

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF AN APPLICATION UNDER THE
COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
CANTAR POOL PRODUCTS LIMITED / PRODUITS DE PISCINES CANTAR
LIMITÉE**

Applicant

MOTION RECORD

**(motion for a Sanction Order and an extension of the Stay Period,
returnable January 18, 2007)**

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Solicitors for the Applicant

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LIMITÉE**

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TAB 1

Court File No. 06-CL-6690

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF AN APPLICATION UNDER THE
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AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
CANTAR POOL PRODUCTS LIMITED / PRODUITS DE PISCINES CANTAR
LIMITÉE**

Applicant

**NOTICE OF MOTION
(motion for a Sanction Order and an extension of the Stay Period,
returnable January 18, 2007)**

THE APPLICANT will make a motion to a judge presiding over the Commercial List on Thursday January 18, 2007 at 10:00 am or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. an order substantially in the form contained in the Motion Record herein, including, without limitation:
 - (a) an order abridging, if necessary, the time for service of this Notice of Motion and the Motion Record herein and directing that any further service of this

Notice of Motion and the Motion Record be dispensed with such that this motion is properly returnable on January 18, 2007;

- (b) a declaration that the Applicant has complied with the provisions of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the "CCAA") and the orders of this Honourable Court made in this proceeding;
 - (c) a declaration that the plan of arrangement of the Applicant pursuant to the CCAA dated November 23, 2006, as amended (the "Plan") is fair and reasonable;
 - (d) an order sanctioning and approving the Plan;
 - (e) an order extending the Stay Period in the Initial Order until the earlier of the Effective Date (as defined in the Plan) and February 15, 2007; and
2. such further and other relief as this Honourable Court considers just.

THE GROUNDS FOR THE MOTION ARE:

1. On October 17, 2006, the Applicant applied for and was granted an order (the "Initial Order") made pursuant to the CCAA that provided the Applicant with protection from its creditors.
2. On January 12, 2007, the Plan was approved at a meeting of creditors by the requisite statutory majority of the class of affected creditors.
3. The Applicant has been in strict compliance with all statutory requirements and has adhered to the previous orders of this Honourable Court.

4. The Applicant has not done anything in contravention of any of the provisions of the CCAA.
5. The Plan is fair and reasonable.
6. The Initial Order provided a general stay of proceedings against the Applicant until November 16, 2006, and by further order of this Honourable Court dated November 16, 2006, the Stay Period (as defined in the Initial Order) was extended to January 18, 2007.
7. The Applicant requires an extension of the Stay Period to allow for the implementation of the Plan.
8. The Applicant has acted and is acting in good faith and with due diligence, and the circumstances exist that make the relief sought appropriate.
9. The Applicant will rely on the provisions of the CCAA, including sections 6 and 11(4), and on Rules 2.03, 3.02 and 37 of the *Rules of Civil Procedure*.
10. The Applicant will also rely on such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. the First Report of the Monitor;
2. the Third Report of the Monitor;
3. the Fourth Report of the Monitor (to be filed separately);

4. the affidavit of Victor D'Souza sworn January 15, 2007, and the exhibits attached thereto; and

5. such further and other material as counsel may advise and this Honourable Court permit.

DATE: January 15, 2007

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Solicitors for the Applicant

TO: THE SERVICE LIST

IN THE MATTER OF AN APPLICATION UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANTAR POOL PRODUCTS LIMITED / PRODUITS DE
PISCINES CANTAR LIMITÉE

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at TORONTO

NOTICE OF MOTION

(motion for a Sanction Order and an extension of the
Stay Period, returnable January 18, 2007)

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Solicitors for the Applicants
TDO-TIE #8710174 v.3

TAB 2

Court File No. 06-CL-6690

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF AN APPLICATION UNDER THE
COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS
AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
CANTAR POOL PRODUCTS LIMITED / PRODUITS DE PISCINES CANTAR
LIMITÉE**

Applicant

**AFFIDAVIT OF VICTOR D' SOUZA
(sworn January 15, 2007 in support of motion for a Sanction Order
and an extension of the Stay Period, returnable January 18, 2007)**

**I, VICTOR D' SOUZA, of the City of Toronto, in the Province of Ontario, MAKE
OATH AND SAY:**

Introduction

1. I am the Chief Operating Officer of Cantar Pool Products Limited / Produits de Piscines Cantar Limitée ("Cantar") and as such have personal knowledge of the facts to which I hereinafter depose, save and except where I have indicated that I have obtained facts from other sources, in which case I verily believe those facts to be true.
2. On October 17, 2006, Cantar applied for and was granted an order (the "Initial Order") made pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the

"CCAA") that, *inter alia*, granted a stay of proceedings against Cantar and appointed A. Farber & Partners Inc. as monitor of Cantar (the "Monitor").

3. I make this affidavit in support of Cantar's motion for an order sanctioning its Plan of Compromise or Arrangement dated November 23, 2006 (the "Original Plan", and as amended, the "Plan"). Capitalized terms used in this affidavit and not otherwise defined have the meanings given to them in the Plan.

Amendment of the Plan

4. On January 12, 2007, the Creditors' Meeting was held. At the meeting, in response to a question raised at the meeting, Cantar proposed an amendment to the Original Plan to clarify (but not to change its previous intention with respect to) the treatment of the account owing by Cantar Pool Products Corporation ("CPPC") to Cantar. CPPC is an affiliate of Cantar and owed Cantar about USD \$5.8 million (the "CPPC Account").

5. The Original Plan provides that distributions to Affected Creditors are to be made from the Distribution Assets. The Distribution Assets include receivables of Cantar remaining after the Commencement Date arising from sales of inventory, real property and equipment. Cantar intended the CPPC Account to form part of the Distribution Assets.

6. To confirm this intention and avoid any ambiguity, Cantar amended the releases contained in section 6.1 of the Original Plan by excluding the CPPC Account by specific reference to it. A blacklined copy of the Plan, showing this amendment, is attached hereto as Exhibit "A".

Requisite Approval by Cantar's Creditors

7. At the Creditors' Meeting on January 12, 2007, the class of Affected Creditors approved the Plan by the requisite majorities required by the CCAA. Further details of the voting results are to be described in the Fourth Report of the Monitor.

Strict Compliance with the CCAA and the Orders Made in This Proceeding

8. Since the commencement of this proceeding by the making of the Initial Order, Cantar has complied with the provisions of the CCAA, the Initial Order and all subsequent orders made in these proceedings.

9. Cantar has not done anything in contravention of any of the provisions of the CCAA.

The Plan is Fair and Reasonable

10. Since the Initial Order, Cantar has proceeded in good faith and with due diligence towards developing a plan that would maximize the value realized by its creditors in these proceedings.

11. Pursuant to the Plan:

- (a) Affected Creditors with claims less than \$5,000 or who elect to reduce their claims to \$5,000 will receive a distribution equal to 25% of their claim (as may be reduced by an election) from the Affected Creditors' Distribution Pool; and
- (b) all other Affected Creditors will receive a pro rata share of the remaining Affected Creditors' Distribution Pool,

subject in each case to the payment of certain prior claims and up to a maximum recovery of 25 cents on-the-dollar.

12. At the Creditors' Meeting, the Monitor updated the estimate of the potential recoveries for Affected Creditors that it provided in its First Report. As updated, the Monitor estimates that Affected Creditors may recover between 15% and 20% of their Proven Claims pursuant to the Plan.

13. This recovery for Affected Creditors is possible primarily for two reasons:

- (a) Cantar has obtained the agreement of the LaSalle Group Lenders ("LaSalle"), with effect at the Effective Time: (i) to limit its claim against Cantar, for the purpose of section 5.1(b)(i) of the Plan, to the LaSalle Minimum Amount plus the amount of Distribution Assets remaining, if any, after Affected Creditors have received aggregate distributions under the Plan equal to 25 cents on-the-dollar; and (ii) to release its security in respect of distributions to Affected Creditors up to that 25 cent amount distributed to Affected Creditors. A copy of the final form of this agreement (the "Bank Release") is attached hereto as Exhibit "B". LaSalle has security over all of the assets of Cantar and has a claim against Cantar that far exceeds the value of Cantar's remaining assets. In this regard, as at January 12, 2007, Cantar is indebted to LaSalle (as a borrower and as a guarantor) for about USD \$21.5 million. Without the Bank Release, there is virtually no prospect of any recovery by Affected Creditors; and
- (b) all affiliates of Cantar to whom it is indebted have agreed not to participate in the distributions to Affected Creditors. This indebtedness totaled about USD

\$15.6 million as at October 31, 2006 (as compared to about CDN \$9 million of Proven Claims), which is owed to Polyair Canada and others.

14. It is a condition of the Bank Release that the Plan is sanctioned on or before January 18, 2007. It is a further condition of the Bank Release that the Plan be implemented by January 25, 2007.

15. At the Creditors' Meeting, counsel for LaSalle informed the meeting that if the Plan was not approved by the Affected Creditors and sanctioned by the court, the Bank Release would be of no effect and LaSalle would not release any of its security in any of the assets of Cantar.

Extension of the Stay Period

16. The Initial Order provided a general stay of proceedings against Cantar until November 16, 2006, and by further order of this Honourable Court dated November 16, 2006, the Stay Period (as defined in the Initial Order) was extended to January 18, 2007.

17. It is Cantar's intention to work toward a plan implementation date of January 25, 2007 (the Effective Date under the Plan). Accordingly, Cantar is requesting that the stay of proceedings and other relief under the Initial Order be extended until the earlier of the Effective Date and February 15, 2007.

SWORN BEFORE ME at the City of
Toronto, in the Province of Ontario on
this 15th day of January, 2007.

Ruth Y. Chun
Commissioner for Taking Affidavits


Victor D' Souza

Ruth Young Chun, a Commissioner, ~~etc.~~,
Province of Ontario, while a ~~Notary Public~~,
Expires May 30, 2008.

Tab A

THIS IS EXHIBIT "A" REFERRED TO
IN THE AFFIDAVIT OF VICTOR D'SOUZA
WORN THE 15TH DAY OF JANUARY, 2007

Ruth Y. Chun

A Commissioner for taking Affidavits, etc.

Ruth Young Chun, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires May 30, 2008.

AMENDED
PLAN OF COMPROMISE OR ARRANGEMENT

PURSUANT TO THE
COMPANIES' CREDITORS ARRANGEMENT ACT
R.S.C. 1985, c. C-36, AS AMENDED

IN RESPECT OF

CANTAR POOL PRODUCTS LIMITED/PRODUITS DE PISCINES CANTAR LIMITÉE

November 23, 2006

PLAN OF COMPROMISE OR ARRANGEMENT

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Plan, unless otherwise stated or the context otherwise requires:

"Affected Claim" means any Claim except for an Unaffected Claim;

"Affected Creditor" means any Creditor with an Affected Claim, but only with respect to and to the extent of such Affected Claim;

"Affected Creditors Class" means the class of Affected Creditors entitled to vote on this Plan at the Creditors' Meeting;

"Affected Creditors' Distribution Pool" means the cash pool from which distributions are to be made to Affected Creditors with Proven Claims pursuant to this Plan, as more particularly described in Article 5 hereof;

"Affiliate" means any affiliated body corporate, as that term is defined in the OBCA;

"Business Day" means a day, other than Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Toronto, Ontario;

"Cantar" means Cantar Pool Products Limited/Produits de Piscines Cantar Limitée;

"CCAA" means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36;

"CCAA Proceedings" means the proceedings commenced by Cantar under the CCAA pursuant to the Initial Order;

"Claim" means any right or claim of any Person that may be made in whole or in part against Cantar, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind, which indebtedness, liability or obligation is in existence or which is based on an event, act or omission which occurred in whole or in part prior to the Commencement Date or arising after the Commencement Date as a result of or in connection with the repudiation of any Contract and any interest that may accrue thereon up to the Commencement Date (or to the date of the repudiation of such Contract, where applicable) for which there is an obligation to pay, and amounts which such Person would be entitled to receive, pursuant to the terms of any Contract with such Person at law or in equity, by reason of the commission of a tort (intentional or unintentional), any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to property or assets or to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise) or for any other reason whatsoever against any property

or assets, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, or any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, based in whole or in part on facts which existed prior to the Commencement Date (or to the date of the repudiation of such Contract, where applicable), together with any other rights or claims not referred to above that, in whole or part, would have been claims provable in bankruptcy had Cantar become bankrupt at the Commencement Date (or the date of the repudiation of such Contract, if applicable), together with any other rights or claims, whether or not asserted, made after the Commencement Date in any way, directly or indirectly related to any action taken or power exercised prior to the Commencement Date;

"Claims Bar Date" means 5:00 p.m. (Toronto time) on December 21, 2006;

"Claims Procedure" means the claims procedure set out in the Claims Procedure and Meeting Order and in the schedules and appendix thereto;

"Claims Procedure and Meeting Order" means the Order of the Court dated November 16, 2006 setting out the Claims Procedure and calling the Creditors' Meeting to consider and vote on this Plan and setting out, *inter alia*, the voting process for the Affected Creditors;

"Commencement Date" means October 17, 2006, being the date that the Initial Order was issued by the Court pursuant to the CCAA;

"Confirmation Date" means the date that the Sanction Order is made;

"Contract" means any contract, agreement, lease (including any lease of personal, real, movable or immovable property), permit, license or arrangement;

"Court" means the Ontario Superior Court of Justice (Commercial List);

"CRA" means Canada Revenue Agency;

"Creditor" means any Person having a Claim and may, where the context requires, include the assignee of a Claim or a trustee, interim receiver, receiver, receiver and manager, liquidator or other Person acting on behalf of such Person;

"Creditors' Meeting" means the meeting of the Affected Creditors called for the purpose of considering and approving this Plan and includes any adjournment of such meeting;

"Disputed Claim" of a Creditor means the amount of the Claim of such Creditor which has not been finally determined as a Proven Claim at or before the Creditors' Meeting in accordance with the Claims Procedure or by the time distributions take place in accordance with this Plan, but that has not been extinguished or barred pursuant to the Claims Procedure;

"Distribution Assets" means Cantar's remaining cash, inventory, equipment, tax refunds and receivables arising from sales of inventory, real property (including the VTB Mortgage) and equipment after the Commencement Date;

"Effective Date" means the Business Day on which this Plan becomes effective, which shall be the Business Day on which the Monitor has filed with the Court a certificate pursuant to Section 7.8 confirming that all conditions to implementation of this Plan as set forth in Section 7.6 have been satisfied or, where applicable, waived, as provided in Section 7.7;

"Election to Reduce Claim" means the form of election attached as Appendix 1 to this Plan;

"Initial Order" means the Order made by the Court pursuant to the CCAA on October 17, 2006 in respect of Cantar;

"Inspectors" means the inspectors appointed pursuant to Section 5.6 to consider and, if deemed appropriate, approve any final agreement or arrangement to monetize the VTB Mortgage in accordance with Section 5.5;

"Intercompany Claim" means any Claim of an Affiliate of Cantar, including, without limitation, any and all Claims of Polyair Inter Pack Inc. and Polyair Canada Limited;

"Known Affected Creditor" means an Affected Creditor whose Affected Claim is identified in Cantar's books and records on the Commencement Date and to whom the Monitor sent a Notice of Claim in accordance with the Claims Procedure and Meeting Order;

"LaSalle Group Lenders" means, collectively, (a) LaSalle Business Credit LLC, as agent for the U.S. lenders (collectively the "U.S. Lenders") and the Canadian lender (the "Canadian Lender") to Cantar and its affiliates, (b) the U.S. Lenders and (c) the Canadian Lender;

"Monitor" means A. Farber & Partners Inc., in its capacity as Monitor of Cantar, as appointed by the Initial Order, and any successor thereto appointed by any further Order;

"Notice of Claim" shall have the meaning ascribed to it in the Claims Procedure;

"Notice of Dispute" shall have the meaning ascribed to it in the Claims Procedure;

"OBCA" means the *Business Corporations Act*, Ontario, R.S.O. 1990 c. B. 16;

"Order" means any order of the Court made in connection with the CCAA Proceedings;

"Person" means any individual, firm, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, government or any agency, officer or instrumentality thereof or any other entity, wherever situate or domiciled;

"Plan" means this Plan of Compromise or Arrangement filed by Cantar under the CCAA, as such Plan may be amended, varied or supplemented by Cantar from time to time in accordance with the terms hereof and the Claims Procedure and Meeting Order;

"Proof of Claim" means a proof of claim of an Affected Creditor (other than a Known Affected Creditor) delivered in accordance with the Claims Procedure;

"Proven Claim" of a Creditor means the amount of the Affected Claim of such Creditor as finally determined and accepted for voting and distribution purposes in accordance with the Claims Procedure;

"Related Entities" means Cantar and each and every one of its Affiliates wherever situated, including, without limitation, Polyair Inter Pack, Inc., Polyair Crosslinked Technologies, Inc. PXL Crosslinked Foam Corporation, Polyair Investments Inc., P.S.C. Moulding Corp., GPCP, Inc., Cantar/Polyair Corporation, Foam In Place Co. Ltd., Performa Corp., C/P International Corp. Inc., Cantar Pool Products Corporation, Polyair Canada Limited, Mabex Universal Corporation, Polyair MachTech, Inc. and Faircove Investments Inc.;

"Required Majorities" means a majority in number of Affected Creditors with Proven Claims (and, if applicable, Disputed Claims) representing two-thirds in value of such Affected Creditors' Proven Claims (and, if applicable, Disputed Claims) with respect to the Affected Creditors Class, in each case present and voting in person or by proxy at the Creditors' Meeting;

"Sanction Order" means the Order of the Court sanctioning and approving this Plan in a form and substance satisfactory to Cantar;

"Secured Claim" means: (i) Claims of Her Majesty the Queen in Right of Canada or of any Province or Territory or any other taxation authority for: (a) any statutory deemed trust amounts which are required to be deducted from employees' wages, including amounts in respect of employment insurance, Canada Pension Plan, Quebec Pension Plan and income taxes; and (b) goods and services or other applicable sales taxes accruing from and after the Commencement Date payable by Cantar or its customers in connection with the sale of goods and services by Cantar to such customers; and (ii) any Claim or portion thereof which is secured by a validly attached and existing security interest on the property of Cantar which was duly and properly perfected under the *Personal Property Security Act* (Ontario) at the Commencement Date, to the extent, and only to the extent, of the lesser of: (a) the amount of such Claim as agreed to by Cantar or as finally determined by a court of competent jurisdiction, and (b) the realizable value of the remaining property of Cantar subject to such security interest having regard to, among other things, the priority of such security;

"Tax" or "Taxes" shall mean any and all federal, provincial, municipal, local and foreign taxes, assessments, reassessments and other governmental charges, duties, impositions and liabilities including for greater certainty taxes based upon or measured by reference to gross receipts, income, profits, sales, capital, use and occupation, goods and services, and value added, *ad valorem*, transfer, franchise, withholding, custom duties, payroll, recapture, employment, excise and property taxes, together with all interest, penalties, fines and additions with respect to such amounts;

"Unaffected Claim" means only the following Claims and such other Claims as may be designated in this Plan (or any amendments thereto) as not being affected by this Plan and

which are listed in the books and records of Cantar or of which Cantar and the Monitor have received actual notice:

- (i) claims for amounts due for goods or services actually supplied to Cantar after the Commencement Date;
- (ii) Secured Claims (but for greater certainty, excluding any Claim or portion thereof of a Creditor in respect of which the Creditor holds or claims to hold security but such Claim or portion thereof does not constitute a Secured Claim as defined herein);
- (iii) Claims of the Monitor and its counsel, and Claims of Cantar's counsel and financial advisors;
- (iv) Claims of the LaSalle Group Lenders; and
- (v) Intercompany Claims.

"Unaffected Creditor" means a Creditor who has an Unaffected Claim, but only in respect of and to the extent of such Unaffected Claim;

"VTB Mortgage" means the charge/mortgage in the principal amount of \$1.6 million registered on October 24, 2006 in favour of Cantar as mortgagee against property situated at 330 Humberline Drive, Toronto, Ontario.

1.2 **Interpretation, etc.**

For purposes of this Plan:

- (a) any reference to a contract, instrument, release, indenture, or other agreement or document as being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;
- (b) any reference to an Order or to an existing document or exhibit filed or to be filed means such Order, document or exhibit as it may have been or may be amended, modified or supplemented from time to time;
- (c) any reference to a statute includes all regulations made thereunder and all amendments to such statute or regulations in force from time to time;
- (d) the division of this Plan into Articles and Sections and the use of headings are for convenience of reference only and do not affect the construction or interpretation of this Plan;
- (e) the words "hereunder", "hereof", "hereto" and similar expressions refer to this Plan and not to any particular Article or Section and references to "Articles" or "Sections" are to Articles and Sections of this Plan;

- (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan;
- (g) where the context requires, a word or words importing the singular shall include the plural and vice versa; and a word or words importing the masculine gender shall include the feminine and neuter genders and vice versa;
- (h) the words "includes" and "including" are not limiting;
- (i) the phrase "may not" is prohibitive and not permissive; and
- (j) the word "or" is not exclusive.

1.3 Date for any Action

In the event that any date on which any action is required to be taken under this Plan by any of the parties is not a Business Day, that action shall be required to be taken by 5:00 p.m. on the next succeeding day which is a Business Day.

1.4 Time

All times expressed in this Plan are local time Toronto, Ontario, Canada unless otherwise stipulated.

ARTICLE 2 PURPOSE

2.1 Purpose

The purpose of this Plan is to effect a compromise of all Claims against Cantar other than Unaffected Claims, and to provide for the orderly and timely distribution of the proceeds of the Distribution Assets, in the expectation that all Persons with an interest in Cantar will derive a greater benefit from the provisions of this Plan than would otherwise result in the context of a bankruptcy of Cantar.

2.2 Affected Claims

This Plan will be implemented under the CCAA and will become effective and binding on and after the Effective Date, and shall be binding on Cantar and all Persons with Affected Claims, and their respective heirs, administrators, executors, legal personal representatives, successors, and assigns.

2.3 Unaffected Claims

This Plan does not affect Unaffected Creditors with respect to and to the extent of their Unaffected Claims. Nothing in this Plan shall affect anyone's rights and defenses, both legal and equitable, with respect to any Unaffected Claims, including, but not limited to, all rights with respect

to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

ARTICLE 3 CREDITORS AND CLAIMS

3.1 Classification of Creditors

For the purposes of receiving distributions or other treatment under the Plan, there shall be one class of Affected Creditors, being the Affected Creditors Class.

3.2 Different Capacities

Persons who are affected by this Plan may be affected in more than one capacity. Unless expressly provided herein to the contrary, a Person will be entitled to participate hereunder in each such capacity. Any action taken by a Person in one capacity will not affect such Person in any other capacity, unless expressly agreed by the Person in writing or unless its Claims overlap or are otherwise duplicative.

3.3 Creditors' Meeting

The Creditors' Meeting shall be held in accordance with this Plan.

3.4 Approval by Creditors

Cantar will seek approval of this Plan by the affirmative vote of the Required Majorities of Creditors in the Affected Creditors Class, in order that, subject to the sanctioning of this Plan pursuant to the CCAA and the terms hereof, this Plan becomes binding on Cantar and all Persons with Affected Claims as of the Effective Date.

3.5 Unaffected Claims

Any Creditor with an Unaffected Claim shall not be entitled to vote at the Creditors' Meeting nor to receive any distributions under this Plan in respect of such Unaffected Claim.

3.6 Crown Priority Claims

Within six months after the Confirmation Date, Cantar shall pay in full to Her Majesty in Right of Canada or of a province all amounts of a kind that could be subject to a demand under subsection 224(1.2) of the *Income Tax Act* (Canada) or under any substantially similar provision of any provincial legislation and that were outstanding on the Commencement Date.

ARTICLE 4 TREATMENT OF AND DISTRIBUTIONS TO AFFECTED CREDITORS

For purposes of this Plan, Affected Creditors shall receive the treatment provided in this Article on account of their Affected Claims in full and final satisfaction of their Affected Claims.

4.1 Distribution

All Affected Creditors shall constitute a single class under the Plan for all purposes and, subject to Section 7.6 and Section 7.7, shall be treated as follows:

- (a) Each Affected Creditor who, on the Effective Date, holds Affected Claims in an aggregate amount of \$5,000 or less or an Affected Creditor who, on the Effective Date, holds Affected Claims in an aggregate amount in excess of \$5,000 and who, by providing an Election to Reduce Claim to the Monitor on or before the Claims Bar Date, reduced the aggregate amount of all such Person's Affected Claims to \$5,000, in either case, will receive in respect of its Proven Claims, within 6 months of the Effective Date, in full and final satisfaction of its Affected Claims, an amount from the Affected Creditors Distribution Pool (subject to the reserves set out in Sections 5.1(b)(i), (ii), (iii) and (iv)) equivalent to 25% of the lessor of:

- (i) \$5,000; and
- (ii) the aggregate amount of such Affected Creditor's Proven Claims.

A Person who receives payment in accordance with this Section 4.1(a) shall not be entitled to any other payment or consideration with respect to such Person's Affected Claims and such Person's Affected Claims shall be discharged and extinguished on the Effective Date, and thereafter, the only obligation of Cantar in respect of such Affected Claims of such Person shall be to make the payment set out above in this Section 4.1(a); and

- (b) Each Affected Creditor who, on the Effective Date, holds Affected Claims in an aggregate amount in excess of \$5,000 and who does not provide the Monitor with an Election to Reduce Claim prior to the Claims Bar Date will receive, in full and final satisfaction of its Affected Claims, payment of its *pro rata* share of the Affected Creditors' Distribution Pool in respect of its Proven Claims in accordance with Article 5 hereof.

4.2 Value of Claims for Distribution Purposes

The value of a Proven Claim for distribution purposes shall be determined in accordance with the provisions of the Claims Procedure.

4.3 Loss of Right to Receive Distributions

Any Creditor (other than a Known Affected Creditor) who has not submitted a Proof of Claim in respect of an Affected Claim prior to the Claims Bar Date shall not be entitled to receive any distributions under this Plan in respect of such unsubmitted Affected Claim and on the Effective Date, such Affected Claims of such Creditor shall be released and discharged pursuant to the terms of this Plan and the Claims Procedure and Meeting Order, and any such Creditor shall have no recourse thereafter in respect thereof. Any Known Affected Creditor that has been sent a Notice of Claim and that has not submitted a Notice of Dispute in accordance with the Claims Procedure shall be entitled to receive distributions under this Plan only in respect of its Affected Claims as set out in the Notice of Claim and the balance of its Affected

Claims, if any, shall be released and discharged pursuant to the terms of this Plan and the Claims Procedure and Meeting Order, and any such Creditor shall have no recourse thereafter in respect thereof.

4.4 Interest on Claims

Interest shall not accrue or be paid on any Affected Claims after the Commencement Date, and holders of Affected Claims shall only be entitled to interest accruing on or before the Commencement Date on any such Affected Claims. All Claims in respect of interest on Affected Claims after the Commencement Date shall be discharged and extinguished on the Effective Date.

4.5 Distributions by Cantar

Cantar shall make all distributions required under this Plan (subject to the provisions of Article 4 and Article 5), provided however, that it is expected the Monitor will provide Cantar with any administrative assistance it requires with respect to such distributions, including, without limitation, the sending of the physical distributions to holders of Proven Claims from the Affected Creditors' Distribution Pool.

4.6 Delivery of Distributions

Distributions to holders of Proven Claims who are entitled to receive distributions pursuant to this Plan shall be made by cheque sent by prepaid ordinary mail by or on behalf of Cantar: (i) to the address set forth in Cantar's records for Known Affected Creditors or on the Proof of Claim filed by other Affected Creditors with Proven Claims, or (ii) to the addresses set forth in any written notices of address change delivered to Cantar and the Monitor after the date of any related Notice of Claim or Proof of Claim, as applicable. If any Affected Creditor's distribution is returned as undeliverable, no further distributions to such Affected Creditor shall be made unless and until Cantar and the Monitor are notified of such Affected Creditor's then current address, at which time all missed distributions shall be made to such Affected Creditor without interest. All claims for undeliverable distributions in respect of Proven Claims must be made on or before the expiration of twelve (12) months following the Effective Date, after which date the Proven Claim of any Affected Creditor or successor of such Affected Creditor with respect to such unclaimed distributions shall be discharged and forever barred, notwithstanding any federal or provincial laws to the contrary, and any such undeliverable distributions shall be returned to Cantar. Any such returned undeliverable distributions may be used for the purpose of making further distributions in accordance with Section 5.1 from time to time if Cantar and the Monitor deem it economically feasible to do so. Nothing contained in this Plan shall require Cantar or the Monitor to attempt to locate any holder of a Proven Claim.

Where a Creditor transfers or assigns ownership of any Proven Claim or part thereof after the Creditors' Meeting, Cantar shall not be obliged to pay monies to any such transferee or otherwise deal with such transferee in respect thereof unless and until actual notice of the transfer or assignment, together with satisfactory evidence of such transfer or assignment, have been received by Cantar and the Monitor by 5:00 p.m. (Toronto time) five Business Days immediately prior to the day on which the first distribution to Creditors with Proven Claims is made. Thereafter, such transferee or assignee shall, for all purposes in accordance with the Claims Procedure constitute a

Creditor with a Proven Claim in respect of such Claim as a whole, and shall be bound by notices given and steps in respect of such Proven Claim.

4.7 Withholding and Reporting Requirements

In connection with this Plan and all distributions hereunder, Cantar shall, to the extent applicable, comply with all tax withholding and reporting requirements imposed by any federal or provincial taxing authority, with respect to distributions hereunder, if any. Cantar shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. Notwithstanding any other provision of this Plan: (i) each holder of a Proven Claim that is to receive a distribution pursuant to this Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed by any governmental authority, including income, withholding and other Tax obligations, on account of such distribution, and (ii) no distribution shall be made to or on behalf of such holder pursuant to this Plan unless and until such holder has made, arrangements satisfactory to Cantar and the Monitor for the payment and satisfaction of such Tax obligations. Any distributions to be distributed pursuant to this Plan shall, pending the implementation of such arrangements, be treated as an undeliverable distribution pursuant to Section 4.7. It is Cantar's intent that distributions under this Plan to holders of Proven Claims are in respect of, and to be applied to, principal first and then interest.

ARTICLE 5 PAYMENT OF DISTRIBUTIONS TO CREDITORS

5.1 Composition and Distribution of Affected Creditors' Distribution Pool

Subject to Section 7.6 and Section 7.7, Cantar shall distribute from time to time in accordance with the provisions of this Plan to each holder of a Proven Claim with aggregate Affected Claims exceeding \$5,000 who has not filed an Election to Reduce Claim with the Monitor in accordance with this Plan, its *pro rata* share of the remaining Affected Creditors' Distribution Pool which shall comprise:

- (a) the aggregate of cash and cash equivalents on hand as at the date of such distribution, resulting from the realization of the Distribution Assets;

less:

- (b) the aggregate of the following amounts:
 - (i) the amount owing in respect of the Claims of the LaSalle Group Lenders, or such lesser amount in respect thereof as the LaSalle Group Lenders may agree;
 - (ii) the amount owing to the holders of Secured Claims with valid and enforceable security over the Distribution Assets as may be reduced from time to time by agreement of the holders of such Secured Claims;
 - (iii) a reasonable reserve, in an amount determined by Cantar and the Monitor, on account of costs and expenses to be incurred by Cantar or the Monitor in carrying out the provisions of this Plan and the Sanction Order, including, without limitation, the fees and disbursements of the Monitor and its counsel and Cantar's counsel and financial advisors;
 - (iv) a reasonable reserve, in an amount to be determined by Cantar and the Monitor, on account of goods or services actually supplied to Cantar after the Commencement Date; and
 - (v) the amount to be distributed pursuant to Section 4.1(a) to Affected Creditors with aggregate Affected Claims of \$5,000 or less and to Affected Creditors with Affected Claims exceeding \$5,000 who have filed a Notice of Election with the Monitor pursuant to Section 4.1(a) which, for greater certainty, shall be paid out of the Affected Creditors' Distribution Pool only after sufficient funds have been reserved to pay the amounts set out in Sections 5.1(b)(i), (ii), (iii) and (iv) above.

Cantar will only make distributions from the Affected Creditors' Distribution Pool if the amount available to be distributed makes such distribution economically practical, as determined by Cantar,

acting reasonably and in consultation with the Monitor (having regard to, among any other considerations that Cantar or the Monitor considers appropriate, the amount of liquid funds available to be distributed, any reserves or prior claims, the number of Persons to whom the distribution is to be made and the time at which further funds are expected to become available for distribution), which determination will be final and non-reviewable.

5.2 Disputed Claims

In the case of any Disputed Claim that has not become a Proven Claim on the date of any distribution to Affected Creditors pursuant to this Plan, Cantar will reserve sufficient cash from the Affected Creditors' Distribution Pool to distribute to the Affected Creditor its pro-rata share in respect of such Disputed Claim in the event that such Disputed Claim becomes a Proven Claim. If the Disputed Claim becomes a Proven Claim in whole or in part in accordance with the Claims Procedure after the applicable distribution date, the cash reserved in respect of such Disputed Claim (or an appropriate portion thereof) will be distributed to such Affected Creditor. If the Disputed Claim is ultimately disallowed in whole or in part in accordance with the Claims Procedure after such distribution date, any cash reserved in respect of such Disputed Claim (or the appropriate portion thereof) will become available again for distribution from the Affected Creditors' Distribution Pool.

5.3 Condition re: Arrangements with Secured Creditors

This Plan shall only be implemented if the amount referred to in Section 5.1(b)(ii) is less than \$100,000 or if holders of Secured Claims otherwise agree to release their liens and security interests against the Distribution Assets or other arrangements to the extent necessary to permit payment under the Plan from the Affected Creditors' Distribution Pool of (i) the full amount payable in accordance with Section 4.1(a) of the Plan to Affected Creditors to which Section 4.1(a) applies, and (ii) a maximum of 25 cents for each dollar of Affected Claims not dealt with in Section 4.1(a), in accordance with Section 4.1(b).

5.4 Intercompany Claims

In order to maximize distributions to Affected Creditors of Cantar, Affiliates of Cantar have agreed to forego any distributions under this Plan in respect of their Claims against Cantar. Accordingly, no distributions shall be made pursuant to this Plan in respect of Intercompany Claims and all such Intercompany Claims shall be treated as Unaffected Claims and shall be fully preserved and not released, discharged nor extinguished pursuant to Section 6.1 hereof. Notwithstanding that Intercompany Claims are to be treated as Unaffected Claims pursuant to this Plan, since the purpose of such treatment of Intercompany Claims is to maximize distributions to Affected Creditors who are not Affiliates, Cantar and the Monitor shall not reserve any amount in respect of Intercompany Claims pursuant to Sections 5.1 or 5.2.

5.5 Monetization of VTB Mortgage

Cantar and the Monitor are authorized to enter into negotiations and arrangements to attempt to monetize the VTB Mortgage in order to attempt to provide more immediate recoveries to Creditors pursuant to this plan, provided that any final arrangement or agreement to monetize the VTB Mortgage must be approved by a majority of the Inspectors, failing which the VTB Mortgage

payments will be collected in the ordinary course pursuant to the terms of the VTB Mortgage by Cantar and the Monitor. All proceeds (net of reasonable legal and professional fees and costs) resulting from the monetization of the VTB Mortgage (if approved by the Inspectors), or otherwise collected under the VTB Mortgage pursuant to its terms if such monetization does not occur, shall form part of the Affected Creditors' Distribution Pool, subject to the reserves set out in Section 5.1(b) of this plan.

5.6 Appointment of Inspectors

Up to five Inspectors, who need not be Affected Creditors (but who agree to act as such), shall be appointed by simple majority vote (according to amount of Affected Claims) at the Creditors' Meeting of Affected Creditors present at the Creditors' Meeting in person or by proxy. The Inspectors shall be authorized to consider and approve or reject any final arrangement or agreement in respect of monetization of the VTB Mortgage in accordance with Section 5.5. The Inspectors shall have no other power or authority with respect to any other matter unless they are specifically asked by the Monitor to assist with such other matter or matters. Cantar and the Monitor shall be entitled to rely upon the decision of a majority in number of the Inspectors with respect to approval or rejection of any arrangement or agreement with respect to monetization of the VTB Mortgage and neither Cantar nor the Monitor nor their respective legal counsel shall have any liability for acting in accordance with the decision of the Inspectors in respect thereof.

ARTICLE 6 RELEASES AND EXTINGUISHMENT OF CLAIMS

6.1 Plan Releases

Upon the implementation of this Plan on the Effective Date, the following Persons (being herein referred to individually as a "Released Party"): (i) except in respect of the amount owing by Cantar Pool Products Corporation to Cantar, the Related Entities and their respective various legal counsel and financial advisors; (ii) the Monitor and its legal counsel in the CCAA Proceedings; (iii) present and former directors, officers and employees of any of the Related Entities in such capacities; and (iv) any Person claimed to be liable derivatively through any or all of the foregoing Persons; shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, including without limitation, any and all Claims in respect of statutory liabilities of present and former directors, officers and employees of any of the Related Entities, and any alleged fiduciary or other duty, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the Effective Date in any way relating to, arising out of or in connection with Claims, the business and affairs of the Related Entities, this Plan and the CCAA Proceedings to the full extent permitted by law, and all claims arising out of such actions or omissions shall be forever waived and released (other than the right to enforce Cantar's obligations under the Plan or any related document), provided that nothing herein:

- (a) shall release or discharge a Released Party from an Unaffected Claim or shall release or discharge Cantar from or in respect of its obligations under this Plan;
- (b) shall affect the right of any Person:
 - (i) to recover indemnity from any insurance coverage under which that Person is an insured, or
 - (ii) to obtain recovery on a Claim against a Released Party from any insurance coverage pursuant to which that Released Party is an insured, but, for certainty, any Claim to which an insurer is or would otherwise be subrogated is released hereunder and the recovery to which such Person shall be entitled shall be limited to the proceeds of insurance actually paid by the insurer with respect to the Claim; or
- (c) shall release or discharge present or former directors of any of the Related Entities with respect to matters set out in section 5.1(2) of the CCAA;

and provided further, however, that, notwithstanding the foregoing releases under the Plan, any Claim shall remain subject to any right of set-off that otherwise would be available to the Person against whom such Claim is asserted.

6.2 Injunction Related to Releases

The Sanction Order will enjoin the prosecution, whether directly, derivatively or otherwise, of any claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, liability or interest, including, without limitation, any Affected Claim released, discharged or terminated pursuant to this Plan.

6.3 Extinguishment of Claims

As and from the Effective Date, the treatment of Affected Claims under this Plan shall be final and binding on all Persons affected by this Plan (and their respective heirs, executors, administrators, legal personal representatives, successors and assigns), and, upon implementation of this Plan on the Effective Date, all Affected Claims shall be forever discharged and released, excepting only the obligations to make distributions in respect of such Affected Claims in the manner and to the extent provided for in this Plan.

ARTICLE 7 MISCELLANEOUS

7.1 Confirmation of Plan

- (a) provided that this Plan is approved by the Required Majorities of the Creditors with Proven Claims (and, if applicable, Disputed Claims), of the Affected Creditors Class, Cantar will seek the Sanction Order for the sanction and approval of this Plan; and

- (b) subject only to the satisfaction of those conditions precedent to the implementation of this Plan described in Section 7.6, as may be waived in accordance with Section 7.7, this Plan will be implemented by Cantar and will be binding upon Cantar in respect of all Affected Claims.

7.2 Paramountcy

Subject to the last sentence of this Section 7.2, from and after the Effective Date, any conflict between this Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, loan agreement, by-laws of Cantar, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Creditors and Cantar as at the Effective Date will be deemed to be governed by the terms, conditions and provisions of this Plan and the Sanction Order, which shall take precedence and priority. All Affected Creditors shall be deemed to consent to all transactions and steps contemplated in this Plan.

7.3 Compromise Effective for all Purposes

The payment, compromise or other satisfaction of any Affected Claim under this Plan, if sanctioned and approved by the Court, shall be binding upon Affected Creditors, their heirs, executors, administrators, legal personal representatives, successors and assigns.

7.4 Modification of Plan

Cantar reserves the right, at any time and from time to time, but subject to the consent of the LaSalle Group Lenders (to the extent such amendment affects the LaSalle Group Lenders), to amend, modify and/or supplement this Plan, provided that any such amendment, modification or supplement must be contained in a written document which is filed with the Court and (i) if made prior to the Creditors' Meeting, communicated to the Affected Creditors at the Creditors' Meeting or as otherwise required by the Court (if so required); and (ii) if made following the Creditors' Meeting, approved by the Court.

Any amendment, modification, or supplement may be made following the Sanction Order by Cantar with the consent of the Monitor, provided that if it concerns a matter which, in the opinion of Cantar and the Monitor, acting reasonably, is of an administrative nature required to better give effect to the implementation of this Plan and the Sanction Order and is not adverse to the financial or economic interests of the Creditors; provided, however, that any such amendment, modification, or supplement must be filed with the Court within ten days after its implementation.

Any supplementary plan or plans of compromise or arrangement filed with the Court and, if required by this Section 7.4, approved by the Court, shall, for all purposes, be and be deemed to be a part of and incorporated in this Plan.

7.5 Consents, Waivers and Agreements

As at 12:01 a.m. on the Effective Date, each Affected Creditor shall be deemed to have consented and to have agreed to all of the provisions of this Plan as an entirety. In particular, each such Creditor shall be deemed:

- (a) to have executed and delivered to Cantar all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan as an entirety;
- (b) to have waived any and all defaults then existing or previously committed by Cantar in any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, agreement, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto, existing between any such Creditor and Cantar and any and all notices of default and demands for payment under any instrument, including, without limitation any guarantee, shall be deemed to have been rescinded; and
- (c) to have agreed that, if there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and Cantar as at such time (other than those entered into by Cantar on, or with effect from, such time) and the provisions of this Plan, then the provisions of this Plan take precedence and priority and the provisions of such agreement or other arrangement are amended accordingly.

In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

7.6 Conditions Precedent to Implementation of Plan

The implementation of this Plan is subject to the following conditions precedent, certain of which may be waived by Cantar in accordance with Section 7.7 hereof:

- (a) approval of this Plan by the Required Majorities of Affected Creditors;
- (b) all applicable governmental, regulatory and judicial consents, orders (including the Sanction Order) and any and all filings with all governmental authorities and other regulatory authorities having jurisdiction, in each case to the effect deemed necessary or desirable for the completion of the transactions contemplated by this Plan or any aspect thereof, shall have been obtained or received;
- (c) the aggregate of the amounts referred to in Section 5.1(b)(ii) hereof being less than \$100,000 or the holders of Secured Claims otherwise agreeing to such arrangements as are necessary to permit payment under the Plan from the Affected Creditors' Distribution Pool of (i) the full amount payable in accordance with Section 4.1(a) of the Plan to Affected Creditors to which Section 4.1(a) applies, and (ii) a maximum of 25 cents for each dollar of Affected Claims not dealt with in Section 4.1(a), in accordance with Section 4.1(b).
- (d) execution and delivery of all such agreements, resolutions, documents and other instruments which are necessary to be executed and delivered by Cantar to implement this Plan and perform Cantar's obligations hereunder; and

- (e) all documents, agreements, approvals, consents and releases necessary to give effect to all material provisions of this Plan shall have been executed and delivered by all relevant Persons in form and with content satisfactory to Cantar.

7.7 Waiver of Conditions

Each of the conditions set forth in Section 7.6 (except those provided for in Sections 7.6 (a) or (b)) may be waived in whole or in part by Cantar, without any other notice to parties in interest or the Court and without a hearing. The failure of Cantar to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right that may be asserted at any time.

7.8 Monitor's Certificate

Upon the satisfaction (or, where applicable, waiver) of the conditions set out in Section 7.6 the Monitor shall file with the Court a certificate which states that all conditions precedent set out in Section 7.6 of this Plan have been satisfied (or, where applicable, waived pursuant to Section 7.7), and that the Effective Date has occurred. In so certifying that the conditions precedent set out in Section 7.6 of this Plan have been satisfied (or, where applicable, waived pursuant to Section 7.7), the Monitor shall be entitled to rely upon representations and confirmations from Cantar.

7.9 Notices

Any notices or communications to be made or given hereunder shall be in writing and shall refer to, this Plan and may, subject as hereinafter provided, be made or given by personal delivery, by courier, by prepaid ordinary mail or by telecopier addressed to the respective parties as follows:

(a) if to Cantar:

McCarthy Tétrault LLP
Suite 4700, Toronto Dominion Bank Tower
PO Box 48
Toronto, ON M5K 1E6

Attention: James D. Gage
Telephone: (416) 601-7539
Fax: (416) 868-0673
E-mail: jgage@mccarthy.ca

(b) if to a Creditor:

- (i) to the address for such Creditor specified in Cantar's records in the case of Known Affected Creditors or in the Proof of Claim filed by a Creditor or,
- (ii) at the address set forth in any written notice of address changes delivered to the Monitor after the date of delivery of any related Notice of Claim or Proof of Claim.

(c) if to the Monitor:

A. Farber & Partners Inc.
150 York Street
Suite 1600
Toronto, ON M5H 3S5

Attention: Paul Denton
Telephone: (416) 496-3773
Fax: (416) 496-3839
E-mail: pdenton@afarber.com

or to such other address as any party may from time to time notify the others in accordance with this Section 7.9. In the event of any strike, lock-out or other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by telecopier and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of

such interruption, unless actually received, shall be deemed not to have been given or made. All such notices and communications shall be deemed to have been received, in the case of notice by telecopier or by delivery prior to 5:00 p.m. (local time) on a Business Day, at the time of delivery or, if delivered after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and, in the case of notice mailed as aforesaid, on the fourth Business Day following the date on which such notice or other communication is mailed. The unintentional failure by Cantar to give notice contemplated hereunder to any particular Creditor shall not invalidate this Plan or any action taken by any Person pursuant to this Plan.

7.10 Severability of Plan Provisions

If, prior to the Confirmation Date, any term or provision of this Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of Cantar, shall have the power to either (i) sever such term or provision from the balance of this Plan and provide Cantar with the option to proceed with the implementation of the balance of this Plan as of and with effect from the Effective Date, or (ii) alter or interpret such term or provision to make it valid and enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such severing, holding, alteration or interpretation, and provided Cantar proceeds with the implementation of this Plan, the remainder of the terms and provisions of this Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such severing, holding, alteration or interpretation.

7.11 Revocation, Withdrawal, or Non-Consummation

Cantar reserves the right to revoke or withdraw this Plan at any time prior to the Confirmation Date or to file subsequent or amended plans of compromise or arrangement. If Cantar revokes or withdraws this Plan, or if the Sanction Order is not issued, (i) this Plan shall be null and void in all respects, (ii) any settlement or compromise embodied in this Plan (including the fixing or limiting to an amount certain any Claim or Claims), or any assumption, termination or repudiation of executory contracts or leases effected by this Plan, and any document or agreement executed pursuant to this Plan shall be deemed null and void, and (iii) nothing contained in this Plan, and no acts taken in preparation for consummation of this Plan, shall (a) constitute or be deemed to constitute a waiver or release of any Claims by or against Cantar or any other Person; (b) prejudice in any manner the rights of Cantar or any other Person in any further proceedings involving Cantar; or (c) constitute an admission of any sort Cantar or any other Person.

7.12 Further Assurances

Notwithstanding that the transactions and events set out in this Plan shall occur and be deemed to occur in the order set out herein without any additional act or formality, each of the Persons affected hereby shall make, do and execute, or cause to be made, done and executed at the cost of the requesting party, all such further acts, deeds, agreements, transfers, assurances, instruments or, documents as may reasonably be required by Cantar in order to better implement this Plan.

7.13 Governing Law

This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Any questions as to the interpretation or application of this Plan and all proceedings taken in connection with this Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

APPENDIX 1

ELECTION TO REDUCE CLAIM

TO: CANTAR POOL PRODUCTS LIMITED/PRODUITS DE PISCINES CANTAR
LIMITÉE ("Cantar")

RE: CANTAR'S PLAN OF COMPROMISE AND REORGANIZATION PURSUANT TO THE
COMPANIES' CREDITORS ARRANGEMENT ACT (the "CCAA Plan")

**For Use by Affected Creditors of Cantar Pool Products/Produits de Piscines Cantar Limitée with
total Affected Claims in excess of \$5,000 who wish to reduce their total Affected Claims to \$5,000
and receive cash.**

THE UNDERSIGNED AFFECTED CREDITOR of Cantar acknowledges that the total amount of its
Affected Claim exceeds \$5,000 and hereby:

- (a) reduces the undersigned's total amount of Affected Claims to \$5,000;
- (b) releases all other Affected Claims of the undersigned; and
- (c) elects to receive by cheque, instead of any distribution from the Affected Creditors'
Distribution Pool pursuant to the CCAA Plan, an amount (payable within 6 months of the
Effective Date of the Plan, in accordance with the terms thereof) equivalent to 25% of the
lesser of:
 - (i) the total amount of the undersigned's Proven Claims; and
 - (ii) \$5,000

Dated this _____ day of _____, 2006.

Print Name of Affected Creditor

Phone Number of Affected Creditor

Signature of Affected Creditor or, if the Affected
Creditor is a corporation, signature of an authorized
signing officer of the corporation and such officer's title

**THIS ELECTION MUST BE PROVIDED TO THE MONITOR SO THAT IT IS RECEIVED BY
THE MONITOR AT THE FOLLOWING ADDRESS ON OR BEFORE THE CLAIMS BAR DATE
OF 5:00 P.M. (TORONTO TIME) ON DECEMBER 21, 2006**

A. Farber & Partners Inc.
(In its capacity as Monitor of
Cantar Pool Products Limited)
150 York Street, Suite 1600
Toronto, ON M5H 3S5

Attention: Paul Denton
Telephone: (416) 496-3773
Fax: (416) 496-3839
E-mail: pdenton@farber.com

DMSTORLegal\056668\00001\469465v1

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANTAR POOL PRODUCTS LIMITED/PRODUITS DE PISCINES CANTAR LIMITÉE

Court file no. 06-CL-6690

ONTARIO
SUPERIOR COURT OF JUSTICE
Proceedings commenced in Toronto

**PLAN OF COMPROMISE OR
ARRANGEMENT**

McCarthy Tétrault LLP
Barristers and Solicitors
Suite 4700, Toronto Dominion Bank
Tower
Toronto ON M5K 1E6

Geoff R. Hall LSUC #347010
(416) 601-7856
Fax: (416) 868-0673

James D. Gage LSUC #346761
Tel: (416) 601-7539
Fax: (416) 868-0673

Solicitors for the Applicant

Tab B

**THIS IS EXHIBIT "B" REFERRED TO
IN THE AFFIDAVIT OF VICTOR D'SOUZA
SWORN THE 15TH DAY OF JANUARY, 2007**

Ruth Y. Chun

A Commissioner for taking Affidavits, etc.

Ruth Young Chun, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires May 30, 2008.

AGREEMENT REGARDING RELEASE OF LIENS (RE: CANTAR POOL CANADA)

January 10, 2007

Re: Amended and restated credit agreement dated as of May 8, 2003 among, *inter alia*, ABN AMRO Bank N.V., Canada Branch (the "**Canadian Lender**"), Cantar Pool Products Limited ("**Cantar Pool Canada**") and Polyair Canada Limited (formerly Cantar/Polyair Canada Limited) (collectively, the "**Canadian Borrowers**") (as same has been or may hereafter be supplemented, amended, replaced, renewed, restated or otherwise modified from time to time, the "**Canadian Credit Agreement**")

And Re: Amended and restated loan and security agreement dated as of May 8, 2003 among, *inter alia*, LaSalle Business Credit LLC, as agent (the "**U.S. Agent**"), Cantar/Polyair Corporation, Cantar Pool Products Corporation ("**Cantar Pool U.S.**"), Mabex Universal Corporation and Performa Corp., as borrowers, (collectively, the "**U.S. Borrowers**"), the other parties thereto as Guarantors, and the lenders party thereto from time to time (collectively, the "**U.S. Lenders**") (as same has been or may hereafter be supplemented, amended, replaced, renewed, restated or otherwise modified from time to time, the "**U.S. Credit Agreement**") (the U.S. Credit Agreement and the Canadian Credit Agreement are hereinafter collectively called the "**Credit Agreements**")

Reference is made to the letter agreement entered into between the parties hereto dated October 16, 2006, as amended by Side Letter Amendment #1 between the parties hereto dated November 18, 2006 (collectively, the "**Letter Agreement**").

The Obligors have requested that Lenders agree to release certain liens, mortgages, security interests, hypothecs and other encumbrances (collectively, "**Liens**" and individually a "**Lien**") granted in favour of the Agent over certain property and assets of Cantar Pool Canada on the terms and conditions set out in this Agreement.

In furtherance of the foregoing and for good and valuable consideration now paid by each of the parties hereto to the others (the receipt and sufficiency of which consideration are hereby acknowledged by each of the undersigned), the parties hereto hereby confirm and agree as follows:

1. Agreement Regarding Release of Liens. (a) Subject to the terms and conditions contained in this Agreement (including without limitation the conditions and limitations below in this paragraph 1), the Lenders and the Agent agree that the Agent's Lien in and to any Distribution Assets shall automatically be released concurrently upon, but not before, the Effective Date (as defined in the Plan) (the "**Effective Date**"), provided that each and every of the following conditions precedent is and continues to be satisfied as of the Effective Date:

- (i) no LaSalle Event of Default or "Default" (as that term is defined in each of the Canadian Credit Agreement and the U.S. Credit Agreement) has occurred, other than the Cantar Pool Canada CCAA Filing Event of Default;
 - (ii) no Obligor has breached or defaulted in complying with or performing any term, condition or covenant contained in the Loan Documents or the Letter Agreement;
 - (iii) the LaSalle Minimum Amount is \$0;
 - (iv) a meeting of the creditors of Cantar Pool Canada has been held in respect of the Plan in accordance with the CCAA and the applicable orders of the Ontario Court regarding the Plan, and the requisite majority of each class of creditors of Cantar Pool Canada has approved the Plan in accordance with the provisions of the CCAA on or before January 12, 2007, or such later date as may be agreed to by the Lenders in their discretion;
 - (v) the Plan has been approved and sanctioned by the Ontario Court on or before January 18, 2007, or such later date as may be agreed to by the Lenders in their discretion, and no appeal of such approval and sanction order shall have been threatened or filed;
 - (vi) the Effective Date occurs on or before January 25, 2007, or such later date as may be agreed to by the Lenders in their discretion; and
 - (vii) the representations and warranties of the Obligors contained in the Loan Documents and the Letter Agreement shall be true and correct in all material respects except (A) with regard to the CCAA Proceeding and (B) those representations and warranties that specifically relate only to an earlier date.
- (b) The agreement contained in this paragraph 1 regarding the release of the Agent's Lien in and to the Distribution Assets is and shall in all respects be limited solely to the extent necessary to permit payment under the Plan from the Affected Creditors' Distribution Pool of (i) the full amount payable in accordance with Section 4.1(a) of the Plan to Affected Creditors to which such Section 4.1(a) applies and (ii) a maximum of 25 cents for each dollar of Affected Claims not dealt with in Section 4.1(a), in accordance with Section 4.1(b) of the Plan (the amounts being required to make the payments contemplated in clauses (i) and (ii) collectively referred to as the "**Aggregate Permitted CCAA Plan Payment Amount**"). The agreement contained in this paragraph 1 shall have no application to and be of no force or effect with respect to any of the Distribution Assets which are not required to permit the payments contemplated in this paragraph 1(b) of this Agreement (for greater certainty, the release of the Agent's Lien shall only apply up to the amount of the Aggregate Permitted CCAA Plan Payment Amount, and any Distribution Assets in excess of such Aggregate Permitted CCAA Plan Payment Amount shall at all times and for all purposes be and remain subject to and charged by the Agent's Lien, and no distribution of the Distribution Assets or from the Affected Creditors' Distribution Pool in excess of the Aggregate Permitted CCAA Plan Payment Amount shall be permitted to be made by Cantar Pool Canada). Furthermore, all parties hereto acknowledge and agree that no agreement is being made herein with respect

to any release of any Lien granted in favour of the Agent by any Obligor except for Cantar Pool Canada.

(c) In the event that all of the conditions precedent listed in paragraph 1(a) above have not been or are not satisfied on or before the Effective Date, then the agreement made above by the Lenders shall be of no force or effect whatsoever and the Lenders shall have no obligation whatsoever to cause the Agent to deliver a release of any Lien granted in favour of the Agent over any of Cantar Pool Canada's property, assets or undertaking (including without limitation the Distribution Assets), to the same extent as if this agreement had never been made by the Lenders.

(d) Capitalized words and phrases used in this paragraph 1 and not otherwise defined in the Letter Agreement shall have the same meanings ascribed thereto in the Plan.

(e) Each of the Obligors hereby irrevocably consents to the release of the Agent's Lien as contemplated in paragraph 1 of this Agreement and each of the Obligors covenants, confirms and agrees that (i) its present and future indebtedness, liabilities and obligations to the Lenders under the Loan Documents shall in no way be affected or released in any manner whatsoever as a result of such release of Lien by the Agent and (ii) the delivery of the release by the Agent shall not be used by any of the Obligors as a defence to the payment or performance of any of such indebtedness, liabilities or obligations owing by any Obligor or in any action which may be commenced by the Agent or the Lenders against any such Obligor. The Obligors refer to the mortgage (the "VTB Mortgage") granted in favour of Cantar Pool Canada in connection with the sale of the property municipality known as 330 Humberline Drive, Toronto, Ontario, such VTB Mortgage registered against title as Instrument No. AT1287953 and as transferred to the Agent; the Obligors confirm their consent to the VTB Mortgage having been postponed in favour of the new first mortgage and supporting security delivered by the purchasers of such real property in favour of The Equitable Trust Company.

(f) Not less than ten (10) days prior to a proposed distribution to creditors under the Plan, Cantar Pool Canada shall deliver to the Agent notice of such proposed distribution, with particulars of the proposed distribution date, the amount of the proposed distribution, and reasonable evidence to the satisfaction of the Agent that the proposed distribution will not result in the aggregate amount of prior distributions and the proposed distribution exceeding the Aggregate Permitted CCAA Plan Payment Amount. In the event that the Agent, acting reasonably, determines that such proposed distribution, together with past distributions will result in the aggregate of all distributions to exceed the Aggregate Permitted CCAA Plan Payment Amount, then in such case, the Agent shall be entitled to send a notice to Cantar Pool Canada (a "Distribution Objection Notice") during such ten (10) day period to the effect that Cantar Pool Canada is not permitted to make such proposed distribution, in which case Cantar shall not make the proposed distribution unless and until the Agent subsequently delivers to Cantar Pool Canada a written consent to the proposed distribution or, if applicable, a distribution in a lesser amount such that the aggregate of past distributions and the (reduced) proposed distribution will not exceed the Aggregate Permitted CCAA Plan Payment Amount. The Agent agrees to act reasonably in conferring with Cantar and reviewing supporting material to be provided by Cantar in assessing whether

or not a proposed distribution will result in the aggregate of Plan distributions exceeding the Aggregate Permitted CCAA Plan Payment Amount.

(g) For greater certainty, the Lenders and the Agent consent to distributions to creditors under the Plan by Cantar Pool Canada up to the Aggregate Permitted CCAA Plan Payment Amount, notwithstanding the provisions of Section 5.1(b)(i) of the Plan, subject to the terms, conditions and restrictions contained in paragraph 1 of this Agreement.

2. **No Waiver.** Except for the agreement regarding the release of the Agent's Lien in accordance with and subject to the restrictions set out in paragraph 1 above, nothing herein is in any way intended to be and nothing herein does or shall be deemed to constitute a waiver (temporary or otherwise) of any LaSalle Event of Default and nothing herein does or shall be deemed to constitute a custom or course of dealing among the Obligors, on the one hand, and the Lenders, on the other hand, and the Lenders reserve all of their respective rights and remedies under the Loan Documents, and the Letter Agreement and at law and in equity in connection therewith.
3. **Representations and Warranties.** Each of the undersigned "Obligors" hereby confirms to the Lenders that the representations and warranties set forth in the Loan Documents are true and correct in all material respects as of the date hereof (except (i) with regard to the CCAA Proceeding and (ii) those representations and warranties that specifically relate only to an earlier date), which representations and warranties shall be deemed to be remade as of the date hereof. Each Obligor represents and warrants to the Lenders that: (i) it has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder; (ii) upon the execution and delivery hereof, this Agreement will be valid, binding and enforceable against such Obligor in accordance with its terms; (iii) the execution and delivery of this Agreement does not and will not contravene, conflict with, violate or constitute a default under the articles of incorporation or by-laws of such Obligor or any applicable law, rule, regulation, judgment, decree or order or any agreement, indenture or instrument to which such Obligor is a party or is bound or which is binding upon or applicable to all or any portion of such Obligor's property; and (iv) no Default or Event of Default presently exists.
4. **Reaffirmation.** The Obligors expressly reaffirm and assume all of their obligations and liabilities to the Lenders under the Loan Documents and the Letter Agreement, and in each case agree to be bound by and abide by and operate and perform under and pursuant to and comply fully with all of the terms, conditions, provisions, agreements, representations, undertakings, warranties, indemnities, grants of Liens and covenants contained in the Loan Documents and the Letter Agreement (including without limitation all guarantee obligations), as though such documents were being re-executed on the date hereof, except to the extent that such terms expressly relate to an earlier date. The Obligors ratify, confirm and affirm without condition, all Liens, granted to the Agent pursuant to the Loan Documents, and agree that such Liens shall continue to secure the obligations secured thereby, including but not limited to, all advances made by the Canadian Lender or the Agent and/or the U.S. Lenders (and/or any one or more of them) to any one or more of the Obligors under the Loan Documents, and all extensions renewals, refinancings, amendments or modifications of any of the foregoing.

5. Release. In consideration of the agreements of the Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Obligor, on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges each Lender, and its successors and assigns, and its present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (the Lenders and all such other Persons being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defences, rights of set off, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, which it or any of its successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to or after the date of this Agreement including, without limitation, for or on account of, or in relation to, or in any way in connection with any of the Loan Documents, the Letter Agreement or transactions hereunder or thereunder or related thereto.
6. Costs and Expenses. Each Obligor hereby jointly and severally agrees to reimburse the Agent for all reasonable costs, fees and expenses incurred in the preparation, negotiation and execution of this Agreement and the consummation of the transactions contemplated hereby, including, without limitation, the reasonable costs, fees and expenses of the professionals (including without limitation legal counsel) retained by the Lenders.
7. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same instrument. Facsimile or other electronic versions of signatures hereto shall be deemed original signatures, which may be relied upon by all parties hereby and shall be binding on the respective signor.
8. Severability. If any term or provision of this Agreement or the application thereof to any party or circumstance shall be held to be invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, the validity, legality and enforceability of the remaining terms and provisions of this Agreement shall not in any way be affected or impaired thereby, and the affected term or provision shall be modified to the minimum extent permitted by law so as to achieve most fully the intention of this Agreement.
9. Successors and Assigns. This Agreement shall enure to the benefit, and shall be binding upon each of the parties hereto and their respective successors and permitted assigns. None of the Obligors shall be entitled to assign any of their rights or obligations hereunder.
10. Governing Law. This Agreement shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

11. Defined Terms. Unless otherwise defined herein, all capitalized words and phrases shall have the meanings ascribed thereto in the Letter Agreement.
12. Notices. Any notice, direction, consent or other document contemplated or required to be delivered hereunder shall be in writing and shall be made by personal delivery or by facsimile or other electronic transmission on a "Business Day" before 5:00 p.m. (such time of delivery being the time of delivery or receipt in the city in which the recipient is located), failing which delivery shall be deemed to have been made on the next following Business Day. In this Agreement, a "Business Day" shall mean any day other than (a) a Saturday, Sunday or statutory holiday in the Province of Ontario or the State of Illinois or (b) any day that banks in Toronto, Ontario or Chicago, Illinois are required or permitted to close.

Credit Parties to the Canadian Credit Agreement:

Borrowers:

POLYAIR CANADA LIMITED
(formerly Cantar/Polyair Canada Limited)
CANTAR POOL PRODUCTS LIMITED

Address: 325 Humber College Dr.
Toronto, ON M9W 7C3

Attention: Victor D'Souza
Fax: (416) 488-7984

Each by _____
Its _____

Guarantors:

CANTAR POLYAIR CORPORATION
CANTAR POOL PRODUCTS CORPORATION
(formerly known as Atlantic Pool Products
Corporation and Cantar/Polyair of Illinois, Inc.)
MABEX UNIVERSAL CORPORATION
PERFORMA CORP.
C/P INTERNATIONAL CORP., INC.
POLYAIR INVESTMENTS INC.
(formerly Cantar/Polyair Inc.)
FAIRCOVE INVESTMENTS INC.
POLYAIR MACHTECH, INC.

Each by _____
Its _____

Credit Parties to the U.S. Credit Agreement:

CANTAR/POLYAIR CORPORATION
CANTAR POOL PRODUCTS
CORPORATION (formerly Atlantic
Pool Products Corporation and Cantar/Polyair of
Illinois, Inc.)

MABEX UNIVERSAL CORPORATION
PERFORMA CORP.

POLYAIR CANADA LIMITED
(formerly Cantar/Polyair Canada Limited)

C/P INTERNATIONAL CORP., INC.

POLYAIR INVESTMENTS INC.
(formerly Cantar/Polyair Inc.)

FAIRCOVE INVESTMENTS INC.

CANTAR POOL PRODUCTS LIMITED
(formerly Atlantic Pool Products
Limited and 1566783 Ontario Limited)

POLYAIR MACHTECH, INC.

Each by _____
Its _____

LASALLE BUSINESS CREDIT, LLC,
in its capacity as (a) the U.S. Agent for and on
behalf of the U.S. Lenders under the U.S.
Credit Agreement, (b) a U.S. Lender and
(c) the Agent for the U.S. Agent, the U.S.
Lenders and the Canadian Lender

Address: LaSalle Business Credit LLC,
as Agent
400-135 South LaSalle Street
Chicago, Illinois
60603-4105
Attention: Don Tomlinson (re: Cantar)
Fax: 312-904-0291

By _____
Its _____

PNC BANK, NATIONAL ASSOCIATION,
as a U.S. Lender

By _____
Its _____

ABN AMRO BANK N.A., CANADA BRANCH,
as the Canadian Lender

By _____
Its _____

By _____
Its _____

IN THE MATTER OF AN APPLICATION UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANTAR POOL PRODUCTS LIMITED / PRODUITS DE
PISCINES CANTAR LIMITÉE

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at TORONTO

AFFIDAVIT OF VICTOR D' SOUZA

(sworn January 15, 2007 in support of motion for a Sanction
Order and an extension of the Stay Period, returnable January
18, 2007)

McCarthy Tétrault LLP

Barristers and Solicitors

Suite 4700, Toronto Dominion Bank Tower
Toronto ON M5K 1E6

Geoff R. Hall LSUC #347010

Tel: (416) 601-7856

Fax: (416) 868-0673

James D. Gage LSUC #346761

Tel: (416) 601-7539

Fax: (416) 868-0673

Solicitors for the Applicants
TDO-TIE #8710196 v.4

TAB 3

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
CANTAR POOL PRODUCTS LIMITED/
PRODUITS DE PISCINES CANTAR LIMITEE**

A. FARBER & PARTNERS INC.

Report
October 16, 2006

In our capacity as the nominated Monitor of Cantar Pool Products Limited/Produits De Piscines Cantar Limitee ("Cantar"), we have been asked to report to the Court on the merits of the proposed transaction sought to be approved coincident with the CCAA application. This transaction forms a key part of the realization strategy to provide the prospect of a greater recovery to unsecured creditors than would occur in the event of a bankruptcy.

- Our review process has included: review of all motion materials filed by Cantar; meeting and discussions with Mr. Victor D'Souza, the Chief Operating Officer of Cantar and Cantar management; review and discussions with Cantar's legal counsel and; meetings and discussions with representatives of Prowis Inc., financial advisors retained by Cantar, to review the current financial position, the restructuring process underway, the sales processes conducted for the Cantar Equipment division, as well as the costs to wind down the Cantar entity. Our review has also involved retention of independent legal counsel to review the security of the primary secured lender, La Salle Business Credit, a division of ABN Amro Bank N.V. Canada branch ("La Salle").
- Independent legal counsel engaged has confirmed that La Salle's security is valid and enforceable, with first-ranking security over all of the assets of Cantar in Ontario and Quebec.
- As reported at length in First Affidavit of Victor D'Souza, two of three Cantar divisions have recently been sold, namely the Above Ground Pool and Pool Accessories divisions. Coincident with this application, an Approval and Vesting Order for the sale of the assets of the third division, the Pool Equipment division, is being sought. We can confirm that we have reviewed the marketing process for this division's assets and the ultimate Letters of Interest ("LOI") accepted with Prowis and Cantar management. We reviewed a list of 12 parties who signed confidentiality agreements and three LOIs received. In our view the LOI accepted was commercially reasonable and the best offer produced.

Based on the above factors, we believe that the proposed transaction appears commercially reasonable. We confirm Cantar management and Prowis have been working to formulate a Plan, which includes negotiations with La Salle to release its security over certain assets retained by Cantar as part of a successful Plan. Provided La Salle provides such releases, there is a prospect for a recovery to unsecured creditors of Cantar through a Plan that it would appear would not occur in the event of bankruptcy.

A. FARBER & PARTNERS INC.

Per:



Paul Denton , CA CIRP

2179939.1

TAB 4

Court File No. 06-CL-6690

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF CANTAR POOL PRODUCTS LIMITED / PRODUITS DE
PISCINES CANTAR LIMITEE (the "Applicant" or "Cantar")**

THIRD REPORT OF THE MONITOR

INTRODUCTION

1. On October 17, 2006, the Applicant filed for and obtained protection from its creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the "CCAA") pursuant to an order of this Honourable Court dated October 17, 2006 (the "Initial Order").
2. Pursuant to the Initial Order, A. Farber & Partners Inc. was appointed monitor of the Applicant during its CCAA proceedings (the "Monitor").
3. Coincident with the granting of the Initial Order on October 17, 2006, First and Second Approval and Vesting Orders were granted by this Honourable Court, in connection with the sale of Cantar's assets relating to the Cantar Pool Equipment division and residual assets of the Above Ground Pool division not sold by the Applicant as part of an earlier transaction in August 2006. The First Approval and Vesting Order relates to the sale of assets to 662671 Canada Inc. while the Second Approval and Vesting Order relates to sale of assets to Northern Light Recreation Co, which entity had previously purchased the majority of the Above Ground Pool assets in a transaction in August 2006.
4. On October 19, 2006, this Honourable Court authorized and approved among other matters, the sale of the property (Property Sale") known municipally as 330 Humberline Drive, Toronto, Ontario (the "Property") to Strathallen Acquisitions Inc. ("Strathallen"), and vesting the right, title and interest of the Property in and to Strathallen (the "Property Sale Approval and Vesting Order"), and the payment of the proceeds of the Property Sale to LaSalle Business Credit LLC ("LaSalle").

5. The purpose of this third report of the Monitor (the "Third Report") is to provide this Honourable Court with a report on the following:

- An update on the status of the Applicant and its advisors' continuing efforts to effect an orderly wind down of the Cantar business and realize on remaining property, assets and undertakings, to provide a prospect of a recovery to unsecured creditors, including the recently approved sale of Cantar's Pool Equipment Division assets and the Property Sale;
- The actual cash flow of the Applicant for the weeks ending October 14, 2006 to November 4, 2006, combined with an analysis of the variances and progress towards paying down the LaSalle Minimum Amount (as hereinafter defined) in the approximate amount of US \$8.6 million, and;
- The Applicant's updated cash flow forecast for the weeks ending November 11, 2006 to January 20, 2007.
- The Applicant's motion seeking the approval of a claims procedure as set out in the draft Claims Procedure and Meeting Order (the "Claims Procedure and Meeting Order");
- A Court Order directing the Sheriff, City of Toronto, to return all property of Cantar in the Sheriff's possession, including certain funds previously garnished from Cantar; and
- The Applicant's request for an extension to the Stay Period.

TERMS OF REFERENCE

6. In preparing this Third Report, the Monitor has relied upon unaudited, internally prepared financial information, Applicant's records and discussions with management of the Applicant. The Monitor has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants ("CICA") Handbook has not been performed. Future oriented financial information relied upon in this report is based on Cantar management's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

Unless otherwise stated, dollars referenced in these materials are in Canadian funds.

BACKGROUND

7. Background to these CCAA proceedings, including the Initial Order and subsequent orders issued by this Honourable Court, supporting materials and reports by the Monitor, have been posted by the Monitor on its web site at www.afarber.com.

CANTAR ORDERLY WIND-DOWN AND REALIZATION PROCESS

8. Since granting the Initial Order, three separate transactions representing a key part of the realization program to pay down the LaSalle Minimum Amount (in the approximate amount of US \$8.6 million as described below), and in turn provide prospects for a recovery to Cantar's unsecured creditors, have been approved and closed.
9. Pursuant to the First Approval and Vesting Order dated October 17, 2006, Cantar's sale of its Pool Equipment Assets as defined in an Asset Purchase Agreement dated September 28, 2006 among Cantar and 6626271 Canada Inc. and Competition Pool Accessories, Inc. and Pioneer Family Pools (Hamilton) Inc. (hereinafter called "662 Sale"), was approved.
10. On October 18, 2006, the 662 Sale closed and pursuant to the First Approval and Vesting Order, the purchase price and deposit totaling \$2.173 million, were applied against Cantar's indebtedness to LaSalle. This translated to a pay-down of the LaSalle Minimum Amount of \$US 1.957 million.
11. Pursuant to the Second Approval and Vesting Order dated October 17, 2006 the sale of the residual equipment in the Above Ground Pool division to Northern Light Recreation ("Northern") was approved (hereinafter called the "Northern Sale"). The Northern Sale related to Cantar equipment located on the premises of CFM Corp., which was not conveyed to Northern under the terms of an August 16, 2006 asset purchase agreement, because Cantar was not in possession of the equipment at that time. The Northern Sale was closed on October 18, 2006 for net proceeds of US\$ 58,000. Similar to the 662 Sale, these proceeds were applied to the LaSalle Minimum Amount. Cantar and its advisors were also able to negotiate the release of off-site tooling and molds from Cantar vendors to Northern, for additional proceeds of US\$ 174,000. These proceeds were received in the weekending October 28, 2006.
12. Pursuant to the Property Sale Approval and Vesting Order issued on October 19, 2006, Cantar's right title and interest in and to the Property, was vested in Strathallen subject to payment of the purchase price. On October 24, 2006, the Property Sale transaction closed and the net purchase price was paid to LaSalle and Hawklane Developments Inc. in accordance with the Property Sale Approval and Vesting Order. Net proceeds applied to the LaSalle Minimum Amount were US \$5.637 million.

13. The Property Sale transaction and net proceeds are summarized below:

	(In Cdn \$000's)
Sales Proceeds net of real estate commission	9,442
Less Vender Take Back mortgage	(1,600)
Less Hawklane Developments Inc. – Put/Call option payment	(1,500)
Plus interest on deposit of \$500,000	2
Net proceeds	<u>\$ 6,344</u>
Net proceeds applied to LaSalle Minimum Amount Canadian to US\$ 000's	<u>US\$ 5,637</u>

14. As previously reported in these proceedings, the tenant of the Property is Polyair Canada Limited (the "Tenant") which operates a packaging business at that location. The Tenant is an indirect wholly owned subsidiary of Polyair Inter Pack Inc. ("Polyair"), which is also Cantar's ultimate parent company. However, the Tenant has no ongoing operational relationship to Cantar.

15. As part of the Property Sale, and to enable the transaction to move forward, Cantar agreed to take back a promissory note secured by a second mortgage charging the property ("VTB"). The VTB is for \$ 1.6 million, with a five-year term, bearing a 6.5% interest rate, with interest to be paid on maturity. Strathallen has a right to set off amounts owing to it by the Tenant, in the event the Tenant is in default under the lease.

16. The VTB note is important to the prospect of a payout to Cantar's unsecured creditors, given the LaSalle Minimum Amount is close to being satisfied.

ACCOUNTS RECEIVABLE

17. The Applicant has trade accounts receivable of approximately \$1.5 million dollars. Ultimate realizations are expected to be less than book value, for the following reasons:

- Some customers are refusing to pay their account balances due to their concerns surrounding future warranty coverage. As per their purchase agreements, Northern and Competition agreed to honour their respective warranty claims. The purchasing companies are now working closely with Cantar to alleviate these concerns, which should ultimately speed up the collection process.
- Some customers are requesting account reconciliations before remitting payment. Cantar and its advisors are working diligently with these customers to satisfy their own internal requirements; however, this process can be time consuming.

- There are customers who ultimately are refusing to pay their balances. In these instances, Cantar may be forced to initiate legal proceedings and/or report these companies to Export Development Corporation, who has insured some of the foreign receivables.

OTHER REALIZATIONS

18. The other meaningful asset which might be available for realization (other than the trade receivables and the above profiled VTB), is the Applicant's inter-company receivable owing to it by a related company, relating to sale of inventory to that company. Ultimate realizations will be a function of that particular company's net cash flows and negotiations with the Applicant's secured creditors, including LaSalle as the senior secured lender. LaSalle has first-ranking security on its assets for its total debt position, which is close to US\$ 20 million. As previously reported, but for the agreement and accommodation reached with LaSalle and the LaSalle group of lenders, there would be no prospect of any payout to the Cantar creditors. Other cash receipts are anticipated from sub-tenant recoveries on rent and operating expenses, sale of remaining inventory, and refunds of deposits.

FINANCIAL PERFORMANCE SINCE THE DATE OF THE INITIAL ORDER

19. Attached as Appendix A to this Third Report is a summary of the Applicant's actual receipts and disbursements for the weeks ending October 14 to November 4, 2006 (the "Reporting Period") combined with an analysis of the variances from the cash flow forecast submitted on October 17, 2006 (the "October 17 Forecast") to this Honourable Court. Detailed explanations for the variances are provided in Appendix A with the key items summarized below.
20. Receipts for the Reporting Period totaled approximately US\$8,482,000, which were below the October 17 Forecast by US\$107,000. The variance is primarily attributed to lower than anticipated proceeds on the Property Sale of US\$363,000, net of favourable results when compared to forecast on the sale of the Pool and Equipment divisions assets and collections of accounts receivable. The forecast proceeds on the sale of Accessory division inventory of \$50,000 have also not been received, as the sale has not yet occurred. It is anticipated to be completed at a future date within the Forecast Period.
21. Disbursements for the Reporting Period totaled approximately US\$1,201,000, less than the October 17, 2006 Forecast by approximately US\$341,000. The variance was primarily due to payments being less than forecast for critical payments, overhead, payroll and severance, and professional fees.

LASALLE MINIMUM AMOUNT

22. Pursuant to paragraph 10 of the Initial Order, the Applicant was authorized and directed to pay over to LaSalle or to such party as LaSalle may direct in writing, any and all proceeds until the amount necessary to satisfy certain indebtedness, liabilities and obligations owing to LaSalle and the LaSalle group of lenders in the approximate amount of US\$8.6 million (the "LaSalle Minimum Amount"), save and except for such expenditures approved in advance in writing by LaSalle. Further, the agreement between the LaSalle group of lenders and Polyair / Cantar provided for the Pool Equipment proceeds and the Property Sale proceeds to be paid directly to LaSalle on closing. As part of the restructuring, the Applicant's agreement with LaSalle also provided for the LaSalle Minimum Amount to be paid down to US\$500,000 by November 3, 2006; to US\$250,000 by November 10, 2006; and to be completely paid down by November 17, 2006.

23. Set out below is a table summarizing the pay-down of the LaSalle Minimum Amount to November 3, 2006.

		(in US\$ 000's)
LaSalle loan obligations October 17, 2006		8,370
(Reduced) increased by -		
Proceeds from Property Sale	(5,637)	
Proceeds from sale of Equipment division	(1,957)	
Proceeds from sale of Pool division	<u>(58)</u>	(7,652)
Release on Letter of Credit		(193)
Collection of receivables, net of disbursements		(27)
LaSalle loan obligations, November 3, 2006		<u>\$ 498</u>

CASH FLOW FORECAST THROUGH TO JANUARY 20, 2007

24. A copy of the cash flow forecast (the "Forecast") for the forecast period November 6 to January 20, 2007 (the "Forecast Period") is attached as Appendix B. The Forecast and its supporting assumptions were prepared by Cantar management with the assistance of Prowis Inc. ("Prowis"). Management, and Prowis have prepared the Forecast based on the most current information available.

25. As summarized in the Forecast, for the Forecast Period the Applicant is projecting:

- a) Cash receipts of approximately US\$ 1,260,000;

- b) Cash disbursements of US \$1,475,000 million; and
- c) A net decrease in cash of US \$215,000.

26. Overall a key variable in the Forecast will be the pace and level of accounts receivable collections. The Forecast does not include any provision for realizations from the VTB, nor funds garnished by the Sheriff, City of Toronto as further profiled below.

CLAIMS PROCEDURE AND MEETING ORDER

27. Our review of Cantar's accounts payable records to date indicates there are about 300 creditors, owed approximating \$9 million in total. Not included in the creditor listing is Cantar Polyair Canada Limited and affiliated inter-company payables ("Inter-Company Payables"), which approximate US\$ 15 million. As reported in the Initial Application materials of these CCAA proceedings, significant trade debt was run up by Cantar Polyair Canada Limited to support the Cantar operation. It is however confirmed that the Inter-Company Payables will not participate in the proposed Claims Process.
28. Included in the motion materials to be filed with this report, will be a draft Claims Procedure and Meeting Order and attachments, which Cantar is seeking to have approved by this Honourable Court. The draft order among other matters authorizes and directs the filing of a CCAA Plan of Compromise or Arrangement ("Plan"), establishes a claims process including a claims bar date, as well as a process to call, hold and conduct a meeting of creditors affected to approve the Plan and Court approval thereafter.
29. The overall timetable currently contemplated by the draft Claims Procedure and Meeting Order and related motion materials provide for: the filing of a Plan by no later than November 23, 2006; a Claims Bar Date of December 21, 2006; the convening of a Creditors Meeting to vote on the Plan on January 12, 2007; and a Court sanctioning hearing on or prior to January 18, 2007 or as soon after that date that the matter can be heard.
30. The draft Claims Procedure and Meeting Order can be summarized as follows:
- Creditors with a claim existing at October 17, 2006 who are provided a Notice of Claim by the Monitor ("Known Affected Creditors"), are not required to submit a proof of claim. Where parties disagree, there is a Notice of Dispute process. Where Persons become aware of the proceedings, and assert a claim, they will be required to file a Proof of Claim. Those claims in foreign currencies will be converted at the exchange rate as reported by the Bank of Canada on October 17, 2006. The Canadian / US exchange rate on the date was 1.1380 Canadian dollars to 1 US dollar.

- On or before 5:00 p.m. on November 20, 2006, Cantar shall provide a list of Known Affected Creditors to the Monitor setting out: (i) the amount owed to each Known Affected Creditor and (ii) the last known address of such Known Affected Creditor. Promptly after receiving the list of Known Affected Creditors from Cantar, the Monitor shall send the Claims and Meeting Materials to each Known Affected Creditor to the address for it set out on the list.
- On two consecutive days prior to November 30, 2006, 2006, Cantar shall cause the Notice to Creditors to be published in the *National Post*, while the Monitor shall post a copy of the Claims and Meeting Materials to its website as soon as practicable after the making of this Order, and shall send the Claims and Meeting Materials to each Person who prior to the Claims Bar Date makes a written request for them, within three Business Days of receipt of such request.
- The Claims Bar Date for filing of Proofs of Claim and Notices of Dispute is at 5:00 p.m. on December 21, 2006.
- By no later than 5:00 p.m. on January 2, 2007, the Monitor shall send a Notice of Revision or Disallowance to each Affected Creditor whose Affected Claim the Monitor and Cantar have determined to revise or disallow.
- Any Affected Creditor who wants to dispute the amount of its Affected Claim as set out in a Notice of Revision or Disallowance shall, by no later than 5:00 p.m. on January 10, 2007, advise Cantar and the Monitor in writing with a detailed summary of the reasons for such dispute, and by no later than 5:00 p.m. on January 15, 2007, bring a motion to have the amount of such Affected Claim determined by the Court (by serving on Cantar and the Monitor and filing with the Court a motion record in respect of such Affected Creditor's motion by such date.)
- Cantar and the Monitor are authorized to use reasonable discretion as to adequacy of compliance with respect to the manner in which Proofs of Claim, Notices of Claim, Notices of Revision or Disallowance and Notices of Dispute are completed and executed, and may waive strict compliance with the requirements of the Claims Procedure and Meeting.
- That a creditors' meeting of Affected Creditors is convened on January 12, 2006 and that a Court Sanction hearing is convened on or prior to January 18, 2006 to approve the Plan, or as soon after that date as the matter can be heard.
- In addition, adequate provision is made in the order as drafted to deal with voting of Disputed Claims.

Overall, given the timetable, the Monitor believes the Claims Procedure and Meeting Order timetable and terms are reasonable in the circumstances.

OTHER MATTERS

31. Pursuant to paragraph 38 of the Initial Order, the Monitor worked with the Applicant to provide a notice and a copy of the Initial Order on October 26, 2006 to all of the creditors that appear on the Applicant's books and records with a balance over \$1,000, effective October 17, 2006.
32. On October 10 and 13, 2006 prior to the commencement of these CCAA proceedings, Cantar received two notices from the Sheriff regarding a proposed scheme of distribution to Cantar's execution creditors in respect of monies received by the Sheriff in connection with garnishment proceedings initiated against Cantar on August 31, 2006. The proposed schemes of distribution by the Sheriff in respect of the funds being held in the total amount of \$132,786.99 which comprises two amounts as follows: \$96,438.78 and \$36,348.21 (the "Garnished Funds"), are attached hereto as Appendix C.
33. By letter dated October 18th, 2006, and as profiled in the D'Souza Affidavit, Douglas Burns, a lawyer at Koskie Minsky LLP acting on behalf of Cantar, provided the Sheriff with a copy of the Initial Order and advised the Sheriff that it was subject to the stay of proceedings provided by the Initial Order. A copy of the letter is attached as Appendix D.
34. Also by letter dated October 19, 2006 Aird & Berlis LLP in its capacity as legal counsel for the Monitor notified the Sheriff of these CCAA proceedings and in particular sections 4 and 15 of the Initial Order as well as requesting that the monies be returned to Cantar. A copy of that letter is attached as Appendix E.
35. Attached, as Appendix F is a letter dated October 24, 2006 from Marc MacLean, Manager of Court Operations Case Management for the Ministry of the Attorney General, acknowledging receipt of Mr. Burns' letter of October 18, 2006 and confirming that the Sheriff would not take further action without further direction of the Court.
36. The Garnished Funds are Cantar's property and should be remitted to the Monitor. Subject to the charges created by the Initial Order and the use (if necessary) of the Garnished Funds to pay any claims secured thereby, the Garnished Funds should be dealt with in accordance with the Plan, so that all unsecured creditors can be treated similarly and no unsecured creditor obtains a preference or advantage over others with respect to the Garnished Funds.

THE APPLICANT'S REQUEST FOR AN EXTENSION TO THE STAY PERIOD

37. Pursuant to the Initial Order, the Stay Period as defined in the Initial Order expires at midnight on November 16, 2006. The Applicant is seeking an extension of the Stay Period until, and including January 18, 2007.

38. An extension to the Stay Period is necessary for the following reasons:

- a) To complete the Claims Procedure and Meeting Process as outlined above.
- b) To continue the realization program, the accounts receivable collection efforts and the close down of the business, in the most cost effective and expedient manner.
- c) To continue efforts to formulate and file a CCAA plan.

39. In the Monitor's view, the Applicant is acting in good faith and with due diligence during these CCAA proceedings. The Applicant and its advisors have made good progress since October 17, 2006 to substantially pay down the LaSalle Minimum Amount as well as worked diligently toward formulating and filing a Plan. The Monitor is of the view that the extension to the Stay Period is appropriate in the circumstances and therefore recommends that the Applicant's request for an extension of the Stay Period be granted to, and including January 18, 2007.

40. The Monitor also supports and recommends the Claims Procedure and Meeting Order as drafted be granted.

41. The Monitor also recommends that this Honourable Court issue an Order directing the Sheriff to return the Garnished Funds and any other amounts that it might hold or otherwise come to possess or receive from time to time, also be approved by this Honourable Court.

All of which is respectfully submitted this 10th day of November 2006.

A. FARBER & PARTNERS INC.
In its capacity as the Court-
Appointed Monitor of the
Applicant

A. Farber & Partners Inc.

Appendix A

Appendix A

CANTAR POOL PRODUCTS LIMITED
COMPARISON OF ACTUAL VS BUDGET
(In thousands of US dollars)

	BUDGET WK/E	ACTUAL WK/E	BUDGET WK/E	ACTUAL WK/E	BUDGET WK/E	ACTUAL WK/E	BUDGET WK/E	ACTUAL WK/E	BUDGET TOTAL	ACTUAL TOTAL
	14-Oct-05	14-Oct-05	21-Oct-05	21-Oct-05	28-Oct-05	28-Oct-05	4-Nov-05	4-Nov-05		
Accounts Receivable Collections	100	284	100	225	100	57	150	90	460	565
Proceeds from sale of pool division	-	-	-	66	179	174	-	-	179	252
Proceeds from sale of accessories division	-	-	-	-	-	-	80	-	60	-
Proceeds from sale of equipment division	-	-	1,800	1,957	-	-	-	-	1,800	1,957
Proceeds from sale of real estate	-	-	6,000	-	-	5,637	-	-	6,000	5,637
Inter-company receipts	-	-	-	-	-	-	100	-	100	-
	100	284	7,900	2,240	279	5,868	310	90	8,599	8,462
Critical Payments	(50)	-	-	-	-	-	-	-	(50)	-
Overhead Payments	(20)	(6)	(170)	(191)	(20)	-	(120)	(30)	(330)	(227)
Severance	(522)	(363)	-	(82)	-	-	-	-	(522)	(445)
Payroll	-	-	(50)	(30)	-	-	(40)	(11)	(90)	(41)
Professional fees	(300)	(92)	(100)	(238)	(50)	(78)	(100)	(84)	(550)	(468)
	(892)	(461)	(320)	(338)	(70)	(76)	(250)	(125)	(1,542)	(1,201)
Net Change	(792)	(177)	7,580	1,761	209	5,792	50	(31)	7,047	7,261

Note

- (1) Timing difference
 (2) Sale of certain accessories inventory has been delayed. The sale is projected to occur within the next few weeks
 (3) Budgeted proceeds are net of professional fees; actual proceeds are based on gross receipts
 (4) After commission, adjustments and environmental reserve
 (5) Delay in collection of AR in the US Company
 (6) Difference is primarily because rent expense for November has not been paid
 (7) Timing difference
 (8) Certain employees' payroll responsibilities were transferred to the parent company of Cantar
 (9) Timing difference

Appendix B

Appendix B

CANTAR POOL PRODUCTS LIMITED
CASH FLOW PROJECTIONS
(In thousands of US dollars)

Formula	FORECAST FORECAST FORECAST FORECAST FORECAST FORECAST FORECAST FORECAST FORECAST FORECAST FORECAST FORECAST FORECAST FORECAST FORECAST FORECAST																TOTAL
	11-Nov-06	18-Nov-06	25-Nov-06	2-Dec-06	9-Dec-06	16-Dec-06	23-Dec-06	30-Dec-06	6-Jan-07	13-Jan-07	20-Jan-07	27-Jan-07	3-Feb-07	10-Feb-07	17-Feb-07	24-Feb-07	
Cash Receipts																	
Accounts Receivable Collections	100	150	125	100	100	100	100	20	-	20	20	20	-	-	-	-	755
Reimbursement from Joint Tenant	-	-	-	100	-	-	-	-	-	-	-	-	-	-	-	-	100
Proceeds from sale of accessory inventory	-	65	-	-	-	-	-	-	-	-	-	-	-	-	-	-	85
Inter-company receipts	-	-	-	-	120	-	-	-	-	120	-	-	-	-	-	-	240
Tax Refund	-	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	100
A	100	215	225	200	220	100	100	20	-	140	20	20	-	-	-	-	1,260
Cash Disbursements																	
Overhead Payments	(20)	(110)	(20)	(90)	-	(90)	-	-	(90)	-	(90)	-	-	-	-	-	(510)
Payroll	-	(40)	-	(25)	-	(25)	-	-	(25)	-	(25)	-	-	-	-	-	(140)
Bank Fees	-	(100)	(25)	-	-	(100)	-	-	-	-	-	-	-	-	-	-	(225)
Professional fees	(50)	(100)	(50)	(100)	(50)	(100)	(50)	(50)	(30)	(30)	(10)	(10)	(10)	(10)	(10)	(10)	(600)
B	(70)	(350)	(95)	(215)	(50)	(315)	(50)	(50)	(165)	(30)	(125)	(125)	(10)	(10)	(10)	(10)	(1,475)
A+B	30	(135)	130	(15)	(170)	(215)	(30)	(30)	(165)	(10)	(105)	(105)	(10)	(10)	(10)	(10)	(215)

** The above does not include any recovery from the vendor-take-back mortgage referred to in the Monitor's report dated Nov 10, 2005.

Appendix C

Appendix D

**KOSKIE
MINSKY LLP**
BARRISTERS & SOLICITORS

October 18, 2006

Douglas E. Burns
Direct Dial: 416-595-2709
Direct Fax: 416-204-2808
dburns@koskieminsky.com

COURIER

The Sheriff's Office
393 University Avenue
Toronto, ON

Attention: Trust Account Department

Dear Sirs/Mesdames:

Re: **CANTAR POOL PRODUCTS LIMITED**
Our File No. 061037
Re: Cantar ats IPEx, Court File No. -06-CV-314104-SR
Our File No.; 061032
Re: Cantar ats John Crane, Court File No. 06-CV-314103 SR
Court File No.: 06-CL-6690

We act as counsel for Cantar Pool Products Limited.


On Tuesday October 17, 2006 Justice Cumming granted an Order which I have attached for your reference.

We direct you to paragraph 15 of the Order wherein "any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court."

Please abide by this Order in respect of the above noted matters pursuant to the John Crane Canada Inc. and Ipex Inc. default judgments. If you have any questions in respect of the above noted issues please do not hesitate to contact me.

Yours truly,

KOSKIE MINSKY LLP



Douglas E. Burns
DEB:vm
Encl.

Appendix E

Appendix E

AIRD & BERLIS LLP

Barristers and Solicitors

Richard Epstein
Direct: 416.865.3437
E-mail: repstein@airdberlis.com

October 19, 2006

VIA COURIER

Sheriff, City of Toronto
Trust Account Department
Court House
393 University Avenue
Toronto, Ontario
M5G 1E6

Dear Sirs:

Re: **Cantar Pool Products Limited (the "Company")**
Court File No. 06CV314103SR

We are counsel to A. Farber & Partners Inc., the Monitor appointed pursuant to the *Companies' Creditors Arrangement Act* ("CCAA") as monitor under the Company's CCAA proceedings.

We are enclosing a copy of the initial order (the "Initial Order") made by the Honourable Mr. Justice Cumming on October 17, 2006 pursuant to the CCAA in respect of the Company.

We understand that the Sheriff is holding funds for distribution to the Company's execution creditors. Copies of the statements prepared by your office to August 31, 2006 and to October 4, 2006 are also enclosed for your reference.

We refer you to the following provisions of the Initial Order:

1. Section 4 which provides that all persons having possession of any of the Company's current and future assets, undertaking and property of every nature and kind whatsoever shall forthwith deliver up possession of the same to the Company; and
2. Section 15 which provides that no proceeding or enforcement process in any court or tribunal shall be commenced or continued against or in respect of Cantar or affecting any of its property, assets and undertaking shall be commenced or continued without leave of the Court. This Section also provides that any and all proceedings currently underway against or in respect of the Company or affecting any of its property are stayed and suspended pending further Order of the Court.

Appendix E

October 19, 2006
Page 2

In accordance with the Initial Order, funds being held by the Sheriff must be returned to the Company. Accordingly, please issue a cheque payable to Cantar Pool Products Limited and send it to the office of the Monitor as follows:

A. Farber & Partners Inc.
150 York Street, Suite 1600
Toronto, Ontario
M5H 3S5

Attention: Paul Denton, Vice President

In addition, please ensure that the Sheriff ceases and desists from any further enforcement proceedings, but should the Sheriff receive any additional funds, such funds must be paid over to the Company immediately following receipt thereof.

Please do not hesitate to contact the undersigned if you have any questions or require any further information.

Yours very truly,

AIRD & BERLIS LLP



Richard Epstein
Partner

RHE/bsf
Encls.

cc: P. Denton (Monitor)
R. English (Aird & Berlis LLP)

2182869.1



AIRD & BERLIS LLP
Barristers and Solicitors

Appendix F

Appendix F

OCT-24-2006 11:42

P.02

**Ministry of the
Attorney General**

Manager, Court Operations
Case Management
393 University Avenue
Toronto ON M5G 1E6

Telephone: (416) 326-4551
Fax: (416) 326-8091

**Ministère du
Procureur général**

Directeur Administratif de la cour
gestion des causes
393 avenue University
Toronto ON M5G 1E6

Téléphone: (416) 326-4551
Télécopieur: (416) 326-8091



October 24, 2006

Douglas E. Burns
Koskie
Minsky

Dear Mr. Burns,

As discussed, I am in receipt of your letter and the attached order of Justice Cumming.
No action on this file is anticipated without further direction of the court.

Yours truly,

Michael MacLean
Manager
Finance
292 University Ave.
Toronto, On.
M5G 1E6

TAB 5

Court File No. 06-CL-6690

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE)	THURSDAY, THE 18 th DAY OF
)	
____ JUSTICE _____)	JANUARY, 2007
)	
)	

**IN THE MATTER OF AN APPLICATION UNDER THE
COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
CANTAR POOL PRODUCTS LIMITED / PRODUITS DE PISCINES CANTAR
LIMITÉE**

Applicant

SANCTION ORDER

THIS MOTION, made by the Applicant for an order sanctioning the its plan of arrangement pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA") dated November 23, 2006, as amended (the "Plan"), a copy of which is attached hereto as Schedule "A", and for an order extending the Stay Period provided for in the order of the Honourable Mr. Justice Cumming dated October 17, 2006 (the "Initial Order") until the earlier of the Effective Date (as defined in the Plan) and February 15, 2007, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING (i) the Notice of Motion, (ii) the Affidavit of Victor D' Souza sworn January 15, 2007, and (iii) the First Report, Third Report and Fourth Report of the Monitor, A. Farber & Partners Inc., all filed, and on hearing the submissions of counsel for the Applicant, the Monitor and such other counsel as were present.

Definitions

1. **THIS COURT ORDERS** that capitalized terms not otherwise defined in this Order shall have the meanings ascribed to them in the Plan.

Service and Meeting

2. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record herein is hereby abridged so that the motion is properly returnable today and further, that any requirement for service of the Notice of Motion and of the Motion Record upon any party not served is hereby dispensed with.

3. **THIS COURT ORDERS AND DECLARES** that there has been good and sufficient service and notice of both the Plan and the notice of meeting of Affected Creditors and that the meeting of Affected Creditors was duly called, held and conducted in accordance with the CCAA and the orders of this Honourable Court in these proceedings.

Plan Sanction

4. **THIS COURT ORDERS AND DECLARES** that:
 - (a) the Plan has been approved by the requisite majorities of Affected Creditors of the Applicant in conformity with the CCAA;
 - (b) the Applicant has complied with the provisions of the CCAA and the orders of this Honourable Court made in these proceedings in all respects;

- (c) this Honourable Court is satisfied that the Applicant has not done nor purported to do anything that is not authorized by the CCAA; and
- (d) the Plan and the transactions contemplated thereby are fair and reasonable.

5. **THIS COURT ORDERS** that the Plan (including, without limitation, the compromises, arrangements and releases set out therein) is hereby sanctioned and approved pursuant to section 6 of the CCAA and, on the Effective Date, shall be effective and shall enure to the benefit of and be binding upon the Applicant, the Affected Creditors and all other Persons.

Plan Implementation

6. **THIS COURT ORDERS** that the Applicant is hereby authorized and directed to take all steps and actions necessary or appropriate (as determined by the Applicant) to implement the Plan and the transactions contemplated thereby in accordance with and subject to its terms and such steps and actions are hereby approved.

7. **THIS COURT ORDERS** that, upon the satisfaction (or, where applicable, waiver) of the conditions set out in section 7.6 of the Plan, the Monitor shall file this Honourable Court a certificate that states that all conditions precedent set out in section 7.6 of the Plan have been satisfied (or, where applicable, waived pursuant to section 7.7).

Effect of Plan Implementation

Claims

8. **THIS COURT ORDERS** that, upon the Effective Date, each Claim, other than Unaffected Claims, shall be settled, compromised, and released in accordance with the Plan, and the ability of the holder of an Affected Claim to proceed against the Applicant or the Property (as defined in the Initial Order) in respect of an Affected Claim shall be forever discharged, released and restrained, and all proceedings with respect to, in connection with, or relating to such Affected Claims are hereby permanently stayed, subject only to the right of the holder of an Affected Claim to receive distributions in accordance with the Plan.

9. **THIS COURT ORDERS AND DECLARES** that all Proven Claims determined in accordance with the Claims Procedure and Meeting Order are final and binding on the Applicant and all Affected Creditors.

10. **THIS COURT ORDERS** that, without limiting the Claims Procedure and Meeting Order, a Creditor (other than a known Affected Creditor) that did not file a Proof of Claim in accordance with the provisions of the Claims Procedure and Meeting Order, whether or not it received notice of the Claims Procedure, shall be and is hereby forever barred from making any Claim (other than an Unaffected Claim) against the Applicant or the Property and shall not be entitled to any distribution under the Plan, and that such Claim is forever extinguished. Any Affected Claims of any other Person that have not been asserted in accordance with the Claims Procedure and Meeting Order, including, without limitation, the Affected Claims of any Known Affected Creditor that have not been indicated in a Notice of Claim or Notice of Dispute, if filed,

or Affected Claims of any other Creditor not set out in a Proof of Claim, as applicable, shall be and are hereby forever barred and extinguished and such Person shall not be entitled to any distribution under the Plan in respect of such Affected Claims.

Role of the Monitor

11. **THIS COURT ORDERS** that the activities and conduct of the Monitor in relation to the Applicant be and they are hereby ratified and approved.

12. **THIS COURT ORDERS** that all claims of any Person (other than the Applicant) whether such claims are direct, indirect, derivative or otherwise, against the Monitor arising from or relating to the services provided to the Applicant prior to the date of this Order shall be and are hereby forever barred from enforcement and extinguished.

13. **THIS COURT ORDERS** that notwithstanding any other terms of this Order or of the Plan, the appointment of A. Farber & Partners Inc. as Monitor pursuant to the terms of the Initial Order shall not expire or terminate on the Effective Date and shall continue for the purposes of the following:

- (a) the completion by the Monitor of all of its duties in connection with the disbursement by the Applicant of the Affected Creditors' Distribution Pool; and
- (b) the completion by the Monitor of all other matters carried out consistent with the terms of the Plan.

14. **THIS COURT ORDERS** that the Monitor shall be discharged of its duties and obligations pursuant to the Plan, this Order, the Initial Order and other orders made in these

CCAA proceedings from time to time, upon the filing with this Honourable Court of a certificate of the Monitor certifying that the matters set out in paragraph 13 above are completed to the best of the Monitor's knowledge.

Charges

15. **THIS COURT ORDERS** that, on the Effective Date, all charges against the Applicant or the Property created by the Initial Order shall be terminated, discharged and released.

16. **THIS COURT ORDERS AND DECLARES** that, notwithstanding any of the terms of the Plan or this Order, the Applicant shall not be released or discharged from its obligations to pay the fees and expenses of the Monitor, the Monitor's counsel or the Applicant's counsel.

Releases

17. **THIS COURT ORDERS** that, upon implementation of the Plan on the Effective Date, the following Persons (each, a "Released Party"): (i) except in respect of the amount owing by Cantar Pool Products Corporation to Cantar, the Related Entities and their respective various legal counsel and financial advisors; (ii) the Monitor and its legal counsel in the CCAA proceedings; (iii) present and former directors, officers and employees of any of the Related Entities in such capacities; and (iv) any Person claimed to be liable derivatively through any or all of the foregoing Persons, shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to

assert, including, without limitation, any and all Claims in respect of statutory liabilities of present and former directors, officers, and employees of any of the Related Entities, and any alleged fiduciary or other duty, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the Effective Date in any way relating to, arising out of or in connection with Claims, the business and affairs of the Related Entities, this Plan and the CCAA proceedings to the full extent permitted by law, and all claims arising out of such actions or omissions shall be forever waived and released (other than the right to enforce Cantar's obligations under the Plan or any related document), provided that nothing herein:

- (a) shall release or discharge a Released Party from an Unaffected Claim or shall release or discharge the Applicant from or in respect of its obligations under the Plan;
- (b) shall affect the right of any Person:
 - (i) to recover indemnity from any insurance coverage under which that Person is an insured, or
 - (ii) to obtain recovery on a Claim against a Released Party from any insurance coverage pursuant to which that Released Party is an insured, but for certainty, any Claim to which an insurer is or would otherwise be subrogated is released hereunder and the recovery to which such Person shall be entitled shall be limited to the proceeds of insurance actually paid by the insurer with respect to the Claim; or

- (c) shall release or discharge present or former directors of any of the Related Entities with respect to matters set out in section 5.1(2) of the CCAA

and provided further, however, that, notwithstanding the foregoing releases, any Claim shall remain subject to any right of set-off that otherwise would be available to the Person against whom such Claim is asserted.

18. **THIS COURT ORDERS** that the prosecution, whether directly, derivatively or otherwise, of any claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, liability or interest, including, without limitation, any Affected Claim released, discharged or terminated pursuant to the Plan, is hereby enjoined and prohibited.

Extension of Stay Period

19. **THIS COURT ORDERS** that the Stay Period (as defined in paragraph 15 of the Initial Order) is hereby extended until the earlier of the Effective Date and February 15, 2007.

20. **THIS COURT ORDERS** that except to extent that the Initial Order has been varied by or is inconsistent with this Order or any further order in these proceedings, the provisions of the Initial Order shall remain in full force and effect until the earlier of the Effective Date and February 15, 2007.

21. **THIS COURT ORDERS** that all other orders made in these CCAA proceedings shall continue in full force and effect in accordance with their respective terms, except to the extent that such orders are varied or are inconsistent with this Order or any further order of this Honourable Court.

Other Provisions

22. **THIS COURT ORDERS** that each of the Applicant and the Monitor may apply to this Honourable Court for such further advice, directions or assistance as may be necessary to give effect to the terms of the Plan.

23. **THIS COURT ORDERS AND REQUESTS** the aid and recognition of any court or any judicial, regulatory or administrative body in any province or territory of Canada (including, without limitation, the assistance of any court in Canada pursuant to section 17 of the CCAA) and the Federal Court of Canada and any judicial, regulatory or administrative tribunal or other court or any judicial, regulatory or administrative body of the United States of America and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

Tab A

SCHEDULE "A"**PLAN**

**AMENDED
PLAN OF COMPROMISE OR ARRANGEMENT**

**PURSUANT TO THE
COMPANIES' CREDITORS ARRANGEMENT ACT
R.S.C. 1985, c. C-36, AS AMENDED**

IN RESPECT OF

CANTAR POOL PRODUCTS LIMITED/PRODUITS DE PISCINES CANTAR LIMITÉE

November 23, 2006

PLAN OF COMPROMISE OR ARRANGEMENT

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Plan, unless otherwise stated or the context otherwise requires:

"Affected Claim" means any Claim except for an Unaffected Claim;

"Affected Creditor" means any Creditor with an Affected Claim, but only with respect to and to the extent of such Affected Claim;

"Affected Creditors Class" means the class of Affected Creditors entitled to vote on this Plan at the Creditors' Meeting;

"Affected Creditors' Distribution Pool" means the cash pool from which distributions are to be made to Affected Creditors with Proven Claims pursuant to this Plan, as more particularly described in Article 5 hereof;

"Affiliate" means any affiliated body corporate, as that term is defined in the OBCA;

"Business Day" means a day, other than Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Toronto, Ontario;

"Cantar" means Cantar Pool Products Limited/Produits de Piscines Cantar Limitée;

"CCAA" means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36;

"CCAA Proceedings" means the proceedings commenced by Cantar under the CCAA pursuant to the Initial Order;

"Claim" means any right or claim of any Person that may be made in whole or in part against Cantar, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind, which indebtedness, liability or obligation is in existence or which is based on an event, act or omission which occurred in whole or in part prior to the Commencement Date or arising after the Commencement Date as a result of or in connection with the repudiation of any Contract and any interest that may accrue thereon up to the Commencement Date (or to the date of the repudiation of such Contract, where applicable) for which there is an obligation to pay, and amounts which such Person would be entitled to receive, pursuant to the terms of any Contract with such Person at law or in equity, by reason of the commission of a tort (intentional or unintentional), any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to property or assets or to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise) or for any other reason whatsoever against any property

or assets, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, or any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, based in whole or in part on facts which existed prior to the Commencement Date (or to the date of the repudiation of such Contract, where applicable), together with any other rights or claims not referred to above that, in whole or part, would have been claims provable in bankruptcy had Cantar become bankrupt at the Commencement Date (or the date of the repudiation of such Contract, if applicable), together with any other rights or claims, whether or not asserted, made after the Commencement Date in any way, directly or indirectly related to any action taken or power exercised prior to the Commencement Date;

"Claims Bar Date" means 5:00 p.m. (Toronto time) on December 21, 2006;

"Claims Procedure" means the claims procedure set out in the Claims Procedure and Meeting Order and in the schedules and appendix thereto;

"Claims Procedure and Meeting Order" means the Order of the Court dated November 16, 2006 setting out the Claims Procedure and calling the Creditors' Meeting to consider and vote on this Plan and setting out, *inter alia*, the voting process for the Affected Creditors;

"Commencement Date" means October 17, 2006, being the date that the Initial Order was issued by the Court pursuant to the CCAA;

"Confirmation Date" means the date that the Sanction Order is made;

"Contract" means any contract, agreement, lease (including any lease of personal, real, movable or immovable property), permit, license or arrangement;

"Court" means the Ontario Superior Court of Justice (Commercial List);

"CRA" means Canada Revenue Agency;

"Creditor" means any Person having a Claim and may, where the context requires, include the assignee of a Claim or a trustee, interim receiver, receiver, receiver and manager, liquidator or other Person acting on behalf of such Person;

"Creditors' Meeting" means the meeting of the Affected Creditors called for the purpose of considering and approving this Plan and includes any adjournment of such meeting;

"Disputed Claim" of a Creditor means the amount of the Claim of such Creditor which has not been finally determined as a Proven Claim at or before the Creditors' Meeting in accordance with the Claims Procedure or by the time distributions take place in accordance with this Plan, but that has not been extinguished or barred pursuant to the Claims Procedure;

"Distribution Assets" means Cantar's remaining cash, inventory, equipment, tax refunds and receivables arising from sales of inventory, real property (including the VTB Mortgage) and equipment after the Commencement Date;

"Effective Date" means the Business Day on which this Plan becomes effective, which shall be the Business Day on which the Monitor has filed with the Court a certificate pursuant to Section 7.8 confirming that all conditions to implementation of this Plan as set forth in Section 7.6 have been satisfied or, where applicable, waived, as provided in Section 7.7;

"Election to Reduce Claim" means the form of election attached as Appendix 1 to this Plan;

"Initial Order" means the Order made by the Court pursuant to the CCAA on October 17, 2006 in respect of Cantar;

"Inspectors" means the inspectors appointed pursuant to Section 5.6 to consider and, if deemed appropriate, approve any final agreement or arrangement to monetize the VTB Mortgage in accordance with Section 5.5;

"Intercompany Claim" means any Claim of an Affiliate of Cantar, including, without limitation, any and all Claims of Polyair Inter Pack Inc. and Polyair Canada Limited;

"Known Affected Creditor" means an Affected Creditor whose Affected Claim is identified in Cantar's books and records on the Commencement Date and to whom the Monitor sent a Notice of Claim in accordance with the Claims Procedure and Meeting Order;

"LaSalle Group Lenders" means, collectively, (a) LaSalle Business Credit LLC, as agent for the U.S. lenders (collectively the "U.S. Lenders") and the Canadian lender (the "Canadian Lender") to Cantar and its affiliates, (b) the U.S. Lenders and (c) the Canadian Lender;

"Monitor" means A. Farber & Partners Inc., in its capacity as Monitor of Cantar, as appointed by the Initial Order, and any successor thereto appointed by any further Order;

"Notice of Claim" shall have the meaning ascribed to it in the Claims Procedure;

"Notice of Dispute" shall have the meaning ascribed to it in the Claims Procedure;

"OBCA" means the *Business Corporations Act*, Ontario, R.S.O. 1990 c. B. 16;

"Order" means any order of the Court made in connection with the CCAA Proceedings;

"Person" means any individual, firm, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, government or any agency, officer or instrumentality thereof or any other entity, wherever situate or domiciled;

"Plan" means this Plan of Compromise or Arrangement filed by Cantar under the CCAA, as such Plan may be amended, varied or supplemented by Cantar from time to time in accordance with the terms hereof and the Claims Procedure and Meeting Order;

"Proof of Claim" means a proof of claim of an Affected Creditor (other than a Known Affected Creditor) delivered in accordance with the Claims Procedure;

"Proven Claim" of a Creditor means the amount of the Affected Claim of such Creditor as finally determined and accepted for voting and distribution purposes in accordance with the Claims Procedure;

"Related Entities" means Cantar and each and every one of its Affiliates wherever situated, including, without limitation, Polyair Inter Pack, Inc., Polyair Crosslinked Technologies, Inc. PXL Crosslinked Foam Corporation, Polyair Investments Inc., P.S.C. Moulding Corp., GPCP, Inc., Cantar/Polyair Corporation, Foam In Place Co. Ltd., Performa Corp., C/P International Corp. Inc., Cantar Pool Products Corporation, Polyair Canada Limited, Mabex Universal Corporation, Polyair MachTech, Inc. and Faircove Investments Inc.;

"Required Majorities" means a majority in number of Affected Creditors with Proven Claims (and, if applicable, Disputed Claims) representing two-thirds in value of such Affected Creditors' Proven Claims (and, if applicable, Disputed Claims) with respect to the Affected Creditors Class, in each case present and voting in person or by proxy at the Creditors' Meeting;

"Sanction Order" means the Order of the Court sanctioning and approving this Plan in a form and substance satisfactory to Cantar;

"Secured Claim" means: (i) Claims of Her Majesty the Queen in Right of Canada or of any Province or Territory or any other taxation authority for: (a) any statutory deemed trust amounts which are required to be deducted from employees' wages, including amounts in respect of employment insurance, Canada Pension Plan, Quebec Pension Plan and income taxes; and (b) goods and services or other applicable sales taxes accruing from and after the Commencement Date payable by Cantar or its customers in connection with the sale of goods and services by Cantar to such customers; and (ii) any Claim or portion thereof which is secured by a validly attached and existing security interest on the property of Cantar which was duly and properly perfected under the *Personal Property Security Act* (Ontario) at the Commencement Date, to the extent, and only to the extent, of the lesser of: (a) the amount of such Claim as agreed to by Cantar or as finally determined by a court of competent jurisdiction, and (b) the realizable value of the remaining property of Cantar subject to such security interest having regard to, among other things, the priority of such security;

"Tax" or "Taxes" shall mean any and all federal, provincial, municipal, local and foreign taxes, assessments, reassessments and other governmental charges, duties, impositions and liabilities including for greater certainty taxes based upon or measured by reference to gross receipts, income, profits, sales, capital, use and occupation, goods and services, and value added, *ad valorem*, transfer, franchise, withholding, custom duties, payroll, recapture, employment, excise and property taxes, together with all interest, penalties, fines and additions with respect to such amounts;

"Unaffected Claim" means only the following Claims and such other Claims as may be designated in this Plan (or any amendments thereto) as not being affected by this Plan and

which are listed in the books and records of Cantar or of which Cantar and the Monitor have received actual notice:

- (i) claims for amounts due for goods or services actually supplied to Cantar after the Commencement Date;
- (ii) Secured Claims (but for greater certainty, excluding any Claim or portion thereof of a Creditor in respect of which the Creditor holds or claims to hold security but such Claim or portion thereof does not constitute a Secured Claim as defined herein);
- (iii) Claims of the Monitor and its counsel, and Claims of Cantar's counsel and financial advisors;
- (iv) Claims of the LaSalle Group Lenders; and
- (v) Intercompany Claims.

"Unaffected Creditor" means a Creditor who has an Unaffected Claim, but only in respect of and to the extent of such Unaffected Claim;

"VTB Mortgage" means the charge/mortgage in the principal amount of \$1.6 million registered on October 24, 2006 in favour of Cantar as mortgagee against property situated at 330 Humberline Drive, Toronto, Ontario.

1.2 Interpretation, etc.

For purposes of this Plan:

- (a) any reference to a contract, instrument, release, indenture, or other agreement or document as being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;
- (b) any reference to an Order or to an existing document or exhibit filed or to be filed means such Order, document or exhibit as it may have been or may be amended, modified or supplemented from time to time;
- (c) any reference to a statute includes all regulations made thereunder and all amendments to such statute or regulations in force from time to time;
- (d) the division of this Plan into Articles and Sections and the use of headings are for convenience of reference only and do not affect the construction or interpretation of this Plan;
- (e) the words "hereunder", "hereof", "hereto" and similar expressions refer to this Plan and not to any particular Article or Section and references to "Articles" or "Sections" are to Articles and Sections of this Plan;

- (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan;
- (g) where the context requires, a word or words importing the singular shall include the plural and vice versa; and a word or words importing the masculine gender shall include the feminine and neuter genders and vice versa;
- (h) the words "includes" and "including" are not limiting;
- (i) the phrase "may not" is prohibitive and not permissive; and
- (j) the word "or" is not exclusive.

1.3 Date for any Action

In the event that any date on which any action is required to be taken under this Plan by any of the parties is not a Business Day, that action shall be required to be taken by 5:00 p.m. on the next succeeding day which is a Business Day.

1.4 Time

All times expressed in this Plan are local time Toronto, Ontario, Canada unless otherwise stipulated.

ARTICLE 2 PURPOSE

2.1 Purpose

The purpose of this Plan is to effect a compromise of all Claims against Cantar other than Unaffected Claims, and to provide for the orderly and timely distribution of the proceeds of the Distribution Assets, in the expectation that all Persons with an interest in Cantar will derive a greater benefit from the provisions of this Plan than would otherwise result in the context of a bankruptcy of Cantar.

2.2 Affected Claims

This Plan will be implemented under the CCAA and will become effective and binding on and after the Effective Date, and shall be binding on Cantar and all Persons with Affected Claims, and their respective heirs, administrators, executors, legal personal representatives, successors, and assigns.

2.3 Unaffected Claims

This Plan does not affect Unaffected Creditors with respect to and to the extent of their Unaffected Claims. Nothing in this Plan shall affect anyone's rights and defenses, both legal and equitable, with respect to any Unaffected Claims, including, but not limited to, all rights with respect

to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

ARTICLE 3

CREDITORS AND CLAIMS

3.1 Classification of Creditors

For the purposes of receiving distributions or other treatment under the Plan, there shall be one class of Affected Creditors, being the Affected Creditors Class.

3.2 Different Capacities

Persons who are affected by this Plan may be affected in more than one capacity. Unless expressly provided herein to the contrary, a Person will be entitled to participate hereunder in each such capacity. Any action taken by a Person in one capacity will not affect such Person in any other capacity, unless expressly agreed by the Person in writing or unless its Claims overlap or are otherwise duplicative.

3.3 Creditors' Meeting

The Creditors' Meeting shall be held in accordance with this Plan.

3.4 Approval by Creditors

Cantar will seek approval of this Plan by the affirmative vote of the Required Majorities of Creditors in the Affected Creditors Class, in order that, subject to the sanctioning of this Plan pursuant to the CCAA and the terms hereof, this Plan becomes binding on Cantar and all Persons with Affected Claims as of the Effective Date.

3.5 Unaffected Claims

Any Creditor with an Unaffected Claim shall not be entitled to vote at the Creditors' Meeting nor to receive any distributions under this Plan in respect of such Unaffected Claim.

3.6 Crown Priority Claims

Within six months after the Confirmation Date, Cantar shall pay in full to Her Majesty in Right of Canada or of a province all amounts of a kind that could be subject to a demand under subsection 224(1.2) of the *Income Tax Act* (Canada) or under any substantially similar provision of any provincial legislation and that were outstanding on the Commencement Date.

ARTICLE 4

TREATMENT OF AND DISTRIBUTIONS TO AFFECTED CREDITORS

For purposes of this Plan, Affected Creditors shall receive the treatment provided in this Article on account of their Affected Claims in full and final satisfaction of their Affected Claims.

4.1 Distribution

All Affected Creditors shall constitute a single class under the Plan for all purposes and, subject to Section 7.6 and Section 7.7, shall be treated as follows:

- (a) Each Affected Creditor who, on the Effective Date, holds Affected Claims in an aggregate amount of \$5,000 or less or an Affected Creditor who, on the Effective Date, holds Affected Claims in an aggregate amount in excess of \$5,000 and who, by providing an Election to Reduce Claim to the Monitor on or before the Claims Bar Date, reduced the aggregate amount of all such Person's Affected Claims to \$5,000, in either case, will receive in respect of its Proven Claims, within 6 months of the Effective Date, in full and final satisfaction of its Affected Claims, an amount from the Affected Creditors Distribution Pool (subject to the reserves set out in Sections 5.1(b)(i), (ii), (iii) and (iv)) equivalent to 25% of the lessor of:

- (i) \$5,000; and
- (ii) the aggregate amount of such Affected Creditor's Proven Claims.

A Person who receives payment in accordance with this Section 4.1(a) shall not be entitled to any other payment or consideration with respect to such Person's Affected Claims and such Person's Affected Claims shall be discharged and extinguished on the Effective Date, and thereafter, the only obligation of Cantar in respect of such Affected Claims of such Person shall be to make the payment set out above in this Section 4.1(a); and

- (b) Each Affected Creditor who, on the Effective Date, holds Affected Claims in an aggregate amount in excess of \$5,000 and who does not provide the Monitor with an Election to Reduce Claim prior to the Claims Bar Date will receive, in full and final satisfaction of its Affected Claims, payment of its *pro rata* share of the Affected Creditors' Distribution Pool in respect of its Proven Claims in accordance with Article 5 hereof.

4.2 Value of Claims for Distribution Purposes

The value of a Proven Claim for distribution purposes shall be determined in accordance with the provisions of the Claims Procedure.

4.3 Loss of Right to Receive Distributions

Any Creditor (other than a Known Affected Creditor) who has not submitted a Proof of Claim in respect of an Affected Claim prior to the Claims Bar Date shall not be entitled to receive any distributions under this Plan in respect of such unsubmitted Affected Claim and on the Effective Date, such Affected Claims of such Creditor shall be released and discharged pursuant to the terms of this Plan and the Claims Procedure and Meeting Order, and any such Creditor shall have no recourse thereafter in respect thereof. Any Known Affected Creditor that has been sent a Notice of Claim and that has not submitted a Notice of Dispute in accordance with the Claims Procedure shall be entitled to receive distributions under this Plan only in respect of its Affected Claims as set out in the Notice of Claim and the balance of its Affected

Claims, if any, shall be released and discharged pursuant to the terms of this Plan and the Claims Procedure and Meeting Order, and any such Creditor shall have no recourse thereafter in respect thereof.

4.4 Interest on Claims

Interest shall not accrue or be paid on any Affected Claims after the Commencement Date, and holders of Affected Claims shall only be entitled to interest accruing on or before the Commencement Date on any such Affected Claims. All Claims in respect of interest on Affected Claims after the Commencement Date shall be discharged and extinguished on the Effective Date.

4.5 Distributions by Cantar

Cantar shall make all distributions required under this Plan (subject to the provisions of Article 4 and Article 5), provided however, that it is expected the Monitor will provide Cantar with any administrative assistance it requires with respect to such distributions, including, without limitation, the sending of the physical distributions to holders of Proven Claims from the Affected Creditors' Distribution Pool.

4.6 Delivery of Distributions

Distributions to holders of Proven Claims who are entitled to receive distributions pursuant to this Plan shall be made by cheque sent by prepaid ordinary mail by or on behalf of Cantar: (i) to the address set forth in Cantar's records for Known Affected Creditors or on the Proof of Claim filed by other Affected Creditors with Proven Claims, or (ii) to the addresses set forth in any written notices of address change delivered to Cantar and the Monitor after the date of any related Notice of Claim or Proof of Claim, as applicable. If any Affected Creditor's distribution is returned as undeliverable, no further distributions to such Affected Creditor shall be made unless and until Cantar and the Monitor are notified of such Affected Creditor's then current address, at which time all missed distributions shall be made to such Affected Creditor without interest. All claims for undeliverable distributions in respect of Proven Claims must be made on or before the expiration of twelve (12) months following the Effective Date, after which date the Proven Claim of any Affected Creditor or successor of such Affected Creditor with respect to such unclaimed distributions shall be discharged and forever barred, notwithstanding any federal or provincial laws to the contrary, and any such undeliverable distributions shall be returned to Cantar. Any such returned undeliverable distributions may be used for the purpose of making further distributions in accordance with Section 5.1 from time to time if Cantar and the Monitor deem it economically feasible to do so. Nothing contained in this Plan shall require Cantar or the Monitor to attempt to locate any holder of a Proven Claim.

Where a Creditor transfers or assigns ownership of any Proven Claim or part thereof after the Creditors' Meeting, Cantar shall not be obliged to pay monies to any such transferee or otherwise deal with such transferee in respect thereof unless and until actual notice of the transfer or assignment, together with satisfactory evidence of such transfer or assignment, have been received by Cantar and the Monitor by 5:00 p.m. (Toronto time) five Business Days immediately prior to the day on which the first distribution to Creditors with Proven Claims is made. Thereafter, such transferee or assignee shall, for all purposes in accordance with the Claims Procedure constitute a

Creditor with a Proven Claim in respect of such Claim as a whole, and shall be bound by notices given and steps in respect of such Proven Claim.

4.7 Withholding and Reporting Requirements

In connection with this Plan and all distributions hereunder, Cantar shall, to the extent applicable, comply with all tax withholding and reporting requirements imposed by any federal or provincial taxing authority, with respect to distributions hereunder, if any. Cantar shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. Notwithstanding any other provision of this Plan: (i) each holder of a Proven Claim that is to receive a distribution pursuant to this Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed by any governmental authority, including income, withholding and other Tax obligations, on account of such distribution, and (ii) no distribution shall be made to or on behalf of such holder pursuant to this Plan unless and until such holder has made, arrangements satisfactory to Cantar and the Monitor for the payment and satisfaction of such Tax obligations. Any distributions to be distributed pursuant to this Plan shall, pending the implementation of such arrangements, be treated as an undeliverable distribution pursuant to Section 4.7. It is Cantar's intent that distributions under this Plan to holders of Proven Claims are in respect of, and to be applied to, principal first and then interest.

ARTICLE 5
PAYMENT OF DISTRIBUTIONS TO CREDITORS

5.1 Composition and Distribution of Affected Creditors' Distribution Pool

Subject to Section 7.6 and Section 7.7, Cantar shall distribute from time to time in accordance with the provisions of this Plan to each holder of a Proven Claim with aggregate Affected Claims exceeding \$5,000 who has not filed an Election to Reduce Claim with the Monitor in accordance with this Plan, its *pro rata* share of the remaining Affected Creditors' Distribution Pool which shall comprise:

- (a) the aggregate of cash and cash equivalents on hand as at the date of such distribution, resulting from the realization of the Distribution Assets;

less:

- (b) the aggregate of the following amounts:
 - (i) the amount owing in respect of the Claims of the LaSalle Group Lenders, or such lesser amount in respect thereof as the LaSalle Group Lenders may agree;
 - (ii) the amount owing to the holders of Secured Claims with valid and enforceable security over the Distribution Assets as may be reduced from time to time by agreement of the holders of such Secured Claims;
 - (iii) a reasonable reserve, in an amount determined by Cantar and the Monitor, on account of costs and expenses to be incurred by Cantar or the Monitor in carrying out the provisions of this Plan and the Sanction Order, including, without limitation, the fees and disbursements of the Monitor and its counsel and Cantar's counsel and financial advisors;
 - (iv) a reasonable reserve, in an amount to be determined by Cantar and the Monitor, on account of goods or services actually supplied to Cantar after the Commencement Date; and
 - (v) the amount to be distributed pursuant to Section 4.1(a) to Affected Creditors with aggregate Affected Claims of \$5,000 or less and to Affected Creditors with Affected Claims exceeding \$5,000 who have filed a Notice of Election with the Monitor pursuant to Section 4.1(a) which, for greater certainty, shall be paid out of the Affected Creditors' Distribution Pool only after sufficient funds have been reserved to pay the amounts set out in Sections 5.1(b)(i), (ii), (iii) and (iv) above.

Cantar will only make distributions from the Affected Creditors' Distribution Pool if the amount available to be distributed makes such distribution economically practical, as determined by Cantar,

acting reasonably and in consultation with the Monitor (having regard to, among any other considerations that Cantar or the Monitor considers appropriate, the amount of liquid funds available to be distributed, any reserves or prior claims, the number of Persons to whom the distribution is to be made and the time at which further funds are expected to become available for distribution), which determination will be final and non-reviewable.

5.2 Disputed Claims

In the case of any Disputed Claim that has not become a Proven Claim on the date of any distribution to Affected Creditors pursuant to this Plan, Cantar will reserve sufficient cash from the Affected Creditors' Distribution Pool to distribute to the Affected Creditor its pro-rata share in respect of such Disputed Claim in the event that such Disputed Claim becomes a Proven Claim. If the Disputed Claim becomes a Proven Claim in whole or in part in accordance with the Claims Procedure after the applicable distribution date, the cash reserved in respect of such Disputed Claim (or an appropriate portion thereof) will be distributed to such Affected Creditor. If the Disputed Claim is ultimately disallowed in whole or in part in accordance with the Claims Procedure after such distribution date, any cash reserved in respect of such Disputed Claim (or the appropriate portion thereof) will become available again for distribution from the Affected Creditors' Distribution Pool.

5.3 Condition re: Arrangements with Secured Creditors

This Plan shall only be implemented if the amount referred to in Section 5.1(b)(ii) is less than \$100,000 or if holders of Secured Claims otherwise agree to release their liens and security interests against the Distribution Assets or other arrangements to the extent necessary to permit payment under the Plan from the Affected Creditors' Distribution Pool of (i) the full amount payable in accordance with Section 4.1(a) of the Plan to Affected Creditors to which Section 4.1(a) applies, and (ii) a maximum of 25 cents for each dollar of Affected Claims not dealt with in Section 4.1(a), in accordance with Section 4.1(b).

5.4 Intercompany Claims

In order to maximize distributions to Affected Creditors of Cantar, Affiliates of Cantar have agreed to forego any distributions under this Plan in respect of their Claims against Cantar. Accordingly, no distributions shall be made pursuant to this Plan in respect of Intercompany Claims and all such Intercompany Claims shall be treated as Unaffected Claims and shall be fully preserved and not released, discharged nor extinguished pursuant to Section 6.1 hereof. Notwithstanding that Intercompany Claims are to be treated as Unaffected Claims pursuant to this Plan, since the purpose of such treatment of Intercompany Claims is to maximize distributions to Affected Creditors who are not Affiliates, Cantar and the Monitor shall not reserve any amount in respect of Intercompany Claims pursuant to Sections 5.1 or 5.2.

5.5 Monetization of VTB Mortgage

Cantar and the Monitor are authorized to enter into negotiations and arrangements to attempt to monetize the VTB Mortgage in order to attempt to provide more immediate recoveries to Creditors pursuant to this plan, provided that any final arrangement or agreement to monetize the VTB Mortgage must be approved by a majority of the Inspectors, failing which the VTB Mortgage

payments will be collected in the ordinary course pursuant to the terms of the VTB Mortgage by Cantar and the Monitor. All proceeds (net of reasonable legal and professional fees and costs) resulting from the monetization of the VTB Mortgage (if approved by the Inspectors), or otherwise collected under the VTB Mortgage pursuant to its terms if such monetization does not occur, shall form part of the Affected Creditors' Distribution Pool, subject to the reserves set out in Section 5.1(b) of this plan.

5.6 Appointment of Inspectors

Up to five Inspectors, who need not be Affected Creditors (but who agree to act as such), shall be appointed by simple majority vote (according to amount of Affected Claims) at the Creditors' Meeting of Affected Creditors present at the Creditors' Meeting in person or by proxy. The Inspectors shall be authorized to consider and approve or reject any final arrangement or agreement in respect of monetization of the VTB Mortgage in accordance with Section 5.5. The Inspectors shall have no other power or authority with respect to any other matter unless they are specifically asked by the Monitor to assist with such other matter or matters. Cantar and the Monitor shall be entitled to rely upon the decision of a majority in number of the Inspectors with respect to approval or rejection of any arrangement or agreement with respect to monetization of the VTB Mortgage and neither Cantar nor the Monitor nor their respective legal counsel shall have any liability for acting in accordance with the decision of the Inspectors in respect thereof.

ARTICLE 6 RELEASES AND EXTINGUISHMENT OF CLAIMS

6.1 Plan Releases

Upon the implementation of this Plan on the Effective Date, the following Persons (being herein referred to individually as a "Released Party"): (i) except in respect of the amount owing by Cantar Pool Products Corporation to Cantar, the Related Entities and their respective various legal counsel and financial advisors; (ii) the Monitor and its legal counsel in the CCAA Proceedings; (iii) present and former directors, officers and employees of any of the Related Entities in such capacities; and (iv) any Person claimed to be liable derivatively through any or all of the foregoing Persons; shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, including without limitation, any and all Claims in respect of statutory liabilities of present and former directors, officers and employees of any of the Related Entities, and any alleged fiduciary or other duty, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the Effective Date in any way relating to, arising out of or in connection with Claims, the business and affairs of the Related Entities, this Plan and the CCAA Proceedings to the full extent permitted by law, and all claims arising out of such actions or omissions shall be forever waived and released (other than the right to enforce Cantar's obligations under the Plan or any related document), provided that nothing herein:.

- (a) shall release or discharge a Released Party from an Unaffected Claim or shall release or discharge Cantar from or in respect of its obligations under this Plan;
- (b) shall affect the right of any Person:
 - (i) to recover indemnity from any insurance coverage under which that Person is an insured, or
 - (ii) to obtain recovery on a Claim against a Released Party from any insurance coverage pursuant to which that Released Party is an insured, but, for certainty, any Claim to which an insurer is or would otherwise be subrogated is released hereunder and the recovery to which such Person shall be entitled shall be limited to the proceeds of insurance actually paid by the insurer with respect to the Claim; or
- (c) shall release or discharge present or former directors of any of the Related Entities with respect to matters set out in section 5.1(2) of the CCAA;

and provided further, however, that, notwithstanding the foregoing releases under the Plan, any Claim shall remain subject to any right of set-off that otherwise would be available to the Person against whom such Claim is asserted.

6.2 Injunction Related to Releases

The Sanction Order will enjoin the prosecution, whether directly, derivatively or otherwise, of any claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, liability or interest, including, without limitation, any Affected Claim released, discharged or terminated pursuant to this Plan.

6.3 Extinguishment of Claims

As and from the Effective Date, the treatment of Affected Claims under this Plan shall be final and binding on all Persons affected by this Plan (and their respective heirs, executors, administrators, legal personal representatives, successors and assigns), and, upon implementation of this Plan on the Effective Date, all Affected Claims shall be forever discharged and released, excepting only the obligations to make distributions in respect of such Affected Claims in the manner and to the extent provided for in this Plan.

ARTICLE 7 MISCELLANEOUS

7.1 Confirmation of Plan

- (a) provided that this Plan is approved by the Required Majorities of the Creditors with Proven Claims (and, if applicable, Disputed Claims), of the Affected Creditors Class, Cantar will seek the Sanction Order for the sanction and approval of this Plan; and

- (b) subject only to the satisfaction of those conditions precedent to the implementation of this Plan described in Section 7.6, as may be waived in accordance with Section 7.7, this Plan will be implemented by Cantar and will be binding upon Cantar in respect of all Affected Claims.

7.2 Paramountcy

Subject to the last sentence of this Section 7.2, from and after the Effective Date, any conflict between this Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, loan agreement, by-laws of Cantar, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Creditors and Cantar as at the Effective Date will be deemed to be governed by the terms, conditions and provisions of this Plan and the Sanction Order, which shall take precedence and priority. All Affected Creditors shall be deemed to consent to all transactions and steps contemplated in this Plan.

7.3 Compromise Effective for all Purposes

The payment, compromise or other satisfaction of any Affected Claim under this Plan, if sanctioned and approved by the Court, shall be binding upon Affected Creditors, their heirs, executors, administrators, legal personal representatives, successors and assigns.

7.4 Modification of Plan

Cantar reserves the right, at any time and from time to time, but subject to the consent of the LaSalle Group Lenders (to the extent such amendment affects the LaSalle Group Lenders), to amend, modify and/or supplement this Plan, provided that any such amendment, modification or supplement must be contained in a written document which is filed with the Court and (i) if made prior to the Creditors' Meeting, communicated to the Affected Creditors at the Creditors' Meeting or as otherwise required by the Court (if so required); and (ii) if made following the Creditors' Meeting, approved by the Court.

Any amendment, modification, or supplement may be made following the Sanction Order by Cantar with the consent of the Monitor, provided that if it concerns a matter which, in the opinion of Cantar and the Monitor, acting reasonably, is of an administrative nature required to better give effect to the implementation of this Plan and the Sanction Order and is not adverse to the financial or economic interests of the Creditors; provided, however, that any such amendment, modification, or supplement must be filed with the Court within ten days after its implementation.

Any supplementary plan or plans of compromise or arrangement filed with the Court and, if required by this Section 7.4, approved by the Court, shall, for all purposes, be and be deemed to be a part of and incorporated in this Plan.

7.5 Consents, Waivers and Agreements

As at 12:01 a.m. on the Effective Date, each Affected Creditor shall be deemed to have consented and to have agreed to all of the provisions of this Plan as an entirety. In particular, each such Creditor shall be deemed:

- (a) to have executed and delivered to Cantar all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan as an entirety;
- (b) to have waived any and all defaults then existing or previously committed by Cantar in any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, agreement, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto, existing between any such Creditor and Cantar and any and all notices of default and demands for payment under any instrument, including, without limitation any guarantee, shall be deemed to have been rescinded; and
- (c) to have agreed that, if there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and Cantar as at such time (other than those entered into by Cantar on, or with effect from, such time) and the provisions of this Plan, then the provisions of this Plan take precedence and priority and the provisions of such agreement or other arrangement are amended accordingly.

In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

7.6 Conditions Precedent to Implementation of Plan

The implementation of this Plan is subject to the following conditions precedent, certain of which may be waived by Cantar in accordance with Section 7.7 hereof:

- (a) approval of this Plan by the Required Majorities of Affected Creditors;
- (b) all applicable governmental, regulatory and judicial consents, orders (including the Sanction Order) and any and all filings with all governmental authorities and other regulatory authorities having jurisdiction, in each case to the effect deemed necessary or desirable for the completion of the transactions contemplated by this Plan or any aspect thereof, shall have been obtained or received;
- (c) the aggregate of the amounts referred to in Section 5.1(b)(ii) hereof being less than \$100,000 or the holders of Secured Claims otherwise agreeing to such arrangements as are necessary to permit payment under the Plan from the Affected Creditors' Distribution Pool of (i) the full amount payable in accordance with Section 4.1(a) of the Plan to Affected Creditors to which Section 4.1(a) applies, and (ii) a maximum of 25 cents for each dollar of Affected Claims not dealt with in Section 4.1(a), in accordance with Section 4.1(b).
- (d) execution and delivery of all such agreements, resolutions, documents and other instruments which are necessary to be executed and delivered by Cantar to implement this Plan and perform Cantar's obligations hereunder; and

- (e) all documents, agreements, approvals, consents and releases necessary to give effect to all material provisions of this Plan shall have been executed and delivered by all relevant Persons in form and with content satisfactory to Cantar.

7.7 Waiver of Conditions

Each of the conditions set forth in Section 7.6 (except those provided for in Sections 7.6 (a) or (b)) may be waived in whole or in part by Cantar, without any other notice to parties in interest or the Court and without a hearing. The failure of Cantar to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right that may be asserted at any time.

7.8 Monitor's Certificate

Upon the satisfaction (or, where applicable, waiver) of the conditions set out in Section 7.6 the Monitor shall file with the Court a certificate which states that all conditions precedent set out in Section 7.6 of this Plan have been satisfied (or, where applicable, waived pursuant to Section 7.7), and that the Effective Date has occurred. In so certifying that the conditions precedent set out in Section 7.6 of this Plan have been satisfied (or, where applicable, waived pursuant to Section 7.7), the Monitor shall be entitled to rely upon representations and confirmations from Cantar.

7.9 Notices

Any notices or communications to be made or given hereunder shall be in writing and shall refer to, this Plan and may, subject as hereinafter provided, be made or given by personal delivery, by courier, by prepaid ordinary mail or by telecopier addressed to the respective parties as follows:

(a) if to Cantar:

McCarthy Tétrault LLP
Suite 4700, Toronto Dominion Bank Tower
PO Box 48
Toronto, ON M5K 1E6

Attention: James D. Gage
Telephone: (416) 601-7539
Fax: (416) 868-0673
E-mail: jgage@mccarthy.ca

(b) if to a Creditor:

- (i) to the address for such Creditor specified in Cantar's records in the case of Known Affected Creditors or in the Proof of Claim filed by a Creditor or,
- (ii) at the address set forth in any written notice of address changes delivered to the Monitor after the date of delivery of any related Notice of Claim or Proof of Claim.

(c) if to the Monitor:

A. Farber & Partners Inc.
150 York Street
Suite 1600
Toronto, ON M5H 3S5

Attention: Paul Denton
Telephone: (416) 496-3773
Fax: (416) 496-3839
E-mail: pdenton@afarber.com

or to such other address as any party may from time to time notify the others in accordance with this Section 7.9. In the event of any strike, lock-out or other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by telecopier and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of

such interruption, unless actually received, shall be deemed not to have been given or made. All such notices and communications shall be deemed to have been received, in the case of notice by telecopier or by delivery prior to 5:00 p.m. (local time) on a Business Day, at the time of delivery or, if delivered after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and, in the case of notice mailed as aforesaid, on the fourth Business Day following the date on which such notice or other communication is mailed. The unintentional failure by Cantar to give notice contemplated hereunder to any particular Creditor shall not invalidate this Plan or any action taken by any Person pursuant to this Plan.

7.10 Severability of Plan Provisions

If, prior to the Confirmation Date, any term or provision of this Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of Cantar, shall have the power to either (i) sever such term or provision from the balance of this Plan and provide Cantar with the option to proceed with the implementation of the balance of this Plan as of and with effect from the Effective Date, or (ii) alter or interpret such term or provision to make it valid and enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such severing, holding, alteration or interpretation, and provided Cantar proceeds with the implementation of this Plan, the remainder of the terms and provisions of this Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such severing, holding, alteration or interpretation.

7.11 Revocation, Withdrawal, or Non-Consummation

Cantar reserves the right to revoke or withdraw this Plan at any time prior to the Confirmation Date or to file subsequent or amended plans of compromise or arrangement. If Cantar revokes or withdraws this Plan, or if the Sanction Order is not issued, (i) this Plan shall be null and void in all respects, (ii) any settlement or compromise embodied in this Plan (including the fixing or limiting to an amount certain any Claim or Claims), or any assumption, termination or repudiation of executory contracts or leases effected by this Plan, and any document or agreement executed pursuant to this Plan shall be deemed null and void, and (iii) nothing contained in this Plan, and no acts taken in preparation for consummation of this Plan, shall (a) constitute or be deemed to constitute a waiver or release of any Claims by or against Cantar or any other Person; (b) prejudice in any manner the rights of Cantar or any other Person in any further proceedings involving Cantar; or (c) constitute an admission of any sort Cantar or any other Person.

7.12 Further Assurances

Notwithstanding that the transactions and events set out in this Plan shall occur and be deemed to occur in the order set out herein without any additional act or formality, each of the Persons affected hereby shall make, do and execute, or cause to be made, done and executed at the cost of the requesting party, all such further acts, deeds, agreements, transfers, assurances, instruments or, documents as may reasonably be required by Cantar in order to better implement this Plan.

7.13 Governing Law

This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Any questions as to the interpretation or application of this Plan and all proceedings taken in connection with this Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

APPENDIX 1

ELECTION TO REDUCE CLAIM

TO: CANTAR POOL PRODUCTS LIMITED/PRODUITS DE PISCINES CANTAR
LIMITÉE ("Cantar")

RE: CANTAR'S PLAN OF COMPROMISE AND REORGANIZATION PURSUANT TO THE
COMPANIES' CREDITORS ARRANGEMENT ACT (the "CCAA Plan")

**For Use by Affected Creditors of Cantar Pool Products/Produits de Piscines Cantar Limitée with
total Affected Claims in excess of \$5,000 who wish to reduce their total Affected Claims to \$5,000
and receive cash.**

THE UNDERSIGNED AFFECTED CREDITOR of Cantar acknowledges that the total amount of its
Affected Claim exceeds \$5,000 and hereby:

- (a) reduces the undersigned's total amount of Affected Claims to \$5,000;
- (b) releases all other Affected Claims of the undersigned; and
- (c) elects to receive by cheque, instead of any distribution from the Affected Creditors'
Distribution Pool pursuant to the CCAA Plan, an amount (payable within 6 months of the
Effective Date of the Plan, in accordance with the terms thereof) equivalent to 25% of the
lesser of:
 - (i) the total amount of the undersigned's Proven Claims; and
 - (ii) \$5,000

Dated this _____ day of _____, 2006.

Print Name of Affected Creditor

Phone Number of Affected Creditor

Signature of Affected Creditor or, if the Affected
Creditor is a corporation, signature of an authorized
signing officer of the corporation and such officer's title

**THIS ELECTION MUST BE PROVIDED TO THE MONITOR SO THAT IT IS RECEIVED BY
THE MONITOR AT THE FOLLOWING ADDRESS ON OR BEFORE THE CLAIMS BAR DATE
OF 5:00 P.M. (TORONTO TIME) ON DECEMBER 21, 2006**

A. Farber & Partners Inc.
(In its capacity as Monitor of
Cantar Pool Products Limited)
150 York Street, Suite 1600
Toronto, ON M5H 3S5

Attention: Paul Denton
Telephone: (416) 496-3773
Fax: (416) 496-3839
E-mail: pdenton@farber.com

DMSTORLegal\056668\00001\469465v1

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANTAR POOL PRODUCTS LIMITED/PRODUITS DE
PISCINES CANTAR LIMITÉE

Court file no. 06-CL-6690

ONTARIO
SUPERIOR COURT OF JUSTICE
Proceedings commenced in Toronto

PLAN OF COMPROMISE OR
ARRANGEMENT

McCarthy Tétrault LLP
Barristers and Solicitors
Suite 4700, Toronto Dominion Bank
Tower
Toronto ON M5K 1E6

Geoff R. Hall LSUC #347010
(416) 601-7856
Fax: (416) 868-0673

James D. Gage LSUC #346761
Tel: (416) 601-7539
Fax: (416) 868-0673

Solicitors for the Applicant

<p>ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST</p> <p>Proceeding commenced at TORONTO</p>	<p>SANCTION ORDER</p>	<p>McCarthy Tétrault LLP Barristers and Solicitors Suite 4700, Toronto Dominion Bank Tower Toronto ON M5K 1E6</p> <p>Geoff R. Hall LSUC #347010 Tel: (416) 601-7856 Fax: (416) 868-0673</p> <p>James D. Gage LSUC #346761 Tel: (416) 601-7539 Fax: (416) 868-0673</p> <p>Solicitors for the Applicants TDO-TIE #8710177 v.4</p>
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IN THE MATTER OF AN APPLICATION UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANTAR POOL PRODUCTS LIMITED / PRODUITS DE
PISCINES CANTAR LIMITÉE

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at TORONTO

MOTION RECORD

(motion for a Sanction Order and an extension of the
Stay Period, returnable January 18, 2007)

McCarthy Tétrault LLP
Barristers and Solicitors
Suite 4700, Toronto Dominion Bank Tower
Toronto ON M5K 1E6

Geoff R. Hall LSUC #347010
Tel: (416) 601-7856
Fax: (416) 868-0673

James D. Gage LSUC #346761
Tel: (416) 601-7539
Fax: (416) 868-0673

Solicitors for the Applicants
TDO-TIE #8710155 v.1