757,632
Commitments and contingencies (notes 5 and 10)		
Total liabilities and shareholder's equity	$85,998,174	$80,639,179

See accompanying notes to consolidated financial statements.

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	1995	1994	1993
Revenue:			
Premiums earned (note 5)	$26,961,397	$23,367,623	$17,372,598
Net investment income (note 2)	3,340,956	2,477,428	1,376,916
Income on American Sentinel transaction (note 9)	--	807,306	--
Net realized gains on investments (note 2)	166,286	79,955	(91,450)
Other income	355,035	222,682	511,561
Total revenue	30,823,674	26,954,994	19,169,625
Expenses:			
Losses and loss expenses (notes 4, 5 and 7)	15,116,726	12,494,170	8,612,664
Acquisition expenses (note 7)	6,612,518	5,268,596	4,996,403
Other expenses (note 7)	4,513,096	5,126,694	2,417,389
Total expenses	26,242,340	22,889,460	16,026,456
Amortization of negative goodwill	--	--	219,194
Income before federal income taxes	4,581,334	4,065,534	3,362,363
Federal income tax expense (benefit) (notes 6 and 7):			
Current	2,013,192	1,022,647	1,234,483
Deferred	(698,789)	55,621	(90,333)
Total federal income tax expense	1,314,403	1,078,268	1,144,150
Net income	$ 3,266,931	$ 2,987,266	$ 2,218,213

See accompanying notes to consolidated financial statements.

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	1995	1994	1993
Capital stock:			
Beginning and end of year	$ 2,000,000	$ 2,000,000	$ 2,000,000
Additional paid-in capital:			
Beginning of year	16,698,158	12,891,158	8,745,722
Capital contributed by parent (notes 7 and 9)	595,000	3,807,000	4,145,436
End of year	17,293,158	16,698,158	12,891,158
Net unrealized appreciation (depreciation) of investments:			
Beginning of year	(1,208,641)	(80,139)	(16,938)
Cumulative effect of change in accounting for investments (note 1[c])	--	36,215	--
Change in net unrealized appreciation (depreciation)	4,474,191	(1,164,717)	(63,201)
End of year	3,265,550	(1,208,641)	(80,139)
Retained earnings:			
Beginning of year	6,268,115	4,280,849	2,902,636
Net income	3,266,931	2,987,266	2,218,213
Cash dividend	(5,350,000)	(1,000,000)	(840,000)
End of year	4,185,046	6,268,115	4,280,849
Total shareholder's equity	$26,743,754	$23,757,632	$19,091,868

See accompanying notes to consolidated financial statements.

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	1995	1994	1993
Cash flows from operating activities:			
Net income	$ 3,266,931	$ 2,987,266	$ 2,218,213
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	312,311	384,540	(158,784)
Deferred federal income taxes	(698,789)	55,621	(90,333)
Income on American Sentinel transaction	--	(807,306)	--
Writedown of investments	--	--	139,218
(Increase) decrease in premium balances receivable	266,276	(514,868)	(1,582,913)
(Increase) decrease in deferred policy acquisition costs	298,060	(1,319,776)	(728,628)
Increase in reinsurance receivables	(1,759,303)	(379,762)	(7,944,199)
(Increase) decrease in prepaid reinsurance premiums	(467,551)	557,860	(2,945,035)
Increase in accrued investment income	(85,276)	(272,818)	(191,550)
(Increase) decrease in other assets	(520,027)	54,169	384,727
Increase in losses and loss expenses payable	2,340,834	5,133,202	9,773,009
Increase in unearned premiums	182,955	3,287,024	6,733,798
Decrease in contract funds on deposit	--	(350,000)	(350,000)
Increase (decrease) in reinsurance balances payable	203,838	(870,845)	500,721
Increase in current federal income taxes payable	724,815	170,149	318,816
Increase (decrease) in accrued expenses and other liabilities	(205,359)	376,014	665,240
Increase (decrease) in collateral held	(927,547)	174,116	877,404
Other, net	--	--	(108,504)
Net adjustments	(334,763)	5,677,320	5,292,987
Net cash provided by operating activities	2,932,168	8,664,586	7,511,200
Cash flows from investing activities:			
Purchase of fixed maturities available for sale	(9,552,437)	(8,857,940)	--
Purchase of fixed maturities held to maturity	(269,070)	(1,804,698)	--
Purchase of fixed maturities	--	--	(21,440,472)
Purchase of equity securities	(228,185)	(223,084)	(614,858)
Maturity of fixed maturities held to maturity	1,280,816	2,009,186	1,654,502
Sale of fixed maturities available for sale	7,088,543	1,155,282	--
Sale of fixed maturities	--	--	202,000
Sale of equity securities	149,505	201,620	1,128,332
(Increase) decrease in limited partnership	21,631	(34,348)	--
Increase in mortgage loans on real estate	(1,341,000)	(1,893,000)	(1,258,000)
Principal receipts on mortgage loans on real estate	908,518	780,100	1,285,560
Sales of real estate owned	--	--	296,666
Purchase of subsidiaries, net of cash acquired	--	538,217	(1,515,060)
Decrease in short-term investments	27,147	5,967,491	9,897,577
Net additions to furniture and equipment	(148,371)	(235,113)	(69,553)
Other, net	--	200,000	(200,000)
Net cash used in investing activities	(2,062,903)	(2,196,287)	(10,633,306)
Cash flows from financing activities:			
Dividends to parent	(5,350,000)	(1,000,000)	(840,000)
Capital contributed by parent	595,000	340,000	285,600
Net cash used in financing activities	(4,755,000)	(660,000)	(554,400)
Net increase (decrease) in cash	(3,885,735)	5,808,299	(3,676,506)
Cash at the beginning of year	6,577,481	769,182	4,445,688
Cash at the end of year	$ 2,691,746	$ 6,577,481	$ 769,182
SUPPLEMENTAL DISCLOSURE:			
Federal income taxes paid	$ 693,377	$ 409,781	$ 627,500

See note 9 for supplemental disclosure of noncash financing activities.

See accompanying notes to consolidated financial statements.

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1995 AND 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation Policy

Century Surety Company ("CSC"), a wholly owned subsidiary of Alliance Holding Corporation ("Alliance"), was incorporated in 1978 as an Ohio property and casualty insurance company and was acquired by Alliance in 1988. The accompanying consolidated financial statements include the accounts of CSC and its wholly owned subsidiaries: CSC Insurance Agency, Incorporated ("CSCI"), Continental Heritage Insurance Company ("CHIC"), Evergreen National Indemnity Company ("Evergreen"), American Inspection & Audit Service, Inc. ("AIAS"), Continental Heritage Life Insurance Company ("CHLIC") (through May 22, 1995) and Latitude Premium Finance Company ("Latitude") (through March 3, 1993) (collectively, the "CSC Group").

CSC acquired Evergreen on December 31, 1993 through a capital contribution from its parent and $1.61 million paid by CSC. On April 14, 1994, CSC paid $16,400 for 100% of the outstanding common stock of AIAS. These transactions were accounted for as purchases by CSC in accordance with the provisions of Accounting Principles Board Opinion No. 16 with the acquired assets and assumed liabilities recorded at their estimated fair values. The acquisitions of AIAS and Evergreen did not have a material impact on the accompanying consolidated statements of income. See notes 7 and 9. In addition, on March 3, 1993, CSC sold Latitude to an unrelated party, and on May 22, 1995, CSC liquidated CHLIC. These transactions did not have a material impact on the CSC Group's consolidated financial position or results of operations.

All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Business Description

The CSC Group primarily writes "non-standard" or specialty coverages, including bonding, property and casualty insurance coverages to individual and commercial customers through independent agents and affiliated agents primarily throughout Ohio and over 40 other states. The CSC Group's coverages primarily insure risks regarded as higher than standard, or normal, risks and to risk groups regarded as too small or too rare to permit profitable underwriting by larger, "standard market" insurance companies. In general, non-standard insurance and bonds are more expensive, and coverage more limited, because of perceived additional risk associated with this type of business. The CSC Group attempts to identify and exploit those niches in the non-standard market where the actual risk is significantly less than the perceived risk at which the coverage is defined and priced, or where the CSC Group, because of its smaller size and lower overhead, is able to underwrite coverages more economically than larger carriers can. The CSC Group is subject to competition from other property and casualty insurance companies and to the regulations of certain state and federal agencies and undergoes periodic financial examinations by those regulatory authorities.

Following is a description of additional significant risks facing property/casualty insurers and how the CSC Group mitigates those risks:

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

Adverse Loss Development and IBNR Risk is the risk inherent in the handling and settling of claims whose ultimate costs, which include loss costs, loss adjustment expenses, and other related expenses, are unknown at the time the claim is presented. An associated risk relates to claims which have been incurred, but for which the company has no knowledge. The CSC Group makes judgments as to the

ultimate costs of presented claims and makes provision for their future payment by establishing reserves for existing claims (case reserves) and for incurred but not reported claims (IBNR); however, there can be no assurance that the amounts reserved will be adequate to ultimately make all required payments.

Legal/Regulatory Risk is the risk that changes in the legal or regulatory environment in which an insurer operates will occur and create additional loss costs or expenses not anticipated by the insurer in pricing its products. That is, regulatory initiatives designed to reduce insurer profits or new legal theories may create costs for the insurer beyond those recorded in the financial statements. The CSC Group is exposed to this risk by writing approximately 40% of its business in Ohio and surrounding states, thus increasing its exposure to a particular region. This risk is reduced by underwriting and loss adjusting practices that identify and minimize the adverse impact of this risk.

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

Interest Rate Risk is the risk that interest rates will change and cause a decrease in the value of an insurer's investments. The CSC Group mitigates this risk by attempting to match the maturity schedule of its assets with the expected payouts of its liabilities. To the extent that liabilities come due more quickly than assets mature, an insurer would have to sell assets prior to maturity and recognize a gain or loss. Management believes that the CSC Group's positive cash flow from investment income and operations will enable the CSC Group to operate without having to recognize significant losses from the sale of investments that have an unrealized holding loss as of December 31, 1995.

(c) Basis of Presentation

The consolidated financial statements have been prepared on the basis of generally accepted accounting principles ("GAAP"). Purchase accounting adjustments and subsequent amortization of such adjustments (reflecting the basis in acquired companies and earnings since acquisition) have been recorded in the accompanying consolidated financial statements. GAAP differs from statutory accounting practices used by insurance companies in reporting to state regulatory authorities.

In preparing the consolidated financial statements, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of losses and loss expenses payable and the recoverability of deferred policy acquisition costs. In connection with the determination of losses and loss expenses payable, management uses the methodology discussed in note 1(h) to estimate the liability. In evaluating the recoverability of deferred policy acquisition costs, management uses the methodology discussed in note 1(f).

Management believes that the recorded liability for losses and loss expenses is adequate. While management uses available information to estimate losses and loss expenses payable, future changes to the liability may be necessary based on claims experience and changing claims frequency and severity conditions. Management also believes that deferred policy acquisition costs are recoverable; however, future costs that are associated with the business in the unearned premium liability could exceed management's estimates, causing the recorded asset to be unrecoverable in whole or in part.

(d) Investments

The CSC Group account for their investment securities in accordance with Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities ("SFAS No. 115"). Fixed maturity securities that the CSC Group have the positive intent and ability to hold to maturity are classified as held-to-maturity and are stated at amortized cost; other fixed maturity securities and all equity securities are classified as available-for-sale and are stated at fair value, with the unrealized gains and losses, net of deferred income tax, reported as a separate component of shareholder's equity. The CSC Group has no investment securities classified as trading. Pursuant to a Financial Accounting Standards Board ("FASB") Special Report, A Guide to Implementation of Statement 115 on Accounting for Certain Investments in Debt and Equity Securities, the CSC Group reassessed the classification of all its investment securities. Effective December 20, 1995, the CSC Group reclassified some of its held-to-maturity securities to available-for-sale (see note 2). The CSC Group adopted SFAS No. 115 as of January 1, 1994, with no effect on net income and an increase to shareholder's equity of $36,215.

Mortgage loans on real estate are stated at the unpaid principal balance of such loans. Other investments consist primarily of investments in joint ventures and are recorded using the equity method. Short-term investments have original maturities less than one year and are carried at cost which approximates market.

Realized gains and losses on the sale of investments are determined on the basis of specific security identification and also includes other than temporary declines. Interest income is recognized on the accrual basis and dividend income is recognized on the ex-dividend date.

(e) Premium Balances Receivable

Premium balances receivable include amounts due relating to assumed reinsurance and are stated net of certain commission payable amounts.

(f) Deferred Policy Acquisition Costs

Acquisition costs, consisting of commissions, premium taxes and certain underwriting expenses that vary with and are primarily related to the production of business are deferred and amortized ratably over the policy term. The method followed in computing deferred policy acquisition costs limits the amount of such deferred costs to their estimated realizable value. In determining estimated realizable value, the computation gives effect to the premium to be earned, losses and loss expenses to be incurred, and certain other costs expected to be incurred as premium is earned. Deferred policy acquisition costs amortized to expense during the year was $6,612,518, $5,268,596 and $4,996,403 in 1995, 1994 and 1993, respectively.

(g) Furniture and Equipment

Furniture and equipment are recorded at cost, net of accumulated depreciation. The CSC Group uses an accelerated method of depreciation using the estimated useful lives of the assets.

(h) Losses and Loss Expenses Payable

The liability for losses is provided based upon: (1) case basis estimates for losses reported in respect to direct business; (2) estimates of unreported losses based on estimated loss experience; (3) estimates received and supplemental amounts provided relating to assumed reinsurance; and (4) deduction for estimated salvage and subrogation recoverable.

The liability for loss expenses is established by estimating future expenses to be incurred in settlement of the claims provided for in the liability for losses.

The liability for losses and loss expenses is not discounted.

(i) Premium Recognition

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

(j) Reinsurance Ceded

Reinsurance balances are accounted for and reported in the accompanying consolidated financial statements in accordance with SFAS No. 113, Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts. Reinsurance receivables and prepaid reinsurance premiums are accounted for and reported separately as assets, net of valuation allowance, rather than being deducted from the liability for losses and loss expenses payable and unearned premiums. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability. Contracts not resulting in the reasonable possibility that the reinsurer may realize a significant loss from the insurance risk assumed generally do not meet the conditions for reinsurance accounting and are to be accounted for as deposits.

Reinsurance premiums ceded and reinsurance recoveries on claims incurred are deducted from the respective revenue and expense accounts.

(k) Federal Income Taxes

CSC and its subsidiaries are members of a consolidated federal income tax return filed with Alliance and other affiliates. Pursuant to written agreements, CSC pays to or recovers from the parent the amount of federal income tax calculated primarily on a separate return basis for itself and its wholly owned subsidiaries. See note 7(a).

The CSC Group utilizes the asset and liability method of accounting for income tax. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

(l) Negative Goodwill

CSC was acquired by Alliance in July 1988 for $3.8 million. The fair value of CSC's net assets in excess of the purchase price was recorded as negative goodwill upon acquisition. During 1992, based on the ongoing favorable evaluation of pre-1988 accident year loss development, which was the basis for establishing negative goodwill as a result of the acquisition of CSC by Alliance in 1988, CSC began amortizing negative goodwill over five years. Previously, it was amortized over seven years. The balance of negative goodwill was fully amortized in 1993.

(m) Statements of Cash Flows

For purposes of the consolidated statements of cash flows, cash includes only funds on deposit.

(n) Reclassifications

Certain 1994 and 1993 amounts have been reclassified in the accompanying consolidated financial statements to conform to 1995 presentation.

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

2. INVESTMENTS

The amortized cost and estimated fair value of fixed maturities held to maturity at December 31, 1995 were as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury securities and obligations of U.S. government corporations and agencies.....	$ 6,158,571	$ 81,613	$ (9,220)	$ 6,230,964
Obligations of states and political subdivisions.....	--	--	--	--
Corporate securities.....	8,654,067	27,177	(61,971)	8,619,273
Mortgage-backed securities.....	495,767	18,374	--	514,141
Totals.....	$15,308,405	$127,164	$(71,191)	$15,364,378

The amortized cost and estimated fair value of securities available for sale at December 31, 1995 were as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Fixed Maturities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies.....	$ 6,521,211	$ 303,462	$ (7,259)	$ 6,817,414
Obligations of states and political subdivisions.....	8,338,751	167,418	(2,622)	8,503,547
Corporate securities.....	14,990,440	438,598	(14,706)	15,414,332
Mortgage-backed securities....	2,243,832	174,071	--	2,417,903
	32,094,234	1,083,549	(24,587)	33,153,196
Equity securities.....	1,999,419	3,588,843	(162,449)	5,425,813
	$34,093,653	$4,672,392	$(187,036)	$38,579,009

As discussed in note 1, on December 20, 1995, the CSC Group reclassified a portion of their held-to-maturity securities to available-for-sale. The amortized cost and estimated fair value of the securities reclassified were $5,732,555 and $5,896,586, respectively, as of the date of reclassification.

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The amortized cost and estimated fair value of fixed maturities held to maturity at December 31, 1994 were as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury securities and obligations of U.S. government corporations and agencies.....	$ 7,224,706	$ 102	$ (529,219)	$ 6,695,589
Obligations of states and political subdivisions.....	428,042	1,563	(18,870)	410,735
Corporate securities.....	11,331,932	67	(968,126)	10,363,873
Mortgage-backed securities.....	1,144,673	378	(32,454)	1,112,597
Totals.....	$20,129,353	$2,110	$(1,548,669)	$18,582,794

The amortized cost and estimated fair value of securities available for sale at December 31, 1994 were as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Fixed maturities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies.....	$ 5,130,375	$ --	$ (301,201)	$ 4,829,174
Obligations of states and political subdivisions.....	11,832,402	--	(613,214)	11,219,188
Corporate securities.....	4,513,507	65,917	(245,972)	4,333,452
Mortgage-backed securities....	4,496,953	175,794	(169,770)	4,502,977
	25,973,237	241,711	(1,330,157)	24,884,791
Equity securities.....	1,920,745	71,248	(227,472)	1,764,521
	$27,893,982	$ 312,959	$(1,557,629)	$26,649,312

Expected maturities will differ from contractual maturities because the issuers may have the right to call or prepay obligations with or without call or prepayment penalties. The amortized cost and estimated fair value of fixed maturities held to maturity at December 31, 1995, by contractual maturity, are as follows:

	AMORTIZED COST	ESTIMATED FAIR VALUE
Due in one year or less.....	$ 998,570	$ 992,660
Due after one year through five years.....	13,381,257	13,401,253
Due after five years through ten years.....	356,904	362,023
Due after ten years.....	75,907	94,301
	14,812,638	14,850,237
Mortgage-backed securities.....	495,767	514,141
	$15,308,405	$15,364,378

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The amortized cost and estimated fair value of fixed maturities available for sale at December 31, 1995, by contractual maturity, are as follows:

	AMORTIZED COST	ESTIMATED FAIR VALUE
Due in one year or less	$ 594,403	$ 600,126
Due after one year through five years	20,419,624	20,859,785
Due after five years through ten years	8,737,162	9,152,241
Due after ten years	99,213	123,141
	29,850,402	30,735,293
Mortgage-backed securities	2,243,832	2,417,903
	$32,094,234	$33,153,196

Net investment income was comprised of the following for the years ended December 31:

	1995	1994	1993
Interest	$3,454,757	$2,588,580	$1,415,610
Dividends	96,457	95,753	59,005
Total investment income	3,551,214	2,684,333	1,474,615
Less investment expenses	210,258	206,905	97,699
Net investment income	$3,340,956	$2,477,428	$1,376,916

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

	1995	1994	1993
Realized gains:			
Fixed maturities:			
Held to maturity	$ --	$ --	$ 24,926
Available for sale	114,227	--	--
Equity securities	8,676	145,815	144,556
Other	72,989	--	--
Total realized gains	195,892	145,815	169,482
Realized losses:			
Fixed maturities:			
Held to maturity	--	--	--
Available for sale	27,037	42,166	--
Equity securities	2,569	23,694	260,654
Other	--	--	278
Total realized losses	29,606	65,860	260,932
Net realized gains (losses) on investments	$166,286	$ 79,955	$(91,450)

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

	1995	1994	1993
Available for sale:			
Fixed maturities	$1,788,673	$(1,088,446)	$ --
Equity securities	3,582,618	(76,085)	(63,201)
	$5,371,291	$(1,164,531)	$(63,201)
Held to maturity -- fixed maturities	$1,602,532	$(1,808,104)	$ 44,555

The components of unrealized appreciation (depreciation) on securities available for sale, net, were as follows at December 31:

	1995	1994	1993
Gross unrealized appreciation (depreciation)	$ 4,485,356	$(1,208,641)	$(80,139)
Deferred federal income tax	(1,219,806)	--	--
Net unrealized appreciation (depreciation)	$ 3,265,550	$(1,208,641)	$(80,139)

Fixed maturities held to maturity and certificates of deposit with a carrying value of approximately $8,909,000 and $8,068,000 at December 31, 1995 and 1994, respectively, were on deposit with regulatory authorities as required by law.

Approximately $21,173 and $60,282 of fixed maturities and short-term investments at December 31, 1995 and 1994, respectively, were held in trust accounts under provisions of various reinsurance contracts.

At December 31, 1995 and 1994, all mortgage loans were secured by properties in the states of California, Michigan and Ohio.

3. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Cash, short-term investments, premium balances receivable, reinsurance receivables, reinsurance balances payable and collateral held: The carrying amounts reported in the consolidated balance sheets for these instruments approximate their fair value.

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

Mortgage loans: The carrying amounts reported in the consolidated balance sheets are the aggregate unpaid balance of the loans and approximate their fair value.

See note 2 for additional disclosure of fair value of investment securities.

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4. LIABILITY FOR UNPAID LOSSES AND LOSS EXPENSES

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

	1995	1994	1993
Balance at January 1	$34,661	$29,528	$18,908
Less reinsurance recoverables	9,383	8,505	4,801
Net balance at January 1	25,278	21,023	14,107
Incurred related to:			
Current year	17,297	14,753	10,060
Prior years	(2,180)	(2,259)	(1,447)
Total incurred	15,117	12,494	8,613
Paid related to:			
Current year	5,963	4,269	2,823
Prior years	6,344	3,970	3,054
Total paid	12,307	8,239	5,877
Reserves assumed through purchase of Evergreen (notes 7 and 9)	--	--	4,180
Net balance at December 31	28,088	25,278	21,023
Plus reinsurance recoverables	8,914	9,383	8,505
Balance at December 31	$37,002	$34,661	$29,528

The CSC Group has experienced lower-than-anticipated ultimate losses on prior years due primarily to a reduction in claims severity from that assumed in establishing the liability for losses and loss expenses payable. The CSC Group's environmental exposure relates primarily to its coverage of remediation related risks (i.e., those firms correcting environmental problems as opposed to those entities causing such damage); thus, management believes the CSC Group's exposure to historic pollution situations is minimal.

5. REINSURANCE

In the ordinary course of business, the CSC Group assumes and cedes reinsurance with other insurers and reinsurers. These arrangements provide the CSC Group with a greater diversification of business and generally limit the maximum net loss potential on large risks. Excess of loss reinsurance contracts in effect at December 31, 1995, generally protect against individual property and casualty losses over $200,000 and contract surety and miscellaneous bond losses over $300,000. In addition to the excess of loss contract in effect for contract surety business, a 50% quota share contract on the first $300,000 in losses is in effect. Asbestos abatement, lead abatement, and environmental consultants professional liability and remedial action contractors business is 75% ceded on a quota share basis to reinsurers. Catastrophe coverage is also maintained.

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The impact of reinsurance on the accompanying consolidated statements of income is as follows (in thousands):

	1995	1994	1993
Written premiums:			
Direct	$ 36,278	$ 37,127	$ 29,817
Assumed	1,417	742	175
Ceded	(11,018)	(10,650)	(8,819)
Net	$ 26,677	$ 27,219	$ 21,173
Earned premiums:			
Direct	$ 35,750	$ 34,255	$ 25,019
Assumed	1,754	416	184
Ceded	(10,543)	(11,303)	(7,830)
Net	$ 26,961	$ 23,368	$ 17,373
Losses and loss expenses incurred:			
Direct	$ 15,959	$ 15,088	11,932
Assumed	--	(65)	62
Ceded	(842)	(2,529)	(3,381)
Net	$ 15,117	$ 12,494	$ 8,613

In the accompanying consolidated balance sheets, ceded premium balances receivable are recorded as reinsurance balances payable, ceded losses and loss expenses payable are recorded as reinsurance receivables and ceded unearned premiums are recorded as prepaid reinsurance premiums.

Reinsurance receivables were comprised of the following as of December 31:

	1995	1994
Receivables on unpaid losses and loss expenses	$ 8,914,440	$ 9,383,119
Receivables on ceding commissions and other	2,892,344	1,026,471
Receivables on paid losses and loss expenses	840,176	478,067
	$12,646,960	$10,887,657

The CSC Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. The CSC Group establishes a valuation allowance as reinsurance receivables are deemed uncollectible. During 1995, the majority of ceded amounts were ceded to Reliance Insurance Company, Republic Western Insurance Company ("Republic Western") and Transatlantic Insurance Company, all of which are rated A- or better by A.M. Best.

6. FEDERAL INCOME TAXES

The CSC Group adopted SFAS No. 109 as of January 1, 1993. The cumulative effect of this change in accounting for federal income taxes as of January 1, 1993 was not material to the 1993 consolidated statement of income.

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The federal income tax expense is different from the amount computed by applying the normal tax rate of 34% to income before federal income taxes as follows:

	1995	1994	1993
Expected tax	$1,557,654	$1,382,282	$1,143,203
Increase (decrease) in income taxes resulting from:			
Tax exempt interest and dividends received deduction	(106,197)	(122,921)	(30,891)
Nontaxable income on American Sentinel transaction	--	(274,484)	--
Amortization of negative goodwill	--	--	(74,526)
Other, net	(137,054)	93,391	106,364
	$1,314,403	$1,078,268	$1,144,150

Several provisions of the Internal Revenue Code affect only property and casualty insurers. The major provisions are discounting of losses and loss expenses payable and a reduction in the allowable deduction for unearned premiums.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 1995 and 1994 are presented below:

	1995	1994
Deferred tax assets:		
Unearned premiums not deductible	$ 1,063,278	$ 855,933
Losses and loss expenses payable discounting	1,957,482	1,477,385
Unrealized depreciation on investments	--	410,938
Deferred compensation	96,244	87,075
Other deferred tax assets	46,830	33,231
Gross deferred tax assets	3,163,834	2,864,562
Less valuation allowance	(733,441)	(902,124)
Deferred tax assets	2,430,393	1,962,438
Deferred tax liabilities:		
Deferred policy acquisition costs	(1,165,367)	(1,235,566)
Unrealized appreciation on investments	(1,219,806)	--
Ceding commissions receivable	--	(206,060)
Salvage and subrogation recoverable	(98,557)	(53,132)
Gross deferred tax liabilities	(2,483,730)	(1,494,758)
Net deferred tax (liability) asset	$ (53,337)	$ 467,680

The CSC Group determines a valuation allowance based on their analysis of amounts available in the statutory carryback period and consideration of future deductible amounts. The valuation allowance for deferred tax assets as of January 1, 1994 was $467,549. The net change in the total valuation allowance for the years ended December 31, 1995 and 1994 was a decrease of $168,683 and an increase of $434,575, respectively. Although the CSC Group has had a taxable income over the last several years, significant income in some instances has been attributable to non-recurring transactions and thus there is no assurance that the CSC Group will remain profitable in future years. Therefore, the CSC Group maintains a policy of

recognizing deferred tax assets recoverable in the carryback period and does not consider future income. Management believes it is more likely than not that as of December 31, 1995, future deductible amounts in excess of the valuation allowance can be offset by recovery of federal income taxes paid within the statutory carryback period.

7. TRANSACTIONS WITH AFFILIATED COMPANIES

(a) Alliance

CSC received a tax benefit of $595,000 and $340,000 in 1995 and 1994, respectively, from a tax allocation agreement with Alliance for dividends paid to Alliance. The resultant reduction in CSC's tax payable is recorded as additional paid-in capital in the accompanying consolidated financial statements.

In December 1994, CSC received a noncash capital contribution of $3,167,000 from Alliance in connection with the American Sentinel Insurance Company ("American Sentinel") transaction. See notes 9 and 10.

In 1994, Alliance contributed to CSC a $300,000 participation in a mortgage loan to an affiliate.

As discussed in note 9, CSC acquired all of the outstanding shares of Evergreen on December 31, 1993, the majority of which was through a capital contribution from Alliance. Evergreen was formerly known as Summit Fidelity and Surety Company. Evergreen is an Ohio domiciled property and casualty insurance company.

CSC has issued six $500,000 bonds covering certain loans obtained by My Lawyer Plan, Inc., an unrelated party, from the Detroit Fireman and Policeman's Pension Fund maturing from 1996 and 2002. Collateral for these bonds includes the personal indemnification of an indirect shareholder of Alliance.

(b) Commercial Surety Agency, Incorporated ("CSU")

CSU does business under the tradename Century Surety Underwriters. CSC paid CSU $1,815,229, $2,606,719 and $1,854,000 in commission through an agency agreement in 1995, 1994 and 1993, respectively. That agreement generally provides CSU a provisional commission of 42%, with certain potential profit commissions as defined in the agreement. CSU is a wholly owned subsidiary of Alliance.

At December 31, 1995 and 1994, CSC had outstanding premium balances receivable from CSU of $613,402 and $496,341, respectively.

Effective April 1, 1994, Evergreen entered into an underwriting service agreement with CSU, through which CSU is authorized to act on behalf of Evergreen in performing various financial underwriting services. Evergreen paid CSU $600,000 and $337,500 in fees under this agreement in 1995 and 1994, respectively.

(c) COP, Incorporated ("COP")

COP handles the majority of surety claims and provides certain underwriting services. An officer of COP serves as a director and officer of CSC.

CSC is charged by COP on a claim services performed basis. CSC paid COP $180,839, $171,886 and $121,892 in fees during 1995, 1994 and 1993, respectively.

(d) Mortgage Loans

Loans secured by a first mortgage on real estate with interest rates ranging from 9% to 10% aggregating $1,616,000 were outstanding to related and affiliated parties at December 31, 1995 and 1994. The mortgage

loans are structured as interest only paid quarterly until May 1 and June 30, 1997 at which time the principal balance will be paid in full.

(e) Environmental and Commercial Insurance Agency, Inc. ("ECI")

CSC paid ECI $942,150, $1,337,267 and $1,127,140 in commission through an agency agreement in 1995, 1994 and 1993, respectively. That agreement provides ECI a provisional commission of 21% to 22%, with certain potential profit commissions as defined in the agreement. ECI is owned by immediate family members of certain directors and an officer of CSC.

At December 31, 1995 and 1994, CSC had outstanding premium balances receivable from ECI in the amount of $441,231 and $559,477, respectively.

8. STATUTORY SHAREHOLDER'S EQUITY AND DIVIDEND RESTRICTION

Ohio law limits the payment of dividends to the parent. The maximum dividend that may be paid without prior approval of the Director of Insurance is limited to the greater of the statutory net income of the preceding calendar year or 10% of total statutory shareholder's equity as of the prior December 31. As a result, the maximum dividend CSC may pay to Alliance in 1996 without prior approval is approximately $2,200,000.

Dividends paid in 1995, 1994 and 1993 totaled $5,350,000 ($26,750 per share), $1,000,000 ($5,000 per share) and $840,000 ($4,200 per share), respectively. CSC obtained the approval of the Ohio Director of Insurance for extraordinary dividends paid in 1995.

Reconciliations of CSC's statutory net income and capital and surplus, as determined in accordance with statutory accounting principles, to the amounts included in the accompanying consolidated financial statements are as follows:

The consolidated financial statements have been prepared in accordance with GAAP. Annual statements for CSC and Evergreen, and CHIC, filed with the Ohio Department of Insurance and the Utah Department of Insurance, respectively, are prepared on the basis of accounting practices prescribed or permitted by such regulatory authorities. Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners ("NAIC"), as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not prescribed.

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following reconciles the statutory net income of CSC as reported to regulatory authorities to the net income as shown in the accompanying consolidated financial statements:

	1995	1994	1993
Statutory net income	$3,681,236	$1,804,052	$1,230,102
Adjustments to restate to the basis of GAAP:			
Statutory net income of subsidiaries	445,627	(881,070)	(4,381)
Increase (decrease) in deferred policy acquisition costs	(298,060)	1,319,776	728,628
Deferred federal income tax (expense) benefit	698,789	(55,621)	90,333
Income on American Sentinel transaction	--	807,306	--
Amortization of negative goodwill	--	--	219,194
Current federal income tax expense	(595,000)	(350,000)	(285,600)
Ceding commissions receivable	(606,060)	212,121	325,757
Other, net	(59,601)	130,702	(85,820)
Net income per accompanying consolidated statements of income	$3,266,931	$2,987,266	$2,218,213

The following reconciles the statutory capital shares and surplus of CSC as reported to regulatory authorities to the shareholder's equity as shown in the accompanying consolidated financial statements:

	1995	1994	1993
Statutory capital and surplus	$22,033,530	$20,122,740	$15,398,670
Add (deduct) cumulative effect of adjustments:			
Deferred policy acquisition costs	3,427,551	3,725,611	2,405,835
Deferred federal income tax	(53,337)	467,680	523,301
Difference between amortized cost and fair value of fixed maturity securities available-for-sale, gross	1,058,962	(1,088,446)	(80,139)
Ceding commissions receivable	--	400,000	260,000
Nonadmitted assets	431,158	345,121	239,363
Other, net	(154,110)	(215,074)	344,838
Shareholder's equity per accompanying consolidated financial statements	$26,743,754	$23,757,632	$19,091,868

9. SUPPLEMENTAL CASH FLOW DISCLOSURES

On December 9, 1994, Evergreen, along with Alliance, entered into a transaction with Sentinel Holdings, Inc. ("SHI") (a wholly owned subsidiary of Pace American Group, Inc. ["Pace"]), American Sentinel (a wholly owned subsidiary of SHI) and Republic Western, all unrelated parties. The result of this transaction was the sale of all of American Sentinel's insurance operations to Republic Western, settlement of Pace debt collateralized by American Sentinel common stock, and Evergreen obtaining an agreed-upon amount of net assets of American Sentinel. Evergreen recognized income of $807,306 related to their participation in the transaction in the 1994 consolidated statement of income.

In conjunction with the American Sentinel transaction, Evergreen participated in structuring the agreements and received fair value net assets of American Sentinel totaling $6,091,306, comprised of highly liquid assets of $6,227,201 and nonpolicy liabilities (not assumed by Republic Western) of $185,895.

Additionally, Evergreen paid $5,284,000, primarily in settlement of Pace debt collateralized by American Sentinel common stock, comprised of cash payments of $1,550,000, Pace common stock previously owned by Evergreen of $500,000, and debt incurred by Alliance of $3,167,000, plus $67,000 of acquisition costs. The debt incurred by Alliance was recorded as a noncash capital contribution to Evergreen in 1994 and was satisfied by Alliance as of December 31, 1995. As of December 31, 1994, American Sentinel no longer exists as a separate corporate entity. As discussed further in note 10, neither Evergreen nor other members of the Alliance Companies have any future obligations with respect to the American Sentinel insurance operations under the terms of the American Sentinel transaction agreements.

On December 31, 1993, CSC acquired all of the outstanding shares of Evergreen (see notes 1[b] and 7[a]) for a cash payment of $1,515,060 ($1,610,000, net of $94,940 acquired from Evergreen). As part of this transaction, CSC also received a noncash capital contribution from Alliance in 1993 of $3,859,836 as a result of Alliance's acquiring, in connection with CSC's acquisition of Evergreen, certain Hampton Court Holdings, Inc. (Evergreen's former parent) debt for which Evergreen shares had been pledged as collateral. However, CSC and its subsidiaries are not a party to that debt or obligated to service that debt, nor is the common stock of CSC or any of its subsidiaries pledged as collateral for that debt.

10. COMMITMENTS AND CONTINGENCIES

In 1993, CSC entered into various agreements to lease office space from unrelated parties. The minimum future rental payments under these leases at December 31, 1995 were as follows:

1996	$264,398
1997	264,398
1998	220,330
	$749,126

United States Warranty Corporation ("USWC"), CHIC's former parent, enters into agreements with various automobile and recreational vehicle dealers ("Dealers") whereby USWC agrees to administer the service contract agreements issued by the Dealers to consumers. Prior to October 9, 1994, CHIC was contingently liable should the Dealers and USWC become unable to meet their obligations to the consumers under the service agreements. During 1994, Evergreen replaced CHIC as the contingently liable party for Dealer service contract agreements issued on or prior to October 9, 1994. The CSC Group's management has estimated the Dealers' liability to range from $310,000 to $510,000 at December 31, 1995. In the opinion of the CSC Group's management, the effect to the CSC Group, if any, of ultimate settlement of such Dealers' service contract agreements are not expected to be material to the CSC Group's consolidated results of operations or financial position.

Various companies of the CSC Group are defendants in various lawsuits. In the opinion of management, the effects, if any, of such lawsuits are not expected to be material to the CSC Group's consolidated results of operations or financial position.

The terms of the American Sentinel transaction agreements (see note 9) include a contingent receivable by Evergreen from Republic Western of up to $2.9 million and a contingent note payable by Alliance to SHI, not to exceed $1.45 million. Each of these contingencies relate to the future development of American Sentinel business acquired by Republic Western as part of the transaction agreements and are to be settled in December 1996. The amount of the $2.9 million receivable by Evergreen may be adjusted downward according to the terms of the agreement, primarily in reference to development of losses of the American Sentinel block of business acquired by Republic Western. The contingent note payable is reduced dollar for dollar to the extent that less than $2.9 million is ultimately received by Evergreen from Republic Western. As

of December 31, 1995, CSC has not accrued any amounts related to these contingent items in the accompanying consolidated financial statements due to the uncertainty related to the future development of losses of the American Sentinel block of business by Republic Western.

11. RISK-BASED CAPITAL

In December 1993, the NAIC adopted the property and casualty Risk-Based Capital ("RBC") formula. This model act requires every property and casualty insurer to calculate its total adjusted capital and RBC requirement, and provides for an insurance commissioner to intervene if the insurer experiences financial difficulty. The model act became law in Ohio, Century's and Evergreen's state of domicile, in March 1996, and in Utah, CHIC's state of domicile, in April 1996. The formula includes components for asset risk, liability risk, interest rate exposure and other factors. Based on their December 31, 1995 and 1994 statutory financial statements, CSC, Evergreen and CHIC exceed all required RBC levels.

12. SUBSEQUENT EVENT

On May 19, 1996 Alliance and Republic Environmental Systems, Inc. ("RESI") signed a binding letter of intent and agreed to the terms of mergers (the "Mergers") pursuant to which Alliance would receive (i) 14,760,000 shares of RESI's common stock, par value $0.01 per share ("RESI Common Stock"), (ii) warrants to acquire an additional 4,200,000 shares of RESI Common Stock at exercise prices ranging from $2.625 to $3.875 per share and exercisable over two to four year periods, and (iii) a promissory note in the principal amount of $4.0 million in consideration for all of the outstanding common stock of Alliance's wholly-owned subsidiaries, CSC and CSU.

CENTURY SURETY COMPANY AND SUBSIDIARIES

SCHEDULE I -- SUMMARY OF INVESTMENTS -- OTHER THAN INVESTMENTS IN RELATED PARTIES
DECEMBER 31, 1995

COLUMN A TYPE OF INVESTMENT	COLUMN B COST	COLUMN C VALUE	COLUMN D AMOUNT AT WHICH SHOWN IN THE BALANCE SHEET
Fixed maturities -- held to maturity:			
Bonds:			
U.S. government and government agencies and authorities	$ 6,158,571	$ 6,230,964	$ 6,158,571
States, municipalities and political subdivisions	--	--	--
Corporate securities	8,654,067	8,619,273	8,654,067
Mortgage-backed securities	495,767	514,141	495,767
Fixed maturities -- available for sale:			
Bonds:			
U.S. government and government agencies and authorities	6,521,211	6,817,414	6,817,414
States, municipalities and political subdivisions	8,338,751	8,503,547	8,503,547
Corporate securities	14,990,440	15,414,332	15,414,332
Mortgage-backed securities	2,243,832	2,417,903	2,417,903
Total fixed maturities	47,402,639	48,517,574	48,461,601
Equity securities:			
Common stock:			
Public utilities	322,085	339,812	339,812
Banks, trust and insurance companies	430,036	3,917,827	3,917,827
Industrial, miscellaneous and all other	465,185	375,177	375,177
Nonredeemable preferred stocks	782,113	792,997	792,997
Total equity securities	1,999,419	5,425,813	5,425,813
Mortgage loans on real estate	3,393,205		3,393,205
Other investments	90,267		90,267
Short-term investments	843,095		843,095
Total investments	$53,728,625		$ 58,213,981

CENTURY SURETY COMPANY AND SUBSIDIARIES

SCHEDULE IV -- REINSURANCE
YEARS ENDED DECEMBER 31, 1995, 1994, AND 1993
(IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D		COLUMN E	COLUMN F
		CEDED TO		ASSUMED FROM			
	GROUP AMOUNT	OUTSIDE COMPANIES	AFFILIATED COMPANIES(1)	OUTSIDE COMPANIES	AFFILIATED COMPANIES(1)	NET AMOUNT	PERCENTAGE OF AMOUNT ASSUMED TO NET
Year ended December 31, 1995							
Property -- Casualty Earned Premiums	$35,750	$10,543	--	$ 1,754	--	$26,961	6.51%
Year ended December 31, 1994							
Property -- Casualty Earned Premiums	$34,255	$11,303	--	$ 416	--	$23,368	1.78%
Year ended December 31, 1993							
Property -- Casualty Earned Premiums	$25,019	$ 7,830	--	$ 184	--	$17,373	1.06%

(1) Information is presented in a consolidated basis, therefore, effects of intercompany pooling are eliminated.

CENTURY SURETY COMPANY AND SUBSIDIARIES

SCHEDULE VI -- SUPPLEMENTAL INFORMATION CONCERNING
PROPERTY-CASUALTY INSURANCE OPERATIONS
YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

COLUMN A SEGMENT	COLUMN B DEFERRED POLICY ACQUISITION COST	COLUMN C LOSSES AND LOSS ADJUSTMENT PAYABLE	COLUMN D DISCOUNT, IF ANY, DEDUCTED IN COLUMN C	COLUMN E UNEARNED PREMIUMS	COLUMN F EARNED PREMIUMS	COLUMN G NET INVESTMENT INCOME
Year Ended:						
December 31, 1995	$3,427,551	$37,001,841	N/A	$15,636,442	$26,961,397	$3,340,956
December 31, 1994	$3,725,611	$34,661,007	N/A	$15,453,487	$23,367,623	$2,477,428
December 31, 1993	$2,405,835	$29,527,805	N/A	$12,166,463	$17,372,598	$1,376,916

	COLUMN H LOSSES AND LOSS EXPENSES INCURRED RELATED TO		COLUMN I	COLUMN J	COLUMN K
	CURRENT YEAR	PRIOR YEAR	AMORTIZATION OF ACQUISITION COSTS	PAID LOSSES AND LOSS EXPENSES	DIRECT PREMIUMS WRITTEN
	(IN THOUSANDS)	(IN THOUSANDS)		(IN THOUSANDS)	(IN THOUSANDS)
Year Ended:					
December 31, 1995	$ 17,297	$ (2,180)	$6,612,518	$ 12,307	$ 36,278
December 31, 1994	$ 14,753	$ (2,259)	$5,268,596	$ 8,239	$ 37,127
December 31, 1993	$ 10,060	$ (1,447)	$4,996,403	$ 5,877	$ 29,817

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

CONSOLIDATED BALANCE SHEETS
JUNE 30, 1996 AND DECEMBER 31, 1995

	JUNE 30, 1996 (UNAUDITED)	DECEMBER 31, 1995
ASSETS		
Investments:		
Fixed maturities held to maturity, at amortized cost	$15,240,015	$15,308,405
Securities available for sale, at fair value:		
Fixed maturities	33,422,309	33,153,196
Equity securities	8,098,330	5,425,813
Mortgage loans on real estate	2,611,218	3,393,205
Other investments		90,267
Short-term investments, at cost	2,583,733	843,095
Total investments	61,955,605	58,213,981
Cash	2,374,076	2,691,746
Premium balances receivable, net	6,399,504	4,357,298
Deferred policy acquisition costs	3,954,029	3,427,551
Reinsurance receivables	10,282,413	12,646,960
Prepaid reinsurance premiums	2,833,898	2,881,174
Accrued investment income	842,634	870,245
Furniture and equipment, at cost, net	367,346	329,435
Other assets	1,606,612	579,784
Total assets	$90,616,117	$85,998,174
LIABILITIES AND SHAREHOLDER'S EQUITY		
Losses and loss expenses payable	39,264,593	37,001,841
Unearned premiums	17,248,372	15,636,442
Reinsurance balances payable	2,392,312	2,259,400
Current federal income taxes payable	499,792	1,322,280
Deferred federal income taxes	406,185	53,337
Accrued expenses and other liabilities	2,380,042	2,660,005
Collateral held	301,133	321,115
Total liabilities	62,492,429	59,254,420
Shareholder's equity:		
Common stock, $10,000 par value. Authorized 500 shares; issued and outstanding 200 shares	2,000,000	2,000,000
Additional paid-in-capital	17,590,658	17,293,158
Net unrealized appreciation of investments	3,888,993	3,265,550
Retained earnings	4,644,037	4,185,046
Total shareholder's equity	28,123,688	26,743,754
Total liabilities and shareholder's equity	$90,616,117	$85,998,174

The accompanying notes are an integral part of these consolidated financial statements.

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 1996 AND 1995
(UNAUDITED)

	1996	1995
Revenues:		
Premiums earned	$13,062,477	$13,290,317
Net investment income	1,629,393	1,657,180
Net realized gains on investments	598,781	32,839
Income on American Sentinel transaction	1,150,000	0
Other income	171,702	158,899
Total revenues	16,612,353	15,139,235
Expenses:		
Losses and loss expenses	8,471,053	7,812,015
Acquisition expenses	2,972,796	3,196,885
Other expenses	3,005,540	3,923,863
Total expenses	14,449,389	14,932,763
Income before federal income taxes	2,162,964	206,472
Federal income tax expense (benefit):		
Current	797,292	351,139
Deferred	31,681	(398,912)
Total federal income tax expense (benefit)	828,973	(47,773)
Net income	$ 1,333,991	$ 254,245

The accompanying notes are an integral part of these consolidated financial statements.

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 1996 AND 1995
(UNAUDITED)

	1996	1995
Cash flows from operating activities:		
Net income	$ 1,333,991	$ 254,245
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	189,654	110,367
Deferred federal income taxes	31,681	(398,912)
Increase in premium balances receivable	(2,042,206)	(817,415)
(Increase) decrease in deferred policy acquisition costs	(526,478)	221,169
(Increase) decrease in reinsurance receivables	2,364,547	(846,997)
(Increase) decrease in prepaid reinsurance premiums	47,276	(718,511)
(Increase) decrease in accrued investment income	27,611	(43,070)
Increase in other assets	(1,026,828)	(243,564)
Increase in losses and loss expenses payable	2,262,752	3,385,192
Increase in unearned premiums	1,611,930	999,963
Increase in reinsurance balances payable	132,912	435,831
Decrease in reinsurance payable on paid losses	0	(1,331)
Decrease in current federal income taxes payable	(822,488)	(546,025)
Decrease in loss portfolio transfer	(10,832)	0
Decrease in accrued expenses and other liabilities	(269,131)	(691,979)
Decrease in collateral held	(19,982)	(882,640)
Net adjustments	1,950,418	(37,922)
Net cash provided by operating activities	3,284,409	216,323
Cash flows from investing activities:		
Purchase of fixed maturities available for sale	(8,548,696)	(2,370,603)
Purchase of equity securities	(959,707)	(17,137)
Sale of fixed maturities available for sale	7,194,881	58,424
Sale of equity securities	269,910	393,090
Decrease in mortgage loans on real estate	781,987	291,243
Net decrease in short-term investments	(1,740,638)	(1,167,149)
Increase (decrease) in limited partnership	90,267	(29,762)
Acquisition of furniture and equipment, net	(112,583)	(87,098)
Net cash used in investing activities	(3,024,579)	(2,928,992)
Cash flows from financing activities:		
Dividends to Parent	(875,000)	(750,000)
Capital contributed by Parent	297,500	255,000
Net cash used in financing activities	(577,500)	(495,000)
Net decrease in cash	(317,670)	(3,207,669)
Cash at the beginning of period	2,691,746	6,577,481
Cash at the end of period	$ 2,374,076	$ 3,369,812

The accompanying notes are an integral part of these consolidated financial statements.

CENTURY SURETY COMPANY AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1996 AND DECEMBER 31, 1995
(UNAUDITED)

1. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying unaudited consolidated financial statements as of June 30, 1996, include the accounts of Century Surety Company ("CSC") and subsidiaries (the "CSC Group"). All significant intercompany transactions have been eliminated.

The consolidated financial statements of the CSC Group included herein have been prepared by the management of the CSC Group, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of the management of the CSC Group, the accompanying statements reflect all adjustments necessary to present fairly the financial position, results of operations and cash flows for those periods indicated, and contain adequate disclosure to make the information presented not misleading. Such adjustments are of a normal, recurring nature unless otherwise disclosed in the notes to consolidated financial statements. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the CSC Group's latest audited financial statements.

Results of operations for any three month period are not necessarily indicative of the results of operations for a full year.

2. PROPOSED MERGER AND SUBSEQUENT EVENTS

On May 19, 1996 Alliance and Republic Environmental Systems, Inc. ("RESI") signed a binding letter of intent and agreed to the terms of mergers (the "Mergers") pursuant to which Alliance would receive (i) 14,760,000 shares of RESI's common stock, par value $0.01 per share ("RESI Common Stock"), (ii) warrants to acquire an additional 4,200,000 shares of RESI Common Stock at exercise prices ranging from $2.625 to $3.875 per share and exercisable over two to four year periods, and (iii) a promissory note in the principal amount of $4.0 million in consideration for all of the outstanding common stock of Alliances' wholly-owned subsidiaries, CSC and CSU.

During July 1996, the Alliance Companies entered into an agreement to acquire Environmental & Commercial Insurance Agency, Inc.; an agreement with Gulf Insurance Company and Midwest Indemnity Corporation ("Midwest") for the production, underwriting and reinsurance of contract surety and surety bond business primarily to environmental businesses; and an option to purchase assets of Midwest. These transactions are subject to the consummation of the Mergers.

3. INCOME ON AMERICAN SENTINEL TRANSACTION

In 1994, CSC entered into a transaction concerning the sale of the insurance operations of American Sentinel to Republic Western. Republic Western contracted to pay CSC's subsidiary, Evergreen, an amount in 1996 which was indeterminable at that time and was based upon future loss development. The transaction included a contingent receivable ranging from $0 to $2,900,000 due Evergreen from Republic Western by December 1996. Based upon performance of the insurance operations sold, it was determined that $1,150,000 should be recognized as revenue during the first quarter of 1996. The income is reflected in these statements. The balance of the receivable in the amount of $1,750,000 has not been included in income because it is subject to a reduction in its entirety based on the performance, including loss development of the sold operations, through December 1996.

4. DIVIDEND

CSC paid a $437,500 dividend to Alliance in the six-month period ended June 30, 1996.

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholder
Commercial Surety Agency, Inc.:

We have audited the accompanying balance sheets of Commercial Surety Agency, Inc. (a wholly owned subsidiary of Alliance Holding Corporation) as of December 31, 1995 and 1994, and the related statements of income, shareholder's equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Commercial Surety Agency, Inc. as of December 31, 1995 and 1994, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1995, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Cleveland, Ohio
June 7, 1996

COMMERCIAL SURETY AGENCY, INC.
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

BALANCE SHEETS
DECEMBER 31, 1995 AND 1994

ASSETS

	1995	1994
Cash	$ 2,363	$ 316,028
Premiums receivable	646,757	318,444
Commissions receivable from affiliates	252,266	603,957
Note receivable-related party (note 2)	19,900	19,900
Other receivables	45,454	48,429
Other receivables from affiliates	0	80,223
Deferred financing costs, net of accumulated amortization of $1,170,792 and $1,150,793	0	19,999
Prepaid expenses	13,605	8,819
Federal income tax recoverable from Parent (note 2)	209,464	39,542
Total current assets	1,189,809	1,455,341
Furniture, equipment and leasehold improvements at cost, net of accumulated depreciation and amortization of $132,555 and $107,694 (note 3)	178,781	142,288
Advances to Parent (note 2)	156,441	186,035
Deposits	1,879	2,587
Total assets	$1,526,910	$1,786,251
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current maturities of long-term debt (note 3)	35,897	160,186
Accounts payable	9,981	188,572
Bonuses payable	156,000	271,300
Commissions payable (note 2)	139,175	146,391
Premiums payable to affiliates	788,894	493,928
Accrued payroll	11,679	11,927
Note payable -- related party (note 2)	0	12,514
Funds held (note 4)	0	300,000
Total current liabilities	1,141,626	1,584,818
Long-term debt (note 3)	11,634	29,661
Total liabilities	1,153,260	1,614,479
Shareholder's equity:		
Common stock, no par value, $5 stated value. Authorized 750 shares; issued and outstanding 100 shares	500	500
Retained earnings	373,150	171,272
Total shareholder's equity	373,650	171,772
Commitments and contingencies (note 6)		
Total liabilities and shareholder's equity	$1,526,910	$1,786,251

See accompanying notes to financial statements.

COMMERCIAL SURETY AGENCY, INC.
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	1995	1994	1993
Revenues:			
Commissions (note 2)	$2,000,140	$2,686,106	$2,310,024
Management fees from affiliate (note 2)	600,000	337,500	0
Interest income	1,931	1,063	12,190
Total revenues	2,602,071	3,024,669	2,322,214
Expenses:			
Commissions (note 2)	892,897	1,132,049	1,110,396
Operating expenses:			
Salaries	983,332	743,119	562,409
Amortization	19,999	26,450	127,473
Depreciation	37,118	26,544	38,818
General and administrative	216,613	201,432	212,527
Interest	9,908	22,050	47,111
Payroll taxes	69,511	45,752	41,001
Rent	63,055	49,079	59,422
	1,399,536	1,114,426	1,088,761
Total expenses	2,292,433	2,246,475	2,199,157
Income before Federal income tax expense	309,638	778,194	123,057
Federal income tax expense (note 5)	107,760	265,952	44,911
Net income	$ 201,878	$ 512,242	$ 78,146

See accompanying notes to financial statements.

COMMERCIAL SURETY AGENCY, INC.
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

STATEMENTS OF SHAREHOLDER'S EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	COMMON STOCK		RETAINED EARNINGS	TOTAL SHAREHOLDER'S EQUITY
	SHARES	AMOUNT	(DEFICIT)	(DEFICIT)
Balance as of December 31, 1992 (unaudited).....	100	$500	$(419,116)	$(418,616)
Net income -- 1993.....	0	0	78,146	78,146
Balance as of December 31, 1993.....	100	500	(340,970)	(340,470)
Net income -- 1994.....	0	0	512,242	512,242
Balance as of December 31, 1994.....	100	500	171,272	171,772
Net income -- 1995.....	0	0	201,878	201,878
Balance as of December 31, 1995.....	100	$500	$ 373,150	$ 373,650

See accompanying notes to financial statements.

COMMERCIAL SURETY AGENCY, INC.
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	1995	1994	1993
Cash flows from operating activities:			
Net income	$ 201,878	$ 512,242	$ 78,146
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	57,117	52,994	166,291
Loss on sale of property and equipment	1,404	3,582	15,252
Changes in operating assets and liabilities:			
(Increase) decrease in premiums receivable	(328,313)	167,276	66,881
(Increase) decrease in commissions receivable	351,691	(456,916)	(59,330)
(Increase) decrease in other receivables	2,975	(15,301)	(31,006)
(Increase) decrease in other receivables from affiliates	80,223	(80,223)	0
Increase in prepaid expenses	(4,786)	(487)	(8,333)
(Increase) decrease in deposits	708	(135)	(1,123)
Increase (decrease) in accounts payable	(178,591)	183,797	1,841
Increase (decrease) in bonuses payable	(115,300)	157,300	71,000
Increase (decrease) in commissions payable	(7,216)	11,839	(89,603)
Increase (decrease) in premiums payable to affiliates	294,966	(14,258)	(29,138)
Decrease in accrued payroll	(248)	(2,948)	(585)
Decrease in funds held	(300,000)	0	0
Net cash provided by operating activities	56,508	518,762	180,293
Cash flows from investing activities:			
Proceeds from sale of property and equipment	0	325	450
Acquisition of property and equipment	(75,015)	(104,994)	(62,657)
Net cash used in investing activities	(75,015)	(104,669)	(62,207)
Cash flows from financing activities:			
Proceeds from long-term debt	0	15,319	0
Repayment of long-term debt principal	(142,316)	(153,667)	(120,554)
Advances to Parent	(722,328)	(549,421)	(687,949)
Repayment of advances	582,000	315,000	811,600
Repayment of note payable -- related party	(12,514)	(7,077)	(6,561)
Net cash used in financing activities	(295,158)	(379,846)	(3,464)
Net increase (decrease) in cash	(313,665)	34,247	114,622
Cash -- beginning of year	316,028	281,781	167,159
Cash -- end of year	$ 2,363	$ 316,028	$ 281,781
SUPPLEMENTAL DISCLOSURE:			
Interest paid	$ 11,166	$ 24,069	$ 33,179
Federal income taxes paid	$ 277,682	$ 305,494	$ 44,911

See accompanying notes to financial statements.

COMMERCIAL SURETY AGENCY, INC.
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995 AND 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Commercial Surety Agency, Inc. ("CSU") is a wholly owned subsidiary of Alliance Holding Corporation ("Alliance"). CSU is an insurance agency operating in the Northeastern Ohio area doing business under the tradename Century Surety Underwriters. Substantially all commissions are received from CSU's placement of surety bonds with Century Surety Company ("CSC"), a wholly owned subsidiary of Alliance, and its subsidiaries (collectively, the "CSC Group").

Basis of Presentation

The financial statements have been prepared on the basis of generally accepted accounting principles ("GAAP").

Use of Estimates

In preparing the financial statements in conformity with GAAP, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ significantly from those estimates.

Commission Revenue and Expense Recognition

Commission revenue is recognized in full as the CSC Group's surety bonds are placed. CSU also may earn additional commissions dependent upon the profitability of the business CSU places. The profitability commissions are based upon the loss ratios of the bond placements, and are recorded as revenues when notified by the CSC Group, which is approximately 12 months subsequent to the calendar year-end in which the bond was placed.

Return commissions are recorded when the underlying insurance policy is cancelled.

Commission expense is recognized in full as the CSC Group's surety bonds are placed, and is paid to the sub-agent when the premiums from the insured are collected. Commissions payable represents commissions due to the sub-agent on premiums that have not been collected.

Property and Equipment

Property and equipment are recorded at cost, net of accumulated depreciation and amortization. CSU uses the straight-line and accelerated methods of depreciation and amortization over the estimated useful lives of the assets.

Management Fees from Affiliate

CSU recognizes management fees from affiliate income as the services are performed.

Deferred Financing Costs

Deferred financing costs represent costs capitalized related to the original financing of CSU that are being amortized over the life of the loan.

COMMERCIAL SURETY AGENCY, INC.
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Federal Income Taxes

CSU files as part of a consolidated Federal income tax return of Alliance and its subsidiaries. Pursuant to written agreements, CSU pays to or recovers from Alliance the amount of Federal income tax calculated primarily on a separate basis for itself.

CSU utilizes the asset and liability method of accounting for income tax. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Differences between the financial reporting and tax bases of assets and liabilities are not significant and no deferred tax assets or liabilities have been recorded.

Statement of Cash Flows

For the purpose of the statement of cash flows, cash includes only funds held on deposit with banks.

2. RELATED PARTY TRANSACTIONS

Advances to Parent and Federal income tax recoverable from Parent represent cash advanced to Alliance for working capital and income tax purposes. CSU has not received any interest on these advances.

Note receivable -- related party consists of an unsecured demand note receivable from the son of a former shareholder of Alliance bearing interest at 12%.

Note payable -- related party represents a 7.5% note, payable to a shareholder of Alliance, in monthly installments of $694, including interest. The note was repaid in 1995.

Commission revenues of $1,815,229, $2,606,719, and $1,854,000 for the years ended December 31, 1995, 1994 and 1993, respectively, were earned from the CSC Group.

Management fees from affiliate represents fees for performing various financial underwriting services for a wholly-owned subsidiary of the CSC Group. The management fee, in accordance with the terms of a written agreement, was $50,000 per month in 1995, and $37,500 per month beginning April 1, 1994.

COMMERCIAL SURETY AGENCY, INC.
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

3. LONG-TERM DEBT

At December 31, 1995 and 1994, long-term debt consisted of the following:

	1995	1994
7.5% secured notes, payable to Independence Bank, Independence, Ohio, in monthly installments of $13,950, including interest, guaranteed by individuals who are shareholders of an affiliated company, paid off in 1995	$ 0	$162,063
7.5% unsecured note payable to Independence Bank, Independence, Ohio; in monthly installments of $3,068, including interest, through October 1996	26,746	0
14% - 20% capital leases, payable to AT&T in monthly installments of $1,007, including interest, through January 1998; secured by telephone equipment	20,785	27,784
	47,531	189,847
Less: current portion	(35,897)	(160,186)
	$11,634	$ 29,661

Future maturities of long-term debt are as follows:

YEAR ENDED DECEMBER 31,	
1996	$35,897
1997	10,669
1998	965
	$47,531

4. FUNDS HELD

Funds held represent cash received as collateral for commissions receivable from one customer. The cash was returned to the customer during 1995 as the commissions receivable was settled.

5. FEDERAL INCOME TAXES

A reconciliation between actual Federal income tax expense and the amount computed at the statutory rate follows:

	1995	1994	1993
Amount at statutory rate	$105,277	$264,586	$41,839
Other	2,483	1,366	3,072
	$107,760	$265,952	$44,911

6. COMMITMENTS

CSU leases its facilities from an indirect shareholder of Alliance under an operating lease expiring in July 1997 with a five year right to renew. Lease payments over the prior three years ended December 31, 1995, 1994 and 1993 were $63,100, $49,100 and $59,400, respectively. The minimum future lease payments under this operating lease at December 31, 1995 are approximately $81,000 in 1996 and $43,000 in 1997.

COMMERCIAL SURETY AGENCY, INC.
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

7. SUBSEQUENT EVENT

On May 19, 1996 Alliance and Republic Environmental Systems, Inc. ("RESI") signed a binding letter of intent and agreed to the terms of mergers (the "Mergers") pursuant to which Alliance would receive (i) 14,760,000 shares of RESI's common stock, par value $0.01 per share ("RESI Common Stock"), (ii) warrants to acquire an additional 4,200,000 shares of RESI Common Stock at exercise prices ranging from $2.625 to $3.875 per share and exercisable over two to four year periods, and (iii) a promissory note in the principal amount of $4.0 million in consideration for all of the outstanding common stock of Alliances' wholly-owned subsidiaries, CSC and CSU.

COMMERCIAL SURETY AGENCY, INC.
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

BALANCE SHEETS
JUNE 30, 1996 AND DECEMBER 31, 1995

ASSETS

	JUNE 30, 1996 (UNAUDITED)	DECEMBER 31, 1995
Cash	$ 138,435	$ 2,363
Premiums receivable	713,423	646,757
Commissions receivable from affiliates	13,127	252,266
Note receivable-related party	19,801	19,900
Other receivables	5,714	45,454
Prepaid expenses	2,654	13,605
Federal income tax recoverable from Parent	0	209,464
Total current assets	893,154	1,189,809
Furniture, equipment and leasehold improvements at cost, net of accumulated depreciation and amortization	171,601	178,781
Advances to Parent	224,016	156,441
Deposits	690	1,879
	1,289,461	$1,526,910
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current maturities of long-term debt	10,091	35,897
Accounts payable	10,785	9,981
Bonuses payable	2,300	156,000
Commissions payable	83,921	139,175
Premiums payable to affiliates	1,046,566	788,894
Accrued payroll	13,631	11,679
Total current liabilities	1,167,294	1,141,626
Long-term debt	6,505	11,634
Total liabilities	1,173,799	1,153,260
Shareholder's equity:		
Common stock, no par value, $5 stated value. Authorized 750 shares; issued and outstanding 100 shares	500	500
Retained earnings	115,162	373,150
Total shareholder's equity	115,662	373,650
Commitments and contingencies		
Total liabilities and shareholder's equity	$ 1,289,461	$1,526,910

See accompanying notes to financial statements.

COMMERCIAL SURETY AGENCY, INC.
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 1996 AND 1995
(UNAUDITED)

	JUNE 30	
	1996	1995
Revenues:		
Commissions	$1,024,660	$ 841,716
Management fees from affiliate	300,000	300,000
Other	98,670	0
Interest income	1,868	107
Total revenues	1,425,198	1,141,823
Expenses:		
Commissions	598,722	413,103
Operating expenses:		
Salaries	452,567	411,837
Amortization	533	14,291
Depreciation	19,385	16,074
General and administrative	133,619	92,927
Interest	1,755	7,937
Loss on disposal of asset	0	1,845
Payroll taxes	51,449	47,395
Rent	27,756	27,487
	687,064	619,973
Total expenses	1,285,786	1,032,896
Income before Federal income tax expense	139,412	108,927
Federal income tax expense	47,400	37,035
Net income	$ 92,012	$ 71,892

See accompanying notes to financial statements.

COMMERCIAL SURETY AGENCY, INC.
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 1996 AND 1995
(UNAUDITED)

	1996	1995
Cash flows from operating activities:		
Net income	$ 92,012	$ 71,892
Adjustments to reconcile net income to net cash provided by (use in) operating activities:		
Depreciation and amortization	20,451	4,935
Loss on sale of property and equipment	0	1,845
Changes in operating assets and liabilities:		
(Increase) decrease in premiums receivable	(66,666)	(210,339)
Decrease in commissions receivable	239,139	589,948
Decrease in note receivable-related party	0	80,223
Decrease in other receivables	39,740	12,891
Decrease in other receivables from affiliates	99	99
Decrease in prepaid expenses	10,951	6,798
(Increase) decrease in federal income tax receivable from parent	209,464	(159,902)
Decrease in deposits	1,189	1,897
Decrease in deferred financial cost	0	19,999
Increase (decrease) in accounts payable	804	(177,520)
Decrease in bonuses payable	(153,700)	(213,150)
Decrease in commissions payable	(55,254)	(38,591)
Increase in premiums payable to affiliates	257,672	448,921
Increase in accrued payroll	1,952	1,495
Increase in accrued interest	0	5,485
Net cash provided by (used in) operating activities	597,853	446,246
Cash flows from investing activities:		
Acquisition of property and equipment	(13,271)	(41,980)
Net cash (used in) investing activities	(13,271)	(41,980)
Cash flows from financing activities:		
Advances to Parent	(67,575)	(56,706)
Repayment of long-term debt principal	(30,935)	(73,005)
Repayment of note payable-related party	0	(12,514)
Dividend distribution to Parent	(350,000)	0
Net cash (used in) financing activities	(448,510)	(142,225)
Net increase in cash	136,072	262,221
Cash -- beginning of period	2,363	316,028
Cash -- end of period	$ 138,435	$ 579,249
SUPPLEMENTAL DISCLOSURE:		
Interest paid:	$ 1,755	$ 7,937
Federal income taxes paid	$ 29,823	$ 149,816

See accompanying notes to financial statements.

COMMERCIAL SURETY AGENCY, INC.
(A WHOLLY OWNED SUBSIDIARY OF ALLIANCE HOLDING CORPORATION)

NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited financial statements as of June 30, 1996 and 1995, include the accounts of Commercial Surety Agency, Inc. ("CSU"), a wholly-owned subsidiary of Alliance Holding Corporation ("Alliance").

The financial statements of CSU included herein have been prepared by the management of CSU, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of CSU, the accompanying statements reflect all adjustments necessary to present fairly the financial position results of operations and cash flows for those periods indicated, and contain adequate disclosure to make the information presented not misleading. Such adjustments are of a normal, recurring nature unless otherwise disclosed in the notes to the financial statements. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in CSU's latest audited financial statements.

Results of operations for any six month period are not necessarily indicative of the results of operations for a full year.

2. DIVIDEND

CSU paid a $350,000 dividend to Alliance in the six-month period ended June 30, 1996.

3. PROPOSED MERGER AND SUBSEQUENT EVENTS

On May 19, 1996 Alliance and Republic Environmental Systems, Inc. ("RESI") signed a binding letter of intent and agreed to the terms of mergers (the "Mergers") pursuant to which Alliance would receive (i) 14,760,000 shares of RESI's common stock, par value $0.01 per share ("RESI Common Stock"), (ii) warrants to acquire an additional 4,200,000 shares of RESI Common Stock at exercise prices ranging from $2.625 to $3.875 per share and exercisable over two to four year periods, and (iii) a promissory note in the principal amount of $4.0 million in consideration for all of the outstanding common stock of Alliances' wholly-owned subsidiaries, CSC and CSU.

During July 1996, the Alliance Companies entered into an agreement to acquire Environmental & Commercial Insurance Agency, Inc.; an agreement with Gulf Insurance Company and Midwest Indemnity Corporation ("Midwest") for the production, underwriting and reinsurance of contract surety and surety bond business primarily to environmental businesses; and an option to purchase assets of Midwest. These transactions are subject to the consummation of the Mergers.

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Century Surety Company

The Board of Directors and Shareholder
Commercial Surety Agency, Inc.:

We consent to the use of our reports included herein and to the reference to our firm under the heading "Experts". Our report for Century Surety Company dated April 9, 1996 except as to note 12, which is as of June 14, 1996, included herein, refers to a change in accounting principle. In 1994, Century Surety Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities.

KPMG Peat Marwick LLP

September 20, 1996

AGREEMENT

AND

PLAN OF MERGER

by and among
Republic Environmental Systems, Inc.,
Republic/CSA Acquisition Corporation,
Republic/CSU Acquisition Corporation,
Alliance Holding Corporation,
Century Surety Company and
Commercial Surety Agency, Inc.

Dated as of May 19, 1996

TABLE OF CONTENTS

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (this "Agreement") is dated as of May 19, 1996 among Republic Environmental Systems, Inc., a Delaware corporation ("RESI"), Republic/CSA Acquisition Corporation ("CSC Merger Sub") and Republic/CSU Acquisition Corporation ("CSU Merger Sub" and, together with CSC Merger Sub, the "Merger Subs"), each a Delaware corporation and wholly-owned subsidiary of RESI, Alliance Holding Corporation, an Ohio corporation ("Alliance"), and Century Surety Company ("CSC") and Commercial Surety Agency, Inc., d/b/a Century Surety Underwriters ("CSU" and together with CSC, the "Alliance Companies"), each an Ohio corporation and wholly-owned subsidiary of Alliance. RESI, the Merger Subs, the Alliance Companies and Alliance may hereinafter be referred to collectively as the "Parties" or individually as a "Party."

RECITALS

Each of the Boards of Directors of RESI and Alliance has determined that it is in the best interests of their respective stockholders for RESI to acquire each of the Alliance Companies on the terms and subject to the conditions set forth herein. In order to effectuate the transaction, RESI has organized each of the Merger Subs as a wholly-owned subsidiary of RESI and has agreed, subject to the terms and conditions set forth in this Agreement, to merge (i) CSC Merger Sub with and into CSC, with CSC as the surviving corporation, and (ii) CSU Merger Sub with and into CSU, with CSU being the surviving corporation. As a result of such mergers, each of the Alliance Companies will become a wholly-owned subsidiary of RESI.

TERMS OF AGREEMENT

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

ARTICLE I

DEFINITIONS

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

"Affiliate" shall have the meaning ascribed to it in Rule 12b-2 under the Exchange Act, as in effect on the date hereof.

"Agreement" shall mean this Agreement and Plan of Merger together with all exhibits and schedules attached hereto.

"Alliance" shall have the meaning set forth in the Preamble hereof.

"Alliance Companies" shall have the meaning set forth in the Preamble hereof.

"Alliance Companies Common Stock" shall have the meaning set forth in Section 2.7 hereof.

"Alliance Companies' Subsidiaries" shall have the meaning set forth in Section 4.8 hereof.

"Closing" shall mean the closing of the transactions contemplated by Section 2.2 hereof.

"Closing Date" shall mean the tenth day following the satisfaction or waiver of the conditions set forth in Article VII or such date as otherwise agreed upon by the Parties.

"Code" means the Internal Revenue Code of 1986, as amended.

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

"CSC" shall have the meaning set forth in the Preamble hereof.

"CSC Common Stock" shall have the meaning set forth in Section 2.7 hereof.

"CSC Merger Sub" shall have the meaning set forth in the Preamble hereof.

"CSC Subsidiaries" shall have the meaning set forth in Section 4.8 hereof.

"CSU" shall have the meaning set forth in the Preamble hereof.

"CSU Common Stock" shall have the meaning set forth in Section 2.7 hereof.

"CSU Merger Sub" shall have the meaning set forth in the Preamble hereof.

"DGCL" shall have the meaning set forth in Section 2.1 hereof.

"Effective Time" shall have the meaning set forth in Section 2.2 hereof.

"Employee Benefit Plans" shall have the meaning set forth in Section 4.20 hereof.

"Employment/Non-Competition Agreements" shall have the meaning set forth in Section 6.19 hereof.

"ERISA" shall have the meaning set forth in Section 4.20 hereof.

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

"GAAP" means generally accepted accounting principles in the United States, consistently applied throughout the specified period and in the comparable period in the immediately preceding year.

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

"HSR Act" shall have the meaning set forth in Section 3.15 hereof.

"Indemnified Party" shall have the meaning set forth in Section 8.2 hereof.

"Indemnifying Party" shall have the meaning set forth in Sections 8.2 hereof.

"Information Statement" shall have the meaning set forth in Section 6.6 hereof.

"Intellectual Property" shall have the meaning set forth in Section 4.24 hereof.

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

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

"Mergers" shall have the meaning set forth in Section 2.1 hereof.

"Merger Subs" shall have the meaning set forth in the Preamble hereof.

"Note" shall have the meaning set forth in Section 2.8 hereof.

"OGCL" shall have the meaning set forth in Section 2.1 hereof.

"Parties" or "Party" shall have the meaning set forth in the Preamble hereto.

"Permits" shall have the meaning set forth in Section 4.23 hereof.

"Person" means any natural person, partnership, corporation, joint stock company, estate, trust, unincorporated association, joint venture, Governmental Authority, proprietorship, union, association, arbitrator, board, bureau, instrumentality, self-regulatory organization or other entity, of whatever nature.

"Purchase Agreements" shall have the meaning set forth in Section 7.3(f) hereof.

"Real Property" shall have the meaning set forth in Section 4.17 hereof.

"Registration Statement" shall have the meaning set forth in Section 6.6 hereof.

"Regulatory Agent" shall have the meaning set forth in Section 4.16 hereof.

"Requirement of Law" means as to any Person, the articles of incorporation, bylaws or other organizational or governing documents of such Person, and any domestic or foreign and federal, state or local law, rule, regulation, statute or ordinance or determination of any arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its properties or to which such Person or any of its property is subject including, without limitation, all applicable insurance laws and regulations.

"RESI" shall have the meaning set forth in the Preamble hereof.

"RESI Common Stock" shall have the meaning set forth in Section 2.7 hereof.

"SEC" means the Securities and Exchange Commission.

"SEC Reports" has the meaning specified in Section 3.6 hereof.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Series A Warrants" shall have the meaning set forth in Section 2.7 hereof.

"Series B Warrants" shall have the meaning set forth in Section 2.7 hereof.

"Series C Warrants" shall have the meaning set forth in Section 2.7 hereof.

"Shares" shall have the meaning set forth in Section 2.7 hereof.

"Stockholders' Meeting" shall have the meaning set forth in Section 6.7 hereof.

"Stock Split" shall mean the two for one stock split to be effected on June 30, 1996 by means of a stock dividend of one share of RESI Common Stock for each share of RESI Common Stock held of record on June 14, 1996.

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

"Surviving Corporation" shall have the meaning set forth in Section 2.1 hereof.

"Tax" or "Taxes" means all taxes, charges, fees, levies, guaranty fund assessments or other similar assessments or liabilities, including, without limitation, income, gross receipts, ad valorem, premium, excise, real property, personal property, windfall profit, sales, use, transfer, licensing, withholding, employment, payroll and franchise taxes imposed by the United States of America or any state, local or foreign government, or any subdivision, agency or other similar Person of the United States or any such government; and such term shall include any interest, fines, penalties, assessments or additions to tax resulting from, attributable to, or incurred in connection with any such tax or any contest or dispute thereof.

"Terminating Alliance Breach" shall have the meaning set forth in Section 9.1 hereof.

"Terminating RESI Breach" shall have the meaning set forth in Section 9.1 hereof.

"Warrant Certificates" shall have the meaning set forth in Section 2.7 hereof.

"Warrant Shares" shall mean the RESI Common Stock to be issued upon the exercise of the Warrants.

"Warrants" shall have the meaning set forth in Section 2.7 hereof.

1.2 OTHER DEFINITIONAL PROVISIONS.

(a) The terms "hereof," "herein," "hereby," "hereto" and derivative or similar words refer to this entire Agreement.

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

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

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

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

ARTICLE II

THE MERGERS

2.1 THE MERGERS. Subject to and upon the terms and conditions of this Agreement and in accordance with the Delaware General Corporation Law (the "DGCL") and the Ohio General Corporation Law (the "OGCL"), at the Effective Time, (i) CSC Merger Sub shall be merged with and into CSC (the "CSC Merger") and CSU Merger Sub shall be merged with and into CSU (the "CSU Merger" and, together with the CSC Merger, the "Mergers"). As a result of the Mergers, the separate corporate existence of each of the Merger Subs shall cease and CSC and CSU shall continue as the surviving corporations (the "Surviving Corporations").

2.2 CONSUMMATION OF THE MERGERS. The Closing shall take place on the Closing Date at the offices of Alliance, 10055 Sweet Valley Drive, Valley View, Ohio 44125, or such other place as the Parties may agree. At the time of the Closing, the Parties shall cause each of the Mergers to be consummated by filing (a) Certificates of Merger with the Secretary of State of the State of Delaware, in such form as required by and executed in accordance with the relevant provisions of the DGCL, and (b) Certificates of Merger with the Secretary of State of the State of Ohio, in such form as required by and executed in accordance with the relevant provisions of OGCL (the date and time of such filing is referred to herein as the "Effective Time") and shall deliver such other documents and instruments as required under the terms of this Agreement.

2.3 EFFECT OF THE MERGERS. Each of the Mergers shall have the effect set forth in Section 259 of the DGCL and Section 1701.82 of the OGCL.

2.4 CERTIFICATE OF INCORPORATION AND BYLAWS. At the Effective Time, the Articles of Incorporation and Code of Regulations of each of CSC and CSU immediately prior to the Effective Time shall be and continue to be the Articles of Incorporation and Code of Regulations, respectively, of the applicable Surviving Corporation.

2.5 DIRECTORS AND OFFICERS. At the Effective Time, those persons serving as directors and officers of CSC and CSU, respectively, immediately prior to the Effective Time shall submit their resignations. The initial directors and officers of the respective Surviving Corporations shall be appointed by the Board of Directors of RESI, each to hold office in accordance with the Articles of Incorporation of the respective Surviving Corporation until his or her respective successor is duly elected or appointed and qualified or until his or her

earlier death, resignation or removal. The majority of the directors on the initial Boards of Directors of the respective Surviving Corporations and their insurance subsidiaries shall be members of the current management of the Alliance Companies.

2.6 CONSIDERATION. As consideration for the acquisition by RESI from Alliance of all of the Alliance Companies Common Stock (defined herein), RESI shall issue to Alliance:

(a) as set forth in Section 2.7, (i) an aggregate of 15,000,000 shares of RESI common stock, $.01 par value per share ("RESI Common Stock"), and (ii) warrants to purchase an aggregate of 4,200,000 shares of RESI Common Stock; and

(b) a promissory note payable to Alliance in the aggregate principal amount of $4,000,000 with such terms as set forth in the form attached hereto as Exhibit 2.6 (the "Note").

2.7 CONVERSION OF SECURITIES. At the Effective Time, by virtue of each of the Mergers and without any action on the part of the Parties or the holders of any of their respective securities:

(a) All shares of CSC common stock, $10,000 par value per share (the "CSC Common Stock"), and CSU common stock, no par value per share (the "CSU Common Stock" and, together with the CSC Common Stock, the "Alliance Companies Common Stock"), issued and outstanding immediately prior to the Effective Time (other than shares of CSC Common Stock or CSU Common Stock held by CSC or CSU, respectively, in its treasury) shall be converted into the right to receive (i) an aggregate of 15,000,000 shares (the "Shares") of RESI Common Stock, and (ii) warrants to purchase (a) an aggregate of 1,400,000 shares of RESI Common Stock at a purchase price of $2.625 per share, exercisable in whole or in part at any time and from time to time from the Closing Date until 6:00 p.m. on the date two years from the Closing Date (the "Series A Warrants"), (b) an aggregate of 1,400,000 shares of RESI Common Stock at a purchase price of $3.125 per share, exercisable in whole or in part at any time and from time to time from the Closing Date until 6:00 p.m. on the date three years from the Closing Date (the "Series B Warrants"), and (c) an aggregate of 1,400,000 shares of RESI Common Stock at a purchase price of $3.875 per share, exercisable in whole or in part at any time and from time to time from the Closing Date until 6:00 p.m. on the date four years from the Closing Date (the "Series C Warrants" and, together with the Series A Warrants and the Series B Warrants, the "Warrants"), pursuant to the warrant certificates in the forms attached hereto as Exhibits 2.7(a)(1), 2.7(a)(2) and 2.7(a)(3), respectively (the "Warrant Certificates").

(b) Each share of CSC Common Stock and CSU Common Stock held in the treasury of CSC and CSU, respectively, immediately prior to the Effective Time shall automatically be canceled and retired and cease to exist, without any conversion thereof.

(c) Each share of CSC Merger Sub common stock, $.01 par value per share and each share of CSU Merger Sub common stock, $.01 par value per share, issued and outstanding immediately prior to the Effective Time shall be automatically converted into one share of common stock of the respective Surviving Corporation.

2.8 EXCHANGE OF CERTIFICATES. Following the Effective Time, Alliance shall tender the share certificates representing the Alliance Companies Common Stock to RESI, and RESI shall promptly (and in any event within five business days) issue to or at the direction of such holder one or more share certificates representing the Shares.

ARTICLE III

REPRESENTATIONS AND WARRANTIES
OF RESI AND THE MERGER SUBS

As a material inducement to Alliance and each of the Alliance Companies entering into this Agreement and consummating the transactions contemplated hereby, RESI and each of the Merger Subs represent and warrant, jointly and severally, to Alliance and each of the Alliance Companies as follows:

3.1 CORPORATE STATUS.

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

(b) Each of the Merger Subs was incorporated on June 5, 1996 and (i) has not since the date of its incorporation taken any actions (or ratified any actions taken by its incorporators) or conducted any business other than the execution and delivery of this Agreement, (ii) has no material assets and (iii) has no liabilities, whether absolute, accrued, asserted, unasserted, contingent or otherwise.

3.2 CORPORATE POWER AND AUTHORITY. Each of RESI and the Merger Subs has the corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and consummate the transactions contemplated hereby. Except for the approval of the RESI stockholders, each of RESI and the Merger Subs has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby.

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

3.4 NO VIOLATION. The execution and delivery by each of RESI and the Merger Subs of this Agreement, the consummation of the transactions contemplated hereby, and the compliance by each of RESI and the Merger Subs with the terms and provisions hereof, will not (a) result in (i) a violation or breach of, (ii) constitute (with or without due notice or lapse of time or both) a material default under, (iii) give rise to any right of termination, cancellation or acceleration under, or (iv) create any obligation to pay money or otherwise perform a material act pursuant to, any of the terms, conditions or provisions of any Contract to which RESI or any of its Subsidiaries is a party or by which any of them or any material portion of their properties or assets may be bound, (b) conflict with, or result in any breach of any provision of the Certificates of Incorporation or Bylaws or other governing instruments of RESI or any of its Subsidiaries, (c) violate any Requirement of Law applicable to RESI or any of its Subsidiaries or any material portion of their properties or assets or (d) result in the imposition of any Lien upon any of the capital stock, properties or assets of RESI or any of its Subsidiaries; except where any of the foregoing would not have a Material Adverse Affect on RESI and its Subsidiaries taken as a whole.

3.5 CONSENTS/APPROVALS. No consent, approval, waiver or other action by any Person under any Contract to which either RESI or any of its Subsidiaries is a party, or by which any of their respective properties or assets are bound or under any Requirement of Law, is required or necessary for the execution, delivery or performance by RESI and each of the Merger Subs of this Agreement and the consummation of the

transactions contemplated hereby, except (a) as required by the Securities Act, the Exchange Act and state securities or "blue sky" laws, (b) as required by the DGCL and the OGCL, (c) as required by the Ohio and other applicable state insurance authorities and (d) where the failure to obtain such consents, filings, authorizations, approvals or waivers or make such filings would not prevent or delay the consummation of the Mergers or otherwise prevent any of RESI or the Merger Subs from performing their respective obligations hereunder.

3.6 SEC REPORTS AND NASDAQ COMPLIANCE. Since April 25, 1995, RESI has made all filings (the "SEC Reports") required to be made by it under the Securities Act and the Exchange Act. The SEC Reports, when filed, complied in all material respects with all applicable requirements of the Securities Act and the Exchange Act and the securities laws, rules and regulations of any state and pursuant to any Requirement of Law and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. RESI has delivered or made accessible to Alliance and each of the Alliance Companies true, accurate and complete copies of the SEC Reports which were filed with the SEC since April 25, 1995. RESI has taken all necessary actions to ensure its continued inclusion in, and the continued eligibility of the RESI Common Stock for trading on the Nasdaq National Market under all currently effective and currently proposed inclusion requirements.

3.7 CAPITALIZATION. The authorized capital stock of RESI consists of 20,000,000 shares of RESI Common Stock. As of the date hereof, after giving effect to the Stock Split, 10,809,638, shares of RESI Common Stock are validly issued and outstanding, fully paid and non-assessable. Except (a) as described in Schedule 3.7, (b) for 1,143,960 shares of RESI Common Stock, after giving effect to the Stock Split, reserved for issuance pursuant to certain options or warrants issued pursuant to the RESI 1995 Employee Stock Option Plan and in connection with the distribution of RESI Common Stock to holders of Republic Waste Industries, Inc. common stock in April 1995 (the "Spin-off") and (c) as contemplated by the Purchase Agreements and this Agreement, there are (y) no rights, options, warrants, convertible securities, subscription rights or other agreements, calls, plans, contracts or commitments of any kind relating to the issued and unissued capital stock of, or other equity interest in, RESI or any of its Subsidiaries outstanding or authorized, and (z) no contractual obligations of RESI or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of RESI Common Stock or any capital stock of, or any equity interest in, any of its Subsidiaries. Upon delivery to Alliance of the certificates for the Shares and the Warrant Certificates following the Effective Time, Alliance will acquire good, valid and marketable title to and beneficial and record ownership of the Shares and the Warrants, and the Shares will be validly issued, fully paid and non-assessable. RESI will reserve 4,200,000 shares of RESI Common Stock for issuance upon exercise of the Warrants and, upon exercise of the Warrants in accordance with this Agreement and the Warrant Certificate (including, without limitation, payment in full of the exercise price) the Warrant Shares will be validly issued, fully paid and non-assessable.

3.8 BROKERS. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based on any arrangements or agreements made by or on behalf of RESI or the Merger Subs and for which RESI, Merger Subs or any other RESI Subsidiary will have an obligation or liability.

3.9 CONTRACTS AND COMMITMENTS. Except as set forth in the SEC Reports and except for this Agreement, the agreements contemplated hereby, the Purchase Agreements and the agreements contemplated thereby, as of the date hereof, none of RESI or its Subsidiaries is a party to or is bound by any Contract material to RESI and its Subsidiaries, taken as a whole, involving any obligation or liability on the part of RESI or its Subsidiaries, or relating to the business of RESI or its Subsidiaries and otherwise materially affecting RESI's business or business opportunities, not otherwise listed in Schedule 3.9.

None of the RESI or its Subsidiaries is (and, to the best knowledge of RESI, no other party is) in material breach or violation of, or default under, any of such Contracts and there does not exist under any such Contract any event or condition which, either individually or in the aggregate (after notice or the lapse of time or both), would constitute a default by RESI or any of its Subsidiaries or, to the best knowledge of RESI, by

any other party thereto and to the best knowledge of RESI, no course of conduct has modified in any respect any of the written terms in any such Contract; except, in each case, where it would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on RESI and its Subsidiaries taken as a whole.

3.10 MATERIAL ADVERSE CHANGE. Since December 31, 1995, there has been no Material Adverse Change in RESI and its Subsidiaries, taken as a whole.

3.11 LITIGATION. Except as set forth in the SEC Reports and Schedule 3.11 hereto, as of the date hereof, none of RESI or its Subsidiaries (a) is subject to any outstanding injunction, judgement, order, decree, ruling or charge or (b) is a party or, to the knowledge of any of the RESI, is threatened to be made a party to any action, suit, proceeding, hearing, or investigation of, in or before any court or quasi-judicial or administrative agency of any federal, state, local or foreign jurisdiction or before any arbitrator, which in each case would reasonably be expected to have a Material Adverse Effect on RESI and its Subsidiaries. To the best knowledge of RESI, neither it nor any of its Subsidiaries is or any property or asset of RESI or any of its Subsidiaries is in violation of any order, writ, judgement, injunction, decree, determination or award, which would reasonably be expected to have a Material Adverse Effect on RESI and its Subsidiaries taken as a whole.

3.12 EMPLOYEE AGREEMENTS. The consummation of the transactions contemplated by this Agreement will not result in any payments by the Surviving Companies or RESI to any officers or directors of RESI or any of its Subsidiaries under any Contracts, except as set forth in Schedule 3.12.

3.13 BOARD APPROVAL. This Agreement, the Mergers and the transactions contemplated hereby have been approved and adopted by the board of directors of RESI and the Merger Subs in accordance with their respective Certificates of Incorporation and Bylaws and the DGCL and no other consents or approvals are required by or on behalf of RESI or its Subsidiaries to consummate the transactions contemplated hereby except as otherwise set forth on Schedule 3.5 or in this Agreement.

3.14 INAPPLICABILITY OF SECTION 203 OF DGCL. The Board of Directors of RESI has approved the execution and delivery by RESI of this Agreement and the consummation of the transactions contemplated hereby and the other transactions contemplated hereby and thereby, and such approval is sufficient to render inapplicable to Alliance and/or any affiliates and associates of Alliance (as those terms are defined in Section 203 of the DGCL) and/or all or any combination of such persons the provisions of Section 203 of DGCL that restrict business combinations (as defined in Section 203 of DGCL) between an interested stockholder and RESI.

3.15 HSR ACT. Within the meaning of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the implementing regulations thereto (the "HSR Act"), each of RESI and the Merger Subs, including the "ultimate parent entity" in which each is included, has a size of person less than $100 million.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF ALLIANCE AND THE ALLIANCE COMPANIES

As a material inducement to RESI and the Merger Subs entering into this Agreement and consummating the transactions contemplated hereby, Alliance and the Alliance Companies represent and warrant, jointly and severally, to RESI and the Merger Subs as follows:

4.1 CORPORATE STATUS. Each of Alliance, the Alliance Companies and the Alliance Companies' Subsidiaries (other than Continental Heritage Insurance Company) is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Ohio. Continental Heritage Insurance Company, a Subsidiary of CSC, is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Utah. Each of Alliance and the Alliance Companies has all requisite corporate power and authority to own or lease, as the case may be, its properties and to carry on its business as now conducted. Each of Alliance, the Alliance Companies and the Alliance Companies' Subsidiaries (a) is qualified or

licensed to conduct business in all jurisdictions where its ownership or lease of property and the conduct of its business requires such qualification or licensing, except to the extent that failure to so qualify or be licensed would not have a Material Adverse Effect on such Party and (b) is not required to be qualified to do business in any jurisdiction other than those listed on Schedule 4.1. Each of the Alliance Companies and the Alliance Companies' Subsidiaries, to the extent required by law, is in good standing and is admitted or authorized to write excess coverage and to conduct the insurance business as authorized by its certificates of authority in all jurisdictions listed on Schedule 4.1.

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

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

4.4 NO VIOLATION. The execution and delivery by Alliance and the Alliance Companies of this Agreement, the consummation of the transactions contemplated hereby, and the compliance by Alliance and the Alliance Companies with the terms and provisions hereof, will not (a) result in (i) a violation or breach of, (ii) constitute (with or without due the notice or the lapse of time or both), a material default under, (iii) give rise to any right of termination, cancellation or acceleration) under or (iv) create any obligation to pay money or otherwise perform a material act pursuant to any of the terms, conditions or provisions of any Contract to which the Alliance Companies or any of the Alliance Companies' Subsidiaries is a party or by which any of them or any material portion of their properties or assets may be bound, (b) conflict with, or result in any breach of any provision of the Articles of Incorporation or Code of Regulations or other governing instruments of Alliance, its Subsidiaries, the Alliance Companies or any of the Alliance Companies' Subsidiaries, (c) violate any Requirement of Law applicable to Alliance, its Subsidiaries, the Alliance Companies or any of the Alliance Companies' Subsidiaries or any material portion of their properties or assets or (d) result in the imposition of any Lien upon any of the capital stock, properties or assets of the Alliance Companies or any of the Alliance Companies' Subsidiaries; except where any of the foregoing would not have a Material Adverse Affect on any of Alliance or the Alliance Companies.

4.5 CONSENTS/APPROVALS. No consent, approval, waiver or other action by any Person under any Contract to which any of Alliance, its Subsidiaries, the Alliance Companies or any of the Alliance Companies' Subsidiaries is a party, or by which any of their respective properties or assets are bound or under any Requirement of Law, is required or necessary for the execution, delivery or performance by any of Alliance or the Alliance Companies of this Agreement and the consummation of the transactions contemplated hereby, except (a) as required by the Securities Act, the Exchange Act and state securities or "blue sky" laws, (b) as required by the DGCL and the OGCL, (c) as required by the Ohio and other applicable state insurance authorities, and (d) where the failure to obtain such consents, filings, authorizations, approvals or waivers or make such flings would not prevent or delay the consummation of the Mergers or otherwise prevent any of Alliance or the Alliance Companies from performing their respective obligations hereunder or have a Material Adverse Effect on the Alliance Companies.

4.6 CAPITALIZATION.

(a) The authorized capital stock of CSC consists of 500 shares of CSC Common Stock. As of the date hereof, 200 shares of CSC Common Stock are validly issued and outstanding, fully paid and non-assessable. All of the issued and outstanding shares of capital stock of each of CSC's Subsidiaries is validly issued and outstanding, fully paid and non-assessable. Alliance is the record and beneficial owner of all of the issued and outstanding CSC Common Stock and holds such CSC Common Stock free and

clear of all Liens and, upon Closing, RESI will acquire good and valid title to such shares of CSC Common Stock free and clear of any Liens. CSC is the record and beneficial owner of all of the issued and outstanding capital stock of CSC's Subsidiaries and holds such capital stock free and clear of all Liens. Except as described on Schedule 4.6(a), (i) there are no rights, options, warrants, convertible securities, subscription rights or other agreements, calls, plans, contracts or commitments of any kind relating to the issued and unissued capital stock of, or other equity interest in, CSC or any of CSC's Subsidiaries outstanding or authorized; (ii) there are no contractual obligations of CSC or CSC's Subsidiaries to repurchase, redeem or otherwise acquire any shares of CSC Common Stock or any capital stock of, or equity interest in, any of CSC's Subsidiaries and (iii) no written or oral agreement or understanding has been made by Alliance with respect to the disposition of such shares of CSC Common Stock or any rights therein, in any manner other than by this Agreement.

(b) The authorized capital stock of CSU consists of 750 shares of CSU Common Stock. As of the date hereof, 100 shares of CSU Common Stock are validly issued and outstanding, fully paid and non-assessable. All of the issued and outstanding shares of capital stock of each of CSU's Subsidiaries is validly issued and outstanding, fully paid and non-assessable. Alliance is the record and beneficial owner of all of the issued and outstanding CSU Common Stock and holds such CSU Common Stock free and clear of all Liens and, upon Closing, RESI will acquire good and valid title to such shares of CSU Common Stock free and clear of any Liens. CSU is the record and beneficial owner of all of the issued and outstanding capital stock of the CSU's Subsidiaries and holds such capital stock free and clear of all Liens. Except as described on Schedule 4.6(b), (i) there are no rights, options, warrants, convertible securities, subscription rights or other agreements, calls, plans, contracts or commitments of any kind relating to the issued and unissued capital stock of, or other equity interest in, CSU or any of CSU's Subsidiaries outstanding or authorized; (ii) there are no contractual obligations of CSU or CSU's Subsidiaries to repurchase, redeem or otherwise acquire any shares of CSU Common Stock or any capital stock of, or equity interest in, any of CSU's Subsidiaries and (iii) no written or oral agreement or understanding has been made by Alliance with respect to the disposition of such shares of CSU Common Stock or any rights therein, in any manner other than by this Agreement.

4.7 GOVERNING DOCUMENTS. Each of Alliance and the Alliance Companies has delivered or made accessible to RESI true, accurate and complete copies of the Articles of Incorporation and Code of Regulations of Alliance, the Alliance Companies and the Alliance Companies' Subsidiaries, in each case, in effect as of the date hereof.

4.8 SUBSIDIARIES. Set forth on Schedule 4.8 is a true and complete list of all corporations, partnerships, joint ventures or other entities in which either CSC or CSU owns, directly or indirectly, any outstanding voting securities or other interests (the "Alliance Companies' Subsidiaries"), other than those held solely for investment purposes.

4.9 FINANCIAL STATEMENTS. Each of the Alliance Companies delivered to RESI and the Merger Subs for each of the Alliance Companies the audited balance sheets (including any related notes and schedules) as of December 31, 1993, 1994 and 1995 and the unaudited balance sheets as of March 31, 1996, and the audited income statements for the years ended December 31, 1993, 1994 and 1995 and the unaudited income statement for the three-month period ended March 31, 1996, and each of these financial statements fairly presents in all material respects the consolidated results of operations or other information contained therein of the Alliance Companies for the periods or as of the dates therein set forth in accordance with GAAP.

4.10 MATERIAL ADVERSE CHANGE. Since December 31, 1995, there has been no Material Adverse Change in the Alliance Companies.

4.11 LITIGATION. Schedule 4.11 sets forth each instance in which the Alliance Companies or the Alliance Companies' Subsidiaries (a) is subject to any outstanding injunction, judgement, order, decree, ruling or charge or (b) is a party or, to the knowledge of Alliance and either of the Alliance Companies, is threatened to be made a party to any action, suit, proceeding, hearing, or investigation of, in or before any court or quasi-judicial or administrative agency of any federal, state, local or foreign jurisdiction or before any arbitrator, which would reasonably be expected to have a Material Adverse Effect on any of the Alliance Companies or

any of the Alliance Companies' Subsidiaries. To the best of the knowledge of Alliance and the Alliance Companies, none of the Alliance Companies or the Alliance Companies' Subsidiaries or any property or asset of any of the Alliance Companies or any of the Alliance Companies' Subsidiaries is in violation of any order, writ, judgement, injunction, decree, determination or award, which would reasonably be expected to have a Material Adverse Effect on the Alliance Companies or any of the Alliance Companies' Subsidiaries.

4.12 TITLE TO PROPERTIES. Except as set forth on Schedule 4.12, the Alliance Companies and the Alliance Companies' Subsidiaries have good, valid and marketable title to all personal property reflected in their respective 1995 audited financial statements, free and clear of any Liens. All material personal property leases to which any of the Alliance Companies or the Alliance Companies' Subsidiaries are a party as either lessor or lessee are listed on Schedule 4.12 and are valid and enforceable in accordance with their respective terms, and there is not under any of such leases any material breach or default on the part of the Alliance Companies or the Alliance Companies' Subsidiaries or, to the best knowledge of Alliance and the Alliance Companies, on the part of any party thereto, or any condition or event that with the giving of notice of lapse of time or both would constitute a breach by any of the Alliance Companies, the Alliance Companies' Subsidiaries or other parties thereto.

4.13 DEPOSITS. Schedule 4.13 sets forth a list and description of all deposits maintained by each of the Alliance Companies and the Alliance Companies' Subsidiaries with any insurance regulatory body or otherwise. Each of the Alliance Companies is entitled to the return of each such deposit upon compliance with applicable insurance laws and regulations when any of the Alliance Companies or the Alliance Companies' Subsidiaries cease to do business in a particular jurisdiction. No action is pending or, to the knowledge of Alliance or the Alliance Companies, threatened to cause the forfeiture or loss of all or any portion of any such deposits and none of Alliance or the Alliance Companies is aware of any facts or circumstances which are reasonably likely to give rise to any such action.

4.14 BANKING ARRANGEMENTS AND POWERS OF ATTORNEY. Schedule 4.14 sets forth a list of all bank accounts, credit lines or safe deposit boxes of the Alliance Companies and the Alliance Companies' Subsidiaries. No person holds any powers of attorney from any of the Alliance Companies or the Alliance Companies' Subsidiaries, other than those powers of attorney held by insurance and bond agents with respect to policies of insurance and related to statutory deposits and agent for service of process required by regulatory agencies in order to maintain the certificates of authority and licenses listed on Schedule 4.1.

4.15 BOOKS AND RECORDS. Each of the Alliance Companies and the Alliance Companies' Subsidiaries keeps its books, records and accounts (including, without limitation, those kept for financial reporting purposes and for tax purposes) in sufficient detail to accurately and fairly reflect the transactions and dispositions of is assets, liabilities and equities. The minute books of each of the Alliance Companies and the Alliance Companies' Subsidiaries that have been made available to RESI contain complete and accurate records of all of its shareholders' and directors' meetings and of all action taken by such shareholders and directors. The meetings of directors and shareholders referred to in such minute books were duly called and held, and the resolutions appearing in such minute books were duly adopted. The signatures appearing on all documents contained in such minute books are the true signatures of the persons purporting to have signed the same. The stock certificate records and stock transfer records of each of the Alliance Companies and the Alliance Companies' Subsidiaries are correct and complete and reflect accurately the number of shares of stock held by its shareholders.

4.16 EMPLOYEES AND AGENTS.

(a) Each of the Alliance Companies and the Alliance Companies' Subsidiaries has duly appointed an agent ("Regulatory Agent") in each jurisdiction where the appointment of a Regulatory Agent is required by applicable law to maintain each entity's certificate of authority and insurance licenses in such jurisdiction. Each of the Alliance Companies and the Alliance Companies' Subsidiaries shall maintain in effect the appointment of each Regulatory Agent through the Closing Date. Other than as described on Schedule 4.16, none of the Alliance Companies or the Alliance Companies' Subsidiaries has any contingent, threatened or actual liabilities to any prior employees, agents or salespersons.

(b) The consummation of the transactions contemplated by this Agreement will not result in any payments by the Surviving Corporations to any officers or directors of Alliance, the Alliance Companies or any Alliance Companies' Subsidiaries under any Contracts.

4.17 REAL PROPERTY. Schedule 4.17 sets forth a list of all leases of real property which the Alliance Companies and the Alliance Companies' Subsidiaries use in their businesses and all real property owned by any of the Alliance Companies or the Alliance Companies' Subsidiaries (collectively, the "Real Property"). The use of the Real Property by the Alliance Companies and the Alliance Companies' Subsidiaries is and has been in compliance in all material respects with all Requirements of Law (including, without limitation, applicable zoning ordinances and building codes and environmental, land use and health and safety laws). All such leases of real property are valid and enforceable in accordance with their respective terms, and there is not under any of such leases any material breach or default on the part of any of the Alliance Companies or the Alliance Companies' Subsidiaries or, to the best knowledge of Alliance, on the part of any party thereto, or any condition or event that with the giving of notice of lapse of time or both would constitute a breach by any of the Alliance Companies, the Alliance Companies' Subsidiaries or other parties thereto.

4.18 COMPLIANCE. Each of the Alliance Companies and the Alliance Companies' Subsidiaries has complied with all Requirements of Law relating to the business conducted by it now or in the past and the properties and assets owned or used by it now or in the past and has not received notice of any claimed violation of any such law, rule or regulation, where such failure to comply or claimed violation would have a Material Adverse Effect on any of the Alliance Companies or the Alliance Companies' Subsidiaries, including, but not limited to, the restriction, revocation or suspension of any certificate of authority of any of the Alliance Companies or the Alliance Companies' Subsidiaries in any jurisdiction. Each of the Alliance Companies and the Alliance Companies' Subsidiaries has filed all returns, reports and other documents and furnished all information required or requested by any Governmental Authority where the failure to file or furnish such information would have a Material Adverse Effect on any of the Alliance Companies or the Alliance Companies' Subsidiaries and all such returns, reports, documents and information are true and complete in all material respects.

4.19 LABOR AND EMPLOYMENT MATTERS. None of the Alliance Companies or the Alliance Companies' Subsidiaries (a) is a party to any collective bargaining agreement or any discussions or negotiations with any individual or group looking toward any such agreement, or (b) has experienced any strike, grievance or unfair labor practice claim, suit or administrative proceeding. None of the Alliance Companies or the Alliance Companies' Subsidiaries is a party to any material, or under any material obligation with respect to any written or oral, (a) employment agreements, (b) noncompetition agreements or (c) consulting agreements. Each of the Alliance Companies and the Alliance Companies' Subsidiaries has complied in all material respects with any Requirements of Law relating to employment, civil rights and equal employment opportunities.

4.20 EMPLOYEE BENEFIT PLANS. Schedule 4.20 contains a list setting forth each employee benefit plan or arrangement, including, but not limited to, pension and profit-sharing plans, bonus plans, stock purchase plans, hospitalization, disability and other insurance plans, severance or termination pay plans and policies, whether or not described in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), in which employees of the Alliance Companies or the Alliance Companies' Subsidiaries participate ("Employee Benefit Plans"), true and correct copies of which were delivered to or made accessible to RESI. With respect to the Employee Benefit Plans, (a) each has been administered in all material respects in compliance with its terms and with all applicable laws, including, but not limited to, ERISA and the Code, (b) no actions, suits, claims or disputes related thereto or arising therefrom are pending or threatened and (c) no prohibited transaction related thereto or arising therefrom has occurred.

4.21 TAX MATTERS.

(a) Tax Returns and Tax Payment. (i) All tax returns required to be filed by any of the Alliance Companies or the Alliance Companies' Subsidiaries for any period ending on or before the Effective Date, taking into account any extension or waiver of time to file granted or obtained by any of the Alliance Companies or the Alliance Companies' Subsidiaries, have been or will be timely filed, (ii) all

Taxes shown as due on those returns as well as all Taxes due to or claimed due by federal, state, local or foreign taxing authorities, with respect to periods ending on or before the Effective Date, have been or will be paid or adequate provision has been made therefor, and (iii) the filed returns are complete and correct in all material respects and none of Alliance, the Alliance Companies or the Alliance Companies' Subsidiaries is required to pay, for the periods represented by such tax returns, any Taxes other than those shown in those returns.

(b) Audits. Except as set forth on Schedule 4.21(b), (i) none of the income tax returns of the Alliance Companies or the Alliance Companies' Subsidiaries has ever been audited by the Internal Revenue Service, (ii) there are no pending unresolved issues with respect to any Taxes payable to any federal, state or local taxing authority and (iii) none of the Alliance Companies or the Alliance Companies' Subsidiaries is currently the subject of a tax audit or has been notified by any taxing authority that it is to be the subject of an impending tax audit.

(c) Tax Liens. There are no tax liens imposed by any federal, state or local taxing authorities outstanding against any assets of any of the Alliance Companies or the Alliance Companies' Subsidiaries.

4.22 INSURANCE. Schedule 4.22 sets forth a list of each insurance policy (including policies providing property, casualty, liability and workers' compensation coverage and bond and surety arrangements) to which any of the Alliance Companies or the Alliance Companies' Subsidiaries is a party, a named insured or is otherwise the beneficiary of coverage. With respect to each such insurance policy, (i) the policy is in full force and effect, (ii) none of Alliance, the Alliance Companies or the Alliance Companies' Subsidiaries has received notice from any insurance carrier of the intention of such carrier to discontinue any such policy, (iii) none of Alliance, the Alliance Companies or the Alliance Companies' Subsidiaries or, to the best knowledge of Alliance or the Alliance Companies, any other party to such policy is in breach or default (including with respect to the payment of premiums or the giving of notices), and no event has occurred which, with notice or the lapse of time, would constitute such a breach or default, or permit termination, modification, or acceleration, under the policy and (iv) no party to the policy has repudiated any provision thereof. Each of the Alliance Companies and the Alliance Companies' Subsidiaries maintain valid and currently effective policies in such types and amounts as are consistent with customary practices and standards of companies engaged in businesses and operations similar to those of the Alliance Companies and the Alliance Companies' Subsidiaries.

4.23 PERMITS. Each of the Alliance Companies and the Alliance Companies' Subsidiaries has all material permits, licenses, registrations, filings, authorizations, consents, approvals or other indicia of authority ("Permits") necessary for the conduct of their business as presently conducted and operated, all Permits are in full force and effect and there is not any condition, nor has any event occurred which constitutes, or with the giving of notice or the passage of time (or both) would constitute, a material violation of the terms of any Permit. All applications for renewal of the Permits have been timely filed (except to the extent that the failure to file would not have a Material Adverse Effect on any of the Alliance Companies or the Alliance Companies' Subsidiaries).

4.24 INTELLECTUAL PROPERTY. Each of the Alliance Companies and the Alliance Companies' Subsidiaries has full legal right, title and interest in and to all patents, trademarks, servicemarks, trade names, copyrights, know-how, trade secrets and other material intellectual property used in the conduct of its business (the "Intellectual Property"), except to the extent the same would not have a Material Adverse Effect. Except as set forth in Schedule 4.24, conduct of the business of each of the Alliance Companies and the Alliance Companies' Subsidiaries as presently conducted does not infringe or misappropriate any rights held or asserted by any Person. No payments are required for the continued use of the Intellectual Property by any of the Alliance Companies or the Alliance Companies' Subsidiaries. No rights or interest in or to the Intellectual Property used in the conduct of the business of any of the Alliance Companies or the Alliance Companies' Subsidiaries has ever been declared invalid or unenforceable, or is the subject of any pending or, to the best knowledge of Alliance or the Alliance Companies, threatened action for opposition, cancellation, declaration or invalidity, unenforceability or misappropriation.

4.25 BROKERS. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based on any arrangements or agreements made by or on behalf of Alliance or the Alliance Companies and for which the Alliance Companies and the Alliance Companies' Subsidiaries will have any obligation or liability.

4.26 STOCKHOLDER AND BOARD APPROVAL. This Agreement, the Mergers and the transactions contemplated hereby have been approved and adopted by the board of directors and the holders of a majority voting power of the shares of the capital stock of Alliance and the Alliance Companies entitled to vote thereon in accordance with the Articles of Incorporation and Code of Regulations of Alliance and the Alliance Companies and the OGCL and no other consents or approvals are required by or on behalf of Alliance or the Alliance Companies to consummate the transactions contemplated hereby except as otherwise set forth on Schedule 4.5 or in this Agreement.

4.27 CONTRACTS AND COMMITMENTS. With the exception of this Agreement and the agreements contemplated hereby, none of the Alliance Companies or the Alliance Companies' Subsidiaries is a party to any material Contract involving any obligation or liability on the part of the Alliance Companies or relating to the business of any of the Alliance Companies or the Alliance Companies' Subsidiaries and otherwise materially affecting the Alliance Companies or the Alliance Companies' Subsidiaries business, not otherwise listed in Schedule 4.27.

None of the Alliance Companies or the Alliance Companies' Subsidiaries is (and, to the best knowledge of Alliance and the Alliance Companies, no other party is) in material breach or violation of, or default under, any of such Contracts and there does not exist under any such Contract any event or condition which, either individually or in the aggregate (after notice or the lapse of time or both), would constitute a default by any of the Alliance Companies or the Alliance Companies' Subsidiaries or, to the best knowledge of Alliance and the Alliance Companies, by any other party thereto, and to the best knowledge of Alliance and the Alliance Companies, no course of conduct has modified in any respect any of the written terms in any such Contract; except, in each case, where it would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Alliance Companies or the Alliance Companies' Subsidiaries.

4.28 OTHER INSURANCE INTERESTS. Other than through its ownership in the Alliance Companies and the Alliance Companies' Subsidiaries, for investment purposes only and as set forth on Schedule 4.28, Alliance does not own, directly or indirectly, any interest in a partnership, corporation, joint venture, trust or other form of business entity, whether as a partner, shareholder, joint venturer, officer, director, consultant, finder, broker, employee, trustee or in any manner whatsoever, which engages in the insurance or brokerage business.

4.29 HSR ACT. Within the meaning of the HSR Act, each of Alliance, the Alliance Companies and the Alliance Companies' Subsidiaries, including the "ultimate parent entity" in which each is included, has a size of person less than $100 million.

ARTICLE V

CONDUCT OF BUSINESS PENDING THE MERGERS

5.1 CONDUCT OF RESPECTIVE BUSINESSES BY THE PARTIES PENDING THE MERGERS. Except as set forth on Schedule 5.1, each of the Parties covenants and agrees that, between the date of this Agreement and the Effective Time, unless the other Parties shall have consented in writing (such consent not to be unreasonably withheld), (i) the businesses of each of the Alliance Companies, the Alliance Companies' Subsidiaries and RESI and its respective Subsidiaries shall in all material respects be conducted only in, and each of the Alliance Companies, the Alliance Companies' Subsidiaries and RESI and its respective Subsidiaries shall not take any material action except in, the ordinary course of business consistent with past practice and in accordance with all applicable laws, (ii) each of the Alliance Companies and RESI shall use its best efforts to preserve and keep intact its business organization, to keep available the services of its and its Subsidiaries' current officers, employees and consultants and to preserve its and its Subsidiaries' present relationships with customers, suppliers and other Persons with which it or any of its Subsidiaries has significant business relations. By way of amplification and not limitation, except as contemplated by this Agreement, none of the Parties or the Alliance Companies' Subsidiaries shall, between the date of this Agreement and the Effective

Time, directly or indirectly, do, propose or agree to do any of the following without the prior written consent of all of the other Parties, which consent shall not unreasonably be withheld:

(a) amend or otherwise change its charter or bylaws or equivalent organizational documents;

(b) except pursuant to this Agreement and the Purchase Agreements and as set forth on Schedule 4.6, issue, sell, pledge, dispose of, grant, encumber or authorize the issuance, sale, pledge, disposition, grant or encumbrance of any shares of capital stock or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock of, or any other ownership interest in, any of them; provided, however, RESI may, consistent with past practices, grant options to its employees under existing employee benefit plans;

(c) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock;

(d) except pursuant to the Stock Split, (i) reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock, (ii) except as contemplated in this Agreement, merge or consolidate with, or transfer all or substantially all of its assets to another Person, (iii) liquidate, wind-up or dissolve (or suffer any liquidation or dissolution) or (iv) enter into any contract, agreement, commitment or arrangement with respect to any of the foregoing;

(e) except as contemplated by this Agreement, (i) acquire, directly or indirectly (including, without limitation, for cash or shares of stock), by merger, consolidation or acquisition of stock or assets, any interest in any Person, or any assets, or make any investment (other than in the ordinary course of business) either by purchase of stock or securities, contributions of capital (other than to wholly-owned Subsidiaries) or property transfer, or, except in the ordinary course of business, consistent with past practices, purchase any property or assets of any other Person, (ii) incur any indebtedness for borrowed money, issue any debt securities or make any loans or advances except in the ordinary course of business consistent with past practices, (iii) assume, guarantee or endorse, or otherwise become responsible for, the obligations of any Person except in the ordinary course of business consistent with past practices, (iv) purchase any property or assets of any other Person, except in the ordinary course of business and consistent with past practices, (v) sell, pledge or otherwise dispose of or encumber any assets or the stock of any Subsidiary, except in the ordinary course of business consistent with past practices, or (vi) enter into any contract or agreement other than in the ordinary course of business, consistent with past practices;

(f) increase the compensation payable or to become payable to their respective officers, employees or directors or, except as presently bound to do, grant any severance or termination pay to, or enter into any employment or severance agreement with, any director, officer or other employee, or establish, adopt, enter into or amend, in any material respect, or take any action to accelerate any rights or benefits with respect to any collective bargaining, bonus, profit sharing, trust, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any directors, officers or employees;

(g) take any action other than in the ordinary course of business and in a manner consistent with past practice with respect to accounting policies or procedures;

(h) pay, discharge or satisfy any existing material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction in the ordinary course of business and substantially consistent with past practices of liabilities reflected or reserved against in the financial statements of RESI, the Alliance Companies or the Alliance Companies' Subsidiaries, as appropriate, or incurred after the date hereof in the ordinary course of business;

(i) agree, in writing or otherwise, to take any of the foregoing actions or any action which would make any representation or warranty in Article III or IV, as the case may be, untrue or incorrect in any material respect; or

(j) cause any modification or amendment to, or lapse of coverage under, any insurance policies described in Schedule 4.22, except in the ordinary course of business consistent with past practices with respect to the maintenance of insurance policies written by any of the Alliance Companies or the Alliance Companies' Subsidiaries.

ARTICLE VI

ADDITIONAL AGREEMENTS

6.1 MERGER SUBS. From the date hereof to the Effective Time, each of the Merger Subs shall be and remain inactive, with no material assets, liabilities, business or operations.

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

6.3 FURTHER ASSURANCES; BEST EFFORTS. Each Party shall execute and deliver such additional instruments and other documents and shall take such further actions as may be necessary or appropriate to effectuate, carry out and comply with all of the terms of this Agreement and the transactions contemplated hereby and will use its best efforts to obtain the satisfaction of the conditions to Closing set forth in Article VII.

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

6.5 BOARD OF DIRECTORS. The Parties agree that immediately after the Effective Time, a meeting of the Board of Directors of RESI shall be held, and at that meeting, (a) Michael J. Occhionero shall resign as a Director of RESI and be replaced by Richard Rochon, (b) the number of directors constituting RESI's Board of Directors shall be increased to seven (7), and (c) Edward F. Feighan, Craig L. Stout and one independent director to be nominated by Alliance shall be added to RESI's Board of Directors. Immediately thereafter, the new Board of Directors shall appoint Mr. DeGroote as RESI's Chairman of the Board, Joseph E. LoConti as RESI's Vice Chairman, Mr. Feighan as RESI's Chief Executive Officer and President, and Mr. Stout as RESI's Chief Operating Officer.

6.6 REGISTRATION STATEMENT; INFORMATION STATEMENT.

(a) Filing of the Information Statement. As promptly as practicable after the execution of this Agreement, RESI shall prepare and file with the SEC an information statement on Schedule 14C or other applicable form (together with all amendments thereto, the "Information Statement") in connection with the approval of the Mergers by the stockholders of RESI. Each of RESI, Alliance and the Alliance Companies shall use its best efforts to cause the Information Statement to become effective as promptly as practicable so that the action contemplated thereby can be effected as soon as possible following the execution of this Agreement. Prior to the Effective Date, RESI shall take all or any action required under any applicable federal or state securities laws in connection with the issuance of shares of RESI Common Stock pursuant to the Mergers. Alliance and the Alliance Companies shall furnish all information concerning Alliance and the Alliance Companies as RESI may reasonably request in connection with the preparation of the Information Statement.

No amendment or supplement to the Information Statement will be made by RESI without the approval of Alliance, which approval shall not be unreasonably withheld. RESI will advise Alliance, promptly after it receives notice of the time when the Information Statement has become effective or any supplement or amendment has been filed, of any request by the SEC for amendment of the Information

Statement, comments and responses to the Information Statement or requests by the SEC for additional information.

RESI shall promptly prepare and submit to the Nasdaq National Market a listing application covering the shares of RESI Common Stock issuable in the Mergers and upon exercise of the Warrants, and shall use its reasonable best efforts to obtain, prior to the Effective Time, approval for the listing of such RESI Common Stock, subject to official notice of issuance, and Alliance and the Alliance Companies shall cooperate with RESI with respect to such listing.

(b) Filing of the Registration Statement. As promptly as practicable after the Effective Time, RESI shall prepare and file with the SEC a registration statement on Form S-1 or other applicable form (together with all amendments thereto, the "Registration Statement") in connection with the registration under the Securities Act of the Merger Shares and the Warrant Shares for resale by the holders thereof. Each of RESI, Alliance and the Alliance Companies shall use its best efforts to cause the Registration Statement to become effective as promptly as practicable following the Effective Time, and, prior to the effective date of the Registration Statement, RESI shall take all or any action required under any applicable federal or state securities laws in connection with the issuance of shares of RESI Common Stock pursuant to the Mergers. RESI shall pay all expenses incurred in connection with the Registration Statement, including, without limitation, the fees and disbursements of its counsel, accountants and other representatives, except that Alliance shall pay for all underwriting commissions and discounts in connection with its resale of RESI Common Stock pursuant to the Registration Statement. Alliance and the Alliance Companies shall furnish all information concerning Alliance and the Alliance Companies as RESI may reasonably request in connection with the preparation of the Registration Statement.

No amendment or supplement to the Registration Statement will be made by RESI without the approval of Alliance, which approval shall not be unreasonably withheld. RESI will advise Alliance, promptly after it receives notice of the time when the Registration Statement has become effective or any supplement or amendment has been filed, the issuance of any stop order, the suspension of the qualification of the RESI Common Stock issuable in connection with the Mergers for offering or sale in any jurisdiction, any request by the SEC for amendment of the Registration Statement, comments and responses to the Registration Statement or requests by the SEC for additional information.

(c) Representations and Warranties of RESI and the Merger Subs. Each of RESI and the Merger Subs represents, warrants and agrees with Alliance and the Alliance Companies that at the time the Registration Statement is declared effective, the Registration Statement will not contain an untrue statement or omit to state a material fact required to be stated therein, or necessary to make the statements therein not misleading (provided that this sentence shall not apply to any information contained in the Registration Statement that is supplied by Alliance and the Alliance Companies for inclusion therein). Each of RESI and the Merger Subs further represents, warrants and agrees with Alliance and the Alliance Companies that at the time the Information Statement is sent to stockholders of RESI and at the Effective Time, the Information Statement will not contain an untrue statement or omit to state a material fact required to be stated therein, or necessary to make the statements therein not misleading (provided that this sentence shall not apply to any information contained in the Information Statement that is supplied by Alliance or the Alliance Companies for inclusion therein). If at any time any event or circumstance relating to RESI or the Merger Subs, or their respective officers or directors, should be discovered by RESI which should be set forth in an amendment or a supplement to the Registration Statement or Information Statement, RESI shall promptly inform Alliance and the Alliance Companies. All documents that RESI and the Merger Subs are responsible for filing with the SEC in connection with the transactions contemplated herein will comply as to form and substance in all material respects with the applicable requirements of the Securities Act and the Exchange Act.

(d) Representations and Warranties of Alliance and the Alliance Companies. Each of Alliance and the Alliance Companies represents, warrants and agrees with RESI and the Merger Subs that the Registration Statement at the time the Registration Statement is declared effective, the Registration Statement will not contain an untrue statement or omit to state a material fact required to be stated

therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (provided that this sentence shall not apply to any information contained in the Registration Statement that is supplied by RESI or the Merger Subs for inclusion therein). Each of Alliance and the Alliance Companies further represents, warrants and agrees with RESI and the Merger Subs that at the time the Information Statement is sent to stockholders of Alliance and the Alliance Companies, the Information Statement will not contain an untrue statement or omit to state a material fact required to be stated therein, or necessary to make the statements therein not misleading (provided that this sentence shall not apply to any information contained in the Information Statement that is supplied by RESI or the Merger Subs for inclusion therein). If at any time prior to the Effective Time any event or circumstance relating to Alliance or the Alliance Companies, or their respective officers or directors, should be discovered by Alliance or the Alliance Companies which should be set forth in an amendment or a supplement to the Registration Statement or Information Statement, Alliance or the Alliance Companies shall promptly inform RESI. All documents that Alliance and the Alliance Companies are responsible for filing with the SEC in connection with the transactions contemplated herein will comply as to form and substance in all material respects with the applicable requirements of the Securities Act and the Exchange Act.

(e) Consents. Each of RESI, the Merger Subs, Alliance and the Alliance Companies hereby (i) consents to the use of its name and, on behalf of its Subsidiaries and Affiliates, the names of such Subsidiaries and Affiliates and to the inclusion of financial statements and business information relating to such party and its Subsidiaries and Affiliates (in each case, to the extent required by applicable securities laws) in the Registration Statement and the Information Statement; (ii) agrees to use all reasonable efforts to obtain the written consent of any Person or entity retained by it which may be required to be named (as an expert or otherwise) in the Registration Statement or the Information Statement; and (iii) agrees to cooperate, and agrees to use all reasonable efforts to cause its Subsidiaries and Affiliates to cooperate, with any legal counsel, investment banker, accountant or other agent or representative retained by any of the parties specified in clause (i) above in connection with the preparation of any and all information required, as determined after consultation with each party's counsel, to be disclosed by or the applicable securities laws in the Registration Statement or the Information Statement.

(f) Covenant of RESI. For so long as the Registration Statement is effective under the Securities Act, RESI agrees and covenants (i) to maintain any qualification or approval obtained in connection therewith, and amend or supplement the Registration Statement, the prospectus contained therein or other offering document used in connection therewith to the extent necessary in order to comply with the Securities Act and the Exchange Act and (ii) as promptly as practicable, to notify Alliance of the occurrence of an event requiring the preparation of a supplement or amendment to the Registration Statement and/or the prospectus contained therein so that, as thereafter delivered to the purchasers of such shares, the Registration Statement and/or the prospectus contained therein will not contain an untrue statement of a material fact of omit to state any material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading, and as promptly as practicable make available to Alliance any such supplement or amendment;

(g) Covenant of Alliance and the Alliance Companies. Each of Alliance and the Alliance Companies agrees and covenants that, upon receipt of any notice from RESI of the happening of any event of the kind described in Section 6.6(f)(ii), Alliance will forthwith discontinue disposition under the Registration Statement of the RESI Common Stock registered thereunder until receipt of the copies of the supplemented or amended prospectus contemplated by Section 6.6(f)(ii), and, if so directed by RESI, Alliance will deliver RESI all copies, other than permanent file copies then in Alliance's possession of the most recent Resale Prospectus at the time of such notice.

6.7 WRITTEN CONSENT/STOCKHOLDERS' MEETING. In the event that this Agreement and the transactions contemplated hereby have not been approved by the written consent of RESI stockholders pursuant to the

DGCL and its Certificate of Incorporation and Bylaws on or before September 1, 1996, RESI shall call and hold a special meeting of its stockholders (the "Stockholders' Meeting") as promptly as practicable thereafter for the purpose of voting upon the approval of this Agreement and the transactions contemplated hereby. RESI shall comply with all Requirements of Law applicable to such meeting. RESI shall use its best efforts to solicit from its stockholders proxies in favor of approval of this Agreement and the transactions contemplated hereby, and shall take all other action necessary or advisable to obtain the vote or consent of stockholders required by the DGCL to obtain such approvals, unless otherwise necessary due to the applicable fiduciary duties of the directors of RESI, as determined by such directors in good faith after consultation with, and based upon the advice of, independent legal counsel (who may be RESI's regularly engaged independent legal counsel) and financial advisors. In connection with the foregoing, RESI shall cooperate and consult with Alliance.

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

6.9 ACCESS TO INFORMATION. From the date hereof to the Effective Time, each of the Parties shall, and shall cause its Subsidiaries and its and their directors, officers, employees, auditors, counsel and agents to, afford the other Parties and their employees, counsel and agents reasonable access at all reasonable times to its and their properties, offices and other facilities, to its and their officers and employees and to all books and records, and shall furnish such persons with all financial, operating and other data and information as may be reasonably requested. No information provided to, or obtained by, any Party hereto shall affect any representation or warranty in this Agreement although each Party agrees to give notice to the other Parties of any such information which would constitute a breach of their respective representations and warranties hereunder. Each of the Parties agrees to maintain the confidentiality of all such information which is non-public and agrees not to disclose such information to any person other than its representatives and advisors who agree to be bound by the terms of this Section 6.9 and to use information only for purposes or evaluating the Mergers and the other transactions contemplated hereby; provided, however, such restriction shall not apply to any information which (a) is in the public domain prior to the time of disclosure or thereafter enters the public domain through no actions on the part of such Party, (b) is obtained by a Party from a third party that is not known to that Party to be subject to a confidentiality agreement with respect to such information or (c) is disclosed by or on behalf of a Party in connection with any litigation regarding the transactions contemplated by this Agreement.

6.10 NOTIFICATION OF CERTAIN MATTERS. RESI shall give prompt notice to Alliance and the Alliance Companies, and Alliance and the Alliance Companies shall give prompt notice to RESI, of the occurrence or non-occurrence of any event which would likely cause any representation or warranty contained herein to be untrue or inaccurate, or any covenant, condition or agreement contained herein not to be complied with or satisfied.

6.11 TAX TREATMENT. Each of the Parties will use its reasonable best efforts to cause the Mergers to qualify as a reorganization under the provisions of Section 368(a) of the Code.

6.12 PUBLIC ANNOUNCEMENTS. Prior to the Closing, none of the Parties shall make any public release of information regarding the matters contemplated herein except that (i) a joint press release in agreed form may be issued by the Parties after the execution of this Agreement and the Closing and (ii) the Parties may each continue such communications with employees, customers, suppliers, franchises, lenders, lessors,

stockholders and the other particular groups as may be legally required or necessary or appropriate and not inconsistent with the best interest of the other Parties or the prompt consummation of the transactions contemplated by this Agreement.

6.13 EXECUTIVE OFFICES. As promptly as practicable following the Closing, RESI shall cause its executive offices to be moved to Cleveland, Ohio.

6.14 SECURITIES TRADING. Each of the Parties hereby agrees that between the date hereof and the Closing Date it will refrain, and will use its best efforts to cause its officers, directors, stockholders, affiliates, representatives and agents to refrain from any securities trading activities with respect to the RESI Common Stock.

6.15 NON-COMPETITION. Other than through its ownership in RESI and as set forth on Schedule 4.28, Alliance agrees that until the later of (i) it owns less than 20% of RESI or (ii) Joseph E. LoConti, Edward F. Feighan or Craig L. Stout are no longer bound by the terms of their respective Employment/Non-Competition Agreements, it will not (i) engage, directly or indirectly, in the insurance or brokerage business or (ii) own, directly or indirectly, any interest in a partnership, corporation, joint venture, trust or other form of business entity, whether as a partner, shareholder, joint venturer, officer, director, consultant, finder, broker, employee, trustee or in any manner whatsoever, which engages in the insurance or brokerage business.

Alliance further agrees that for a period of three years from the Effective Date, RESI shall have an option to acquire from Alliance the interest Alliance owns from time to time in those entities set forth on Schedule 4.28 for a purchase price equal to Alliance's cumulative investment in the respective entity plus 8% per annum.

6.16 SCHEDULES. To the extent not delivered prior to the execution of this Agreement, each of the Parties agrees to deliver all schedules and exhibits contemplated by this Agreement, together with any other schedules that the other Party may reasonably request, within 30 days after the execution of this Agreement.

6.17 REIMBURSEMENT OF CHAIRMAN'S COSTS AND EXPENSES. RESI agrees to reimburse Mr. DeGroote for all of his out-of-pocket costs and expenses related to, or arising from, the performance of his duties as Chairman of the Board of RESI including, without limitation, expenses associated with the maintenance of Mr. DeGroote's office in Bermuda.

6.18 STOCK SPLIT. The Parties hereby acknowledge that the RESI Common Stock share amounts and the exercise prices under the Warrants set forth herein have been adjusted to give effect to the Stock Split. In the event the Stock Split is not effected on or before the Closing Date, the Parties agree that the RESI Common Stock share amounts and the exercise prices under the Warrants set forth herein, shall be readjusted as follows: (i) with the exception of the RESI Common Stock Share amounts relating to the number of authorized and outstanding shares of RESI Common Stock, all RESI Common Stock share amounts shall be divided by two and (ii) all exercises prices under the Warrants shall be multiplied by two.

6.19 EMPLOYMENT/NON-COMPETITION AGREEMENT. Alliance agrees to cause certain key employees of Alliance, namely each of Joseph E. LoConti, Edward F. Feighan and Craig L. Stout, who will become employees of RESI or its Subsidiaries to execute and deliver to RESI Employment/Non-Competition Agreements in form and substance mutually acceptable to RESI31 and such employees (the "Employment/Non-Competition Agreements") prior to Closing.

ARTICLE VII

CONDITIONS OF MERGERS

7.1 CONDITIONS TO OBLIGATIONS OF EACH PARTY TO EFFECT THE MERGERS. The respective obligations of each Party to effect the Mergers shall be subject to the fulfillment at or prior to the Effective Time of the following conditions any and all of which may be waived, in whole or in part, to the extent permitted by applicable law:

(a) Stockholder Approval. This Agreement and the Mergers shall have been approved and adopted by the vote of the holders of a majority of the voting power of the shares of RESI Common Stock entitled to vote in accordance with the Certificate of Incorporation and Bylaws of RESI and the DGCL.

(b) No Order. No Governmental Authority or other agency or commission or federal or state court of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction, or other order (whether temporary, preliminary or permanent) which is in effect and which materially restricts, prevents or prohibits consummation of the Mergers or any transaction contemplated by this Agreement; provided, however, each of the Parties agree that it will use its best efforts to fulfill its obligations under Section 6.8 and, in addition, each of the Parties will use its reasonable best efforts to cause any such decree, judgment, injunction or other order to be vacated or lifted.

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

(e) Approvals. All approvals referenced in Sections 3.5 and 4.5 shall have been obtained and shall be in full force and effect, other than any such approval that, if not obtained, would not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Surviving Corporations.

(f) Authorized Share Increase. The stockholders of RESI shall have voted upon and approved, either at a meeting or by written consent in accordance with the DGCL and RESI's Certificate of Incorporation and Bylaws, an amendment to RESI's Certificate of Incorporation to increase in the number of authorized shares of RESI Common Stock from 20,000,000 to 200,000,000.

7.2 ADDITIONAL CONDITIONS TO THE OBLIGATIONS OF RESI AND THE MERGER SUBS. The obligations of RESI and the Merger Subs to effect the Mergers are also subject to the following conditions, any and all of which may be waived, in whole or in part, to the extent permitted by applicable law.

(a) Representations and Warranties. Each of the representations and warranties of Alliance and the Alliance Companies contained in this Agreement shall be true and correct in all material respects as of the Effective Time as though made on and as of the Effective Time, except that those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date.

(b) Agreement and Covenants. Alliance and the Alliance Companies shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Effective Time.

(c) Opinion of Counsel of Alliance and the Alliance Companies. Alliance and the Alliance Companies shall have delivered to RESI and the Merger Subs at the Closing the opinion of counsel of Alliance and the Alliance Companies, which opinion shall be dated as of the Closing Date and addressed to RESI and the Merger Subs. Such opinion shall be in form and substance reasonably satisfactory to RESI and the Merger Subs.

(d) Certificate of Alliance and the Alliance Companies. Each of Alliance and the Alliance Companies shall have furnished to RESI and the Merger Subs a certificate dated as of the Closing Date signed by their respective Chief Executive Officer and Chief Financial Officer certifying (i) the matters set forth in Section 7.2(a) and 7.2(b) hereto, (ii) the resolutions of the board of directors of Alliance and each of the Alliance Companies approving this Agreement, the Mergers and the transactions contem-

plated hereby and (iii) the incumbency of the officers of Alliance and each of the Alliance Companies executing this Agreement and other agreements, documents and instruments contemplated hereby.

(e) Lock-Up Agreements. RESI shall have received a duly executed lock-up agreement in the form attached hereto as Exhibit 7.2(f).

(f) Employment/Non-Competition Agreement. RESI shall have received duly executed Employment/Non-Competition Agreements as set forth in Section 6.19.

7.3 ADDITIONAL CONDITIONS TO THE OBLIGATIONS OF ALLIANCE AND THE ALLIANCE COMPANIES. The obligation of Alliance and the Alliance Companies to effect the Mergers is also subject to the following conditions, any and all of which may be waived, in whole or in part, to the extent permitted by applicable law.

(a) Representations and Warranties. Each of the representations and Warranties of RESI and the Merger Subs contained in this agreement shall be true and correct in all material respects as of the Effective Time as though made on and as of the Effective Time, except for those representation and warranties which address matters only as of a particular date shall remain true and correct as of such date.

(b) Agreements and Covenants. RESI and the Merger Subs shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed on complied with by it on or prior to the Effective Time.

(c) Opinion of Counsel of RESI and the Merger Subs. RESI and each of the Merger Subs shall have delivered to Alliance and the Alliance Companies at the Closing the opinion of counsel of RESI and the Merger Subs, which opinion shall be dated the Closing Date and addressed to Alliance and the Alliance Companies. Such opinion shall be in form and substance reasonably satisfactory to Alliance and the Alliance Companies.

(d) Certificate of RESI and the Merger Subs. Each of RESI and the Merger Subs shall have furnished to Alliance and the Alliance Companies a certificate dated as of the Closing Date signed by their respective Chief Executive Officers and Chief Financial Officers certifying (i) the matters set forth in Sections 7.3(a) and 7.3(b) hereto, (ii) the resolutions of the board of directors of RESI and the Merger Subs approving this Agreement, the Mergers, and the Warrant Certificates, and the transactions contemplated hereby and thereby and (iii) the incumbency of the officers of RESI and the Merger Subs executing this Agreement and the Warrant Certificates, and other agreements, documents and instruments contemplated hereby and thereby.

(e) Voting Agreement. Alliance shall have received a duly executed Voting Agreement in the form attached hereto as Exhibit 7.1(e).

(f) MGD Holdings Ltd. and H. Wayne Huizenga Investment. Contemporaneously with the Closing of the transactions contemplated by this Agreement, the following transactions shall be closed: (i) the purchase of 2,000,000 shares of RESI Common Stock by MGD Holdings Ltd. from RESI, together with certain warrants to purchase up to 6,000,000 shares of RESI Common Stock pursuant to that certain Stock Purchase Agreement between RESI and MGD Holdings Ltd., attached hereto as Exhibit 7.3(f)(1) and (ii) the purchase of 2,000,000 shares of RESI Common Stock by H. Wayne Huizenga from RESI, together with certain warrants to purchase up to 6,000,000 shares of RESI Common Stock pursuant to that certain Stock Purchase Agreement between RESI and Mr. Huizenga, attached hereto as Exhibit 7.3(f)(2) (collectively, the "Purchase Agreements").

(g) Registration Rights Agreement. Alliance shall have received from RESI a duly executed registration rights agreement with respect to the Shares and the Warrant Shares in form and substance mutually acceptable to RESI and Alliance.

ARTICLE VIII

INDEMNIFICATION

8.1 INDEMNIFICATION GENERALLY. RESI on the one hand, and Alliance, on the other hand (each an Indemnifying Party as defined below), shall indemnify the other as follows:

(a) Alliance will defend, indemnify and hold RESI harmless in respect of the aggregate of all indemnifiable damages of RESI. For this purpose, "indemnifiable damages" of RESI means the aggregate of all expenses, losses, costs, deficiencies, liabilities and damages (including related counsel fees and expenses) incurred or suffered by RESI resulting from (i) any inaccurate representation or warranty made by Alliance or the Alliance Companies, or pursuant to, this Agreement or (ii) any material default in the performance of any of the covenants or agreements made by Alliance or the Alliance Companies in this Agreement. Notwithstanding the foregoing, Alliance shall only be liable for indemnification to RESI under this Article IX to the extent the aggregate amount of the "indemnifiable damages" of RESI exceeds $500,000.

(b) RESI will defend, indemnify and hold Alliance harmless in respect of all indemnifiable damages of Alliance. For this purpose, "indemnifiable damages" of Alliance means the aggregate of all expenses, losses, costs, deficiencies, liabilities and damages (including related counsel fees and expenses) incurred or suffered by Alliance resulting from (i) from any inaccurate representation or warranty made by RESI or the Merger Subs in, or pursuant to, this Agreement; or (ii) any default in the performance of any of the covenants or agreements made by RESI or the Merger Subs in this Agreement.

8.2 INDEMNIFICATION PROCEDURES. Each Person entitled to indemnification under this Section (an "Indemnified Party") shall give notice as promptly as reasonably practicable to each party required to provide indemnification under this Article VIII (an "Indemnifying Party") of any action commenced against or by it in respect of which indemnity may be sought hereunder, but failure to so notify an Indemnifying Party shall not relieve such Indemnifying Party from any liability that it may have otherwise than on account of this Article VIII so long as such failure shall not have materially prejudiced the position of the Indemnifying Party. Upon such notification, the Indemnifying Party shall assume the defense of such action if it is a claim brought by a third party. If and after such assumption, the Indemnifying Party shall not be entitled to reimbursement of any expenses incurred by it in connection with such action except as described below. In any such action, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the contrary or (ii) the named parties in any such action (including any impleaded parties) include both the Indemnifying Party and the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing or conflicting interests between them. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent (which shall not be unreasonably withheld or delayed by such Indemnifying Party), but if settled with such consent or if there be final judgment for the plaintiff, the Indemnifying Party shall indemnify the Indemnified Party from and against any loss, damage or liability by reason of such settlement or judgment.

8.3 SURVIVAL. The indemnification obligations of RESI and Alliance set forth in this Article VIII shall survive through the period beginning on the Closing Date and ending on April 1, 1998.

ARTICLE IX

TERMINATION, AMENDMENT AND WAIVER

9.1 TERMINATION. This Agreement may be terminated, and the transactions contemplated hereby may be abandoned at any time prior to the Effective Time, as follows:

(a) by written agreement of the Parties;

(b) by RESI or Alliance if the transactions contemplated by this Agreement have not been consummated on or before September 30, 1996; provided, however, that the right to terminate this Agreement shall not be available to a Party whose failure to fulfill any obligation under this Agreement has been the cause, or resulted in, the failure of the Effective Time to occur on or before such date;

(c) by RESI, upon a breach of any representation, warranty, covenant or agreement on the part of Alliance or the Alliance Companies set forth in this Agreement, or if any representation or warranty of Alliance or the Alliance Companies shall have become untrue, in either case such that the conditions set forth in Section 7.2 would not be satisfied and would have a Material Adverse Effect on RESI (a "Terminating Alliance Breach"); provided, however, that if such Terminating Alliance Breach is cured by Alliance or the Alliance Companies, as the case may be, within 60 calendar days after notice thereof through the continuous exercise of its best efforts, then RESI may not terminate this Agreement under this Section 9.1(c); or

(d) by Alliance, upon a breach of any representation, warranty, covenant or agreement on the part of RESI or the Merger Subs set forth in this Agreement, or if any representation or warranty of RESI or the Merger Subs shall have become untrue, in either case such that the conditions set forth in Section 7.3 would not be satisfied and would have a Material Adverse Effect on Alliance (a "Terminating RESI Breach"); provided, however, that if such Terminating RESI Breach is cured by RESI or the Merger Subs as the case may be, within 60 calendar days after notice thereof through the continuous exercise of its best efforts then, Alliance may not terminate this Agreement under this Section 9.1(d).

9.2 EFFECT OF TERMINATION.

(a) If this Agreement is validly terminated pursuant to Section 9.1 hereof, this Agreement will terminate and no Party hereto will have any liability to the other Parties hereto except that any such termination shall be without prejudice to any claim which either Party may have against the other for breach of this Agreement (or any representations, warranty, covenant, or agreement included herein).

(b) All reasonable out-of-pocket expenses incurred in connection with this Agreement and the transactions contemplated hereby by a nonbreaching Party who terminates this Agreement pursuant to Section 9.1 hereof will be reimbursed promptly by the breaching Party.

ARTICLE X

GENERAL PROVISIONS

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

(a) if to RESI or the Merger Subs to:

Republic Environmental Systems, Inc.
16 Sentry Park West
1787 Sentry Parkway West, Suite 400
Blue Bell, Pennsylvania 19422
Attn: Douglas R. Gowland
Telecopy: (215) 283-4809

with a copy to:

Akin, Gump, Strauss, Hauer & Feld, LLP
1900 Pennzoil Place -- South Tower
711 Louisiana Street
Houston, Texas 77002
Attn: Rick L. Burdick, Esq.
Telecopy: (713) 236-0822

MGD Holdings Ltd.
Victoria Hall
11 Victoria Street
P.O. Box HM 1065
Hamilton HM EX Bermuda
Attn: Michael G. DeGroote
Telecopy: (441) 292-9485

(b) if to Alliance or the Alliance Companies to:

10055 Sweet Valley Drive
Valley View, Ohio 44125
Attn: Joseph E. LoConti
Telecopy: (216) 447-9137

with a copy to:

Anne L. Meyers & Associates Co., L.P.A.
2 Summit Park Drive, Suite 150
Independence, Ohio 44131-2553
Attn: Anne L. Meyers, Esq.
Telecopy: (216) 520-4350

10.2 SURVIVAL. Notwithstanding any knowledge of facts determined or determinable by any party by investigation, each Party shall have the right to fully rely on the representations, warranties, covenants and agreements of the other Parties contained in this Agreement or in any other documents or papers delivered in connection herewith. Each representation, warranty, covenant and agreement of the Parties contained in this Agreement is independent of each other representation, warranty, covenant and agreement.

10.3 REMEDIES.

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

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

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

10.5 EXPENSES. Except as otherwise provided herein, the Parties shall pay their own fees, costs, and expenses incurred in connection with this Agreement and all investigations and proceedings in connection therewith, including without limitation, fees and expenses of their respective counsel, accountants and investment advisors; provided, however, it is agreed that RESI shall bear all filing fees, costs and expenses in connection with obtaining any consents or approvals under the HSR Act and the Alliance Companies and the Alliance Companies' Subsidiaries shall pay up to $150,000 of fees, costs and expenses incurred by Alliance in connection with this Agreement.

10.6 AMENDMENT; WAIVER. This Agreement may not be modified, amended, supplemented, canceled or discharged, except by written instrument executed by all of the Parties. No failure to exercise, and no delay in exercising, any right, power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege hereunder preclude the exercise of any other right, power or privilege. No waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provisions, nor shall any waiver be implied from any course of dealing between the Parties. No extension of time for performance of any obligations or other acts hereunder or under any other agreement shall be deemed to be an extension of the time for performance of any other obligations or any other acts. The rights and remedies of the Parties under this Agreement are in addition to all other rights and remedies, at law or equity, that they may have against each other.

10.7 BINDING EFFECT; ASSIGNMENT. The rights and obligations of this Agreement shall bind and inure to the benefit of the Parties and their respective successors and legal assigns. Except as expressly provided herein, the rights and obligations of this Agreement may not be assigned by any Party without the prior written consent of the other Party.

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

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

10.10 GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED FOR ALL PURPOSES BY THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS EXECUTED AND TO BE PERFORMED THEREIN.

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

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IN WITNESS WHEREOF the Parties hereto have caused this Agreement to be duly executed and delivered this 10th day of June, 1996.

REPUBLIC ENVIRONMENTAL SYSTEMS, INC.

By: /s/ MICHAEL G. DEGROOTE

Name: Michael G. DeGroote
Title: President and Chief Executive Officer

REPUBLIC/CSA ACQUISITION CORPORATION

By: /s/ DOUGLAS R. GOWLAND

Name: Douglas R. Gowland
Title: President

REPUBLIC/CSU ACQUISITION CORPORATION

By: /s/ DOUGLAS R. GOWLAND

Name: Douglas R. Gowland
Title: President

ALLIANCE HOLDING CORPORATION

By: /s/ JOSEPH E. LOCONTI

Name: Joseph E. LoConti
Title: President

CENTURY SURETY COMPANY

By: /s/ CRAIG L. STOUT

Name: Craig L. Stout
Title: Vice President

COMMERCIAL SURETY AGENCY, INC.

By: /s/ DANIEL J. NEEDHAM

Name: Daniel J. Needham
Title: President

APPENDIX II

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (this "Agreement") is dated as of May 19, 1996 between H. Wayne Huizenga, a resident of the State of Florida ("Investor"), and Republic Environmental Systems, Inc., a Delaware corporation ("RESI" and, together with its successors and permitted assigns, the "Issuer"). Issuer and Investor may hereinafter be referred to collectively as the "Parties" or individually as a "Party."

RECITALS

Subject to the terms and conditions of this Agreement, Investor desires to purchase, and Issuer desires to issue and sell to Investor, 2,000,000 shares of Issuer's common stock, par value $.01 per share (the "Common Stock"), and warrants to purchase an additional 6,000,000 shares of Common Stock.

TERMS OF AGREEMENT

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

ARTICLE I

ISSUANCE AND PURCHASE OF COMMON STOCK AND WARRANTS

1.1 ISSUANCE AND PURCHASE OF COMMON STOCK AND WARRANTS. Subject to the terms and conditions of this Agreement, Issuer will issue and sell to Investor and Investor will purchase from Issuer for an aggregate purchase price of $5,250,000 (the "Purchase Price") (i) 2,000,000 shares of Common Stock (the "Shares") and (ii) warrants to purchase (a) 2,000,000 shares of Common Stock at a purchase price of $2.625 per share, exercisable in whole or in part at any time and from time to time from the Closing Date until 6:00 p.m. on the date two years from the Closing Date (the "Series A Warrants"), (b) 2,000,000 shares of Common Stock at a purchase price of $3.125 per share, exercisable in whole or in part at any time and from time to time from the Closing Date until 6:00 p.m. on the date three years from the Closing Date (the "Series B Warrants"), and (c) 2,000,000 shares of Common Stock at a purchase price of $3.875 per share, exercisable in whole or in part at any time and from time to time from the Closing Date until 6:00 p.m. on the date four years from the Closing Date (the "Series C Warrants" and, together with the Series A Warrants and the Series B Warrants, the "Warrants"), pursuant to the warrant certificates to be issued to Investor in the form of Exhibits 1.1(A), 1.1(B) and 1.1(C), respectively (the "Warrant Certificates").

1.2 LEGEND. Any certificate or certificates representing the Shares, the Warrants and any Common Stock issued upon exercise of any Warrants (the "Warrant Shares") and any certificates issued in respect of the foregoing shall bear the following legend unless and until removal thereof is permitted pursuant to the terms of this Agreement:

> THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR UNDER ANY APPLICABLE STATE SECURITIES LAW AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION UNDER THE SECURITIES ACT OR AN OPINION OF COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER OR UNDER APPLICABLE STATE SECURITIES LAWS.

ARTICLE II

CLOSING

2.1 CLOSING. The closing of the transactions contemplated herein (the "Closing") shall take place on the Closing Date at the offices of Alliance Holding Corporation, 10055 Sweet Valley Drive, Valley View, Ohio 44125 or such other place as the parties may agree. At the Closing, (a) Investor shall pay to Issuer, by wire transfer of immediately available funds to an account designated in writing by Issuer, the Purchase Price; (b) Issuer shall issue to Investor the Shares, and deliver to Investor certificates for the Shares duly registered in the name of Investor; (c) Issuer shall issue to Investor the Warrants and deliver the Warrant Certificates to Investor; and (iv) all other agreements and other documents referred to in this Agreement shall be executed and delivered (to the extent not completed prior to the Closing Date).

2.2 TERMINATION.

(a) Events of Termination. This Agreement may be terminated, and the transactions contemplated hereby may be abandoned at any time prior to the Effective Time, as follows:

(i) by written agreement of the Parties;

(ii) by Issuer or Investor if the transactions contemplated by this Agreement have not been consummated on or before September 30, 1996; provided, however, that the right to terminate this Agreement shall not be available to a Party whose failure to fulfill any obligation under this Agreement has been the cause, or resulted in, the failure of the Effective Time to occur on or before such date;

(iii) by Issuer, upon a breach of any representation, warranty, covenant or agreement on the part of Investor set forth in this Agreement, or if any representation or warranty of Investor shall have become untrue, in either case such that the conditions set forth in Section 9.3 would not be satisfied by September 30, 1996 (a "Terminating Investor Breach"); provided, however, that if such Terminating Investor Breach is cured by Investor within 60 calendar days after notice thereof through the continuous exercise of its best efforts, then Issuer may not terminate this Agreement under this Section 2.2(a)(iii); or

(iv) by Investor, upon a breach of any representation, warranty, covenant or agreement on the part of Issuer set forth in this Agreement, or if any representation or warranty of Issuer shall have become untrue, in either case such that the conditions set forth in Section 9.2 would not be satisfied (a "Terminating Issuer Breach"); provided, however, that if such Terminating Issuer Breach is cured by Issuer within 60 calendar days after notice thereof through the continuous exercise of its best efforts, then Investor may not terminate this Agreement under this Section 2.2(a)(iv).

(b) Effect of Termination.

(i) If this Agreement is validly terminated pursuant to Section 2.2(a) hereof, this Agreement will terminate and no Party hereto will have any liability to the other Parties hereto except that any such termination shall be without prejudice to any claim which either Party may have against the other for breach of this Agreement (or any representations, warranty, covenant, or agreement included herein).

(ii) All reasonable out-of-pocket expenses incurred in connection with this Agreement and the transactions contemplated hereby by a nonbreaching Party who terminates this Agreement pursuant to Section 2.2(a) hereof will be reimbursed promptly by the breaching Party.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF ISSUER

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

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

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

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

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

3.5 CONSENTS/APPROVALS. No consent, approval, waiver or other action by any Person under any Contract to which either Issuer or any of its Subsidiaries is a party, or by which any of their respective properties or assets are bound, is required or necessary for the execution, delivery or performance by Issuer of this Agreement and the consummation of the transactions contemplated hereby, except (a) as required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 as amended and the rules and regulations promulgated thereunder (the "HSR Act"), (b) as required by the Securities Act, the Exchange Act and state securities or "blue sky" laws, (c) as required by the Delaware General Corporation Law (the "DGCL") and (d) where the failure to obtain such consents, filings, authorizations, approvals or waivers or make such filings would not prevent or delay the consummation of the transactions contemplated by this Agreement or otherwise prevent Issuer from performing its obligations hereunder.

3.6 CAPITALIZATION. The authorized capital stock of Issuer consists of 20,000,000 shares of Common Stock. As of the date hereof, after giving effect to the Stock Split, 10,809,638 shares of Common Stock are validly issued and outstanding, fully paid and non-assessable. Except (a) for 493,800 shares of Common Stock, after giving effect to the Stock Split, reserved for issuance pursuant to certain options or warrants issued pursuant to Issuer's 1995 Stock Option Plan, (b) as contemplated by this Agreement, the Merger Agreement and the MGD Purchase Agreement (defined herein) and (c) in connection with the distribution of Issuer's Common Stock to holders of Republic Waste Industries, Inc. common stock in April 1995, there are (y) no rights, options, warrants, convertible securities, subscription rights or other agreements, calls, plans, contracts or commitments of any kind relating to the issued and unissued capital stock of, or other equity interest in, Issuer outstanding or authorized and (z) no contractual obligations of Issuer to repurchase, redeem or

otherwise acquire any shares of Issuer Common Stock. Upon delivery to Investor of the certificates for the Shares and the Warrant Certificates and payment of the Purchase Price, Investor will acquire good, valid and marketable title to and beneficial and record ownership of the Shares and the Warrants, and the Shares will be validly issued, fully paid and non-assessable. Issuer has reserved 6,000,000 shares of Common Stock for issuance upon exercise of the Warrants and, upon exercise of the Warrants in accordance with this Agreement and the Warrant Certificate (including, without limitation, payment in full of the exercise price), the Warrant Shares will be validly issued, fully paid and non-assessable.

3.7 SEC REPORTS AND NASDAQ COMPLIANCE. Since April 1995, Issuer has made all filings (the "SEC Reports") required to be made by it under the Securities Act and the Exchange Act. The SEC Reports, when filed, complied in all material respects with all applicable requirements of the Securities Act and the Exchange Act and the securities laws, rules and regulations of any state and pursuant to any Requirements of Law and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. Issuer has delivered or made accessible to Investors true, accurate and complete copies of the SEC Reports which were filed with the SEC since January 1, 1996. Issuer has taken all necessary actions to ensure its continued inclusion in, and the continued eligibility of the Common Stock for trading on the Nasdaq National Market under all currently effective and currently proposed inclusion requirements.

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

3.9 SUBSIDIARIES. Except as set forth on Exhibit 21.1 to Issuer's Registration Statement on Form 10, File No. 0-25890, Issuer does not own, directly or indirectly, any outstanding voting securities of or other interests in, and does not control, any corporation, partnership, joint venture or other business entity.

3.10 FINANCIAL STATEMENTS. Each of the balance sheets included in the SEC Reports (including any related notes and schedules) fairly presents in all material respects the consolidated financial position of Issuer and its Subsidiaries as of its date, and each of the other financial statements included in the SEC Reports (including any related notes and schedules) fairly presents in all material respects the consolidated results of operations or other information therein of Issuer and its Subsidiaries for the periods or as of the dates therein set forth in accordance with GAAP consistently applied during the periods involved (except that the interim reports are subject to normal recording adjustments which might be required as a result of year-end audit and except as otherwise stated therein).

3.11 MATERIAL CHANGES. Except as set forth in the SEC Reports or Schedule 3.11 hereto, since December 31, 1995, there has been no Material Adverse Change in Issuer. Except as set forth in the SEC Reports or Schedule 3.11 hereto or as otherwise contemplated herein, since December 31, 1995, (a) there has not been (i) any direct or indirect redemption, purchase or other acquisition by Issuer of any shares of the Common Stock or (ii) declaration, setting aside or payment of any dividend or other distribution by Issuer with respect of the Common Stock.

3.12 NO COMMISSIONS. Issuer has not incurred any obligation for any finder's or broker's or agent's fees or commissions in connection with the sale of the Shares and the Warrants.

3.13 INAPPLICABILITY OF SECTION 203 OF DGCL. The Board of Directors of Issuer has approved the execution and delivery by Issuer of this Agreement and the Warrant Certificate, and the consummation of the transactions contemplated by this Agreement and the Warrant Certificate and the other transactions contemplated hereby and thereby, and such approval is sufficient to render inapplicable to Investor and/or any affiliates or associates (as those terms are defined in Section 203 of the DGCL of Investor and/or all or any combination of such persons the provisions of Section 203 of DGCL that restrict business combinations (as defined in Section 203 of DGCL) between an interested stockholder and Issuer.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF INVESTOR

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

4.1 POWER AND AUTHORITY. Investor is an individual residing in the State of Florida with competence and authority under applicable law to execute and deliver, and to perform his obligations under, this Agreement and consummate the transactions contemplated hereby, and has all necessary authority to execute, deliver and perform this Agreement and the transactions contemplated hereby.

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

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

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

4.5 INVESTMENT INTENT. Investor is acquiring the Shares and Warrants hereunder for Investor's own account and with no present intention of distributing or selling the Shares or any interest in the Warrants or the Warrant Shares in violation of the Securities Act or any applicable state securities law. Investor agrees that Investor will not sell or otherwise dispose of any of the Shares or any interest in the Warrants or Warrant Shares unless such sale or other disposition has been registered or qualified (as applicable) under the Securities Act and applicable state securities laws or, in the opinion of Investors' counsel delivered to Issuer (which opinion shall be reasonably satisfactory to Issuer) such sale or other disposition is exempt from such registration or qualification (as applicable). Investor understands that the sale of the Shares and Warrants acquired by Investor hereunder and any issuance of Warrants Shares have not been registered under the Securities Act but are issued through transactions exempt from the registration and prospectus delivery requirements of Section 4(2) of the Securities Act, and that the reliance of Issuer on such exemption from registration is predicated in part on these representations and warranties of Investor. Investor acknowledges that pursuant to Section 1.2 a restrictive legend consistent with the foregoing has been or will be placed on the certificates representing the Shares, the Warrant Certificates and on certificates representing any Warrant Shares until such legend is permitted to be removed under appropriate law.

4.6 INVESTOR KNOWLEDGE. Investor is an accredited investor as such term is defined in Rule 501 of the General Rules and Regulations under the Securities Act, and has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the investment to be made by him

hereunder. Investor acknowledges that no representations or warranties of any type or description have been made to Investor by any Person with regard to Issuer or any of its Subsidiaries, or any of their respective businesses, properties or prospects or the investment contemplated herein, other than the representations and warranties set forth in Article III hereof.

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

ARTICLE V

COVENANTS

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

5.2 PUBLIC ANNOUNCEMENTS. Except as required by law or the policies or rules of the Nasdaq National Market, the form and content of all press releases or other public communications of any sort relating to the subject matter of this Agreement, and the method of their release, or publication thereof, shall be subject to the prior approval of the parties hereto, which approval shall not be unreasonably withheld or delayed.

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

5.4 COOPERATION. Each of Issuer and Investor agree to cooperate with the other in the preparation and filing of all forms, notifications, reports and information, if any, required or reasonably deemed advisable pursuant to any Requirement of Law or the rules of the Nasdaq National Market in connection with the transactions contemplated by this Agreement and to use their respective best efforts to agree jointly on a method to overcome any objections by any Governmental Authority to any such transactions. Except as may be specifically required hereunder, neither of the Parties or their respective Affiliates shall be required to agree to take any action that in the reasonable opinion of such Party would result in or produce a Material Adverse Effect on such Party.

5.5 ACCESS TO INFORMATION. From the date hereof to the Effective Time, Issuer shall, and shall cause its Subsidiaries and its and their directors, officers, employees, auditors, counsel and agents to, afford Investor and his employees, counsel and agents reasonable access at all reasonable times to its properties, offices and other facilities, to its officers and employees and to all books and records, and shall furnish such persons with all financial, operating and other data and information as may be reasonably requested. No information provided to, or obtained by, Investor shall affect any representation or warranty in this Agreement although Investor agrees to give notice to Issuer of any such information which would constitute a breach of its respective representations and warranties hereunder. Investor agrees to maintain the confidentiality of all such information which is non-public and agrees not to disclose such information to any person other than its representatives and advisors who agree to be bound by the terms of this Section 5.5 and to use information only for purposes or evaluating the transactions contemplated hereby; provided, however, such restriction shall not apply to any information which (a) is in the public domain prior to the time of disclosure or thereafter enters the public domain through no actions on the part of Investor or (b) is obtained by Investor from a third party that is not known to Investor to be subject to a confidentiality agreement with respect to such information.

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

5.7 INFORMATION STATEMENT. As promptly as practicable after the execution of this Agreement, Issuer shall prepare and file with the SEC, in compliance with applicable laws and regulations, an information

statement on Schedule 14C under the Exchange Act in connection with approving the transactions contemplated hereby (the "Information Statement"), and shall use its best efforts to have the Information Statement and/or any amendment or supplement thereto approved by the SEC. Investor shall furnish all information concerning itself to Issuer as Issuer may reasonably request in connection with the preparation of the Information Statement. As promptly as practicable after approval by the SEC, Issuer shall mail the Information Statement to its stockholders.

5.8 WRITTEN CONSENT/STOCKHOLDER'S MEETING. In the event that this Agreement and the transactions contemplated hereby have not been approved by the written consent of RESI stockholders pursuant to the DGCL and its Certificate of Incorporation and Bylaws on or before September 1, 1996, Issuer shall call and hold a special meeting of its stockholders as promptly as practicable for the purpose of voting upon the approval of this Agreement and the transactions contemplated hereby. Issuer shall comply with all Requirements of Law applicable to such meeting. Issuer shall use its best efforts to solicit from its stockholders proxies in favor of approval of this Agreement and the transactions contemplated hereby, and shall take all other action necessary or advisable to obtain the vote or consent of stockholders required by the DGCL to obtain such approvals, unless otherwise necessary due to the applicable fiduciary duties of the directors of Issuer, as determined by such directors in good faith after consultation with and based upon the advice of independent legal counsel (who may be Issuer's regularly engaged independent legal counsel) and financial advisors. In connection with the foregoing, Issuer shall cooperate and consult with Investor.

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

5.10 CONDUCT OF ISSUER'S BUSINESS PENDING THE CLOSING. Issuer covenants and agrees that, between the date of this Agreement and the Closing, unless Investor shall have consented in writing (such consent not to be unreasonably withheld), (i) the businesses of each of Issuer and its Subsidiaries shall in all material respects be conducted only in, and each of Issuer and its Subsidiaries shall not take any material action except in, the ordinary course of business, consistent with past practice and (ii) Issuer shall use its reasonable best efforts to preserve intact its business organization, to keep available the services of its and its Subsidiaries' current officers, employees and consultants and to preserve its and its Subsidiaries' present relationships with customers, suppliers and other Persons with which it or any of its Subsidiaries has significant business relations. By way of amplification and not limitation, except as contemplated by this Agreement, neither Issuer nor any of its Subsidiaries shall, between the date of this Agreement and the Closing, directly or indirectly do or propose or agree to do any of the following without the prior written consent of Investor, which consent shall not unreasonably be withheld:

(a) amend or otherwise change its Certificate of Incorporation or Bylaws, or equivalent organizational documents;

(b) except pursuant to this Agreement, the Stock Purchase Agreement dated as of the date hereof (the "MGD Purchase Agreement") between Issuer and MGD Holding Ltd., a Bermuda corporation ("MGD"), and the Merger Agreement (hereinafter defined), issue, sell, pledge, dispose of, grant, encumber or authorize the issuance, sale, pledge, disposition, grant or encumbrance of any shares of capital stock or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock of, or any other ownership interest in, any of them; provided, however, Issuer may, consistent with past practices, grant options to its employees under existing employee benefit plans;

(c) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock;

(d) except pursuant to the Stock Split, reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock;

(e) except pursuant to the Merger Agreement, (i) acquire, directly or indirectly (including, without limitation, for cash or shares of stock), by merger, consolidation, or acquisition of stock or assets any interest in any corporation, partnership or other business organization or division thereof or any assets, or make any investment (other than in the ordinary course of business) either by purchase of stock or securities, contributions of capital (other than to wholly-owned Subsidiaries) or property transfer, or, except in the ordinary course of business, purchase any property or assets of any other Person, (ii) incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse or otherwise as an accommodation become responsible for, the obligations of any person, or make any loans or advances, except in the ordinary course of business and consistent with past practice, (iii) make any significant capital expenditures, except in the ordinary course of business, (iv) sell, pledge or otherwise dispose of or encumber any assets or the stock of any Subsidiary except in the ordinary course of business consistent with past practices or (v) enter into any contract or agreement other than in the ordinary course of business;

(f) increase the compensation payable or to become payable to its officers or employees, except for increases in the ordinary course of business consistent with past practices, or, except as presently bound to do, grant any severance or termination pay to, or enter into any employment or severance agreement with, any director, officer or other employee of it or any of its Subsidiaries, or establish, adopt, enter into or amend in any material respect or take any action to accelerate any rights or benefits which any collective bargaining, bonus, profit sharing, trust, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any directors, officers or employees;

(g) take any action other than in the ordinary course of business and in a manner consistent with past practice with respect to accounting policies or procedures;

(h) pay, discharge or satisfy any existing material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction in the ordinary course of business and consistent with past practice or liabilities reflected or reserved against in the consolidated financial statements of Issuer and its Subsidiaries or incurred after the date hereof in the ordinary course of business;

(i) agree, in writing or otherwise, to take any of the foregoing actions or any action which would make any representation or warranty in Article III untrue or incorrect in any material respect; or

(j) cause any modification or amendment to, or lapse of coverage under, any of its insurance policies, except in the ordinary course of business consistent with past practices.

5.11 STOCK SPLIT. The Parties hereby acknowledge that the Common Stock share amounts and the exercise prices under the Warrants set forth herein have been adjusted to give effect to the Stock Split. In the event the Stock Split is not effected on or before the Closing Date, the Parties agree that the Common Stock share amounts and the exercise prices under the Warrants set forth herein, shall be readjusted as follows: (i) with the exception of the Common Stock Share amounts relating to the number of authorized and outstanding shares of Common Stock, all Common Stock share amounts shall be divided by two and (ii) all exercises prices under the Warrants shall be multiplied by two.

ARTICLE VI

DEFINITIONS

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

"Affiliate" shall have the meaning ascribed to it in Rule 12b-2 of the Exchange Act, as in effect on the date hereof.

"Agreement" means this Stock Purchase Agreement.

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

"Closing Date" shall mean the tenth day following the satisfaction or waiver of the conditions set forth in Article IX or such date as otherwise agreed upon by the Parties.

"Common Stock" has the meaning set forth in the Recitals of this Agreement.

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

"Controlling Person" has the meaning set forth in Section 8.2 of this Agreement. "DGCL" has the meaning set forth in Section 3.5 of this Agreement.

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

"GAAP" means generally accepted accounting principles in effect in the United States of America from time to time as consistently applied throughout the specified period and in the comparable period in the immediately preceding year.

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

"Holder" has the meaning set forth in Section 7.1 of this Agreement.

"HSR Act" has the meaning set forth in Section 3.5 of this Agreement.

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

"Indemnified Party" has the meaning set forth in Section 8.3 of this Agreement.

"Indemnifying Party" has the meaning set forth in Section 8.3 of this Agreement.

"Information Statement" has the meaning set forth in Section 5.6 of this Agreement.

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

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

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

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

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

"MGD" has the meaning set forth in Section 5.10 of this Agreement.

"MGD Purchase Agreement" has the meaning set forth in Section 5.10 of this Agreement.

"Person" means any natural person, partnership, corporation, joint stock company, estate, trust, unincorporated association, proprietorship, union, association, arbitrator, board, bureau, instrumentality, self-regulatory organization, joint venture, Governmental Authority or other entity, of whatever nature.

"Purchase Price" has the meaning set forth in Section 1.1 of this Agreement.

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

"Registrable Common Stock" shall mean and include (a) the Common Stock of Issuer as authorized on the date of this Agreement, (b) any other capital stock of any class or classes (however designated) of Issuer, authorized on or after the date hereof, the holders of which shall have the right either to all or a share of the balance of current dividends and liquidating distributions after the preference of any preferred stock, or the holders of which shall ordinarily, in the absence of contingencies, be entitled to vote for the election of a majority of directors of Issuer (even though the right so to vote has been suspended by the happening of such a contingency) and (c) any other securities into which or for which any of the securities described in (a) or (b) may be converted or exchanged pursuant to a plan of recapitalization, reorganization, merger, sale of assets or otherwise.

"Registrable Securities" means (a) all Common Stock now or hereafter owned by Investor or any other shares of Registrable Common Stock or other securities issued in respect of such shares by way of a stock dividend or stock split or in connection with a combination or subdivision of shares, recapitalization, merger or consolidation or reorganization, and (b) any of the Shares or Warrant Shares, and any other shares of Registrable Common Stock or other securities issued in respect of the Shares or Warrant Shares by way of stock dividend or stock split or in connection with any combination or subdivision of shares, recapitalization, merger or consolidation or reorganization; provided, however, as to any particular Registrable Securities, such Registrable Securities will cease to be Registrable Securities when they have been sold pursuant to an effective registration statement or in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act under Section 4(1) thereof so that all transfer restrictions and restrictive legends with respect thereto are removed upon the consummation of such sale and the purchaser and seller receive an opinion of counsel from the seller or the purchaser, which opinion shall be in form and substance reasonably satisfactory to the other party and Issuer and their respective counsel, to the effect that such stock in the hands of the purchaser is freely transferable without restriction or registration under the Securities Act in any public or private transaction.

"Registration Expenses" has the meaning set forth in Section 7.3 of this Agreement.

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

"SEC" means the Securities and Exchange Commission.

"SEC Reports" has the meaning set forth in Section 3.7 of this Agreement.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Series A Warrants" has the meaning set forth in Section 1.1 of this Agreement.

"Series B Warrants" has the meaning set forth in Section 1.1 of this Agreement.

"Series C Warrants" has the meaning set forth in Section 1.1 of this Agreement.

"Shares" has the meaning set forth in Section 1.1 of this Agreement.

"Shelf Registration Statement" has the meaning set forth in Section 7.2 of this Agreement.

"Stock Split" shall mean the two for one stock split to be effected on June 30, 1996 by means of a stock dividend of one share of Common Stock for each share of Common Stock held of record on June 14, 1996.

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

"Terminating Investor Breach" has the meaning set forth in Section 2.2.

"Terminating Issuer Breach" has the meaning set forth in Section 2.2.

"Warrant Certificates" has the meaning set forth in Section 1.1 of this Agreement.

"Warrant Shares" has the meaning set forth in Section 1.2 of this Agreement.

"Warrants" has the meaning set forth in Section 1.1 of this Agreement.

6.2 OTHER DEFINITIONAL PROVISIONS.

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

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

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

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

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

ARTICLE VII

REGISTRATION RIGHTS

Investor shall have the following registration rights with respect to the Registrable Securities owned by him:

7.1 TRANSFER OF REGISTRATION RIGHTS. Investor may assign the registration rights with respect to the Shares and the Warrant Shares to any party or parties to which he may from time to time transfer the Shares or Warrant Shares. Upon assignment of any registration rights pursuant to this Section 7.1, Investor shall deliver to Issuer a notice of such assignment which includes the identity and address of any assignee (collectively, Investor and each such subsequent holder is referred to as a "Holder").

7.2 REQUIRED REGISTRATION. As promptly as practicable after the Closing, Issuer agrees to register all of the Shares and all of the Warrant Shares pursuant to a registration statement on Form S-3 (the "Shelf Registration Statement"). Issuer shall use its best efforts to cause the Shelf Registration Statement to be declared effective as quickly as practicable and to maintain the effectiveness of the Shelf Registration Statement until such time as Issuer reasonably determines based on an opinion of counsel that the Holders will be eligible to sell all of the Shares then owned by the Holders without the need for continued registration of the Shares in the three-month period immediately following the termination of the effectiveness of the Shelf Registration Statement. Issuer's obligations contained in this Section 7.2 shall terminate on the second anniversary of the earlier of (i) the expiration of the Series C Warrants or (ii) the date on which all of the Warrants have been exercised.

7.3 REGISTRATION PROCEDURES.

(a) In case of each registration, qualification or compliance effected by Issuer subject to this Article VII, Issuer shall keep Holder advised in writing as to the initiation of each such registration, qualification and compliance and as to the completion thereof. In addition, Issuer shall at its own expense:

(i) subject to this Section 7.3, before filing a registration or prospectus or any amendment or supplements thereto, furnish to counsel selected by Holder copies of all such documents proposed to be filed and the portions of such documents provided in writing by Holder for use therein, subject to such Holder's approval, and for which Holder shall indemnify Issuer;

(ii) prepare and file with the SEC such amendments and supplements to the Shelf Registration Statement as may be necessary to keep the Shelf Registration Statement effective and comply with provisions of the Securities Act with respect to the disposition of all securities covered thereby during such period;

(iii) update, correct, amend and supplement the Shelf Registration Statement as necessary;

(iv) if such offering is to be underwritten, in whole or in part, enter into a written agreement in form and substance reasonably satisfactory to the managing underwriter and the registering Holder;

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

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

(vii) notify Holder, at any time when the prospectus included in the Shelf Registration Statement relating to the Registrable Securities is required to be delivered under the Securities Act, of the happening of any event which would cause such prospectus to contain an untrue statement of a material fact or omit any fact necessary to make the statement therein in light of the circumstances under which they are made not misleading and, at the request of Holder, prepare a supplement or amendment to such prospectus, so that, as thereafter delivered to purchasers of such shares, such prospectus will not contain any untrue statements of a material fact or omit to state any fact necessary to make the statements therein in light of the circumstances under which they are made not misleading;

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

(ix) provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of the Shelf Registration Statement;

(x) upon the sale of any Registrable Securities pursuant to the Shelf Registration Statement, remove all restrictive legends from all certificates or other instruments evidencing such Registrable Securities (to the extent permitted by the Securities Act);

(xi) furnish at the request of Holder, on the date that the Registrable Securities are delivered to the underwriter for sale in connection with a registration pursuant to this Section 7.3, if such Registrable Securities are being sold through an underwriter, or if such Registrable Securities are not being sold through an underwriter, on the date that the Shelf Registration Statement becomes effective, an opinion dated as of such date of the counsel representing Issuer for purposes of

registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to such underwriter, if any and to Holder; and

(xii) make available for inspection by Holder, any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant or any other agent retained by Holder or such underwriter, all financial and other records, pertinent corporate documents and properties of Issuer, and cause Issuer's officers, directors and employees to supply all information reasonably requested by any such Holder, underwriter, attorney, accountant or agent in connection with the Shelf Registration.

(b) Except as required by law, all expenses incurred by Issuer in complying with this Article VII, including but not limited to, all registration, qualification and filing fees, printing expenses, fees and disbursements of counsel and accountants for Issuer, blue sky fees and expenses (including fees and disbursements of counsel related to all blue sky matters) ("Registration Expenses") incurred in connection with any registration, qualification or compliance pursuant this Article VII shall be borne by Issuer. All underwriting discounts and selling commissions applicable to a sale incurred in connection with any registration of Registrable Securities and the legal fees of Holder shall be borne by Holder.

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

ARTICLE VIII

INDEMNIFICATION

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

8.2 INDEMNIFICATION RELATING TO REGISTRATION RIGHTS.

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

(i) any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular or other document (including any related registration statement, notification or the like) incident to any such registration, qualification or compliance;

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

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

in each case, relating to any action or inaction required of Issuer in connection with any such registration, qualification or compliance, and subject to Section 8.3 below will reimburse each such Person entitled to indemnity under this Section 8.2 for all legal and other expenses reasonably incurred in connection with investigating or defending any such loss, damage, liability, claim, charge, action, proceeding, demand, judgment, settlement or deficiency; provided, however, the foregoing indemnity and reimbursement obligation shall not be applicable to the extent that any such matter arises out of or is based on any untrue statement (or alleged untrue statement) or omission (or alleged omission) made in reliance upon and in conformity with written information furnished to Issuer by or on behalf of such Holder specifically for use in such prospectus, offering circular or other document.

(b) With respect to any registration, qualification or compliance effected or to be effected pursuant to this Agreement, each Holder of Registrable Securities whose securities are included or are to be included therein, shall indemnify Issuer from and against all losses, damages, liabilities, claims, charges, actions, proceedings, demands, judgments, settlement costs and expenses of any nature whatsoever (including, without limitation, attorneys' fees and expenses) or deficiencies of Issuer concerning:

(i) any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular or other document (including any related registration statement, notification or the like) incident to any such registration, qualification or compliance;

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

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

in each case, relating to any action or inaction required of such Holder in connection with any such registration, qualification or compliance, and subject to Section 8.3 below will reimburse Issuer for all legal and other expenses reasonably incurred in connection with investigating or defending any such loss, damage, liability, claim, charge, action, proceeding, demand, judgment, settlement or deficiency; provided, however, the foregoing indemnity and reimbursement obligation shall only be applicable to the extent that any such matter arises out of or is based on any untrue statement (or alleged untrue statement) or omission (or alleged omission) made in reliance upon and in conformity with written information furnished to Issuer by or on behalf of Holder specifically for use in such prospectus, offering circular or other document; provided further, the obligations of Holder hereunder shall be limited to an amount equal to the proceeds to Holder of Registrable Securities sold as contemplated hereunder.

8.3 INDEMNIFICATION PROCEDURES. Each Person entitled to indemnification under this Section (an "Indemnified Party") shall give notice as promptly as reasonably practicable to each party required to provide indemnification under this Section (an "Indemnifying Party") of any action commenced against or by it in respect of which indemnity may be sought hereunder, but failure to so notify an Indemnifying Party shall not relieve such Indemnifying Party from any liability that it may have otherwise than on account of this indemnity agreement so long as such failure shall not have materially prejudiced the position of the Indemnifying Party. Upon such notification, the Indemnifying Party shall assume the defense of such action if it is a claim brought by a third party, and after such assumption the Indemnifying Party shall not be entitled to reimbursement of any expenses incurred by it in connection with such action except as described below. In any such action, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the contrary or (ii) the named parties in any such action (including any impleaded parties) include both the Indemnifying Party and the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing or conflicting interests between them. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent (which shall not be unreasonably withheld or delayed by such

Indemnifying Party), but if settled with such consent or if there be final judgment for the plaintiff, the Indemnifying Party shall indemnify the Indemnified Party from and against any loss, damage or liability by reason of such settlement or judgment.

ARTICLE IX

CONDITIONS TO CLOSING

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

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

(b) No Order. No Governmental Authority or other agency or commission or federal or state court of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction, or other order (whether temporary, preliminary or permanent) which is in effect and which materially restricts, prevents or prohibits consummation of the Closing or any transaction contemplated by this Agreement; provided, however, that each of the Parties agree that it will use its best efforts to fulfill its obligations under Section 5.9 and, in addition, each of the Parties will use its reasonable best efforts to cause any such decree, judgment, injunction or other order to be vacated or lifted; and

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

(f) Authorized Share Increase. The stockholders of RESI shall have voted upon and approved, either at a meeting or by written consent in accordance with the DGCL and RESI's Certificate of Incorporation and Bylaws, an amendment to RESI's Certificate of Incorporation to increase in the number of authorized shares of Common Stock from 20,000,000 to 200,000,000.

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

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

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

(c) Merger Agreement. The mergers contemplated by that certain Agreement and Plan of Merger dated as of even date herewith among Issuer, Republic/CSC Acquisition Corporation, Republic/CSU Acquisition Corporation, Alliance Holding Corporation, Century Surety Company and Commercial Surety Agency, Inc. (the "Merger Agreement") shall be closed contemporaneously with the Closing of the transactions contemplated by this Agreement.

(d) MGD Holdings Ltd. Investment. The purchase of 2,000,000 shares of the Common Stock by MGD from Issuer, together with certain warrants to purchase up to 6,000,000 shares of Common Stock,

pursuant to the MGD Purchase Agreement shall be closed contemporaneously with the Closing of the transactions contemplated by this Agreement.

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

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

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

ARTICLE X

MISCELLANEOUS

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

(a) if to Issuer to:

Republic Environmental Systems, Inc.
16 Sentry Park West
1787 Sentry Parkway West, Suite 400
Blue Bell, Pennsylvania 19422
Attention: Douglas R. Gowland
Telecopy: 215/283-4809

with a copy to:

Akin, Gump, Strauss, Hauer & Feld, LLP
1900 Pennzoil Place -- South Tower
711 Louisiana Street
Houston, Texas 77002
Attention: Rick L. Burdick, Esq.
Telecopy: (713) 236-0822

(b) if to Investor to:

H. Wayne Huizenga
c/o Huizenga Holdings, Inc.
200 South Andrews Avenue
Ft. Lauderdale, FL 33301
Attention: Richard C. Rochon
Telecopy: (305) 523-0801

with a copy to:

Akerman, Senterfitt & Eidson, P.A.
One S.E. Third Avenue
Suite 2800
Miami, Florida 33131
Attention: Stephen K. Roddenberry, Esq.
Telecopy: (305) 374-5095

10.2 SURVIVAL. Notwithstanding any knowledge of facts determined or determinable by Investor by investigation, Investor shall have the right to fully rely on the representations, warranties, covenants and agreements of Issuer contained in this Agreement or in any other documents or papers delivered in connection herewith. Each representation, warranty, covenant and agreement of the parties set forth in this Agreement is independent of each other representation, warranty, covenant and agreement. Each representation and warranty made by any party in this Agreement shall survive the Closing through the period ending on the date two years from the Closing Date.

10.3 REMEDIES.

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

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

10.4 OTHER REGISTRATION RIGHTS. Issuer shall not grant to any third party any registration rights more favorable than any of those contained herein, so long as any of the registration rights under this Agreement remain in effect, unless the Holders of Registrable Securities are granted rights to participate together with any such third party in such registration rights.

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

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

10.7 AMENDMENT; WAIVER. This Agreement may not be modified, amended, supplemented, canceled or discharged, except by written agreement executed by all of the Parties. No failure to exercise, and no delay in exercising, any right, power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege hereunder preclude the exercise of any other right, power or privilege. No waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision, nor shall any waiver be implied from any course of

dealing between the Parties. No extension of time for performance of any obligations or other acts hereunder or under any other agreement shall be deemed to be an extension of the time for performance of any other obligations or any other acts. The rights and remedies of the Parties under this Agreement are in addition to all other rights and remedies, at law or equity, that they may have against each other.

10.8 BINDING EFFECT; ASSIGNMENT. The rights and obligations of this Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and legal assigns. The rights and obligations of this Agreement may not be assigned by any party without the prior written consent of the other party.

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

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

10.11 GOVERNING LAW; INTERPRETATION. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED FOR ALL PURPOSES BY THE LAWS OF THE STATE OF FLORIDA APPLICABLE TO CONTRACTS EXECUTED AND TO BE WHOLLY PERFORMED WITHIN SUCH STATE.

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

IN WITNESS WHEREOF, the Parties have caused this Stock Purchase Agreement to be duly executed and delivered this 10th day of June, 1996.

REPUBLIC ENVIRONMENTAL SYSTEMS, INC.

By: /s/ MICHAEL G. DEGROOTE

Name: Michael G. DeGroote
Title: President and Chief Executive Officer

/s/ H. WAYNE HUIZENGA

H. Wayne Huizenga

APPENDIX III

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (this "Agreement") is dated as of May 19, 1996 between MGD Holdings Ltd., a Bermuda corporation ("Investor"), and Republic Environmental Systems, Inc., a Delaware corporation ("RESI" and, together with its successors and permitted assigns, the "Issuer"). Issuer and Investor may hereinafter be referred to collectively as the "Parties" or individually as a "Party."

RECITALS

Subject to the terms and conditions of this Agreement, Investor desires to purchase, and Issuer desires to issue and sell to Investor, 2,000,000 shares of Issuer's common stock, par value $.01 per share (the "Common Stock"), and warrants to purchase an additional 6,000,000 shares of Common Stock.

TERMS OF AGREEMENT

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

ARTICLE I

ISSUANCE AND PURCHASE OF COMMON STOCK AND WARRANTS

1.1 ISSUANCE AND PURCHASE OF COMMON STOCK AND WARRANTS. Subject to the terms and conditions of this Agreement, Issuer will issue and sell to Investor and Investor will purchase from Issuer for an aggregate purchase price of $5,250,000 (the "Purchase Price") (i) 2,000,000 shares of Common Stock (the "Shares") and (ii) warrants to purchase (a) 2,000,000 shares of Common Stock at a purchase price of $2.625 per share, exercisable in whole or in part at any time and from time to time from the Closing Date until 6:00 p.m. on the date two years from the Closing Date (the "Series A Warrants"), (b) 2,000,000 shares of Common Stock at a purchase price of $3.125 per share, exercisable in whole or in part at any time and from time to time from the Closing Date until 6:00 p.m. on the date three years from the Closing Date (the "Series B Warrants"), and (c) 2,000,000 shares of Common Stock at a purchase price of $3.875 per share, exercisable in whole or in part at any time and from time to time from the Closing Date until 6:00 p.m. on the date four years from the Closing Date (the "Series C Warrants" and, together with the Series A Warrants and the Series B Warrants, the "Warrants"), pursuant to the warrant certificates to be issued to Investor in the form of Exhibits 1.1(A), 1.1(B) and 1.1(C), respectively (the "Warrant Certificates").

1.2 LEGEND. Any certificate or certificates representing the Shares, the Warrants and any Common Stock issued upon exercise of any Warrants (the "Warrant Shares") and any certificates issued in respect of the foregoing shall bear the following legend unless and until removal thereof is permitted pursuant to the terms of this Agreement:

> THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR UNDER ANY APPLICABLE STATE SECURITIES LAW AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION UNDER THE SECURITIES ACT OR AN OPINION OF COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER OR UNDER APPLICABLE STATE SECURITIES LAWS.

ARTICLE II

CLOSING

2.1 CLOSING. The closing of the transactions contemplated herein (the "Closing") shall take place on the Closing Date at the offices of Alliance Holding Corporation, 10055 Sweet Valley Drive, Valley View, Ohio 44125 or such other place as the parties may agree. At the Closing, (a) Investor shall pay to Issuer, by wire transfer of immediately available funds to an account designated in writing by Issuer, the Purchase Price; (b) Issuer shall issue to Investor the Shares, and deliver to Investor certificates for the Shares duly registered in the name of Investor; (c) Issuer shall issue to Investor the Warrants and deliver the Warrant Certificates to Investor; and (iv) all other agreements and other documents referred to in this Agreement shall be executed and delivered (to the extent not completed prior to the Closing Date).

2.2 TERMINATION.

(a) Events of Termination. This Agreement may be terminated, and the transactions contemplated hereby may be abandoned at any time prior to the Effective Time, as follows:

(i) by written agreement of the Parties;

(ii) by Issuer or Investor if the transactions contemplated by this Agreement have not been consummated on or before September 30, 1996; provided, however, that the right to terminate this Agreement shall not be available to a Party whose failure to fulfill any obligation under this Agreement has been the cause, or resulted in, the failure of the Effective Time to occur on or before such date;

(iii) by Issuer, upon a breach of any representation, warranty, covenant or agreement on the part of Investor set forth in this Agreement, or if any representation or warranty of Investor shall have become untrue, in either case such that the conditions set forth in Section 9.3 would not be satisfied by September 30, 1996 (a "Terminating Investor Breach"); provided, however, that if such Terminating Investor Breach is cured by Investor within 60 calendar days after notice thereof through the continuous exercise of its best efforts, then Issuer may not terminate this Agreement under this Section 2.2(a)(iii); or

(iv) by Investor, upon a breach of any representation, warranty, covenant or agreement on the part of Issuer set forth in this Agreement, or if any representation or warranty of Issuer shall have become untrue, in either case such that the conditions set forth in Section 9.2 would not be satisfied (a "Terminating Issuer Breach"); provided, however, that if such Terminating Issuer Breach is cured by Issuer within 60 calendar days after notice thereof through the continuous exercise of its best efforts, then Investor may not terminate this Agreement under this Section 2.2(a)(iv).

(b) Effect of Termination.

(i) If this Agreement is validly terminated pursuant to Section 2.2(a) hereof, this Agreement will terminate and no Party hereto will have any liability to the other Parties hereto except that any such termination shall be without prejudice to any claim which either Party may have against the other for breach of this Agreement (or any representations, warranty, covenant, or agreement included herein).

(ii) All reasonable out-of-pocket expenses incurred in connection with this Agreement and the transactions contemplated hereby by a nonbreaching Party who terminates this Agreement pursuant to Section 2.2(a) hereof will be reimbursed promptly by the breaching Party.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF ISSUER

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

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

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

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

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

3.5 CONSENTS/APPROVALS. No consent, approval, waiver or other action by any Person under any Contract to which either Issuer or any of its Subsidiaries is a party, or by which any of their respective properties or assets are bound, is required or necessary for the execution, delivery or performance by Issuer of this Agreement and the consummation of the transactions contemplated hereby, except (a) as required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 as amended and the rules and regulations promulgated thereunder (the "HSR Act"), (b) as required by the Securities Act, the Exchange Act and state securities or "blue sky" laws, (c) as required by the Delaware General Corporation Law (the "DGCL") and (d) where the failure to obtain such consents, filings, authorizations, approvals or waivers or make such filings would not prevent or delay the consummation of the transactions contemplated by this Agreement or otherwise prevent Issuer from performing its obligations hereunder.

3.6 CAPITALIZATION. The authorized capital stock of Issuer consists of 20,000,000 shares of Common Stock. As of the date hereof, after giving effect to the Stock Split, 10,809,638 shares of Common Stock are validly issued and outstanding, fully paid and non-assessable. Except (a) for 493,800 shares of Common Stock, after giving effect to the Stock Split, shares of Common Stock reserved for issuance pursuant to certain options or warrants issued pursuant to Issuer's 1995 Stock Option Plan, (b) as contemplated by this Agreement, the Merger Agreement and the Huizenga Purchase Agreement (defined herein) and (c) in connection with the distribution of Issuer's Common Stock to holders of Republic Waste Industries, Inc. common stock in April 1995, there are (y) no rights, options, warrants, convertible securities, subscription rights or other agreements, calls, plans, contracts or commitments of any kind relating to the issued and unissued capital stock of, or other equity interest in, Issuer outstanding or authorized and (z) no contractual

obligations of Issuer to repurchase, redeem or otherwise acquire any shares of Issuer Common Stock. Upon delivery to Investor of the certificates for the Shares and the Warrant Certificates and payment of the Purchase Price, Investor will acquire good, valid and marketable title to and beneficial and record ownership of the Shares and the Warrants, and the Shares will be validly issued, fully paid and non-assessable. Issuer has reserved 6,000,000 shares of Common Stock for issuance upon exercise of the Warrants and, upon exercise of the Warrants in accordance with this Agreement and the Warrant Certificate (including, without limitation, payment in full of the exercise price), the Warrant Shares will be validly issued, fully paid and non-assessable.

3.7 NO COMMISSIONS. Issuer has not incurred any obligation for any finder's or broker's or agent's fees or commissions in connection with the sale of the Shares and the Warrants.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF INVESTOR

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

4.1 CORPORATE STATUS. Investor is a corporation duly organized, validly existing and in good standing under the laws of the Bermuda. Issuer has all requisite corporate power and authority to under applicable law to execute and deliver, and to perform its obligations under, this Agreement and to consummate the transactions contemplated hereby, and has all necessary authority to execute, deliver and perform this Agreement and the transactions contemplated hereby. Investor has taken all necessary corporation action to authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby.

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

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

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

4.5 INVESTMENT INTENT. Investor is acquiring the Shares and Warrants hereunder for Investor's own account and with no present intention of distributing or selling the Shares or any interest in the Warrants or the Warrant Shares in violation of the Securities Act or any applicable state securities law. Investor agrees that Investor will not sell or otherwise dispose of any of the Shares or any interest in the Warrants or Warrant Shares unless such sale or other disposition has been registered or qualified (as applicable) under the Securities Act and applicable state securities laws or, in the opinion of Investors' counsel delivered to Issuer

(which opinion shall be reasonably satisfactory to Issuer) such sale or other disposition is exempt from such registration or qualification (as applicable). Investor understands that the sale of the Shares and Warrants acquired by Investor hereunder and any issuance of Warrants Shares have not been registered under the Securities Act but are issued through transactions exempt from the registration and prospectus delivery requirements of Section 4(2) of the Securities Act, and that the reliance of Issuer on such exemption from registration is predicated in part on these representations and warranties of Investor. Investor acknowledges that pursuant to Section 1.2 a restrictive legend consistent with the foregoing has been or will be placed on the certificates representing the Shares, the Warrant Certificates and on certificates representing any Warrant Shares until such legend is permitted to be removed under appropriate law.

4.6 INVESTOR KNOWLEDGE. Investor is an accredited investor as such term is defined in Rule 501 of the General Rules and Regulations under the Securities Act, and has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the investment to be made by him hereunder. Investor acknowledges that no representations or warranties of any type or description have been made to Investor by any Person with regard to Issuer or any of its Subsidiaries, or any of their respective businesses, properties or prospects or the investment contemplated herein, other than the representations and warranties set forth in Article III hereof.

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

ARTICLE V

COVENANTS

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

5.2 PUBLIC ANNOUNCEMENTS. Except as required by law or the policies or rules of the Nasdaq National Market, the form and content of all press releases or other public communications of any sort relating to the subject matter of this Agreement, and the method of their release, or publication thereof, shall be subject to the prior approval of the parties hereto, which approval shall not be unreasonably withheld or delayed.

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

5.4 COOPERATION. Each of Issuer and Investor agree to cooperate with the other in the preparation and filing of all forms, notifications, reports and information, if any, required or reasonably deemed advisable pursuant to any Requirement of Law or the rules of the Nasdaq National Market in connection with the transactions contemplated by this Agreement and to use their respective best efforts to agree jointly on a method to overcome any objections by any Governmental Authority to any such transactions. Except as may be specifically required hereunder, neither of the Parties or their respective Affiliates shall be required to agree to take any action that in the reasonable opinion of such Party would result in or produce a Material Adverse Effect on such Party.

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

5.6 INFORMATION STATEMENT. As promptly as practicable after the execution of this Agreement, Issuer shall prepare and file with the SEC, in compliance with applicable law and regulations, an information statement on Schedule 14C under the Exchange Act in connection with approving the transactions contemplated hereby (the "Information Statement"), and shall use its best efforts to have the Information Statement and/or any amendment or supplement thereto approved by the SEC. Investor shall furnish all

information concerning itself to Issuer as Issuer may reasonably request in connection with the preparation of the Information Statement. As promptly as practicable after approval by the SEC, Issuer shall mail the Information Statement to its stockholders.

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

5.8 STOCK SPLIT. The Parties hereby acknowledge that the Common Stock share amounts and the exercise prices under the Warrants set forth herein have been adjusted to give effect to the Stock Split. In the event the Stock Split is not effected on or before the Closing Date, the Parties agree that the Common Stock share amounts and the exercise prices under the Warrants set forth herein, shall be readjusted as follows: (i) with the exception of the Common Stock Share amounts relating to the number of authorized and outstanding shares of Common Stock, all Common Stock share amounts shall be divided by two and (ii) all exercises prices under the Warrants shall be multiplied by two.

ARTICLE VI

DEFINITIONS

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

"Affiliate" shall have the meaning ascribed to it in Rule 12b-2 of the Exchange Act, as in effect on the date hereof.

"Agreement" means this Stock Purchase Agreement.

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

"Closing Date" shall mean the tenth day following the satisfaction or waiver of the conditions set forth in Article IX or such date as otherwise agreed upon by the Parties.

"Common Stock" has the meaning set forth in the Recitals of this Agreement.

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

"Controlling Person" has the meaning set forth in Section 8.2 of this Agreement.

"DGCL" has the meaning set forth in Section 3.5 of this Agreement.

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

"GAAP" means generally accepted accounting principles in effect in the United States of America from time to time as consistently applied throughout the specified period and in the comparable period in the immediately preceding year.

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

"Holder" has the meaning set forth in Section 7.1 of this Agreement.

"HSR Act" has the meaning set forth in Section 3.5 of this Agreement.

"Huizenga" has the meaning set forth in Section 5.10 of this Agreement.

"Huizenga Purchase Agreement" has the meaning set forth in Section 5.10 of this Agreement.

"Indemnified Party" has the meaning set forth in Section 8.3 of this Agreement.

"Indemnifying Party" has the meaning set forth in Section 8.3 of this Agreement.

"Information Statement" has the meaning set forth in Section 5.6 of this Agreement.

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

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

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

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

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

"Person" means any natural person, partnership, corporation, joint stock company, estate, trust, unincorporated association, proprietorship, union, association, arbitrator, board, bureau, instrumentality, self-regulatory organization, joint venture, Governmental Authority or other entity, of whatever nature.

"Purchase Price" has the meaning set forth in Section 1.1 of this Agreement.

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

"Registrable Common Stock" shall mean and include (a) the Common Stock of Issuer as authorized on the date of this Agreement, (b) any other capital stock of any class or classes (however designated) of Issuer, authorized on or after the date hereof, the holders of which shall have the right either to all or a share of the balance of current dividends and liquidating distributions after the preference of any preferred stock, or the holders of which shall ordinarily, in the absence of contingencies, be entitled to vote for the election of a majority of directors of Issuer (even though the right so to vote has been suspended by the happening of such a contingency) and (c) any other securities into which or for which any of the securities described in (a) or (b) may be converted or exchanged pursuant to a plan of recapitalization, reorganization, merger, sale of assets or otherwise.

"Registrable Securities" means (a) all Common Stock now or hereafter owned by Investor or any other shares of Registrable Common Stock or other securities issued in respect of such shares by way of a stock dividend or stock split or in connection with a combination or subdivision of shares, recapitalization, merger or consolidation or reorganization, and (b) any of the Shares or Warrant Shares, and any other shares of Registrable Common Stock or other securities issued in respect of the Shares or Warrant Shares by way of stock dividend or stock split or in connection with any combination or subdivision of shares, recapitalization, merger or consolidation or reorganization; provided, however, as to any particular Registrable Securities, such Registrable Securities will cease to be Registrable Securities when they have been sold pursuant to an effective registration statement or in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act under Section 4(1) thereof so that all transfer restrictions and restrictive legends with respect thereto are removed upon the consummation of such sale and the purchaser and seller receive an opinion of counsel from the seller or the purchaser, which opinion shall be in form and substance reasonably satisfactory to the other party and Issuer and their respective counsel, to the effect that such stock

in the hands of the purchaser is freely transferable without restriction or registration under the Securities Act in any public or private transaction.

"Registration Expenses" has the meaning set forth in Section 7.3 of this Agreement.

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

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Series A Warrants" has the meaning set forth in Section 1.1 of this Agreement.

"Series B Warrants" has the meaning set forth in Section 1.1 of this Agreement.

"Series C Warrants" has the meaning set forth in Section 1.1 of this Agreement.

"Shares" has the meaning set forth in Section 1.1 of this Agreement.

"Shelf Registration Statement" has the meaning set forth in Section 7.2 of this Agreement.

"Stock Split" shall mean the two for one stock split to be effected on June 30, 1996 by means of a stock dividend of one share of Common Stock for each share of Common Stock held of record on June 14, 1996.

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

"Terminating Investor Breach" has the meaning set forth in Section 2.2.

"Terminating Issuer Breach" has the meaning set forth in Section 2.2.

"Warrant Certificates" has the meaning set forth in Section 1.1 of this Agreement.

"Warrant Shares" has the meaning set forth in Section 1.2 of this Agreement.

"Warrants" has the meaning set forth in Section 1.1 of this Agreement.

6.2 OTHER DEFINITIONAL PROVISIONS.

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

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

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

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

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

ARTICLE VII

REGISTRATION RIGHTS

Investor shall have the following registration rights with respect to the Registrable Securities owned by him:

7.1 TRANSFER OF REGISTRATION RIGHTS. Investor may assign the registration rights with respect to the Shares and the Warrant Shares to any party or parties to which he may from time to time transfer the Shares or Warrant Shares. Upon assignment of any registration rights pursuant to this Section 7.1, Investor shall deliver to Issuer a notice of such assignment which includes the identity and address of any assignee (collectively, Investor and each such subsequent holder is referred to as a "Holder").

7.2 REQUIRED REGISTRATION. As promptly as practicable after the Closing, Issuer agrees to register all of the Shares and all of the Warrant Shares pursuant to a registration statement on Form S-3 (the "Shelf Registration Statement"). Issuer shall use its best efforts to cause the Shelf Registration Statement to be declared effective as quickly as practicable and to maintain the effectiveness of the Shelf Registration Statement until such time as Issuer reasonably determines based on an opinion of counsel that the Holders will be eligible to sell all of the Shares then owned by the Holders without the need for continued registration of the Shares in the three-month period immediately following the termination of the effectiveness of the Shelf Registration Statement. Issuer's obligations contained in this Section 7.2 shall terminate on the second anniversary of the earlier of (i) the expiration of the Series C Warrants or (ii) the date on which all of the Warrants have been exercised.

7.3 REGISTRATION PROCEDURES.

(a) In case of each registration, qualification or compliance effected by Issuer subject to this Article VII, Issuer shall keep Holder advised in writing as to the initiation of each such registration, qualification and compliance and as to the completion thereof. In addition, Issuer shall at its own expense:

(i) subject to this Section 7.3, before filing a registration or prospectus or any amendment or supplements thereto, furnish to counsel selected by Holder copies of all such documents proposed to be filed and the portions of such documents provided in writing by Holder for use therein, subject to such Holder's approval, and for which Holder shall indemnify Issuer;

(ii) prepare and file with the SEC such amendments and supplements to the Shelf Registration Statement as may be necessary to keep the Shelf Registration Statement effective and comply with provisions of the Securities Act with respect to the disposition of all securities covered thereby during such period;

(iii) update, correct, amend and supplement the Shelf Registration Statement as necessary;

(iv) if such offering is to be underwritten, in whole or in part, enter into a written agreement in form and substance reasonably satisfactory to the managing underwriter and the registering Holder;

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

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

(vii) notify Holder, at any time when the prospectus included in the Shelf Registration Statement relating to the Registrable Securities is required to be delivered under the Securities Act,

of the happening of any event which would cause such prospectus to contain an untrue statement of a material fact or omit any fact necessary to make the statement therein in light of the circumstances under which they are made not misleading and, at the request of Holder, prepare a supplement or amendment to such prospectus, so that, as thereafter delivered to purchasers of such shares, such prospectus will not contain any untrue statements of a material fact or omit to state any fact necessary to make the statements therein in light of the circumstances under which they are made not misleading;

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

(ix) provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of the Shelf Registration Statement;

(x) upon the sale of any Registrable Securities pursuant to the Shelf Registration Statement, remove all restrictive legends from all certificates or other instruments evidencing such Registrable Securities (to the extent permitted by the Securities Act);

(xi) furnish at the request of Holder, on the date that the Registrable Securities are delivered to the underwriter for sale in connection with a registration pursuant to this Section 7.3, if such Registrable Securities are being sold through an underwriter, or if such Registrable Securities are not being sold through an underwriter, on the date that the Shelf Registration Statement becomes effective, an opinion dated as of such date of the counsel representing Issuer for purposes of registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to such underwriter, if any and to Holder; and

(xii) make available for inspection by Holder, any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant or any other agent retained by Holder or such underwriter, all financial and other records, pertinent corporate documents and properties of Issuer, and cause Issuer's officers, directors and employees to supply all information reasonably requested by any such Holder, underwriter, attorney, accountant or agent in connection with the Shelf Registration.

(b) Except as required by law, all expenses incurred by Issuer in complying with this Article VII, including but not limited to, all registration, qualification and filing fees, printing expenses, fees and disbursements of counsel and accountants for Issuer, blue sky fees and expenses (including fees and disbursements of counsel related to all blue sky matters) ("Registration Expenses") incurred in connection with any registration, qualification or compliance pursuant this Article VII shall be borne by Issuer. All underwriting discounts and selling commissions applicable to a sale incurred in connection with any registration of Registrable Securities and the legal fees of Holder shall be borne by Holder.

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

ARTICLE VIII

INDEMNIFICATION

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

8.2 INDEMNIFICATION RELATING TO REGISTRATION RIGHTS.

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

(i) any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular or other document (including any related registration statement, notification or the like) incident to any such registration, qualification or compliance;

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

(iii) any violation by Issuer of the Securities Act or any rule or regulation promulgated thereunder applicable to Issuer, or of any blue sky or other state securities laws or any rule or regulation promulgated thereunder applicable to Issuer, in each case, relating to any action or inaction required of Issuer in connection with any such registration, qualification or compliance, and subject to Section 8.3 below will reimburse each such Person entitled to indemnity under this Section 8.2 for all legal and other expenses reasonably incurred in connection with investigating or defending any such loss, damage, liability, claim, charge, action, proceeding, demand, judgment, settlement or deficiency; provided, however, the foregoing indemnity and reimbursement obligation shall not be applicable to the extent that any such matter arises out of or is based on any untrue statement (or alleged untrue statement) or omission (or alleged omission) made in reliance upon and in conformity with written information furnished to Issuer by or on behalf of such Holder specifically for use in such prospectus, offering circular or other document.

(b) With respect to any registration, qualification or compliance effected or to be effected pursuant to this Agreement, each Holder of Registrable Securities whose securities are included or are to be included therein, shall indemnify Issuer from and against all losses, damages, liabilities, claims, charges, actions, proceedings, demands, judgments, settlement costs and expenses of any nature whatsoever (including, without limitation, attorneys' fees and expenses) or deficiencies of Issuer concerning:

(i) any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular or other document (including any related registration statement, notification or the like) incident to any such registration, qualification or compliance;

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

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

in each case, relating to any action or inaction required of such Holder in connection with any such registration, qualification or compliance, and subject to Section 8.3 below will reimburse Issuer for all legal and other expenses reasonably incurred in connection with investigating or defending any such loss, damage, liability, claim, charge, action, proceeding, demand, judgment, settlement or deficiency; provided, however, the foregoing indemnity and reimbursement obligation shall only be applicable to the extent that any such matter arises out of or is based on any untrue statement (or alleged untrue

statement) or omission (or alleged omission) made in reliance upon and in conformity with written information furnished to Issuer by or on behalf of Holder specifically for use in such prospectus, offering circular or other document; provided further, the obligations of Holder hereunder shall be limited to an amount equal to the proceeds to Holder of Registrable Securities sold as contemplated hereunder.

8.3 INDEMNIFICATION PROCEDURES. Each Person entitled to indemnification under this Section (an "Indemnified Party") shall give notice as promptly as reasonably practicable to each party required to provide indemnification under this Section (an "Indemnifying Party") of any action commenced against or by it in respect of which indemnity may be sought hereunder, but failure to so notify an Indemnifying Party shall not relieve such Indemnifying Party from any liability that it may have otherwise than on account of this indemnity agreement so long as such failure shall not have materially prejudiced the position of the Indemnifying Party. Upon such notification, the Indemnifying Party shall assume the defense of such action if it is a claim brought by a third party, and after such assumption the Indemnifying Party shall not be entitled to reimbursement of any expenses incurred by it in connection with such action except as described below. In any such action, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the contrary or (ii) the named parties in any such action (including any impleaded parties) include both the Indemnifying Party and the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing or conflicting interests between them. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent (which shall not be unreasonably withheld or delayed by such Indemnifying Party), but if settled with such consent or if there be final judgment for the plaintiff, the Indemnifying Party shall indemnify the Indemnified Party from and against any loss, damage or liability by reason of such settlement or judgment.

ARTICLE IX

CONDITIONS TO CLOSING

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

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

(b) No Order. No Governmental Authority or other agency or commission or federal or state court of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction, or other order (whether temporary, preliminary or permanent) which is in effect and which materially restricts, prevents or prohibits consummation of the Closing or any transaction contemplated by this Agreement; provided, however, that each of the Parties agree that it will use its best efforts to fulfill its obligations under Section 5.9 and, in addition, each of the Parties will use its reasonable best efforts to cause any such decree, judgment, injunction or other order to be vacated or lifted; and

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

(f) Authorized Share Increase. The stockholders of RESI shall have voted upon and approved, either at a meeting or by written consent in accordance with the DGCL and RESI's Certificate of Incorporation and Bylaws, an amendment to RESI's Certificate of Incorporation to increase in the number of authorized shares of Common Stock from 20,000,000 to 200,000,000.

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

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

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

(c) Merger Agreement. The mergers contemplated by that certain Agreement and Plan of Merger dated as of even date herewith among Issuer, Republic/CSC Acquisition Corporation, Republic/CSU Acquisition Corporation, Alliance Holding Corporation, Century Surety Company and Commercial Surety Agency, Inc. (the "Merger Agreement") shall be closed contemporaneously with the Closing of the transactions contemplated by this Agreement.

(d) Huizenga Investment. The purchase of 2,000,000 shares of the Common Stock by Huizenga from Issuer, together with certain warrants to purchase up to 6,000,000 shares of Common Stock, pursuant to the Huizenga Purchase Agreement shall be closed contemporaneously with the Closing of the transactions contemplated by this Agreement.

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

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

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

ARTICLE X

MISCELLANEOUS

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

(a) if to Issuer to:

Republic Environmental Systems, Inc.
16 Sentry Park West
1787 Sentry Parkway West, Suite 400
Blue Bell, Pennsylvania 19422
Attention: Douglas R. Gowland

Telecopy: 215/283-4809

with a copy to:

Akin, Gump, Strauss, Hauer & Feld, LLP
1900 Pennzoil Place -- South Tower
711 Louisiana Street
Houston, Texas 77002
Attention: Rick L. Burdick, Esq.
Telecopy: (713) 236-0822

(b) if to Investor to:

MGD Holdings Ltd.
Victoria Hall
11 Victoria Street
P.O. Box HM 1065
Hamilton HMEX Bermuda
Attention: Michael G. DeGroote
Telecopy: (441) 292-9485

10.2 SURVIVAL. Notwithstanding any knowledge of facts determined or determinable by Investor by investigation, Investor shall have the right to fully rely on the representations, warranties, covenants and agreements of Issuer contained in this Agreement or in any other documents or papers delivered in connection herewith. Each representation, warranty, covenant and agreement of the parties set forth in this Agreement is independent of each other representation, warranty, covenant and agreement. Each representation and warranty made by any party in this Agreement shall survive the Closing through the period ending on the date two years from the Closing Date.

10.3 REMEDIES.

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

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

10.4 OTHER REGISTRATION RIGHTS. Issuer shall not grant to any third party any registration rights more favorable than any of those contained herein, so long as any of the registration rights under this Agreement remain in effect, unless the Holders of Registrable Securities are granted rights to participate together with any such third party in such registration rights.

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

10.6 EXPENSES; TAXES. Except as otherwise provided in this Agreement, the Parties shall pay their own fees and expenses, including their own counsel fees, incurred in connection with this Agreement or any

transaction contemplated hereby. Any sales tax, stamp duty, deed transfer or other tax (except taxes based on the income of Investor) arising out of the sale of the Shares and Warrants by Issuer to Investor and issuance of Warrant Shares upon exercise of the Warrants and consummation of the transactions contemplated by this Agreement shall be paid by Issuer.

10.7 AMENDMENT; WAIVER. This Agreement may not be modified, amended, supplemented, canceled or discharged, except by written agreement executed by all of the Parties. No failure to exercise, and no delay in exercising, any right, power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege hereunder preclude the exercise of any other right, power or privilege. No waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision, nor shall any waiver be implied from any course of dealing between the Parties. No extension of time for performance of any obligations or other acts hereunder or under any other agreement shall be deemed to be an extension of the time for performance of any other obligations or any other acts. The rights and remedies of the Parties under this Agreement are in addition to all other rights and remedies, at law or equity, that they may have against each other.

10.8 BINDING EFFECT; ASSIGNMENT. The rights and obligations of this Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and legal assigns. The rights and obligations of this Agreement may not be assigned by any party without the prior written consent of the other party.

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

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

10.11 GOVERNING LAW; INTERPRETATION. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED FOR ALL PURPOSES BY THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS EXECUTED AND TO BE WHOLLY PERFORMED WITHIN SUCH STATE.

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

IN WITNESS WHEREOF, the Parties have caused this Stock Purchase Agreement to be duly executed and delivered this 10th day of June, 1996.

REPUBLIC ENVIRONMENTAL SYSTEMS, INC.

By: /s/ MICHAEL G. DEGROOTE

Name: Michael G. DeGroote
Title: President and Chief Executive Officer

MGD HOLDINGS LTD.

By: /s/ MICHAEL G. DEGROOTE

Name: Michael G. DeGroote
Title: President

APPENDIX IV

AMENDMENT NO. 1 TO AGREEMENT AND PLAN OF MERGER

This Amendment No. 1 to Agreement and Plan of Merger (this "Amendment No. 1") is dated as of July 25, 1996 among Republic Environmental Systems, Inc., a Delaware corporation ("RESI"), Republic/CSC Acquisition Corporation ("CSC Merger Sub") and Republic/CSU Acquisition Corporation ("CSU Merger Sub" and, together with CSC Merger Sub, the "Merger Subs"), each a Delaware corporation and wholly-owned subsidiary of RESI, Alliance Holding Corporation, an Ohio corporation ("Alliance"), and Century Surety Company ("CSC") and Commercial Surety Agency, Inc., d/b/a Century Surety Underwriters ("CSU" and together with CSC, the "Alliance Companies"), each an Ohio corporation and wholly-owned subsidiary of Alliance. RESI, the Merger Subs, the Alliance Companies and Alliance may hereinafter be referred to collectively as the "Parties" or individually as a "Party."

W I T N E S S E T H:

WHEREAS, on June 10, 1996 the Parties entered into the Agreement and Plan of Merger (the "Agreement"), effective as of May 19, 1996, pursuant to which, among other things, the Parties agreed to the merger of CSC Merger Sub and CSU Merger Sub with and into CSC and CSU, respectively (the "Mergers");

WHEREAS, in consideration for the acquisition of the Alliance Companies, RESI would issue to Alliance, among other things, 15,000,000 shares of common stock, $.01 par value per share (the "Common Stock"), of RESI;

WHEREAS, the consideration for the Mergers was based, in part upon the income numbers set forth in the unaudited financial statements of the Alliance Companies for the period ended December 31, 1995;

WHEREAS, the income numbers set forth in such unaudited financial statements are slightly higher than those set forth in the audited financial statements; and

WHEREAS, due to such discrepancy, the Parties believe that an adjustment to the number of shares of Common Stock of RESI to be issued to Alliance should be appropriately adjusted;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the receipt and sufficiency of which is hereby acknowledged, the Parties stipulate and agree as follows:

1. AMENDMENT TO SECTION 2.6(A)(I) OF THE AGREEMENT. Section 2.6(a)(i) of the Agreement is hereby amended by replacing "15,000,000" with "14,760,000."

2. AMENDMENT TO 2.7(A)(I). Section 2.7(a)(i) of the Agreement is hereby amended by replacing "15,000,000" with "14,760,000."

3. EFFECT OF AMENDMENT. As modified by this Amendment No. 1, the terms and provisions of the Agreement are ratified and confirmed and shall continue in full force and effect.

4. HEADINGS. The headings contained in this Amendment No. 1 are for convenience of reference only and are not to be given any legal effect and shall not affect the meaning or interpretation of this Amendment No. 1 or the Agreement.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment No. 1 to be duly executed and delivered this 29th day of July, 1996.

REPUBLIC ENVIRONMENTAL
SYSTEMS, INC.

By: /s/ DOUGLAS R. GOWLAND

Name: Douglas R. Gowland
Title: Executive Vice President

REPUBLIC/CSA ACQUISITION
CORPORATION

By: /s/ DOUGLAS R. GOWLAND

Name: Douglas R. Gowland
Title: President

REPUBLIC/CSU ACQUISITION
CORPORATION

By: /s/ DOUGLAS R. GOWLAND

Name: Douglas R. Gowland
Title: President

ALLIANCE HOLDING CORPORATION

By: /s/ JOSEPH E. LOCONTI

Name: Joseph E. LoConti
Title: President

CENTURY SURETY COMPANY

By: /s/ CRAIG L. STOUT

Name: Craig L. Stout
Title: Vice President

COMMERCIAL SURETY AGENCY, INC.

By: /s/ DANIEL J. NEEDHAM

Name: Daniel J. Needham
Title: President

AMENDMENT NO. 2 TO AGREEMENT AND PLAN OF MERGER

This Amendment No. 2 to Agreement and Plan of Merger (this "Amendment No. 2") is dated as of August 23, 1996 among Republic Environmental Systems, Inc., a Delaware corporation ("RESI"), Republic/CSA Acquisition Corporation ("CSC Merger Sub") and Republic/CSU Acquisition Corporation ("CSU Merger Sub" and, together with CSC Merger Sub, the "Merger Subs"), each a Delaware corporation and wholly-owned subsidiary of RESI, Alliance Holding Corporation, an Ohio corporation ("Alliance"), and Century Surety Company ("CSC") and Commercial Surety Agency, Inc., d/b/a Century Surety Underwriters ("CSU" and together with CSC, the "Alliance Companies"), each an Ohio corporation and wholly-owned subsidiary of Alliance. RESI, the Merger Subs, the Alliance Companies and Alliance may hereinafter be referred to collectively as the "Parties" or individually as a "Party."

WITNESSETH:

WHEREAS, on June 10, 1996 the Parties entered into the Agreement and Plan of Merger (as amended by Amendment No. 1 to Agreement and Plan of Merger dated July 25, 1996, the "Agreement"), effective as of May 19, 1996, pursuant to which, among other things, the Parties agreed to the merger of CSC Merger Sub and CSU Merger Sub with and into CSC and CSU, respectively (the "Mergers");

WHEREAS, Republic Environmental Systems (Cleveland), Inc. and Republic Environmental Systems (Ohio), Inc., subsidiaries of RESI, own facilities that are permitted by the Ohio Environmental Protection Agency ("OEPA");

WHEREAS, pursuant to applicable law, the OEPA has determined that the Mergers constitute a change of ownership of such facilities and has required approval of such change of ownership; and

WHEREAS, in the event that the director of the OEPA disapproves the change in ownership of such facilities, the transfer of the facilities shall be negated;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the receipt and sufficiency of which is hereby acknowledged, the Parties stipulate and agree as follows:

1. AMENDMENT TO ARTICLE II OF THE AGREEMENT. Article II of the Agreement is hereby amended by adding the following Section 2.8:

> "2.8 APPROVAL OF THE OHIO ENVIRONMENTAL PROTECTION AGENCY. In the event that the director of the Ohio Environmental Protection Agency (the "OEPA") disapproves the change of ownership of the Republic Environmental Systems (Cleveland), Inc. ("RES (Cleveland)") and Republic Environmental Systems (Ohio), Inc. ("RES (Ohio)") OEPA permitted facilities, the Parties agree to cooperate to effect such negation of the transfer of such facilities through the restoration of the original ownership structure of RESI as it effects such facilities, the disposition of such facilities or any other mutually acceptable means, each in a manner that complies with the requirements of applicable law."

2. EFFECT OF AMENDMENT. As modified by this Amendment No. 2, the terms and provisions of the Agreement are ratified and confirmed and shall continue in full force and effect.

3. HEADINGS. The headings contained in this Amendment No. 2 are for convenience of reference only and are not to be given any legal effect and shall not affect the meaning or interpretation of this Amendment No. 2 or the Agreement.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment No. 2 to be duly executed and delivered as of this 23rd day of August, 1996.

REPUBLIC ENVIRONMENTAL
SYSTEMS, INC.

By: /s/ DOUGLAS R. GOWLAND

Name: Douglas R. Gowland
Title: Executive Vice President

REPUBLIC/CSA ACQUISITION
CORPORATION

By: /s/ DOUGLAS R. GOWLAND

Name: Douglas R. Gowland
Title: President

REPUBLIC/CSU ACQUISITION
CORPORATION

By: /s/ DOUGLAS R. GOWLAND

Name: Douglas R. Gowland
Title: President

ALLIANCE HOLDING CORPORATION

By: /s/ JOSEPH E. LOCONTI

Name: Joseph E. LoConti
Title: President

CENTURY SURETY COMPANY

By: /s/ CRAIG L. STOUT

Name: Craig L. Stout
Title: Vice President

COMMERCIAL SURETY AGENCY, INC.

By: /s/ DANIEL J. NEEDHAM

Name: Daniel J. Needham
Title: President