

SECURITIES AND EXCHANGE COMMISSION

FORM 20-F

Annual and transition report of foreign private issuers pursuant to sections 13 or 15(d)

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POLYAIR INTER PACK INC

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SIC: **3086** Plastics foam products

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

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR (G) OF THE SECURITIES
EXCHANGE ACT OF 1934

OR

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

For the Fiscal year ended: October 31, 2004

OR

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

Commission File Number: 0-29528

POLYAIR INTER PACK INC.

(exact name of Company as specified in its charter)

PROVINCE OF ONTARIO, CANADA

(Jurisdiction of Incorporation or organization)

330 Humberline Drive Toronto, Ontario M9W 1R5
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

None

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Common Shares, no par value

Securities for which there is a reporting obligation pursuant to Section 15(d)
of the Act:

None

At April 18, 2005, the Company had outstanding 6,762,150 Common Shares, no
par value.

Indicate by check mark whether the Company (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such period that the Company was
required to file such reports) and (2) has been subject to such filing
requirements for the past 90 days. Yes X No

Indicate by check mark which financial statement the Company has elected to
follow. Item 17 Item 18

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS.

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not Applicable.

ITEM 3. KEY INFORMATION.

A. Selected Financial Data

The financial information of the Company presented below has been prepared by
management in accordance with accounting principles generally accepted in Canada
and, except as described in Note 22 to the audited financial statements, conform
in all material respects with accounting principles generally accepted in the

SUMMARY OF OPERATING DATA - CANADIAN GAAP
(in thousands of U.S. dollars)

<TABLE>
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<S>	Year Ended October 31,				
	2004	2003	2002	2001	2000
<C>	<C>	<C>	<C>	<C>	<C>
Sales	\$ 191,656	\$ 142,776	\$ 119,510	\$ 111,624	\$ 104,964
Earnings before interest, taxes depreciation and amortization	8,288	15,235	15,269	11,205	11,319
Operating Profit *	1,057	9,310	9,274	5,671	7,284
Net Income (Loss) before Extraordinary gain	(1,005)	4,730	4,449	1,665	3,126
Extraordinary gain, net of taxes	948	-	-	-	-
Net Income (Loss)	(57)	4,730	4,449	1,665	3,126
Cash provided by Operation	2,451	31,120	\$ 16,827	\$ 6,710	\$ 1,165
Weighted Average Number of Shares Outstanding					
Basic	6,130,264	6,113,022	6,206,311	6,232,052	6,571,400
Diluted	6,924,460	7,052,477	6,288,459	6,232,052	6,571,400
Net (loss) income per share					
Basic	(\$0.04)	\$0.76	\$0.72	\$0.27	\$0.48
Diluted	(\$0.04)	\$0.66	\$0.71	\$0.27	\$0.48

</TABLE>

* Operating Profit is not a recognized measure under Canadian and U.S. Generally Accepted Accounting Principles and readers are cautioned that Operating Profit should not be considered as an alternative to net income or loss or cash from operating activities as indicators of the Company's performance or cash flows. The Company's method for calculating Operating Profit may differ from other companies and may not be comparable to measures used by other companies. Operating profit is net income or loss before extraordinary items, net interest expenses and other, non-controlling interest, and income taxes.

SUMMARY OF BALANCE SHEET DATA - CANADIAN GAAP
(in thousands of U.S. dollars)

<TABLE>
<CAPTION>

<S>	As at October 31,				
	2004	2003	2002	2001	2000
<C>	<C>	<C>	<C>	<C>	<C>
Working Capital	\$ 16,018	\$ 14,335	\$ 10,416	\$ (3,871)	\$ 6,052
Total Assets	122,171	100,541	67,411	68,613	68,529
Long term debt (including current portion)	24,125	19,539	21,910	20,950	23,723
Additions to Plant and Equipment	10,064	\$ 8,946	\$ 5,218	\$ 5,296	\$ 12,491

</TABLE>

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the offer and use of proceeds.

Not applicable

D. Risk factors

Polyair Inter Pack's business is subject to a number of broad risks and uncertainties including general economic conditions, competition, product liability and Canadian and US government policies and regulations regarding

environmental, health, transportation and safety. In addition to these broad business risks the Company has risks that are unique to the sectors it operates in, some of these risks are detailed below.

1. Weather - Weather is the principal external factor that affects demand for the Company's Pool Division products. Unseasonal late warming or a wet early summer can decrease the length of the pool season and reduce demand for the Company's pool products.

2. Seasonality. - The pool products business is highly seasonal and in 2004 approximately 60% of this division's net sales were generated in the March to June period. This division typically generates a substantial portion of its operating income in the third quarter. Any factors that disrupt sales or operations in these months could materially affect the earnings of the Company.

3. Commodity prices and availability - The Company uses various commodity raw materials in conjunction with its manufacturing processes. Generally, the Company acquires such components at market prices and does not use financial instruments to hedge commodity prices. As a result, the Company is exposed to market risk related to changes in commodity prices related to these components. To offset rising input prices, the Company implements periodical price increases. However, such price increases are subject to competitive market pressures. The Company currently has alternate suppliers for its key raw materials, in the event of strong global demand for these materials it is possible that supply in North America could be constrained. The Company has strong relationships with its key suppliers and it has occasionally entered into short terms supply contracts to ensure continued supply.

4. Foreign exchange risk - The Company's earnings are impacted by a strengthening Canadian dollar. To reduce its short-term exposure to exchange rate fluctuations, the Company has developed a hedging policy for its foreign exchange requirements may be hedged by way of foreign exchange futures or forward contracts. As at January 29, 2005 the Company was committed under future contracts for the following:

- o Contracts for the sale of \$2 million US dollars at a weighed average price of \$1.227 Canadian dollars, maturing June 5, 2005.
- o Contracts for the sale of \$0.3 million US dollars for a price of \$1.245 Canadian dollars, maturing September 5, 2005.

5. Credit risk - The seasonal nature of the pool products sales requires the Company to establish substantial lines of credit for its customers and to offer extended payment terms. The Company attempts to mitigate its credit risk through the establishment of credit limits and monitoring the creditworthiness of its customers. It also seeks to maintain diversity in its customers and in fiscal 2004 no one customer accounted for more than 10% of consolidated sales.

6. Equipment supply - In the packaging division, the Company depends on specialized manufacturing equipment. Some of this equipment can take many months to construct and delays in delivery and/or commissioning can put a strain on meeting customer delivery expectations and plant profitability.

7. Intellectual property - the Company licenses certain trademarks that have defined termination dates. The Company's ability to renew these trademarks depends in part on the willingness of the trademark or brand name owners to enter into extension agreements. The inability to renew or extend such trademark license agreements could result in the inability to market certain products and loss of profitability to the Company.

8. Environmental Regulation. The Company is subject to a wide range of environmental laws and regulations in Canada and the United States pertaining to the discharge of materials into the environment, the handling and disposition of wastes and otherwise relating to protection of the environment. The operations of the Company that are most impacted by environmental regulation are foam extrusion and the expanded polystyrene (EPS) factories. The Company extrudes foam in two locations in the US and manufactures EPS in one location in Canada. Emissions produced in the process are regulated and the Company has installed equipment to reduce emissions. It also monitors its emission production to ensure that it meets the federal, state and provincial guidelines.

In 2003, the Company purchased the pool and pool product assets from Jacuzzi Leisure Products Ltd. and Jacuzzi Inc. Included in these assets was a property in Toronto with trichloroethane (a degreasing solvent) impacted soils. A partial remediation of the property was done in 1995 and 2000. The site has had monitoring wells drilled and there is no evidence of migration of this contamination to adjoining properties. The Company has reserved funds towards remediation and has taken on an insurance policy valid until June 2009 that covers liability for offsite damages and claims for up to \$4.1 million. In March 2004, the Company entered into a Put/Call Agreement (see Item 7B Related Party Transactions) that would provide for the sale of the property.

Although all other facilities are in compliance with regulatory standards, there can be no assurance that changes in environmental laws and regulations, or their application, will not require further expenditures by the Company.

8. Product Liability. The Company has been named from time to time as a defendant in claims arising from pool-related injuries. In each case which has been resolved, the Company has either prevailed (on the merits or by dismissal) or secured settlement well within insurance coverage limits. The Company believes its products are safe and contain proper use warnings, but avoidance of litigation cannot be assured.

The risks and uncertainties discussed above highlight the more important factors that could significantly affect the Company's operations and profitability. They do not represent an exhaustive list of all potential issues that could affect the financial results of the Company.

ITEM 4. INFORMATION ON THE COMPANY

A. History and development of the Company

Polyair Inter Pack Inc. (the "Company") was incorporated under the laws of the Province of Ontario on December 4, 1995. The Company's articles of incorporation were amended on February 20, 1996 to delete therefrom the provisions referred to in the definition of "Private Company" in Section 1(1) of the Securities Act (Ontario).

The business of the Company was established in 1969 under the Corporations Act (Ontario) as Canadian Tarpoly Company Limited, for the purpose of manufacturing and marketing tarpaulin covers for the construction industry. In 1972, the Company commenced production of pool covers and accessory products. In 1982, the Company commenced production of air bubble solar blankets and opened its first plant in the United States. In 1987, the Company changed its name to Cantar Incorporated.

In 1988, the Company organized Polyair Corporation ("Polyair") and launched its protective packaging line under the "Polyair" name to expand the application of its air bubble technology to the rapidly growing packaging industry, utilize unabsorbed overheads and provide balance to the seasonal nature of its pool products. As certain of the Company's facilities and equipment manufacture air bubble material for both packaging and pool products, the Company is able to absorb administrative and manufacturing overhead over a diversified product range.

In 1993, Cantar Incorporated, Cantar Corporation and Polyair Corporation amalgamated under the laws of Ontario and continued under the name Cantar/Polyair Inc. ("CPI").

On February 20, 1996, a reorganization was effected whereby the shareholders of CPI transferred their shares of CPI to Polyair Inter Pack Inc. in exchange for shares of Polyair Inter Pack Inc. The purpose of the reorganization was to transfer the ownership of CPI to a newly incorporated entity, Polyair Inter Pack Inc., for the purpose of an initial public offering which was completed in February 1996 on the Toronto Stock Exchange. The Company became an SEC registrant in January 1998. The common shares of the Company were listed for trading at the American Stock Exchange on October 21, 1999. The Company began reporting its results in US Dollars as of November 1, 1999.

The address and telephone number of the Company's principal place of business is 330 Humberline Drive Toronto, Ontario M9W 1R5, 416-679-6600.

Except where the context otherwise requires, all references in this annual report to the "Company" or "Polyair Inter Pack Inc." are to Polyair Inter Pack Inc. and its subsidiaries, after giving effect to the reorganization.

In 2004, the Company invested \$10.1 million primarily for expanding production capacity for some of its packaging product lines, the Airspace equipment program and on leasehold improvements to the Company's new pool products manufacturing facility in Toronto. A total of \$6.4 million was invested in the Packaging Division and \$3.7 million was invested in the Pool Division. In 2003, \$7.3 million was invested in packaging products production equipment and in equipment for the Company's PXL Cross Linked Foam joint venture. Another \$1.6 million was invested in the Pool Division. Also in 2003, the Company invested \$32.1 million in the acquisition of the Atlantic/Jacuzzi assets. The Company financed part of the purchase price by issuing a convertible note of \$5 million.

In the first 3 months of 2005, the Company invested \$2.2 million of which \$1.7 million was in the Packaging Division primarily for an expansion of production capacity in the Toronto facility and for the Airspace equipment. The remaining

\$0.5 million was invested in the Pool Division. Comparably, in the corresponding period of 2004, \$2.7 million was invested of which \$1.3 million was invested in the Pool Division in the establishment of the Toronto manufacturing and warehousing facility.

B. Business overview

Polyair Inter Pack Inc. manufactures products for the protective packaging and the swimming pool industries. The corporate office of Polyair, located in Toronto, Canada oversees the activities of the two stand-alone divisions: 1) Polyair Packaging that serves the protective packaging sector and 2) Cantar Pool Products that serves the swimming pool sector. The Company employs approximately 1,200 people, including temporary staff, and operates eleven manufacturing facilities, seven of which are in the US where it generates the majority of its sales.

In the protective packaging industry, the Company sells its products to distributors and retailers in North America who service a wide variety of end users. In the swimming pool industry the Company serves leading distributors and retailers in Canada and the US and it exports approximately 14% of its products to Europe.

REVENUES BY INDUSTRY AND GEORGRAPHIC SEGMENTS (\$000 USD)

	2004	2003	2002
By industry sector:			
Packaging Products	\$ 104,586	\$ 89,540	\$ 85,324
Pool Products	87,070	53,236	34,186
	\$ 191,656	\$ 142,776	\$119,510
By geographic region:			
United States	\$ 137,968	\$ 112,925	\$103,340
Canada	40,665	27,077	16,170
Europe	13,023	2,774	-
	\$ 191,656	\$ 142,776	\$119,510

Products

The Company has two operating Divisions, Polyair Packaging and Cantar Pool Products.

Polyair Packaging Division has the following principal product lines:

- >> Plastic bubble protective packaging. This product is ideal for cushioning, void filling and surface protection. Polyair's trade names include Durabubble, Durakraft, DuraMover and E-Z Seal Pouches.
- >> Plastic foam for surface protection and cushioning. Polyair's trade names include Lamifoam, Lamifilm, Starnet and Starmover.
- >> Plastic and paper mailers. These are used to protect and contain mail and courier packages. Trade names include Ecolite, Xpak, Fastpak and Decolite.
- >> Packaging systems. Polyair's Air Space inflatable pillow packaging system provides on demand air pillows for cushioning and void filling. This technology can be incorporated into conveyor packaging lines.
- >> Insulation materials. Polyair's Flexfoil and Flexotherm insulation products have an aluminum outer surface to reflect heat and are used primarily in the construction industry.
- >> Cross linked Polyethylene. This product is produced through a 50% joint venture and used in the construction, packaging, automotive and consumer product markets.
- >> PSC Moulding Corporation, a 76% owned subsidiary of Polyair produces expanded polystyrene and polypropylene for use in packaging consumer products, automotive components and insulated concrete forms.

Cantar Pool Products Division. Effective November 1, 2004, the Cantar business (previously included under Cantar/Polyair) and the Atlantic/Jacuzzi business have been combined under a new entity, Cantar Pool Products (CPP). This division serves the in-ground and above ground residential pool markets and has three main product groups:

1. Above Ground Pools. Cantar Pool Products manufactures above ground steel pools with a wide range of models and sizes to choose from.
2. Pool Equipment market. The Company manufactures a full line of swimming pool pumps and filters for use in residential in-ground and above ground pools. Trade names owned by the Company include The Magnum Force(TM) Pump, Cygnet II(TM) Pump, Sherlock Filter, Avalanche Filter and the Laser Sand filter. In addition, the Company also produces the pool lights and automated pool electric controls.
3. Pool Accessories. Product lines in this category includes Aqua Cover solar blankets that cover the surface of the pool to conserve heat, safety fencing, safety and non-safety winter covers.

Production

Polyair Packaging Division

This division's manufacturing operations can be divided into the following processes:

1. Extrusion operations. The Division produces polyethylene film, polyethylene bubble and polyethylene foam by extrusion. Extrusion is a process where plastic resin pellets are fed into an extruder that then mixes, melts and pumps the molten resin under pressure through a die in a continuous process. Downstream equipment is then used to cool and package the product. Polyair sells the film, foam or plastic bubble produced to its customers or uses the product as a raw material for its secondary conversion operations. Production scrap is repelletized and reused.
2. Materials produced in house by extrusion or that are purchased are put through secondary processes to yield some of Polyair's custom products such as plastic and paper mailers, laminated foam products and insulation materials. In certain facilities, solar blankets, safety covers and liners for the Pool Division are manufactured using extruded bubble and film.

Cantar Pool Products Division

This division produces above ground pools and equipment at its two Canadian facilities. Above ground pools are made from raw rolled and structural steel that is coated and shaped to produce the different styles. The Company outsources some of the functions in the production of above ground pools. Final assembly and quality control functions are done in house. In pool equipment, the Company produces in house and outsources the manufacture of component parts. Final assembly and quality control is done in-house.

Raw Materials

The Company uses a variety of raw materials in its production; the three primary materials it uses are steel, paper and polyethylene resin. Resin is purchased-primarily by the Packaging Division throughout the year to match anticipated sales. The Packaging Division sources most of its raw materials in North America and imports some finished goods from Israel. The Pool Division purchases the majority of its steel from December to March and the purchasing is based on sales forecasted for the year. The Company also imports finished goods and raw materials from the Far East.

Sales and Marketing

The Company retains approximately 95 sales representatives who effectively market the Company's products through retailers and distributors located across North America and export market. Customer service representatives and technical sales support personnel are located at many of the company's facilities to provide sales and other support.

The Company sells its products under registered brand names and it produces a variety of private label products for certain customers. The Company has no long-term contracts for the distribution of its products. In the fiscal year ended October 31, 2004, while no customer accounted for more than 10% of the Company's consolidated revenues, one customer in the pool division did account for approximately 21.7% of this division's revenues.

The Company's warranty policy in respect of its pool products is generally to replace any product that fails within one year of purchase and pro-rated replacement after such date. The Company establishes a warranty provision in its

financial statements based on claims it has had on a historical basis.

In the Packaging Division, product returns have not been significant. In the Pool Division the Company experiences a higher rate of returns and at the end of each year it estimates the amount of returns it may receive in future months and establishes a provision for these returns.

Order cancellations in the Packaging Division are not common and returned products can generally be resold. In the Pool Division, above ground pools are often custom manufactured for a particular customer, cancellation of a custom order may result in the inventory having to be reworked and can result in inventory write downs.

Competitive Conditions

In the packaging sector, the Company participates in a large market which is experiencing growth in North America and most international markets. Management believes the industry will experience ongoing consolidation which could provide strategic acquisition opportunities.

The Company competes with numerous manufacturers of similar products as well as alternative packaging products such as paper, cardboard, and styrene chips. With respect to similar products, the Company's largest competitors are Sealed Air Corporation, with 2004 worldwide revenues of US\$3.7 billion, and Pactiv Corporation with 2004 worldwide revenues of US\$3.4 billion.

In the pool industry, the Company has different competitors for each of its three product sectors as follows:

1. Above Ground Pools. The Company believes that the largest producers in this market are Asahi/America, Wilbar International, Doughboy Recreational and Ester Williams.
2. Pool Equipment market. Management believes that the four largest producers in this market are Pentair, Inc. (NYSE listed with revenues of \$2.3 billion in 2004), Hayward Industries, Water Pik Technologies, Inc. (NYSE listed with revenues of \$251 million for 9 months ended Sep., 2004) and Zodiac Inc. Although some of these companies may have a more complete pool equipment product line, Cantar Pool Products is able to compete by bundling its pool equipment with its other pool products.
3. Pool Accessories. The principal competitors are Midwest Canvas Corporation and Covertech Fabricating Inc. for solar covers, Loop Loc and Latham Plastics for safety covers. In addition, the Pool Division also competes with smaller, regional producers.

Intellectual Property

The Company owns several patents and with the Atlantic/Jacuzzi asset purchase licensed certain patents and trademarks related to the above ground pools, pumps, filters and pool accessories.

In concluding the Atlantic/Jacuzzi asset acquisition, the Company licensed the use of the Jacuzzi brand name for use in its pool equipment line. This agreement expires on September 2006, the Company is exploring various options to brand name its pool equipment product line.

Seasonality

Demand for protective packaging materials, with the exception of retail products, is fairly evenly spread out through out the year. The state of the economy and competitive activity do, however, affect demand.

Sales of the Pool Division's products are somewhat weather dependent and an early spring particularly in the central and northeastern US, could result in increased demand for the Company's above ground pools. Demand for the Company's pool products could also be influenced by new housing and swimming pool construction, consumer discretionary income and competition. This division's peak sales period is from March to June and the Company builds inventory in advance to support sales in this period. Sales of above ground pools and certain pool accessory products from November to February usually involve extended payment terms with maturities in May to June.

Economic dependence

The Company believes that in the following situations it has some degree of economic dependence:

- >> One customer in the Company's Pool Division accounts for approximately 21.7% of this division's revenues. Loss of this customer could result in unsold inventory and decreased capacity utilization.

>> The Company is dependent on one supplier for the supply of film for its Air Space program. Disruption of the supply of film could reduce the Packaging Division revenues and result in equipment that may need to be reconfigured to run an alternate supplier's product.

>> The Company's Pool Division uses the Jacuzzi brand name under license for certain of its equipment product lines. Loss of this license could result in market disruption and result in lower sales of pool equipment.

Maturing Contracts

The Company has no material contracts which are subject to renegotiation during its fiscal year ended October 31, 2005, other than in the ordinary course of business, save and except for the following:

>> Union contracts for Toronto, New Jersey and Chicago - October 31, 2004, January 31, 2005 and June 6, 2005 respectively. The New Jersey contract has been renewed for an additional three years.

>> Bank lending agreement original term expires on November 1, 2005. The term is then automatically extended for one year at a time unless the Company or the lenders give notice to their desire not to extend.

Employees

The Company at October 31, 2004 had approximately 1,200 employees, including temporary workers. It has 120 employees in Toronto, 43 in New Jersey and 82 employees in Chicago that are unionized. The collective bargaining agreement relating to the Company's Toronto unionized employees expired in October 2004 and the Company is in negotiations on a new contract. The New Jersey contract, which expires in January 2005, has been renewed for an additional three years. The Chicago contract expires in June 2005.

The Company has a human resources group that is responsible for overseeing health and safety programs, employee recruitment and compensation and administers employee benefit programs. Benefit programs including medical and other benefits are made available to full time employees. Polyair does not have a pension plan but does offer its employees in the US a 401(k) plan. The Company considers its employee relations to be satisfactory and does not anticipate any work disruptions of a materially adverse nature.

C. Organization Structure

The Company operates its business in the United States and in Canada through a number of subsidiaries as follows:

Subsidiary Name	Ownership interest	Place of incorporation
Cantar/Polyair Inc.	100%	Ontario
PSC Moulding Corporation	76%	Ontario
Cantar/Polyair Canada Limited	100%	Ontario
Cantar Pool Products Limited	100%	Ontario
Faircove Investments Inc	100%	Ontario
PXL Crosslinked Foam Corporation	50.1%	Ontario
Mabex Universal Corporation	100%	California
Cantar Pool Products Corporation	100%	Illinois
C/P International Corporation, Inc.	100%	Illinois
Performa Corporation	100%	Ohio
Cantar/Polyair Corporation	100%	Ohio

D. Property, plants and equipment.

The Company's executive offices are located at 330 Humberline Drive Toronto, Ontario M9W 1R5. Sales and marketing of pool division's products in the United States are directed from Youngstown, Ohio.

The Company has nine leased office and/or manufacturing facilities.

The Leases relating to two of the Toronto facilities, and to the Atlanta facility provide the Company with an option to renew for an additional five-year term.

In addition, the Company owns its 156,000 square foot facility in Youngstown, Ohio, its 94,000 square foot facility in Bardstown, Kentucky and its 265,000 square foot facility in Toronto, Ontario.

The Corona, Montreal, Toronto and Youngstown plants manufactures and distributes pool products, except Corona does not manufacture pool products. The Atlanta, Bardstown, Carlstadt, Chicago, Cobourg, Corona, Dallas, and Toronto

plants manufactures and/or distributes packaging products.

Environmental Regulation

The Company is subject to a wide range of environmental laws and regulations in Canada and the United States pertaining to the discharge of materials into the environment, the handling and disposition of wastes and otherwise relating to protection of the environment. The operations of the Company that are most impacted by environmental regulation are foam extrusion and the expanded polystyrene (EPS) factories. The Company extrudes foam in two locations in the US and manufactures EPS in one location in Canada. Emissions produced in the process are regulated and the Company has installed equipment to reduce emissions. It also monitors its emission production to ensure that it meets the federal, state and provincial guidelines.

In 2003, the Company purchased the pool and pool product assets from Jacuzzi Leisure Products Ltd. and Jacuzzi Inc. Included in these assets was a property in Toronto with trichloroethane (a degreasing solvent) impacted soils. A partial remediation of the property was done in 1995 and 2000. The site has had monitoring wells drilled and there is no evidence of migration of this contamination to adjoining properties. The Company has reserved funds towards remediation and has taken on an insurance policy valid until June 2009 that covers liability for offsite damages and claims for up to \$4.1 million. In March 2004, the Company entered into a Put/Call Agreement (see Item 7B Related Party Transactions) that would provide for the sale of the property.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Results of Operations

2004 Operating results

Sales by Division

<TABLE>

<CAPTION>

(In `000s of USD)	2004	% Sales	2003	% Sales	2002	% Sales
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Packaging Division	\$ 104,586	55%	\$ 89,540	63%	\$ 85,324	71%
Pool Division	87,070	45%	53,236	37%	34,186	29%
	\$ 191,656	100%	\$142,776	100%	\$119,510	100%

</TABLE>

Packaging Division:

In 2004, sales increased by \$15 million or 17% from the prior year. Sales of bubble and foam products, the division's two largest product groups grew by 14% year over year. We believe this rate is higher than the overall packaging industry growth rate and represents the Company's expanded market presence. Higher growth rates were experienced in the division's newer product lines-Ecom(TM) mailers, insulated foil and Polyair's proprietary Air Space(TM) film.

In addition to the above mentioned volume growth, the Division announced a price increase which took effect in the fourth quarter. This price increase and a second one, which was announced for November 1, 2004, should help partially offset the higher cost of raw materials that the division experienced during fiscal 2004.

The Packaging Division also increased sales through its joint venture, PXL Cross Linked Technologies Inc. This venture produces cross-linked polyethylene foam for specialized applications using technology contributed by an Israeli joint venture partner.

Pool Division:

The growth in sales in 2004 reflected a full year of sales from the addition of the above ground pools and the pool equipment product lines acquired in the Atlantic/Jacuzzi asset purchase in 2003. This acquisition accounted for an increase of \$32 million to the Pool Division sales in 2004 over 2003, compared with a \$19 million increase in 2003 over 2002.

Sales of above ground pools, pumps and filters, were below the Company's expectations due to an unseasonably cool spring and summer particularly in the

key central and eastern US markets. In-ground pool equipment sales increased as a result of increased marketing efforts that the Company undertook in the US. Sales of pool accessories were \$1.4 million lower than during the prior year, partly due to the loss of a key customer who sourced products directly from the Far East.

The following table summarizes the factors contributing to the growth in sales:

<TABLE>

<CAPTION>

Analysis of growth in fiscal 2004 (In `000s of USD)		
<S>	<C>	<C>
Revenues in fiscal 2003		
	Packaging Division	Pool Division
	<C>	<C>
	\$89,540	\$53,236
Growth from acquisitions/new ventures:		
-Revenue from Atlantic/Jacuzzi acquisition		31,977
-Revenue from PXL joint venture	1,656	
Existing operations:		
-Exchange rate effect	1,628	2,409
-Price increase effect	1,381	-
-Organic growth	10,381	(552)
	-----	-----
Revenue for fiscal 2004	\$104,586	\$87,070
	=====	=====

</TABLE>

Geographic distribution of revenues

<TABLE>

<CAPTION>

(In `000s of USD)	2004	% Sales	2003	% Sales	2002	% Sales
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United states	\$137,968	72%	\$112,925	79%	\$103,340	86%
Canada	40,665	21%	27,077	19%	16,170	14%
Europe	13,023	7%	2,774	2%	-	0%
	-----		-----		-----	
Total	\$191,656	100%	\$142,776	100%	\$119,510	100%
	=====		=====		=====	

</TABLE>

The increase in sales in Canada is primarily due to the addition of the Atlantic/Jacuzzi equipment and pool sales. These products enjoy a strong market presence in Canada and the Company has targeted the US market where its equipment market share is low as a key market to expand. To this end, the Pool Division increased its sales and marketing personnel and expenditures in 2004 and it expects it should see its equipment sales exceed overall market growth.

Sales outside of North America consist primarily of above ground pools, a product line and customer base the Company acquired as result of the Atlantic/Jacuzzi asset purchase in May 2003. The majority of these export sales occur in the first quarter and fiscal 2004 represents the Company's first full year of sales to these markets.

Gross profit

<TABLE>

<CAPTION>

(In `000s of USD)	2004	% of sales	2003	% of sales	2002	% of sales
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Gross profit*	\$31,889	17%	\$32,744	23%	\$28,352	24%

</TABLE>

* Gross profit is not a recognized measure under Canadian and US Generally Accepted Accounting Principles and readers are cautioned that Gross profit should not be considered as an alternative to net income (loss) or cash from operating activities as an indicator of the Company's performance or cash flows. The Company's method for calculating gross profit may differ from other companies and may not be comparable to measures used by other companies. Gross

profit is net income (loss) before selling, general and administrative expenses, net interest expenses and other, non-controlling interest, and income taxes.

Gross profit as a percent of sales declined to 17% from 23% in 2003 due to the following factors:

- Increased cost of raw materials. The Company estimates that Gross Profit was reduced by 2.8% due to the higher cost of plastic resin, steel and other raw materials. In the Packaging Division, polyethylene resin prices increased 16% over the year and selling prices were not increased until the fourth quarter. This increase and a second one announced for November should help offset higher material costs.

- Freight costs in both divisions rose due to the higher cost of fuel and common carrier fuel surcharges. The Company estimates that higher freight costs reduced overall gross profit by 0.8%.

- The stronger Canadian dollar resulted in reduced margins for the Company; the Pool Division, which has a higher proportion of its costs (relative to its sales) in Canadian dollars, was affected more. The Company estimates that the stronger Canadian dollar reduced Gross Profit by approximately 1.4% or \$2.6 million.

- Manufacturing labour costs in the Pool Division were higher by approximately \$1 million (0.5% reduction in gross profit) during the year due to start-up inefficiency of the new Toronto factory.

- Sales returns and credits booked in the Pool Division in the fourth quarter of \$1.2 million negatively impacted margins by 0.6%.

Management is continuing to focus on improving the efficiency of its business so as to improve the Company's profitability. In the packaging business, the Company is consolidating its Toronto manufacturing facilities. This consolidation started in the first quarter of 2004 and was largely completed in 2004. During the relocation of equipment, manufacturing efficiency suffered as the Company moved into its new production facility. The Company expects that this consolidation should result in lower operating costs in fiscal 2005.

In the Pool Division, the Company undertook to integrate its existing products business with the Atlantic/Jacuzzi business. As part of this integration, a substantial reorganization of manufacturing operations was undertaken and the Company decided to outsource the production of injection-moulded parts. In the fourth quarter it entered into an agreement to sell the injection moulding equipment and signed a three-year parts supply contract. Cash proceeds of \$0.6 million and a rebate against future purchases of injection-moulded parts of \$0.2 million was received from the sale.

Included in the Company's cost of sales is depreciation of equipment, which amounted to \$5.0 million in 2004, \$4.5 million in 2003 and \$3.9 million in 2002. The higher depreciation expense in 2004 is mainly due to capacity expansions undertaken in late 2003 and during 2004. The Company expects that it has sufficient manufacturing capacity in place to meet its 2005 sales forecasts and most of the 2005 capital expenditures will be oriented to equipment efficiency upgrades, investments in information technology and in the Air Space equipment program.

In fiscal 2005, union agreements that relate to three of the Company's facilities are due for renewal. Management anticipates that these union contracts will be renewed at rates that should not materially differ from the cost of inflation.

Selling, general and administrative expenses

<TABLE>

<CAPTION>

(In `000s of USD)	2004	% of sales	2003	% of sales	2002	% of sales
	-----		-----		-----	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Selling	\$ 18,546	10%	\$ 13,743	9%	\$ 10,888	9%
General and administrative	12,286	6%	9,691	7%	8,190	7%
	-----		-----		-----	
	\$ 30,832	16%	\$ 23,434	16%	\$ 19,078	16%
	=====		=====		=====	

</TABLE>

Selling, general and administrative expenses remained consistent as a percentage of sales at 16% in the past 3 years. The \$7.4 million increase in selling, general and administrative expenses in 2004 from 2003 resulted primarily from higher costs in the Pool Division. Salaries and other personnel costs increased

by \$2.2 million as a result of full year of Atlantic/Jacuzzi operations compared to six months in 2003. Advertising and promotion costs in the Pool Division increased by \$1.2 million as the Company sought to increase its pool products brands visibility and to expand its market presence.

The stronger Canadian dollar, particularly in the third and fourth quarters, increased selling, general and administration costs by \$1.3 million, as a substantial portion of the Company's sales, management and administrative personnel are located in Canada.

Net interest expenses and other, incomes taxes

(in 000's USD)	2004	2003	2002
Net interest expenses and other	\$2,101	\$1,595	\$1,704
Income taxes	(39)	2,985	3,121

Net interest expenses and other increased by \$0.5 million in 2004 over 2003. The increase in interest costs was primarily as a result of a higher level of bank indebtedness in 2004 to finance working capital requirements. This increase was partially offset by a pre-tax gain of \$0.6 million relating to the sale of injection moulding equipment.

Income tax expense recovery in 2004 was \$39 thousand compared to an expense of \$3.0 million in 2003. Current tax recovery in 2004 amounted to \$1.4 million compared with current income tax expense of \$2.4 million in fiscal 2003. The current tax recovery is a result of decreased profitability in 2004 and the Company's focus on better managing its tax expense.

Net income and earnings per share

<TABLE>

<CAPTION>

(in 000's USD)	2004	2003	2002
<S>	<C>	<C>	<C>
Net (loss) income before extraordinary gain	(\$1,005)	\$4,730	\$4,449
Extraordinary gain, net of taxes	948	-	-
Net (loss) income	(57)	4,730	4,449
Convertible note charge	164	(103)	-
Number of common shares outstanding			
Basic	6,130,264	6,113,022	6,206,311
Diluted	6,924,460	7,052,477	6,288,459
Net (loss) income per share			
Basic	(0.04)	0.76	0.72
Diluted	(0.04)	0.66	0.71

</TABLE>

Net loss before extraordinary gain in 2004 was \$1.0 million compared with net income before extraordinary gain of \$4.7 million in 2003. The decline in income stemmed from the lower gross profit of \$0.9 million, coupled with an increase in selling, general and administrative expenses of \$7.4 million.

The extraordinary gain reflects negative goodwill resulting from the finalization of acquisition contingencies related to the acquisition of the Atlantic/Jacuzzi assets in 2003.

Common shares outstanding increased in 2004 primarily as a result of employees exercising stock options. In 2003, the Company purchased 120,000 common shares for cancellation. The purchase had an accretive impact on the net income per share and improved the return on equity.

Liquidity and capital resources

<TABLE>

<CAPTION>

(In '000s USD)

CASH FLOW	2004	2003	2002
-----------	------	------	------

	<C>	<C>	<C>
<S>			
Cash flow from operations before changes in non cash operating working capital	\$7,054	\$11,278	\$9,921
Changes in non-cash working capital	(4,603)	19,842	6,906
Cash flow from operations	2,451	31,120	16,827
Net acquisitions of capital asset *	(10,064)	(8,946)	(5,218)
Available cash flow**	(\$7,613)	\$22,174	\$11,609

</TABLE>

* Fiscal 2004 amount includes \$0.6 million from sale of injection moulding equipment.

** Available cash flow is not a recognized measure under Canadian and US Generally Accepted Accounting Principles and readers are cautioned that Available cash flow should not be considered as an alternative to cash from operating activities as an indicator of the Company's performance or cash flows. The Company's method for calculating Available cash flow may differ from other companies and may not be comparable to measures used by other companies. Available cash flow is cash flow from operating activities less acquisitions of property, plant and equipment.

The Company generated \$2.4 million of cash from operations in 2004 compared with \$31.1 million in 2003 and \$16.8 million in 2002. The Company's lower level of profitability and an increase in inventory of approximately \$10 million were the principal reasons for decline in cash from operations. The increase in pool products inventory of \$7.5 million was a result of sales that did not materialize due to poor weather in the peak sales season. Packaging inventory values also increased due to the higher cost of resin during the year.

In 2004, the Company invested \$10.1 million primarily for expanding production capacity for some of its packaging product lines, the Airspace equipment program and on leasehold improvements to the Company's new pool products manufacturing facility in Toronto. In 2003, \$7.3 million was invested in packaging products production equipment and in equipment for the Company's PXL Cross Linked Foam joint venture. Also in 2003, the Company invested \$32.1 million in the acquisition of the Atlantic/Jacuzzi current assets. The Company financed part of the purchase price by issuing a convertible note of \$5 million.

The Company generated \$10 million from financing activities in 2004 compared with \$9.4 million in 2003. These cash flows were derived primarily from issuance of long term debt of \$8.6 million, as the Company assumed \$3.6 million of fixed rate equipment loans and \$5 million bank term loan, to finance an expansion of production capacity primarily in the Company's Toronto packaging plant. An increase in the bank indebtedness of \$4.3 million, and issuing of \$1.6 million of common stock to employees who exercised stock options also contribute to cash flows. Cash in-flows were offset by repayments of long-term debt of \$4.5 million.

(In '000s USD)

WORKING CAPITAL	2004	2003	2002
Operating working capital	\$16,018	\$14,335	\$10,416
Accounts receivable days outstanding	47	51	49
Inventory turnover	4.4	5.4	7.4

In managing its working capital, the Company performs monthly reviews of certain working capital metrics. The Company improved its collection of slow paying accounts in the fourth quarter and expects that it will further reduce the days outstanding on its receivables in the pool segment.

Inventory turnover decreased since fiscal 2002 in part to the higher level of inventory required to support the Pool Division. In 2004, the Company carried a higher than planned inventory level for the last six months of the year as sales were lower than expected. The Company has made increasing its inventory turnover one of its objectives for 2005.

<TABLE>
<CAPTION>

(In '000s USD)

CAPITALIZATION	2004	2003	2002
<S>	<C>	<C>	<C>
Amount drawn on operating credit facilities	\$18,673	\$13,130	\$ -

Undrawn amount of operating credit facilities (excluding amounts used to support letters of credit)	16,327	21,870	25,000
Net increase (decrease) in long term debt	4,099	(2,700)	1,027
Issuance (redemption) of common shares	1,585	(455)	62
Net funded debt*	43,880	33,898	21,910
Shareholders equity	\$37,457	\$33,889	\$24,414
Net funded debt to shareholders equity	1.2	1.0	0.9

</TABLE>

* Net funded debt is not a recognized measure under Canadian and US Generally Accepted Accounting Principles and readers are cautioned that Net funded debt should not be considered as an alternative to Long-term debt. The Company's method for calculating Net funded debt may differ from other companies and may not be comparable to measures used by other companies. Net funded debt is comprised of bank indebtedness, current and long term portions of Long-term debt, and liability portion of the convertible note.

The Company's Pool Division is a seasonal business and it impacts on the Company's cash flows and investment in working capital. Pre-season inventories are purchased and manufactured in the November-March period in order to service customers in the peak months of March-June. As a result, the Company must maintain higher than normal inventory levels in the pre-season months. The Company also gives customers that purchase product in the off-season extended payment terms. These working capital requirements are financed from the Company's revolving bank line.

Bank indebtedness at October 31, 2004 was \$18.7 million versus \$13.1 million in 2003. The Company posts letters of credit to support payment obligations such as finished goods imports from the Far East, bond maturities and rent. These letters of credit are not included under the Company's borrowings but do reduce the bank line availability. At 2004 year end, the Company's line of credit was reduced by \$5.6 million of letters of credit outstanding, \$4.9 million of this amount was in support of Industrial Revenue Bonds issued by the Company.

<TABLE>

<CAPTION>

(In 000's USD)

Contractual obligations Payments due by Period:

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
<S>	<C>	<C>	<C>	<C>	<C>
Long term debt	\$24,125	\$5,893	\$7,302	\$4,721	\$6,209
Operating leases	14,217	2,907	3,636	2,515	5,159
Related party consulting fee	581	155	310	116	-
Total contractual obligations	\$38,923	\$8,955	\$11,248	\$7,352	\$11,368

</TABLE>

In 2005, in addition to its working capital requirements Polyair will require funding to pay for capital expenditures and to service its debt obligations. A portion of this cash is provided by term debt that the Company borrows. At October 31, 2004, the Company had \$24.1 million of term debt of which 29% is fixed rate debt. During the year, the Company assumed \$3.6 million of fixed rate term debt and it repaid \$4.5 million of term debt including \$1 million of a 6.5% Industrial Revenue Bond. The balance of this bond, \$2 million, is due in April 2005.

In the fourth quarter of 2004, in order to replenish its working capital and to be in a position to fund 2005 capital expenditures and debt repayments, the Company borrowed an additional \$5 million under its term facility with its operating lenders. This loan was supported by higher equipment and property collateral values in an appraisal commissioned by the Company's lenders.

In requesting the term loan increase, the Company anticipated that it would require an additional \$5 million financing to fund its 2005 working capital requirements. The Company also has available to it lease financing which it will use to finance the acquisition of major equipment purchases in 2005.

The revolving, working capital credit facility limit fluctuates seasonally and is determined periodically based on eligible accounts receivable and inventory. The limit at January 29, 2005 was \$35 million and in February the limit

increased to \$45 million. In January 2005, the Company amended the operating credit agreement to include an additional \$5 million working capital line secured on the Company's assets and by a first charge on one of its production facilities. This increase is subject to the maximum credit availability specified in the original banking agreement. The \$5 million bears interest at a rate of US prime or LIBOR plus 2.75% at the option of the Company for borrowings in US dollars, and Canadian prime plus 0.5% for borrowings in Canadian dollars. The \$5 million amount will decline progressively until July 31, 2005.

With the receipt of the additional \$5 million working capital loan the Company expects that it will have sufficient cash resources to meet its 2005 business plan.

Polyair's existing operating loan agreements contain covenants that require the Company to meet leverage and debt service tests. At January 29, 2005, the Company was in compliance with all of its covenants under its existing operating loan facility. With the additional working capital loan, management expects that the Company will continue to remain in compliance with its debt covenants and that it will have sufficient level of financing to operate and grow its business.

Other long-term liabilities, which principally consist of pool products warranty accruals and other expenses incurred on the acquisition of the Atlantic/Jacuzzi assets, declined as charges incurred were offset against the accruals. The convertible note balances increased from the year-end and comparative period in 2003 due to the accretion of equity carrying value of the face amount of the note.

The effect of foreign currency translation on cash and equivalents used up cash of \$1.5 million this year compared with \$0.9 million in 2003. This was as a result of the significant depreciation of the US dollar relative to the Canadian dollar. In the fourth quarter of 2004 the negative impact on cash balances as a result of foreign currency translation amounted to \$0.9 million, comparable to that in the corresponding period of 2003.

Critical accounting estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Estimates and assumptions are evaluated on an ongoing basis and are based on historical and other factors believed to be reasonable under the circumstances. The results of these estimates may form the basis of the carrying value of certain assets and liabilities and may not be readily apparent from other sources. Actual results, under conditions and circumstances different from those assumed, may differ from estimates.

The Company believes the following accounting estimates used in the preparation of its consolidated financial statements include significant judgement and are critical to the understanding of results of operations:

Sales returns and allowances

The Company records customer product returns as an adjustment to sales. The Company estimates and accrues its customer returns based on historical trends and known return goods authorizations. Higher product returns after the Company's has reported its financial results may cause these estimates to be inadequate and could result in charges to income in future periods.

Customer rebates

The Company pays rebates to certain of its customers when they achieve pre-defined sales targets. The Company accrues for these rebates based on sales achieved and charges these rebates against sales. Estimates of rebates accrued are continually revised to reflect actual rebates earned based on purchase levels. If market conditions were to change, the Company may have to change the terms of its rebate programs. Although such changes would not affect the amounts recorded for sales already made it could lower or raise the Company's gross profits in future periods.

Allowance for Doubtful Accounts

The Company maintains accounts receivable allowances for estimated losses resulting from the inability of its customers to make payments. It performs periodic credit evaluations of its customers and with the exception of the Pool Division's export sales, it does not require collateral or credit insurance. In developing its allowance for doubtful accounts, the Company performs a specific reserve analysis of all large accounts with past due balances. The Company also maintains a general reserve for smaller accounts that are delinquent. The Company writes-off accounts when it has exhausted collection efforts and recovery of amounts owed is unlikely. Such write-offs are charged against the allowance for doubtful accounts, if the account was previously provided for or to the Statement of Income if provision was not made or was insufficient. In 2004, write-offs for delinquent accounts were negligible. In the Pool Division, the Company provides its larger customers with substantial lines of credit and

extended payment terms. In the event of the business failure of one of these customers the earnings of the Company would be materially impacted.

Valuation of obsolete inventory

In the Packaging Division, the majority of products are manufactured against orders and inventory on hand is primarily raw materials or finished goods that are awaiting shipment or customer release. A provision for obsolete inventory is established in this division based on materials on hand that are in excess of current usage or where changes in the customer mix makes the inventory less saleable.

In the Pool Division, inventory is built up in the off-season against forecasts by stock keeping units (SKU's) to provide a high level of service to customers in the peak season. For slower moving items or ones with no movement provisions are established to reflect that these products may be not be sold at a profit or may be sold for salvage value.

In evaluating the adequacy of the Company's provision for inventory obsolescence, a number of factors are considered including level of inventory in relationship to historical and forecasted sales, changes in customer preferences and new product offerings. The Company's provision for inventory obsolescence may require adjustment as any of the above mentioned factors change.

Warranty provision

The Company establishes a warranty provision based on claims it has had on a historical basis. In the pool products division the Company does not have a long experience with warranty claims for the Atlantic/Jacuzzi business and the provision for warranty was established based on 2003-4 experience and an analysis of individual product warranties.

Future Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying value and tax basis of the assets and liabilities. Consistent with this policy, the Company recognizes future tax assets, net of a valuation allowance. Based on current projections of future taxable income over the periods in which the future income tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of the future tax assets, net of existing valuation allowance. However changes in future profitability of the Company may impact the realization of these future tax assets.

Recently issued accounting pronouncements

During 2004, the Canadian Institute of Chartered Accountants issued several new accounting pronouncements, the adoption of which do not have a material impact on its financial position, results of operation, or cash flows. These accounting pronouncements are discussed in Notes 2 and 22(f) of the Consolidated Financial Statements.

Outlook

In its packaging business, the Company is experiencing increased demand for its products. The volatility of resin and other raw material costs continues to be a source of uncertainty in projecting an improvement of the profitability in this business. The Company is committed to seek to offset resin cost increases with selling price increases however the competitive nature of the protective packaging markets does not provide certainty that announced price increases will be realized.

In its Pool Division, the Company has made significant progress in the integration of the Atlantic/Jacuzzi acquisition. Management anticipates increased revenues as a result of growth in demand and the Company's improved capability to meet this demand.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT and EMPLOYEES

The Directors of the Company are as follows:

<TABLE>
<CAPTION>

Name and municipality of residence	Principal occupation (Current and within last five years)	Position with the corporation- date service commenced (1)	Shares owned *	Unexercised Options at Apr 18, 2005 Exercisable/ Unexercisable
------------------------------------	---	---	----------------	--

<S> Fred A. Litwin (3), (4) Toronto, Ontario	<C> President of Forum Financial Corporation	<C> Chairman of the Board and Governance Committee, Director since 1996	<C> 1,574,841 (5)	<C> Nil
Henry Schnurbach Toronto, Ontario	President and Chief Executive Officer of the Company	President & CEO, Director since 1996	101,200 (5)	Nil
Sidney Greenberg (2) Toronto, Ontario	Vice-President, Astral Media Inc.	Director since 1996	Nil	Nil
Sol D. Nayman (2) Toronto, Ontario	S.D. Nayman Management Inc. Prior to September 2000, Executive VP of Club Monaco Inc.	Director since 1996	100	Nil
Jon Burgman (2) Chicago, Illinois	Financial consultant Previously was Director-Portfolio Management for Glencoe Capital and Partner with Tatum CFO Partners.	Chairman Audit Committee, Director since May 2004	Nil	Nil
Robert Gerrity Bellaire, Michigan (3), (4)	Director of three public companies and Chairman of Industrial Group, Glencoe Capital.	Chairman Compensation Committee, Director since May 2004	Nil	Nil
George Marton Chicago, Illinois	CEO of Global Video	Director since May 2004	Nil	Nil

</TABLE>

* Shares beneficially owned directly or over which control or direction is exercised.

- (1) The term of office of each director expires at the Corporation's next annual meeting of shareholders.
- (2) Member of the Audit Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Corporate Governance Committee.
- (5) Mr. Litwin directly holds 25,000 common shares of the Corporation, and controls Consolidated Mercantile Incorporated ("CMI") which holds 1,549,841 common shares of the Corporation. Under the terms of a shareholder agreement, which was entered into on February 20, 1996 by Consolidated Mercantile Incorporated, Marsy Industries Limited, Domenico Marzano, Henry Schnurbach, Gary Crandall and Alan Castle (collectively, the "Shareholders"), the Corporation and Montreal Trust Company of Canada, as trustee, the Shareholders deposited their common shares of the Corporation into a voting trust pursuant to which such shares are voted at the discretion of Consolidated Mercantile Incorporated. There are currently 383,638 common shares of the Corporation owned by Shareholders other than Consolidated Mercantile Incorporated which are subject to the terms of such voting trust.

Under the terms of a shareholders' agreement, which was entered into on March 10, 2004 by Glencoe Skydome Holdings LP ("Glencoe"), CMI, Henry Schnurbach and Fred Litwin, the parties thereto agreed on certain restrictions on the sale of their shares, the election of four nominees of CMI and three nominees of Glencoe to the Board of Directors of the Corporation and, subject to their fiduciary responsibilities, on matters of corporate governance and operation.

Fred Litwin - Director

Mr. Litwin has been a Director of CMI since 1968. Mr. Litwin is the President and principal shareholder of Forum Financial Corporation, a Toronto based private investment management organization with controlling interests in companies engaged in the packaging, furniture, real estate, and finance industries. Mr. Litwin is also a director and officer of other corporations affiliated with Forum.

Henry Schnurbach - Director

Mr. Schnurbach has a Bachelor of Commerce degree from Sir George Williams University and is a Certified Management Accountant in Quebec. Mr. Schnurbach has been a Director of Synergx Systems Incorporated since 1998. Since 1991 Mr. Schnurbach has been the President and Chief Executive Officer of Polyair Inter Pack Inc. an Ontario corporation registered under the Exchange Act and traded on

the Toronto and American Stock Exchanges. Director of Strategic Vista Inc. and traded on the Toronto Stock Exchange.

Sol D. Nayman - Director

Mr. Nayman is a principal in S.D. Nayman Management Inc. Mr. Nayman was Executive Vice President of Club Monaco Inc. prior to September 2000.

Sidney Greenberg - Director

Mr. Greenberg is Vice President of Astral Communications Inc., a media production and distribution company.

Jon A. Burgman - Director

Mr. Burgman currently serves as a member of Glencoe Capital, LLC's Investment Committee. From 2002 to 2004, Mr. Burgman served as a Principal of Glencoe Capital, LLC. From 1995 to 2002, Mr. Burgman was a partner with Tatum CFO Partners, LLP. From 1987 to 1995, Mr. Burgman was Chief Financial Officer and Treasurer of Culligan Water Technologies, Inc.

Robert M. Gerrity - Director

Robert Gerrity is a member of the Board of Rimrock Corporation, Federal Signal Corporation, and Standard Motor Products. Mr. Gerrity is also Chairman of Industrial Group, Glencoe Capital. Mr. Gerrity was Vice Chairman of New Holland n.v. from 1991 to 1995. From 1965 to 1991, Mr. Gerrity was with Ford Motor Company in management, engineering, and manufacturing positions that included President and Chief Executive Officer, Ford New Holland; President, Ford of Brazil; Executive Director of Large and Luxury Cars; General Manager, Plastic and Chemical Division; and Chief Engineer, Plastics and Chemicals.

George Marton - Director

George Marton is the CEO of Global Video.

<TABLE>

<CAPTION>

The Senior Management of the Company are as follows:

Name and municipality of residence	Position with the Company (Current and within last five years)	Date service commenced	Shares owned*	Unexercised Options at Apr 18, 2005 Exercisable/ Unexercisable
<S> Henry Schnurbach Toronto, Ontario	<C> President & Chief Executive Officer Polyair Inter Pack Inc.	<C> February 1996	<C> 101,200**	<C> Nil
Alan Castle Toronto, Ontario	President, Sales and Marketing, Polyair Packaging Division	June 1997	77,125	Nil
Lew Coffin Arlington, Illinois	VP Manufacturing, Polyair Packaging Division. Previously was VP Operations with Block and Company and Stimsonite Corp.	December 2004	Nil	20,000
Kevin Day, Toronto, Ontario	Chief Financial Officer, Polyair Packaging Division	April 2000	Nil	7,000
Gary Crandall Cortland, Ohio	President, Sales and Marketing Cantar Pool Products Division	October 1980	Nil	32,500
Roman Pankiw, Toronto, Ontario	Chief Operating Officer, Cantar Pool Products Division Previously was Chief Operating Officer and CFO of Cummins Ontario Inc.	April 2004	Nil	20,000
Victor D'Souza Toronto, Ontario	Chief Financial Officer, Polyair Inter Pack Inc. Previously President and CFO, Imperial PlasTech Inc.	June 2004	Nil	20,000

</TABLE>

* Shares beneficially owned directly or over which control or direction is exercised. ** Refer to Note 5 above.

The following table provides a summary of compensation earned during each of the Company's last three completed fiscal years by the Corporation's Chief Executive Officer and the Corporation's four most highly compensated officers who earned in excess of Cdn\$150,000 during such year, other than the Chief Executive Officer.

All amounts are expressed in US Dollars.

<TABLE>

<CAPTION>

Name and Principal Position	Year	Annual Compensation (1) (3)	
		Salary (\$)	Bonus (\$)
<S>	<C>	<C>	
Henry Schnurbach.....	2004	366,500	NIL
Chief Executive Officer	2003	251,011	498,583
Polyair Inter Pack Inc.	2002	216,546	509,554
Victor D'Souza (3).....	2004	80,900	NIL
Chief Executive Officer	2003	NIL	NIL
Polyair Inter Pack Inc.	2002	NIL	NIL
Alan Castle.....	2004	270,000	77,900
President, Packaging Sales and Marketing	2003	188,915	214,906
Cantar/Polyair Corp.	2002	171,338	215,089
Gary Crandall	2004	284,900	NIL
President, Pool Sales and Marketing	2003	241,580	138,323
Cantar/Polyair Corp.	2002	199,160	194,805
Roman Pankiw (3).....	2004	95,490	NIL
Chief Operating Officer	2003	NIL	NIL
Cantar Pool Products	2002	NIL	NIL

</TABLE>

- (1) Annual compensation stated herein does not include perquisites and other personal benefits. The aggregate amount of perquisites and other personal benefits received by each Named Executive Officer in any financial year does not exceed ten percent (10%) of the total of the annual salary and bonus of such Named Executive Officer for the financial year.
- (2) While all monetary references in this table are in U.S. dollars, Messrs. Schnurbach, D'Souza, Castle and Pankiw actually receive their compensation in Canadian dollars. The references to their respective compensation in this table reflect the U.S. dollar equivalent thereof based on the currency exchange rate for the applicable fiscal year.
- (3) Mr. D'Souza joined the Corporation on June 1, 2004. Mr. Pankiw joined the Corporation on April 6, 2004.

The Company has a 401K plan for U.S. employees of the Company and contributory retirement savings plant for Canadian employees of the Company. The Company has no defined benefit pension, retirement or similar plans other than mentioned above and none are proposed at the present time; accordingly, no amounts have been set aside or accrued by the Company for such plans.

(C) Board Practices

All three committees have at least one member who is not an officer or employee of the Corporation or any of its affiliates.

Audit Committee

In addition to carrying out its statutory legal responsibilities (including review of the Corporation's annual financial statements prior to their presentation to the board) the Audit Committee reviews all financial reporting, including interim financial statements and management's discussion and analysis in the Corporation's annual report. The Committee meets with the Corporation's external auditors and with members of management at least once a year (and more frequently as necessary) to assist it in the effective discharge of its duties.

The Audit Committee also recommends to the board the auditors to be appointed as the Corporation's auditors at the Annual Meeting and terms of their remuneration. The Audit Committee has recently adopted an Audit Committee Charter, a copy of the which is attached to the Company's Annual Information Form and is available on SEDAR at www.sedar.com.

In May 2004, Jon Burgman was named Chair of the Audit Committee, he replaced Daniel Tamkin who left the board at the same time. The other members of the Audit Committee who served for the full year were Sidney Greenberg and Sol Nayman. Since May 2004, all members of the Audit Committee are independent Directors.

Relevant Education and Experience

Each member of the Audit Committee is financially literate, in that they have the ability to read and understand financial statements of the breadth and complexity as those of the Company. Collectively, the Audit Committee has the education and business experience to fulfill the responsibilities outlined in the attached Audit Committee Charter. The education and current and past experience that is relevant to the performance of his or her responsibilities as an Audit Committee member is summarized below:

Name and professional Designation	Relevant experience
Jon Burgman	Chairman Practiced as a CPA in Illinois until 1976, other relevant positions include CFO of Culligan International and the assumption of various interim CFO roles with Tatum CFO Partners.
Sidney Greenberg	Previous position as Chief Operating Officer of Astral Home Entertainment and current experience as Vice President of Astral Media Inc.
Sol Nayman	Previous experience as Vice President and Chief Operating Officer of Club Monaco Inc. and current experience as a consultant with S.D Nayman Management Inc.

Compensation Committee

The Corporation has established a Compensation Committee to review the Corporation's overall compensation, corporate succession and development plans at the executive officer level. It has responsibility for the establishment of the Corporation's compensation policy and its implementation through an effective compensation program. The Compensation Committee reviews on an annual basis the adequacy and form of directors' compensation annually, with a view to ensuring that such compensation realistically reflects the responsibilities and risk involved in being an effective director.

The purpose of the executive compensation strategy is to: (i) attract and retain individuals who have demonstrated superior management ability, insight and judgement; (ii) motivate the performance of senior officers in order to achieve the Corporation's strategic objectives, and achieve excellence within their respective areas of operations; and (iii) align and encourage a close identification between the interest of senior officers and employees and the creation and maintenance of shareholder value.

The Compensation Committee believes that the policy objectives of the Corporation will be enhanced when the components of compensation are commensurate with comparable levels of compensation of executives within a broad spectrum of companies engaged in those sectors in which the Corporation conducts its major operations. In this regard, from time to time, the Compensation Committee may engage consultants to provide analysis and advice regarding comparable levels of compensation of companies that carry on a similar business. The Compensation Committee also takes into account the fact that the Corporation is operating in a North American economy, which is particularly relevant for the establishment of base salaries of the senior executives of the Corporation for future years.

Corporate Governance Committee

As indicated above, the Corporation has established a Corporate Governance Committee with general responsibility for developing the Corporation's approach to governance issues including recommending to the board limits to management's responsibilities. At present, in addition to those matters which must by law be approved by the board, management is required to seek board approval for any transaction which is out of the ordinary course of business or could be considered to be "material" to the business of the Corporation. As a matter of

practice, all significant decisions affecting the Corporation and its subsidiaries are approved by the board of directors prior to their implementation.

The Corporate Governance Committee also has responsibility for recommending to the board internal guidelines on corporate governance issues in the context of the Corporation's particular circumstances and to recommend the making of appropriate adjustments as necessary to accommodate the changing needs of investors and the Corporation in the context of the TSX Guidelines. The assessment of board performance is within the mandate of this committee, as is the identification of characteristics required in new board members. However, the actual nomination of new board members remains with the board of directors of the Corporation which has, in the past, identified individuals which the board believes have had the experience and training necessary to meet the needs of the Corporation. In the event that a new director were to be appointed to the board, the Corporate Governance Committee would provide an orientation and education program consisting of the provision of written information concerning the business and affairs of the Corporation and briefings from senior management and other directors.

D. Employees

The Company at October 31, 2004 had approximately 1,200 employees, including temporary workers. It has 120 employees in Toronto, 43 in New Jersey and 82 employees in Chicago that are unionized. The collective bargaining agreement relating to the Company's Toronto unionized employees expired in October 2004 and the Company is in negotiations on a new contract. The New Jersey contract, which expires in January 2005, has been renewed for an additional three years. The Chicago contract expires in June 2005.

The Company has a human resources group that is responsible for overseeing health and safety programs, employee recruitment and compensation and administers employee benefit programs. Benefit programs including medical and other benefits are made available to full time employees. Polyair does not have a pension plan but does offer its employees in the US a 401(k) plan. The Company considers its employee relations to be satisfactory and does not anticipate any work disruptions of a materially adverse nature.

E. Share ownership

<TABLE>
<CAPTION>

Options to Purchase Securities from Company or Subsidiaries

Name	Date of Exercise	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)CDN	Unexercised Options at Apr 18, 2005 Exercisable/Unexercisable (#)	Value of Unexercised in-the-money Options at Apr 18, 2005 Exercisable/Unexercisable (\$)CDN
<S>		<C>	<C>	<C>	<C>
Henry Schnurbach	Oct. 25, 2004	160,000	680,000		
	Apr. 6, 2005	160,000	536,000	NIL/NIL	NIL/NIL
Alan Castle	Oct. 22, 2004	118,750	504,688	NIL/NIL	NIL/NIL
Gary Crandall	Apr. 7, 2005	110,000	338,500	32,500/NIL	100,100/NIL

</TABLE>

ITEM 7. MAJOR SHAREHOLDERS and RELATED PARTY TRANSACTIONS

To the knowledge of the directors and senior officers of the Company, the only persons, firms or corporations which beneficially own, directly or indirectly, or exercise control or direction over securities of the Corporation carrying more than ten (10%) percent of the voting rights attached to any class of outstanding voting securities of the Company at April 18, 2005, are as follows:

<TABLE>
<CAPTION>

Name of Shareholder	Number of Common Shares Held	Percentage of total Common Shares Issued and Outstanding
<S>	<C>	<C>

Glencoe Skydome Holdings, L.P. (1) (2)	1,827,667	27.0%
Fred A. Litwin (2) (3) (4)	1,574,841	23.3%
Howson Tattersall Investment Counsel Limited	771,300	11.4%
Prides Capital Partners, L.L.C. (5)	862,100	12.7%

</TABLE>

- (1) Reflects shares held of record by Glencoe Skydome Holdings, L.P. Glencoe Capital, LLC, through its control of the general partner of Glencoe Skydome Holdings, L.P., may be deemed to have voting and dispositive control over these shares; however, Glencoe Capital, LLC disclaims any beneficial ownership in these shares, except for its pecuniary interest therein.
- (2) Under the terms of a shareholders' agreement, which was entered into on March 10, 2004 by Glencoe Skydome Holdings, L.P., Consolidated Mercantile Incorporated, Henry Schnurbach and Fred Litwin, Glencoe Skydome Holdings, L.P. has agreed to vote its shares at the discretion of Consolidated Mercantile Incorporated, subject to certain negative covenants and protections, and except with respect to certain fundamental corporate actions. Additionally, Consolidated Mercantile Incorporated and Glencoe Skydome Holdings, L.P. have each agreed to vote their common shares of the Corporation in favor of the election of four nominees of Consolidated Mercantile Incorporated and three nominees of Glencoe Skydome Holdings, L.P. to the Board of Directors of the Corporation.
- (3) Fred A. Litwin, the Chairman and a Director of the Corporation, beneficially owns or exercises control and direction over approximately 53.71% of the issued and outstanding shares of Consolidated Mercantile Incorporated, a publicly traded Canadian corporation. Consolidated Mercantile Incorporated holds 1,549,841 common shares of the Corporation. Mr. Litwin directly holds 25,000 common shares of the Corporation.
- (4) Under the terms of a shareholder agreement, which was entered into on February 20, 1996 by Consolidated Mercantile Incorporated, Marsy Industries Limited, Domenico Marzano, Henry Schnurbach, Gary Crandall and Alan Castle (collectively, the "Shareholders"), the Corporation and Montreal Trust Company of Canada, as trustee, the Shareholders deposited their common shares of the Corporation into a voting trust pursuant to which such shares are voted at the discretion of Consolidated Mercantile Incorporated. There are currently 383,638 common shares of the Corporation owned by Shareholders other than Consolidated Mercantile Incorporated which are subject to the terms of such voting trust.
- (5) As part of the Atlantic/Jacuzzi acquisition, the Company issued a \$5 million unsecured convertible note, bearing interest of 6% per annum, maturing March 31, 2009. This note is convertible by Prides Capital Partners, L.L.C., at any time after March 31, 2004 (or upon commencement of a take over bid) into 598,802 common shares at a price of \$8.35 per share. The Company may prepay the note, at any time after March 31, 2006 in cash or by issuance of 598,802 Series A preference shares.

As at April 18, 2005, to the Company's knowledge, there were approximately 494 holders of Common Shares. Of these, 306 record holders of Common Shares holding an aggregate of 2,249,919 shares, representing approximately 33.3% of the Company's issued and outstanding Common Shares, were resident in the United States.

Information as to shares beneficially owned not being within the knowledge of the Company has been furnished by the respective Directors. There are no arrangements known to the Company, the operation of which may at a subsequent date result in a change of control of the Company.

B. Related Party Transactions for Fiscal Year End

The Company leased one of its production facilities from an affiliated entity controlled by a director and significant shareholder of the Company for \$137,000 (2003 - \$247,000). Effective March 23, 2004, the Company terminated the lease, which had 2 years remaining, and agreed to pay a termination fee of \$182,000 in consideration. The related party sold the building and the Company entered into a 2-year lease with the new owner. The termination fee was charged to cost of sales. These transactions were measured at the amount agreed to by the parties.

The Company entered into an agreement on July 1, 1999 to pay professional consulting fees to a company which one of the Company's directors and significant shareholders has an equity interest. Under this agreement the Company is committed to pay a monthly management fee until July 1, 2008. During 2004 \$155,000 (2003 - \$210,000) was paid or accrued. This fee was determined by mutual agreement between the parties.

Effective April 28, 2004 the Company entered into a put/call agreement (the "agreement") with Hawklane Developments Inc. ("Hawklane"), a company affiliated to a director and significant shareholder of the Company that allows for the sale of a property that has industrial contamination. The Company entered into the transaction with a view to divesting itself of a source of potential environmental liability. Under the terms of the agreement Hawklane may require the Company to sell the property to it or the Company may require Hawklane to buy the property for a purchase price of Cdn. \$3 million (US \$2.5 million) less a minimum credit of US \$300,000 as compensation for Hawklane assuming any and all environmental contamination remediation obligations. The purchase price will be paid in cash on closing (which is conditional upon receiving the consent of the Company's secured operating and term lenders who have an interest in the subject property) subject to a 5 year, non-interest bearing vendor take-back mortgage of Cdn. \$500,000 (US \$400,000), of which the principal amount may be reduced by any amount spent on environmental remediation of the property in excess of US \$300,000. In addition, upon execution of the put/call agreement, the Company is committed to enter into a leaseback transaction with Hawklane, whereby the Company will lease the property for an initial term of 10 years with a 5-year renewal option. The Company will receive a lease rate of Cdn. \$2/sq. ft for the first three years, it will then pay a rate of Cdn. \$3.25 sq. ft for the next two years, and thereafter pay the greater of Cdn. \$3.75 sq. ft or market rate for the remainder of the lease. The Company will be responsible for all property taxes, maintenance, utility and other operational costs associated with the property. These lease payments have not been included in Note 13 of the consolidated financial statements.

An independent committee of the board of directors has approved this transaction, based in part on an appraisal of the property dated April 2, 2004 that valued the property at Cdn. \$3 million (an estimate recognizing the property's known environmental condition) and the terms of the transaction including the lease back transaction.

On 22nd September 2004, Hawklane exercised the call on the property. The Company was in negotiations to increase its debt facilities to fund working capital and capital expenditure requirements. The lenders as part of their review of this request undertook appraisals of all of the Company's properties and Phase I environmental reviews. A \$5 million term debt facility was approved and the loan was affected on October 31, 2004. In January 2005, the Company amended the operating credit agreement to include an additional \$5 million working capital line secured on the Company's assets and by a first charge on this property.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See Item 18.

B. Significant Changes

None.

Legal Proceedings

The Company is, from time to time, engaged in litigation with respect to various matters in the ordinary course of business. As at October 31, 2004 the largest matter among these claims is a claim from an injured worker in the US. The Company's insurer is responding to this claim. Management believes that none of the claims being made against the Company, either individually or in the aggregate, will result in a material impact upon the financial position of the Company.

ITEM 9. THE OFFER AND LISTING

The Company's Common Shares are traded on the Toronto Stock Exchange and The American Stock Exchange. The following details (i) for the five most recent full financial years: the high and low market prices; (ii) for the two most recent full financial years: the high and low market prices for each full financial quarter; and (iii) for the most recent six months: the high and low market prices for each month. The prices listed for the Toronto Stock Exchange are listed in Canadian Dollars. The Common Stock was listed on the American Exchange on October 21, 1999.

<TABLE>
<CAPTION>

		Toronto Stock Exchange CDN		American Stock Exchange USD	
		High	Low	High	Low
Annual Information					
<S>	<C>	<C>	<C>	<C>	<C>
	2000	7.00	3.50	5.00	2.25
	2001	6.25	3.25	3.90	2.19
	2002	9.66	3.65	6.25	2.26
	2003	14.26	7.50	10.64	4.86
	2004	15.10	9.95	11.42	7.50
Quarterly Information					
	January 31 2003	10.35	7.50	6.80	4.86
	April 30 2003	10.20	9.45	7.00	6.26
	July 31 2003	13.75	9.25	9.98	6.25
	October 31 2003	14.26	12.45	10.64	8.80
	January 31 2004	15.00	12.80	11.42	9.70
	April 30 2004	15.10	13.45	11.39	10.25
	July 31 2004	14.37	11.65	10.65	8.72
	October 31 2004	12.25	9.95	9.25	7.50
Monthly Information					
	October 31 2004	10.50	10.00	8.40	7.85
	November 30 2004	11.50	10.10	9.50	8.54
	December 31 2004	11.55	10.50	9.60	8.52
	January 31 2005	10.94	10.57	8.98	8.41
	February 29 2005	10.72	10.60	8.75	8.50
	March 31 2005	10.85	9.00	8.85	7.49

</TABLE>

Except where noted, the above quotations represent prices between dealers, do not include retail markups, markdowns or commissions and may not represent actual transactions.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and articles of association

Reference is made to Exhibit 3.1 to the Registration on Form 10 filed with the Securities and Exchange Commission on November 18, 1997.

C. Material Contracts

On May 8th, 2003, the Company acquired certain assets from Jacuzzi Inc. and Jacuzzi Leisure Products Inc. at a purchase cost of \$40.2 million. The results of operation have been consolidated from the date of acquisition. The purchase price cost was allocated to the fair value of the net assets acquired. The final purchase cost was financed through cash and the issuance of a \$5.0 million six-year 6% note to the seller, convertible into 598,802 shares of PPK's stock at a price per share of \$8.35 US. The note is convertible at the option of holder any time after March 31st, 2004. The note can be settled, at the option of the Company, after March 31, 2006 through payment of cash or issuance of 598,802 fully paid and non-assessable Series A preference shares.

During the year the Company amended its loan agreement with its lenders to allow for an additional term loan advance of \$5 million. The additional term loan has matures in October 2011 and has the same terms and conditions as the existing term loan.

The Company is party to a Put/Call agreement (See Item 7B Related Party Transactions) that requires it to sell a property that it currently owns and enter into a 10 year lease.

Certain of the loans disclosed in Note 9 of the audited financial statements are supported by the Company's bank letter of credit. The line of credit and the loan agreements are secured by substantially all the assets of the Company and contain various restrictive covenants relating to, among other things, minimum levels of tangible net worth and net income, limitations of indebtedness and building and equipment purchases, and various other items.

D. Exchange Controls

Not applicable.

E. Taxation

The following is a general discussion of the income tax aspects under Canadian law relating to ownership of the Company's Common Shares. These income tax aspects will vary according to the circumstances of each shareholder, including his place of residence and the place in which he carries on business or has a permanent establishment, as the case may be, so that a shareholder must investigate the tax consequences of his personal situation by obtaining advice from his own tax advisor. This summary does not consider U.S. federal or state income tax provisions or Canadian Provincial income tax provisions, which may be at variance with the provisions contained in the Income Tax Act (Canada) and is not intended to be, nor should it be construed as, legal or tax advice. Dividends paid to a non-resident of Canada, including distributions or redemptions which are treated as dividends and certain stock dividends, are subject to Canadian withholding tax at the rate of 25%, unless reduced under an applicable treaty. Under the Canada-United States Income Tax Convention (the "Convention") the rate is generally reduced to 15%. The Canadian non-resident withholding tax would be withheld by the Company who would remit only the net amount to the shareholder. The non-resident may be entitled to claim a foreign tax credit in respect of the Canadian tax withheld.

Stock dividends received by non-residents from the Company would be subject to Canadian non-resident withholding tax as noted above, to the extent that the paid-up capital of the Company has been increased as a result of the stock dividend received by them.

Gains derived from the sale of Class B Preference Shares of the Company will be subject to Canadian tax, unless the provision of an applicable treaty apply.

Gains from the sale of Common Shares of the Company by a non-resident of Canada will not be subject to Canadian tax provided the shareholder has not held a "substantial interest" in the Company at any time in the sixty month period preceding the date of disposition. A person is considered to have a "substantial interest" if that person either alone or together with persons with whom the taxpayer did not deal at arm's length owned 25% or more of the issued shares of any class of Company stock.

By virtue of Article XIII of the Convention, shareholders who are resident in the United States and hold a substantial interest in the Company's Common Shares or Class B Preference Shares will generally not be subject to Canadian tax on gain from sale of the shares of the Company, provided that the value of the shares is not derived principally from real property situated in Canada.

F. Dividends and paying agents

Not applicable.

G. Statement by experts

Not applicable.

H. Documents on Display

Upon prior reasonable written request, documents concerning the Company which are referred to herein may be inspected at the Company's offices at 330 Humberline Drive Toronto, Ontario M9W 1R5.

I. Subsidiary information

See Item 4C Organization Structure.

ITEM 11. QUANTITATIVE and QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The table below provides information about the Company's debt obligations that are sensitive to changes in interest rates. The table below presents principal cash flows and related weighted average interest rates by expected maturity dates. The instrument's actual cash flows are denominated in both U.S. dollars (USD) and Canadian dollars (CAD), as indicated in parenthesis:

<TABLE>
<CAPTION>
(in 000's USD)

<S>	Expected Maturity Date					Total
	2005	2006	2007	2008	2009	
	<C>	<C>	<C>	<C>	<C>	<C>
					Thereafter	

Fixed Rate (USD)	\$2,470	\$343	\$164	\$ -	\$ -	\$ -	\$2,977
Average Interest Rate	5.4%	3.0%	3.0%	0.0%	0.0%	0.0%	
Fixed Rate (CAD)	\$825	\$886	\$951	\$979	\$ 391	\$ -	\$4,032
Average Interest Rate	7.1%	7.1%	7.1%	7.1%	7.2%	0.0%	
Variable Rate (USD)	\$2,296	\$2,257	\$2,096	\$1,367	\$1,379	\$5,599	\$14,994
Average Interest Rate	4.7%	4.6%	4.5%	4.4%	4.3%	4.1%	
Variable Rate (CAD)	\$302	\$302	\$302	\$302	\$302	\$ 609	\$ 2,119
Average Interest Rate	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	

</TABLE>

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. At the period end of this Annual Report on Form 20-F, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded, as of the end of the fiscal year covered by this report, that:

The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified.

That Company's disclosure controls and procedures are effective to ensure that such information is accumulated and communicated to the Company's management, and made known to the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decision regarding the required disclosure.

There have been no changes in the Company's internal controls over financial reporting that have materially affected, or is reasonably likely to materially affect the Company's internal controls over financial reporting during the period covered by the Annual Report.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that the Company has at least one financial expert, Jon Burgman, serving on the audit committee.

Relevant Education and Experience

Each member of the Audit Committee is financially literate, in that they have the ability to read and understand financial statements of the breadth and complexity as those of the Company. Collectively, the Audit Committee has the education and business experience to fulfill the responsibilities outlined in the attached Audit Committee Charter. The education and current and past experience that is relevant to the performance of his or her responsibilities as an Audit Committee member is summarized below:

Name and professional Designation	Relevant experience
Jon Burgman	Chairman Practiced as a CPA in Illinois until 1976, other Relevant positions include CFO of Culligan International and the assumption of various interim CFO roles with Tatum CFO Partners.
Sidney Greenberg	Previously position as Chief Operating Officer of Astral Home Entertainment and current experience as

Vice President of Astral Media Inc.

Sol Nayman

Previous experience as Vice President and Chief Operating Officer of Club Monaco Inc. and current experience as a consultant with S.D Nayman Management Inc.

ITEM 16B. CODE OF ETHICS

The Company has historically operated under informal ethical guidelines, under which the Company's principal executive, financial, and accounting officers, are held accountable. In accordance with these guidelines, the Company has always promoted honest, ethical and lawful conduct throughout the organization. The Company is presently working to formalize its guidelines into a written Code of Ethics, which it expects to be publicly available in late 2005.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees for professional services provided by KPMG, the Company's independent auditors in each of the last two fiscal periods in each of the following categories are:

External auditor services	Fiscal 2004 Fees	Fiscal 2003 Fees
Audit Fee	\$ 277,200	\$ 129,000
Tax Fee	42,300	36,000
All other fees	22,500	136,500
Total	\$ 342,000	\$ 301,500

Item 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

<TABLE>
<CAPTION>

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Units)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
<S>	<C>	<C>	<C>	<C>
November 2002	120,000	\$5.35	749,700	-0-
11/01/2002	-	-		
11/30/2002				
Total	120,000	\$5.35	749,700	

</TABLE>

The Issuer Bid described above commenced on December 20, 2002 and expired on October 31, 2003. The maximum number of shares authorized pursuant to the Issuer Bid was 305,165.

PART III

ITEM 17. FINANCIAL STATEMENTS

Under Canadian GAAP, the Company recorded the present value of the principal amount of the convertible debt as an equity and recorded accretion charges to retained earnings (Note 4 of the Consolidated Financial Statements). Under U.S. GAAP, the convertible debt should be recorded in its entirety as a long-term liability with all related interest charges and foreign exchange gains/losses, net of tax, recorded in the income statement. In addition, under U.S. GAAP, the holder's conversion option would be considered an embedded derivative, and would be fair valued at the end of each period, with changes in the fair value being recorded as a charge/(credit) to income.

In 2003, the Company did not reflect the foreign exchange gains related to the convertible note, nor did the Company record the change in fair value of the holder's option. As a result, the Company has retroactively decreased reported United States GAAP income for the year ended October 31, 2003 by \$627,000. This restatement has no impact on the Company's financial results and financial position as measured under Canadian GAAP and has no impact on the cash position

of the Company. This restatement has no impact on the Company's financial results and financial position as measured under Canadian GAAP and has no impact on the cash position of the Company.

The financial statements included herein are the following:

Audited Consolidated Financial Statements as at October 31, 2004.

ITEM 18. FINANCIAL STATEMENTS

The Company has elected to provide Financial Statements pursuant to Item 17.

ITEM 19. FINANCIAL STATEMENTS AND EXHIBITS

(a) Reference is made to the "Index to Financial Statements and Supplemental Information set forth on page __ of this Annual Report.

(b)

(b) Exhibits:

- 4.1 ASSET PURCHASE AGREEMENT BY AND AMONG JACUZZI INC. JACUZZI LEISURE PRODUCTS INC. AND POLYAIR INTER PACK INC. MADE AS OF March 29, 2003
- 4.2 PUT/CALL AGREEMENT BETWEEN FAIRCOVE INVESTMENTS INC., and HAWKLANE DEVELOPMENTS INC., MADE THE 24TH DAY OF MARCH, 2004
- 4.3 FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT BY AND AMONG LASALLE BUSINESS CREDIT, CANTAR/POLYAIR CANADA LIMITED, AN ONTARIO CORPORATION AND CANTAR POOL PRODUCTS LIMITED, DATED AS OF FEBRUARY 1, 2005
- 4.4 SECOND AMENDMENT TO JUNIOR OPEN-END REAL PROPERTY MORTGAGE, SECURITY AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS BY PERFORMA CORP., AND LASALLE BUSINESS CREDIT, LLC, MADE AS OF OCTOBER 31, 2004
- 4.5 SECOND AMENDMENT TO JUNIOR LEASEHOLD MORTGAGE, SECURITY AGREEMENT AND FIXTURE FILING BY MABEX UNIVERSAL CORPORATION, AND LASALLE BUSINESS CREDIT, LLC, EFFECTIVE AS OF OCTOBER 31, 2004,
- 12.1 CERTIFICATION OF CHIEF EXECUTIVE OFFICER UNDER SECTION 302 OF THE SARBANE OXLEY ACT.
- 12.2 CERTIFICATION OF CHIEF FINANCIAL OFFICER UNDER SECTION 302 OF THE SARBANE OXLEY ACT.
- 13.1 CERTIFICATION OF CHIEF EXECUTIVE OFFICER UNDER SECTION 906 OF THE SARBANES-OXLEY ACT.
- 13.2 CERTIFICATION OF FINANCIAL OFFICER UNDER SECTION 906 OF THE SARBANES-OXLEY ACT.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Consolidated Financial Statements of the Company

Auditors' Report.....	
Consolidated Balance Sheet as at October 31, 2004 and 2003.....	
Consolidated Statement of Income and Retained Earnings for the Years ended October 31, 2004, 2003 and 2002.....	
Consolidated Statement of Cash Flows for the Years ended October 31, 2004, 2003 and 2002.....	
Notes to Consolidated Financial Statements.....	

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

POLYAIR INTER PACK INC.

/s/ VICTOR D'SOUZA

Victor D'Souza, Chief Financial Officer

Dated: May 2, 2005

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Polyair Inter Pack Inc. ("Polyair") and all the information in the Management Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements include certain amounts that are based on the best estimates and judgements of management, and in their opinion present fairly, in all material respects, Polyair's financial position, results of operations and cash flows. Management has prepared the financial information presented elsewhere in the Management Discussion and Analysis and has ensured that it is consistent with the financial statements.

Management of Polyair, in furtherance of the integrity of the financial statements, has developed and maintains a system of internal controls. Management believes the internal controls provide reasonable assurance that transactions are properly authorized and recorded, financial records are reliable and form a proper basis for the preparation of financial statements and that Polyair's assets are properly accounted for and safeguarded.

The Board of Directors is responsible for overseeing Management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through the Audit Committee.

The Audit Committee is appointed by the Board of Directors and its members are outside, unrelated directors. The Audit Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is properly discharging its responsibilities, and to review the Management Discussion and Analysis, the financial statements and the external auditor's report. The Audit Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. KPMG LLP has full and free access to the Audit Committee.

Henry Schnurbach

President and Chief Executive Officer

Victor D'Souza

Chief Financial Officer

AUDITORS' REPORT

To the Board of Directors

We have audited the consolidated balance sheets of Polyair Inter Pack Inc. as at October 31, 2004 and 2003 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three-year period ended October 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2004 and 2003 and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 2004 in accordance with Canadian generally accepted accounting principles.

Canadian generally accepted accounting principles vary in certain significant respect from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 22 to the consolidated financial statements.

As discussed in note 22, the Company restated the reconciliation of U.S. to Canadian GAAP for the year ended October 31, 2003.

/s/KPMG LLP
Chartered Accountants

Toronto, Canada

January 11, 2005, except
as to note 22 which
is at April 28, 2005

POLYAIR INTER PACK INC.
Consolidated Balance Sheets
(In thousands of U.S. dollars)
October 31
<TABLE>
<CAPTION>

	2004	2003
<S>	<C>	<C>
Assets		
Current assets:		
Cash	\$ 2,286	\$ 888
Net accounts receivables	25,063	24,006
Due from joint venture (note 18)	711	826
Inventory (note 5)	42,177	30,022
Prepaid expenses and other	2,649	2,175
Income taxes receivable	2,204	111
Future income tax (note 12)	1,576	1,492

Property, plant and equipment, net (note 6)	76,666	59,520
Future income tax (note 12)	42,696	37,790
Intangible and other assets, net (note 7)	1,280	1,369
	1,529	1,862
	\$ 122,171	\$100,541
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 8)	\$ 18,673	\$13,130
Accounts payable and accrued liabilities	35,146	25,793
Income taxes payable	936	2,009
Future income tax (note 12)	-	62
Current portion of long-term debt (note 9)	5,893	4,191
	60,648	45,185
Long-term debt (note 9)	18,232	15,348
Other long-term liabilities (note 3)	-	1,324
Convertible note (note 4)	1,082	1,229
Future income tax (note 12)	4,854	3,633
Non-controlling interest	(102)	(67)
Shareholders' equity:		
Convertible note (note 4)	4,081	3,938
Capital stock (note 10)	11,513	9,938
Contributed surplus	83	-
Retained earnings	18,648	18,869
Cumulative translation account	3,132	1,144
	37,457	33,889
Commitments and contingencies (notes 13 and 15)		
	\$ 122,171	\$100,541

</TABLE>

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

On behalf of the Board:

Fred A. Litwin
Chairman of the Board

Henry Schnurbach
Director & CEO

POLYAIR INTER PACK INC.
Consolidated Statements of Income and Retained Earnings
(In thousands of U.S. dollars, except per share amounts)

<TABLE>
<CAPTION>

Years ended October 31

	2004	2003	2002
<S>	<C>	<C>	<C>
Sales	\$ 191,656	\$ 142,776	\$ 119,510
Cost of sales	159,767	110,032	91,158
Gross profit	31,889	32,744	28,352
Selling, general and administrative expenses	30,832	23,434	19,078
Net interest expense and other (notes 6 and 20)	2,101	1,595	1,704
(Loss) income before income taxes	(1,044)	7,715	7,570
Income taxes (recovery) (note 12):			
Current	(1,435)	2,356	3,631
Future	1,396	629	(510)
	(39)	2,985	3,121
Net (loss) income before extraordinary gain	(1,005)	4,730	4,449
Extraordinary gain, net of taxes (note 19)	948		
Net (loss) income	\$ (57)	\$ 4,730	\$ 4,449

Retained earnings, beginning of year	\$	18,869	\$	14,614	\$	10,191
Premium on common shares purchased for cancellation (note 10)		--		(372)		(26)
Convertible note charge (note 4)		(164)		(103)		--

Retained earnings, end of year	\$	18,648	\$	18,869	\$	14,614
=====						
Net (loss) income before extraordinary gain per share (note 11)						
Basic	\$	(0.19)	\$	0.76	\$	0.72
Diluted	\$	(0.19)	\$	0.66	\$	0.71

Net (loss) income per share (note 11)						
Basic	\$	(0.04)	\$	0.76	\$	0.72
Diluted	\$	(0.04)	\$	0.66	\$	0.71

Weighted average number of shares outstanding (note 11)						
Basic		6,130,264		6,113,022		6,206,311
Diluted		6,924,460		7,052,477		6,288,459
=====						

</TABLE>

The accompanying notes are an intergral part of these consolidated financial statements.

POLYAIR INTER PACK INC.
Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)

<TABLE>
<CAPTION>
Years ended October 31

	2004	2003	2002
	<C>	<C>	<C>
<S>			
Operating activities:			
Net (loss) income	\$ (57)	\$ 4,730	\$ 4,449
Items which do not involve cash:			
Depreciation and amortization	7,231	5,925	5,995
Gain on sale of equipment	(616)	-	-
Extraordinary items	(948)	-	-
Stock based compensation	83	-	-
Future income taxes	1,396	629	(510)
Non-controlling interest	(35)	(6)	(13)
	7,054	11,278	9,921
Change in non-cash operating working capital:			
Accounts receivable	(256)	25,647	354
Inventory	(9,504)	(2,857)	2,955
Prepaid expenses and other	(343)	(1,086)	168
Accounts payable and accrual liabilities	8,523	(708)	289
Income taxes payable/receivable	(3,023)	(1,154)	3,140
	2,451	31,120	16,827
Investing activities			
Purchase and deposits on building and equipment	(10,064)	(8,946)	(5,218)
Proceeds from sale of equipment	616	-	-
Acquisitions (note 3)	-	(32,122)	-
Due to (from) joint venture	168	(411)	(313)
Other	(241)	(272)	(474)
	(9,521)	(41,751)	(6,005)
Financing activities:			
Increase in long-term debt	8,620	585	18,373
Repayment of long-term debt	(4,521)	(3,285)	(17,346)
Increase (decrease) in bank indebtedness	4,269	12,550	(9,710)
Common shares repurchased	-	(559)	(63)
Stock options exercised	1,585	104	125
	9,953	9,395	(8,621)

Effect of currency translation on cash balances	(1,485)	(874)	(100)
Increase (decrease) in cash	1,398	(2,110)	2,101
Cash, beginning of year	888	2,998	897
Cash, end of year	\$ 2,286	\$ 888	\$ 2,998

Supplemental cash flow information:

Interest paid	\$ 2,581	\$ 1,428	\$ 1,480
Net income taxes paid	\$ 1,334	\$ 4,275	\$ 618

Non-cash transactions:

Non-cash consideration paid on acquisition (note 3)	\$ -	\$ 6,814	\$ -
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</TABLE>

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

POLYAIR INTER PACK INC.

Notes to Consolidated Financial Statements

(In thousands of U.S. dollars, except per share amounts and except where noted)

October 31, 2004, 2003 and 2002

1. Nature of the business:

Polyair Inter Pack Inc. (the "Company" or "Polyair") is a public company whose shares are traded on the Toronto and American Stock Exchanges. The Company manufactures and markets packaging and pool products.

2. Significant accounting policies:

The consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada.

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and those of its subsidiaries. Intercompany transactions and balances are eliminated on consolidation. The results of operations of subsidiaries acquired during the year are included from the respective date of acquisition. The accounts also include the Company's proportionate share of assets and liabilities of PXL Cross Linked Foam Corporation (50.1% owned) (note 18).

(b) Reporting currency and foreign currency translation:

The Company's reporting currency is the U.S. dollar. The US dollar is the functional currency of the Company's United States operations. The Canadian dollar is the functional currency of the Company's Canadian operations.

Monetary items denominated in foreign currencies, such as cash and accounts receivable, are translated into the functional currency of the respective operations at exchange rates in effect at the balance sheet dates. Non-monetary items denominated in foreign currencies, such as property, plant and equipment and long-term debt, are translated at rates of exchange in effect when the assets are acquired or obligations incurred. Revenue and expenses in foreign currencies are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses arising from such translations are included in income.

The Company's Canadian operations are then translated into US dollars using the current rate method. Under this method, all assets and liabilities are translated at the year-end rate of exchange and all revenues and expense items are translated at the average rate of exchange for the year. Exchange rate differences arising on this translation are deferred as a separate component of shareholders' equity.

2. Significant accounting policies (continued)

(c) Revenue recognition:

Revenue from product sales is recognized when product is shipped to the customer, the customer takes ownership and assumes risk of loss, and collection of the relevant receivable is reasonably assured. Customer returns are recorded as an adjustment to sales. The Company estimates and accrues its customer returns based on historical trends and known return goods authorizations.

(d) Inventory:

Raw materials are stated at the lower of cost and replacement cost. Finished goods are stated at the lower of cost, determined by the first-in, first-out method, and net realizable value.

(e) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Depreciation is recorded once assets are in use and is calculated using the straight-line method at annual rates designed to amortize the cost over their estimated useful lives as follows:

Building	2-1/2%
Machinery, equipment, furniture and fixtures	10% - 50%
Computer equipment	33%
Leasehold improvements	Over term of lease plus first renewal term

(f) Intangible and other assets:

Patent, trademarks and license agreement are stated at cost, net of accumulated amortization. Amortization is provided over the useful lives (11 years) of the intangible assets using the straight-line method.

Subsequent to October 2001, goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. When the carrying amount of the goodwill (allocated to reporting units) exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statements of income and retained earnings.

Deferred financing costs are amortized over the term of the related financing and will become fully amortized in fiscal 2005.

2. Significant accounting policies (continued):

(g) Financial instruments:

The Company, in the normal course of business, periodically enters into future foreign currency exchange contracts, to manage foreign currency exposures. Gains and losses on the maturity of the Company's forward contracts, which were designated as hedges of anticipated future purchases or sales, are recorded as an adjustment to the related purchase or sale.

(h) Income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying value and tax basis of assets and liabilities.

Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that the rate changes.

(i) Stock-based compensation plan:

The Company has a stock-based compensation plan, which is described in note 10.

Effective November 1, 2002, the Company adopted recommendations of The Canadian Institute of Chartered Accountants with respect to the accounting for stock-based compensation and other stock-based payments, using the fair value-based method. Under the fair value method, compensation costs attributable to awards to Company employees are measured at fair value at the date of the grant, amortized over the vesting period on a straight-line basis, and charged to earnings with a related credit to Contributed Surplus. Consideration paid by employees on exercise of stock options is recorded as share capital. These recommendations were applied to all stock-based payments granted on or after November 1, 2002.

(j) (Loss) income per share:

Basic (loss) income per share is computed using the weighted average number of common shares outstanding during the year. Diluted (loss) income per share is computed using the weighted average number of common and potential common shares outstanding during the year. Potential common shares consist of the incremental number of common shares issuable upon the exercise of stock options and the conversion of convertible note.

2. Significant accounting policies (continued):

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year.

The Company maintains a provision for obsolete inventory. In evaluating the adequacy of the Company's provision for inventory obsolescence a number of factors are considered including level of inventory in relationship to historical and forecasted sales, changes in customer preferences and new product offerings. The Company's provision for inventory obsolescence may require adjustment as these factors change.

The Company establishes a warranty provision based on claims it has had on a historical basis. In the pool division, the company does not have a long experience with warranty claims for the Atlantic/Jacuzzi products as they were acquired in 2003. The warranty provision related to these products was therefore established based on 2003-4 experience and an analysis of individual product warranties. As a result, actual warranty claims may differ from the estimated provision.

The Company maintains accounts receivable allowances for estimated losses resulting from the inability of its customers to make payments. It performs periodic credit evaluations of its customers and with the exception of the pool division's export sales, it typically does not require collateral or credit insurance. The Company's estimate of the allowance for doubtful accounts may prove insufficient if a greater than expected number of customers are delinquent in their payments.

(l) Recently issued accounting pronouncements: (i) Asset retirement obligations:

In March 2003, the CICA issued Handbook Section 3110, "Asset Retirement Obligations." This Section establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated retirement costs. This Section applies to legal obligations associated with the retirement of a tangible long-lived asset that result from its acquisition, construction, development or normal operation. This guideline is effective for the Company's 2005 fiscal year, with early adoption encouraged. The Company expects that the adoption of this standard will have no material impact on its financial position, results of operations or cash flows.

2. Significant accounting policies (continued): (ii) Consolidation of variable interest entities:

In June 2003, the CICA approved Accounting Guideline No. 15, "Consolidation of Variable Interest Entities," which provides guidance for determining when an enterprise includes the assets, liabilities and results of activities of entities that are subject to control on a basis other than ownership of voting interests (a "variable interest entity"). This guideline is effective for the Company's 2005 second quarter. Early adoption is encouraged. The adoption of this standard will have no material impact on its financial position, results of operations or cash flows.

(iii) Liabilities and equity:

In November 2003, the CICA approved amendments to Handbook Section 3860, "Financial Instruments--Presentation and Disclosure," to require obligations that may be settled, at the issuer's option, by a variable number of the issuer's own equity instruments to be presented as liabilities. Thus, securities issued by an enterprise that give the issuer unrestricted rights to settle the principal amount in cash or in the equivalent value of its own equity instruments will no longer be presented as equity.

The CICA concluded that not all such obligations establish the type of relationship that exists between an entity and its owners, but rather they convey more of a debtor/creditor relationship because they require the issuer to convey a fixed amount of value to the holder that does not vary with changes in the fair value of the issuer's equity instruments. Therefore, these instruments should be presented as liabilities. The standard will be effective for the Company's 2005 fiscal year. The Company expects that the adoption of this standard will have no material impact on its financial position, results of operations or cash flows.

3. Acquisition:

In May 2003, the Company acquired certain swimming pool and pool equipment assets from Jacuzzi Inc. and Jacuzzi Leisure Products Inc. (Atlantic/Jacuzzi acquisition) at a purchase cost of \$40.2 million. The results of operations have been consolidated from the date of acquisition. The acquisition is accounted for by the purchase method.

3. Acquisition (continued):

The purchase cost was allocated to the fair value of the net assets acquired as follows:

Accounts receivable	\$ 33,043
Inventory	14,680
Accounts payable and accrued liabilities	(6,217)
Other long-term liabilities	(1,324)

\$ 40,182

Consideration:

Cash	\$ 32,122
Convertible note (note 4)	5,000
Acquisition accruals	3,246
Due from vendor	(186)

\$ 40,182

4. Convertible note:

As part of the Atlantic/Jacuzzi acquisition noted above (note 3), the Company issued a \$5 million unsecured convertible note, bearing interest of 6% per annum, maturing March 31, 2009. This note is convertible by the holder, at any time after March 31, 2004 (or upon commencement of a take over bid) into 598,802 common shares at a price of \$8.35 per share. The Company may prepay the note, at any time after March 31, 2006 in cash or by issuance of 598,802 Series A preference shares.

As the Company is required to make interest payments in cash while the note is outstanding, the discounted present value of future interest payments to maturity is classified as a liability on the balance sheet.

As the Company has the unrestricted ability to satisfy payment of the principal amount of the note with equity, the discounted present value of the note at maturity has been classified as equity, including \$462 of the proceeds allocated to the value of the note holders' conversion option. An amount representing accretion of the equity carrying value to the face amount of the note over its term to maturity, on an after tax basis, is classified as a reduction of equity and as a prior deduction in calculating earnings per common share.

5. Inventory:

	2004	2003
Raw materials	\$ 29,839	\$ 18,247
Finished goods	12,338	11,775
	\$ 42,177	\$ 30,022

6. Property, plant and equipment:

<TABLE>

<CAPTION>

2004	Cost	Accumulated depreciation	Net book value
<S>	<C>	<C>	<C>
Land	\$ 132	\$ -	\$ 132
Building	8,226	1,407	6,819
Machinery, equipment, furniture & fixtures	56,860	28,836	28,024
Computer equipment	3,033	2,403	630
Leasehold improvements	5,839	2,621	3,218
Construction in progress	3,873	-	3,873
	\$77,963	\$35,267	\$42,696

2003	Cost	Accumulated depreciation	Net book value
Land	\$ 132	\$ -	\$ 132
Building	8,207	1,199	7,008
Machinery, equipment, furniture and fixtures	47,301	22,620	24,681
Computer equipment	2,499	1,653	846
Leasehold improvements	3,071	1,863	1,208
Construction in progress	3,915	-	3,915
	\$65,125	\$27,335	\$37,790

</TABLE>

During 2004, the Company sold the injection moulding equipment of it's Atlantic Pool Products subsidiary and recorded a gain of \$616 (after tax gain of \$370). The gain is included in Net interest expense and other (note 20).

7. Intangible and other assets:

<TABLE>

<CAPTION>

2004	Cost	Accumulated amortization	Net book value
<S>	<C>	<C>	<C>
Patent, trademarks and license agreements	\$ 498	\$ 371	\$ 127
Deferred financing costs	1,696	1,200	\$ 496
Goodwill	1,199	293	\$ 906
	\$ 3,393	\$ 1,864	\$ 1,529

</TABLE>

7. Intangible and other assets (continued):

<TABLE> <CAPTION>			
2003	Cost	Accumulated amortization	Net book value
<S>	<C>	<C>	<C>
Patent, trademarks and license agreements	\$ 573	\$ 340	\$ 233
Deferred financing costs	1,526	642	884
Goodwill	1,017	272	745
	\$ 3,116	\$ 1,254	\$ 1,862

</TABLE>

8. Bank indebtedness:

Bank indebtedness consists of a revolving, working capital credit facility that provides the Company with a maximum of \$60 million for working capital with availability determined periodically based on eligible accounts receivable and inventory. Based on October 31, 2004 balances, the available credit facility is \$35 million, of which the Company has used \$5.6 million to support a letters of credit and has drawn \$18.7 million for operating cash. The unused available credit facility is approximately \$10.7 million. The un-drawn portion of the credit facility is subject to a fee of 0.375% per annum.

The working capital credit facility is secured by substantially all the assets of the Company and contains various restrictive covenants relating to, among other things, minimum levels of tangible net worth, debt service, limitations on additional indebtedness and on capital expenditures.

<TABLE>
<CAPTION>

	2004	2003
<S>	<C>	<C>
US dollar working capital credit facility, interest payable at U.S. prime plus 0.5% or LIBOR plus 2.75% at the option of the company.	\$ 2,591	\$ 6,912
Canadian dollar working capital credit facility, interest payable at Canadian prime plus 0.5%.	16,082	6,218
	\$ 18,673	\$ 13,130

</TABLE>

9. Long-term debt:

<TABLE>
<CAPTION>

	2004	2003
<S>	<C>	<C>
Canadian dollar equipment loans repayable by monthly blended principal and interest payments, bearing interest at rates ranging from 6.95% to 7.65%, maturing at various dates ranging from August 2007 to February 2009.	\$ 4,031	\$ 620
Canadian dollar bank loan repayable by monthly principal payments, bearing interest at Canadian bank prime plus 1%, maturing on October 2011.	2,122	1,685
US dollar equipment loans repayable by monthly blended principal payments, bearing interest at LIBOR. Maturing at various dates ranging from February 2009 to July 2009.	2,558	3,390
US dollar bank loans repayable by monthly principal payments, bearing interest at U.S. prime plus 0.5%, or LIBOR plus 3% at the option of the Company, maturing at various dates ranging from October 2011 to May 2014.	9,801	6,576
US dollar municipal equipment loans repayable by monthly blended principal and interest payments, bearing interest at fixed rate 3%, maturing at various dates ranging from November 2005 to May 2007.	1,055	1,565

US dollar Industrial Revenue Bonds repayable in fixed annual payments, bearing interest at 6.5% per annum, maturing April 1, 2005.	2,000	3,000
US dollar Industrial Revenue Bonds, repayable by quarterly sinking fund installments, bearing interest at a floating rate, based on the rates prevalent for the highest rated short-term, U.S. federal tax-exempt obligations, maturing June 1, 2016.	2,558	2,703

	24,125	19,539
Less: current portion	5,893	4,191

	\$ 18,232	\$ 15,348
=====		

</TABLE>

Aggregate repayments of long-term debt are as follows:

2005	\$ 5,893
2006	3,788
2007	3,514
2008	2,648
2009	2,073
Thereafter	6,209

	\$ 24,125
=====	

The bank loans are secured by substantially all the assets of the Company and contain various restrictive covenants relating to, among other things, minimum levels of tangible net worth, debt service, limitations on additional indebtedness and on capital expenditures. The Industrial Revenue Bonds are secured by specific land and buildings and supported by a letter of credit. Equipment loans are secured by a first charge on specific equipment.

10. Capital stock:

Authorized:

598,802 Series A preference shares,
non-voting, cumulative, bearing dividend at an annual rate of
\$0.501 per share, redeemable and convertible into an equivalent
number of common shares

Unlimited common shares

Issued common shares:

<TABLE>	2004		2003	
<CAPTION>	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
Outstanding, beginning of year	6,126,500	\$ 9,928	6,223,300	\$ 10,021
Shares repurchased for cancellation	-	-	(120,000)	(187)
Options exercised during year	321,850	1,585	23,200	104

Outstanding, end of year	6,448,350	\$11,513	6,126,500	\$ 9,938

</TABLE>

In 2004, the Company did not repurchase any common shares for cancellation. In 2003, 120,000 common shares were repurchased for cancellation pursuant to a Normal Course Issuer bid at an average cost of Cdn. \$8.29 per share. The excess of the purchase cost over the book value of the shares was charged to retained earnings.

Stock options:

All options are set to expire 10 years from the date of grant. The Company has authorized options to purchase 1,141,000 since the inception of the plan and 542,700 remain outstanding (2003 - 868,750) at prices ranging from Cdn. \$6.00 to \$13.44 per share. At year end, the weighted average remaining contractual life of the outstanding options was 3.24 years (2003 - 3.77 years; 2002 - 0.70 years) and 472,594 (2003 - 769,264; 2002 - 658,143) options were exercisable at prices ranging from Cdn. \$6.00 to \$13.44 per share.

Effective November 1, 2002, the Company adopted recommendations of The Canadian Institute of Chartered Accountants with respect to the accounting for stock-based compensation and other stock-based payments, using the fair value-based method. These recommendations were applied to all stock-based payments granted on or after November 1, 2002.

10. Capital stock (continued):

<TABLE>
<CAPTION>

	Options			Average exercised price (\$Cdn.)		
	2004	2003	2002	2004	2003	2002
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding, beginning of year	868,750	837,650	871,200	\$ 6.34	\$ 6.00	\$ 6.00
Granted	-	55,700	16,800	-	11.28	6.34
Exercised	(321,850)	(23,200)	(33,000)	(6.00)	(6.00)	(6.00)
Forfeited	(4,200)	(1,400)	(17,350)	(8.66)	(6.00)	(6.00)
Outstanding, end of year	542,700	868,750	837,650	\$ 6.54	\$ 6.34	\$ 6.00

</TABLE>

The following table summarizes information about stock options outstanding at October 31, 2004:

<TABLE>
<CAPTION>

Exercise prices (\$Cdn.)	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (\$Cdn.)	Number exercisable	Weighted average exercise price (\$Cdn.)
<C>	<C>	<C>	<C>	<C>	<C>
\$6.00	482,800	2.48	\$ 6.00	460,014	\$ 6.00
\$6.82	7,000	7.42	6.82	2,000	6.82
\$9.60	2,800	8.50	9.60	560	9.60
\$10.00	28,700	8.42	10.00	5,740	10.00
\$12.60	1,400	8.83	12.60	280	12.60
\$13.44	20,000	8.75	13.44	4,000	13.44

</TABLE>

<TABLE>
<CAPTION>

Assumptions						
	Expected volatility	Risk-free interest rate	Weighted average fair value	Expected life	Vesting period	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Options granted:						
2004	No options granted					
2003	80%	0.90%	9.17	10	5	

</TABLE>

During the year, the Company, using the assumptions in the table above and the Black-Scholes option-pricing model, recognized stock-based compensation expense

of \$83. This amount was credited to contributed surplus.

11. (Loss) income per share:

The following table sets forth the calculation of basic and diluted income per share:

	2004	2003	2002
Numerator:			
Net (loss) income, before extraordinary gain	\$ (1,005)	\$ 4,730	\$ 4,449
Convertible note charge (note 4)	(164)	(103)	-
Net (loss) income available to common shareholders before extraordinary gain	(1,169)	4,627	4,449
Extraordinary gain, net of tax	948	-	-
Net (loss) income available to common shareholders	\$ (221)	\$ 4,627	\$ 4,449
Denominator:			
Weighted average number of shares outstanding	6,130,264	6,113,022	6,206,311
Effect of dilutive securities:			
Employee stock options	195,394	340,653	82,148
Convertible note	598,802	598,802	-
Weighted average shares - diluted	6,924,460	7,052,477	6,288,459
Net (loss) income per share (based on income before extraordinary gain):			
Basic	\$ (0.19)	\$ 0.76	\$ 0.72
Diluted	\$ (0.19)	\$ 0.66	\$ 0.71
Net (loss) income per share (based on income after extraordinary gain):			
Basic	\$ (0.04)	\$ 0.76	\$ 0.72
Diluted	\$ (0.04)	\$ 0.66	\$ 0.71

12. Income taxes:

	2004	2003	2002
Current income taxes (recovery):			
U.S. federal	\$ (1,465)	\$ 1,330	\$ 2,795
U.S. state	62	243	707
Canada	(32)	783	129
	(1,435)	2,356	3,631
Future income taxes (recovery):			
U.S. federal	1,262	227	(225)
U.S. state	81	43	(56)
Canada	53	359	(229)
	1,396	629	(510)
	\$ (39)	\$ 2,985	\$ 3,121

The Company's income tax expense differs from the amount that would have

resulted by applying Canadian statutory tax rate of approximately 36.1% (2003 - 36.6%; 2001 - 39.0%) to income as described below:

<TABLE>
<CAPTION>

	2004	2003	2002
<S>	<C>	<C>	<C>
Income tax expense (recovery) calculated using statutory tax rates	\$ (377)	\$ 2,824	\$ 2,952
Non-taxable amounts	35	102	106
Manufacturing and processing profits deduction (increase)	15	(90)	5
Foreign earnings subject to different tax rates	198	-	25
Large Corporations Tax	85	77	33
Reduction (increase) in future tax rates	-	(1)	18
Other	5	73	(18)
	\$ (39)	\$ 2,985	\$ 3,121

</TABLE>

12. Income taxes (continued):

A summary of the principal components of future tax assets and liabilities calculated in accordance with Canadian accounting principles at October 31 is as follows:

	2004	2003
Current future tax liabilities:		
Investment tax credits	\$ -	\$ (62)
Non-current future tax liabilities:		
Capital assets	(4,428)	(3,337)
Long-term debt	(426)	(142)
Intangible and other assets	-	(154)
	(4,854)	(3,633)
Current future tax assets:		
Donations	30	11
Inventory	442	215
Accrued liabilities	1,104	1,266
	1,576	1,492
Non-current future tax assets:		
Intangible and other assets	31	-
Non-capital loss carryforwards	519	455
Capital loss carryforwards	26	20
Corporate minimum tax credit	156	148
Other long-term liabilities	-	636
Long-term debt	657	211
	1,389	1,470
Valuation allowance	(109)	(101)
	1,280	1,369
	2,856	2,861
Net future tax liabilities	\$ (1,998)	\$ (834)

The Company has recorded future tax assets of \$2,856 after a valuation allowance of \$109 is taken into consideration. In order to fully realize the future income tax assets, the Company needs to generate future taxable income of approximately \$7,907. Based on projections of future taxable income over the periods in which the future income tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of the future tax assets, net of the

existing valuation allowance.

12. Income taxes (continued):

The Company has capital loss carryforwards of approximately \$54 for which no future tax asset has been recognized. One of the Company's Canadian subsidiaries has non-capital loss carryforwards of \$671, which will expire beginning in 2007. Another of the Company's Canadian subsidiaries has Ontario corporate minimum tax credits of approximately \$90 for which no future tax asset has been recognized.

One of the Company's U.S. subsidiaries has restricted non-capital loss carry forwards of \$848 of which approximately \$106 becomes available to be utilized each year from 2005 to 2012.

13. Commitments:

The Company has office and warehouse facilities under operating leases. Rental expenses for all operating leases for the year totalled \$2,925 (2003 - \$2,335).

Future minimum rental payments to be made for all non-cancellable operating leases are as follows:

2005	\$ 2,907
2006	2,119
2007	1,517
2008	1,210
2009	1,305
Thereafter	5,159
	\$ 14,217

At October 31, 2004, the Company had commitments of \$920 related to the completion of machinery and equipment under construction.

14. Related party transactions:

The Company is party to certain agreements and transactions in the normal course of business with shareholders and companies related by common ownership. The Company leased one of its production facilities from an entity controlled by a director and significant shareholder of the Company for \$137 (2003 - \$247). Effective March 23, 2004, the Company terminated the lease, which had 2 years remaining, and agreed to pay a termination fee of \$182 in consideration. The related party sold the building and the Company entered into a 2-year lease with the new owner. The termination fee was charged to cost of sales. These transactions were measured at the amount agreed to by the parties.

14. Related party transactions (continued):

Professional consulting fees of \$155 (2003 - \$210) were paid or accrued to a company in which one of the directors has an equity interest. This transaction was measured at the amount agreed to by the parties. Under this agreement, the Company is committed to pay an annual management fee of \$155 until July 1, 2008.

Effective April 28, 2004 the Company entered into a put/call agreement with an entity controlled by a director and significant shareholder of the Company ("the purchaser"). Under the terms of the agreement, at any time on or before March 27, 2005, the purchaser may require the Company to sell a property that has industrial contamination to the purchaser or the Company may require the purchaser to buy the property for a price of Cdn. \$3 million (US \$2.5 million) less a minimum credit of US \$0.3 million as compensation for the purchaser assuming any and all

environmental contamination remediation obligations. The purchase price will be paid in cash on closing subject to a 5 year, non-interest bearing vendor take-back mortgage of Cdn. \$0.5 million (US \$0.4 million), of which the principal amount may be reduced by any amount spent on environmental remediation of the property in excess of U.S. \$0.3 million. In addition, upon execution of the put/call agreement, the Company is committed to enter into a leaseback transaction with the related party purchaser, whereby the Company will lease the property for an initial term of 10 years with a 5-year renewal option, which can be exercised by either party. An independent committee of the board of directors approved this transaction and conveyance of the property is subject to the approval of the Company's operating lenders.

In September 2004, the purchaser of the property exercised the call on the property. As of the date of the release of these financial statements, the lenders have not granted approval for the conveyance of the property.

15. Contingencies:

The Company is involved in various legal proceedings normally incident to its business, which, in the opinion of management, will not have a material impact upon the financial position of the Company.

16. Financial instruments:

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, long-term debt, and working capital credit facility. The Company periodically uses derivative financial instruments, including future contracts to manage its foreign currency exposures. At October 31, 2004, the Company had no outstanding commitments.

16. Financial instruments (continued):

The fair values of the Company's financial instruments are as follows:

(a) Short-term financial assets and liabilities:

Short-term financial assets and liabilities are amounts that are expected to be settled within one year. The carrying amounts in the consolidated balance sheets approximate the fair value because of the short-term nature of these instruments.

(b) Long-term debt:

Long-term debt includes term loans and debenture loans that are not expected to be settled within one year. The carrying values of long-term debt approximates fair values as the interest rates charged on this debt approximate market rates for debt with similar terms and conditions.

17. Segmented information:

The Company manufactures and markets packaging and pool products. The Company operates principally in the United States, Canada and Europe.

By geographic region:

<TABLE>
<CAPTION>

	2004	2003	2002
<S>	<C>	<C>	<C>
Sales:			
United States	\$ 137,968	\$ 112,925	\$ 103,340
Canada	40,665	27,077	16,170
Europe	13,023	2,774	-
	\$ 191,656	\$ 142,776	\$ 119,510
Property, plant and equipment and goodwill:			
United States	\$ 23,345	\$ 24,426	\$ 24,884
Canada	20,257	14,109	9,309
	\$ 43,602	\$ 38,535	\$ 34,193

</TABLE>

17. Segmented information (continued):

By operating segment:

<TABLE>
<CAPTION>

	2004	2003	2002
<S>	<C>	<C>	<C>
Sales			
Packaging products	\$ 104,586	\$ 89,540	\$ 85,324
Pool products	87,070	53,236	34,186
	\$ 191,656	\$ 142,776	\$ 119,510

In 2004, pool segment sales include sales of \$18,900 to one customer. These sales accounted for 21.7% of the pool segment revenues.

Depreciation and amortization			
Packaging products	\$ 5,948	\$ 4,772	\$ 4,954
Pool products	1,283	1,153	1,041
	\$ 7,231	\$ 5,925	\$ 5,995

Income before net interest expense and other, and income taxes			
Packaging products	\$ 6,166	\$ 7,501	\$ 6,894
Pool products	(5,109)	1,809	2,380
	\$ 1,057	\$ 9,310	\$ 9,274

Non-recurring gains (net of tax)			
Packaging products	\$ -	\$ -	\$ -
Pool products	1,318	-	-
	\$ 1,318	\$ -	\$ -

	2004	2003	2002
Total assets:			
Packaging products	\$ 67,090	\$ 57,855	\$ 50,255
Pool products	55,081	42,686	17,105
	\$ 122,171	\$ 100,541	\$ 67,360

Capital expenditures:			
Packaging products	\$ 6,396	\$ 7,293	\$ 4,651
Pool products	3,668	1,653	567
	\$ 10,064	\$ 8,946	\$ 5,218

</TABLE>

18. Interest in joint ventures:

In August 2002, the Company entered into an agreement to establish a joint venture. These consolidated financial statements reflect the Company's proportionate interest in the joint venture's assets and liabilities. During fiscal 2003, the joint venture began producing and selling inventory. In general, liabilities of joint ventures are secured

by pledges of related assets. The joint venture participants may further support these obligations should the realization from joint venture assets not be sufficient. As a participant in the venture, the Company may be liable for other participants' share of liabilities should they not be able to satisfy them, as well as its own share.

The following amounts included in the consolidated financial statements represent the Company's proportionate interest in the joint venture at the end of the year:

	2004	2003
Current assets	\$ 847	\$ 473
Property, plant and equipment and other assets	1,384	1,472
Current liabilities	(939)	(590)
Current portion of long-term debt	(123)	(113)
Long-term debt	(426)	(507)
Net assets	\$ 743	\$ 735
Revenues	\$ 2,111	\$ 480
Expenses	1,991	569
Net income	\$ 120	\$ (89)
Cash flows:		
From operating activities	\$ 374	\$ (269)
From investing activities	(55)	(1,144)
From financing activities	(134)	1,372
Effect on foreign currency translation	11	(5)
Net cash flows	\$ 196	\$ (46)
Due from joint venture	\$ 711	\$ 826

In September 2003, the Company entered into an agreement to establish another joint venture for the development, production and marketing of packaging systems. As at October 31, 2004, the joint venture has incurred \$450 in research costs. The Company expensed its proportionate share of these costs.

19. Extraordinary gain:

The extraordinary gain reflects negative goodwill resulting from the finalization of acquisition contingencies related to the acquisition of the Atlantic/Jacuzzi assets in 2003.

20. Net interest expense and other:

<TABLE>
<CAPTION>

	2004	2003	2002
<S>	<C>	<C>	<C>
Interest expense on long-term debt	\$ 1,153	\$ 1,088	\$ 1,052
Other interest expense, net	1,599	513	665
Non-controlling interest	(35)	(6)	(13)
Gain on sale of equipment (non-recurring)	(616)	-	-
Net interest expense and other	\$ 2,101	\$ 1,595	\$ 1,704

</TABLE>

21. Comparative figures:

The 2003 Consolidated Financial Statements have been reclassified from statements previously presented to conform to the presentation of the 2004 Consolidated Financial Statements.

22. Generally accepted accounting principles in Canada and the United States:

The consolidated financial statements have been prepared in accordance with GAAP in Canada, which differ in certain material respects from the principles and practices that the Company would have followed had its consolidated financial statements been prepared in accordance with accounting principles and practices generally accepted in the United States.

The consolidated balance sheets and statements of income and shareholders' equity presented below include the effect of these principal differences, as described in this note.

22. Generally accepted accounting principles in Canada and the United States (continued):

Balance sheet:

	2004	2003
		(Restated note 22(a))
Current assets	\$ 76,666	\$ 59,520
Long-term assets, net	45,505	41,021
	\$ 122,171	\$ 100,541
Current liabilities	\$ 60,860	\$ 45,302
Long-term obligations and other (a)	27,798	26,008
Equity (a)	33,513	29,231
	\$ 122,171	\$ 100,541

Statement of income and comprehensive income:

<TABLE>
<CAPTION>

	2004	2003	2002
		(Restated note 22(a))	
<S>	<C>	<C>	<C>
Net (loss) income - Canadian GAAP	(57)	\$ 4,730	\$ 4,449
U.S. GAAP adjustments re:			
Convertible note (a)	1,068	(681)	-
Related tax impact (a)	(34)	(12)	-
Net income - U.S. GAAP	977	4,037	4,449
Other comprehensive income:			
Foreign currency translation adjustments (b)	1,647	1,235	78
Comprehensive income	\$ 2,624	\$ 5,272	\$ 4,527

</TABLE>

22. Generally accepted accounting principles in Canada and the United States (continued):

Shareholders' equity:

	2004	2003
		(Restated note 22 (a))
Shareholders' equity based on Canadian GAAP	\$ 37,457	\$ 33,889
Reclassification of convertible note (a)	(4,081)	(3,938)
Impact on retained earnings of the U.S. GAAP adjustments for convertible note (a)	608	(590)
Reclassification of CTA (a)	(471)	(130)
Shareholders' equity based on U.S. GAAP	\$ 33,513	\$ 29,231

(a) Convertible note and cumulative impact:

Under Canadian GAAP, the Company recorded the present value of the principal amount of the convertible debt as equity and recorded accretion charges to retained earnings (note 4). Under U.S. GAAP, the convertible debt should be recorded in its entirety as a long-term liability with all related interest charges and foreign exchange gains/losses, net of tax, recorded in the income statement. In addition, under U.S. GAAP, the holder's conversion option would be considered an embedded derivative, and would be fair valued at the end of each period, with changes in the fair value being recorded as a charge/(credit) to income.

In 2003, the Company did not reflect the foreign exchange gains related to the convertible note, nor did the Company record the change in fair value of the holder's option. As a result, the Company has retroactively decreased reported United States GAAP income for the year ended October 31, 2003 by \$627.

(b) Comprehensive income:

In applying SFAS No. 130, "Reporting Comprehensive Income," comprehensive income would have been arrived at by adjusting net income for the change in the foreign currency translation amount during the year.

22. Generally accepted accounting principles in Canada and the United States (continued):

(c) Stock-based compensation plans:

United States accounting principles allow, but do not require companies to record compensation cost for stock option plans at fair value. Effective November 1, 2002 the Company adopted the fair value method of accounting for stock options issued subsequent to that date. The Company has chosen to continue to account for stock options issued prior to November 1, 2002 using the intrinsic value method as permitted under United States accounting principles. The United States pronouncement does, however, require the disclosure of pro forma income and income per share information as if the Company had accounted for its employee stock options issued prior to November 1, 2002 under the fair value method. Accordingly, the fair value of these options has been estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions:

<TABLE>
<CAPTION>

Assumptions

	Expected volatility	Risk-free interest rate	Weighted average fair value	Expected life	Vesting period
<S>	<C>	<C>	<C>	<C>	<C>
Options granted: 2002	80%	1.70%	3.80	7	5

	2004	2003	2002
			Restated note 22(a)
Net income - U.S. GAAP	\$ 977	\$ 4,037	\$ 4,449
Compensation cost	(161)	(184)	(125)
Pro forma net income - U.S. GAAP	\$ 816	\$ 3,853	\$ 4,324
Income per share - U.S. GAAP			
Basic	\$0.16	\$ 0.66	\$ 0.72
Diluted	0.14	0.57	0.71
Pro forma income per share			
Basic	0.13	0.63	0.70
Diluted	0.12	0.55	0.69

22. Generally accepted accounting principles in Canada and the United States
(continued):

(d) Statement of cash flows:

Under United States GAAP, the subtotal within cash provided by operating activities would not be permitted in the consolidated statements of cash flows.

(e) Interest in joint venture:

Canadian GAAP requires the proportionate consolidation of interests in joint ventures. Proportionate consolidation is not permitted under U.S. GAAP and interests in joint ventures are accounted for on the equity basis. However, as allowed by the Securities and Exchange Commission ("SEC"), reclassification is not required in a SEC filing when specified criteria are met and information disclosed. These criteria have been met and the information is disclosed in note 18.

(f) New United States recent accounting pronouncements:

- (i) In January 2003, FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which is effective for the Company commencing with its 2004 fiscal year.

In December 2003, the FASB issued FIN 46R which superseded FIN 46 and contains numerous exemptions. FIN 46R applies to financial statements of public entities that have or potentially have interests in entities considered special purpose entities for periods ended after December 15, 2003 and otherwise to interests in VIEs for periods ending after March 15, 2004. VIEs are entities that have insufficient equity and/or their equity investors lack one or more specified essential characteristics

of a controlling financial interest. The guideline provides specific guidance for determining when an entity is a VIE and who, if anyone, should consolidate the VIE. The Company was not impacted by these standards.

- (ii) In November 2004, FASB issued SFAS No. 151, "Inventory Costs - An Amendment of Accounting Research Bulletin ("ARB") No. 43, Chapter 4." This statement clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. In addition, the statement also addresses the allocation of fixed overheads to the costs of conversion, and concludes that it should be based on the normal capacity of production facilities. The requirements of SFAS 151 would not have had an impact on the Company's consolidated financial statements as at October 31, 2004.

22. Generally accepted accounting principles in Canada and the United States (continued):

- (iii) In December 2004, FASB issued SFAS No. 153, "Exchanges of Non-Monetary Assets - An Amendment to Accounting Principles Board ("APB") Opinion No. 29". This statement eliminates the exception to fair value for exchanges of similar productive assets and replaces it with a general exception for exchange transactions that do not have commercial substance. That is, transactions that are not expected to result in significant changes in the cash flows of the reporting entity. The requirements of SFAS 153 would not have had an impact on the Company's consolidated financial statements as at October 31, 2004.
- (iv) In December 2004, FASB issued SFAS No. 123 (Revised), "Share-Based Payments". This statement requires an entity to recognize the grant-date fair value of stock options and other equity-based compensation transactions using the intrinsic value method in APB Opinion 25. The requirement is effective for the first interim period commencing after June 15, 2005. The Company is currently assessing the impact of this standard on its financial position.

EXHIBITS

- 4.1 ASSET PURCHASE AGREEMENT BY AND AMONG JACUZZI INC. JACUZZI LEISURE PRODUCTS INC. AND POLYAIR INTER PACK INC. MADE AS OF March 29, 2003
- 4.2 PUT/CALL AGREEMENT BETWEEN FAIRCOVE INVESTMENTS INC., and HAWKLANE DEVELOPMENTS INC., MADE THE 24TH DAY OF MARCH, 2004
- 4.3 FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT BY AND AMONG LASALLE BUSINESS CREDIT, CANTAR/POLYAIR CANADA LIMITED, AN ONTARIO CORPORATION AND CANTAR POOL PRODUCTS LIMITED, DATED AS OF FEBRUARY 1, 2005
- 4.4 SECOND AMENDMENT TO JUNIOR OPEN-END REAL PROPERTY MORTGAGE, SECURITY AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS BY PERFORMA CORP., AND LASALLE BUSINESS CREDIT, LLC, MADE AS OF OCTOBER 31, 2004
- 4.5 SECOND AMENDMENT TO JUNIOR LEASEHOLD MORTGAGE, SECURITY AGREEMENT AND FIXTURE FILING BY MABEX UNIVERSAL CORPORATION, AND LASALLE BUSINESS CREDIT, LLC, EFFECTIVE AS OF OCTOBER 31, 2004,
- 12.1 CERTIFICATION OF CHIEF EXECUTIVE OFFICER UNDER SECTION 302 OF THE SARBANE OXLEY ACT.
- 12.2 CERTIFICATION OF CHIEF FINANCIAL OFFICER UNDER SECTION 302 OF THE SARBANE OXLEY ACT.
- 13.1 CERTIFICATION OF CHIEF EXECUTIVE OFFICER UNDER SECTION 906 OF THE SARBANES-OXLEY ACT.

CERTIFICATION

I, Victor D'Souza, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 20-F of Polyair Inter Pack Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are

reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 2, 2005

By: /s /VICTOR D'SOUZA

Victor D'Souza

Chief Financial Officer

Polyair Inter Pack Inc.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of Polyair Inter Pack Inc. (the "Company") for the year ended October 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Henry Schnurbach, President of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 2, 2005

By: /s/ HENRY SCHNURBACH

Henry Schnurbach

Polyair Inter Pack Inc.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of Polyair Inter Pack Inc. (the "Company") for the year ended October 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Victor D'Souza, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 2, 2005

By: /s/ VICTOR D'SOUZA

Victor D'Souza

Polyair Inter Pack Inc.

CERTIFICATION

I, Henry Schnurbach, President, certify that:

1. I have reviewed this annual report on Form 20-F of Polyair Inter Pack Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are

reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 2, 2005

By: /s /HENRY SCHNURBACH

Henry Schnurbach

President

Polyair Inter Pack Inc.

THIS AGREEMENT made the 24th day of March, 2004.

B E T W E E N:

FAIRCOVE INVESTMENTS INC.,
a corporation incorporated under the
laws of the Province of Ontario,

(hereinafter called the "Vendor")

OF THE FIRST PART;

- and -

HAWKLANE DEVELOPMENTS INC.,
a corporation incorporated under the
laws of the Province of Ontario,

(hereinafter called the "Purchaser")

OF THE SECOND PART;

WHEREAS the Vendor is the registered and beneficial owner of that certain real property municipally known as 330 Humberline Drive, Etobicoke, Ontario (the "Property");

AND WHEREAS the parties hereto have entered into this Agreement for the purpose of providing for the circumstances in which the Vendor or the Purchaser may compel the purchase by the Purchaser and sale by the Vendor of the Property pursuant to the terms and conditions herein contained;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and the mutual covenants herein contained, the parties hereto hereby covenant and agree with each other as follows:

ARTICLE 1: ACKNOWLEDGEMENT

1.01 Acknowledgement. The parties hereto acknowledge and declare that the statements contained in the foregoing recitals are true and correct in substance and in fact and are hereby incorporated into and form part of this Agreement.

ARTICLE 2: TRANSFER RESTRICTIONS

2.01 Restriction on Transfer. The Vendor agrees that it will not in any way

further encumber, sell, agree to sell or otherwise dispose of or agree to dispose of the Property or any interest therein to any third party without giving thirty (30) days prior written notice of its intention to the Purchaser during which time the Purchaser shall be free to exercise its rights under paragraph 3.01 of this Agreement. In the event of sale or disposition by the Vendor to a third party upon notice as aforesaid, such sale may only be completed by the Vendor if the transferee agrees in writing to be bound by the provisions of the Put/Call Agreement herein by executing a counterpart hereof.

ARTICLE 3: PUT/CALL ARRANGEMENTS

3.01 Notice of Purchase and Sale. In the event that either the Vendor or the Purchaser elects, at any time on or before the 24th day of March, 2005, to compel the sale by the Vendor and the purchase by the Purchaser of the Property, then the party so electing shall notify the other party in writing (which notice is hereinafter referred to as a "Notice of Purchase and Sale") and the purchase and sale of the Property shall be completed in accordance with this Agreement.

3.02 Effect of Notice. In the event of delivery of a Notice of Purchase and Sale by either party pursuant to paragraph 3.01,

- (a) the Notice of Purchase and Sale shall not be revocable except with the sanction of both parties; and
- (b) the Vendor shall be bound to sell and the Purchaser shall be obligated to purchase the Property in accordance with the provisions hereof.

3.03 Closing and Default. Any transaction between the Vendor and the Purchaser effected pursuant to the provisions of this Article 3 shall be completed on the 30th day from the date of delivery of the Notice of Purchase and Sale (the "Closing Date"). In the event the applicable Registry Office is not open to public for business the Closing Date shall be the next day that the applicable Registry Office is open to the public or such date as may be mutually agreed to by the Vendor and Purchaser.

3.04 Purchase Price and Terms. The purchase price for the Property and the terms and conditions of the purchase and sale transaction shall be upon the terms and conditions pursuant to the form of purchase and sale agreement annexed hereto as Schedule "A".

3.05 Environmental Remediation. The Purchaser shall be responsible for all environmental remediation obligations upon the Property as required by law from the Closing Date onwards. The Vendor agrees not to perform or cause to be performed any environmental remediation work upon the Property without notice to the Purchaser and the Purchaser having approved of such work, except if such environmental remediation is required by law in which case, the Purchaser's approval shall not be required.

3.06 Costs. Each party hereto shall be responsible for its own legal, accounting and other professional costs in relation to the transaction of purchase and sale herein.

5.06 Headings. The headings of the Articles of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

SIGNED, SEALED AND DELIVERED)	FAIRCOVE INVESTMENTS INC.
in the presence of:)	
)	
)	
)	Per: _____
)	
)	Per: _____
)	
)	HAWKLANE DEVELOPMENTS INC.
)	
)	
)	Per: _____
)	
)	Per: _____
)	

f:\users\marcia\cantar-polyair\faircove\put call agreement cln mar24 04.doc

Schedule "A"

AGREEMENT OF PURCHASE AND SALE

BUYER, HAWKLANE DEVELOPMENTS INC. agrees of purchase from

SELLER, FAIRCOVE INVESTMENTS INC. , the following

REAL PROPERTY:

Address 330 Humberline Drive in the City of Toronto and legally described as Part Lot 38, Concession 4 Fronting the Humber designated as Part 2 on Plan 64R-11839 being P.I.N. 07368-0040 (LT) and further described in the Survey attached hereto as Schedule "C" and subject to the encroachments set forth on the attached survey (the "Property")

PURCHASE PRICE: THREE MILLION Dollars (CDN\$)3,000,000.00

DEPOSIT:

Buyer submits within 5 days of the Notice of Purchase and Sale (as defined in

the agreement that this Schedule "A" is attached to) ONE HUNDRED THOUSAND Dollars (CDN \$100,000.00) by negotiable cheque payable to the Vendor's Solicitor to be held in trust without interest pending completion or other termination of this Agreement and to be credited toward the Purchase Price on completion. Buyer agrees to pay the balance as follows:

See Schedule "A-1"

SCHEDULE(S) "A-1", "B-1", "C-1" and "D-1" attached hereto form(s) part of this Agreement

1. CHATTELS INCLUDED: All Chattels located at the property that are not the property of the tenant
2. FIXTURES EXCLUDED: Those that belong to the tenant
3. RENTAL ITEMS: The following equipment is rented and not included in the Purchase Price. The Buyer agrees to assume the rental contract(s). if assumable: ***
4. COMPLETION DATE: This Agreement shall be completed by no later than 6:00 p.m. on the date that is set forth in the Put/Call agreement to which this schedule is attached. Upon completion, vacant possession of the property shall be given to the Buyer unless otherwise provided for in this Agreement.
5. GST: If this transaction is subject to Goods and Services Tax (G.S.T.), then such tax shall be in addition to the purchase Price. If this transaction is not subject to G.S.T., Seller agrees to certify on or before closing, that the transaction is not subject to G.S.T.
6. TITLE SEARCH: Buyer shall be allowed until 6:00 p.m. on the date that is five days prior to the Closing Date, (Requisition Date) to examine the title to the property at his own expense and until the earlier of: (i) thirty days from the later of the Requisition Date or the date on which the conditions in this Agreement are fulfilled or otherwise waived or; (ii) five days prior to completion, satisfy himself that there are no outstanding work orders or deficiency notices affecting the property, that its present use (industrial) may be lawfully continued and that the principal building may be insured against risk of fire. Seller hereby consents to the municipality or other governmental agencies releasing to Buyer details of all outstanding work orders affecting the property, and Seller agrees to execute and deliver such further authorizations in this regard as Buyer may reasonably require.
7. FUTURE USE: Seller and Buyer agree that there is no representation or warranty of any kind that the future intended use of the property by Buyer is or will be lawful except as may be specifically provided for in this Agreement.

8. TITLE: Provided that the title to the property is good and free from all registered restrictions, charges, liens, and encumbrances except as otherwise specifically provided in this Agreement and save and except for (a) any registered restrictions or covenants that run with the land providing that such are complied with; (b) any registered municipal agreements and registered agreements with publicly regulated utilities providing such have been complied with, or security has been posted to ensure compliance and completion, as evidenced by a letter from the relevant municipality or regulated utility; (c) any minor easements for the supply of domestic utility or telephone services to the property or adjacent properties; (d) any easements for drainage, storm or sanitary sewers public utility lines, telephone lines, cable television lines or other services which do not materially affect the present use of the property; and (e) those items set forth on the parcel page attached hereto as Schedule "B". If within the specified times referred to in paragraph 6 any valid objection to title or to any outstanding work order or deficiency notice, or to the fact the said present use may not lawfully be continued, or that the principal building may not be insured against risk of fire is made in writing to Seller and which Seller is unable or unwilling to remove, remedy or satisfy or obtain Insurance save and except against risk of fire in favour of the Buyer and any mortgagee, (with all related costs at the expense of the Seller). and which Buyer will not waive, this Agreement notwithstanding any intermediate acts or negotiations in respect of such objections, shall be at an end and all monies paid shall be returned without interest or deduction and Seller, listing Broker and Co-operating Broker shall not be liable for any costs or damages. Save as to any valid objection so made by such day and except for any objection going to the root of the title, Buyer shall be conclusively deemed to have accepted Seller's title to the property.
9. CLOSING ARRANGEMENTS: Where each of the Seller and Buyer retain a lawyer to complete the Agreement of Purchase and Sale of the Property, and where the transaction will be completed by electronic registration pursuant to Part III of the Land Registration Reform Act, R.S.O. 1990, Chapter L4 and the Electronic Registration Act, S.O. 1991, Chapter 44, and any amendments thereto, the Seller and Buyer acknowledge and agree that the exchange of closing funds, non-registrable documents and other items (the "Requisite Deliveries") and the release thereof to the Seller and Buyer will (a) not occur at the same time as the registration of the transfer/deed (and any other documents intended to be registered in connection with the completion of this transaction) and (b) be subject to conditions whereby the lawyer(s) receiving any of the Requisite Deliveries will be required to hold same in trust and not release same except in accordance with the terms of a document registration agreement between the said lawyers, the form of which is as recommended from time to time by the Law Society of Upper Canada. Unless otherwise agreed to by the lawyers, such exchange of the Requisite Deliveries will occur in the applicable Land Titles Office or such other location agreeable to both lawyers.
10. DOCUMENTS AND DISCHARGE: Buyer shall not call for the production of any title deed, abstract, survey or other evidence of title to the property

except such as are in the possession or control of Seller. If requested by Buyer, Seller will deliver any sketch or survey of the property within Seller's control to Buyer as soon as possible and prior to the Requisition Date. If a discharge of any Charge/Mortgage held by a corporation incorporated pursuant to the Trust And loan Companies Act (Canada!, Chartered Bank, Trust Company, Credit Union, Caisse Populaire or Insurance Company and which is not to be assumed by Buyer on completion, is not available in registrable form on completion, Buyer agrees to accept Seller's lawyer's personal undertaking to obtain, out of the closing funds, a discharge in registrable form and to register same on title within a reasonable period of time after completion, provided that on or before completion Seller shall provide to Buyer a mortgage statement prepared by the mortgagee setting out the balance required to obtain the discharge, together with a direction executed by Seller directing payment to the mortgagee of the amount required to obtain the discharge out of the balance due on completion.

11. INSPECTION: Buyer acknowledges having had the opportunity to inspect the property and understands that upon acceptance of this Offer there shall be a binding agreement of purchase and sale between Buyer and Seller.
12. INSURANCE: All buildings on the property and all other things being purchased shall be and remain until completion at the risk of Seller. Pending completion, Seller shall hold all insurance policies, if any, and the proceeds thereof in trust for the parties as their interests may appear and in the event of substantial damage, Buyer may either terminate this Agreement and have all monies paid returned without interest or deduction or else take the proceeds of any insurance and complete the purchase. No insurance shall be transferred on completion. If Seller is taking back a Charge/Mortgage, or Buyer is assuming a Charge/Mortgage, Buyer shall supply Seller with reasonable evidence of adequate insurance to protect Seller's or other mortgagee's interest on completion.
13. PLANNING ACT: This Agreement shall be effective to create an interest in the property only if Seller complies with the subdivision control provisions of the Planning Act by completion and Seller covenants to proceed diligently at his expense to obtain any necessary consent by completion.
14. DOCUMENT PREPARATION: The Transfer/Deed shall, save for the land Transfer Tax Affidavit, be prepared in registrable form at the expense of Seller, and any Charge/Mortgage to be given back by the Buyer to Seller at the expense of the Buyer. If requested by Buyer, Seller covenants that the Transfer/Deed to be delivered on completion shall contain the statements contemplated by Section 50(22) of the Planning Act, R.S.O. 1990.
15. RESIDENCY: Buyer shall be credited towards the Purchase Price with the amount, if any, necessary for Buyer to pay to the Minister of National Revenue to satisfy Buyer's liability in respect of tax payable by Seller under the non-residency provisions of the Income Tax Act by reason of this sale. Buyer shall not claim such credit if Seller delivers on completion

the prescribed certificate or a statutory declaration that Seller is not then a non-resident of Canada.

- 16. ADJUSTMENTS: Any rents, mortgage interest, realty taxes including local improvement rates and unmetered public or private utility charges and unmetered cost of fuel, as applicable, shall be apportioned and allowed to the day of completion, the day of completion itself to be apportioned to Buyer.
- 17. TIME LIMITS: Time shall in all respects be of the essence hereof provided that the time for doing or completing of any matter provided for herein may be extended or abridged by an agreement in writing signed by Seller and Buyer or by their respective lawyers who may be specifically authorized in that regard.
- 18. TENDER: Any tender of documents or money hereunder may be made upon Seller or Buyer or their respective lawyers on the day set for completion. Money may be tendered by bank draft or cheque certified by a Chartered Bank, Trust Company, Province of Ontario Savings Office, Credit Union or Caisse Populaire.
- 19. FAMILY LAW ACT: Seller warrants that spousal consent is not necessary to this transaction under the provisions of the Family law Act, R.S.O. 1990 unless Seller's spouse has executed the consent hereinafter provided.
- 20. AGREEMENT IN WRITING: If there is conflict or discrepancy between any provision added to this Agreement (including any Schedule attached hereto) and any provision in the standard pre-set portion hereof, the added provision shall supersede the standard pre-set provision to the extent of such conflict or discrepancy. This Agreement including any Schedule attached hereto, shall constitute the entire Agreement between Buyer and Seller. There is no representation, warranty, collateral agreement or condition, which affects this Agreement other than as expressed herein. For the purposes of this Agreement, Seller means vendor and Buyer means purchaser. This Agreement shall be read with all changes of gender or number required by the context.
- 21. SUCCESSORS AND ASSIGNS: The heirs, executors, administrators, successors and assigns of the undersigned are bound by the terms herein.

DATED at Toronto this day of , 20

SIGNED, SEALED AND DELIVERED in the presence of:

IN WITNESS whereof I have hereunto set my hand and seal:

Date
(Witness)

(Buyer)

(Seal)

Date
(Witness)

(Buyer)

(Seal)

SCHEDULE "A-1"

1. (a) On closing the Buyer agrees to give and the Vendor agrees to take back a first mortgage in the principal amount of FIVE HUNDRED THOUSAND CANADIAN DOLLARS (CDN\$500,000.00) bearing no interest and having a term and balance due date of five (5) years from the closing date and having those additional terms attached hereto on Schedule "D-1" (the "VTB Mortgage"); and
 - (a) The balance of the monies shall be paid in cash and/or by certified cheque subject to the usual and any other adjustments set out herein.
2. Notwithstanding the provisions of section 1 above, the parties hereto agree that the Buyer shall be given a credit in the sum of THREE HUNDRED THOUSAND UNITED STATES DOLLARS (US\$300,000.00) as compensation for the Purchaser assuming any and all environmental contamination remediation obligations that may be required at the subject property. The parties hereto agree that the Canadian and United States dollar exchange rate is to be calculated on the closing date.
3. Completion of this Agreement is conditional for a period of fifteen (15) days following the date of acceptance of this Agreement (the "Conditional Period"), upon the following:
 - (a) Upon the Buyer being able to enter into a lease for the property with Cantar/Polyair Canada Limited and/or Atlantic Pool Products Ltd./Produits De Piscines Atlantic Ltee. upon the following terms:
 - (i) the lease will have a term of ten (10) years, together with a further option in favour of the Tenant or Landlord, to renew same for a further five (5) years;
 - (ii) the lease shall be on a net/net/net carefree basis for the Landlord. Without limiting the generality of the foregoing, the Tenant shall be responsible for all property taxes, maintenance, utilities and all other operational expenses;
 - (iii) the minimum initial rate during the lease term shall be as follows:
 - (1) years 1 - 3: \$2.00 per square foot per annum;
 - (2) years 4 - 5: \$3.25 per square foot per annum;
 - (3) years 6 - 10: the then fair market value rate but in no event not less than \$3.75 per square foot. In the event the parties are unable to agree as to the fair market value,

other party may refer this matter to arbitration pursuant to the Arbitrations Act, R.S.O. or any successor legislation;

(4) the renewal term: fair market value. In the event the parties are unable to agree as to the fair market value, either party may refer this matter to arbitration pursuant to the Arbitrations Act, R.S.O. or any successor legislation.

(b) Upon the Vendor obtaining all requisite consents of ABN AMRO BANK N.V., CANADA BRANCH and LASALLE BUSINESS CREDIT, LLC to this transaction.

In the event any of the conditions set forth in Paragraph 2 of this Schedule "A" are not satisfied on or before the expiration of the Conditional Period then the party having the benefit of such condition may, by written notice given to the other party on or before the expiration of the Conditional Period, terminate this Agreement in which event this agreement shall be at an end and all deposits shall be immediately returned to the Purchaser without deduction. If by 6:00 p.m. (Toronto time) on the expiration of the Conditional Period the party entitled to the benefit of any condition set forth above has not given written notice to the other party that the condition has not been satisfied or waived, such condition shall be deemed for all purposes to have been satisfied or waived:

4. The Buyer acknowledges that it has been given copies of the environmental reports prepared by URS DAMES & MOORE CANADA, dated January 13, 2003 as well as a Limited Phase II report prepared by JFM Environmental (the "Environmental Reports"). Provided the Closing hereunder takes place, the Purchaser does hereby acknowledge, represent and warrant to the Vendor that:

(a) the Purchaser has fully examined and inspected the Property and conducted its own independent investigation of current and past uses of the Property and searches, inspections, investigations and testing for environmental integrity and in respect of all other matters pertaining to the Property;

(b) the Purchaser has accepted and/or is fully satisfied in all respects with the foregoing and with the physical condition, value, financing status and expenses of the Property and compliance of the Property with all applicable law, by-laws and regulations of all municipal and other governmental authorities;

(c) the Property will be purchased and assumed by the Purchaser in their present and "as is" condition and on Closing the Purchaser shall assume responsibility for the physical conditions of the Property and the Vendor shall have no obligations or responsibility for the physical condition of the Property and the Vendor shall have no obligations or responsibility to the Purchaser after Closing with respect to the Property or the condition thereof, including any

environmental liability to the Purchaser relating thereto; and

- (d) the Purchaser has decided to purchase the Property solely on the basis of its own independent judgment, searches, inspections, investigations and testing.

The aforesaid shall survive Closing.

5. With respect to goods and services tax ("GST") payable pursuant to the Excise Tax Act Canada (the "Act") in connection with the transaction contemplated by this Agreement, the parties covenant and agree as follows:

- (a) Subject to clause (b) below, the Purchaser shall pay to the Vendor on Closing by certified cheque all GST payable as a result of this transaction in accordance with the Act, and the Vendor shall remit such GST to the Receiver General for Canada when and to the extent required by the Act;
- (b) Notwithstanding clause (a), the Vendor shall not collect the GST from the Purchaser if the Purchaser on Closing is registered under the Act, and in that event the Purchaser shall file returns and remit such GST to the government when and to the extent required by the Act;
- (c) The Vendor and Purchaser shall each indemnify the other and hold the other harmless from any liability of the other under the Act arising because of breach of the obligations of the Vendor or Purchaser, as the case may be, set out in this Section or arising under the Act, together with all loss, costs and expenses resulting from such breach;
- (d) The Purchaser shall provide the Vendor with a statutory declaration on Closing confirming its GST registration number under the Act; and
- (e) The Vendor's and Purchaser's obligations under this Section 4 shall survive Closing.

6. Any notice, demand, approval, consent, information, agreement, offer, payment, request or other communication (hereinafter referred to as a "Notice") to be given under or in connection with this Agreement shall be in writing and shall be sufficiently given by personal delivery or by facsimile, addressed or sent as set out below or to such other address or facsimile number as may from time to time be the subject of Notice:

(a) Vendor: 258 Attwell Drive
Toronto, Ontario
M9W 5B2

Attention: Mr. Henry Schnurbach
Facsimile: (416) 740-7356

(b) Purchaser: 106 Avenue Road

Toronto, Ontario
M5R 2H3

Attention: President
Facsimile: (416) 920-7851

Any Notice, if personally delivered, shall be deemed to have been validly and effectively given and received on the date of such delivery and if sent by facsimile with confirmation of transmission on a day between the hours of 9:00 a.m. and 6:00 p.m., shall be deemed to have been validly and effectively given and received on the business Day it was sent. Any Facsimile sent after 6:00 p.m. shall be deemed to have been delivered the next day.

SCHEDULE "B-1"

(copy of parcel page)

SCHEDULE "C-1"

(copy of survey)

SCHEDULE "D-1"

(VTB Mortgage Terms)

The Chargor shall have the right to set off from the principal amount outstanding under the VTB Mortgage at any time and from time to time the amount in excess of THREE HUNDRED THOUSAND UNITED STATES DOLLARS (US\$300,000.00) that the Chargor may spend on environmental remediation of the property. The Chargor shall provide to the Chargee with copies of any invoices evidencing the amount of money spent by the Chargor on the environmental remediation of the property together with a statutory declaration of a senior officer of the Chargor attesting as to the amount of monies spent by the Chargor on account of the environmental remediation of the property.

FIFTH AMENDMENT TO
AMENDED AND RESTATED
CREDIT AGREEMENT

This Fifth Amendment to Amended and Restated Credit Agreement (this "Amendment") dated as of February 1, 2005, by and among LaSalle Business Credit, a division of ABN AMRO Bank N.V., Canada Branch (such bank herein referred to as the "Lender"), Cantar/Polyair Canada Limited, an Ontario corporation ("Cantar Canada") and Cantar Pool Products Limited (formerly Atlantic Pool Products Limited), an Ontario corporation (collectively with Cantar Canada the "Borrowers").

Preliminary Statements

The Lender and the Borrowers entered into that certain Amended and Restated Credit Agreement dated as of May 8, 2003 (as amended by the First Amendment to Amended and Restated Credit Agreement dated as of December 15, 2003, by the Second Amendment to Amended and Restated Credit Agreement dated as of July 1, 2004, by the Third Amendment to Amended and Restated Credit Agreement dated as of September 28, 2004 and by the Fourth Amendment to Amended and Restated Credit Agreement dated as of October 31, 2004, collectively, the "Loan Agreement"). Each capitalized term which is used but not defined in this Amendment shall have the meaning set forth in the Loan Agreement.

The Borrowers have requested that the Lender amend the Loan Agreement in certain respects.

The Lender has agreed to such request, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendments to Loan Agreement. Subject to the satisfaction of the conditions set forth herein, the Loan Agreement hereby is amended as follows:

(a) The defined term "Applicable Overadvance Amount" set forth in Section 1 of the Loan Agreement is hereby amended as follows:

"Applicable Overadvance Amount" shall mean, with respect to any Borrower, an amount equal to (x) (i) at any time on or prior to April 30, 2005, Five Million and No/100 U.S. Dollars (U.S.\$5,000,000), or the Canadian Dollar Equivalent Amount, (ii) during the period commencing on May

1, 2005 and ending on May 31, 2005, Four Million Five Hundred Thousand and No/100 U.S. Dollars (U.S.\$4,500,000), or the Canadian Dollar Equivalent Amount, (iii) during the period commencing on June 1, 2005 and ending on June 30, 2005, Three Million Five Hundred Thousand and No/100 U.S. Dollars (U.S.\$3,500,000), or the Canadian Dollar Equivalent Amount, (iv) during the period commencing on July 1, 2005 and ending on July 31, 2005, Two Million Five Hundred Thousand and No/100 U.S. Dollars (U.S.\$2,500,000), or the Canadian Dollar Equivalent Amount, and (v) at any time after July 31, 2005, \$0 minus (y) the sum of the advances with respect to subsections 2(a)(i)(D) and 2(a)(ii)(F) of the U.S. Loan and Security Agreement.

2. Representations and Warranties of The Borrowers. Each of the Borrowers represents and warrants that, as of the date hereof:

(a) Such Borrower has the right and power and is duly authorized to enter into this Amendment;

(b) No Event of Default or an event or condition which upon notice, lapse of time or both will constitute an Event of Default has occurred and is continuing;

(c) The execution, delivery and performance by such Borrower of this Amendment and the other agreements to which such Borrower is a party (i) have been duly authorized by all necessary action on its part; (ii) do not and will not, by the lapse of time, giving of notice or otherwise, violate the provisions of the terms of its Articles or Certificate of Incorporation or By-Laws, or of any mortgage, indenture, security agreement, contract, undertaking or other agreement to which such Borrower is a party, or which purports to be binding on such Borrower or any of its properties; (iii) do not and will not, by lapse of time, the giving of notice or otherwise, contravene any governmental restriction to which such Borrower or any of its properties may be subject; and (iv) do not and will not, except as contemplated in the Loan Agreement, result in the imposition of any lien, charge, security interest or encumbrance upon any of such Borrower's properties under any indenture, mortgage, deed of trust, loan or credit agreement or other agreement or instrument to which such Borrower is a party or which purports to be binding on such Borrower or any of its properties;

(d) No consent, license, registration or approval of any governmental authority, bureau or agency is required in connection with the execution, delivery, performance, validity or enforceability of this Amendment; and

(e) This Amendment has been duly executed and delivered by such Borrower and is enforceable against such Borrower in accordance with its terms.

3. Conditions Precedent. The effectiveness of this Amendment is subject to the following conditions precedent:

(a) The Borrowers and the Guarantors shall have executed and delivered to the Lender this Amendment, the documents listed on Exhibit "A" attached hereto and such other agreements, documents and instruments as the Lender may otherwise reasonably require shall have been executed and delivered to the Lender, all of

which shall be in form and substance satisfactory to the Lender (and LaSalle Business Credit, LLC);

(b) Cantar/Polyair Corporation and the other parties to the U.S. Loan and Security Agreement shall deliver to LaSalle Business Credit, LLC, as agent, an amendment to the U.S. Loan and Security Agreement, in form and substance satisfactory to the Lender and its legal counsel;

(c) Borrowers shall have paid to the Lender an amendment fee of U.S. \$8,478;

(d) All proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be satisfactory to the Lender and its legal counsel; and

(e) The absence of any Event of Default or any event which, if uncured, will become an Event of Default after notice or lapse of time (or both).

4. Fees and Expenses. The Borrowers agree to pay all legal fees and other expenses, whether for in-house or outside counsel, incurred by the Lender in connection with this Amendment, and the documents and registrations listed on Exhibit "A" attached hereto. The Borrowers covenant and undertake to pay in full or to cause Faircove Investments Inc. ("Faircove") to pay in full the cost of the title insurance to be issued in favour of the Bank in connection with the charge/mortgage of land to be delivered by Faircove in favour of the Bank (charging title to the real property municipally known as 330 Humberline Drive, Toronto, Ontario) (the "Humberline Mortgage") within two (2) Business Days after the registration of the Humberline Mortgage.

5. Loan Agreement Remains in Force. Except as specifically amended hereby, all of the terms and conditions of the Loan Agreement shall remain in full force and effect and this Amendment shall not be a waiver of any rights or remedies which the Lender has provided for in the Loan Agreement and all such terms and conditions are herewith ratified, adopted, approved and accepted.

6. No Novation. This Amendment is not intended to nor shall be construed to create a novation or accord and satisfaction with respect to any of the Liabilities.

7. Severability. Any provision of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

8. Ratification. Except as expressly modified hereby and by any other supplemental documents or instruments executed by either party hereto in order to effectuate the transactions contemplated hereby, the provisions of the Loan Agreement and each Other Agreement are ratified and confirmed by the parties hereto and remain in full force and effect in accordance with the terms thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed under seal and delivered by their respective duly authorized officers on the date first written above.

ABN AMRO BANK N.V., CANADA BRANCH

By: _____
Its: _____

By: _____
Its: _____

CANTAR/POLYAIR CANADA LIMITED

By: _____
Its: _____

CANTAR POOL PRODUCTS LIMITED
(formerly known as Atlantic Pool Products Limited)

By: _____
Its: _____

Consented and agreed to by the following guarantors of the Liabilities

CANTAR/POLYAIR CORPORATION

By: _____
Its: _____

MABEX UNIVERSAL CORPORATION

By: _____
Its: _____

PERFORMA CORP.

By: _____
Its: _____

CANTAR POOL PRODUCTS CORPORATION (formerly known as

Atlantic Pool Products Corporation)

By: _____

Its: _____

C/P INTERNATIONAL CORP., INC.

By: _____

Its: _____

CANTAR/POLYAIR INC.

By: _____

Its: _____

FAIRCOVE INVESTMENTS INC.

By: _____

Its: _____

POLYAIR MACHTECH, INC.

By: _____

Its: _____

Exhibit "A"

(attach list of closing documents)

SECOND AMENDMENT TO JUNIOR OPEN-END REAL PROPERTY
MORTGAGE, SECURITY AGREEMENT AND ASSIGNMENT
OF LEASES AND RENTS
(Mahoning County, Ohio)

THIS SECOND AMENDMENT TO JUNIOR OPEN-END REAL PROPERTY MORTGAGE, SECURITY AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS (the "Amendment"), made as of October 31, 2004, is made and executed by PERFORMA CORP., an Ohio corporation ("Mortgagor"), and LASALLE BUSINESS CREDIT, LLC, a Delaware limited liability company, successor to LaSalle Business Credit, Inc., a Delaware corporation (in its individual capacity, "LaSalle"), as agent (LaSalle in its capacity as agent being hereinafter referred to as "Agent") for Lenders (as "Lenders" is defined in the Amended Loan and Security Agreement referred to below) and LaSalle Business Credit, a division of ABN AMRO Bank, N.V., Canada Branch.

RECITALS:

I. Mortgagor executed and delivered to Agent a Junior Open-End Real Property Mortgage, Security Agreement and Assignment of Leases and Rents dated as of June 21, 2002 originally filed with the Recorder of Mahoning County, Ohio in Book 5226, Page 1303, as amended from time to time (the "Mortgage"). A legal description of the real estate encumbered by the Mortgage (the "Mortgaged Property") is attached as Exhibit A and incorporated herein. The Mortgage secures (i) loans made pursuant to a certain Amended and Restated Loan and Security Agreement dated as of May 8, 2003 (said Amended and Restated Loan Agreement, as amended from time to time, being hereinafter referred to as the "Loan Agreement") pursuant to which Lenders agreed to make loans to Cantar/Polyair Corporation, Atlantic Pool Products Corporation, formerly known as Cantar/Polyair of Illinois, Inc., Mabex Universal Corporation, and Performa Corp., as borrowers ("Borrowers"), in the maximum aggregate principal amount of \$52,200,000 (the "Loans"), and (ii) a guaranty by Mortgagor of certain loans made pursuant to a certain Amended and Restated Credit Agreement dated as of May 8, 2003 in the maximum aggregate principal amount of \$19,800,000 (the "Canadian Loans"). The Loans consist of (i) revolving loans in the maximum aggregate principal amount of \$42,000,000 (the "Revolving Loans"); (ii) a term loan "A" in the original principal amount of \$4,600,000 (the "Term Loan A"), which term loan is evidenced by one or more notes having a maturity date of November 1, 2005 ("Term Notes A"), and (iii) a term loan "B" in the original principal amount of \$5,600,000 (the "Term Loan B"), which term loan is evidenced by one or more notes having a maturity date of November 1, 2005 ("Term Notes B").

II. Concurrently herewith, the Loan Agreement is being amended by a certain Fourth Amendment to Amended and Restated Loan and Security Agreement of even date herewith pursuant to which (i) Term Loan A is being increased from the outstanding principal balance of \$1,121,428.43 to \$4,441,000 ("Amended Term Loan A") and (ii) Term Loan B is being increased from the outstanding principal balance of \$4,339,999.91 to \$5,360,000 ("Amended Term Loan B"). Term Notes A are being amended and restated in their entirety by notes in the aggregate principal amount of \$4,441,000 (said notes, together with all amendments, supplements,

modifications and replacements thereof, being hereinafter referred to "Amended Term Notes A") and Term Notes B are being amended and restated in their entirety by notes in the aggregate principal amount of \$5,360,000 (said notes, together with all amendments, supplements, modifications and replacements thereof, being hereinafter referred to "Amended Term Notes B"). The Canadian Loans are being increased to the maximum principal amount of \$20,142,000 (the "Amended Canadian Loans").

III. The parties hereto now wish to amend the Mortgage to secure the increases in Term Loan A and Term Loan B and to secure the increase in the Canadian Loans which are guaranteed by Mortgagor.

AGREEMENTS:

Mortgagor and Agent agree as follows:

1. The Recitals are hereby incorporated herein by reference.

2. The Mortgage is hereby amended to secure the increases in Term Loan A and Term Loan B and to secure the increase in the Canadian Loans which are guaranteed by Mortgagor, in addition to all indebtedness heretofore secured.

3. The Mortgage is hereby amended to conform to the terms hereof.

4. Except as amended hereby, the Mortgage remains in full force and effect in accordance with its original terms.

5. This Amendment may be executed in one or more counterparts each of which shall be deemed an original, but both of which counterparts together shall constitute one original.

[Signature page follows.]

IN WITNESS WHEREOF, the undersigned have executed this Amendment on the date first written above.

Signed and acknowledged in the presence of:

PERFORMA CORP., an Ohio corporation

Print Name: _____

By _____
Print Name _____
Its _____

Print Name: _____

Signed and acknowledged in the presence of:

LASALLE BUSINESS CREDIT, LLC, a Delaware limited liability company

STATE OF)
) SS
COUNTY OF)

I, _____, a Notary Public in and for and residing in said County and State, DO HEREBY CERTIFY THAT _____, the _____ of LaSalle Business Credit, LLC, a Delaware limited liability company, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free and voluntary act and as the free and voluntary act of said corporation for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this _____ day of _____, 2004.

Notary Public
My Commission Expires:

EXHIBIT A

Legal Description

This instrument prepared by and
after recording return to:

(Signature)

Carole K. Towne, Esq.
GOLDBERG, KOHN, BELL, BLACK,
ROSENBLOOM & MORITZ, LTD.
55 East Monroe Street
Suite 3700
Chicago, Illinois 60603
(312) 201-4000

Second AMENDMENT TO JUNIOR LEASEHOLD MORTGAGE,
SECURITY AGREEMENT AND FIXTURE FILING
(Nelson County, Kentucky)

THIS Second AMENDMENT TO JUNIOR LEASEHOLD MORTGAGE, SECURITY AGREEMENT AND FIXTURE FILING ("Amendment"), is executed by the parties hereto actually on the respective dates indicated on the notarial certificates affixed hereto, but is made and delivered effective as of October 31, 2004, is made and executed by MABEX UNIVERSAL CORPORATION, a California corporation ("Mabex" or Mortgagor"), and LASALLE BUSINESS CREDIT, LLC, a Delaware limited liability company, successor to LaSalle Business Credit, Inc. a Delaware corporation (in its individual capacity, "LaSalle"), as agent (LaSalle in its capacity as agent being hereinafter referred to as "Agent") for Lenders (as "Lenders" is defined in the Amended Loan Agreement referred to below) and LASALLE BUSINESS CREDIT, a division of ABN AMRO BANK, N.V., Canada Branch.

RECITALS

I. Mortgagor executed and delivered to Agent a Junior Leasehold Mortgage, Security Agreement and Fixture Filing dated as of June 21, 2002 originally filed with the Recorder of Nelson County, Kentucky in Book 0492, page 0703, as amended from time to time, as amended from time to time (the "Mortgage"). A legal description of the real estate encumbered by the Mortgage (the "Mortgaged Property") is attached as Exhibit A and incorporated herein. The Mortgage secures (i) loans made pursuant to a certain Amended and Restated Loan and Security Agreement dated as of May 8, 2003 pursuant to which Lenders agreed to make loans to Cantar/Polyair Corporation, Atlantic Pool Products Corporation, formerly known as Cantar/Polyair of Illinois, Inc., Mabex Universal Corporation, and Performa Corp., as borrowers ("Borrowers"), in the maximum aggregate principal amount of \$52,200,000 (the "Loans"), and (ii) a guaranty by Mortgagor of certain loans made pursuant to a certain Amended and Restated Credit Agreement dated as of May 8, 2003 in the maximum aggregate principal amount of \$19,800,000 (the "Canadian Loans"). The Loans consist of (i) revolving loans in the maximum aggregate principal amount of \$42,000,000 (the "Revolving Loans"); (ii) a term loan "A" in the original principal amount of \$4,600,000 (the "Term Loan A"), which term loan is evidenced by one or more notes having a maturity date of

November 1, 2005 ("Term Notes A"), and (iii) a term loan "B" in the original principal amount of \$5,600,000 (the "Term Loan B"), which term loan is evidenced by one or more notes having a maturity date of November 1, 2005 ("Term Notes B").

II. Concurrently herewith, the Loan Agreement is being amended by a certain Fourth Amendment to Amended and Restated Loan and Security Agreement of even date herewith pursuant to which (i) Term Loan A is being increased from the outstanding principal balance of \$1,121,428.43 to \$4,441,000 ("Amended Term Loan A") and (ii) Term Loan B is being increased from the outstanding principal balance of \$4,339,999.91 to \$5,360,000 ("Amended Term Loan B"). Term Notes A are being amended and restated in their entirety by notes in the aggregate principal amount of \$4,441,000 (said notes, together with all amendments, supplements, modifications and replacements thereof, being hereinafter referred to "Amended Term Notes A") and Term Notes B are being amended and restated in their entirety by notes in the aggregate principal amount of \$5,360,000 (said notes, together with all amendments, supplements, modifications and replacements thereof, being hereinafter referred to "Amended Term Notes B"). The Canadian Loans are being increased to the maximum principal amount of \$20,142,000 (the "Amended Canadian Loans").

III. The parties hereto now wish to amend the Mortgage to secure the increases in Term Loan A and Term Loan B and to secure the increase in the Canadian Loans which are guaranteed by Mortgagor.

AGREEMENTS

Mortgagor and Agent agree as follows:

1. The Recitals are hereby incorporated herein by reference.
2. The Mortgage is hereby amended to secure the increases in the Term Loan A and Term Loan B and to secure the increase in the Canadian Loans which are guaranteed by Mortgagor, in addition to all indebtedness heretofore secured.
3. The Mortgage is hereby amended to conform to the terms hereof.
4. Except as amended hereby, the Mortgage remains in full force and effect in accordance with its original terms.
5. This Amendment may be executed in one or more counterparts each of which shall be deemed an original, but both of which counterparts together shall constitute one original.

IN WITNESS WHEREOF, the parties have caused this instrument to be executed by their respective duly authorized officers as of the day and year first above written.

MABEX UNIVERSAL CORPORATION,
a California corporation

My commission expires: _____

[OFFICIAL SEAL]

Notary Public

EXHIBIT A

Legal Description

ASSET PURCHASE AGREEMENT

BY AND AMONG

JACUZZI INC.

JACUZZI LEISURE PRODUCTS INC.

AND

POLYAIR INTER PACK INC.

MADE AS OF

March 29, 2003

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ASSET PURCHASE AGREEMENT

The parties to this Asset Purchase Agreement made as of March 29, 2003 (this "Agreement") are Jacuzzi Inc., a Delaware corporation ("JI"), Jacuzzi Leisure

Products Inc., an Ontario corporation ("JLP"; JLP and JI being referred to herein individually as a "Seller" and collectively as "Sellers"), and Polyair Inter Pack Inc., an Ontario corporation ("Buyer").

Buyer desires to purchase, and Sellers desire to sell, all of Sellers' right, title and interest in and to substantially all of the assets and properties employed or held by (i) JI in connection with the swimming pool equipment business of its Jacuzzi Brothers division, which is based in Little Rock, AR (the "JI Business"), and (ii) JLP in connection with its swimming pool and swimming pool equipment business, which is based in Toronto, Ontario and Montreal, Quebec (the "JLP Business"; together with the JI Business, the "Businesses", and separately, "each Business", "either Business", "such Business" or the "applicable Business" as the context requires). As part of such purchase and sale, Buyer is willing to assume certain obligations and liabilities of the Businesses as expressly set forth herein.

It is therefore agreed as follows:

1. Sale and Purchase of Assets.

1.1 Sale and Purchase of Assets.

Subject to the terms and conditions of this Agreement, at the closing referred to in Section 3.1 (the "Closing"), each Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase, acquire and accept from each Seller, effective as of the close of business on March 29, 2003 (the "Effective Date") all of each Seller's right, title and interest in and to all of the assets used exclusively in the Businesses (other than the Excluded Assets referred to in Section 1.2) with such changes, deletions or additions thereto as may occur from the Effective Date to the Closing in the ordinary course of business and consistent with the terms and conditions of this Agreement (the "Purchased Assets"), including, without limitation, the following (except to the extent any such item is an Excluded Asset):

- (a) the real property (including the land and buildings, improvements and structures located thereon and all appurtenances belonging thereto) owned or leased by JLP and used in the JLP Business all as described in Schedule 4.13 (the "Real Property");
- (b) all fixed assets and equipment used in the manufacture, warehousing and shipping of swimming pools, pumps, filters and ancillary product lines and all moulds, tools, fixtures and other ancillary production related fixed assets (the "Equipment") including the equipment located at JLP's Orillia facility listed in Schedule 1.1(b) and the equipment located at JI's Little Rock facility listed in Schedule 1.1(b);
- (c) all trade receivables of the Businesses other than the Excluded Accounts Receivable (as

hereinafter defined) (the "Accounts Receivable") including all accounting records of either Seller, credit files, notes, guarantees and collateral relating thereto;

- (d) all inventory of the Businesses (other than (i) the Pool Cleaner Inventory (as hereinafter defined); (ii) the Series J Pump Inventory (as hereinafter defined) and; (iii) the Piranha Pump Inventory (as hereinafter defined)), and including the Series K Pump Inventory referred to in Section 1.1(p) and also including finished goods, raw materials, work-in-process and replacement parts used in the Businesses (the "Inventory");
- (e) subject to Sections 1.2 and 6.13 of this Agreement, all related intangible assets of the Businesses and all intellectual property of the Businesses including, without limitation, all trade or brand names, business names, trade marks, trade mark registrations and applications, service marks, service mark registrations and applications, copyrights, copyright registrations and applications, patents, patent registrations and applications and other patent rights (including any patents issued on such applications or rights), trade secrets, proprietary manufacturing information and know-how, equipment and parts lists and descriptions, instruction manuals, inventions, inventors' notes, research data, unpatented blue prints, drawings, designs, processes, technology, and all other intellectual property together with all rights under license, registered user agreements, technology transfer agreements and other agreements or instruments relating to any of the foregoing (collectively, "Intellectual Property"), including without limitation, the trade marks, copyrights, patents, licenses and agreements described in Schedule 1.1(e);
- (f) all prepaid advertising expenses, property taxes, patent fees, trade show fees, security deposits and certification fees of the Businesses listed in Schedule 1.1(f) (as such prepaid expenses are recorded on the books of the Sellers) (the "Prepaid Expenses");
- (g) all contracts, agreements, leases, purchase orders, arrangements and/or commitments of any kind which relate to the Businesses and which are listed on Schedule 4.9 (the "Contracts");
- (h) all computer hardware, software and systems of the JLP Business (including all rights under licenses and other agreements or instruments relating thereto);
- (i) all office furniture, furnishings, fixtures and leasehold improvements situated in the real and leased property of JLP;
- (j) all goodwill of the Businesses together with the exclusive right

to carry on the Businesses in succession to Sellers;

- (k) all owned trucks, cars and other vehicles of the Businesses set out and described in Schedule 1.1(k);
- (l) all customer lists, files, data and information relating to customers of the Businesses as of the Effective Date;
- (m) all supplier lists, files, data and information relating to suppliers to the Businesses as of the Effective Date;
- (n) all other business and financial records, files, books and documents relating to the Businesses as of the Effective Date including without limitation, sales records, price lists and catalogues, sales literature, advertising material, manufacturing data, production records, employee manuals, personnel records, inventory records, supply records and correspondence files (together with, in the case of any such information ("Information") that is stored electronically, the media on which the same is stored other than where the conveyance of the Information would be prohibited pursuant to any applicable software licence agreement);
- (o) all transferable municipal, state, provincial and federal franchises, licenses, authorizations, permits and licenses of the Businesses; and
- (p) all Series K Pumps inventory, equipment, tools and moulds and one Piranha Pump impeller tool (used for the magnum line).

1.2 Excluded Assets.

Notwithstanding anything in this Agreement to the contrary, including the enumerated list of Purchased Assets set forth in Section 1.1(a) through (p), the parties to this Agreement expressly understand and agree that neither Seller is selling, assigning, transferring or conveying to Buyer any of the following assets, rights and properties which shall be specifically excluded from the transactions contemplated by this Agreement (the "Excluded Assets"):

- (a) all of the assets of Sellers used in connection with any business other than the Businesses, including the assets of JLP used in its hearth and water systems businesses and the assets of JI used in its water systems business (including, without limitation, the equipment and inventory located at the Real Property and listed in Schedule 1.2(a));
- (b) all right, title and interest of JI in and to that certain Lease and Agreement made the first day of August 1961 between the City of Little Rock and Seller, as successor to Jacuzzi Bros., Inc. a California corporation, as such agreement has been extended and

amended and any real estate related thereto;

- (c) to the extent that the following are not Prepaid Expenses, all amounts owed to either Seller or claims by either Seller against third parties, including (i) all tax installments paid by either Seller (subject to Section 6.16); and (ii) any right or claim to insurance proceeds, refunds of any deposits, prepayments, workers' compensation rebates, surpluses or credits, and tax abatements for which either Seller may have a claim with respect to the Purchased Assets or Businesses, in each case attributable to the period prior to the Effective Date;
- (d) except pursuant to the License Agreement (as defined in Section 8.1(g)), all right, title and interest of either Seller in and to the names "Jacuzzi", "Jacuzzi Bros.", "Jacuzzi Leisure Products" or "U.S. Industries" or derivations thereof, including all trademarks (registered or unregistered); trademark registrations, trademark registration applications, service marks (registered or unregistered), and trade names relating thereto (and as more fully detailed in Section 6.13 hereto) and the goodwill associated therewith;
- (e) the minute books, stock ledger records and related records of either Seller;
- (f) any insurance policies held by either Seller and all recoveries or rights to the same thereunder;
- (g) all cash and cash equivalents of the Businesses;
- (h) all rights under any contract, agreement or arrangement between or among either or both of the Sellers or any of their affiliates;
- (i) the pension plans of JI and any assets thereof;
- (j) any shares of capital stock;
- (k) all prepaid expenses of the Businesses (including, without limitation, all tax prepayments other than real property tax prepayments) other than the Prepaid Expenses;
- (l) all accounts receivable of the Businesses that are more than 90 days past due, all accounts receivable of the JI Business owing by customers of the JI Business located outside of North America (the "Foreign Accounts Receivable") and all accounts receivable of the Businesses previously more than 90 days past due and reclassified as current, all of which are listed on Schedule 1.2(1) (the "Excluded Accounts Receivable");
- (m) any other assets of either Seller specifically set forth in this

Agreement as not being transferred to Buyer;

- (n) all non-assignable or non-transferable permits and licenses of the Businesses;
- (o) all claims by either Seller under this Agreement;
- (p) all pool cleaner inventory of the Businesses, including finished goods, raw materials, work-in-process and replacement parts as described in Schedule 1.2(p) (the "Pool Cleaner Inventory") and the "Tracker" name and mark; and
- (q) all Series J Pump inventory (the "Series J Pump Inventory"), equipment, tools and moulds, and except for one Piranha Pump impeller tool (used for the magnum line), all Piranha Pump inventory (the "Piranha Pump Inventory"), equipment, tools and moulds, and the "Piranha" name and mark.

1.3 Assignment of Contracts.

- (a) Subject to the provisions of this Section 1.3, each Seller shall assign to Buyer, and Buyer shall assume, as of the Effective Date, all of the rights and obligations of each Seller under the Contracts.
- (b) To the extent that any Contract or any claim, right or benefit arising thereunder or resulting therefrom is not capable of being sold, assigned, transferred or conveyed without the approval, consent or waiver of the other party thereto, or any third person (including a government or governmental unit), or if such sale, assignment, transfer or conveyance or attempted assignment, transfer or conveyance would constitute a breach thereof or a violation of any law, decree, order, regulation or other governmental edict (the "Interests"), this Agreement shall not constitute a sale, assignment, transfer or conveyance thereof, or an attempted assignment, transfer or conveyance thereof. Each Seller shall use all reasonable efforts, and Buyer shall reasonably cooperate with Sellers, to obtain all necessary approvals, consents or waivers, or to resolve any such impediments to transfer as necessary to convey to Buyer each such Interest as soon as practicable; provided, however, that neither Seller nor Buyer shall be obligated to pay any consideration therefor except for filing fees and other ordinary administrative charges which shall be paid by Buyer to the third party from whom such approval, consent or waiver is requested.
- (c) To the extent that any of the approvals, consents or waivers referred to in Section 1.3(b) have not been obtained by either Seller as of the Closing, or until the impediments to transfer referred to in Section 1.3(b) are resolved, such Seller shall, during the remaining term of such Interests, use all reasonable

efforts, to (i) obtain the consent of any such third party; (ii) cooperate with Buyer in any reasonable and lawful arrangements designed to provide the benefits of such Interests to Buyer so long as Buyer fully cooperates with such Seller in such arrangements and promptly reimburses such Seller for all payments made by such Seller in connection therewith and indemnifies such Seller with respect thereto; and (iii) enforce, at the request of Buyer and at the expense and for the account of Buyer, any rights of either Seller arising from such Interests against such issuer thereof or the other party or parties thereto (including the right to elect to terminate any such Interests in accordance with the terms thereof upon the advice of, and indemnification from, Buyer).

1.4 Obtaining Permits and Licenses.

Each Seller will assign, transfer or convey to Buyer at the Closing and effective as of the Effective Date those permits and licenses which are held or used by such Seller in connection with the applicable Business and can be assigned without having to obtain the consent of any third party with respect thereto; provided, however, that each Seller will cooperate with Buyer in obtaining any third party consents necessary to the assignment or transfer of any other permits or licenses used or held by such Seller in connection with the applicable Business which are so assignable or transferable. Buyer shall assume, or reimburse Sellers for, all reasonable or preapproved costs associated with the assignment or transfer of permits and licenses.

1.5 Certain Liabilities Assumed by Buyer.

At the Closing and effective as of the Effective Date, Buyer shall, without any further responsibility or liability of or recourse to either Seller, or their respective directors, shareholders, affiliates, officers, employees, agents, consultants, representatives, successors, transferees or assignees, absolutely and irrevocably assume, and shall pay, perform, satisfy or otherwise fully discharge as and when they become due and owing and be solely liable and responsible for only the following claims, liabilities and obligations (the "Assumed Liabilities"):

- (a) all liabilities and obligations of JLP and JI arising out of or relating to the Contracts (except in respect of any breaches by JLP and/or JI of the Contracts prior to the Effective Date);
- (b) any and all termination and severance liabilities arising prior to or after the Effective Date for the Transferred Employees (as defined in Section 6.3) whose employment is terminated after the Effective Date (including, without limitation, liability related to or arising pursuant to the common law and any applicable federal, state, provincial or local laws) and any other

liabilities, claims or demands relating to the Transferred Employees based on events arising on or after the Effective Date;

- (c) all liabilities and obligations arising out of or relating to any insured claims in respect of the Businesses or the Purchased Assets which relate to occurrences on or after the Effective Date;
- (d) all liabilities and obligations arising out of or relating to any litigation or claims with respect to the Businesses or the Purchased Assets arising out of or relating to events on or after the Effective Date;
- (e) all accrued expenses for salaries and vacation pay for all of the Transferred Employees, Warranty, Pool Points, Other Accrued Liabilities, Accrued Cash Discounts, Accrued Sales Returns & Allowances, Ad Allowances and Volume Rebates (as such accrued expenses are recorded on the books of Sellers) (the "Accrued Expenses"); and
- (f) all liabilities and obligations in respect of the On-Site Matters (as defined in Section 4.15(a)(v)).

1.6 Retained Liabilities.

JI and JLP shall retain all of the liabilities and obligations of the Businesses not assumed by Buyer (the "Retained Liabilities"), including without limitation:

- (a) all liabilities and obligations arising out of or relating to any insured claims in respect of the Businesses or the Purchased Assets which relate to occurrences before the Effective Date;
- (b) all trade payables of the Businesses prior to the Effective Date (the "Trade Payables");
- (c) except for the Accrued Expenses, all liabilities owing to or in respect of the employees of the Businesses prior to the Effective Date for salary, bonus, premiums for employment insurance, health premiums, Canada Pension Plan premiums, workers' compensation levies, commissions and other compensation, including without limitation, all severance payments, damages for wrongful dismissal and all related costs in respect of the termination by either Seller of the employment of any employee of the Businesses who is not a Transferred Employee;
- (d) all liabilities under employee benefit plans of JLP or JI relating to employment of all persons in the Businesses prior to the Effective Date;
- (e) all liabilities for injury, disability, death or workers'

compensation arising from or related to employees of the Businesses in respect of events arising prior to the Effective Date;

- (f) all accrued expenses in respect of the Businesses prior to the Effective Date other than the Accrued Expenses; (g) Pre-Closing Environmental Liabilities other than the On-Site Matters to the extent and for the period provided for in Section 9.5(b);
- (h) subject to the provisions of Section 9.5, all liabilities relating to the manufacture, distribution, or sale of any asbestos-containing product by or on behalf of the Businesses prior to the Effective Date; and
- (i) all indebtedness owing by JLP to USI Canada Inc. under a grid promissory note dated January 15, 2002.

2. Purchase Price.

2.1 Purchase Price.

The purchase price (the "Purchase Price") for the Purchased Assets shall be the aggregate of:

- (a) the amount of U.S. \$41,200,000 million; plus
- (b) the amount of U.S. \$ (being the amount of the Prepaid Expenses as at the Effective Date as estimated by JLP and JI) (the "Estimated Prepaid Expenses Amount"); less
- (c) the amount of U.S. \$ (being the amount of the Accrued Expenses as at the Effective Date as estimated by JLP and JI) (the "Estimated Accrued Expenses Amount"); less
- (d) the amount of U.S. \$ (being the aggregate of the amounts of the Excluded Accounts Receivable, the Pool Cleaner Inventory, the Series J Pump Inventory and the Piranha Pump Inventory as at the Effective Date as estimated by JLP and JI) (the "Estimated Excluded Assets Amount"),

as adjusted in accordance with Section 2.4.

2.2 Intentionally Deleted.

2.3 Payment of Purchase Price.

The Purchase Price will be paid and satisfied by Buyer on the Closing Date as follows:

- (a) as to the amount equal to U.S. \$30,000,000, by wire transfer of such amount to JLP and JI as they shall direct;

- (b) as to U.S. \$5 million, by the issuance by Buyer to JI of a convertible note (the "Convertible Note") in the principal amount of U.S. \$5 million, such Convertible Note to be in the form of the convertible note set out in Exhibit A hereto and convertible into 598,802 convertible cumulative redeemable preferred shares (the "Shares") in the capital of Buyer having the share provisions set out in Exhibit A hereto; and
- (c) as to the balance of U.S. \$, by the delivery of a promissory note (the "Promissory Note") aggregating such amount made payable to JLP, such Promissory Note to be in the form of the promissory note set out in Exhibit H hereto.

2.4 Adjustment of Purchase Price.

(a) The Purchase Price shall be adjusted as follows:

(i) (x) if the aggregate of the amount of the Accounts Receivable and the Inventory as at the Effective Date is greater than U.S. \$40.9 million, the Purchase Price shall be adjusted upwards by the amount of the difference; or

(y) if the aggregate amount of the Accounts Receivable and the Inventory as at the Effective Date is less than U.S. \$40.9 million, the Purchase Price shall be adjusted downwards by the amount of the difference;

(ii) (x) if the amount of the Prepaid Expenses of the Businesses as at the Effective Date is greater than the Estimated Prepaid Expenses Amount, the Purchase Price shall be adjusted upwards by the amount of the difference; or

(y) if the amount of the Prepaid Expenses of the Businesses as at the Effective Date is less than the Estimated Prepaid Expenses Amount, the Purchase Price shall be adjusted downwards by the amount of the difference;

(iii) (x) if the amount of the Accrued Expenses of the Businesses as at the Effective Date is greater than the Estimated Accrued Expenses Amount, the Purchase Price shall be adjusted downwards by the amount of the difference; or

(y) if the amount of the Accrued Expenses of the Businesses as at the Effective Date is less than the Estimated Accrued Expenses Amount, the Purchase Price shall be adjusted upwards by the amount of the difference; and

(iv) (x) if the aggregate of the amounts of the Excluded Accounts Receivable, the Pool Cleaner Inventory, the Series J Pump Inventory and the Piranha Pump Inventory as at the Effective

Date is greater than the Estimated Excluded Assets Amount, the Purchase Price shall be adjusted downwards by the amount of the difference; or

(y) if the aggregate of the amounts of the Excluded Accounts Receivable, the Pool Cleaner Inventory, the Series J Pump Inventory and the Piranha Pump Inventory as at the Effective Date is less than the Estimated Excluded Assets Amount, the Purchase Price shall be adjusted upwards by the amount of the difference.

- (b) The parties shall effect the adjustment of the Purchase Price by aggregating the adjustments in subsection (a) above in accordance with the provisions of Sections 2.4(c) to (f) (inclusive) and by amending the principal amount of the Promissory Note (the "Original Promissory Note") accordingly. Once the adjustment to the Purchase Price is determined, Buyer shall immediately deliver to JLP an amended and restated Promissory Note to be dated as of the date of the Original Promissory Note (the "Amended Promissory Note") in the same form as the Original Promissory Note save and except for the amendment to the principal amount of same. Concurrently with the delivery by Buyer to JLP of the Amended Promissory Note, JLP shall cancel and return to Buyer the Original Promissory Note.
- (c) Within 30 days following the Closing Date, JLP and JI will prepare a statement (the "Statement") setting out the amounts of the Accounts Receivable, the Inventory, the Prepaid Expenses, the Accrued Expenses, the Excluded Accounts Receivable, the Pool Cleaner Inventory, the Series J Pump Inventory and the Piranha Pump Inventory as at the Effective Date. In preparing the Statement, (a) the Accounts Receivable, the Prepaid Expenses, the Accrued Expenses and the Excluded Accounts Receivable of the Businesses will be valued at their book values as at the Effective Date in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") provided that the allowances and reserves set up in the books of JLP and JI in respect of the Accounts Receivable and the Excluded Accounts Receivable shall be first applied against the Excluded Accounts Receivable, and only the balance if any thereof shall be applied against the Accounts Receivable; and (b) the Inventory, the Pool Cleaner Inventory, the Series J Pump Inventory and the Piranha Pump Inventory will be valued at their book values as at the Effective Date in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") provided that the finished goods and raw materials included in the Inventory (estimated to be approximately U.S. \$1,778,000), which, based on past practices and reasonable future expectations, would not reasonably be sold until after 24 months of the Effective Date (the "Excess 24 Months Inventory"), shall be valued at 50% of its book value as at the Effective Date. For greater clarity, the amount to be

determined in respect of the Excess 24 Months Inventory pursuant to this subsection shall be calculated according to the calculation set out and described in Schedule 2.4(c).

- (d) Sellers shall engage Ernst & Young LLP ("E&Y") to report on the Statement; provided, however, that should E&Y be unable or unwilling to report on the Statement, Sellers shall promptly engage another Canadian independent public accounting firm of national reputation (the "Alternate Firm") to provide such report, or Buyer and Sellers may agree to the Statement and the amount of any required adjustment to the Purchase Price as contemplated by this Section 2.4. E&Y or the Alternate Firm, as the case may be, shall hereinafter be referred to as the "Auditor". Sellers shall be responsible for the fees and expenses of the Auditor.
- (e) Sellers shall use all commercially reasonable efforts to deliver to Buyer the Statement together with the Auditor's working papers relating to same within 60 days after the Closing Date (or, in the event the Auditor is the Alternate Firm, within 60 days after the Alternate Firm is engaged), together with a report of the Auditor thereon (i) stating that the examination has been made in accordance with U.S. GAAP or Canadian GAAP, as applicable; and (ii) setting forth the amount of any required adjustment to the Purchase Price pursuant to this Section 2.4. During the period from the Closing Date until the date of delivery of the Statement, Buyer shall give each Seller, the Auditor and other appropriate personnel such assistance and access to the assets and books and records of Buyer as Sellers and the Auditor shall reasonably request during normal business hours in order to enable them to prepare and examine, respectively, the Statement.
- (f) Within 15 days following the delivery of the Statement and the related report of the Auditor, Buyer shall deliver to each Seller a notice of objection (an "Objection Notice") or a notice of acceptance (an "Acceptance Notice") with respect to the Statement and related Auditor's report. The Statement and related Auditor's report shall be final and binding on the parties if an Acceptance Notice is delivered to the Sellers or if no Objection Notice is delivered to the Sellers within such 15 day period. Any Objection Notice shall specify in reasonable detail the items on the Statement disputed and shall describe in reasonable detail the basis for the objection and all information in the possession of Buyer which forms the basis thereof, as well as the amount in dispute. If an Objection Notice is given, the parties shall consult with each other with respect to the objection. If the parties are unable to reach agreement within 15 days after an Objection Notice has been given, any unresolved disputed items shall be promptly referred to an independent public accounting firm of national reputation mutually acceptable to the parties

(the "Unrelated Accounting Firm"). The Unrelated Accounting Firm shall be directed to render a written report on the unresolved disputed issues with respect to the Statement as promptly as practicable and to resolve only those issues of dispute set forth in the Objection Notice. The resolution of the dispute by the Unrelated Accounting Firm shall be final and binding on the parties. The fees and expenses of the Unrelated Accounting Firm shall be borne equally by Sellers, on the one hand, and Buyer, on the other hand.

2.5 Allocation of Purchase Price.

The Purchase Price for the Purchased Assets shall be allocated as between the Purchased Assets of each of the JI Business and the JLP Business, and among the Purchased Assets with respect to each Business in accordance with Schedule 2.5, to which allocation Buyer and Sellers agree to be bound. Buyer and Sellers agree to file all returns, elections and reports including, without limitation, all federal, state, provincial and local income and franchise tax returns, on the basis of such allocation. The allocation of the Purchase Price shall be and shall be deemed to be automatically amended, if applicable, in accordance with the adjustment to the Purchase Price as contemplated by Section 2.4 above.

3. Closing.

3.1 Date of Closing.

The Closing shall take place at the offices of Sellers' counsel located at Suite 4200, 1 First Canadian Place, 100 King Street, Toronto, Ontario (or at such other place as the parties may agree in writing) on March 31, 2003 or on such earlier or later date as is mutually designated by Sellers and Buyer. The date on which the Closing is held is referred to in this Agreement as the "Closing Date". At the Closing, the parties shall execute and deliver the documents referred to in Section 8.

3.2 Termination.

This Agreement may be terminated at any time prior to the Closing:

- (a) by mutual written agreement executed by each Seller and Buyer;
- (b) by Buyer, if any of the conditions specified in Section 7.1 shall not have been satisfied or waived in writing by Buyer on or before the close of business Toronto time on the 60th day following the date of this Agreement; or
- (c) by Sellers, if any of the conditions specified in Section 7.2 shall not have been satisfied or waived in writing by Sellers on

or before the close of business Toronto time on the 60th day following the date of this Agreement.

This Agreement may in any event be terminated by Sellers or Buyer if the Closing shall not have occurred by the close of business Toronto time on the 90th day following the date of this Agreement.

Upon termination of this Agreement pursuant to this Section 3.2, no party shall have any liability or further obligation arising out of this Agreement except for any liability resulting from its breach of this Agreement prior to termination. Buyer's obligations under Section 6.1 shall survive the termination of this Agreement.

3.3 Effective Period.

- (a) During the period between the Effective Date and the Closing Date (the "Effective Period"), (i) the Businesses shall be managed by the Sellers; and (ii) Buyer shall be entitled to all income and profits, and shall bear all expenses and losses, of the Businesses. Sellers shall account to Buyer for all receipts, moneys, profits, benefits and advantages derived by or accruing to Sellers from the Businesses during the Effective Period, and Buyer shall account to Sellers for all expenses and losses suffered or incurred by Sellers (or any affiliates of Sellers) in the Businesses during the Effective Period (including without limitation any cash advances made by any of Sellers' affiliates to either Seller).
- (b) Within 30 days following the Closing Date, JLP and JI will prepare a statement (the "Effective Period Statement") setting out the receipts and payables of the Businesses during the Effective Period, including:
 - (i) all receipts with respect to the Purchased Assets collected during the Effective Period (which are for the benefit of Buyer);
 - (ii) all receipts with respect to the Excluded Assets collected during the Effective Period (which are for the benefit of Sellers);
 - (iii) all expenses and payables of the Businesses which are Retained Liabilities (including, without limitation, the Trade Payables) paid during the Effective Period (which are the responsibility of Sellers);
 - (iv) all expenses and payables of the Businesses (other than the expenses and payables of the Businesses which are Retained Liabilities) paid during the Effective Period (which are the responsibility of Buyer); and

- (v) all cash advances (x) from U.S. Industries, Inc. or its affiliates to the Businesses; and (y) from the Businesses to U.S. Industries, Inc. or its affiliates (which will be reimbursed accordingly).
- (c) Sellers shall engage E&Y to report on the Effective Period Statement; provided, however, that should E&Y be unable or unwilling to report on the Effective Period Statement, Sellers shall promptly engage the Alternate Firm to provide such report, or Buyer and Sellers may agree to the Effective Period Statement and the amount of any required accounting as between them as contemplated by this Section 3.3. E&Y or the Alternate Firm, as the case may be, shall also hereinafter be referred to as the "Auditor". Sellers shall be responsible for the fees and expenses of the Auditor.
- (d) Sellers shall use all commercially reasonable efforts to deliver to Buyer the Effective Period Statement together with the Auditor's working papers relating to same within 60 days after the Closing Date (or, in the event the Auditor is the Alternate Firm, within 60 days after the Alternate Firm is engaged), together with a report of the Auditor thereon (i) stating that the examination has been made in accordance with U.S. GAAP; and (ii) setting forth the amount of any required accounting pursuant to this Section 3.3. During the period from the Closing Date until the date of delivery of the Effective Period Statement, Buyer shall give each Seller, the Auditor and other appropriate personnel such assistance and access to the assets and books and records of Buyer as Sellers and the Auditor shall reasonably request during normal business hours in order to enable them to prepare and examine, respectively, the Effective Period Statement.
- (e) Within 15 days following the delivery of the Effective Period Statement and the related report of the Auditor, Buyer shall deliver to each Seller a notice of objection (an "Objection Notice") or a notice of acceptance (an "Acceptance Notice") with respect to the Effective Period Statement and related Auditor's report. The Effective Period Statement and related Auditor's report shall be final and binding on the parties if an Acceptance Notice is delivered to the Sellers or if no Objection Notice is delivered to the Sellers within such 15 day period. Any Objection Notice shall specify in reasonable detail the items on the Effective Period Statement disputed and shall describe in reasonable detail the basis for the objection and all information in the possession of Buyer which forms the basis thereof, as well as the amount in dispute. If an Objection Notice is given, the parties shall consult with each other with respect to the objection. If the parties are unable to reach agreement within 15 days after an Objection Notice has been given, any unresolved disputed items shall be promptly referred to an Unrelated

Accounting Firm. The Unrelated Accounting Firm shall be directed to render a written report on the unresolved disputed issues with respect to the Effective Period Statement as promptly as practicable and to resolve only those issues of dispute set forth in the Objection Notice. The resolution of the dispute by the Unrelated Accounting Firm shall be final and binding on the parties. The fees and expenses of the Unrelated Accounting Firm shall be borne equally by Sellers, on the one hand, and Buyer, on the other hand.

- (f) Within two business days following the final determination of the Effective Period Statement pursuant to this Section 3.3, (i) Sellers shall pay Buyer any amount determined owing by Sellers to Buyer in accordance with the final Effective Period Statement by wire transfer as directed by Buyer; or (ii) Buyer shall pay Sellers any amount determined owing by Buyer to Sellers in accordance with the final Effective Period Statement by wire transfer as directed by Sellers.

4. Representations and Warranties of Sellers.

Each Seller, jointly and severally, represents and warrants to Buyer, and confirms that Buyer is relying upon the accuracy of each of such representations and warranties in connection with the purchase of the Purchased Assets and the completion of the other transactions hereunder as follows:

4.1 Organization, Standing and Authority of Sellers.

JI is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power and authority to enter into and perform this Agreement. JLP is a corporation duly organized and validly existing under the laws of the Province of Ontario and has full corporate power and authority to enter into and perform this Agreement. JI is qualified to do business and is in good standing, and JLP is qualified to do business, in each jurisdiction in which the nature of its business or the properties owned or leased by it requires qualification, except where the failure to be so qualified or in good standing, as applicable, would not have a material adverse effect upon the businesses, operations, assets or financial condition of the Businesses, taken as a whole ("Material Adverse Effect").

4.2 Authorization of Agreement.

The execution, delivery and performance of this Agreement by each Seller has been duly authorized by all necessary corporate action of such Seller and this Agreement constitutes the valid and binding obligation of each Seller enforceable against it in accordance with its terms, except to the extent enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar

laws affecting the enforcement of creditors' rights in general and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.3 Consents of Third Parties.

Subject to receipt of the consents and approvals referred to in Schedule 4.3 and except as disclosed in Schedule 4.3, the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby by each Seller will not (i) violate or conflict with the certificate of incorporation or by-laws of such Seller, (ii) conflict with, or result in the breach of, or termination of, or constitute a default under (whether with notice or lapse of time or both), or accelerate or permit the acceleration of the performance required by, any indenture, mortgage, lien, lease, agreement, commitment or other instrument, or any order, judgment or decree, to which such Seller is a party or by which such Seller or any of its properties are bound, (iii) constitute a violation of any law, regulation, order, writ, judgment, injunction or decree applicable to such Seller, or (iv) result in the creation of any lien, charge or encumbrance upon the Businesses or the Purchased Assets, other than violations, conflicts, breaches, terminations, accelerations and defaults specified in the foregoing clauses (ii) through (iv) which could not reasonably be expected to have a Material Adverse Effect on such Seller's ability to perform its obligations under this Agreement. No consent, approval or authorization of any governmental authority is required on the part of either Seller in connection with the execution, delivery and performance of this Agreement, except for filings with the United States Internal Revenue Service, Canada Customs and Revenue Agency, and any other similar provincial governmental agency.

4.4 Permits and Licenses.

Schedule 4.4 sets out a complete and accurate list of all material permits, licenses, franchises and authorizations held by or granted to each Seller necessary to carry on the Business or to own the Purchased Assets, copies of which have been provided to the Buyer. Except as set forth in Schedule 4.4 hereof, to the knowledge of each Seller, such Seller has all material permits, licenses, franchises and other authorizations necessary to conduct the Businesses as currently conducted or to own to the Purchased Assets and all such permits, licenses, franchises and authorizations are valid and in full force and effect and the Businesses are in compliance with the terms and conditions of such permits, licences, franchises or authorizations except to the extent that any such non-compliance, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

4.5 Absence of Certain Liabilities and Changes.

Since September 30, 2002, the Sellers have operated the Businesses in the ordinary course consistent with past practice and, except as set forth on Schedule 4.5, or contemplated by Schedule 6.2, there has not been with respect to the Businesses:

- (a) any change in the business, financial condition or results of operations of the Businesses that has had or could reasonably be expected to have a Material Adverse Effect;
- (b) any change in any of the Purchased Assets or any change in the manner of conducting the Businesses that has had or could reasonably be expected to have a Material Adverse Effect;
- (c) any damage, destruction or loss (whether or not covered by insurance) that has had or could reasonably be expected to have a Material Adverse Effect;
- (d) any material change in the accounting methods or principles of either Seller that would be required to be disclosed under U.S. GAAP or Canadian GAAP, as the case may be;
- (e) any material transaction made by either Seller relating to the Purchased Assets or the Businesses (including the acquisition or disposition of Purchased Assets) other than in the ordinary course of business consistent with past practice or as otherwise permitted or contemplated by this Agreement;
- (f) any lien, security interest or other encumbrance ("Lien") created or assumed by either Seller on any of the Purchased Assets other than (x) a Permitted Lien (as such term is defined in Section 4.13(a)), (y) personal property liens incurred in the ordinary course of business (e.g., equipment leases), or (z) the Senior Debt Liens. For purposes of this Agreement, "Senior Debt Liens" shall mean the Liens created under any of the collateral or ancillary documents related to the Amended and Restated Amendment, Restatement, General Provisions and Intercreditor Agreement dated as of September 23, 2002 among U.S. Industries, Inc., USI Global Corp., USI American Holdings, Inc., USI Atlantic Corp., Rexair Holdings, Inc., Rexair, Inc., the other subsidiaries of U.S. Industries, Inc. party thereto, Wilmington Trust Company and David A. Vanaskey, as Collateral Trustees (the "Collateral Trustees"), Bank of America, N.A., as Debt Coordinator, USI Agent, Rexair Agent and Rexair Collateral Agent, and the lenders party thereto, as amended from time to time, for the benefit of the secured parties named therein, including without limitation the Amended and Restated Pledge and Security Agreement dated as of August 15, 2001, conformed to the amendment and consent dated as of October 30, 2002, among U.S. Industries, Inc. and its subsidiaries party thereto and the Collateral Trustees and the Amended and Restated Collateral Trust Agreement dated as of August 15, 2001, conformed to the amendment and

consent dated as of October 30, 2002, among U.S. Industries, Inc. and its subsidiaries party thereto and the Collateral Trustees, and the Pledge and Security Agreement dated as of January 15, 2002 by JLP in favour of the Collateral Trustees and the Moveable Hypothec dated July 18, 2002 by JLP in favour of Wilmington Trust Company, in each case as amended from time to time;

- (g) any grant of any severance or termination pay by JLP to any of its executive officers or directors or any increase in compensation or benefits payable by JLP under existing employment agreements or severance or termination pay policies to any of its employees other than (x) in the ordinary course of business consistent with past practices, including without limitation normal merit increases for employees as disclosed in Schedule 4.11, (y) increases or grants required by contracts or by applicable law as disclosed in Schedule 4.11, or (z) increases, agreements and bonuses disclosed in Schedule 4.11;
- (h) any employment, bonus or deferred compensation agreement with respect to the JLP Business entered into between JLP and any of its directors, officers or other employees, other than in the ordinary course or as disclosed in Schedule 4.11;
- (i) any entering into, amendment or termination of any material contract, agreement, lease, franchise, security, instrument, permit or license between either Seller and any party that has had or could reasonably be expected to have a Material Adverse Effect; or
- (j) any existing agreement or arrangement made by either Seller to take any action that would cause any representations or warranty in this Section 4.5 to be untrue or incorrect in any material respect.

4.6 Inventory.

Except for the Excess 24 Months Inventory, the Inventory of the Businesses in all material respects is of a quality and quantity usable in the ordinary course of business of the Sellers in accordance with past practices, except for obsolete items or items below standard quality as to which a provision determined in accordance with Canadian GAAP in a manner consistent with the prior practices of the Businesses has been made on the books of JLP or JI, as applicable.

4.7 Receivables.

The Accounts Receivable of the Businesses have arisen in the ordinary course of business and allowances in accordance with U.S. GAAP consistent with Sellers' past practices with respect to such Accounts Receivables have been set up on the books of the applicable Seller. There are no material clerical or mathematical errors in the Accounts

Receivable.

4.8 Tax Matters.

Except as set forth on Schedule 4.8, (i) each Seller has filed (or caused to be filed) in a timely manner, all federal, state, provincial, local and foreign returns, reports, statements and forms required to be filed by it under the Internal Revenue Code (the "Code"), or applicable federal, state, provincial, local or foreign tax laws (the "Tax Returns") and such Tax Returns are true, complete and correct in all material respects; (ii) each Seller has paid (or the Seller group of which such Seller is or was a member has paid) ("Seller Group") all taxes that have been incurred or are due and for which either Seller could be liable whether to taxing authorities or to third parties ("Taxes"); (iii) there is no outstanding agreement, waiver or consent providing for an extension of the statutory period of limitations with respect to any Taxes or Tax Returns of either Seller and no power of attorney granted by any Seller with respect to any tax matter is currently in force; (iv) no tax liens (except for liens for Taxes not yet due) have been filed and to knowledge of each Seller there is no action, suit, proceeding, investigation, audit or claim now pending against either Seller with respect to any Taxes, or with respect to which either Seller could be severally liable under Treasury Regulation Section 1.1502-6 or any comparable state, provincial, local or foreign tax provisions; (v) each Seller has complied in all respects with all applicable laws, rules and regulations relating to the payment and withholding of Taxes and has deducted and/or remitted (where required by applicable law to do so) the amount of all Taxes and other deductions on account of payments made to all past or present employees, officers or directors, and to any non-resident, as the case may be, and is not liable for any taxes for failure to comply with such laws, rules and regulations; (vi) each Seller is not a party to or otherwise bound by any agreement or understanding providing for the allocation or sharing of Taxes or has any obligation or liability under any such agreement or understanding to which it was once a party or otherwise bound; and (vii) JLP has remitted to the appropriate tax authority when required by law to do so, all amounts collected on account of GST. Schedule 4.8 contains a list of any federal income tax audits of each Seller or Seller Group that were concluded by either the Internal Revenue Service or the Canada Customs and Revenue Agency with respect to Taxes of either Seller within three years of the date of this Agreement and which relate to the Business to any material extent. JI is not a "foreign person" within the meaning of Section 1445(b)(2) of the Code and will furnish an affidavit of this status substantially in the form of Exhibit C. JLP is not a non-resident of Canada for purposes of the Income Tax Act (Canada).

4.9 Contracts.

Each Seller has made available to Buyer complete and correct copies of

all of the contracts, agreements, leases, purchase orders, arrangements, and/or commitments of any kind which relate to the Businesses listed on Schedule 4.9 that are in writing, and the descriptions contained in Schedule 4.9 of all items listed therein that are not in writing are complete and correct in all material respects. Except as disclosed in Schedule 4.9, neither Seller is in default under the terms of any Contract which default has had a Material Adverse Effect. Each of the Contracts is valid and in full force and effect and, to the knowledge of each Seller, no party has notified either Seller in writing of its intention to cease to perform any material services required to be performed by it or withhold any material payment required to be made by it thereunder.

4.10 JLP Labor and Employment Matters.

A list of all of the workers' compensation claims made by JLP's employees since April 1, 2001 is set forth in Schedule 4.10. Except as set forth on Schedule 4.10:

- (a) JLP is in compliance in all material respects with all applicable laws to which the JLP Business is subject, including, without limitation, laws respecting employment and employment practices, terms and conditions of employment, workplace health and safety, worker's compensation, plant closing, employment discrimination, pay equity, wages and hours of work. There are no outstanding charges or complaints against JLP relating to unfair labor practices or discrimination or under any legislation relating to employees. JLP has paid in full all amounts owing under the Workplace Safety and Insurance Act (Ontario) and the comparable Quebec legislation.
- (b) No litigation, administrative proceedings or investigations relating to labor or employment matters of the JLP Business, including, without limitation, those relating to employment discrimination, workplace health and safety, wrongful discharge, breach of contract and unfair labor practices are pending or, to the knowledge of JLP, threatened in writing, which is reasonably likely to result in a Material Adverse Effect.
- (c) There is no strike or other organized labor dispute, slowdown or stoppage pending, or, to the JLP's knowledge, threatened in writing, against or directly affecting the JLP Business.
- (d) JLP has not entered into any collective agreement or other contract with any labour union or employee association nor made commitments to or conducted negotiations with any labour unions or employee associations with respect to future agreements. To JLP's knowledge, no union organizational campaign or representation application or petition is currently pending with respect to the Employees (as defined in Section 4.11). (e) There has been no "mass layoff" as described in the Employment

Standards Act (Ontario) with respect to the JLP Business within the 60 days prior to the date hereof. (f) No notice has been received by JLP of any complaint filed by any employee claiming that JLP has violated the Employment Standards Act (Ontario), the Human Rights Code (Ontario), or any applicable employee or human rights or similar legislation in any other jurisdictions in which the JLP Business is conducted. To the knowledge of JLP, there are no outstanding orders or charges against JLP under the Occupational Health & Safety Act (Ontario) or the comparable Quebec legislation. (g) All accruals for unpaid vacation pay except in respect of the salaried Employees have been reflected in the books and records of JLP.

4.11 JLP Benefit Arrangements.

(a) Definitions.

(i) The term "Employees" shall mean all of the employees actively employed (which for greater clarity, shall include those employees who, as of the Closing Date are on pregnancy or parental leave) by JLP in the JLP Business listed in Schedule 4.11 and any employees hired by JLP in the ordinary course of business from the date hereof to the Closing Date following consultation with Buyer as to same, and the term "Employee" shall mean any of the Employees.

(ii) The term "Benefit Arrangements" shall mean any (w) life, medical or health insurance (or other commitment providing for insurance coverage including, without limitation, any self-insured arrangements); (x) post-retirement, hospitalization, savings, bonus, stock option, stock appreciation, deferred compensation, incentive compensation, holiday, vacation, termination, severance pay, sick pay, sick leave, disability, retirement, tuition refund, patent award, service award, company car, car allowance, scholarship, fringe, or relocation benefits, contracts, plans, arrangements or agreements, including those contained in individual employment, consultancy, termination or severance contracts or in any plan, arrangement or agreement respecting any of the Employees; and (y) any other policies or practices of JLP providing employee or executive compensation or benefits to the Employees.

(b) Benefit Arrangements.

(i) Schedule 4.11 lists all material Benefit Arrangements maintained by JLP for the Employees.

(ii) JLP has provided to Buyer true and complete copies of all material Benefit Arrangements, and any amendments thereto, together with all related documents including insurance

policies, plan summaries and employee booklets.

(iii) JLP does not maintain or contribute to a registered pension plan, registered retirement savings plan or any other retirement plan in respect of the Employees.

4.12 Litigation; Compliance with Laws.

- (a) There are no judicial or administrative actions, proceedings or investigations pending or, to the knowledge of each Seller, threatened in writing, that question the validity of this Agreement or any action taken or to be taken by such Seller in connection with this Agreement. There is no litigation, proceeding or governmental investigation pending or, to the knowledge of each Seller, threatened in writing, or any order, injunction or decree outstanding, against such Seller that, if adversely determined, would individually or in the aggregate, have a Material Adverse Effect on such Seller's ability to perform its obligations under this Agreement.
- (b) With respect to the Businesses (i) neither Seller is in violation of any applicable law, regulation, ordinance or any other applicable requirement of any governmental body or court, which violations in the aggregate would have a Material Adverse Effect, and (ii) no written notice has been received by either Seller alleging any such violations.
- (c) Except as disclosed in Schedule 4.12, there are no judicial or administrative actions or proceedings pending against either Seller or, to the knowledge of each Seller, threatened in writing, against such Seller with respect to the Businesses.

4.13 JLP Real Property.

- (a) Schedule 4.13 sets forth all of the real property of the JLP Business owned by JLP (the "Owned Real Property"). Except as set forth on Schedule 4.13, JLP has good and marketable title to each parcel of Owned Real Property owned by it free and clear of all Liens, other than (i) those reflected in any title reports or title insurance policies with respect to the Owned Real Property that are listed on Schedule 4.13, copies of which have been previously provided or made available to Buyer, (ii) imperfections of title, easements, pledges, charges, restrictions and encumbrances, including without limitation, survey matters, landlord's liens, mechanics' liens, repairmen's liens and other similar liens, if any, that do not materially detract from the value of the property subject thereto or materially interfere with the manner in which it is currently being used in the JLP Business or materially impair the operations of the JLP Business, and (iii) taxes and general and special assessments not in default and payable without penalty or interest (liens of the

type referred to in clauses (i) through (iii) above being hereinafter referred to as "Permitted Liens").

- (b) Schedule 4.13 sets forth a list of all of the real property leases in effect as of the date hereof with respect to the JLP Business under which JLP is a lessee (collectively, the "Leased Real Property"). JLP has made available to Buyer true, correct and complete copies of all such leases, including all amendments, modifications and renewals thereof. To JLP's knowledge, all such leases are valid, binding and enforceable in accordance with their terms, except to the extent enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and are in full force and effect as of the date hereof. There are no existing defaults by JLP beyond any applicable grace periods under such leases, except for defaults which would not have, individually or in the aggregate, a Material Adverse Effect, and JLP has not received any notice of default, except for defaults which would not have, individually or in the aggregate, a Material Adverse Effect.
- (c) JLP has the exclusive right to possess, use and occupy the Real Property.

4.14 Proprietary Rights.

- (a) Schedule 4.14 sets forth a list of all Intellectual Property which has been registered or for which an application for registration is pending, in each case which are owned and used or held for use by either Seller in the Businesses and which do not constitute an Excluded Asset (each a "Proprietary Right"), specifying as to each, as applicable: (i) the nature of such Proprietary Right; (ii) the owner of such Proprietary Right; (iii) the jurisdictions by or in which such Proprietary Right has been issued or registered or in which an application for such issuance or registration has been filed, including the respective registration or application numbers, if available; and (iv) material licenses, sublicenses and other agreements to which either Seller is a party and pursuant to which any person is authorized to use such Proprietary Right.
- (b) Except as set forth on Schedule 4.14, neither Seller (i) is a defendant in any claim, suit, action or proceeding which involves a claim of infringement of any Proprietary Right, and (ii) has any knowledge of any existing infringement by any other person of any Proprietary Right. Except as disclosed on Schedule 4.14, neither Proprietary Right is subject to any outstanding order, judgment, decree, stipulation or agreement restricting the use thereof by either Seller or restricting the licensing thereof by

either Seller to any person. Buyer acknowledges that from time to time the products of the Sellers are sold and services of the Sellers are rendered to customers whose purchase orders sometimes contain agreements under which the Sellers may be required to defend, indemnify and hold the customer harmless against any charge of patent, trademark or copyright infringement and that the Uniform Commercial Code imposes a similar obligation where the products were and are made to the specifications of the customer. With the exception of the foregoing, and except as may be provided in items disclosed on Schedule 4.14, neither Seller has entered into any special agreement to indemnify any other person against any charge of infringement of any patent, trademark, service mark or copyright of the Businesses that is not an Excluded Asset.

- (c) The Sellers are the beneficial owners of the Intellectual Property free and clear of all encumbrances, and neither Seller is a party to or bound by any contract or other obligation whatsoever that limits or impairs the ability to sell, transfer or convey, or that otherwise affects the Intellectual Property, except as set forth in Schedule 4.14.
- (d) To the knowledge of the Sellers, the conduct of the Businesses does not infringe upon the patent, trademark and copyright rights of any other person. Sellers are not aware of any state of facts that would invalidate or render unenforceable any Intellectual Property.

4.15 JLP Environmental Matters.

- (a) Definitions.

- (i) "Environmental Laws" shall mean any and all Canadian federal, provincial, municipal and local statutes, laws, regulations, codes, ordinances, judgments, orders, decrees, permits, licences, agreements, policies, rules, or other governmental restrictions having the force of law in each case as in effect on the date hereof that have as their principal purpose the protection of the environment, occupational health and safety, health protection or of human health or that relate to the generation, handling, storage, treatment, transport, disposal, use or exposure to Hazardous Substances, including but not limited to the Environmental Protection Act (Ontario) and the regulations promulgated thereunder.

- (ii) "Environmental Liabilities" shall mean any Damages (as defined in Section 9.1) or obligations, including but not limited to the conduct of any Remedial Action, arising out of the ownership or operation of the JLP Business or the ownership, operation or condition of the Owned Real

Property, to the extent based upon (i) violation of or liability under any Environmental Law, (ii) a failure to obtain, maintain or comply with any Environmental Permit, directive, order or notice of violation under, or any requirement of, any Environmental Law, (iii) a Release of any Hazardous Substance at, on or under the Owned Real Property, or any investigation, remediation, removal, clean-up or monitoring of any Hazardous Substances required under Environmental Law or required by a governmental authority at, on or under the Owned Real Property, or (iv) the use, generation, storage, transportation, treatment, sale or other off-site disposal of Hazardous Substances generated by or otherwise used in the JLP Business.

(iii) "Environmental Permits" shall mean all permits, licenses, franchises, certificates, approvals and other similar authorizations of governmental authorities relating to or required by Environmental Law and relating to the JLP Business.

(iv) "Hazardous Substance" shall mean any pollutant, contaminant or any toxic, radioactive or otherwise hazardous substance or waste, as such terms are regulated by, defined in, or identified pursuant to, any Environmental Law including, without limitation, asbestos and polychlorinated biphenyls, excluding, however, radon, mold, biological agents, medical waste and lead-based paint.

(v) "On-Site Matters" shall mean any environmental conditions at the Owned Real Property in breach of Environmental Laws, including the existence of any Hazardous Substances within any improvements thereon or in, on or under the soil, substrata or groundwater thereof as at the Closing Date such as the VOC Matter, and any Remedial Action required as a result thereof.

(vi) "Post-Closing Environmental Liabilities" shall mean any Environmental Liabilities to the extent arising out of the ownership, operation or condition of the JLP Business or the Owned Real Property at any time after the Effective Date.

(vii) "Pre-Closing Environmental Liabilities" shall mean any Environmental Liabilities to the extent arising out of the ownership, operation or condition of any of the JLP Business or the Owned Real Property on or at any time prior to the Effective Date.

(viii) "Release" shall mean any release, spill, emission, exhaust, leaking, pumping, pouring, dumping, emptying, injection, deposit, disposal, discharge, dispersal, leaching or migration of any Hazardous Substances not permitted by

prevailing and applicable Environmental Laws or Environmental Permits, in or into air, soil, water, groundwater or other media.

- (ix) "Remedial Action" shall mean any response action, removal action, remedial action, closure, corrective action, permitting, licensing, monitoring program, risk assessment, deed restriction, sampling program, investigation or other activity required, allowed by or consistent with any Environmental Law or governmental authority to investigate, clean up, remove, remediate, treat, abate or otherwise address any Hazardous Substance or to satisfy the requirement of any applicable Environmental Law, including by way of example and not limitation, (i) obtaining any Environmental Permits necessary to conduct any such work; (ii) preparing, implementing and overseeing any plans or studies for such work, (iii) use of consultants, attorneys, contractors and other professionals to manage, investigate or otherwise address any matter regarding Hazardous Substance(s); (iv) obtaining a "no further action" letter or similar written notice from a governmental authority with jurisdiction over the issue in question stating that no material additional work is required by such governmental authority with regard to the matter presented for resolution by such Authority (an "NFA Letter"), or (v) any other activities required under Environmental Laws to address Hazardous Substances at the property in question where those substances exceed standards or criteria applicable to the Owned Real Property or the JLP Business given its use or operation at the time of Effective Date.

- (x) "VOC Matter" shall mean the presence of any chlorinated solvent contamination at, on, in or under the Owned Real Property, including but not limited to, the soil, substrata or groundwater thereof, as described in the URS Phase I Environmental Site Assessment dated January 13, 2003 (the "URS Report").

- (b) Except as set forth on Schedule 4.15, except with respect to the On-Site Matters and except as to matters that have not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect:
 - (i) no written notice, claim, investigation, litigation, administrative proceedings, complaint or penalty in the three years prior to the date hereof has been received by JLP or the JLP Business and there are no judicial, administrative or other actions, suits or proceedings pending or, to the knowledge of JLP, threatened which allege a violation of or a liability under any Environmental Law, in each case relating to the Real Property or JLP Business

and arising out of any Environmental Law or relating to the Release of any Hazardous Substances;

- (ii) the JLP Business has been operated in compliance in all material respects with applicable Environmental Laws and its Environmental Permits, and JLP and the JLP Business has not used, except in compliance with all Environmental Laws, the Real Property to generate, manufacture, process, distribute, treat, store, dispose of, transfer or handle any Hazardous Substance;
- (iii) the JLP Business has all material Environmental Permits necessary for the operation of the JLP Business to comply with all applicable Environmental Laws and, there are no proceedings pending or threatened to revoke such Environmental Permits;
- (iv) to the knowledge of JLP, there has been no Release of a Hazardous Substance and no Hazardous Substance has been identified in soil or groundwater at levels not in compliance with applicable Environmental Law at (i) the Owned Real Property, or (ii) any other location as a result of the operation of the JLP Business;
- (v) since the date the Owned Real Property was acquired by JLP, it has been used in compliance with all requirements of Environmental Laws, and since the date the Leased Real Property was leased by JLP, it has been used in compliance with all requirements of Environmental Laws;
- (vi) all Hazardous Substances used by JLP in connection with or resulting from the JLP Business have been disposed of, treated and stored in compliance with all Environmental Laws; and
- (vii) JLP has provided Buyer with access to its data room which contains all reports of real estate, environmental assessments, soil or groundwater investigations or Remedial Actions associated therewith of which it is aware, relating to the Owned Real Property.

4.16 Title to Purchased Assets.

Sellers are the beneficial owners of and have a good and marketable title to all of the Purchased Assets, free and clear of all liens whatsoever, except for:

- (a) Permitted Liens and the personal property liens incurred in the ordinary course of business (e.g., equipment leases); and
- (b) the Senior Debt Liens and Liens in favour of USI Canada Inc., all

of which will be released as against the Purchased Assets concurrently with the conveyance of the Purchased Assets to Buyer on the Closing Date.

No person owns any of the Purchased Assets which are being used in the Businesses, except for the Leased Real Property, and personal property leased by the Sellers.

4.17 Insurance.

The Sellers have the Purchased Assets insured against loss or damage by all insurable hazards or risks on a replacement cost basis and such insurance will continue in full force and effect to and including the Closing Date.

4.18 Exceptions.

Any exception to the representations and warranties contained in this Section 4 which are set forth on the Schedules will be deemed to be representations and warranties as if made hereunder, as provided in this Section 4. Notwithstanding the foregoing, an exception or qualification set forth in the Schedules with respect to a particular representation and warranty shall be deemed to be an exception or qualification with respect to all other applicable representations and warranties to the extent the description of the facts regarding the event, item or matter disclosed is adequate so as to make reasonably clear or otherwise make the Buyer reasonably aware that such exception or qualification is applicable to such other representations and warranties whether or not such exception or qualification is so numbered.

5. Representations and Warranties of Buyer.

Buyer represents and warrants to each Seller and confirms that Sellers are relying on the accuracy of each of such representations and warranties in connection with the sale of the Purchased Assets and the completion of the other transactions hereunder as follows:

5.1 Buyer's Organization.

Buyer is a corporation duly organized and validly existing under the laws of the Province of Ontario and has the full corporate power and authority to enter into and to perform this Agreement.

5.2 Authorization of Agreement.

The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby by Buyer have been duly authorized by all necessary corporate and stockholder action of Buyer and this Agreement constitutes the valid and binding obligation of Buyer enforceable against it in accordance with its

terms, except to the extent enforceability may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5.3 No Conflict; Consents of Third Parties.

The execution, delivery and performance of this Agreement by Buyer will not (i) violate or conflict with the certificate of incorporation, by-laws or other constitutional documents of Buyer; (ii) conflict with, or result in the breach or termination of, or constitute a default under (whether with notice or lapse of time or both), or accelerate or permit the acceleration of the performance required by, any indenture, mortgage, lien, lease, agreement, commitment or other instrument or any order, judgment or decree, to which Buyer is a party or by which it or its properties are bound; or (iii) constitute a violation of any law, regulation, order, writ, judgment, injunction or decree applicable to Buyer, other than violations, conflicts, breaches, terminations, accelerations and defaults specified in the foregoing clauses (ii) and (iii) which could not reasonably be expected to have a material adverse effect on Buyer's ability to perform its obligations under this Agreement. Other than the consent or approval of the Toronto Stock Exchange ("TSX") and the American Stock Exchange ("AMEX") to the issuance of the Convertible Note by Buyer to JI, which Buyer covenants to use all reasonable efforts to obtain prior to the Closing Date, no consent, approval or authorization of any governmental authority is required on the part of Buyer in connection with the execution, delivery and performance of this Agreement.

5.4 Litigation.

There are no judicial or administrative actions, proceedings or investigations pending or, to the Buyer's knowledge, threatened, that question the validity of this Agreement or any action taken or to be taken by Buyer in connection with this Agreement. There is no litigation, proceeding or governmental investigation pending or, to Buyer's knowledge, threatened, or any order, injunction or decree outstanding, against the Buyer that, if adversely determined, could reasonably be expected to have a material adverse effect upon Buyer's ability to perform its obligations under this Agreement.

5.5 Financing.

Buyer has all funds, or has delivered copies of commitments from financial institutions as to the provision of funds, necessary to pay the Purchase Price and related fees and expenses, and (assuming the availability of any such funding from financial institutions) Buyer has the financial capacity to perform all of its other obligations under this Agreement and the closing documents to be executed

hereunder. Buyer, immediately after the Closing, will be solvent, will be able to meet its obligations and debts as they become due, the value of Buyer's assets at such time will exceed Buyer's liabilities, and Buyer will have adequate capital for the conduct of the Business.

5.6 Excise Tax Act.

Buyer is, or will on the Closing Date be, a registrant for purposes of Part IX of the Excise Tax Act (Canada) and is acquiring under this Agreement ownership, possession or use of all or substantially all of the property that can reasonably be regarded as being necessary for Buyer to be capable of carrying on the JLP Business as a business.

5.7 Investment Canada.

Buyer is a WTO investor within the meaning of the Investment Canada Act.

5.8 Securities Matters.

- (a) Buyer has all requisite legal and corporate power and authority to sell, issue and deliver the Shares.
- (b) Subject to compliance with the requirements of the TSX and the AMEX, and Buyer covenants to use all reasonable efforts to maintain compliance with such requirements as they relate to the matters contemplated in this Agreement, Buyer has taken all corporate and legal action necessary to sell and issue the Convertible Note and to create the Shares. Buyer has reserved and allotted the common shares in the capital of Buyer (the "Common Shares") issuable upon the conversion of the Convertible Note or the Shares (the "Converted Shares") and, upon the conversion of the Convertible Note or the Shares in accordance with their terms, the Converted Shares will be issued and outstanding as fully paid and non-assessable Common Shares.
- (c) The authorized capital of Buyer consists of an unlimited number of Common Shares and an unlimited number of preference shares issuable in series of which 6,104,300 Common Shares (and no other shares) are outstanding as fully paid and non-assessable shares.
- (d) The outstanding Common Shares of Buyer are listed and posted for trading on the TSX and the AMEX. No order ceasing or suspending trading in any securities of Buyer has been issued and no proceedings for such purpose are pending or, to the knowledge of Buyer, threatened. As of the Closing Date, the Converted Shares will be approved by each of the TSX and the AMEX for posting and listing for trading on the TSX and the AMEX, respectively, once converted by the holder or holders of any such Shares, and subject to satisfaction of the usual conditions imposed by each of the TSX and the AMEX.

- (e) Except as disclosed in Schedule 5.8, no person, firm or corporation has any right, agreement or option, present or future, contingent or absolute, or any right or privilege capable of becoming a right, agreement or option, for the purchase, subscription or issuance of any Shares or any other preference shares of Buyer or any Common Shares or any other security convertible into or exchangeable for Shares or any other preference shares or Common Shares.
- (f) Buyer is a reporting issuer, or the equivalent thereof, under the Securities Laws. Buyer is not in default in any material respect of any requirement of the Securities Laws and Buyer is not included on a list of defaulting reporting issuers maintained by the securities regulators of any of the jurisdictions referred to in the definition of Securities Laws. For the purposes of this Section 5.8, "Securities Laws" means the securities laws, regulations, rules, rulings and orders in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and in the United States, the applicable policy statements issued by the securities regulators in each of these jurisdictions, and the rules of the TSX and the AMEX.
- (g)
- (i) Buyer has timely filed all forms, reports and documents with the U.S. Securities and Exchange Commission ("SEC") required to be filed by it since January 1, 2002 pursuant to the Securities Act of 1933, as amended, and the rule and regulations promulgated thereunder (the "Securities Act") and the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act") (collectively, the "SEC Reports"), all of which have complied, at the time filed, in all material respects with all applicable requirements of the Securities Act and the Exchange Act, as applicable, and the rules and regulations promulgated thereunder. None of such SEC Reports, at the time filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; and
- (ii) the balance sheets and the related statements of operations, cash flows and shareholders' equity (including the notes thereto) of Buyer and its subsidiaries contained or incorporated by reference in the SEC Reports comply in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, and present fairly the financial position

and stockholders' equity of Buyer and its subsidiaries as of their respective dates, and results of their operations and their cash flows for the periods presented therein subject to the exceptions stated therein, in conformity with U.S. GAAP applied on a consistent basis, (i) except as otherwise noted therein, (ii) subject in the case of unaudited financial statements to normal year-end audit adjustments, and (iii) except that the unaudited financial statements may not contain all of the footnote disclosures required by U.S. GAAP.

- (h) As of the Closing Date, Buyer will be a "qualifying issuer" under Multilateral Instrument 45-102 - Resale of Securities, such that the Shares and the Converted Shares will be subject to a statutory four-month hold period in Canada.
- (i) Other than the filing by Buyer of a confidential material change report in connection with the transactions provided for in this Agreement, Buyer is in compliance at the date hereof with its obligations to make timely disclosure of all material changes relating to it and no such disclosure has been made on a confidential basis and there is no material change relating to Buyer which has occurred and with respect to which the requisite material change report has not been filed.
- (j) The execution and delivery of this Agreement, the performance and compliance with the terms hereof and the completion of the transactions described herein by Buyer will not result in any material breach of, or be in conflict with or constitute a material default under, or create a state of facts which, after notice or lapse of time, or both, would constitute a material default under any term or provision of the Securities Laws applicable to Buyer.

6. Further Agreements of the Parties.

6.1 Access to Information.

Until the earlier of the Closing or the termination of this Agreement, Buyer may make such investigation of the business and properties of the Businesses as Buyer may desire, and upon reasonable notice, each Seller shall give to Buyer and its counsel, accountants and other representatives reasonable access, during normal business hours throughout the period prior to the Closing, to the property, books, commitments, agreements, records, files and personnel of the Businesses, and each Seller shall furnish to Buyer during that period all copies of documents and information concerning the Businesses as Buyer may reasonably request subject to applicable law and any applicable confidentiality obligations. At Buyer's request each Seller shall co-operate with Buyer in arranging such meetings as Buyer shall reasonably request with employees of the Businesses, customers,

suppliers, distributors or others who have or have had a business relationship with Sellers in respect of the Businesses. Buyer shall hold, and shall cause its counsel, accountants and other agents and representatives to hold, all such information and documents in accordance with, and subject to the terms of, the confidentiality agreement previously executed by Buyer with respect to this transaction.

6.2 Conduct of the Business Pending the Closing.

Until the earlier of the Closing or the termination of this Agreement, except as otherwise set forth in Schedule 6.2 or contemplated by this Agreement, each Seller shall comply with the provisions set forth below:

- (a) each Seller shall operate the Business in the ordinary course consistent with past practises;
- (b) each Seller shall promptly notify Buyer of, and furnish to Buyer, any information that Buyer may reasonably request with respect to the occurrence of any event or the existence of any state of facts that would result in any of such Seller's representations and warranties not being true if they were made as of the Closing Date;
- (c) except as provided for under the Benefit Arrangements or as required by law, JLP shall not (i) grant or agree to grant any bonuses to any Employee to the extent such obligation would constitute an Assumed Liability, (ii) grant any general increase in the rates of salaries or compensation of the Employees or (iii) any specific increase in the rates of salaries or compensation to any Employee except such as are in accordance with regularly scheduled periodic increases, or (iv) provide for any new pension, retirement or other employment benefits to any Employees or any increase in any existing benefits to any Employees;
- (d) neither Seller shall amend its certificate of incorporation or by-laws or enter into any merger or consolidation agreement, in either case to the extent any such action would have a material adverse effect on this transaction;
- (e) each Seller shall use reasonable efforts to maintain and preserve the Businesses intact, and to maintain its relationships with customers, suppliers and others so that those relationships will be preserved after the Closing;
- (f) JLP shall use reasonable efforts to retain its present active employees so that they will be available to Buyer after the Closing;

- (g) neither Seller shall sell, assign, voluntarily encumber, grant a security interest in or license with respect to, or dispose of, any of its material assets or properties, tangible or intangible, relating to the Businesses, or incur any material liabilities relating to the Businesses, except for sales and dispositions made, or liabilities incurred, in the ordinary course of business; and
- (h) each Seller shall maintain in full force and effect all insurance currently maintained by such Seller with respect to the Business.

6.3 Employee and Employee Benefit Matters.

Buyer agrees to employ all of the Employees on terms and conditions substantially similar to those enjoyed by them as at the Effective Date. All of the Employees who accept Buyer's offer of employment are the "Transferred Employees". Prior to the Closing Date, JLP and JI will assist Buyer in identifying, and give Buyer reasonable access to, the key employees of the Businesses to permit Buyer to enter into negotiations for employment arrangements or contracts with such key employees. Buyer will make the necessary arrangements at or before the Closing Date to provide the Transferred Employees with new benefit plans so that all of such employees are provided with benefits substantially similar to those presently enjoyed by them and Buyer agrees to assume liability for all claims incurred under or to be covered by any such new benefit plans. Buyer agrees to recognize all of the prior service of the Transferred Employees with JLP for all purposes in respect of such employees' employment with Buyer and the termination thereof including, without limitation, such employees' entitlements on termination of employment with JLP and/or Buyer. All offers of employment made hereunder shall be conditional upon the closing of the transactions contemplated herein.

6.4 Other Action.

Until the termination of this Agreement, each of the parties shall use its best efforts to cause the fulfillment at the earliest practicable date but, in any event, prior to the Closing Date, of all of the conditions to their respective obligations to consummate the transactions under this Agreement.

6.5 Notices.

Until the termination of this Agreement, each party shall promptly notify the other party in writing of, and furnish to such party any information that such party may reasonably request with respect to, the occurrence of any event or the existence of any state of facts that would (a) result in the party's representations and warranties not being true if they were made as of the Closing Date, or (b) impair the party's ability to perform its obligations under this Agreement.

6.6 Expenses.

Except as otherwise specifically provided in this Agreement, each party hereto shall bear its own respective expenses incurred in connection with this Agreement and in connection with all obligations required to be performed by each of them under this Agreement.

6.7 Publicity.

Buyer and Sellers shall consult with each other before issuing any press release or material change report concerning the Transaction and, except as may be required by applicable law or a regulatory authority having jurisdiction over one of the parties or their affiliates, will not issue a press release or material change report prior to such consultation without having first used its best efforts to engage in such consultation.

6.8 Transfer Taxes.

Buyer shall be liable for and shall pay all sales taxes, transfer or gains taxes (including real property transfer taxes but excluding any taxes based on income or capital taxes), goods and services taxes, recording fees or any other taxes, duties or fees of any jurisdiction payable as a result of the sale of the Purchased Assets or any other action contemplated by this Agreement.

6.9 Supplement to Disclosures.

On the Closing Date, Sellers shall have the right to supplement or amend the disclosure Schedules with respect to any matter, condition or occurrence hereafter arising which, if existing at, or occurring prior to or on, the date of this Agreement, would have been required to be set forth or described in the disclosure Schedules. No supplement or amendment shall be deemed to cure any breach of any representation or warranty made in this Agreement or have any effect on Buyer's indemnification rights provided for in Article 9 hereof, or have any effect for the purpose of determining the satisfaction of the conditions set forth in Article 7 hereof or the compliance by Sellers with any covenant set forth herein.

6.10 Preservation of Records.

Buyer will at its own expense preserve and keep the records of JLP and JI for such period of time after the Closing Date as may be required or recommended by any government agency or with respect to ongoing litigation or to enable JI or JLP to respond to and close out prior years' tax audits and assessments, and shall make such records available to JLP and JI as they may reasonably require. Following such period, Buyer shall provide JLP and JI with at least 90 days prior written notice of any proposed destruction of the said JLP and JI records, and if so requested by JLP or JI, permit JLP or JI to remove

such records from Buyer's premises at the sole expense of JLP or JI.

6.11 Certain Post-Closing Assistance by the Buyer.

- (a) Buyer agrees to cause the appropriate personnel, at no cost or expense to JLP and JI (except for out-of-pocket expenses), to
 - (i) prepare all customary accounting, tax, employment, benefits related and similar reports for periods up to the Closing Date provided that such assistance does not exceed 100 man-hours of time; and
 - (ii) assist JLP and JI in the prosecution or defense of any claims and litigation which Buyer has not assumed;

all as may be reasonably requested by JLP and JI and provided that such assistance does not unreasonably disrupt the ordinary business operations of Buyer.

- (b) Buyer recognizes that Sellers will need access, from time to time, after the Closing Date, to certain accounting and Tax records and information that Buyer may have to the extent that such records and information pertain to events occurring on or prior to the Closing Date with respect to the Businesses. Buyer agrees (i) to use its reasonable best efforts to retain and properly store such records for the period ending on the expiration of the applicable statutes of limitation (giving effect to any extensions thereof) but in any event not to exceed the seventh anniversary of the Closing Date and thereafter not to dispose of such records without first offering them to Sellers; and (ii) to allow Sellers and their agents and representatives at times and dates mutually acceptable to the parties, to inspect, review and make copies of such records as Sellers reasonably deem necessary or appropriate from time to time, such activities to be conducted during normal business hours.

6.12 Treasury Matters.

Sellers and/or their affiliates, are parties to or financially supported by certain letters of credit, bonding arrangements and/or guarantees, related to the Businesses, listed in Schedule 6.12 (the "Credit Support Documents"). The parties shall use their reasonable best efforts to terminate the Credit Support Documents as soon as practicable after the Closing. Buyer shall cause the obligations relating to the Purchased Assets which are secured by the Credit Support Documents and which relate to Buyer's operation of the Businesses after the Closing to be discharged in such a manner that Sellers and their affiliates will not be required to make any payments under the Credit Support Documents in relation thereto. Should any such payments be required and paid, Buyer shall reimburse the party making payment upon demand. It is understood that Buyer shall not have

any right to incur any new obligations secured or supported by the Credit Support Documents after the Closing.

6.13 Use of Trade Names and Trademarks.

On and after the Closing, Buyer shall not, except pursuant to the License Agreement, have any right, title or interest in and to, nor shall Buyer use, the names "Jacuzzi", "Jacuzzi Bros.", "Jacuzzi Leisure Products" or "U.S. Industries", or any combination or derivation of such name, or any trade name, logo or trademark containing or using any such name.

6.14 Covenant Not to Compete.

- (a) Subject to Section 6.22, each Seller agrees that neither it nor any of its affiliates shall at any time during the period in which the License Agreement is in effect, directly or indirectly engage in, or have any ownership interest in, any firm, corporation, partnership, proprietorship or other business entity that engages in a business that competes directly with the Businesses in the territories covered by the License Agreement; provided, however, that it shall not be a violation of this Section to (i) own, directly or indirectly, solely for investment purposes, securities of any person that are traded on a national securities exchange or the NASDAQ Stock Market (or a recognized securities exchange outside the U.S.), if Sellers or their affiliates do not, directly or indirectly, collectively own more than 5% or more of any class of securities of such person, (ii) directly or indirectly acquire, be acquired by or merge with any person, if less than 10% of the sales revenues of such person for its most recently completed fiscal year were derived from products that compete with any products sold by the Businesses or under development with respect to the Businesses, or (iii) continue operating existing lines of business, other than the Businesses, consistent with past practice.
- (b) JI covenants and agrees that in the event it sells its water systems business to Dan Van Duinen or a corporation controlled by him prior to March 29, 2005, it will, as a condition of such sale, require Dan Van Duinen and/or such corporation to agree with Buyer that neither he nor such corporation will directly or indirectly engage in, or have any ownership interest in, any firm, corporation, partnership, proprietorship or other business entity that engages in a business that competes directly with the Businesses in the territories covered by the License Agreement during the period from the date of such sale to March 29, 2005; provided, however, that it shall not be a violation of such covenant for Dan Van Duinen and/or such corporation to (i) own, directly or indirectly, solely for investment purposes, securities of any person that are traded on a national securities exchange or the NASDAQ Stock Market (or a recognized securities

exchange outside the U.S.), if Dan Van Duinen and/or such corporation or its affiliates do not, directly or indirectly, collectively own more than 5% or more of any class of securities of such person, (ii) directly or indirectly acquire, be acquired by or merge with any person, if less than 10% of the sales revenues of such person for its most recently completed fiscal year were derived from products that compete with any products sold by the Businesses or under development with respect to the Businesses, or (iii) continue operating existing lines of business, other than the Businesses, consistent with past practice.

- (c) From and after the Closing Date, Sellers shall keep secret and retain in confidence, and shall not use for the benefit of themselves or others except in connection with the provision of services to Buyer and its affiliates under the License Agreement and the Manufacturing Services Agreement, all confidential documents and information concerning the Businesses, unless compelled to disclose such documents or information by court order, subpoena or other legal process, in which case Sellers must, if possible, give Buyer written notice as soon as possible upon receipt of the subpoena or court order, prior to such disclosure so that Buyer may seek a protective order or other appropriate remedy. If no such protective order or other remedy is obtained or Buyer waives compliance with the terms of this Section, Sellers will furnish only that portion of the applicable documents and/or information which they are advised by counsel is legally required and will exercise their reasonable best efforts to obtain reliable assurance that confidential treatment will be accorded such documents and/or information.
- (d) Each Seller acknowledges that the covenants contained in this Section were a material and necessary inducement for Buyer to agree to the transactions contemplated hereby, and that violation of any covenants contained in this Section will cause irreparable and continuing damage to Buyer, that Buyer shall be entitled to injunctive or other equitable relief by any arbitrators appointed under Section 10.4 restraining any further violation of such covenants and that such injunctive relief shall be cumulative and in addition to any other rights or remedies to which Buyer may be entitled. Moreover, Sellers hereby waive, in any action for specific performance of this Section, the defense of adequacy of a remedy at law and any requirement for the securing or posting of any bond in connection with any such remedy.
- (e) If it is ever held by any arbitrators appointed under Section 10.4 that the restrictions placed on any party to this Agreement by this Section are too onerous and are not necessary for the protection of the other party or parties hereto, each party to this Agreement agrees that such arbitrators may impose lesser restrictions which such arbitrators may consider to be necessary

or appropriate to properly protect the other party or parties hereto.

6.15 Tax Covenants.

Buyer covenants that it will not, nor will it permit any of its affiliates, (i) to take any action on the Closing Date other than in the ordinary course of business that could give rise to any tax liability or reduce any tax asset of the Sellers or the Seller Group or give rise to any loss of either Seller or the Seller Group under this Agreement, or (ii) to make or change any tax election or amend any tax return that results in any increased tax liability or reduction of any tax asset of any Seller or the Seller Group in respect of any tax period (or portion thereof) ending on or prior to the Closing Date.

6.16 Pro-ration Relating to Real Estate and Other Taxes.

- (a) All real property taxes, utilities and other items usually adjusted on the closing of a real property transaction and all personal property taxes and similar ad valorem obligations levied with respect to the Purchased Assets for a taxable period which includes (but does not end on) the Closing Date (collectively, the "Apportioned Obligations") shall be apportioned between Sellers and Buyer based on the number of days of such taxable period prior to and including the Closing Date (with respect to any such taxable period, the "Pre-Closing Tax Period"). Sellers shall be liable for the proportionate amount of such taxes that is attributable to the Pre-Closing Tax Period, and Buyer shall be liable for the proportionate amount of such taxes that is attributable to the Post-Closing Tax Period.
- (b) Apportioned Obligations shall be timely paid, and all applicable filings, reports and returns shall be filed, as provided by applicable law. The paying party shall be entitled to reimbursement from the non-paying party in accordance with this Section 6.16(b). Upon payment of any such Apportioned Obligation, the paying party shall present a statement to the non-paying party setting forth the amount of reimbursement to which the party is entitled under Section 6.16(a) together with such supporting evidence as is reasonably necessary to calculate the amount to be reimbursed. The non-paying party shall make such reimbursement promptly but in no event later than 10 days after the presentation of such statement. Any payment not made within such time shall bear interest at the rate set of 8% per annum for each day until paid.
- (c) The forgoing notwithstanding, no party shall be entitled to reimbursement under this Section to the extent such party has been otherwise compensated for such matter pursuant to the Purchase Price adjustment under Section 2.4.

6.17 Certain Canadian Tax Elections.

- (a) JLP and Buyer shall jointly execute an election under Section 167 of the Excise Tax Act (Canada) and Section 75.1 of An Act Respecting the Quebec Sales Tax in the forms prescribed for such purposes along with any documentation necessary or desirable in order to effect JLP's transfer of Purchased Assets to Buyer without payment of any GST or Quebec Sales Tax ("QST"). On or prior to the Closing Date, Buyer shall provide JLP with its registration numbers under Part IX of the Excise Tax Act (Canada) and An Act Respecting the Quebec Sales Tax. Buyer shall file the election forms referred to above, along with any documentation necessary or desirable to give effect to such, with the Canada Customs and Revenue Agency and the Ministere du Revenu du Quebec together with Buyer's GST and QST returns for the reporting period in which the transactions contemplated herein are consummated. Notwithstanding the foregoing, if the GST or QST elections referred to above are not acceptable to the Canada Customs and Revenue Agency and/or the Ministere du Revenu du Quebec, Buyer shall pay to JLP, the applicable GST and QST.
- (b) Buyer and the JLP agree to elect jointly in the prescribed forms under Section 22 of the Income Tax Act (Canada) and Section 184 of the Taxation Act (Quebec) as to the sale of the accounts receivable forming part of the Purchased Assets transferred by JLP to Buyer and described in Section 22 of the Income Tax Act (Canada) and Section 184 of the Taxation Act (Quebec) and to designate in such elections the face value of such accounts receivable and an amount equal to the portion of the Purchase Price allocated to such assets pursuant to Schedule 2.5, as adjusted pursuant to Section 2.4 as the consideration paid by the Buyer therefor. JLP and Buyer shall each file such election with the Canada Customs and Revenue Agency and the Ministere du Revenu du Quebec forthwith after execution thereof, and, in any event, with the respective income Tax Returns for the year of sale to make such election.
- (c) If applicable, JLP and Buyer shall file an election under Section 20(24) of the Income Tax Act (Canada) and the corresponding sections of any applicable provincial statute and any regulations under such statutes in a manner consistent with the allocation of the Purchased Assets transferred by JLP to Buyer under Schedule 2.5, as adjusted pursuant to Section 2.4. The parties hereto further agree to make jointly the necessary elections and execute and file, within the prescribed periods, the prescribed election forms and any other documents required to give effect to the foregoing.

6.18 Removal of Purchased Assets.

Subject to the Transition Services Agreement (as defined in Schedule 8.1(1)), Buyer shall:

- (a) within 30 days of the completion of the Manufacturing Services Agreement, have reasonable access to JI's facility in Little Rock, Arkansas; and
- (b) within 30 days of the end of the Transition Services Agreement, have reasonable access to JLP's facility in Orillia, Ontario,

to remove at its own expense any of the Purchased Assets located at such facilities.

6.19 Removal of Non-Purchased Assets.

Subject to the Transition Services Agreement, JLP shall within 30 days of the end of the Transition Services Agreement, have reasonable access to the Owned Real Property to remove, at its own expense, any of the Excluded Assets located at the Owned Real Property.

6.20 Payment of Trade Payables

Sellers shall pay all of the Trade Payables as and when they become due consistent with past practices except for any such trade payables which the Sellers, acting reasonably, dispute.

6.21 Collection of Collection Accounts Receivable

From and after the Closing Date, Buyer shall promptly collect on behalf of Sellers all of the Excluded Accounts Receivable other than the Foreign Accounts Receivable (the "Collection Accounts Receivable") at no cost to Sellers and for a period commencing on the Closing Date and expiring 150 days thereafter unless sooner terminated by Sellers (the "Collection Period"). Buyer shall inform Sellers of any dispute in connection with a Collection Accounts Receivable in a reasonable and timely fashion, and Buyer shall not waive, settle or compromise the collection of or grant any rebates or credits in respect of the Collection Accounts Receivable. Except in the case of a Collection Accounts Receivable disputed in good faith by a customer, any amounts collected by Buyer from a customer of the Businesses shall be applied in the manner specified by the customer or if not so specified, to the Collection Accounts Receivable of such customer, provided that Buyer shall act in good faith in collecting the Collection Accounts Receivable, and in particular, shall not encourage, request or suggest to customers owing Collection Accounts Receivable that they specify that any amounts paid by them not be applied to the Collection Accounts Receivable of such customers. Buyer shall consult with and provide Sellers with all relevant information concerning the collection of the Collection Accounts Receivable as reasonably requested by Sellers. Buyer covenants and agrees that all monies received from and after the Closing Date on account of the Collection

Accounts Receivable shall be paid forthwith into separate accounts of Sellers as directed from time to time by Sellers. Upon the expiry of the Collection Period, Buyer's obligation to collect and remit the Collection Accounts Receivable shall cease and thereupon Buyer shall re-deliver to Sellers all books and records necessary for Sellers to collect the uncollected Collection Accounts Receivable or shall provide full and free access thereto during normal business hours to Sellers or their representatives and shall permit the Sellers to make copies at the Sellers' expense of such books and records. From and after the expiry of the Collection Period, any payments received by Buyer on account of the Collection Accounts Receivable shall be remitted forthwith to Sellers.

6.22 Sale of Pool Cleaner Inventory

From and after the Closing Date, Buyer shall, as agent of Sellers, sell the Pool Cleaner Inventory on a consignment basis as part of the ordinary course operations of the Businesses provided that Buyer may discount the list price of same with use of normal multipliers by 20 percent or such greater percentage as Buyer and Sellers may agree if, after Buyer having used its reasonable commercial efforts to sell such Pool Cleaner Inventory, Buyer and Sellers determine that an additional discount is required to clear out such inventory. Buyer shall be entitled to a 16 percent commission on the sale price of all Pool Cleaner Inventory sold by it hereunder. Buyer covenants and agrees that all monies received from and after the Closing Date on account of the Pool Cleaner Inventory less Buyer's commission shall be paid forthwith into separate accounts of Sellers as directed from time to time by Sellers.

6.23 Receipt by Sellers of Accounts Receivable

From and after the Closing Date, Sellers agree that, to the extent they (or either of them) receive payment on account of Accounts Receivable (the "Post-Closing Accounts Receivable Receipts"), Sellers shall receive and hold all of such Post-Closing Accounts Receivable Receipts in trust for the benefit of Buyer. Sellers shall provide written reports to Buyer on or before the close of business on each Tuesday and Friday after the Closing Date. Each report shall contain particulars of Post-Closing Accounts Receivable Receipts (with supporting documentation reasonably requested by Buyer) received by Sellers up to the close of business on (i) the immediately preceding Friday for each report to be delivered by Sellers on a Tuesday and (ii) the immediately preceding Tuesday for each report to be delivered by Sellers on a Friday. Sellers shall wire transfer to Buyer, in accordance with wire transfer instructions to be provided by Buyer to Sellers, the Post-Closing Accounts Receivable Receipts in respect of each reporting period as contemplated by this Section 6.23 on the Business Day immediately following the day on which a report is required to be provided hereunder. In the event that Sellers do not provide any reports or make any payments as required by this Section

6.23, Buyer may provide a written notice of default to Sellers directing that Sellers provide any report or make any payment which has not been provided or made as required by this Section 6.23. In the event that Sellers have not rectified any such default after the expiry of 5 Business Days after the Business Day on which Buyer has provided such notice of default to Sellers, such continued default by Sellers shall constitute an "Accounts Receivable Reporting/Remittance Default", and the amount of Post-Closing Accounts Receivable Receipts which, at any particular time, have not been paid over by Sellers to Buyer as required hereunder is called the "Accounts Receivable Remittance Default Amount".

7. Conditions of Closing.

7.1 Conditions Precedent to Obligations of Buyer.

The obligation of Buyer to consummate the purchase under this Agreement is subject to the fulfillment, prior to or at the Closing, of each of the following conditions (any or all of which may be waived by Buyer):

- (a) all representations and warranties of each Seller contained in this Agreement shall be true and correct in all material respects, at and as of the time of the Closing with the same effect as though made again at, and as of, that time;
- (b) each Seller shall have performed and complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by it prior to or at the Closing;
- (c) Buyer shall have been furnished with the documents referred to in Section 8.1;
- (d) no provision of any applicable law or regulation shall prohibit, and there shall not be in effect any injunction or restraining order issued by a court of competent jurisdiction in any action or proceeding against the consummation of the sale and purchase of the Purchased Assets pursuant to this Agreement;
- (e) Buyer shall have received evidence reasonably satisfactory to it that the Purchased Assets shall have been released from the Senior Debt Liens;
- (f) no material damage by fire or other hazard to the whole or any material part of the Purchased Assets shall have occurred; and
- (g) all actions, proceedings, instruments and documents required to implement this Agreement or instrumental hereto, and all legal matters relating to the purchase of the Purchased Assets, shall have been approved as to form and legality by Irwin Singer,

counsel for the Buyer, acting reasonably.

7.2 Conditions Precedent to Obligations of Sellers.

The obligation of each Seller to consummate the sale under this Agreement is subject to the fulfillment, prior to or at the Closing, of each of the following conditions (any or all of which may be waived by either Seller):

- (a) all representations and warranties of Buyer contained in this Agreement shall be true and correct in all material respects at and as of the time of the Closing with the same effect as though made again at, and as of, that time;
- (b) Buyer shall have performed and complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by Buyer prior to or at the Closing;
- (c) Sellers shall have been furnished with the documents referred to in Section 8.2;
- (d) no provision of any applicable law of regulation shall prohibit, and there shall not be in effect any injunction or restraining order issued by a court of competent jurisdiction in any action or proceeding against the consummation of the sale and purchase of the Purchased Assets pursuant to this Agreement;
- (e) Sellers shall have received evidence reasonably satisfactory to it that the Purchased Assets shall have been released from the Senior Debt Liens;
- (f) Buyer shall have obtained all necessary approvals, including approvals from the TSX and the AMEX, to the issuance of, and the posting and listing of the Converted Shares on the TSX and the AMEX;
- (g) no material damage by fire or other hazard to the whole or any material part of the Purchased Assets shall have occurred; and
- (h) all actions, proceedings, instruments and documents required to implement this agreement or instrumental hereto, and all legal matters relating to the purchase of the Purchased Assets, shall have been approved as to form and legality by Fraser Milner Casgrain LLP, counsel for Sellers, acting reasonably.

8. Documents to be Delivered at the Closing.

8.1 Documents to be Delivered by Sellers.

At the Closing, Sellers shall deliver, or cause to be delivered, to Buyer the following:

- (a) one or more executed deeds, general conveyances or instruments of assignment, dated as of the Effective Date, transferring to Buyer all of each Seller's right, title and interest in and to the Purchased Assets with a good and marketable title, free and clear of all Liens, except Permitted Liens and personal property liens incurred in the ordinary course of business (e.g. equipment leases) together with possession of the Purchased Assets;
- (b) discharges of the Senior Debt Liens in respect of the Purchased Assets;
- (c) a copy of the resolutions of the board of directors of JI and the sole shareholder of JLP authorizing the execution, delivery and performance of this Agreement (and all other documents required to be delivered by such Seller hereunder) by such Seller and a certificate of the secretary or assistant secretary of each Seller, dated the Closing Date, that such resolutions were duly adopted and are in full force and effect;
- (d) a certificate, dated the Closing Date, executed by an officer of each Seller certifying to the fulfillment of the conditions specified in Sections 7.1(a) and 7.1(b);
- (e) a favorable opinion of the general counsel to each Seller, subject to customary qualifications and limitations, as to the due execution and delivery of this Agreement and the documents delivered by Seller at the Closing and as to the matters set forth in Sections 4.1 and 4.2;
- (f) the affidavit of JI required by Section 1445 (b) (2) of the Code;
- (g) a license agreement substantially in the form of Exhibit B hereto executed by an officer of JI with respect to the license to Buyer for the use of the "Jacuzzi" trademark (the "License Agreement");
- (h) a transition services agreement substantially in the form of Exhibit C hereto executed by an officer of JI (the "JI Transition Services Agreement");
- (i) a manufacturing services agreement substantially in the form of Exhibit D hereto executed by an officer of JI (the "Manufacturing Services Agreement");
- (j) a "drag-along" right substantially in the form of Exhibit E hereto executed by an officer of each of JI and JLP (the "Drag-Along Right");
- (k) a registration rights agreement substantially in the

form of Exhibit F hereto executed by an officer of each of JLP and JI (the "Registration Rights Agreement");

- (l) a transition services agreement substantially in the form of Exhibit G hereto executed by an officer of JLP (the "Transition Services Agreement");
- (m) an irrevocable standby letter of credit in the amount of U.S. \$2,500,000 issued on behalf of JLP in favour of Buyer;
- (n) corporate Certificates of Status for each of the Sellers; and
- (o) a certificate issued under subsection 6(1) of the Retail Sales Tax Act (Ontario) in respect of the JLP Business.

8.2 Documents to be Delivered by Buyer.

At the Closing, Buyer shall deliver to Sellers the following:

- (a) payment and evidence of the wire transfer referred to in Section 2.3(a);
- (b) the Convertible Note;
- (c) the Original Promissory Note;
- (d) a certified copy of the Certificate and Articles of Amendment of Buyer respecting the creation of the Shares; (e) documents evidencing the assumption of the Assumed Liabilities in accordance with Section 1.5, all in a form reasonably acceptable to Sellers and their counsel;
- (f) a copy of the resolutions of the board of directors of Buyer authorizing the execution, delivery and performance of this Agreement (and all other documents required to be delivered by Buyer hereunder) by Buyer, and a certificate of its secretary or assistant secretary, dated the Closing Date, that such resolutions were duly adopted and are in full force and effect;
- (g) a certificate, dated the Closing Date executed by an officer of Buyer certifying to the fulfillment of the conditions specified in Section 7.2(a) and 7.2(b);
- (h) a favorable opinion of counsel to Buyer, subject to customary qualifications and limitations, as to the due execution and delivery of this Agreement and the documents delivered by Buyer and Cantar/Polyair Inc. ("CPI") at the Closing and as to the matters set forth in Sections 5.1, 5.2, 5.8;
- (i) the License Agreement executed by an officer of Buyer;

- (j) the JI Transition Services Agreement executed by an officer of Buyer;
- (k) the Manufacturing Services Agreement executed by an officer of Buyer;
- (l) the Registration Rights Agreement executed by an officer of Buyer;
- (m) the Transition Services Agreement executed by an officer of Buyer;
- (n) a guarantee (the "Guarantee") substantially in the form of Exhibit I hereto executed by an officer of CPI in favour of JLP, a CPI officer's certificate respecting the Guarantee and a copy of the resolution of the board of directors of CPI authorizing the execution, delivery and performance of the Guarantee by CPI (together with a certificate of CPI's secretary or assistant secretary, dated the Closing Date, that such resolution was duly adopted and is in full force and effect);
- (o) a corporate Certificate of Status for Buyer and CPI; and
- (p) Certificates of Reporting Issuer Status for Buyer for all applicable provinces.

9. Indemnification and Related Matters.

9.1 Indemnification.

- (a) Subject to the provisions of this Article 9 (including the limits contained in Sections 9.2 and 9.5), Sellers, jointly and severally, agree to indemnify and hold Buyer and its affiliates, predecessors, successors and assigns (and their respective officers, directors, employees and agents) harmless from and against all actions, suits, proceedings, claims, demands, assessments, judgments, damages, losses, costs and expenses, including reasonable attorneys' fees (collectively, "Damages"), arising or resulting from the following:
 - (i) a breach of any representation or warranty of either Seller under Article 4 of this Agreement (other than the representation and warranty contained in Section 4.15) or any other document delivered by either Seller at the Closing;
 - (ii) non-fulfillment of any agreement on the part of either Seller under the terms of this Agreement or any other document delivered by either Seller at the Closing;
 - (iii) the Retained Liabilities (other than those referred to in

Section 1.6(g)); and (iv) any loss or damage caused by the removal of the Excluded Assets pursuant to Section 6.19.

- (b) Subject to the provisions of this Article 9 (including the limits contained in Section 9.2), Buyer agrees to indemnify and hold each Seller and their affiliates, predecessors, successors and assigns (and their respective officers, directors, employees and agents) harmless from and against all Damages arising or resulting from the following:
- (i) a breach of any representation or warranty on the part of Buyer under the terms of this Agreement or any other document delivered by Buyer at the Closing;
 - (ii) non-fulfillment of any agreement on the part of Buyer under the terms of this Agreement or any other document delivered by Buyer at the Closing;
 - (iii) Pre- and Post-Closing Environmental Liabilities, to the extent and in the manner set forth in Section 9.5;
 - (iv) the Assumed Liabilities;
 - (v) any and all termination and severance liabilities arising prior to or after the Effective Date for the Transferred Employees whose employment is terminated after the Effective Date (including, without limitation, liability related to or arising pursuant to the common law and any applicable federal, state, provincial or local laws) and any other liabilities, claims or demands relating to the Transferred Employees based on events arising on or after the Effective Date; and
 - (vi) any loss or damage caused by the removal of Purchased Assets pursuant to Section 6.18.

9.2 Determination of Damages and Related Matters.

- (a) In calculating any amounts payable to Buyer pursuant to Sections 9.1(a) or 9.5 or payable to either Seller pursuant to Sections 9.1(b) or 9.5, (i) Sellers or Buyer, as the case may be, shall receive credit for or be reimbursed for (x) any reduction in actual tax liability as a result of the facts giving rise to the claim for indemnification, and (y) any insurance recoveries; and (ii) no amount shall be included for Buyer's or either Seller's, as the case may be, special or consequential damages.
- (b) Buyer acknowledges and agrees that Buyer and its representatives have had access to such of the information and documents and to such of the real property, fixtures and tangible personal property of the Businesses as Buyer and its representatives shall

have requested to see and/or review; that Buyer and its representatives have had an opportunity to meet with appropriate management and employees of each Seller to discuss the Businesses and Purchased Assets; and that, in determining to acquire the Businesses and Purchased Assets, Buyer has made its own investigation into, and based thereon Buyer has formed an independent judgment concerning, the Businesses and the Purchased Assets. It is therefore understood and agreed that, except as specifically set forth in this Agreement, Buyer accepts the condition of the Purchased Assets "AS IS, WHERE IS" without any representation, warranty or guarantee, express or implied, as to merchantability, fitness for a particular purpose or otherwise as to the condition, size, extent, quantity, type or value of such property.

- (c) Neither Seller, on the one hand, nor Buyer, on the other hand, shall have any liability for claims for breaches of representations and warranties under Section 9.1(a)(i) or 9.1(b)(i) respectively (i) resulting in Damages to Buyer, on the one hand, and Sellers on the other hand, of less than U.S. \$30,000 per claim; or (ii) resulting in Damages to Buyer, on the one hand, and Sellers, on the other hand, in excess of U.S. \$30,000 per claim, unless the aggregate of all such claims in excess of U.S. \$30,000 per claim finally determined to arise under Sections 9.1(a)(i) and 9.1(b)(i) respectively exceeds an amount equal to U.S. \$300,000 and, in such event, Sellers, on the one hand, and Buyer, on the other hand, shall be required to pay only the amount by which such aggregate amount of claims exceeds U.S. \$300,000 in the aggregate; provided, further, that in no event shall the amount of Sellers' aggregate liability under this Article 9 exceed thirty percent (30%) of the Purchase Price.
- (d) The parties agree that the provisions set forth in this Article 9 may be specifically enforced by the arbitrators appointed pursuant to Section 10.4. Apart from such right to specific enforcement, the indemnification provided for in Section 9.1 shall, from and after the Closing, be the sole remedy for any of the matters referred to therein and the indemnification under Section 9.5 shall be the sole remedy for any Environmental Liabilities and for any breach of representation or warranty arising under Section 4.15.

9.3 Time and Manner of Certain Claims.

Except as otherwise expressly provided in this Article 9, each Seller and Buyer shall be liable for Damages for breach of warranty asserted under Section 9.1(a)(i) or Section 9.1(b)(i) respectively only to the extent that notice of a claim therefor complying with the requirements of this Section is asserted by the other in writing and delivered prior to the expiration of a period ending twelve (12) months from the Closing Date; provided, however, (i) that this provision shall not

apply to a breach of representation or warranty set forth in Sections 4.1, 4.2 and 4.8 which shall be governed by the applicable statute of limitations, and (ii) that no claim may be made by Buyer against Sellers with respect to Sections 4.5, 4.6 and 4.7 after the resolution of any issues related to the adjustment to the Purchase Price to be made pursuant to Section 2.4. Any notice of a claim shall state specifically the facts giving rise to the alleged basis for the claim and the amount of liability asserted against the other party by reason of the claim.

9.4 Procedure for Indemnification.

All claims for indemnification pursuant to Sections 9.1 or 9.5 shall be asserted and resolved as follows:

- (a) In the event that any claim or demand, or other circumstance or state of facts which could give rise to any claim or demand, for which the Buyer or either Seller, as applicable (an "Indemnifying Party") may be liable to either Seller or the Buyer, as applicable (an "Indemnified Party") is asserted against or sought against or sought to be collected by a third party (an "Asserted Liability"), the Indemnified Party shall as soon as reasonably possible (but in any event prior to the expiration of the applicable representation or warranty claimed to have been breached as set forth in Section 9.3, if applicable) deliver written notice (a "Claim Notice") to the Indemnifying Party, which Claim Notice shall specify the nature of the suit, action, claim, proceeding or investigation (a "Proceeding") forming the basis of such Asserted Liability.
- (b) Upon receipt of a Claim Notice the Indemnifying Party shall be entitled at its option to assume the defense of such Proceeding with respect to which it is called upon to indemnify an Indemnified Party pursuant to this Article 9 if the Indemnifying Party notifies the Indemnified Party within 30 days (or less if the nature of the Asserted Liability requires) of its receipt of the Claim Notice (the "Notice Period") that the Indemnifying Party desires, at the Indemnifying Party's sole cost and expense and by counsel of its own choosing, to defend against such Asserted Liability. The Indemnifying Party shall not consent to any compromise or settlement without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed) unless such settlement (i) includes a complete release of the Indemnified Party and (ii) does not require the Indemnified Party to make any payment or forego or take any material action and does not include any finding or admission of any violation by the Indemnified Party of any applicable law or other legal requirements. If the Indemnifying Party undertakes to defend against such Asserted Liability, the Indemnified Party shall cooperate to the extent reasonably requested with the Indemnifying Party and its counsel in the

investigation, defense and settlement thereof, but the Indemnifying Party shall control the investigation, defense and settlement thereof; provided however that no settlement shall be entered into without the prior written consent of the Indemnified Party (such consent not to be unreasonably withheld or delayed) unless such settlement (i) includes a complete release of the Indemnified Party and (ii) does not require the Indemnified Party to make any payment or forego or take any material action and does not include any finding or admission of any violation by the Indemnified Party of any applicable law or other legal requirements. If the Indemnified Party desires to participate in any such defense it may do so at its sole cost and expense, except as set forth herein.

- (c) If the Indemnifying Party elects not to defend against such Asserted Liability, then the Indemnifying Party has the right to participate in any such defense at its sole cost and expense, but the Indemnified Party shall control the investigation, defense and settlement thereof at the reasonable cost and expense of the Indemnifying Party. The Indemnifying Party shall not be liable for any settlement of any Asserted Liability effected without its prior written consent (which consents shall not be unreasonably withheld or delayed).
- (d) In the event that an Indemnified Party has a claim against an Indemnifying Party under Article 9 which does not involve a claim or demand being asserted against or sought to be collected from it by a third party, the Indemnified Party shall send a Claim Notice with respect to such claim to the Indemnifying Party. The Indemnifying Party must within 45 days from the date such Claim Notice is delivered notify the Indemnified Party in writing of any good faith objections it has to the Indemnified Party's Claim Notice or claims for indemnification, setting forth in reasonable detail each of the Indemnifying Party's objections thereto. If the Indemnifying Party does not deliver such written notice of objection within such 45-day period, the Indemnifying Party shall pay such amounts to the Indemnified Party upon the date such 45-day period expires. If the Indemnifying Party does deliver such written notice of objection within such 45-day period, the Indemnifying Party and the Indemnified Party shall attempt in good faith to resolve any such dispute within 60 days of the delivery by the Indemnifying Party of such written notice of objection, failing which, such dispute shall be settled by arbitration under Section 10.4.
- (e) If the Indemnified Party receives any payment from an Indemnifying Party in respect of any Damages pursuant to this Article 9 and the Indemnified Party could have recovered all or a part of such Damages from a third party (a "Potential Contributor") based on the underlying claim asserted against the Indemnifying Party, the Indemnified Party shall assign such of

its rights to proceed against the Potential Contributor as are necessary to permit the Indemnifying Party to recover from the Potential Contributor the amount of such payment.

9.5 Environmental Indemnity.

(a) This Section 9.5 shall constitute Buyer's sole and exclusive remedy for all Damages associated with any environmental matter other than in respect of the On-Site Matter, including, but not limited to a breach of any representation or warranty set forth in Section 4.15, any environmental matter which constitutes a Retained Liability, all Environmental Liabilities and any matter connected in any way with Hazardous Substances generated, stored, handled, disposed, released or otherwise used by the Businesses or present at Sellers' real property or any other location as a result of the operation of the Businesses. All other claims, demands or causes of action, including by way of example and not limitation, relief seeking payment of any consequential or indirect damages, are hereby waived.

(b) (i) Subject to the other provisions of this Article 9 (including the limitations set forth in Section 9.2 and 9.3 and as further conditioned by the terms of this Section 9.5), Sellers hereby indemnify Buyer and its officers, directors, managers, employees, agents, advisors and representatives, against and agree to hold each of them harmless from any and all Pre-Closing Environmental Liabilities, including liabilities with respect to the VOC Matter resulting from movement of contamination offsite of the Owned Real Property, and except for liabilities with respect to the On-Site Matters (the said Pre-Closing Environmental Liabilities other than liabilities with respect to the On-Site Matters being the "Indemnified Pre-Closing Environmental Liabilities") incurred or suffered by Buyer as a result of claims brought by third parties for all Indemnified Pre-Closing Environmental Liabilities as follows: Sellers shall indemnify Buyer (A) with respect to 90% of the aggregate amount of Damages for which written notice of the Indemnified Pre-Closing Environmental Liability for which indemnification is sought by Buyer is provided to Sellers on or prior to November 7, 2006; and (B) with respect to 60% of the aggregate amount of Damages for which written notice of the Indemnified Pre-Closing Environmental Liability for which indemnification is sought by Buyer is provided to Sellers after November 7, 2006 and on or prior to May 8, 2010. Provided, however, that Sellers shall indemnify Buyer with respect to 100% of the aggregate amount of Damages for all Indemnified Pre-Closing Environmental Liabilities associated with the off-site disposal of Hazardous Substances at any property not currently owned or operated by the JLP Business (the

"Off-Site Disposal Matters") for which written notice is provided to Sellers prior to May 8, 2008. Neither Seller shall have any liability for any (x) Indemnified Pre-Closing Environmental Liabilities in respect of Off-Site Disposal Matters for which written notice of Buyer's request for indemnification is provided to such Seller following May 8, 2008; (y) Indemnified Pre-Closing Environmental Liabilities (other than in respect of Off-Site Disposal Matters) for which written notice of Buyer's request for indemnification is provided to such Seller following May 8, 2010; and (z) Indemnified Pre-Closing Environmental Liabilities if Buyer in any way provoked, instigated, encouraged or otherwise caused any claim to be brought by a third party for which Buyer is seeking indemnification hereunder. Sellers' aggregate maximum liability for all Indemnified Pre-Closing Environmental Liabilities including, but not limited to, all costs associated with any Remedial Action ("Remedial Action Cost") and all Off-Site Disposal Matters shall not exceed U.S.\$5,000,000 (the "Environmental Cap").

(ii) Buyer acknowledges and agrees that it is familiar with the VOC Matter, and acknowledges and agrees that it has retained environmental consultants, attorneys and other experts for the purpose of investigating, among others, the nature, extent and risk associated with the On-Site Matters and to conduct the Remedial Action necessary to bring the environmental condition of the Owned Real Property in accordance with applicable Environmental Laws. Buyer hereby accepts the Owned Real Property on an "as-is where is" basis and accepts all responsibility for the On-Site Matters, except with regard to claims dealt with in Sellers' indemnity in Section 9.5(b)(i). Buyer also hereby forever releases Sellers from any obligation to address the On-Site Matters, notwithstanding the fact that the cost or scope of Remedial Action required to address any aspect of the On-Site Matters may differ from Buyer's expectations at the Closing Date. JLP agrees to use its reasonable best efforts to require its environmental consultants to permit Buyer to rely on the URS Report and any other environmental reports, monitoring and test results relating to the Owned Real Property furnished to JLP by such consultants provided that Buyer understands it may be required to acknowledge the terms and conditions of the URS Report as a condition of obtaining such reliance acknowledgment.

(c) Without regard to any limitation on indemnification set forth in this Section 9.5, subject to the other provisions of this Article 9, Buyer hereby indemnifies each Seller, its affiliates and their respective officers, directors, managers, employees, agents, advisors and representatives, against and agrees to hold each of them harmless from any and all Damages incurred or suffered by

either Seller or their affiliates to the extent arising out of (i) a Post-Closing Environmental Liability, (ii) the portion of any Pre-Closing Environmental Liability for which either Seller is not responsible as provided hereunder, or (iii) which exceed the Environmental Cap.

- (d) Each party agrees that it shall not, and shall use its best efforts to ensure that each of its affiliates shall not, directly or indirectly, communicate orally or in writing with any governmental authority relating to any actual or potential Environmental Liabilities for which the other party may be responsible under this Agreement; provided that in the event Buyer or Sellers believe in good faith that such communication is required by any law, Buyer or Sellers shall notify the other party in advance of making any such communication and shall give such other party a reasonable period of time to either make such communication itself or to provide a written opinion of independent counsel that such communication is not legally mandated.
- (e) Each party agrees that it will not, and agrees to use its best efforts to ensure that its affiliates do not, voluntarily or by discretionary action, accelerate the timing, or increase the cost, of any obligations of the other party under this Section 9.5.
- (f) With respect to any Pre-Closing Environmental Liability for which a party seeks any indemnification pursuant to Section 9.5, the party bearing 50% or more of the costs pursuant to Section 9.5(b) shall be entitled to manage and control and appoint lead counsel, consultants, engineers, etc. (the "Lead Party") for such defense or Remedial Action, subject to the duty to cooperate provisions of Section 9.5(h) below, and the other party (the "Non-Lead Party") shall be entitled to participate in the defense thereof as set forth in the cooperation provisions of Section 9.5(h) hereof, however to the extent that Buyer elects to participate as a Non-Lead Party, all costs, including but not limited to any Remedial Action Costs it incurs, shall be at its own expense. If Buyer reasonably concludes that the potential for indemnity from Sellers under this Article 9.5 exists with respect to any conditions discovered, or claims brought by a third party, Buyer shall promptly notify Sellers in writing, provide all relevant, available, non-privileged information to Sellers, and, assuming Sellers bear greater than 50% of the costs pursuant to Section 9.5(b) hereof, shall provide Sellers with the opportunity to assume the role of Lead Party in connection with such Pre-Closing Environmental Liability. If Sellers decline to assume such role, or fail to respond to the notice within a reasonable time, then Buyer shall be the Lead Party in directing the Remedial Action, and the parties shall proceed in accordance with the cooperation requirements of Section 9.5(h). All monies paid by Sellers in

satisfying its indemnity under Section 9.5(b)(i), whether as payments made directly by Sellers to a third party or as a reimbursement to Buyer, including, by way of example and not limitation, any costs incurred in its role as a Non-Lead Party, shall be attributed to the Environmental Cap.

- (g) In the event Pre-Closing Environmental Liabilities other than liabilities associated with the On-Site Matters are identified following Closing, the parties, jointly, shall reasonably determine if the conditions disclosed must be reported to a governmental authority with jurisdiction over such matter. If such reporting is required, the parties shall attempt to have the data and potential need for Remedial Action assessed pursuant to any applicable voluntary cleanup program ("VCP") in the Province of Ontario or similar program, if reasonably available. If the VCP is available, the Lead Party shall make reasonable attempts to have both Buyer and Sellers named as "released" persons by the governmental authority. With regard to Pre-Closing Environmental Liabilities other than liabilities associated with the On-Site Matters, if a VCP or similar program is unavailable or inappropriate for the conditions in question, the Lead Party shall develop and implement a Remedial Action program designed to attain applicable no further action criteria. In all cases, the Lead Party shall undertake all Remedial Action diligently and in good faith and shall seek a remedy that (i) complies with applicable Environmental Law based upon the use of the given property at the time of Closing, including the requirements of governmental authorities with jurisdiction over the Remedial Action and following reasonable opportunity to negotiate the selected remedy with the governmental authority; (ii) is cost-effective; and (iii) where applicable, results in the issuance of an NFA Letter ((i)-(iii) and the use of VCP being individually and collectively referred to herein as the "Remedy Criteria"). The Parties acknowledge and agree that where the governmental authority declines participation in approving any proposed Remedial Action, the Lead Party may make use of any tool reasonably accepted under local practices of environmental professionals or pursuant to applicable Environmental Law in order to establish Remedy Criteria or compliance therewith, including but not limited to, risk assessments or filing a Record of Site Condition (as set forth under the Environmental Protection Act (Ontario) and the regulations, guidelines and policies promulgated thereunder as same may be amended or supplemented).
- (h) In the defense of any claims associated with or arising out of Environmental Liabilities or in the conduct of any Remedial Action, the Lead Party and the Non-Lead Party shall cooperate with each other reasonably and in good faith. Such cooperation shall include, without limitation, the following: (i) timely sharing of relevant, nonprivileged information including but not

limited to correspondence to be sent to or received from any governmental authority; (ii) providing a reasonable opportunity for joint inspection of site work; (iii) sharing samples intended for analysis, when reasonably requested; (iv) providing a reasonable opportunity for review and comment, and reasonably and in good faith accepting comments, on draft requests for proposals, contracts, scopes of work, work plans, correspondence, reports, summaries, position papers, and other similar documents to be prepared by consultants, engineers or other experts; (v) providing reasonable, advance notice and opportunity to participate in meetings and teleconferences with governmental authorities or other adverse third parties, (vi) discussing with the Non-Lead Party, the development of litigation strategy, where applicable; and (vii) providing such access to the Owned Real Property as may be required from time to time to mitigate any claim hereunder, including performance of required Remedial Action. Subject to the other provisions of this Section 9.5, the Non-Lead Party shall not unilaterally conduct negotiations with the governmental authority or authorities overseeing Remedial Action or otherwise circumvent the Lead Party's communications with the governmental authority. Additionally, where Sellers are the Lead Party, they shall not enter the Owned Real Property without reasonably prior notice to Buyer and without the prior approval of Buyer, which approval shall not be unreasonably withheld or delayed.

- (i) Sellers or Buyer, where applicable, will be deemed to have satisfied its indemnity obligation to the other party with regard to any Pre or Post Closing Environmental Liability (A) in the case of matters involving any Remedial Action, upon the Lead Party having achieved the Remedy Criteria (and in the case of Sellers, subject to the Environmental Cap) or (B) in the case of defending any claim, by achieving a settlement or adjudication of such claim and paying all costs associated therewith (and in the case of Sellers, subject to the Environmental Cap).

10. Miscellaneous.

10.1 Bulk Sales.

Buyer hereby waives compliance by Sellers with the provisions of the bulk sales law of any jurisdiction which may be applicable to this transaction. In consideration of such waiver, Sellers agree to defend and indemnify Buyer against and hold it harmless from any and all loss, liability, claims, damage or expense (including reasonable attorneys' fees) arising out of or resulting from such noncompliance, provided that such the loss, liability, claim, damage or expense was not caused by Buyer's conduct of the Businesses or the failure of Buyer to discharge in due course any of the Assumed Liabilities.

10.2 Finders.

Buyer and Sellers respectively represent and warrant that they have not employed or utilized the services of any broker or finder in connection with this Agreement or the transactions contemplated by it, except that Sellers have retained Maxcor, Inc. Sellers shall indemnify and hold Buyer harmless from and against any and all claims for brokers' commissions made by any party (including Maxcor, Inc.) as a result of this Agreement and the transaction contemplated hereunder to the extent that any such commission was incurred, or alleged to have been incurred, by, through or under either Seller. Buyer shall indemnify and hold Sellers harmless from and against any and all claims for brokers' commissions made by any party (except Maxcor, Inc.) as a result of this Agreement and transactions contemplated hereunder to the extent that any such commission was incurred, or alleged to have been incurred, by, through or under Buyer.

10.3 Entire Agreement.

This Agreement (with its Schedules and Exhibits) together with the existing confidentiality agreement between the parties contains, and is intended as, a complete statement of all of the terms of the arrangements between the parties with respect to the matters provided for, supersedes any previous agreements and understandings between the parties with respect to those matters (except as otherwise provided in Section 6.1), and cannot be changed or terminated orally.

10.4 Governing Law and Arbitration.

- (a) This Agreement shall be governed by and construed in accordance with the law of the Province of Ontario; and
- (b) All disputes or claims arising out of the Asset Purchase Agreement (other than respecting the adjustment of the Purchase Price) shall be determined by arbitration under the laws of the Province of Ontario. Each arbitration proceeding shall be heard by three arbitrators, one selected by JI and JLP, one selected by Buyer, and the third selected by such two arbitrators. It will be a term of each arbitration proceeding that the arbitrators shall be directed to award the party which achieves substantial success in respect of the dispute or claim (as determined by the arbitrators) 100% of its legal costs to be paid forthwith by the other party.

10.5 Planning Act.

This Agreement shall be effective to create an interest in the Owned Real Property only if JLP complies with the subdivision control provisions of the Planning Act (Ontario) by completion.

10.6 Schedules; Tables of Contents and Headings.

Any matter disclosed on any Schedule to this Agreement shall be deemed to have been disclosed on all other Schedules to this Agreement to the extent that it should have been disclosed on such other Schedule. The table of contents and section headings of this Agreement and titles given to Schedules to this Agreement are for reference purposes only and are to be given no effect in the construction or interpretation of this Agreement.

10.7 Notices.

All notices and other communications under this Agreement shall be in writing and shall be deemed given when delivered personally (including by confirmed legible telecopier transmission) or mailed by certified mail, return receipt requested, to the parties at the following addresses (or to such address as a party may have specified by notice given to the other party pursuant to this provision):

If to either Seller, c/o:

U.S. Industries, Inc. Phillips Point - West Tower 777
S. Flagler Drive, Suite 1108 West Palm Beach, FL
33401

Attention: General Counsel

Telecopy No.: (561) 514-3888

With a copy to:

Fraser Milner Casgrain LLP
Suite 4220, 100 King Street West
1 First Canadian Place
Toronto, Ontario M5X 1B2

Attention: Michael Kaplan

Telecopy No.: 416-863-4592

With regard to Environmental Matters, with a copy to:

Eric J. Nemeth, Esq.
c/o Edwards & Angell, LLP
51 John F. Kennedy Parkway
Short Hills, NJ 07078

If to Buyer, to:

Polyair Inter Pack Inc.
258 Attwell Drive
Toronto, ON M9W 5B2

Attention: President

Telecopy No.: 416-740-7356

With copies to:

Irwin Singer
24 Hazelton Avenue
Toronto, Ontario
M5R 2E2

Attention: Irwin Singer

Telecopy No.: (416) 920-0815

Steve Lavin
c/o Lavin & Waldon P.C.
444 N. Michigan Avenue
Suite 2600
Chicago, Illinois

Telecopy No.: (312) 670-4275

10.8 Separability.

In the event that any provision hereof would, under applicable law, be invalid or enforceable in any respect, such provision shall be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and permissible under, applicable law. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement which shall remain in full force and effect.

10.9 Waiver.

Any party may waive compliance by another with any of the provisions of this Agreement. No waiver of any provision shall be construed as a waiver of any other provision. Any waiver must be in writing.

10.10 Binding Effect; Assignment.

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any person or entity not a party to this Agreement. No assignment of this Agreement or of any rights or obligation hereunder may be made by either party (by operation of law or otherwise) without the prior written consent of the other and any attempted assignment without the required consent shall be void;

provided, however, that no such consent shall be required of Buyer or either Seller to assign part or all of its rights and obligations under this Agreement to one or more of its subsidiaries or affiliates, but no such assignment by Buyer or any such Seller of its rights or obligations hereunder shall relieve Buyer or such Seller of any of its obligations under any of such Agreements to the other; and provided further that each of Buyer and Sellers may assign its/their rights under this Agreement to their respective lenders, and in the case of Sellers, USI Canada Inc. and U.S. Industries, Inc.'s lenders.

10.11 Knowledge.

As used in this Agreement "to the knowledge of each Seller" or words of similar import shall mean actual knowledge possessed by an executive officer of the applicable Seller and "to the Buyer's knowledge" or words of similar import shall mean actual knowledge possessed by an executive officer of Buyer.

10.12 Costs and Expenses.

Each party shall be responsible for and bear all of its own costs and expenses incurred at any time in connection with the Transaction.

10.13 Counterparts.

This Agreement may be executed in counterparts, each of which shall be an original, but which together shall constitute one and the same Agreement.

10.14 English Language.

The parties confirm that it is their wish that this Agreement as well as any other documents relating hereto including notices, have been and shall be drawn up in English only. Les parties aux presents conferment leur volonte quecette convention de meme tous les documents, y compris tous avis, s'y rattachant, soient rediges en anglais seulement.

[THE NEXT PAGE IS THE EXECUTION PAGE]

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties as of the date first set forth above.

JACUZZI INC.

By:

Name:
Title:

JACUZZI LEISURE PRODUCTS INC.

By:

Name:
Title:

POLYAIR INTER PACK INC.

By:

Name:
Title:

GUARANTEE

FOR VALUABLE CONSIDERATION, the undersigned, U.S. INDUSTRIES, INC. (hereinafter referred to as "Guarantor"), to the extent permitted by applicable law hereby irrevocably guarantees to and in favour of Buyer the due and punctual performance and discharge all of the obligations of Sellers arising out of the foregoing Asset Purchase Agreement, and if Sellers or either of them fail to fully and faithfully perform or discharge their respective obligations in accordance with the terms of the Asset Purchase Agreement, Guarantor shall itself perform and discharge such obligations. This guarantee of Guarantor is absolute, unconditional, present and continuing and is in no way conditional or contingent on any event or circumstance, action or omission which might in any way discharge a guarantor or surety, and shall enure to the benefit of the successors and assigns of Buyer and shall be binding upon Guarantor, its successors and assigns.

U.S. INDUSTRIES, INC.

By:

Name:
Title:

TRADEMARK LICENSE AGREEMENT

THIS LICENSE AGREEMENT (this "Agreement"), is made and effective as of the 29th day of March, 2003 (the "Effective Date"), by and between JACUZZI INC., a Delaware corporation, with its principal place of business located at 2121 N. California Blvd., Suite 475, Walnut Creek, California 94596 (the "Licensor"), and POLYAIR INTER PACK INC., an Ontario corporation, with its principal place of business located at 258 Attwell Drive, Toronto, Ontario, Canada M9W 5B2 (the "Licensee"). The Licensee and the Licensor shall be referred to herein individually as a "Party" and collectively as the "Parties". RECITALS

WHEREAS, the Licensor and the Licensee are parties to an Asset Purchase Agreement, dated _____, 2003 (the "Asset Purchase Agreement"), pursuant to which, effective on the date hereof, the Licensee has acquired from the Licensor and Jacuzzi Leisure Products Inc., one of the Licensor's affiliates ("JLP"), substantially all of the assets of each of JLP and the Licensor's Jacuzzi Bros. division ("JB") used exclusively in their swimming pool and swimming pool equipment businesses (the "Pool Business"); and

WHEREAS, Licensee wishes to license, and Licensor is willing to license, the famous trademark and logo JACUZZI in the exact forms set forth on Exhibit A (individually, a "Licensed Mark" and collectively, the "Licensed Marks") attached and by this reference made a part of this Agreement; and

WHEREAS, pursuant to the terms of the Asset Purchase Agreement and subject to the terms of this Agreement, Licensor has agreed to grant to Licensee a non-renewable, exclusive license for the use of the Licensed Marks solely in connection with those Purchased Assets (as defined in the Asset Purchase Agreement) comprised of swimming pools, pumps, filters and specified accessories, in each case solely within the category of swimming pools and swimming pool equipment for the swimming pool market (the "Covered Markets") identified on Exhibit B attached and by this reference made part of this Agreement (collectively, the "Covered Products").

NOW THEREFORE, in consideration of the foregoing and the mutual covenants in the Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. RECITALS

The Parties hereby represent and warrant that the matters set forth in the Recitals above are accurate and complete, and constitute an integral part of this Agreement to the same extent as if set forth in this Section 1.

2. GRANT OF LICENSE; ROYALTIES

2.1 Grant. Subject to the terms and conditions of this Agreement, the Asset Purchase Agreement, and any other agreement between Licensor and Licensee

related to trademarks and logos, the Licensor hereby grants to the Licensee a non-renewable, exclusive (subject to the provisions of the Creditor Letter) license to use the Licensed Marks solely in connection with the packaging, labeling, promotion, advertising and sale in the Covered Markets of the Covered Products in the following geographic areas:

- (i) in the United States and Canada (the "North American Territory") for the time period commencing on the Effective Date and expiring on September 30, 2006 (the "North American Term"), unless sooner terminated as provided herein; and
- (ii) in Australia, New Zealand, Europe, Asia, the Middle East, Africa, Mexico, Costa Rica, Guatemala, Belize, Nicaragua, Panama and El Salvador (the "Overseas Territory" and together with the North American Territory, the "Territories") for the time period commencing on the Effective Date and expiring on March 31, 2006 (the "Overseas Term" and together with the Initial North American Term, the "Term");

provided, however, the Licensee's rights to use the Licensed Marks hereunder on or in respect of swimming pools shall only apply to the existing finished goods inventory of swimming pools sold to Licensee under the Asset Purchase Agreement together with any bona fide orders for swimming pools received by Licensee prior to September 31, 2003 after which Licensee's rights hereunder to use the Licensed Marks on swimming pools shall cease.

The Parties acknowledge and agree that nothing herein shall (x) restrict Licensor's rights to use or license the Licensed Marks in connection with any products that are not Covered Products or in any markets that are not Covered Markets, or (y) affect or restrict Jacuzzi Brazil's rights to use the Licensed Marks in territories in which it currently utilizes the Licensed Marks.

2.2 Royalties. The license granted hereunder shall be royalty free during the Term.

2.3 Limitations and Restrictions on Rights under License. The license rights granted hereunder are expressly limited to the grant contained in this Section 2 and the Licensee shall have no other right to use, or interest in, the Licensed Marks. The Licensee shall not use the Licensed Marks in its trade name or as its business name or in any domain name or in any other way that gives the impression that any of the Licensed Marks are the property of Licensee or in connection with any products, goods or services of any kind or nature whatsoever, whether or not the same as or similar to the Covered Products, other than the Covered Products. Subject to Licensee's rights under Section 10.1, the Licensee expressly acknowledges and agrees that the Licensee shall have no right to assign, transfer, sublicense or franchise the use of the Licensed Marks. Without limiting the generality of the foregoing, the Licensee acknowledges and agrees that the Licensee shall not:

- (i) sublicense or franchise the Licensed Marks to specialty retail shops;
- (ii) cross-merchandise or co-brand any components within the Covered

Products in any other product categories, including, without limitation, in the spa, shower, sanitary ware china or jetted bath products categories; or

(iii) sell any Covered Products bearing any Licensed Mark to or through any home centers or "Do-it-Yourself" retailers (including by way of example and without limitation, Sears, Menards, Home Depot and Lowes); provided, however, that the Licensee can sell any Covered Products bearing the indicia "by Jacuzzi" in combination with any other trademark in which the Licensee has a property interest; provided, further, however, that such combination complies with Sections 3, 4 and 6 hereof, including, but not limited to, the requirement that the Licensed Mark be maintained as a single unitary mark separate and distinct from any trademarks.

Subject to the restrictions contained herein, the Licensee shall have the right to sell all Covered Products bearing any Licensed Mark that is a part of inventory purchased pursuant to the Asset Purchase Agreement.

2.4 Substitution of Logo. Promptly following the date of this Agreement, Licensee shall begin work on developing a new logo different from the logo forming part of the Licensed Marks for use in connection with the Covered Products (the "New Logo"). Licensee shall consult and cooperate with Licensor on an on-going basis, no less frequently than monthly, on the status of such development, including providing Licensor with copies of the proposed New Logo in draft form and taking into consideration any reasonable changes thereto requested by Licensor. Prior to the twelve (12) month anniversary of the Effective Date, Licensee shall be obligated to submit to the Licensor the New Logo in its proposed final form for the Licensor's approval, which approval shall not be unreasonably withheld or delayed (provided Licensee shall have been complying in all material respects with the preceding sentence). Upon approval of the New Logo, the Licensor may register such New Logo in any jurisdiction which the Licensor so determines and shall own such New Logo. From and after the date upon which such New Logo is approved by the Licensor or the expiration of the foregoing 12 month period, whichever is later, the Licensee shall discontinue the use of the Logo (except to the extent the Logo appears on Covered Products in inventory and with respect to warranty replacements). Following approval of the New Logo by Licensor, Licensee shall have the right to use the New Logo pursuant to the terms of the grant contained under Section 2.1 hereof and under the same terms and conditions contained herein generally as to the Licensed Marks, and all references herein to the Licensed Marks shall include the New Logo. Licensee hereby assigns to Licensor any and all of its rights in and to the New Logo, absolutely and forever, throughout the world, including without limitation, any and all copyrights, and hereby agrees to execute such instruments of assignment and such other documents as Licensor shall reasonably request to carry out the purposes of this Section.

3. QUALITY STANDARDS

The Licensee acknowledges that the Licensed Marks have established valuable goodwill and reputation and agrees to maintain the quality of its use of the

Licensed Marks with Covered Products and associated packaging that meets industry standards. Accordingly, Licensee agrees that the Covered Products and the associated packaging will be designed, manufactured, advertised, promoted, distributed and sold only in a manner that (i) is consistent with Licensor's standards for the Covered Products immediately prior to the Effective Date, (ii) is consistent with the highest safety and quality standards of the industry, and (iii) is commensurate with the prestige and reputation of the Licensed Marks. The Licensor, at reasonable times and upon reasonable notice, shall have the right to inspect the Covered Products with which any Licensed Marks shall be used as well as the packaging of the Covered Products to verify that same incorporate a high standard, style, appearance and quality, exhibit good taste and do not detract from the overall image of the Licensor or the Licensed Marks or the standards of high quality and appearance associated therewith. In the event that the Licensor shall determine, in its sole discretion, that any Covered Product or packaging with which the Licensee intends to use any Licensed Marks does not meet industry standards and/or otherwise does not conform with the standard, style, appearance and quality which the Licensor, in its sole discretion, determines to be acceptable, the Licensor shall provide written notice of such non-conformance to the Licensee and the Licensee shall have sixty (60) days from receipt of such notice (the "Cure Period") to correct such non-conformance. Such written notice shall describe such non-conformance in sufficient detail to permit the Licensee to attempt to correct such non-conformance. If such non-conformance is not corrected by Licensee within the Cure Period, in the Licensor's sole discretion, the Licensee shall cease its use of the Licensed Marks in association with such Covered Product and/or packaging immediately upon receipt of written notice from the Licensor to the Licensee. Licensor agrees that the foregoing shall not require Licensee to exceed the standards, character, style, appearance and quality of the Covered Products and/or the related packaging utilized by Licensor prior to the Effective Date. Licensee shall comply with all laws, regulations, and requirements of any governmental or administrative body that may be applicable to the manufacture, advertising, packaging, publicity, promotion, sale distribution, or shipment, import, and export of the Covered Products and the packaging thereof.

4. USE AND DISPLAY OF THE LICENSED MARKS

4.1 Use and Display. The Licensee shall be entitled to use the Licensed Marks on the Covered Products and in advertising, marketing and promotional materials ("Materials") only in a manner approved by the Licensor as provided herein, accompanied with the proper trademark notices, markings and legends, including, without limitation, the trademark symbol "TM" or the registration symbol "(R)", as applicable. The following Materials shall be deemed approved by the Licensor: (i) in the case of JB, those Materials in existence on the date hereof and referenced on Exhibit C and (ii) in the case of both JB and JLP, those Materials currently in inventory in hard copy that are being transferred to the Licensee pursuant to the Asset Purchase Agreement. The Licensee shall send to the Licensor samples of any Materials which are materially different from Materials already approved or deemed approved by Licensor not less than fifteen (15) business days prior to the intended first use thereof and the Licensor, acting reasonably, shall have the right to disapprove of the use of any Licensed Mark as used in any such Materials by providing to the Licensee written notice

of such disapproval within fifteen (15) business days following receipt of such Materials. Immediately upon the receipt of such notice from the Licensor, the Licensee shall cease such usage. In the event that the Licensor fails to provide notice of disapproval within the fifteen business day period, the intended use shall be deemed approved. The Licensee shall comply with all applicable laws relating to advertising and promotions in connection with the Licensed Marks. The Licensee shall use the Licensed Marks only while this Agreement is in effect, only in association with the Covered Products, and only in accordance with the terms, covenants and conditions set forth herein.

4.2 Control of Licensor. The Licensee acknowledges and agrees that its use of the Licensed Marks shall be subject at all times during the Term to the reasonable control of the Licensor in order for the Licensor to maintain the consistent standard of quality associated with the Licensed Marks. The Licensee shall preserve the good appearance of the Licensed Marks wherever and whenever they are used and shall not use the Licensed Marks in a manner which is likely to derogate from the integrity, distinctiveness, goodwill, value or strength of the Licensed Marks. Notwithstanding anything to the contrary in this section but subject to the other terms and conditions of this Agreement, the Licensee shall have the right to use the Licensed Mark on the Covered Products in the Covered Territories together with any other trademark in which the Licensee has a property interest; provided, however that such combination complies with Sections 3, 4 and 6, including, but not limited to, the requirement that the Licensed Mark be maintained as a single unitary mark separate and distinct from any trademarks.

4.3 Extension of Uses Prohibited. Except as may be required by law or as permitted under this Agreement, the Licensee agrees not to use any Licensed Mark in connection or in combination with any other trademarks, names or logos, without the Licensor's prior written consent (which consent may be granted or withheld in Licensor's sole and absolute discretion). The parties acknowledge and agree that any such use shall be conditioned on maintaining such Licensed Mark as a single unitary mark separate and distinct from any other marks and subject to the conditions contained in Sections 3, 4 and 6 of this Agreement. In the event the Licensee desires to so use any Licensed Marks, Licensee shall provide Licensor with prior written notice of such intended use and the parties will work together toward eliminating any objections raised by Licensor with respect to such use. The licenses shall not adopt or use any variation of any Licensed Mark or any words or marks confusingly similar thereto without Licensor's prior written approval.

4.4 No Abandonment or Forfeiture. The Licensee shall not take any action to cause an abandonment or forfeiture of any of the Licensee's rights in the Licensed Marks and shall not take any action to cancel any registration in the United States or elsewhere of the Licensed Marks or to interfere with any renewal of any such registration. The Licensee shall provide such cooperation as the Licensor may reasonably request in connection with any application by or on behalf of the Licensor to register or renew any federal or state registration of the Licensed Marks in the United States or elsewhere, provided, Licensor shall reimburse Licensee for its reasonable third-party expenses incurred in connection therewith.

5. RIGHTS IN THE LICENSED MARKS

5.1 The Licensee acknowledges the goodwill associated with the Licensed Marks and agrees that the benefit of and goodwill associated with the use of the Licensed Marks by the Licensee shall inure entirely for the benefit of the Licensor and that nothing in this Agreement or otherwise shall allow the Licensee to acquire any right, title or interest in or to the Licensed Marks except as expressly set forth herein. Licensee hereby assigns to Licensor any rights to the Licensed Marks which may, by operation of law or otherwise, vest in Licensee as a consequence of Licensee's activities under this Agreement, and any goodwill arising therefrom, which shall in any event inure to the sole and exclusive benefit of Licensor. Licensee will not, during the Term of this Agreement, do or suffer to be done any act or thing which will, in any way, impair or adversely affect the ownership or the rights of Licensor in or to the Licensed Marks or its reputation, and Licensee will assert no ownership rights in or to the Licensed Marks in the Territories or elsewhere. The Licensee further agrees that it shall execute and deliver to the Licensor such assignments and other documentation as the Licensor may request in order to evidence, perfect and maintain the Licensor's rights in the Licensed Marks if necessary or applicable.

5.2. Licensor agrees to execute a letter agreement ("Creditor Letter") in the form attached hereto as Exhibit D on the Effective Date.

6. PROTECTION OF THE LICENSED MARKS

6.1 Protection of the Licensed Marks. At no time during the Term and for a period of six (6) years after the Term shall Licensee itself, nor shall it assist, permit, or encourage any other party to: (i) do anything or omit to do anything that might impair, damage, compromise, jeopardize, violate, or infringe the Licensed Marks or the Licensor's rights relating to the Licensed Marks; (ii) attack or challenge the validity of the Licensed Marks or the Licensor's rights relating thereto; (iii) use the Licensed Marks fraudulently; or (iv) claim, use, or apply to register, record or file any trademark, service mark, trade name, copyright, or design that is identical, confusingly similar to, or clearly derived from or based on any Licensed Marks. Licensee acknowledges that only Licensor may file or prosecute trademark applications to register the Licensed Marks and that Licensor may determine whether to file and prosecute applications and maintain registrations in its sole discretion. At the Licensor's sole cost and expense, Licensee will cooperate with Licensor in connection with the filing and prosecution by Licensor of any such applications, and the maintenance or renewal of any trademark registration for the Licensed Marks, and will supply Licensor with packaging and other uses of the Licensed Marks, as may reasonably be requested by Licensor in connection herewith. Licensee shall execute all documents, including, but not limited to, registered user agreements and any cancellations thereof, which Licensor may request in order to obtain or maintain a registration or to establish or to maintain Licensor's ownership of the Licensed Marks.

6.2 Infringement Claims. The Licensee shall promptly notify the Licensor in

writing of any infringements or imitations or suspected infringement or imitations by others of any Licensed Mark in either of the Territories which may come to the Licensee's attention. In the event that the Licensor so desires it may prosecute any claims or suits in its own name or join the Licensee as a party thereto provided that same shall be at the Licensor's sole cost and expense. Any recovery as a result of such action shall belong solely to Licensor. Licensee agrees that Licensor shall have the sole power and it shall be in Licensor's sole discretion to take legal or other action before any court or governmental authority with respect to the infringement and the protection of the Licensed Marks.

7. TERMINATION

7.1 Termination Generally. The Parties may terminate this Agreement at any time during the Term upon mutual agreement.

7.2 Termination by the Licensor. This Agreement shall be terminable by the Licensor upon the occurrence of any of the following events: (i) if the Licensee defaults in observing or performing any of its material obligations under this Agreement or the Asset Purchase Agreement, and Licensee fails to correct such default within thirty (30) days after receiving from the Licensor a written demand to correct the default, (ii) if the Licensee becomes insolvent, commits an act of bankruptcy or makes an assignment for the benefit of creditors or if any proceeding in bankruptcy, receivership, winding-up or liquidation is initiated in respect of the Licensee and continues for a period of thirty (30) days without being dismissed, or (iii) upon the merger or consolidation of Licensee with or into another corporation or other entity that is a competitor of U.S. Industries, Inc.'s bath and plumbing business or the sale, conveyance, mortgage, pledge or lease of all or substantially all of the assets of the Licensee to a corporation or other entity that is a competitor of U.S. Industries, Inc.'s bath and plumbing business.

7.3 Consequences of Termination. Upon the expiration or earlier termination of the Agreement or any portion thereof as to a particular Territory, the Licensee shall cease all use of the Licensed Marks as to such Territory and shall have no further rights to use the Licensed Marks. Upon the expiration or termination of this Agreement, Licensee shall, at its own expense, remove all uses of or references to the Licensed Marks from all inventory or destroy such inventory, packaging, advertising and promotional materials bearing any Licensed Mark or prepared for use in connection with the Covered Products.

8. REPRESENTATIONS, WARRANTIES AND COVENANTS

8.1 Representations, Warranties and Covenants of the Licensor. The Licensor hereby represents, warrants and covenants to the Licensee as follows:

- (i) Organization. The Licensor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby.

- (ii) Authority. The execution and delivery by the Licensor of this Agreement, and the performance by the Licensor of its obligations hereunder, have been duly and validly authorized. This Agreement has been duly and validly executed and delivered by the Licensor and constitutes a legal, valid and binding obligation of the Licensor enforceable against it in accordance with its terms except as such enforceability may be limited by applicable insolvency and other laws affecting creditors' rights generally or by the availability of equitable remedies.
- (iii) No Conflicts. The execution and delivery by the Licensor of this Agreement does not, and the consummation of the transactions contemplated hereby shall not (a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of its certificate or articles of incorporation or by-laws (or other comparable corporate charter documents); (b) conflict with or result in a violation or breach of any term or provision of any law or order applicable to the Licensor or the Licensed Marks; or (c) (A) conflict with or result in a violation or breach of, (B) constitute (with or without notice or lapse of time or both) a default under, (C) require the Licensor to obtain any consent, approval or action of, make any filing with or give any notice to any person as a result or under the terms of, or (D) result in the creation or imposition of any lien or encumbrance upon the Licensor or the Licensed Marks under, any contract or license to which the Licensor is a party or by which any of its assets and properties is bound.
- (iv) Legal Proceedings. (a) There are no actions or proceedings pending or, to the knowledge of the Licensor, threatened against, relating to or affecting the Licensor or the Licensed Marks which (A) could reasonably be expected to result in the issuance of an order restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement or otherwise result in a material diminution of the benefits contemplated by this Agreement to the Licensee, or (B) if determined adversely to the Licensor, could reasonably be expected to result in any injunction or other equitable relief against the Licensor that would interfere in any material respect with its business or operations; and (b) there are no facts or circumstances known to the Licensor that could reasonably be expected to give rise to any action or proceeding that would cause the representations in clause (a) above to be untrue.
- (v) Licensed Marks. Licensor is the owner of the Licensed Marks with respect to the Covered Products in those countries in the Territories where it has obtained registrations for such Licensed Marks on the Covered Products and, to the knowledge of Licensor, in all other countries in the Territories. The registration for the registered mark "Jacuzzi" as it may apply to swimming pool related goods in the Territories are valid and enforceable. The Licensor has not received

any notice that the use by Licensor or JLP of the Licensed Marks on the Covered Products in the Territories is infringing any intellectual property of any other person and no claim is pending, or to Licensor's knowledge threatened, to such effect. To the Licensor's knowledge, the Licensed Marks, as applied to the Covered Products in the Territories, are not being infringed by any other person.

(vi) Use in Pool Business. The Licensor hereby represents that, other than any trademarks transferred to Licensee under the Asset Purchase Agreement, the Licensed Marks are the only trademarks used by the Licensor as of immediately prior to the Effective Date in connection with the sale of the Covered Products. The Licensor hereby represents that the Covered Products constitute all of the products with respect to the Pool Business being purchased by the Licensee from the Licensor and its affiliates pursuant to the terms and conditions of the Asset Purchase Agreement.

8.2 Representations, Warranties and Covenants of the Licensee. The Licensee hereby represents and warrants the following:

(i) Organization. The Licensee is a corporation duly organized, validly existing and in good standing under the laws of the Province of Ontario and has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby.

(ii) Authority. The execution and delivery by the Licensee of this Agreement, and performance by the Licensee of its obligations hereunder, have been duly and validly authorized. This Agreement has been duly and validly executed and delivered by the Licensee and constitutes a legal, valid and binding obligation of the Licensee, enforceable against the Licensee in accordance with its terms, except as such enforceability may be limited by applicable insolvency and other laws affecting creditors' rights generally or by the availability of equitable remedies.

(iii) No Conflicts. The execution and delivery by the Licensee of this Agreement does not, and the consummation of the transactions contemplated hereby shall not, (a) conflict with or result in a violation or breach of any of the terms, conditions, or provisions of its certificate or articles of incorporation or by-laws (or other comparable corporate charter documents); (b) conflict with or result in a violation or breach of any term or provision of any law or order applicable to the Licensee; or (c) (A) conflict with or result in a violation or breach of, (B) constitute (with or without notice or lapse of time or both) a default under, (C) require the Licensee to obtain any consent, approval or action or, make any filing with or give any notice to any person as a result or under the terms of, or (D) result in the creation or imposition of any lien or encumbrance upon the Licensee under, any contract or license to which the Licensee is a party or by which any of its assets and properties is bound.

(iv) Legal Proceedings. (a) There are no actions or proceedings pending or, to the knowledge of the Licensee, threatened against, relating to or affecting, the Licensee which (A) could reasonably be expected to result in the issuance of an order restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement or otherwise result in a material diminution of the benefits contemplated by this Agreement to the Licensor, or (B) if determined adversely to the Licensee, could reasonably be expected to result in any injunction or other equitable relief against the Licensee that would interfere in any material respect with its business or operations; and (b) there are no facts or circumstances known to the Licensee that could reasonably be expected to give rise to any action or proceeding that would cause the representations in clause (a) above to be untrue.

8.3 Survival. The representations, warranties and covenants contained in this Section 8 shall survive the expiration or termination of this Agreement.

9. INDEMNIFICATION AND LIMITATION OF LIABILITY

9.1 Indemnification by the Licensor. The Licensor agrees that the Licensee shall have no liability and that the Licensor shall indemnify, defend and hold the Licensee, its subsidiaries and affiliates, their respective directors, officers, employees and agents, harmless from and against any and all claims, damages, liabilities and costs, including, without limitation, reasonable attorneys' fees and costs, incurred by the Licensee in defending against any third-party claims or threats of claims arising (A) directly or indirectly, from any breach of a representation, warranty or covenant the Licensor under this Agreement or (B) directly, from any infringement by any Licensed Mark of the intellectual property rights of a third party; provided that the Licensee: (i) gives the Licensor written notice of each such action or claim promptly following its receipt thereof, (ii) gives the Licensor the opportunity to undertake and to control the defense and settlement of such claim through counsel of its own choosing, and (iii) fully cooperates with the Licensor in the investigation, defense and settlement of any such claim. The Licensee shall have the right to participate in (but not to control) any such defense through counsel of its choice, but at the Licensee's expense. The Licensee agrees to give prompt written notice if any legal action is threatened or commenced against the Licensee and to cooperate with the Licensor in defending such legal action.

9.2 Indemnification by the Licensee. The Licensor assumes no liability to the Licensee or to any third parties with respect to the quality, performance or characteristics of any of the goods packaged or sold by the Licensee under the Licensed Marks pursuant to this Agreement and the Licensee agrees that the Licensee shall indemnify, defend and hold the Licensor, its subsidiaries and affiliates, their respective directors, officers, employees and agents harmless, against any and all claims, damages, liabilities and costs, including, without limitation, reasonable attorneys' fees and costs, incurred by the Licensor in defending against any third-party claims or threats of claims arising from (i)

any breach of a representation, warranty or covenant of the Licensee under this Agreement; and/or (ii) the Pool Business or the Covered Products of the Licensee; provided that Licensor: (i) gives Licensee written notice of each such action or claim promptly following its receipt thereof, (ii) gives Licensee the opportunity to undertake and to control the defense and settlement of such claim through counsel of its own choosing, and (iii) fully cooperates with Licensee in the investigation, defense and settlement of any such claim. Licensor shall have the right to participate in (but not to control) any such defense through counsel of its choice, but at Licensor's expense. The Licensor agrees to give prompt written notice if any legal action is threatened or commenced against the Licensor and to cooperate with the Licensee in defending such legal action.

9.3 Limitation of Liability. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES ARISING FROM OR RELATED TO THIS AGREEMENT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

9.4. Indemnification under Asset Purchase Agreement. Nothing in this Agreement shall obviate any Party's indemnification obligations under the Asset Purchase Agreement or any other agreement to which the Parties are a party.

10. GENERAL

10.1 Assignment, Delegation and Sublicensing. The Licensee shall have no right to assign (by operation of law or otherwise), delegate, license, grant, or create any interest in any Licensed Mark or its use to any person or corporation without first obtaining the written consent of the Licensor, except that the Licensee may assign its rights and delegate its obligations hereunder (i) to any of its affiliates and (ii) to any purchaser of the business of the Licensee, whether by merger or consolidation with or into, or the sale, conveyance, mortgage, pledge or lease of all or substantially all of the assets of Licensee, to another corporation or other entity that is not a competitor of U.S. Industries, Inc.'s bath and plumbing business; provided that, upon written request of Licensor, such assignee executes a license agreement substantially in the form of this Agreement. Notwithstanding any such assignment, the Licensee shall remain liable for all of the Licensee's obligations hereunder. The terms, covenants and conditions of this Agreement shall be binding on the successors and assigns of either party.

10.2 Notices. All notices and statements to be given, and all payments to be made hereunder, to the respective Parties to this Agreement, shall be in writing and be delivered by certified mail, or by facsimile, to the recipient at that party's respective business address, or facsimile number, as set forth below, or at such other address or facsimile number of which that party shall have given notice. Proof of delivery by certified mail, or by facsimile, shall constitute proof of receipt. Notice shall be deemed conclusively delivered to the party upon delivery to the sender of a return receipt of certified mail, or by facsimile confirmation.

If to the Licensor:

Jacuzzi Inc.
2121 N. California Blvd.

Suite 475
Walnut Creek, California 94596
Attention: General Counsel
Fax No. (925) 938-3025

With copies to:

U.S. Industries, Inc.
Phillips Point West Tower
777 S. Flagler Drive, Suite 1108
West Palm Beach, Florida 33401
Attention: General Counsel
Fax No.: 561-514-3839

Sills Cummis Radin Tischman Epstein & Gross, P.A.
One Riverfront Plaza
Newark, New Jersey 07102
Attention: Victor H. Boyajian, Esq.
Fax No.: 973-643-6500

If to the Licensee:

Polyair Inter Pack Inc.
258 Attwell Drive
Toronto, Ontario
Canada M9W 5B2
Attention:
Fax No.:

10.3 Amendments; Modification. No amendment, alteration, modification of or addition to this Agreement shall be valid or binding unless expressed in writing and signed by the Parties to be bound thereby.

10.4 Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Ontario without regard to its conflict of laws provisions and each of the Parties hereto irrevocably submits to the jurisdiction of any state or federal court in the Province of Ontario for resolution of any dispute hereunder.

10.5 Bankruptcy. The rights and license granted to the Licensee under or pursuant to this Agreement by the Licensor are, and shall otherwise be deemed to be, for purposes of the Bankruptcy Code, license of rights to "intellectual property" as defined under the Bankruptcy Code. The Parties hereto agree that so long as the Licensee, as the Licensee of such rights under this Agreement, makes all payments to the Licensor required under this Agreement and otherwise complies with the terms of this Agreement, the Licensee shall retain and may fully exercise all of its rights and elections under the Bankruptcy Code. The Parties hereto further agree that, in the event that any proceeding shall be instituted by or against the Licensor seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of its or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking an entry of an order for relief or the appointment of a receiver,

trustee or other similar official for it or any substantial part of its property or it shall take any action to authorize any of the foregoing actions, the Licensee shall have the right to retain and enforce its rights under this Agreement with respect to the Licensed Marks. For purposes of this Section, "Bankruptcy Code" means the United States Bankruptcy Code 11 U.S.C.A. ss.101-1330 or such other applicable law or regulation relating to bankruptcy or insolvency in the Territory.

10.6 Severability. If any provision of this Agreement is held to be invalid or unenforceable for any reason, the remaining provisions shall continue in full force and effect without being impaired or invalidated in any way.

10.7 Waiver. A waiver of any breach of any provision of this Agreement shall not be deemed a waiver of any repetition of such breach or in any manner affect any other terms or conditions of this Agreement.

10.8 Headings. Section headings have been included in this Agreement merely for convenience or reference. They are not to be considered part of, or to be used in interpreting, this Agreement.

10.9 Entire Agreement. This Agreement supersedes all prior agreements and understandings of the Parties regarding the Licensed Marks and this Agreement, together with the Asset Purchase Agreement, the Creditor Letter and the other agreements referred to herein and therein, contains the entire understanding between the Parties, and it may not be varied except by written instrument signed by both Parties. The Parties are relying solely on the representations made in this Agreement and not upon any representations made prior to by, but not limited to, any employee or agent of the Parties.

10.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall be taken together and deemed to be one document.

[Signatures Appear on the Following Page]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the respective dates set forth below to become effective as of the date first written above.

LICENSOR:

JACUZZI INC.

Date: By: _____

Title: _____

LICENSEE:

POLYAIR INTER PACK INC.

Date: _____
By: _____
Title: _____

EXHIBIT A

(Attached to and forming a part of the
License Agreement by and between
Jacuzzi Inc. and Polyair Inter Pack Inc.
dated as of _____, 2003)

LICENSED MARKS

1. JACUZZI

2. [GRAPHIC OMITTED]

3. [GRAPHIC OMITTED]

4. "BY" combined with the logo set forth in (3) above and preceded by any other mark that Licensor or JLP has previously used solely on Covered Products that is being transferred to Licensee pursuant to the Asset Purchase Agreement.

EXHIBIT B

(Attached to and forming a part of the
License Agreement by and between

COVERED PRODUCTS

List of Covered Products of JB:

Products labeled "Powered by Jacuzzi":

Magnum Force & Force 3
Cygnet II
All LR-Series Pumps
SPP & PS Series Utility Pumps
Laser Sand Filters
SandStorm Sand Filters
CFR 25 & 50 Element Filters
SherLok Element Filters
TriCLOPS Element Filters
Avalanche DE Filters
EarthWorks DE Filters
Dirtbag DE Separation Tank
Laser Aboveground Sand Filter Systems
Oasis Aboveground Sand Filter Systems
CFR25 Element Filter Systems
AGE Element Filter Systems
SherLok Element Filter Systems
Avalanche DE Filter Systems
Tracker Automatic Pool Cleaners
FullMoon Pool Lights
MasterMind Remote Controls
DeckMate, DeckHand, & SV Skimmers
Main Drains
DVK-7 Dial Valve
Main Drains
DVK-7 Dial Valve
Chrystal Bay Sand Filter Systems
Flo Pro Sand & Element Filter Systems

Products labeled "by Jacuzzi":

Piranha Series Pumps
Stingray Series Pumps
SideKick Chlorinator/Brominator
All SplashLine Products
Family Pool Aboveground Systems
NAMCO Private-Label Systems (Proline)

2. See attached for a list of the Covered Products of JLP

EXHIBIT C

(Attached to and forming a part of the
License Agreement by and between
Jacuzzi Inc. and Polyair Inter Pack Inc.
dated as of _____, 2003)

MATERIALS DEEMED APPROVED

EXHIBIT D

(Attached to and forming a part of the
License Agreement by and between
Jacuzzi Inc. and Polyair Inter Pack Inc.
dated as of _____, 2003)

CREDITOR LETTER