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New Issue

June 28, 2000



930,470 Common Shares Issuable Upon The Exercise of Special Warrants

This prospectus (the "prospectus") is being filed to qualify the distribution of 930,470 common shares (the "Special Warrant Shares") in the capital of CPI Plastics Group Limited (the "Company" or "CPI") which will be issued, subject to adjustment, without any additional payment, upon the exercise of 930,470 outstanding special warrants (the "Special Warrants") issued by the Company on March 9, 2000, at a price of \$6.20 per Special Warrant. See "Private Placement and Plan of Distribution". The Special Warrants were sold pursuant to an underwriting agreement (the "Special Warrant Underwriting Agreement") dated February 23, 2000 among the Company, Griffiths McBurney & Partners (the "Special Warrant Underwriter"), 820597 Ontario Inc. ("820597") and 1286917 Ontario Inc. ("1286917"). Each Special Warrant entitles the holder thereof to acquire, subject to adjustment, one Special Warrant Share at no additional cost. The Special Warrants were issued under a warrant indenture (the "Warrant Indenture") dated as of March 9, 2000 between the Company and Montreal Trust Company of Canada ("Montreal Trust").

Each Special Warrant may be exercised at any time prior to 5:00 p.m. (Toronto time) (the "Expiry Time") on the earlier of (i) the third business day following the date that the Company receives a receipt for the prospectus qualifying the distribution of the Special Warrant Shares by the securities regulatory authorities in each of the Provinces of Ontario and Alberta (the "Qualification Condition"); and (ii) March 9, 2001. Holders of Special Warrants will be deemed to have exercised all Special Warrants previously unexercised by such holders at the Expiry Time. If the Qualification Condition is not satisfied on or before July 7, 2000, each Special Warrant shall be automatically amended such that it will be exercisable into 1.1 Special Warrant Shares (instead of one Special Warrant Share) at no additional cost. See "Private Placement and Plan of Distribution". The Special Warrants were sold to investors (the "Subscribers") pursuant to exemptions from the prospectus requirements under applicable securities legislation. Common shares issued to holders of Special Warrants in any province in which a receipt for a prospectus has not been issued may be subject to resale restrictions contained in applicable securities legislation.

The price of the Special Warrants was determined by negotiation between the Company and the Special Warrant Underwriter. The net proceeds to the Company of the issue of the Special Warrants were approximately \$5.3 million after deducting the Underwriters' fee of \$346,135 (\$0.372 per Special Warrant), and the expenses of the issue of the Special Warrants and Special Warrant Shares, estimated at approximately \$125,000. No fee will be payable to the Underwriter in connection with the distribution of the Special Warrant Shares. **The price of \$6.20 paid for each Special Warrant exceeds the consolidated net tangible book value per common share of CPI as at March 31, 2000, after giving effect to the issuance of the Special Warrant Shares and the Share Capital Reorganization by \$5.30 or 85.5%. See "Dilution".**

An investment in the securities offered hereby is subject to certain risks due to the nature of the Company's business. See "Risk Factors".

Certain legal matters relating to the issuance and sale of the Special Warrants and the issuance of the Special Warrant Shares will be passed upon by Blaney McMurtry LLP, Toronto on behalf of the Company and by Donahue Ernst & Young LLP on behalf of the Special Warrant Underwriter.

It is expected that the definitive certificates evidencing the Special Warrant Shares will be available for delivery within two business days of the exercise of the Special Warrants in accordance with their terms.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information, including Risk Factors and the Consolidated Financial Statements and notes thereto, appearing elsewhere in this prospectus. Capitalized terms appearing in this summary and not otherwise defined have the respective meanings ascribed thereto in the Glossary or elsewhere in this prospectus.

THE OFFERING

Issue: 930,470 Special Warrant Shares to be issued, without payment of any additional consideration, upon the exercise of 930,470 Special Warrants previously issued and sold at \$6.20 per Special Warrant.

Issuer: CPI Plastics Group Limited

Special Warrants: 930,470 Special Warrants were issued by the Company under the Warrant Indenture at a price of \$6.20 for each Special Warrant. Each Special Warrant entitles the holder upon exercise to receive, subject to adjustment, one common share without additional payment. See “Private Placement and Plan of Distribution”.

Use of Proceeds: The Company will not receive any additional cash proceeds from the issuance of the Special Warrant Shares upon the exercise of the Special Warrants. The estimated net proceeds to the Company from the prior sale of the Special Warrants were approximately \$5.3 million after deducting the Underwriters’ fees and expenses of issue and were used to reduce bank indebtedness incurred for the purposes of capital expenditures and plant expansion. See “Development and Growth of the Company’s Business”, “Business of the Company”, “Use of Proceeds” and “Private Placement and Plan of Distribution”.

Dividend Policy: The Company intends to retain its earnings to finance the growth and development of its business and does not expect to pay dividends in the immediate future. See “Dividend Record and Policy”.

Share Capital and Share Capital Reorganization: Prior to the Share Capital Reorganization, the authorized and issued capital of the Company consisted of an unlimited number of multiple voting shares, an unlimited number of subordinate voting shares, an unlimited number of first preference shares and an unlimited number of second preference shares, issuable in series. See “Share Capital Reorganization” and “Consolidated Capitalization of the Company”. On May 18, 2000, the holders of the Company’s subordinate voting shares and multiple voting shares approved the Special Resolution which redesignated and reclassified the Company’s authorized and issued share capital. The primary purpose and effect of the Share Capital Reorganization was to eliminate the superior voting power attaching to the multiple voting shares. Each subordinate voting share (which carried one vote per share) and each multiple voting share (which carried 20 votes per share) was redesignated and reclassified as a common share (carrying one vote per share). Pursuant to the certificate of amendment issued to the Company and dated May 18, 2000, the authorized capital of the Company consists of an unlimited number of common shares, an unlimited number of first preference shares and an unlimited number of second preference shares, issuable in series. See “Consolidated Capitalization of the Company”, “Share Capital Reorganization” and “Description of Share Capital”.

Risk Factors: An investment in the Special Warrant Shares is subject to a number of risks including risks related to the level of business activity, raw material prices and availability, environmental regulations, competition, proprietary technology, dependence on key employees, exchange rate fluctuations, financing requirements and potential acquisitions. See “Risk Factors”.

BUSINESS OF THE COMPANY

Principal Businesses and Products

The Company is engaged in designing, engineering, manufacturing and marketing extruded thermoplastic products. The Company's three principal product lines are:

- wood replacement products, including the Extrudawood™ line of products
- custom profiles
- film extrusion products.

The Company's wood replacement products include outdoor decking and railing systems, components for window fashion products, such as blinds and shutters, indoor and outdoor cladding for spas and hot tubs and profiles for benches, outdoor furniture and child security gates. The Company's products have the look and feel of wood, are maintenance free, and will not splinter, crack, rot or suffer termite damage.

The Company designs and produces a wide range of decorative and laminated extruded custom profiles such as automobile weather seals and decorative trims, home and commercial refrigerator seals and decorative trims, cabinet components for televisions and other consumer electronic products, and cable management and decorative trims for office furniture. The Company's thermoplastic products often have significant advantages over rubber, wood, metal and other materials used to produce similar products, including greater strength, durability and corrosion resistance, lower cost, lighter weight, greater flexibility in processing and complete recyclability.

The Company's Extrufix and private label lines of film extrusion products include its proprietary Rack Sack™, garbage bags under the "Maximum" label, freezer bags, sandwich bags and cat pan liners.

Principal Markets and Customers

There are three principal markets for the Company's products:

- the home products market (decking, window fashion and other wood replacement products, home appliance products and extruded film products)
- the commercial products market (office furniture, commercial refrigeration and consumer electronics products)
- the transportation market (automotive, recreational vehicle and van conversion products).

Many of the Company's products are incorporated into or form part of end products produced or manufactured by its customers. CPI's customers are principally engaged in the following industry sectors: appliances (residential and commercial), building construction (windows and doors), transportation (automotive, marine and recreational vehicles), commercial and residential furniture, and retail merchandising and distributing. CPI's customers include General Electric, General Motors, Magna (a supplier to Daimler Chrysler, Ford and General Motors), Winnebago, Fleetwood, Maytag, Fridgidaire, Amana Refrigeration, Steelcase, Teknion, Ashley Furniture, Zenith, Thomson (RCA), Toshiba, Hitachi, Canadian Tire, Kysor/Warren, Black and Decker, Hunter Douglas, McFarland Cascade, Menards, Mid America Cedar, Home Depot, Zellers, Wal-Mart, Canadian Tire, Publix, Sobeys and Safeway. See "Customers".

Business and Growth Strategies

The following table highlights the significant growth in sales, facilities, extrusion equipment, raw material purchases, employees, dies and molds and EBITDA achieved by the Company during the two year period from December 31, 1997 to December 31, 1999.

	December 31, 1997	December 31, 1999	Total Increase from 1997 %
Sales	\$38,452,000	\$70,346,000	83%
Office and manufacturing facilities – square feet	171,000	318,500	82%
Extrusion and injection molding machines	36	104	189%
Plastic resin (annual purchases – kgs.)	9,300	16,000	72%
Employees (office and plant)	320	660	105%
Dies and molds	3,600	5,640	56 %
Earnings before depreciation and amortization, interest and taxes	\$5,775,438	\$10,295,327	78%

The Company believes that its development and growth are a result of its commitment to (i) product innovation and leading edge designs, (ii) the acquisition and maintenance of modern, state of the art equipment and facilities, (iii) responsive customer service and strong customer relationships, (iv) competitive pricing, (v) on time delivery, (vi) an experienced and trained sales and labour force, and (vii) an entrepreneurial philosophy and culture.

The Company intends to continue its commitment to those objectives. The Company also plans to continue to grow by increasing its North American sales, particularly to U.S. markets, and by continuing to develop markets for its products in Europe, Asia and Australia.

Selected Consolidated Financial Information

(in thousands of dollars except for per share amounts)

The following is a summary of certain selected consolidated financial information and is qualified in its entirety by reference to the Consolidated Financial Statements contained elsewhere in this prospectus. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Consolidated Financial Statements”.

INCOME STATEMENT AND STATEMENT OF CASH FLOWS DATA

	Three months ended March 31,		Years ended December 31,		
	2000	1999	1999	1998	1997
	(unaudited)		(audited)		
Operating Results:					
Net sales	\$23,010	\$14,504	\$70,346	\$46,501	\$38,452
Increase (Decrease) from prior period	58.6%	35.6%	51.3%	20.9%	4.1%
EBITDA ⁽¹⁾	3,435	1,964	10,295	6,567	5,775
Depreciation and amortization	(703)	(340)	(2,210)	(1,113)	(1,024)
EBIT ⁽²⁾	2,732	1,624	8,085	5,454	4,751
Interest	(559)	(288)	(1,476)	(1,045)	(850)
Net earnings before tax	2,173	1,336	6,609	4,409	3,901
Increase from prior period	62.6%	29.5%	49.9%	13.0%	40.7%
Net earnings	1,339	831	4,136	2,726	2,187
Earnings per share - basic	0.13	0.08	0.41	0.29	0.23
- fully diluted	0.12	0.08	0.39	0.28	0.23
Cash Flow and Capital Resources:					
Operating cash flow ⁽³⁾	\$ 2,042	\$ 1,171	\$ 6,346	\$ 3,839	\$ 3,211
Capital expenditures ⁽⁴⁾	2,001	2,235	10,628	8,269	1,972

Notes:

- (1) Earnings before interest, taxes, depreciation and amortization
- (2) Earnings before interest and taxes
- (3) Earnings plus depreciation and amortization
- (4) Includes additions to capital assets and goodwill and other assets

BALANCE SHEET DATA

	As at	As at December 31,	
	March 31, 2000	1999	1998
	(unaudited)	(audited)	
Fixed assets	\$26,918	\$25,759	\$14,669
Total assets	65,963	59,809	31,709
Long-term debt ⁽¹⁾	21,306	22,412	10,216
Funded debt ⁽²⁾	28,479	30,535	13,429
Shareholders equity	21,240	14,357	9,736

Notes:

- (1) Includes current portion of long-term debt
- (2) Includes long term debt and operating debt

GLOSSARY

"ABS" means Acrylonitrile Bertadiene-Styrene a versatile family of rigid thermoplastics with good chemical resistance, toughness and heat stability used primarily for extrusions in the appliance market.

"acrylic" means a large family of thermoplastics which may be rigid or flexible, found primarily in applications requiring clarity, surface hardness and weatherability, such as automobile taillights and lenses for fluorescent fixtures in suspended ceilings.

"additives" means ingredients, including stabilizers and pigments, used in the extrusion process to modify or enhance the physical and visual properties of an extruded profile and aid in the manufacturing process.

"Arrangement Agreement" means the amended and restated arrangement agreement among the Company, Waterford and 1304629 made as of July 28, 1998.

"barrel" means a major component of an extruder in the form of a cylinder which contains a rotating screw and is surrounded by both heating and cooling media. The barrel contains the plastic material as it is conditioned and transported to the die.

"blow molding" means a process used to produce hollow enclosed components, such as bottles and portable fuel containers (gasoline cans), by expanding thermoplastic material inside a mold.

"CAD" means computer assisted design.

"capstock" means the top or exterior layer of a co-extruded profile comprised of premium material incorporating additives that provide specific performance or appearance properties for the finished profile, such as resistance to deterioration caused by exposure to ultra violet light.

"co-extrusion" means the process of applying one or more layers of plastic compounds over or under another layer(s) simultaneously in the extrusion process.

"common shares" means the common shares in the capital of the Company to which are attached the rights, privileges, restrictions and conditions as described in the certificate of amendment issued to the Company under the OBCA on May 18, 2000 and which are summarized under the heading "Description of Share Capital".

"compounding" means mixing together of thermoplastic resins and additives to produce a compound with special or desirable characteristics either in powder or pellet form.

"Controlling Shareholder" means Peter F. Clark, the Chairman of the Board and Chief Executive Officer of the Company who, through a direct and indirect controlling interest in 820597 and 1286917, respectively, exercises control and direction over more than 50% of the outstanding common shares of the Company.

"CPI" or the "Company" shall have the meaning attributed thereto on the cover page of this prospectus.

"crosshead extrusion" means a plastic extrusion process that combines two or more usually dissimilar materials (for instance thermoplastic and metal) within an extrusion die such that they emerge as one combined profile.

"custom profile" means a linear extruded shape made from a variety of thermoplastic compounds, produced in a continuous process and cut to length to meet specific customer requirements.

"die" means the orifice used to shape a plastic melt as it exits an extruder.

"downstream equipment" means the auxiliary units used in an extrusion line, after the die, and which are used to cool, shape, control and fabricate the profile.

"dual extrusion" means an extruded profile that combines rigid and flexible compounds together.

"elastomers" means "thermoplastic elastomers" and refers to a large family of thermoplastics which combine the processability of a thermoplastic with the functional performance and properties of a conventional thermoset rubber. Elastomers have broad applications in the automotive industry in sealing and vibration isolation applications.

"embossing" means applying a surface texture to an extruded shape by means of an embossed roller prior to the final curing of the plastic compound.

"EOS" means Extrudawood Outdoor Systems Inc., a corporation incorporated under the OBCA.

"Expiry Time" shall have the meaning attributed thereto on the cover page of this prospectus.

"Extrudawood™" is the trademark relating to a line of products made from profile produced from an extrusion process using foamed polystyrene that exhibits a natural wood like finished appearance.

"Extrudawood International" means Extrudawood International Limited, a corporation incorporated under the laws of Jersey.

"Extrudawood p.l.c." means Extrudawood International p.l.c., a corporation established under the laws of the United Kingdom.

"extruder" means a melt processing pump employing a screw, heat and pressure process to soften the thermoplastic resins and convey them through a die for shaping.

"extruded foam" means an extruded product produced when the plastic mass is expanded by the formation of gas cells.

"Extrufix" means Extrufix Inc., a corporation acquired by the Company on September 17, 1999 and which, with CPI Plastics Group Limited and three other related companies, amalgamated on January 1, 2000 to form the Company.

"extrusion" means a continuous process in which a thermoplastic is melted, conditioned and forced through a precisely designed orifice producing a linear shape.

"extrusion line" means the complete set of equipment and tooling set up in a linear fashion to extrude, size, fabricate, cut and package extruded plastic profiles.

"fabrication" means a process which may cut, notch, drill, bend, weld or punch form an extruded profile.

"final prospectus" shall have the meaning attributed thereto on the cover page of this prospectus.

"first preference shares" means the first preference shares in the capital of the Company to which are attached the rights, privileges, restrictions and conditions described in the certificate of amendment issued to the Company under the OBCA on May 18, 2000 and which are summarized under the heading "Description of Share Capital".

"haul off" means the system which pulls the profile away from the die, usually a series of rolls or a caterpillar haul off.

"Industry Canada Report" means the report issued by Industry Canada on December 16, 1999, entitled "The Canadian Plastic Products Industry".

"injection molding" means the process of heating thermoplastic materials and injecting them into male and female molds to produce a finished part.

"International Agreement" means the international marketing agreement among Extrudawood p.l.c., Geoffrey House and the Company dated October 23, 1998.

"ISO" means the International Standards Organization.

"ISO 9001 Certification" means a certification from the ISO confirming the process from initial development of a product through production, testing, installation and servicing.

"lineals" means an extruded resin profile cut to a specific length.

"lubricants" means additives mixed with a thermoplastic compound to allow it to pass through the extrusion process more easily.

"Montreal Trust" shall have the meaning attributed thereto on the cover page of this prospectus.

"multiple voting shares" means the multiple voting shares in the capital of the Company to which were attached the rights, privileges, restrictions and conditions described in the certificate of amalgamation issued to the Company under the OBCA on January 1, 2000.

"Named Executive Officers" means the officers of the Company listed in the table entitled "Executive Compensation Table". See "Compensation of the Directors and Senior Management of the Company".

"North American Agreement" means the North American joint venture, royalty and licence agreement among Extrudawood p.l.c., Geoffrey House and the Company dated October 23, 1998.

"OBCA" means the *Business Corporations Act* (Ontario).

"OEM" means an original equipment manufacturer.

"Plan of Arrangement" means the plan of arrangement included as Exhibit I to the Arrangement Agreement and which Plan was approved by: (i) the required majority of the holders of common shares of Waterford at a special meeting held on September 9, 1998; (ii) 100% of the shareholders of CPI; (iii) the TSE; and (iv) an order of the Ontario Court (General Division) on September 15, 1998.

"polyethylene" is a general term referring to an extremely broad range of lightweight thermoplastic materials which have outstanding chemical resistance, toughness, dielectric properties and water/vapor impermeability used in a wide range of applications, including potable water piping and blow moulded chemical containers.

"polypropylene" means a thermoplastic polymer with low specific gravity and good resistance to chemicals and fatigue used in applications ranging from fibers and films to injection moulded bumper fascia for automobiles and for food packaging.

"polystyrene" means a thermoplastic resin used widely because of its relatively low cost and easy processability. Crystal grades are used in clear plastic food and beverage containers and various alloys are used in a wide variety of industrial applications.

"profile" or "extrudate" means the shaped material exiting from the extrusion die or series of dies.

"PVC" means polyvinylchloride or vinyl, a versatile plastic used extensively in the plastics industry for which rigid or flexible grades are available.

"Qualification Condition" shall have the meaning attributed thereto on the cover page of this prospectus.

"QS-9000" means a certification extending the philosophy of ISO 9001 to include quality assurance and continuous improvement requirements of the automotive industry.

"Rack Sack™" means the plastic covered wire kitchen garbage disposal unit manufactured by the Company and normally affixed to the inside of a cabinet door below a sink.

"regrind" means previously processed resin material that has been ground-up for combination with virgin material and reprocessing.

"resin" means the basic thermoplastic polymer in powder or pellet form which is fed into the extruder.

"screw" means a shaft carrying one or more helical flights which transports and conditions thermoplastic passing through an extruder barrel, ultimately delivering the conditioned thermoplastic at high pressure to the die.

"Share Capital Reorganization" means the share capital reorganization described under the heading "Share Capital Reorganization".

"Share Option Plan" means the CPI employee share option plan approved by the directors of CPI Plastics Group Limited on June 30, 1998 (and reapproved by the Company on September 21, 1998), and by Waterford on September 9, 1998 and described under the heading "Share Option Plan".

"Special Resolution" means the special resolution of the shareholders authorizing the Share Capital Reorganization.

"Special Warrants" shall have the meaning attributed thereto on the cover page of this prospectus.

"Special Warrant Shares" shall have the meaning attributed thereto on the cover page of this prospectus.

"Special Warrant Underwriter" shall have the meaning attributed thereto on the cover page of this prospectus.

"Special Warrant Underwriting Agreement" shall have the meaning attributed thereto on the cover page of this prospectus.

"stabilizer" means a chemical additive mixed with plastic compounds to ensure thermal stability during processing and enhance ultraviolet stability during the product's service life.

"Stock Purchase Plan" means the CPI employee stock purchase plan approved by the shareholders of the Company on April 29, 1999 and described under the heading "Stock Purchase Plan".

"Subscribers" shall have the meaning attributed thereto on the cover page of this prospectus.

"subordinate voting shares" means the subordinate voting shares in the capital of the Company to which were attached the rights, privileges, restrictions and condition described in the certificate of amalgamation issued to the Company under the OBCA on January 1, 2000 and referred to under the heading "Share Capital Reorganization".

"Subscription Agreements" means the subscription agreements among the Company, 820597 and 1286917 and each of the Subscribers, each dated March 9, 2000, pursuant to which the Subscribers purchased the Special Warrants.

"substrates" means the central or basic thermoplastic in an extrusion which may carry a co-extruded or laminated surface treatment.

"thermoplastic olefins" means blends of polypropylene, ethylene propylene dienene monomer and various fillers and additives, used mainly in automotive applications, such as automotive bumper fascias and grills.

"thermoplastic resin" means a plastic material that can be repeatedly softened by heat and set by being cooled.

"thermoplastic rubber" more widely known as "thermoplastic elastomer", means a family of materials that combines the processability of a thermoplastic with the functional properties of a conventional thermoset rubber. In many cases the resulting alloy appears identical to rubber with properties which may be engineered to specific applications. Thermoplastic rubber is widely used in the automotive industry.

"Tier 1 supplier" means a person which supplies parts to an automotive OEM.

"Tier 2 supplier" means a person which supplies parts to a Tier 1 supplier.

"TSE" shall have the meaning attributed thereto on the cover page of this prospectus.

"UK Agreement" means the agreement among the Company, Extrudawood p.l.c. and Geoffrey House dated October 23, 1998.

"vacuum calibrators" means a downstream process on an extrusion line which tightly controls shape and dimensional accuracy during the cooling process through the application of a vacuum.

"Warrant Indenture" shall have the meaning attributed thereto on the cover page of this prospectus.

"Waterford" means Waterford Capital Management Inc., one of the corporations which amalgamated with the Company pursuant to the Plan of Arrangement.

"wire EDM" means wire electronic discharge machining using electronic discharge to erode a cutting path through tooling.

"1989 Shareholders' Agreement" means the agreement among 820597, Itak Corporation and certain other shareholders of Crila Plastic Industries Limited (a predecessor corporation of the Company) made as of March 10, 1989 and which was terminated by the 1998 Shareholders Agreement.

"1998 Shareholders' Agreement" means the agreement between 820597, Itak International Corp., Susann Fedsin, Annette Cook, Lynda Buscarino, Ciro Madonia, the Controlling Shareholder, the Company and 1286917 relating to the holdings of shares in the capital of the Company made as of April 9, 1998, as amended.

"1286917" shall have the meaning attributed thereto on the cover page of this prospectus.

"1304629" means 1304629 Ontario Inc., one of the corporations which amalgamated with the Company pursuant to the Plan of Arrangement.

"820597" shall have the meaning attributed thereto on the cover page of this prospectus.

THE COMPANY

CPI is a North American leader in designing, engineering, manufacturing and processing thermoplastics, a high growth industry driven by a long term trend toward the replacement of wood, rubber, metal, cardboard and glass with plastic. The Company is engaged in three core businesses involving the manufacture of, wood replacement products based on the Extrudawood™ technology, custom profiles and film extrusion products.

The Company was incorporated under the name Crila Plastic Industries Limited on September 7, 1972 under the OBCA. On January 1, 1996 the Company amalgamated with Extrusion Plastics Inc. and four other related companies under the OBCA. On April 9, 1998, a certificate of amendment was issued to the Company changing its name to its present form and altering its authorized and issued capital to enable it to complete a share capital restructuring in anticipation of the Plan of Arrangement referred to below.

The Company's board of directors and the Controlling Shareholder determined in early 1998 that it would be in the best interests of CPI and its shareholders if CPI were to become a public corporation with its shares listed on the TSE. As CPI did not have any immediate need to raise capital, but was desirous of being in a position to access public markets to meet future capital requirements, it pursued a proposal offered to it by Waterford to proceed with a reverse take-over of Waterford which was completed pursuant to the Arrangement Agreement and the Plan of Arrangement. Prior to the Plan of Arrangement, Waterford had in excess of 5,000 public shareholders and its common shares were listed and posted for trading on the TSE. Waterford was an investment corporation holding minority portfolio investments.

On September 21, 1998, articles of arrangement were filed and a certificate of arrangement was issued to the Company under the OBCA and the Company's common shares commenced trading on the TSE.

On September 17, 1999, CPI acquired, indirectly, 100% of the shares of Extrufix effective August 1, 1999. CPI, Extrufix and three other related companies amalgamated on January 1, 2000. See "Acquisition of Extrufix".

On May 18, 2000, a certificate of amendment was issued to CPI redesignating and reclassifying its class of multiple voting shares (which carried 20 votes per share) and its class of subordinate voting shares (which carried one vote per share) as one class of common shares (carrying one vote per share) so that the Company's authorized share capital is as described under the heading "Description of Share Capital". See also "Consolidated Capitalization of the Company" and "Share Capital Reorganization".

The Company has four wholly-owned subsidiaries none of which, individually or collectively, has any significant assets or liabilities nor carries on any significant business activity.

CPI's registered and head office is located at 979 Gana Court, Mississauga, Ontario, L5S 1N9, Tel: (416) 798-9333, Fax: (416) 798-9229.

THE PLASTICS INDUSTRY

General

Plastics is a relatively young industry sector which entered a very high-growth phase in the 1960s. Its continuous growth trend was interrupted only by the mid-1970s oil crisis and the 1981-82 and 1990-92 recessions.

The plastics industry comprises three principal segments: plastic resin suppliers, manufacturers of equipment for processing plastic resin (including manufacturers of extrusion, injection and blow molding equipment and molds), and processors such as the Company, which convert plastic resin into custom profiles, components and consumer products. These three industry segments are related in that their growth depends principally on the demand for plastic products by manufacturers and end users, technological development, advanced extrusion equipment, the introduction of new applications for plastic products and the availability and cost of plastic resin.

The plastics industry is a high growth industry driven by a long term trend towards plastics, which have broad and rapidly growing industrial and consumer applications, replacing traditional materials such as wood, rubber, paper cardboard, metal and glass. Plastics have many unique characteristics. They are often significantly less expensive and equally or more functional, decorative and processable than the materials they replace. Plastics are readily available and they have performance characteristics, including strength, durability and longevity, which are often superior to traditional materials in certain applications. Plastics are usually maintenance free, recyclable, corrosion resistant and lighter weight than alternative materials and often involve an environmentally safe manufacturing process.

According to Statistics Canada, North America leads all continents in the consumption of plastics, with annual sales of over US\$110 billion and a consumption rate of approximately one third of the world supply of resin production. The Industry Canada Report projects that Canadian and world wide demand for plastic products is expected to continue growing faster than overall economic growth: "Looking forward beyond the year 2000, the prospects for continued strong growth by the plastics industry appear very good. Projections by the industry and by forecasting consultants suggest real average annual growth of the order of 5 to 7 percent worldwide until 2005. Growth will be highest in Asia Pacific and somewhat lower in North America and Europe. This growth figure is a blend between the fast-growing but lower-volume engineering resins, and the slightly slower-growing, high volume, commodity resins".

Industry Trends

There are certain medium and long term trends which the Company believes will create growth opportunities for CPI's present line of products and those new products it is developing to meet the demands of manufacturers and consumers. These include: (i) the global growth in the use of plastics; (ii) an expected increase in plastic use in emerging markets in Asia, Latin America and Eastern Europe; (iii) the demand of manufacturers and consumers for less expensive, lighter weight, attractive plastic products exhibiting certain performance characteristics superior to wood, cardboard, rubber, glass and metal; (iv) new applications for consumer plastic products; (v) the development of new plastic resins and advances in injection and extrusion molding equipment and processes to facilitate the trend to more durable, functional, custom, maintenance free products; (vi) a recognition that plastic products produced from polypropylene and polystyrene involve an environmentally friendly process; (vii) industry consolidation; and (viii) the demands of customers and consumers for products which are maintenance free and protect the environment by reducing solid waste.

Per capita consumption of plastic in North America and Western Europe is approximately five times that of other areas in the world yet such areas represent only 15% of the world's population. Countries such as China, India, Brazil and Mexico are expected to consume more plastic as their economies develop. Management of CPI believes that these markets will present significant future growth opportunities for its value priced, quality, consumer products. With the development of more sophisticated injection and extrusion molding equipment and molds, the plastic products produced today are more durable and of higher quality than those produced in the past 20 years. They are far more sophisticated in design. The Company believes this trend will continue well into the 21st century with the result that the plastic components and products which CPI produces will continue, at an accelerated rate, to take market share from consumer products produced from wood, cardboard, rubber, metals and glass.

Market for CPI's Products

The North American market for CPI's line of home products has, in management's view, experienced relatively strong growth in the preceding four to five years based upon rising personal income gains, a healthy residential building and remodelling market and strong growth in the automotive sector. The Company expects that these trends will likely continue.

Over nine million refrigerators and five million dishwashers are manufactured annually in the United States. As the U.S. housing and remodelling market continues to grow so will the demand for whitegoods and window fashion products. CPI's management estimates that the Company supplies over 70% of North America's decorative extrusions for refrigerators. The U.S.\$5.3 billion window fashion market, which is driven by consumer demand

through home and commercial building and renovation markets, is expected to continue to grow and CPI believes it will participate in the continuing growth of the U.S. \$1.0 billion horizontal blind sector.

The North American market for outdoor decks is U.S.\$4 billion of which 10% (U.S.\$400 million) relates to composite decking products. CPI expects to participate in the growing plastic decking market segment. With initial test market sales of \$2 million in 1999, management expects sales of decking products to grow significantly in the next several years. The application of the Extrudawood™ technology for spa and hot tub cladding, flooring, shutters, child security gates and outdoor furniture provides additional growth opportunities for the Company.

18% of the market for North American plastic product is tied to the multi-billion dollar automotive market, where, when plastics displace metal parts, vehicle weight is lowered, and the resulting fuel economy conserves petroleum and reduces emissions of exhaust gases. CPI is taking a leadership role by developing “friendlier”, lighter weight alternative material with long term environmental protection issues in mind. Management expects significant growth in the market for its automotive components.

DEVELOPMENT AND GROWTH OF THE COMPANY’S BUSINESS

HISTORICAL DEVELOPMENT TO 1998

The Company was formed in 1972 as an extruder of body side molding for the automotive after market. The Company’s product line expanded over the years to include laminated T-moldings for the residential furniture market and frames for the picture frame industry. After control of CPI was acquired in 1989 by the Controlling Shareholder, a greater emphasis was placed on engineered products. This resulted in major contracts to supply screen printed, punched and notched extruded thermoplastic parts and components to the appliance industry (primarily manufacturers of home refrigerators such as Fridgidaire, Amana, Maytag and General Electric). Between 1992 and 1998, the Company aggressively pursued the production and fabrication of a much wider range of industrial, commercial and residential applications of both custom and generic extrusion profiles, components, parts and products and expanded its business into the automotive OEM sector.

In late 1994, CPI acquired a Canadian profile extrusion company, whose specialty was the extrusion of larger functional parts employing vacuum calibration to achieve the necessary shape and tolerances with a heavy emphasis on value added fabrication. This acquisition enabled the Company to provide complete extrusion services to a wide variety of industry segments. By 1997, the Company had developed more complex tool and die and fabrication capabilities which significantly enhanced and diversified its product offerings to include automotive parts, seals and trims, office furniture components and decorative bumper and door panel inserts. The addition of an insert injection molding capability added a significant new value added dimension.

In April 1997, the Company entered into a joint venture arrangement for the North American market (including Mexico) pursuant to which, for approximately \$33,000, it acquired certain proprietary technology from Extrudawood International by way of a long term exclusive licence arrangement to produce a substitute wood-like plastic product utilizing the Extrudawood™ technology. At the same time, the Company was developing a foamed thermoplastic technology enabling it to produce lighter but rigid and dense cellular components and products with properties both similar and superior to wood.

On April 9, 1998, the Company entered into a supply agreement with Hunter Douglas Inc., the largest manufacturer and distributor of window fashion products in North America and one of the Company’s largest customers in 1999. Under the agreement, CPI agreed to supply to Hunter Douglas, on an exclusive basis in North America, profiles utilizing its foamed thermoplastic and the Extrudawood™ technologies, for all window covering products such as blind slats and interior window shutters. While the agreement prevents CPI from selling profile for window covering products utilizing such technologies to other manufacturers and distributors in North America, Hunter Douglas is not required to purchase any such profile from the Company. Nevertheless, management believes that the supply agreement to be a very valuable asset and relationship. The agreement has an initial six year term with three additional three year renewal terms at the option of Hunter Douglas.

By 1998 the Company operated from two facilities in Mississauga and one in Bolton Ontario, together occupying 171,000 square feet of office and manufacturing space, utilizing 35 extrusion machines and related fabrication equipment and one injection molding machine and employing approximately 320 office and plant employees.

RECENT DEVELOPMENTS - 1998 TO 2000

In April of 1998, the Company leased an additional 45,000 square foot facility at 711 Gana Court to meet the demand for various products utilizing the Extrudawood™ technology. The 711 Gana Court plant currently contains 16 state of the art extrusion machines and related fabrication equipment all of which are fully operational. See “Real Estate”.

In October 1998, CPI entered into the North American Agreement (a joint venture, royalty and licence agreement), replacing the April 1997 joint venture arrangement referred to above, pursuant to which the Company increased its economic and financial interest in the production, marketing and sale of Extrudawood™ products in North America (including Mexico). Contemporaneously, the Company paid Extrudawood p.l.c. £150,000 (or approximately \$366,000) as the cost of entering into the International Agreement (a new international marketing and distribution agreement) pursuant to which the Company acquired a 75% equity interest in all profits derived from the exploitation of all applications of the Extrudawood™ technology in world markets except for North America and Mexico (governed by the North American Agreement) and the United Kingdom (governed by the U.K. Agreement). These agreements and arrangements are more fully described under “Material Contracts”.

Beginning in 1999 and the first quarter of 2000, the Company appointed several dealers in Canada and the United States to market, distribute and sell its outdoor decking products, including Cascade Pole & Lumber, Mid America Cedar, Menards (a chain of 156 retail outlets), American Lumber, Reid & Wright and several other distributors, retailers, contractors and deck builders.

Effective February 15, 1999, to increase its manufacturing capacity to meet increased demand for its components and products, especially those utilizing the Extrudawood™ technology, and to enable it to centralize and expand its tool and die making facilities, CPI leased an additional 47,500 square feet at 710 Gana Court for a period of 10 years to accommodate an additional 18 extrusion and 6 injection molding machines.

On September 17, 1999 (with effect from August 1, 1999), the Company acquired all of the shares of Extrufix which, at that time, operated five extrusion lines in a 20,000 square foot manufacturing facility in Pefferlaw, Ontario, and a 20,000 square foot office and warehouse facility in Richmond Hill. See “Acquisition of Extrufix” and “Real Estate”.

On September 30, 1999, CPI entered into a letter agreement with Société Lapeyre, on behalf of the St. Gobain group of companies of France, under the umbrella of the International Agreement to licence the Extrudawood™ technology to permit Société Lapeyre to manufacture outdoor window shutters and garden fences and gates in France for distribution through Société Lapeyre’s European retail network. Management expects that it will enter into a licence agreement with Société Lapeyre by September of this year.

The Company is currently engaged in discussions to establish a sales arrangement with respect to several products utilizing the Extrudawood™ technology in the Far East (Singapore) and in Australia.

The following chart highlights the growth in the Company's business from December 31, 1997 to December 31, 1999.

	December 31, 1997	December 31, 1999	Total Increase from 1997 %
Sales	\$38,452,000	\$70,346,000	83%
Office and manufacturing facilities – square feet	171,000	318,500	82%
Extrusion and injection molding machines	36	104	189%
Plastic resin (annual purchases – kgs.)	9,300	16,000	72%
Employees (office and plant)	320	660	105%
Dies and molds	3,600	5,640	56%
Earnings before depreciation and amortization, interest and taxes	\$5,775,438	\$10,295,327	78%

The Company's sales and profit growth has continued in its first quarter ended March 31, 2000 with sales and earnings growth for Q1 of 2000 of 59% and 61%, respectively, ahead of the results for Q1 of 1999.

2000 AND BEYOND

The Company expects that the unique attributes of plastic, including its processability, light weight, corrosion resistance, durability and longevity and the fact that plastic products are often less expensive and more decorative and functional than the metal, wood, glass, rubber and cardboard materials they replace, will support a continuing growth of the plastic industry and the creation of new products and applications. Management of the Company believes that CPI will participate in this growth. The Industry Canada Report states that: "Looking forward beyond the year 2000, the prospects for continued strong growth by the plastics industry appears very good. Projections by the industry and by forecasting consultants suggest real average annual growth of the order of 5 to 7 percent world wide until 2005".

As illustrated by the above table, the Company has experienced significant growth in the last two years. Management of the Company believes that CPI is still early in the process of realizing its full potential in North America and is in the early stages of expanding its markets in Europe, Asia and Australia. In year 2000 the Company plans to expand its extrusion competencies in its three market segments - home, transportation and commercial products – both in North America and in international markets. The application of the proceeds from this offering and internal cash flow from operations will be used by the Company to:

- purchase additional extruders and downstream fabrication equipment to meet the demand for its custom profile products and those utilizing the Extrudawood™ technology;
- initiate additional licencing, sales and joint venture arrangements related to products based on its foamed thermoplastic technology and the Extrudawood™ technology in international markets;
- establish and equip a new manufacturing facility in Canada and/or the United States;
- develop new lighter weight, corrosion resistant and environmentally friendly components and products for the transportation sector of its business; and
- expand and equip its manufacturing facilities in Canada to enable it to meet the demand for products utilizing its foamed thermoplastic technology and its proprietary Rack Sack™ and film extrusion products and launch, on a regional basis, its film products into the United States.

See "Use of Proceeds".

BUSINESS OF THE COMPANY

The Company plans to concentrate on expanding its three core businesses: (i) its line of wood replacement products utilizing its foamed thermoplastic technology and the Extrudawood™ technology, (ii) the extrusion of custom profiles for the appliance, building, construction, transportation, furniture, industrial and leisure markets and (iii) the plastic film business.

CORE BUSINESSES

The Company is engaged in a high growth industry driven by a long term trend towards plastics, which have broad and rapidly growing industrial and consumer applications, replacing traditional material such as wood, rubber, paper, metal, cardboard and glass on the basis that plastics are often significantly less expensive, more decorative, more functional and processable, and lighter weight than, and have other performance characteristics which are often superior to, the materials they replace. Plastics are also corrosion resistant. The Company's products are maintenance free and its manufacturing processes are environmentally friendly. The Company is engaged in three distinct, but related, businesses involving the manufacture of: (i) components and wood replacement products based on its foamed thermoplastic technology and the Extrudawood™ technology, (ii) custom profiles and (iii) plastic film products.

Wood Replacement Products

The Company has developed several wood replacement products and has become one of the leaders in the extrusion of components for window fashion products, outdoor decking and railing systems, plastic claddings for spas and outdoor hot tubs and profiles for benches, outdoor furniture and child security gates. The Company is in the process of developing flooring, shutters and other custom products utilizing the Extrudawood™ technology. These products were developed based on CPI's foamed thermoplastic technology and through its acquisition in 1997 and 1998 of exclusive rights to manufacture, licence, market and sell in virtually all world markets a line of extruded plastic products utilizing technology marketed under the trade mark Extrudawood™. All of these new wood replacement products enjoy certain properties and applications both similar and superior to wood. In 1999, the Company opened a fifth manufacturing plant to accommodate the increased demand for the Extrudawood™ line of products and anticipates the need for at least two additional plants, one later this year and a second before the end of 2001, one of which will likely be located in the United States. The Company has initiated licencing, sales and joint venture arrangements based on its foamed thermoplastic technology products and the licensed Extrudawood™ technology to obtain a share of the international market for wood replacement products. Licencing, joint venture or sales arrangements are currently under negotiation in Europe (France), the Far East (Singapore) and Australia. The Extrudawood™ deck and railing products are sold through distributors and mass merchandise retailers in Canada and the United States.

Custom Profiles

The Company is a leader in thermoplastic processing employing a number of extrusion processes and is one of the leaders in North America in decorative and laminated custom extrusions for the appliance, building, construction, transportation, furniture, industrial, commercial and leisure markets. A custom profile is a thermoplastic extruded component or product which has been custom designed for a specific customer application such as trim for refrigerators. The Company has achieved this distinction by a corporate commitment to product and process innovation, leading edge extrusion technology, creative development and fabrication technology and a dedication to customer satisfaction based on service, price and quality. Its custom profiles are marketed and sold to a variety of OEMs as components for a variety of consumer goods such as refrigerators, automobiles, electronic products and office furniture systems.

Film Extrusion

Through its acquisition of Extrifix in the summer of 1999, the Company effected a greater balance in its product portfolio and is now engaged in the extrusion of plastic film used to produce film products such as bags for its

proprietary Rack Sack™, garbage bags under the “Maximum” label, freezer bags, sandwich bags and cat pan liners. The Company is reviewing the alternatives available to it to increase capacity for its line of Extrufix products including a full line of household and industrial bags which it has developed to meet all of the requirements of its private label accounts. The Company is presently developing new product offerings and new merchandising strategies to solidify its position in its markets in Canada and to expand its markets in certain regions of the United States.

The Company presently operates five extruders at its Pefferlaw manufacturing facility and is in the process of modernizing all five extrusion lines to meet the growing demand for its film products. The Company subcontracts for the production of certain of its line of plastic bags with ECO II Manufacturing Inc. of Richmond Hill, Ontario.

Extrufix film products are sold through major distributors and mass merchandise retailers in Canada and the United States.

CPI's leadership position and reputation has been recognized. In 1994 and again in 1997 CPI was identified as one of Canada's 50 "Best Managed Private Companies" by the Financial Post and Arthur Andersen. In 1995, 1996 and 1997 CPI was selected as one of General Electric's "Distinguished Suppliers". Its 979 Gana Court plant received both the ISO 9001 designation and the QS 9000 designation in 1998.

MARKETS

The Company is a North American leader in designing, engineering and manufacturing thermoplastic extrusions. Servicing a broad range of growing markets, the components and products from its core businesses are marketed through three separate segments or business units – home products, transportation products and commercial products.

Home Products

The home product sector, the largest segment of the markets which the Company serves, consists of technologically advanced profile extrusions, film extrusions and the Company's new wood replacement product - Extrudawood™. The end-users for this sector's products are household appliance manufacturers, contractors and consumers. The Company's growth strategy for the home products segment of its business is to build on its market leadership position through opportunities within its existing customer base and to extend its reach to leverage global opportunities, especially for its foamed thermoplastic technology products and the Extrudawood™ line of products. The Company's home products include appliance trims and functional components (such as components for use in refrigerators), window fashion products utilizing its foamed thermoplastic technology (such as slats for horizontal blinds and outdoor shutters), Extrudawood™ products (including deck board, cladding for spas, flooring and profiles for benches and child security gates) and film extrusion products, including bags for its proprietary Rack Sack™, garbage bags under its “Maximum” label and sandwich and freezer bags.

(i) Appliance Trims. Over nine million refrigerators and five million dishwashers are manufactured annually in the United States. With high profile customers such as General Electric, Amana, Frigidaire, Whirlpool and Maytag, CPI management believes that the Company has captured over 70% of the North American market for profile extrusions for refrigerators. These are custom designed functional parts such as decorative plastic shelf trims and breaker strips that act as seals around the casing, as well as new refrigerator handle designs, which replace the more traditional injection molded handle. This historical segment of the Company's home products business unit has grown steadily.

(ii) Window Fashions. The U.S.\$5.3 billion window fashion market is driven by consumer demand through the home and commercial building and renovation markets. The Company's growth in the U.S. \$1.0 billion horizontal blind sector has been significant. Utilizing its expanded thermoplastic technology and the Extrudawood™ technology, the Company's sales in this market sector have grown rapidly since its inception in late 1998. The Company's plans for continued growth in this area will focus on developing decorative finishes of existing lines as well as the engineering and development of several new products. The indoor shutter market is the fastest growing segment of the window covering market, and provides an excellent application for the Extrudawood™ technology.

(iii) Extrudawood Decking System. The U.S.\$4 billion decking market includes a 10% plastic and other composite component. Extrudawood's wood like appearance places CPI in a superior position compared to its competition. Offered in two natural wood colours, including cedar and California redwood, this new product has captured the interest of consumers and contractors in North America. Growth strategies for decking include distribution in the Home Depot and Loews chains through Cascade Pole & Lumber, as well as through other regional distributors in the United States including American Lumber in the U.S. Northeast and New England markets and Reid & Wright for the Dakotas, Nebraska and Oklahoma markets. Entry into the Menards chain of 155 home renovation stores will make the decking product available across the mid-western United States.

(iv) Extrudawood Custom Products. The Company's long term plans for new custom products based on its foamed thermoplastic technology and the Extrudawood™ technology reach broadly and deeply into the wood replacement market. The Company presently produces Extrudawood™ profile for the spa cladding and outdoor furniture markets. Many opportunities exist for customized plastic profiles that appear as wood, such as interior flooring, profiles for child security gates and other related accessories, which are just a few of the niche markets that the Company is pursuing. The Company's international marketing efforts have resulted in a letter agreement with Société Lapeyre of France, which will shortly test market certain Extrudawood products, including outdoor shutters, gates and garden fences, throughout Europe through its 75 store retail chain as well as through its extensive network of distributors. Management expects to sign a licence agreement with Société Lapeyre before September 2000. The Company intends to strengthen its position in this area through additional international joint ventures, sales and licensing agreements, some of which are currently under negotiation in the Far East (Singapore) and Australia.

(v) Film Extrusions. The proprietary plastic coated wire "Rack Sack™" (and accompanying roll of trash bags) which affixes to the inside of any cupboard door, has been a popular kitchen disposal unit in Canada since it was developed by Extrufix in Canada 30 years ago. Included in the Company's product offering are several lines of plastic bags, including outdoor and indoor garbage bags under the "Maximum" label, lunch bags and freezer bags marketed through Canadian Tire, Publix, Sobeys, K-Mart and Safeway.

Transportation Products

Principally serving the automotive OEM market, this sector is driven by the demand from the Company's customers for innovative, high quality, light weight parts and components. The Company is a Tier 2 supplier of weather seals and a variety of trims, both decorative and functional in nature, for General Motors' Grand Am, Grand Prix, and Buick Century, as well as Chrysler's 300M, LHS and the Concorde through Magna International and other Tier 1 suppliers. Through extensive in-house research and development, the Company's innovative team of engineers developed a seal assembly melding an injected molded part with an extrusion, enabling it to provide GM with a value added component. As a result of environmental pressures, demand for "friendlier" materials is being driven by the big three auto makers – materials that are corrosion resistant, light weight and especially recyclable. For example, thermoset rubbers traditionally used for automobile seals are not recyclable and are being replaced by thermoplastic elastomers which can be reworked rather than discarded. The Company is developing products and components using alternative materials which produce more efficient vehicles with long term environmental protection issues in mind.

Commercial Products

The office furniture and consumer electronics markets are continually evolving and demand innovative and cost-effective solutions that are driven by function and judged by design. Ongoing new trends in the marketplace, both at home and in the work environment, provide many exciting growth opportunities for CPI. Responsiveness, flexibility, and creativity are essential when designing for these dynamic markets.

(i) Office Furniture. Engineered extruded profiles for this market range from customized wire and cable management systems to top rail caps and corner profiles for panel systems. The end users of these profiles are large office furniture system manufacturers such as Steelcase and Teknion, who incorporate the profiles into a finished product. Manufacturers in the industry are under constant pressure to offer new product lines that are designed to address evolving customer needs and ever changing industry trends. Additionally, the enhancement of existing product lines by replacing currently used materials with plastic, contributes a cost effective design solution for the

manufacturer. As the market itself is rapidly growing as a result of consumer and commercial demands, CPI is well positioned to maximize growth with existing and new customers through design expertise and engineering and technological skill sets.

(ii) Consumer Electronics. The Company has a proven track record of providing highly engineered design options to large screen television manufacturers such as Thomson (RCA), Hitachi and Toshiba. Traditional wooden sash trims that surround television viewing screens and accompanying cabinetry have been artfully replaced with cost-effective plastic extrusions. Designer finishes coupled with high accuracy fit and function requirements define this market. Management believes that significant growth opportunities lie in the multitude of cabinet sizes and constantly evolving style designs offered by CPI's customers to the consumer.

THE EXTRUDED PLASTICS BUSINESS -- THE PRODUCTION PROCESSES

Custom Profiles and Extrudawood™

CPI's manufacturing process for custom profiles and Extrudawood™ profiles consists of the extrusion of thermoplastic resins (including rigid and flexible PVC, ABS, polystyrenes, thermoplastic elastomers, thermoplastic olefins, polyethylenes and polycarbonate alloys), a highly precise technology that requires acute skills and sophisticated tool and die and fabrication equipment.

The various categories of petroleum-based thermoplastic resins are purchased from a variety of suppliers, including Dow, Bayer and The Geon Company, at competitive prices and are delivered in bulk carriers or bulk containers to CPI's plants. Depending upon the desired part, component or product, a specific thermoplastic resin is continuously fed into the hopper of an extruder where it is heated to a melt and conveyed through a barrel by a screw mechanism through a die or series of dies to form a specific shape or profile. This extrusion process requires strong skill sets and is one of the key factors to CPI's success. The Company's state of the art tool and die making capabilities (including wire EDM capabilities) enable it to customize dies to meet the exact specifications of its customers.

The Company's extrusion capabilities are diverse and include decorative and functional laminations providing multiple colour options and finishes, vacuum calibrations, crosshead extrusions, capstocking, and colour matching.

CPI designed, produced and owns approximately 5,600 dies and molds which are used to make generic profiles or components available to any and all customers. The Company also designs and produces dies for specific custom profiles to meet the specific requirements of an individual customer. Custom dies are dedicated to a specific customer and remain with CPI.

The heated profile is pulled by a "haul off" from the die or series of dies through a vacuum table where the profile is more precisely shaped or sized and cooled by the application of air and/or cold water. After passing through the haul off, the extruded profile is then, if required, fabricated (which could involve notching, punching, drilling, bonding, welding, silk-screening, system assembly and forming of ends) to produce the generic or custom molded component, after which the profile is cut to the desired length to produce the final component, part or product. Lastly, product is conveyed to a packaging table where lengths are counted and packed for a particular customer. Screen printing, primarily for the appliance market, is applied off-line.

Each customer has individual needs. The Company produces its own extrusion, lamination and calibration tooling in-house to meet those needs. The Company maintains a complete state-of-the-art tooling facility (including a wire EDM facility) at the 710 Gana Court plant to speed response time and permit control of the project from concept to finished parts. In order to meet the requirements of all its customers, CPI has acquired the latest in extrusion equipment. Dual and triple combinations, including capstocking, are available for functional or decorative purposes. Each line is equipped with custom downstream fabrication tooling and equipment to maximize productivity on specialty and fabricated products.

Four vertical injection moulding machines used for insert moulding are included as part of the downstream fabricating equipment. These machines are each equipped to receive two fabricated extrusions which then have a

specially designed end molded onto them thereby creating parts which are used as door seals or window opening seals for vehicles assembled by OEMs.

Film Products

Extrufix's manufacturing activity includes the production of thin flexible film from linear low density polyethylene. In the process, the resin is heated and extruded as a tube and expanded using air pressure to produce a large "bubble" which is subsequently cooled and flattened into very thin sheet. Downstream machinery converts the preformed sheet into various products, primarily packaged and branded bags used by consumers for trash and food applications. Extrufix also manufactures a proprietary patented trash management system called the Rack Sack™ for domestic use. This highly successful product generates a significant and growing volume for the Pepperlaw plant.

Because of price volatility in the low density polyethylene market, Extrufix purchases material in bulk from any one of a number of major suppliers, generally on a short term contract basis.

CUSTOMER BASE

The Company's core customer base includes several Fortune 500 companies which produce a wide variety of products which utilize thermoplastic extrusions for the appliance, automotive, decorative trim, furniture and metal and aluminum replacement parts market. CPI's customers include General Electric, General Motors, Fridgidaire, Black and Decker, Teknion Systems, Camco, Stanley Works, Ashley Furniture, Winnebago, Fleetwood, Kysor/Warren, Snap-on Tools, Magna, Ford, General Motors, Chrysler, Maytag, Amana, Steelcase, Toshiba, Hitachi, Thomson (RCA), Canadian Tire and Hunter Douglas. In addition to Hunter Douglas, which purchases Extrudawood™ blind slats and related products from CPI, the Extrudawood™ line of products is sold to a number of customers including Bullfrog Spa and Beachcomer (spa cladding), McFarland Cascade, Menards, Mid America Cedar, American Lumber Co. and Reid and Wright, Inc. (deck board) and National Cart (lawn and garden seating components). CPI's film extrusion products are sold through numerous retailers and mass merchandisers including Canadian Tire, Publix, Sobeys, K-Mart and Safeway.

Management believes that CPI's relationships with its customers are very strong, evidenced by the increase in product sold to several of its major customers in 1998 and 1999 and the interest which many existing customers have expressed with respect to the new Extrudawood™ process.

MARKETING AND SALES

CPI employs its own direct sales force to market and sell all of the components and products produced by its custom profile business unit in domestic and international markets and most of the components and products produced utilizing its foamed thermoplastic technology and the Extrudawood™ technology in North American markets. The direct sales force, which is under the supervision of the Company's President, consists of three managers and 10 sales personnel who are organized geographically. Several sales personnel have a specific mandate to effect penetration into the automotive industry to expand the Company's business as a Tier I and Tier II supplier throughout North America. In addition, a customer service department of five attends to the needs of the Company's customers.

Certain of the Company's products and components produced utilizing its foamed thermoplastic technology and the Extrudawood™ technology, such as horizontal blind slats, shutters and spa cladding, are marketed and sold under the supervision of a Vice President of the Company who also serves as the President of CPI's Extrudawood™ business unit. This business unit has responsibility for identifying opportunities to establish joint venture, sales and licencing arrangements for the Extrudawood™ technology in international markets similar to the arrangements negotiated in Europe (France) and currently under negotiation in the Far East (Singapore) and Australia.

All products manufactured by the film products business unit and the Extrudawood™ deckboard product are marketed through commissioned agents. Sales of all Extrufix film products are supervised by two sales managers,

one in Canada and one in the United States who both report to the Vice President, Consumer Products Division of the Company, who is also the President of the Extrufix division.

The Company's sales force pursues a five pronged marketing strategy:

- the direct sales force works very closely with the Company's engineering and design support staff to coordinate the demands and requirements of the Company's customer base for innovative, custom-designed, engineered products
- CPI's sales force highlights CPI's expertise as regards dual extrusions, crosshead extrusions, foamed extrusions, insert moulding, decorative laminations, vacuum calibrations, capstocking and colour matching
- the sales force markets the Company as a recognized and pre-eminent producer of finished surfaces such as wood grain finishes, hi-gloss finishes, embossed finishes and screen painted finishes
- CPI's sales force sells potential customers on advanced on and off-line fabrication techniques many of which the Company has developed and are proprietary, including precision cutting, punching, screen printing, welding, bending, system assembly and formed ends
- a total commitment to its customer base through the highest level of customer service and the finest quality products at fair and reasonable prices

Perhaps the most important premise upon which CPI's marketing efforts are based is a "can-do" approach to customers, especially as regards to the design and engineering of new custom extruded products to meet customers' needs and requirements. Examples of this approach include the development by the Company of an access system for a vending machine face for a supplier to The Coca-Cola Company, home entertainment casings manufactured for Thomson (RCA) and Hitachi, demanding extrusions for the office furniture industry and innovative solutions offered to automotive OEMs.

The Company employs a wide variety of promotional techniques tailored to specific product lines and customer needs. These include attending trade shows, conducting design engineering forums for existing and prospective customers, conducting tours of its operating plants and providing customers with sample kits, product brochures and promotional material.

RAW MATERIALS

Specific thermoplastic resins are purchased by CPI to produce specific custom or generic profiles and plastic film products. Additives are used in the extrusion process to modify or enhance the physical properties of an extruded profile and to aid in the manufacturing process.

The Company purchases its raw materials (which consist principally of thermoplastic resins) from a variety of suppliers in Canada and the United States. Raw materials employed in the extrusion processes for its core business include ABS, rigid PVC, flexible PVC, thermoplastic elastomers, thermoplastic olefins, polyethylenes and polystyrenes. These raw materials are delivered in bulk carriers or in bulk containers to specific plants depending upon the profiles or products produced at a plant. The Company maintains a comprehensive inventory of raw materials which results in time and cost savings that are passed on to its customers.

As a significant purchaser of thermoplastic resins, the Company has significant purchasing power and relatively secure sources of supply. PVC prices tend to be cyclical, based on industry demands and supply factors. Also, since PVC is 56% chlorine-based (derived from widely available rock salt) and only 44% hydrocarbon-based, its prices are not as significantly influenced by movements in oil and gas prices as other plastic resin materials in general, and ethylene in particular.

While the Company does not do any compounding itself, it has developed a number of proprietary "recipes" which resin suppliers compound for CPI.

The Company centralizes its procurement of thermoplastic resins so as to maximize purchasing power. Strategic supply relationships with key resin suppliers have been developed over many years to assure the secure and steady flow of raw material during cyclical periods of resin storage. Management believes it will be able to obtain adequate quantities of resin to keep pace with anticipated growth.

In addition to the purchase of thermoplastic resins, the Company maintains and operates recycling equipment to regrind scrap material for reuse. The use of reprocessed scrap material, when specifications permit, enables the Company to minimize the use of all new material delivered in the form of virgin resins.

Raw material costs for the year ended December 31, 1999 increased as a percentage of sales by 1.5% due to the increased sales of Extrudawood products and Extrufix film products, which both have a higher material component than other custom profiles. The general increase in the costs of various resins had a minimal impact on raw material costs. In excess of 50% of all resins purchased by CPI are subject to fixed price contracts.

MACHINERY AND EQUIPMENT

Substantially all of the components, parts and products manufactured by the Company utilize state of the art extrusion, die manufacturing and fabrication technology. The Company designs and manufactures 95% of its own dies and downstream manufacturing and fabrication equipment (such as saws, vacuum tables and cutters) for use by its six plants. Each customer/maker has its individual needs. The Company produces its own custom extrusion, lamination and calibration tooling in-house to meet those needs. The Company has a centralized state of the art tooling facility, including wire EDM capability, to speed response time and permit control of the project from concept to finished product. Designing and manufacturing its own tooling and equipment allows CPI to maintain its low cost position, often with quality and features unattainable by its competitors.

In order to meet the requirements of its customers, the Company has acquired the latest in extrusion equipment. Dual and triple combinations, including capstocking, are available for functional or decorative purposes. Each extrusion line is equipped with custom downstream fabrication tooling and equipment to maximize productivity on fabricated products. The Company generally uses a variety of twin and single screw extruders and mono or co-extrusion processes, depending upon the different design requirements for components and products produced for its customers. CPI's manufacturing facilities are highly automated and utilize similar processes so that dies and equipment are often interchangeable. This permits the efficient allocation of most production needs among its various operating units, four of which are contiguous to each other.

The Company owns a total of 98 extruders of which 12 are used at the Bolton plant, 18 are used at the 979 Gana Court plant, 26 are used at the 691 Gana Court plant, 15 are used in the 711 Gana Court plant, 18 are used at the 710 Gana Court plant and 7 are used at the Pepperlaw plant. CPI also owns six injection molding machines which are used to insert mold ends onto fabricated extrusions.

RESEARCH AND DEVELOPMENT

The Company's design and development activities have been a significant factor in CPI's success. Research and development activities have resulted in technological leadership, increased production capabilities, lower production costs and innovative custom designed products to meet the specific needs of CPI's customer base.

The Company's research and development program is focused on five main areas: materials research (such as thermoplastic-based polymer composites), tooling development (such as vacuum sizers), process development and improvement, product enhancements (such as weathering and UV performance) and new product development (such as Extrudawood™). For the year ended December 31, 1999, CPI expended approximately \$1 million on research and development of the Extrudawood™ technology and other foamed thermoplastic products.

Leading edge tooling, some of which is proprietary, is one area of ongoing development. Advancements have been made in many areas of the manufacturing/extrusion process, resulting in state of the art processes, increased production capabilities and advanced machine development to manufacture new products. However, the most

significant aspect of research and development relates to product enhancements and new product development, where this research and development effort has been responsible for the introduction of several new or improved resin based products including the Extrudawood™ line of products and products based on the foamed thermoplastic technology.

REAL ESTATE

The Company owns approximately 40% of the approximately 318,500 square feet of facilities it utilizes to manufacture and warehouse its components and products, a significant portion of which is industrial space located in Mississauga, Ontario (four adjacent plants), Bolton, Ontario (one plant) and Pefferlaw, Ontario (one plant). The plant facilities under lease are subject to long term leases as described below. The 45,000 square foot 711 Gana Court plant was leased in April of 1998 primarily to meet the demand for products utilizing its foamed thermoplastic technology and the Extrudawood™ technology. The 47,500 square foot 710 Gana Court plant was leased in February of 1999 to meet increased demand for Extrudawood™ product and other custom profiles. The concentration of production facilities in close proximity to each other provides significant synergies and ease of control over many of CPI's key operations. CPI also leases a distribution and warehouse facility in Elkhart, Indiana to better serve certain of its U.S. customers.

The Company centralizes the property management of its facilities and designs its own plants. Management believes that this expertise gives CPI an advantage in developing customized facilities quickly with fewer startup problems, and permitting plant operating management to focus on the production process.

The following table sets forth information on the Company's principal plant, distribution/warehouse and office facilities:

<u>Location</u>	<u>Owned⁽¹⁾/ Leased</u>	<u>Square Footage</u>	<u>Primary Process/Business</u>
1. 979 Gana Court..... Mississauga, Ontario ⁽²⁾⁽³⁾⁽⁴⁾	leased	60,000	appliance product
2. 691 Gana Court..... Mississauga, Ontario ⁽²⁾	owned	66,000	custom product
3. 711 Gana Court..... Mississauga, Ontario ⁽²⁾⁽⁴⁾	leased	45,000	Extrudawood™ product
4. 195 Healey Road Bolton, Ontario	owned	45,000	Furniture and OEM
5. 710 Gana Court..... Mississauga, Ontario ⁽²⁾⁽⁴⁾	leased	47,500	Extrudawood™ product and OEM automotive
6. Extrufix Plant..... 35 Hastings Road Pefferlaw, Ontario	owned	30,000	extruded film products
7. 1042A Mitchell Jellison Drive..... Elkhart, Indiana	leased	5,000	office, distribution and warehouse facility
8. Extrufix office and warehouse facility ⁽⁴⁾ 30 Vogell Road, Unit 3 Richmond Hill, Ontario	leased	20,000	office and warehouse facility
		318,500	

Notes:

(1) Substantially all of CPI's facilities which are owned are subject to a security interest in favour of CPI's banker.

(2) These plant facilities are adjacent to each other and located in an industrial park with immediate access to major transportation routes.

- (3) Includes 10,000 square feet of office space housing the corporate head office. This facility is owned by a corporation, (controlled as to 100% by the Controlling Shareholder and is leased to the Company on terms which parallel those for other similar buildings in the vicinity.
- (4) The lease for 979 Gana Court is for a term of six years and seven months expiring in 2002 with a five year renewal option. The lease for 711 Gana Court expires on December 31, 2004 and is subject to one five year renewal option. The lease for 710 Gana Court is for a term of 10 years expiring February 15, 2009 with two five year renewal options and is subject to a right of first purchase and an option to purchase the property expiring on December 31, 2003 at prices ranging between \$2.4 million and \$2.5 million. The lease for the Extrufix office and warehouse facility is for five years expiring in July 2004 and contains two renewal options for successive five year periods. The lease for the Elkhart facility is for a term of two years terminating March 18, 2001, with an option to renew for one two year period.
- (5) On June 21, 2000, the Company made an offer to lease a manufacturing facility for 15 years commencing December 1, 2000 and ending November 30, 2015 with two five year renewal options having 127,715 square feet of space close to its Gana Court plants for the purpose of expanding its manufacturing facilities.

Total plant utilization is currently at the 80% level. Management of CPI is confident that additional space and plant capacity will be available within or adjacent to the industrial park where four of its contiguous plants are presently located to meet anticipated future growth. Present plans include the development of a U.S. manufacturing facility.

ENVIRONMENTAL CONSIDERATIONS

The Company's operations are subject to a wide range of general and industry-specific environmental laws and regulation by federal, provincial, state and local authorities. These laws and regulations relate to air emissions, wastewater discharge, waste management and landfill sites. Although CPI's operations do not involve activities likely to create significant environmental risks, its manufacturing operations must be carried out in compliance with requirements of environmental legislation. All of CPI's manufacturing facilities have been the subject of preliminary phase one environmental assessment by independent consultants. The Company is currently in material compliance with applicable environmental legislation and is not aware of any charges under such legislation which are threatened or pending.

The manufacture of thermoplastic resin products is an environmentally friendly process. The resins utilized by CPI are not controlled substances and since the extrusion process does not introduce hazardous materials, environmental focus is on the management of small amounts of machine oils, greases, solvents and conventional wastes. The small amount of waste produced by the operations is removed by licensed carriers. The Company's plants do not, in their normal operations, discharge dangerous effluents into the air, soil or water at levels that exceed those authorized by applicable legislation, and most scrap and water (used to cool thermoplastic profile), is recycled and reused within CPI.

HUMAN RESOURCES

The Company has approximately 610 plant employees and a head office, sales and administrative staff of approximately 50 employees. The actual number of employees at any point in time may vary by 5% to 10% according to the seasonality of the business. Each plant operates on a three shift basis, 24 hours a day, five days a week and on weekends, if necessary, during peak production periods. The Company enjoys a very strong manufacturing and support group whose average tenure is in excess of seven years. Its work force is non-unionized.

On September 8, 1999, the United Steelworkers of America submitted an application for certification at CPI. At that time, the Company initiated an effort to educate its employees of the potential advantages and disadvantages of union certification. A vote of all eligible employees was conducted on September 15, 1999 and the result was a deadlock between the parties so that the union application was not successful. Subsequently, several issues arising out of the vote were raised with the Ontario Labour Relations Board (the "OLRB"). On April 10, 2000, the OLRB ruled that the bargaining unit description not include the employees from CPI's Bolton facility. Two other issues, one relating to status disputes (to determine whether particular employees are considered a part of the bargaining unit) and union allegations of unfair labour practices under the *Labour Relations Act* (Ontario), are currently under review by the OLRB. Management of the Company believes it will be successful as regards the latter two issues.

In 1999, CPI introduced a profit sharing plan and the Stock Purchase Plan for the benefit of all of its full-time employees.

The Company's business units are managed by a proven team of experienced senior managers and key operating personnel at the plant level. CPI believes its relations with its employees to be very good. A dedicated effort is made to train, communicate with and enhance the technical skills of all plant personnel.

COMPETITION

For the most part, the Company competes with a number of medium size and smaller independent companies, some of which are well established in the markets in which they sell their products and whose products compete with the extruded plastic components, parts and products produced by the Company. While competition is always a factor in developing the Company's strategy as regards the pricing of its products, management believes that present competition will not have a significant impact upon its anticipated future growth and margins because of the quality of its products and customer service and its continued commitment to advanced extrusion and fabrication technology.

INTELLECTUAL PROPERTY AND PROPRIETARY TECHNOLOGY

CPI's competitive position is enhanced by proprietary technology, some of which, such as Extrudawood™, is subject to trade mark protection. Other technology, such as the Extrufix Rack Sack™, is also the subject of patent protection. CPI's research and development activities have resulted in technological advancement in the area of new materials, tooling developments, process machine development, product enhancements and new product development. For example, the Company recently developed a unique custom product for The Coca Cola Company for use in its vending machines. Much of CPI's proprietary technology constitutes "know-how" (for example certain compound formulations, tooling, dies, molds and fabrication techniques) which cannot, or which CPI has chosen not to, be the subject of intellectual property protection. Specific product formulations and manufacturing parameters are often kept as trade secrets since CPI's competitiveness depends on its ability to utilize unique resins and to produce extrusions, dies and fabrications. For example, while there is no assurance as to availability, the Company decided not to seek intellectual property protection for its expanded or foamed thermoplastic extrusion technology nor for the Extrudawood™ technology other than trademark protection for the word "Extrudawood".

ACQUISITION OF EXTRUFIX

On September 17, 1999, the Company acquired, effective August 1, 1999, 100% of the shares of Extrufix for a total cash consideration of \$9.5 million from members of the McNerney family and their related trusts and holding corporations. As part of the acquisition, two of the principals of Extrufix, Susan McNerney and Michael McNerney, received 10,000 and 20,000 options, respectively, to purchase common shares in the Company at \$6.35 per share. Each of Susan McNerney and Michael McNerney were retained as consultants to the Company pursuant to five year consulting agreements at compensation levels of \$200,000 per year. The acquisition was financed through long term debt of \$6.75 million and bank indebtedness of \$2.75 million. See note 2(a) of the Notes to the Consolidated Financial Statements. At the date of the acquisition, Ms. McNerney was a director and the President of Extrufix and a director of the Company. See "Interests of Management and Others in Material Transactions."

SHARE CAPITAL REORGANISATION

The Company's multiple voting share and subordinate voting share structure was created on September 21, 1998 when the Company became a public company pursuant to a reverse take over by way of the Plan of Arrangement. Each multiple voting share carried 20 votes per share and each subordinate voting share carried one vote per share. On March 9, 2000, in connection with the issue by the Company of the Special Warrants, the Company, 820597 and 1286917 agreed, pursuant to the Subscription Agreements and the Special Warrant Underwriting Agreement, to convene a meeting of the holders of the multiple voting shares and the subordinate voting shares prior to June 1, 2000 for the purpose, *inter alia*, of submitting the Special Resolution to the meeting to effect a redesignation and reclassification of the Company's subordinate voting share and multiple voting shares into one class of common shares carrying one vote per share on a one for one basis. On May 18, 2000, articles of amendment were filed under the OBCA and a certificate of amendment was issued to the Company implementing the Special Resolution so that the authorized share capital of the Company is as described under the heading "Description of Share Capital". See

note (3) to the Notes under the heading “Consolidated Capitalization of the Company” and note 20(e) to the Notes to the Consolidated Financial Statements of the Company.

DESCRIPTION OF SHARE CAPITAL

Authorized Capital

The authorized share capital of the Company consists of an unlimited number of first preference shares, an unlimited number of second preference shares issuable in series and an unlimited number of common shares. No series of second preference shares are currently designated.

The following is a summary of the provisions attaching to the first preference shares, the second preference shares and the common shares.

First Preference Shares

Dividends: The holders of first preference shares are not entitled to any dividends.

Voting: The holders of first preference shares are entitled to notice of all meetings of the shareholders of the Company. Subject to the provisions of the OBCA, the holders of first preference shares are not entitled to vote at any meetings of the shareholders.

Retraction: The holders of the first preference shares are entitled, subject to applicable law, to require the Company to redeem all or any part of the first preference shares upon 30 days written notice to the Company, at a redemption price of \$4.22 per share.

Conversion Right: The holders of first preference shares have the right at any time to convert all, or any part of, their first preference shares into fully paid and non-assessable common shares upon the basis of one common share for each first preference share in respect of which the conversion right is exercised.

Winding Up: In the event of the liquidation, winding up or dissolution of the Company, or other distributions of assets among its shareholders for the purpose of winding up its affairs, the holders of the first preference shares are entitled to receive from the assets and property of the Company for each first preference share held by them respectively a sum equal to the retraction price, being \$4.22 per first preference share, before any amount is paid or any assets or property of the Company is distributed to the holders of the second preference shares, or the common shares. After payment to the holders of the first preference shares of the amounts payable to them as provided above, they shall not be entitled to share in any further distribution of the assets or property of the Company.

No Further Preference Shares: The Company may not issue any additional first preference shares without the consent of a majority of the holders of first preference shares.

Subdivision and Consolidation: The first preference shares may not be subdivided, consolidated or otherwise changed unless contemporaneously therewith the common shares are subdivided, consolidated or otherwise changed in the same proportion or manner.

Second Preference Shares

The second preference shares are issuable in one or more series. Subject to the Company's articles, the board of directors shall fix, before the issuance thereof, the designation, rights, privileges, restrictions and conditions attaching to the shares of each such series. The second preference shares rank prior to the common shares, but subsequent to the first preference shares, with respect to dividends and return of capital on dissolution. Except with respect to matters as to which the holders of second preference shares are entitled by law to vote as a class, the holders of second preference shares will not be entitled to vote at a meeting of shareholders. The Company has no present intention of issuing any second preference shares.

Common Shares

Dividends: Subject to the prior rights of the holders of the first preference shares and the second preference shares and any other shares ranking senior to the common shares in respect of the payment of dividends, the holders of the common shares will be entitled, share for share, to receive on a *pro rata* basis any dividends declared from time to time by the board of directors of the Company.

Dissolution: Subject to the prior rights of the holders of first preference shares and second preference shares and any other shares ranking senior to the common shares on a return of capital, in the event of the liquidation, dissolution or winding up of the Company, whether voluntarily or involuntarily, or any other distribution of its assets among its shareholders for the purpose of winding up its affairs the holders of the Common shares will be entitled to receive the remaining property and assets of the Company and to participate rateably in the distribution thereof.

Voting Rights: Holders of the common shares will be entitled to receive notice of, attend and vote at all meetings of shareholders of the Company, except meetings where only the holders of shares of another class or of a particular series are entitled to vote. The common shares carry one vote per share.

Subdivision and Consolidation: The common shares may not be subdivided, consolidated or otherwise changed unless contemporaneously therewith the first preference shares are subdivided, consolidated or otherwise changed in the same proportion or manner.

CONSOLIDATED CAPITALIZATION OF THE COMPANY

The following table sets forth the consolidated capitalization of the Company and its subsidiaries as at the dates indicated. The table should be read in conjunction with the Consolidated Financial Statements of the Company appearing elsewhere in this prospectus.

	Authorized	Outstanding at December 31, 1999 (audited)	Outstanding at March 31, 2000 (unaudited)	Outstanding at May 31, 2000 (unaudited)	Outstanding at May 31, 2000 after giving effect to the issuance of the Special Warrant Shares (unaudited)
(all amounts, except numbers of shares, in \$000)					
Debt:					
Operating loan ⁽¹⁾	N/A	\$ 8,123	\$ 7,173	\$ 8,101	\$ 8,101
Term debt due within one year ⁽²⁾	N/A	3,537	3,725	3,850	3,850
Term debt ⁽²⁾	N/A	<u>18,875</u>	<u>17,581</u>	<u>17,467</u>	<u>17,467</u>
Total debt		<u>\$ 30,535</u>	<u>\$ 28,479</u>	<u>\$ 29,418</u>	<u>\$ 29,418</u>
Shareholders' Equity:					
Common shares ^{(3) (4) (5) (6)}	unlimited	NIL	NIL	\$ 10,108 ⁽⁷⁾⁽⁸⁾ (11,270,278 shs.)	\$ 10,108 ⁽⁷⁾⁽⁸⁾ (11,270,278 shs.)
Multiple voting shares ⁽³⁾	unlimited ⁽⁸⁾	\$ 1,359 (3,648,504 shs.)	\$ 1,358 (3,648,404 shs.)	NIL	NIL
Subordinate voting shares ^{(3) (4) (5)}	unlimited ⁽⁸⁾	\$ 2,905 (6,592,699 shs.)	\$ 8,750 ⁽⁷⁾ (7,621,874 shs.) ⁽⁷⁾	NIL	NIL

First preference shares ^{(3) (5)}	unlimited	\$ 2,000 (473,992 shs.)	\$ 2,000 (473,992 shs.)	\$ 2,000 (473,992 shs.)	\$ 2,000 (473,992 shs.)
Second preference shares ⁽³⁾⁽⁶⁾	unlimited	NIL	NIL	NIL	NIL
Contributed surplus.....	N/A	\$ 4,111	\$ 4,111	\$ 4,111	\$ 4,111
Retained earnings.....	N/A	\$ 5,982	\$ 7,021	\$ 7,562	\$ 7,562
		_____	_____	_____	_____
Total shareholders' equity.....	N/A	<u>\$ 16,357</u>	<u>\$23,240</u>	<u>\$23,781</u>	<u>\$23,781</u>
Consolidated capitalization.....	N/A	<u>\$46,892</u>	<u>\$51,719</u>	<u>\$53,199</u>	<u>\$53,199</u>

NOTES:

- (1) The operating loan is due on demand, bears interest at bank prime and is secured by a general security agreement granting a security interest in all of the assets of the Company. See note 7 to the Notes to the Consolidated Financial Statements of the Company.
- (2) Term debt is secured by a security interest in all of assets of the Company. Term debt bears interest at various floating rates ranging from bank prime or bankers acceptances plus 100 basis points to prime plus ½% or bankers acceptance plus 200 basis points and is due as to \$13,000,000 on June 30, 2006 and as to \$9,412,000 on September 21, 2004. See note 8 to the Notes to the Consolidated Financial Statements of the Company.
- (3) By certificate of amendment dated May 18, 2000, (i) the authorized and issued capital of the Company was redesignated and reclassified on the basis that the unissued and issued multiple voting shares (which carried 20 votes per share) and the subordinate voting shares (which carried one vote per share) were redesignated and reclassified as one class of common shares (carrying one vote per share) so that the holders of multiple voting shares received one common share for each multiple voting share and the holders of subordinate voting shares received one common share for each subordinate voting share, and (ii) certain related changes were made to the rights, privileges, restrictions and conditions attaching to the second preference shares and the first preference shares which, in the latter case, are convertible on a one for one basis into common shares. See note 20(e) to the Notes to the Consolidated Financial Statements of the Company.
- (4) On September 21, 1998, the Company adopted the Share Option Plan. The maximum number of common shares which may be issued under the Share Option Plan is limited to 1,499,400 shares. As at March 31, 2000, the Company has granted options to purchase 635,000 common shares pursuant to the Share Option Plan of which 633,000 have not been exercised. See "Share Compensation Arrangements of the Company –Share Option Plan", "Options to Purchase Securities" and note 10 to the Notes to the Consolidated Financial Statements of the Company.
- (5) Each first preference share is convertible, in whole or in part, at any time into one common share, is retractable, in whole or in part, at any time at a retraction price of \$4.22 per share, does not carry the right to vote, does not carry any rights to dividends and is entitled to a priority on winding up over the common shares and second preference shares. No additional first preference shares may be issued without the consent of persons holding in excess of 50% of all outstanding first preference shares. See note 10 to the Notes to the Consolidated Financial Statements of the Company.
- (6) The Company's authorized capital includes an unlimited number of second preference shares, issuable in series. The Company has no present intention to issue any such shares.
- (7) Includes the Special Warrant Shares issuable upon the exercise of the Special Warrants issued by the Company on March 9, 2000 at a price of \$6.20 per Special Warrant. See "Private Placement and Plan of Distribution" and note 20 (c) to the Notes to the Consolidated Financial Statements of the Company.
- (8) As a result of the Share Capital Reorganization, there are no multiple voting shares or subordinate voting shares authorized.
- (9) See note 18 to the Notes to the Consolidated Financial Statements of the Company for commitments under operating leases and other similar contracts.

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(in thousands of dollars except per share data)

The following selected consolidated financial information relating to the Company for the periods indicated has been derived from, and should be read in conjunction with, the Consolidated Financial Statements of the Company and the Notes thereto.

INCOME STATEMENT AND STATEMENT OF CASH FLOWS DATA

	<u>Three months ended</u> <u>March 31,</u>		<u>Years ended</u> <u>December 31,</u>		
	<u>2000</u>	<u>1999</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(unaudited)		(audited)		
Operating Results:					
Net sales	\$23,010	\$14,504	\$70,346	\$46,501	\$38,452
Increase (Decrease) from prior period	58.6%	35.6%	51.3%	20.9%	4.1%
EBITDA ⁽¹⁾	3,435	1,964	10,295	6,567	5,775
Depreciation and amortization	(703)	(340)	(2,210)	(1,113)	(1,024)
EBIT ⁽²⁾	2,732	1,624	8,085	5,454	4,751
Interest	(559)	(288)	(1,476)	(1,045)	(850)
Net earnings before tax	2,173	1,336	6,609	4,409	3,901
Increase from prior period	62.6%	29.5%	49.9%	13.0%	40.7%
Net earnings	1,339	831	4,136	2,726	2,187
Earnings per share - basic	0.13	0.08	0.41	0.29	0.23
- fully diluted	0.12	0.08	0.39	0.28	0.23
Cash Flow, Capital Resources and Financial Position:					
Operating cash flow ⁽³⁾	\$ 2,042	\$ 1,171	\$ 6,346	\$ 3,839	\$ 3,211
Capital expenditures ⁽⁴⁾	2,001	2,235	10,628	8,269	1,972

Notes:

- (1) Earnings before interest, taxes, depreciation and amortization
- (2) Earnings before interest and taxes
- (3) Earnings plus depreciation and amortization
- (4) Includes additions to capital assets and goodwill and other assets

BALANCE SHEET DATA

	<u>As at</u> <u>March 31, 2000</u>	<u>As at</u> <u>December 31,</u>	
	(unaudited)	<u>1999</u>	<u>1998</u>
		(audited)	
Fixed assets	\$26,918	\$25,759	\$14,669
Total assets	65,963	59,809	31,709
Long-term debt ⁽¹⁾	21,306	22,412	10,216
Funded debt ⁽²⁾	28,479	30,535	13,429
Shareholders equity	21,240	14,357	9,736

Notes:

- (1) Includes current portion of long-term debt
- (2) Includes long term debt and operating debt

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION
(unaudited)

Fiscal 1999

Three months ended

(\$000's except per share data)

	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
Net Sales	\$ 14,504	\$ 17,174	\$ 20,548	\$ 18,120
Operating margin (EBITDA)	1,964	2,433	3,356	2,542
Earnings from operations	1,336	1,763	2,650	860
Net Earnings	831	1,108	1,669	528
Earnings per share (basic)	\$.08	\$.11	\$.17	\$.05

Fiscal 1998

Three months ended

(\$000's except per share data)

	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
Net Sales	\$ 10,692	\$ 10,825	\$ 12,504	\$ 12,480
Operating margin (EBITDA)	1,526	1,605	1,880	1,556
Earnings from operations	1,032	1,053	1,330	994
Net Earnings	638	670	819	599
Earnings per share (basic)	\$.07	\$.07	\$.09	\$.06

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and the notes relating thereto appearing elsewhere in this prospectus.

Overview

Product Sales

Historical

The Company has experienced a significant shift in demand since 1994. Up to 1994, the Company's core business involved the production of generic and decorative extruded plastic parts, components and products. There has been a distinct trend away from generic and decorative profiles due primarily to fashion changes, especially in the furniture manufacturing business. As a result of an acquisition in 1994, the Company's focus shifted to meet the increasing demand for custom and complex extrusions, especially those requiring sophisticated fabrication techniques. The Company developed a high level of in-house knowledge and expertise that provided it with the ability to successfully penetrate this market. This shift in demand meant that CPI experienced only a 2% increase in sales from 1995 to 1997, despite the fact that its custom business (including automotive OEM) increased by \$7.2 million or 83%. However, the production by the Company of more custom and complex decorative extrusions has enabled it to realize higher gross margins as custom work commands higher margins due to the complexity and the significant value added inherent in most custom products.

Current

The Company's evolution from a producer of generic and decorative extruded parts in 1997 to a technologically advanced custom profile extruder in 1998 and 1999 resulted in significant year over year revenue and profit growth in 1998 (20.9% and 24.6% respectively), in 1999 (51.3% and 51.8% respectively) and in the first quarter of 2000 (59% and 61% respectively) while operating margins over the same period have remained relatively constant improving in 1999 to 14.6%. The acquisition of Extrufix effective August 1, 1999 accounted for \$5.9 million or

12.7% of the total revenue growth for 1999. The balance of the revenue growth for 1999 was organic and spread across each of the home, transportation and commercial market segments.

Geographic Sales Segmentation

The Company's manufacturing facilities are located in Canada. The Company sells its products to a broad range of customers in North America and abroad. Net sales to non-Canadian customers decreased to 72% of sales for 1999 as compared to 74.2% in 1998 due primarily to extruded film sales, resulting from the acquisition of Extrufix, which are primarily marketed in Canada.

Foreign Exchange Strategy

The Company utilizes foreign exchange sales contracts to fix the rate of U.S. dollar conversions on a portion of net U.S. dollar cash flows. During 1999 the Company executed monthly contracts of \$1.0 – 1.25 million per month with an average rate of 1.4034. Monthly net U.S. dollar cash flows in excess of the committed contracts were sold or translated at spot rates. At December 31, 1999, the Company held forward foreign exchange sale contracts expiring monthly in varying amounts and aggregating U.S. \$47.0 million with average rates and expiration dates as follows:

	<u>Amount</u>	<u>Average Rate</u>	<u>Expiration</u>
U.S.	\$15,000,000	1.4743	January – December 2000
U.S.	\$18,500,000	1.4821	January – December 2001
U.S.	\$13,500,000	1.4562	January – December 2002

The Company currently has a foreign exchange contract facility with a maximum of U.S. \$50.0 million over 36 months.

The Company's objective is to hedge under forward contracts a minimum of 50% of the expected monthly net U.S. dollar cash flows over the next 2 years.

Results from operations

The following is a summary of certain selected historical financial information of the Company for the years ended December 31, 1997, 1998 and 1999 and the first quarter ended March 31, 1999 and 2000 which is qualified entirely by the detailed provisions of the Consolidated Financial Statements contained elsewhere in the prospectus.

	<u>Three months</u> <u>ended March 31,</u>		<u>Years ended December 31,</u>		
	<u>2000</u>	<u>1999</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(unaudited)		(audited)		
	(in thousands of dollars except per share data)				
Operating Results:					
Net sales	\$23,010	\$14,504	\$70,346	\$46,501	\$38,452
Cost of sales and operating expenses	(19,575)	(12,540)	(60,051)	(39,934)	(32,677)
Operating margin	3,435	1,964	10,295	6,567	5,775
Depreciation and amortization	(703)	(340)	(2,210)	(1,113)	(1,024)
Interest expense	(559)	(288)	(1,476)	(1,045)	(850)
Earnings before income tax	2,173	1,336	6,609	4,409	3,901
Income taxes	(834)	(505)	(2,473)	(1,683)	(1,714)
Net earnings	\$ 1,339	\$ 831	\$ 4,136	\$ 2,726	\$ 2,187
Earnings per share – basic	\$ 0.13	\$ 0.08	\$ 0.41	\$ 0.29	\$0.23
– fully diluted	\$ 0.12	\$ 0.08	\$ 0.39	\$ 0.28	\$0.23
Weighted average number of outstanding shares					
- basic	10,555,323	10,141,907	10,208,107	9,463,478	9,643,853

	Three months ended March 31,		Year ended December 31,		
	<u>2000</u> (unaudited)	<u>1999</u>	<u>1999</u>	<u>1998</u> (audited)	<u>1997</u>
Cash flow, capital resources and financial position:					
Operating cash flow ⁽¹⁾	\$ 2,242	\$ 1,171	\$ 7,560	\$ 4,160	\$ 3,306
Working capital	4,701	1,323	(90)	2,612	2,507
Capital expenditures ⁽²⁾	1,559	2,235	9,716	7,679	1,700
Operating debt	7,173	6,020	8,123	3,213	2,924
Long-term debt ⁽³⁾	21,306	9,990	22,412	10,216	6,066

(1) earnings plus depreciation, amortization and future income taxes

(2) excludes additions to goodwill and other assets

(3) includes current portion of long-term debt

Quarter ended March 31, 2000, compared with quarter ended March 31, 1999

Net sales for the first quarter ended March 31, 2000 increased by \$8,506,000 (58.9%) over the same period in 1999 to \$23,101,000. This growth was attributable to increased sales of Extrudawood™ products including window fashions and decking systems of \$2.0 million, film and Rack Sack™ sales totaling \$3.8 million resulting from the acquisition of Extrufix effective August 1, 1999 and continued planned growth in other custom profiles for the automotive, home and commercial markets totaling approximately \$2.7 million.

Operating margins for the first quarter ended March 31, 2000 increased to 14.9% from 13.5% in the first quarter of 1999. The increase was due primarily to economies realized on increased volumes and the positive impact of continuous improvement initiatives that identify cost savings opportunities. Margins improved despite modest increases in the cost of key resins.

Depreciation and amortization increased by \$363,000 or 107% to \$703,000 as compared to the first quarter in 1999. Interest expense increased in the first quarter of 2000 by \$271,000 to \$559,000 as a result of new debt facilities for capital expansion and the acquisition of Extrufix. Net proceeds of \$5.3 million raised from the issue of Special Warrants on March 9, 2000 were applied against debt and had a small impact on interest expense for the quarter.

Net earnings per share of \$0.13 (basic) represent an increase of \$0.05 or 62.5% over the first quarter of 1999. Total shares outstanding on a fully diluted basis (including 930,470 common shares issuable on the exercise of the Special Warrants), increased by 1,128,358 to 11,270,265.

Year ended December 31, 1999 as compared to year ended December 31, 1998

Net sales for the year ended December 31, 1999 increased by \$23,845,000, or 51.3%, over 1998, to \$70,346,000. Sales in each of the home, transportation and commercial segments is summarized as follows:

	1999	1998	% change
Home products	\$37,539	\$24,055	56%
Transportation products	8,495	5,750	48%
Commercial Products	24,312	16,696	46%
	\$70,346	\$46,501	51%

Sales of home products, which included products utilizing the Company's foamed thermoplastic technology and the Extrudawood™ technology, appliance products and extruded film products (originating from the Extrufix acquisition) increased by \$13,484,000 to \$37,539,000 from \$24,055,000 in 1998. The acquisition of Extrufix accounted for \$5.9 million of the growth with the balance being primarily attributable to increased volumes of window fashion profiles and the introduction of the Extrudawood™ decking system in the second quarter of 1999.

Transportation products sales increased \$2,745,000 in 1999 to \$8,495,000 primarily as a result of continued penetration into the Tier 1 suppliers. Sales of commercial products increased by \$7,616,000 or 46% to \$24,312,000 and was led by growth in the office furniture, commercial refrigeration and consumer electronics markets.

Operating margin for the year ended December 31, 1999 increased by \$3,728,000 to \$10,295,000. As a percentage of sales operating margins increased to 14.6% from 14.1% in 1998. The increase was due primarily to operating efficiencies realized on fixed plant overheads and selling, general and administrative costs offset slightly by increased labor costs. Raw material costs for the year increased as a percentage of sales by 1.5% due to the impact of sales of products utilizing the Company's foamed thermoplastic technology and the Extrudawood™ technology and Extrufix film products, which both have a higher material component than other custom profiles. The general increase in the costs of various resins had a minimal impact on raw material costs as 50% of the Company's resins purchased during 1999 were subject to fixed price contracts.

Depreciation and amortization increased by \$1,097,000 or 99% to \$2,210,000 as compared to 1998. The increase was attributable to depreciation primarily on equipment purchased for two new facilities leased in 1998 and 1999, amortization of product development costs, full year amortization of the International Agreement and amortization of goodwill resulting from the acquisition of Extrufix.

Interest expense in 1999 increased \$432,000 compared to 1998 to \$1,476,000. This increase reflects additional debt incurred and assumed of approximately \$10.5 million related to the Extrufix acquisition and additional debt facilities to finance plant expansions. During the year all capital expenditures were financed by operating cash flows and proceeds from debt facilities. Interest expense as a percentage of sales decreased to 2.1% in 1999 from 2.3% in 1998.

Income tax expense was \$2,473,000 or 37.4% of earnings before income taxes in 1999 as compared to \$1,683,000 or 38.2% in 1998.

Net earnings increased in 1999 by \$1,411,000 or 51.8% to \$4,136,000.

Basic earnings per share for the year ended December 31, 1999 were \$0.41 as compared to \$0.29 in 1998, a 41% increase. The weighted average number of shares increased to 10,208,107 from 9,463,478 in 1998 as a result of the full year impact in 1999 of the share restructuring completed during 1998 and the issuance of shares under the Stock Purchase Plan.

Fully diluted earnings per share increased to \$0.39 as compared to \$0.28 in 1998.

Year ended December 31, 1998 as compared to year ended December 31, 1997

Net sales for the year ended December 31, 1998 increased by \$8,049,000, or 20.9%, over 1997, to \$46,501,000. Sales of custom profiles utilizing the Company's foamed thermoplastic technology and the Extrudawood™ technology, processes launched in August 1998, accounted for \$5.0 million or 13% of the revenue growth. Other custom profile and automotive OEM applications accounted for the balance of the revenue growth.

Sales into the United States continued to grow as a percentage of total sales to 74.2%, up from 70.3% in 1997. This, coupled with a weaker Canadian dollar, also contributed to improved sales over 1997 as U.S. dollar denominated sales were recorded at an average rate of 1.41 in 1998 as compared to 1.38 in 1997. Exchange rates are based on contract and spot rates.

Operating margin for the year ended December 31, 1998 decreased to 14.1% from 15% in 1997. The decrease was due primarily to a 3.8% decrease in gross margin offset by a decrease in selling and administration costs of 2.9% of sales. Raw material costs increased as a percentage of sales by 2.1%. This increase was due to the impact of sales in the new Extrudawood product lines which has a higher material component than other custom profiles. Labor costs as a percentage of sales increased by 1.0% due to inherent costs associated with the development of the Company's new foamed thermoplastic extrusion processes and the complex on-line fabrication techniques. Manufacturing

overheads as a percentage of sales increased marginally by 0.4% as the Company continued to augment plant management capabilities. The decrease in selling, general and administration costs as a percentage of sales reflects the impact of economies as the Company has created a strong selling and administration structure that can support high levels of growth.

Depreciation and amortization as a percentage of sales was 2.4% which was consistent with 2.6% experienced in 1997. In absolute terms depreciation and amortization increased \$209,000 due to depreciation related to the new plant at 711 Gana Court, which commenced production on August 1, 1998, and the amortization of deferred development costs.

Interest expense in 1998 increased \$196,000 compared to 1997 to \$1,044,928. This increase relates to the addition of two new term facilities totaling \$5,000,000 that were obtained during the year. Interest expense as a percentage of sales increased to 2.3% in 1998 from 2.2% in 1997.

Income tax expense was \$1,683,000 or 38.2% of earnings before income taxes in 1998 as compared to \$1,715,000 or 44% in 1997 which included provisions for prior years assessments.

Net earnings increased in 1998 by \$539,000 or 24.6%, of which approximately 8.3% was attributable to the reduction in the effective tax rate noted above.

Basic earnings per share increased to \$0.29 in 1998 from \$0.23 in 1997 an increase of 26%. The weighted average number of shares decreased slightly to 9,463,478 from 9,643,853 in 1997 as a result of the share restructuring that occurred during 1998. Fully diluted earnings per share for the year ended December 31, 1998 are \$0.28 as compared to \$0.23 in 1997.

Cash Flow, Capital Resources and Financial Position

Operating Cash Flow

For the three months ended March 31, 2000 operating cash flow (which does not include the net changes in non-cash working capital balances related to operations) increased by \$1,071 or 91% over the same period in 1999 due to improved profitability as a result of increased volumes and EBITDA margins.

For 1999 operating cash flow increased by \$3,400,000 or 82% to \$7,560,000 in 1999 as compared to \$4,160,000 in 1998 and is summarized as follows:

Increase in Net Earnings	\$1,410,000
Increase in depreciation and amortization	1,096,000
<u>Increase in future income taxes</u>	<u>894,000</u>
	\$3,400,000

Basic cash flow per share was \$0.74 in 1999 versus \$0.44 in 1998.

Management believes that the Company will continue to generate improved cash flows through 2000 which will be utilized to fund further investing activities.

Working Capital

Working capital at March 31, 2000 was \$4,701,000 an increase of \$3,378 over the same period in 1999 and an increase of \$4,791,000 over December 31, 1999. As at March 31, 2000 the Company's working capital ratio was 1.21:1.

A summary of CPI's working capital position as at December 31, 1999 and 1998 is as follows:

	1999	1998
Current assets	\$21,800,000	\$12,600,000
Current liabilities	21,900,000	\$10,000,000
Working Capital	(\$ 100,000)	\$ 2,600,000
Current Ratio	1.00:1	1.26:1

The Company had a working capital deficiency of \$0.01 million at December 31, 1999 as compared to working capital of \$2.6 million at December 31, 1998. This is a result of utilizing the Company's operating facility to partially fund the acquisition of Extrufix and capital expansion initiatives. The net proceeds of \$5.3 million received from the issuance of the Special Warrants has resulted in improved working capital. Had this transaction been completed prior to December 31, 1999 the current ratio would have been 1.32:1 which would have had the affect of remedying the working capital covenant breach at December 31, 1999, which was waived by the Company's bankers. Management will continue to focus on improving working capital in 2000 through identifying opportunities for additional equity and/or term debt and to continue initiatives focused on decreasing investments in receivables and inventories.

Capital Expenditures

Capital expenditures on major investing activities for the years ended December 31, 1999 and 1998 and the three months ended March 31, 2000 were as follows:

	Three months ended March 31, 2000	Years ended December 31	
		1999	1998
	(000's)		
Fixed assets	\$ 1.6	\$ 9.7	\$7.7
Acquisition	—	9.5	3.8
	\$1.6	\$19.2	\$11.5

Capital expenditures for the three months ended March 31, 2000 related primarily to capital expansion initiatives at existing facilities.

In 1999 expenditures on fixed assets were \$9,700,000 as compared to \$7,700,000 in 1998. Approximately \$7,500,000 was expended on new plant facilities and expansion of capacity at existing facilities with the balance of \$2,200,000 being expended primarily for various process improvement initiatives.

Effective August 1, 1999 the Company acquired 100% of the shares of Extrufix for cash consideration of \$9.5 million representing net assets of \$2,174,576 and goodwill of \$7,325,424.

Capital expenditures for 2000, excluding possible acquisitions, are estimated to be approximately \$12.5 million and relate primarily to continued capacity expansion initiatives in the Company's existing facilities to meet expected growth in all segments of business, various profitability improvement initiatives and the planned investment in a new facility. These requirements will be funded primarily from internally generated cash resources and additional debt and equity as required.

Operating Debt

Operating debt was \$7,173,000 as at March 31, 2000 which is a reduction of \$950,000 from December 31, 1999. Proceeds from the Special Warrants of \$5.3 million were utilized to reduce the operating line with the balance of \$4.4 million used to fund working capital requirements.

Operating debt at December 31, 1999 was \$8,122,000 which is an increase of \$4,910,000 from 1998. This increase resulted primarily from utilization of this facility to partially fund the acquisition of Extrufix. During 1999, the Company increased its operating line facility to a maximum of \$10.0 million from \$6.0 million and reduced the rate associated with this facility by .25% to prime.

Long-term Debt

During 1999, the Company re-negotiated its credit facility and consolidated all debt with one lender. The result was a term facility of \$14,000,000 to re-finance existing debt, a \$6,750,000 facility to partially fund the acquisition of Extrufix and a third facility totaling \$5.0 million to fund capital expenditure requirements. As of December 31, 1999 the Company had drawn \$3,000,000 on this latter facility. The rates on these term facilities range from prime or bankers acceptances plus 100 basis points to prime plus ½% or bankers acceptances plus 200 basis points.

Under the credit facility the Company must fix the rate of interest on 50% of the term debt outstanding through interest rate swaps. As at December 31, 1999 the Company had entered into five year swap agreements with the notional amounts of \$6,750,000 and \$3,263,000 bearing interest at 6.67% and 6.64% respectively.

As of December 31, 1999 long-term debt totaled \$22,412,500 of which \$3,537,500 is classified as due within one year.

USE OF PROCEEDS

The Company will not receive any additional cash proceeds from the issuance of the Special Warrant Shares upon the exercise of the Special Warrants. The net proceeds to the Company from the prior sale of the Special Warrants was approximately \$5.3 million, after deducting the Underwriter’s fees of \$346,135 and expenses of issue of the Special Warrants and the Special Warrant Shares estimated at \$125,000. The Company used the net proceeds from the sale of the Special Warrants to reduce bank indebtedness which was incurred (i) for capital expenditures, primarily relating to the purchase of additional extrusion and fabrication equipment (as to approximately \$4 million) and (ii) to expand its manufacturing facilities (as to approximately \$1.3 million). See “Business of the Company”, “2000 and Beyond” and “Private Placement and Plan of Distribution”.

DIRECTORS AND SENIOR OFFICERS

Directors and Senior Officers

The name and municipality of residence, position with the Company and the present principal occupation of each of the directors (who will hold office until the next annual meeting or until his or her successor is duly elected unless such office is earlier vacated in accordance with the by-laws of the Company) and senior officers of CPI are as follows:

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Present Principal Occupation</u>
PETER F. CLARK ⁽²⁾ TORONTO, ONTARIO	Chairman of the Board and Chief Executive Officer and Director since 1989	Chairman and Chief Executive Officer of CPI
JAMES D. ELLIES..... TORONTO, ONTARIO	Vice Chairman of the Board and Director since 1989	Vice Chairman of the Board of CPI
RONALD W. MITCHELL..... TORONTO, ONTARIO	President and Director since 1996	President of CPI
SUSAN M.T. McNERNEY..... KING CITY, ONTARIO	President, the Extrufix Division, Vice President, Consumer Products Division and Director since 1998	Vice President, Consumer Product Division of CPI
WILLIAM G. COPLAND ⁽¹⁾ TORONTO, ONTARIO	Director since 1996	President and Chief Executive Officer of Pineridge Financial Corp. (consulting)

D. CAMPBELL DEACON ⁽¹⁾⁽²⁾ MARKHAM, ONTARIO	Director since 1998	Chairman, Deacon & Company (mergers & acquisitions)
BRIAN H. PRYCE ⁽²⁾ MARMORA, ONTARIO	Director since 1998	Retired
MICHAEL J. L. KIRBY ⁽¹⁾ NEPEAN, ONTARIO	Director since April 27, 2000	Member, The Senate of Canada
JAMES K. LEITCH..... TORONTO, ONTARIO	Senior Vice President	Senior Vice President of CPI
DANIEL J. ARDILA..... BURLINGTON, ONTARIO	Vice President Finance and Chief Financial Officer	Vice President Finance and Chief Financial Officer of CPI
ROBERT B. FERGUSON..... NORTH YORK, ONTARIO	Vice President and President, Extrudawood International Division	Vice President of CPI and President, Extrudawood International Division

NOTES:

(1) Member of the Audit Committee

(2) Member of the Compensation, Corporate Governance and Human Resources Committee

Except as set forth below, the directors and officers of the Company have held the principal occupations set forth opposite their names above or have been engaged in other executive capacities with the Company for the previous five years. Prior to May 15, 1998, Ronald W. Mitchell was Executive Vice President and Chief Operating Officer, Pelmorex Inc. (communications) and, prior to August 7, 1997, he was Executive Vice President, Thompson Newspapers Canada (newspaper publishing). Prior to October 1996, William G. Copland was Vice-President and a Director, Richardson Greenshields (investment dealer). Prior to July 6, 1998, Brian H. Pryce was President and Chief Executive Officer, Moss Lawson & Co Limited (investment dealer) and prior to September 1, 1999 he was Deputy Chairman of HSBC James Capel Investments Inc. (investment dealer). Prior to June 1994, when he became President of UTS Energy Corporation (oil and gas), Campbell Deacon was Chairman and Chief Executive officer of Deacon Barclays de Zoete Wedd (investment dealer). Mr. Deacon is a former Chairman of the Investment Dealers Association of Canada. He became Chairman of Deacon & Company on January 1, 2000. Ms. McNerney was President of Extrufix Inc. between 1992 and January 1, 2000 when Extrufix amalgamated with the Company. She has also been a director of the Canadian Plastic Industry Association since 1992 and has served as Chair of the Ontario Region of that association for the past three years. As a Member of the Senate of Canada since 1984, Mr. Kirby served as Chair of the Standing Senate Committee on Banking, Trade and Commerce from 1994 to 1999 and presently serves as Chair of the Standing Senate Committee on Social Affairs, Science and Technology. Prior to July 21, 1997, Daniel J. Ardila was Chief Financial Officer, Xela Enterprises Ltd. and, prior to February 1, 1994, he was an audit manager at KPMG (accounting firm). Prior to March, 1997, Robert Ferguson was a partner in the architectural firm of Hartley & Ferguson, Architects.

As a group, the directors and executive officers of the Company own beneficially, directly or indirectly, or exercise control or direction over 7,976,047 of the issued and outstanding common shares (70.8%), after giving effect to the issue of the Special Warrant Shares.

Executive Management of CPI

Each of Messrs. Ellies and Leitch joined CPI at the time the Controlling Shareholder acquired his controlling interest in the business in 1989. Since that time CPI has been able to develop and maintain a strong management team by attracting people with a broad range of operating, technical, selling and marketing experience. The senior management of CPI assists in setting strategic direction for CPI.

The following are biographies of the members of executive management:

Peter F. Clark, Chairman and Chief Executive Officer

Mr. Clark is 53 years of age and is a graduate of the University of Western Ontario School of Business Administration. He has owned and operated a number of successful businesses including the Clark Shoe Company, a major Canadian retailer, which he owned and operated from 1970 to 1985. He was Chairman of the Metropolitan Toronto Licencing Commission for 15 years and has a variety of community interests. In 1989, he acquired control of in excess of 80% of the equity of CPI and has directed the growth and development of the business of the Company since that date.

James D. Ellies, Vice Chairman

Mr. Ellies is 45 years of age and is a graduate of the University of Western Ontario School of Business Administration. He was involved in merchant banking for a number of years with the Federal Business Development Bank and was introduced to manufacturing as a "turnaround specialist". Mr. Ellies has been involved in the plastics industry for 20 years, his most recent position being Executive Vice President of CPI. Mr. Ellies joined CPI in 1989 when control of CPI was acquired by Peter Clark.

Ronald W. Mitchell, President

Mr. Mitchell is 51 years of age and holds an M.B.A. from the University of Western Ontario School of Business Administration. His work experience includes positions as Executive Vice President, Thompson Newspapers Canada (1994 to 1997), Publisher and Chief Executive Officer - The Edmonton Sun (1992 to 1994), Publisher and Chief Executive Officer, The Financial Post (1988 to 1992) and Executive Vice President, Seagram Distillers (1983 to 1987). Before joining CPI on May 15, 1998, Mr. Mitchell was Executive Vice-President and Chief Operating Officer at Pelmorex Inc.

James K. Leitch, Senior Vice-President

Mr. Leitch is an engineering graduate of the University of Toronto and is 57 years old. He has extensive senior management experience and holds a number of product and process patents. Mr. Leitch joined CPI in October 1989 assuming responsibility for production engineering and appliance marketing.

Daniel J. Ardila, Vice President, Finance and Chief Financial Officer

Mr. Ardila is 38 years old and holds a Bachelor of Business Management from Ryerson University. Prior to joining CPI, he served as Chief Financial Officer at Xela Enterprises Limited, a privately-held international conglomerate, and as an audit manager at KPMG. Mr. Ardila obtained his Chartered Accountant designation in 1989.

Susan M.T. McNerney, Vice President, Consumer Products Division

Ms. McNerney has had extensive experience in the plastics industry both as an officer of Extrufix since 1985, where she became President in 1992, and as a director of the Canadian Plastic Industry Association since 1992. As an officer of Extrufix, Ms. McNerney has had considerable experience in the marketing, distribution and sale of consumer products and will continue in that role at Extrufix and lead the developments and growth of the consumer products sold by the Company.

Robert B. Ferguson, Vice President CPI and President – Extrudawood International Division

Robert Ferguson is 56 years old and holds Bachelor of Architecture degree from the University of Michigan. Prior to joining the Company in March of 1997, Mr. Ferguson was a partner in the architectural firm of Hartley & Ferguson, Architects. His architectural design capabilities and experience and his understanding of the construction industry has better positioned the Extrudawood product lines.

Compensation of Directors and Senior Officers of the Company

Directors

The Company compensates its outside directors with a quarterly retainer of \$2,500 and additional fees of \$1,000 for each board meeting attended and \$500 for each committee meeting attended. The chair of each committee of the board receives an annual fee of \$1,500. Additional fees, at per diem rates, may be paid for services required of directors (other than management of the Company) serving on special committees of the board or for undertaking special services at the request of the board. The aggregate fees paid to outside directors for attendance at board and committee meetings during the fiscal year ended December 31, 1999 was \$77,500. The outside directors also receive compensation in the form of stock options under the Share Option Plan. On December 16, 1999, each of Messrs. Copland, Lavelle (a former director of the Company), Pryce and Deacon was granted options to purchase 15,000 common shares at \$6.50 per share. All such options expire on December 15, 2009 and vest as to 33 1/3% thereof on December 15 in each of the years 2000, 2001 and 2002 in accordance with the terms of the Share Option Plan described in greater detail in Note (1) to the Table entitled "Options Granted During 1999". On April 27, 2000 Mr. Kirby and Ms. McNerney were granted options to purchase 15,000 common shares and 5,000 common shares, respectively, at \$5.90 per share vesting as to 33 1/3% thereof on April 26 in each of the years 2001, 2002 and 2003 and expiring on April 26, 2010. See also "Share Option Plan" and "Options to Purchase Securities".

The Company has agreed to indemnify each of its directors and officers to the fullest extent permitted under applicable legislation and the Company's by-laws and has purchased directors' and officers' liability insurance for the directors and officers of the Company and its subsidiaries. The aggregate annual premium for such insurance is \$16,950, no part of which is payable by the directors or officers of the Company. The annual insurance coverage under the policy is limited to \$10,000,000 (per claim and in the aggregate each policy year) and is subject to a \$25,000 self-insured retention for the corporate reimbursement section only.

Executive Management

The following table sets forth the annual compensation paid to the Chief Executive Officer of the Company and each of the four other most highly compensated executive officers of the Company and its subsidiaries for 1997, 1998 and 1999.

EXECUTIVE COMPENSATION TABLE

<u>Name and Office Held</u>	<u>Year</u>	<u>Annual Compensation</u>			<u>Long Term Compensation</u>	<u>All other Compensation</u>
		<u>Salary</u>	<u>Bonus (2)</u>	<u>Other Annual Compensation (3)</u>	<u>Securities under Options Granted (#)</u>	
PETER F. CLARK..... Chairman and Chief Executive Officer	1999	\$400,000	\$176,020	\$14,700	30,000	—
	1998	\$400,000	\$96,000	\$12,000	30,000	—
	1997	\$750,000	NIL	\$12,000	—	—
JAMES D. ELLIES..... Vice-Chairman	1999	\$350,000	\$155,145	\$12,000	30,000	—
	1998	\$350,000	\$75,000	\$12,000	30,000	—
	1997	\$400,000	NIL	\$12,000	—	—
RONALD W. MITCHELL(1). President	1999	\$300,000	\$134,025	\$14,700	30,000	—
	1998	\$300,000	\$50,000	\$12,000	30,000	—
	1997	—	—	—	—	—
JAMES K. LEITCH..... Senior Vice-President,	1999	\$200,000	\$89,455	\$13,350	30,000	—
	1998	\$200,000	\$40,000	\$12,000	30,000	—
	1997	\$120,000	\$100,000	\$7,200	—	—

DANIEL J. ARDILA.....	1999	\$200,000	\$59,650	\$14,700	30,000	—
Vice-President, Finance and	1998	\$140,000	\$30,000	\$12,000	30,000	—
Chief Financial Officer	1997	\$100,000	\$31,000	\$7,200	—	—

Notes:

- (1) Mr. Mitchell joined the Company as Senior Vice President, Sales and Marketing on May 15, 1998.
- (2) Bonus awards are made by the Company to its senior management group depending on the Company's profit performance. Maximum bonuses equal to 80% of base salary are paid if the Company's profit performance exceeds business plan by more than 20%.
- (3) The aggregate value of perquisites and other personal benefits did not exceed the lesser of \$50,000 and 10% of the total of the annual salary and bonus of the Named Executive Officer for the year ending December 31, 1999.
- (4) Certain of the Named Executive Officers (other than James Ellies) purchased common shares during 1999 from the Company at a discount of 10% to market pursuant to interest free loans from the Company. Reference the Table of "Indebtedness of Directors and Executive Officers".

Share Compensation Arrangements of the Company

Share Option Plan

On June 30, 1998, the Company established the Share Option Plan to provide incentives to directors, senior officers and key employees of CPI and its subsidiaries (and persons or companies engaged to provide ongoing management or consulting services to the foregoing) and to permit those persons to participate in the growth and success of the Company.

The Share Option Plan is administered by the Compensation, Corporate Governance and Human Resources Committee of the board of directors, which determines the eligibility to participate under the Share Option Plan, the number of common shares to be covered by options granted to eligible participants, the term and vesting of options and the exercise price. The Committee will consider only eligible participants in determining entitlement to share options under the Share Option Plan. Under the terms of the Share Option Plan, the aggregate number of common shares which may be issued is limited to 1,499,400, subject to increase upon receipt of necessary regulatory, shareholder and stock exchange approvals. The maximum number of common shares available for issuance to any one person under the Share Option Plan is 5% of the common shares outstanding at the time of grant, on a non-diluted basis. Unless otherwise provided, options may be exercised in respect of up to 20% of the common shares under option in any 12 month period from the date of grant of the option, with entitlement to carry forward any unexercised portion for the remaining term of the option. Options granted under the Share Option Plan are non-transferable (except in certain limited circumstances including on a participant's death), have a maximum term of 10 years (subject to earlier expiration upon the termination of the employment of the option holder) and, subject as described above, are exercisable from time to time upon payment of the applicable exercise price as to any number of common shares which are then available for purchase under the Share Option Plan.

Options Granted During 1999 (1)

The following table sets forth the options to acquire common shares granted to each of the Named Executive Officers during the financial year ended December 31, 1999 pursuant to the Share Option Plan.

Name	Common shares under option (#)	% of total options granted to all employees in the financial year	Exercise price (\$/Security)	Market value of common shares underlying options on the date of grant (\$/Security)	Expiration date
Peter F. Clark	30,000	15 %	\$6.50	\$6.50	Dec. 15, 2009
James D. Ellies	30,000	15 %	\$6.50	\$6.50	Dec. 15, 2009
James K. Leitch	30,000	15 %	\$6.50	\$6.50	Dec. 15, 2009
Daniel J. Ardila	30,000	15 %	\$6.50	\$6.50	Dec. 15, 2009
Ronald W. Mitchell	30,000	15 %	\$6.50	\$6.50	Dec. 15, 2009

Note:

- (1) All options to purchase common shares were granted on December 16, 1999 pursuant to the Share Option Plan. The options which were granted have an exercise price of \$6.50 per share, vest as to 33 1/3% on December 15 in each of the years 2000, 2001 and 2002 and expire on December 15, 2009. Pursuant to the Share Option Plan, unexercised options are subject to early expiration upon the termination of employment of the participant and on death or retirement of the participant. The options granted under the Share Option Plan were made at an exercise price equal to the closing price for common shares on the TSE on the trading day preceding the day the options were granted. All options granted under the Share Option Plan are made pursuant to individual option agreements reflecting the terms as described above and otherwise in accordance with the Share Option Plan.

The following table provides information, with respect to Named Executive Officers, concerning the exercise of share options during 1999 and unexercised options held at December 31, 1999.

AGGREGATE OPTION EXERCISES DURING 1999 AND FINANCIAL YEAR-END OPTION VALUES

Name	Common shares acquired on exercise (#)	Aggregate value realized \$	Unexercised options as at December 31, 1999 (#)		Value of unexercised in-the-money options as at December 31, 1999 (\$)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Peter F. Clark	NIL	NIL	6,000	54,000	\$ 17,280	\$ 87,120
James D. Ellies	NIL	NIL	6,000	54,000	\$ 17,280	\$ 87,120
Ronald W. Mitchell	NIL	NIL	6,000	54,000	\$ 17,280	\$ 87,120
James K. Leitch	NIL	NIL	6,000	54,000	\$ 17,280	\$ 87,120
Daniel J. Ardila	NIL	NIL	6,000	54,000	\$ 17,280	\$ 87,120

Note:

- (1) The value of unexercised in-the-money options has been calculated using the closing price of \$7.10 for the common shares of the Company on the TSE on December 31, 1999, less the exercise price of the in-the-money options.

Employment Contracts

None of the Named Executive Officers currently has in place an employment contract with the Company.

Stock Purchase Plan

On April 29, 1999 the Company's shareholders approved the Stock Purchase Plan pursuant to which all full time salaried and hourly employees of the Company and its subsidiaries are entitled to purchase common shares from the Company. The purpose of the Plan is to provide full time employees with an opportunity to participate in the growth of the Company through the purchase of common shares at a 10% discount to market. The Stock Purchase Plan provides that: (i) the total number of common shares that may be purchased by employees pursuant to such plan is limited to 500,000; (ii) a participating employee may borrow from the Company all or any portion of the money required to purchase common shares at an interest rate, or without an interest rate, as determined by the board of directors prior to the making of such loan; (iii) the proceeds from all loans are evidenced by promissory notes and are advanced by the Company directly to Montreal Trust, the Company's transfer agent and registrar, which serves as the plan administrator and subscribes for the common shares on behalf of participating employees holding the common shares until they are paid for; (iv) repayment of the loans shall be accelerated in the event of a default in payment or termination of employment; (v) participating employees are entitled to receive dividends on the common shares held by the plan administrator on their behalf and may direct the plan administrator to vote such common shares at all meetings of the Company's shareholders in accordance with their instructions; and (vi) employees must presently purchase a minimum of 100 common shares to participate in the Plan and may purchase up to a maximum of 500, 1,000 or 5,000 common shares annually depending upon their employment status with the Company.

To date, employees have been given two opportunities to purchase shares under the Plan, on April 29, 1999 and on January 7, 2000.

Indebtedness of Directors and Executive Officers

The aggregate indebtedness owing by all officers and employees and former officers and employees of the Company in connection with the purchase of common shares under the Stock Purchase Plan at March 31, 2000 was \$789,165

The following table provides various particulars with respect to loans made by the Company to directors or executive officers, all of which were made for the purpose of borrowing money to purchase common shares pursuant to the Stock Purchase Plan.

<u>Name and principal position</u>	<u>Name of lender</u>	<u>Largest amount outstanding during 1999</u>	<u>Amount outstanding at March 31, 2000</u>	<u>No. of common shares purchased (1)</u>
Peter F. Clark Chairman and Chief Executive Officer	Company	\$27,500	\$40,500	10,000
Ronald W. Mitchell President	Company	\$27,500	\$45,210	10,000
James K. Leitch Senior Vice-President	Company	\$13,750	NIL	4,500
Daniel J. Ardila Vice-President, Finance and Chief Financial Officer	Company	\$27,500	\$38,210	10,000
Robert B. Ferguson Vice-President	Company	\$27,500	\$44,290	10,000
Susan M.T. McNeerney Vice-President Consumer Products Division	Company	NIL	\$29,500	5,000

Note:

- (1) Each loan is evidenced by a promissory note and all common shares are held by the plan administrator until payment. All of the above officers purchased 5,000 common shares on each of April 29, 1999 and January 7, 2000 except for Ms. McNerney who purchased 5,000 common shares on January 7, 2000 and James Leitch who purchased 2,500 common shares on April 29, 1999 and 2,000 common shares on January 6, 2000.

OPTIONS TO PURCHASE SECURITIES

The following table sets forth the particulars with respect to the options to purchase 655,000 common shares which have been granted to date pursuant to the Share Option Plan by the Company of which 633,000 are currently outstanding. See "Prior Sales".

<u>Group (# of persons)</u>	<u>Number of options</u>	<u>Date of Grant</u>	<u>Exercise Price per common share ⁽⁵⁾</u>	<u>Expiry Date</u>
Executive Officers (seven)	170,000	September 21, 1998	\$4.22	September 20, 2008
	15,000	October 29, 1998	\$5.80	October 28, 2008
	10,000	September 17, 1999	\$6.35	September 16, 2009
	210,000	December 16, 1999	\$6.50	December 15, 2009
	5,000	April 27, 2000	\$5.90	April 26, 2010
Directors (five) ⁽³⁾	60,000	September 21, 1998	\$4.22	September 20, 2008
	60,000	December 16, 1999	\$6.50	December 15, 2009
	15,000	April 27, 2000	\$5.90	April 26, 2010
Employees (four) ⁽⁴⁾	30,000	September 21, 1998	\$4.22	September 20, 2008
	20,000	September 17, 1999	\$6.35	September 16, 2009
Consultants (two)	30,000	September 21, 1998	\$4.22	September 20, 2008
	30,000	December 16, 1999	\$6.50	December 15, 2009

Notes:

- (1) After giving effect to the Share Capital Reorganization.
- (2) For a description of the Share Option Plan see "Share Compensation Arrangements of the Company" under note (1) to the table entitled "Options Granted During 1999".
- (3) Directors who are not executive officers.
- (4) Employees who are neither directors nor executive officers.
- (5) The Share Option Plan provides that the exercise price for all options granted thereunder is the closing market price for common shares on the day preceding the grant dates.

PRINCIPAL SHAREHOLDER

The following table sets out the name of the only person who, to the knowledge of the Company, owns beneficially, directly or indirectly, or exercises control or direction over, more than 10% of the issued and outstanding voting shares of the Company, and the number of common shares owned by such person including the percentage of the total outstanding common shares owned by such shareholder both before and after the issuance of the Special Warrant Shares.

<u>Name and municipality of residence</u>	<u>Type of ownership</u>	<u>Before the issue of the Special Warrant Shares</u>	<u>After the issue of the Special Warrant Shares</u>
PETER F. CLARK ⁽¹⁾ TORONTO, ONTARIO	Beneficial	6,986,824 common shares (68.2 %)	6,986,824 common shares (61.9 %)

Notes:

- (1) The common shares indicated as being beneficially owned by Peter F. Clark are registered in the name of 820597 as to 5,837,632 common shares and in the name of 1286917 as to 1,149,192 common shares.

The directors and senior officers of the Company, as a group, own beneficially, directly or indirectly, or exercise control or direction over, approximately 7,719,647 common shares (approximately 75%) before the issue of the Special Warrant Shares and 7,876,047 common shares (approximately 70 %) after the issue of the Special Warrant Shares.

PRIVATE PLACEMENT AND PLAN OF DISTRIBUTION

On March 9, 2000 the Company issued the Special Warrants to the Subscribers by way of a private placement at \$6.20 per Special Warrant for gross proceeds of \$5,768,914 pursuant to the Special Warrant Underwriting Agreement, the Warrant Indenture and the Subscription Agreements. Pursuant to the Special Warrant Underwriting Agreement and the Warrant Indenture, CPI agreed, among other things, to prepare and file this prospectus with the securities regulatory authorities in the Provinces of Ontario and Alberta (the "Qualifying Jurisdictions") to qualify the distribution of the Special Warrant Shares issuable on the exercise of the Special Warrants and to use its best efforts to obtain a receipt for this prospectus in each of the Qualifying Jurisdictions.

Each Special Warrant may be exercised at any time prior to 5:00 p.m. (Toronto time) (the "Expiry Time") on the earlier of (i) March 9, 2001 and (ii) the third business day following the date that the Company receives a receipt for the final prospectus from each of the Ontario and Alberta Securities Commissions qualifying the distribution of the Special Warrant Shares (the "Qualification Condition"). Holders of the Special Warrants will be deemed to have exercised all Special Warrants previously unexercised by such holder at the Expiry Time. If the Qualification Condition is not satisfied on or before July 7, 2000, each Special Warrant will entitle the holder thereof, upon exercise, to receive 1.1 Special Warrant Shares (an additional 93,047 Special Warrant Shares) for no additional consideration. Pursuant to the Special Warrant Underwriting Agreement and the Subscription Agreements, the Company convened an annual and special meeting of the shareholders of the Company on May 18, 2000 and secured approval of the Special Resolution to effect the Share Capital Reorganization by the requisite majorities. A certificate of amendment implementing the Special Resolution was issued to the Company on May 18, 2000.

The Special Warrants were issued pursuant to exemptions from the prospectus requirements of applicable securities law. The issuance of the Special Warrant Shares upon the exercise of the Special Warrants are being qualified pursuant to this prospectus. Any Special Warrant Shares issued upon the exercise of Special Warrants prior to the time at which the Qualification Condition is satisfied will be subject to resale restrictions under applicable securities law. As at the date hereof, none of the Special Warrant Shares have been exercised.

The net proceeds from the issue of the Special Warrants of approximately \$5.3 million were used to repay bank indebtedness. See "Use of Proceeds".

MARKET, PRICE RANGE AND TRADING VOLUME OF COMMON SHARES ⁽¹⁾

The common shares of CPI commenced trading on the TSE on September 21, 1998 under the symbol CPI. The trading history of the common shares since that time to June 27, 2000 is as follows:

MONTH	HIGH	LOW	VOLUME	CLOSE
September 21 – 30, 1998	\$7.50	\$5.35	18,298	\$6.75
October 1 to December 31, 1998	\$7.25	\$5.70	47,009	\$5.80
January 1 to March 31, 1999	\$7.25	\$5.60	75,346	\$5.75
April 1 to June 30, 1999	\$7.00	\$5.70	97,927	\$5.75
July 1 to September 31, 1999	\$7.00	\$5.75	31,967	\$6.45
October 1 to December 31, 1999	\$7.10	\$6.00	53,678	\$7.10
January 2000	\$7.00	\$5.75	13,502	\$6.50
February 2000	\$7.00	\$6.00	31,189	\$6.25
March 2000	\$6.25	\$5.60	43,900	\$6.25
April 2000	\$6.25	\$5.85	259,876	\$6.00
May 2000	\$6.00	\$5.60	24,260	\$5.85
June 1 – June 26, 2000	\$6.00	\$5.75	118,556	\$6.00

(1) The data provided for the period prior to May 18, 2000, relates to the subordinate voting shares.

PRIOR SALES

The Company has, since March 31, 1999, sold common shares in the numbers, on the dates and at the prices set forth below.

Stock Purchase Plan

On April 29, 1999 and January 7, 2000, the Company sold 99,300 and 96,600 common shares at \$5.40 and \$5.85 per share, respectively, to Montreal Trust as administrator of the Stock Purchase Plan on behalf of employees of the Company. See “Stock Purchase Plan”.

Share Option Plan

On February 15, 2000, the Company issued 2,000 common shares to an officer of the Company in respect of options exercised by such officer at a price equal to the exercise price of \$4.22 per share.

DILUTION

The issue price of \$6.20 for each Special Warrant exceeds the net tangible book value per common share as at March 31, 2000, after giving effect to the exercise of the Special Warrants, by \$5.30 or 85.5% of the issue price of the Special Warrants. The following table sets forth the dilution per common share as at March 31, 2000 based on the financial statements of the Company as at that date:

Special Warrant offering price.....	\$6.20
Net Tangible Book value per common share before the offering of Special Warrants	\$0.47
Increase in net tangible book value per common share attributable to the offering of the Special Warrants.....	<u>\$0.43</u>
Net tangible book value per common share after the offering of the Special Warrants	\$0.90
Dilution to Subscribers.....	\$5.30
Percentage of dilution in relation to the Special Warrant offering price.....	85.5%

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

On September 17, 1999, the Company purchased indirectly 100% of the shares of Extrufix, effective as of August 1, 1999, for a total cash consideration of \$9.5 million. At the time of the acquisition, Susan M.T. McNerney, a director of the Company, was also a director and the President of Extrufix. At the date of the acquisition Ms. McNerney exercised direction or control over approximately 20% of the shares of Extrufix, for which the Company paid approximately \$1.9 million. The remaining cash consideration of \$7.6 million was paid to other members of the McNerney family including approximately \$1.27 million to trusts for the benefit of the children of Ms. McNerney. Contemporaneously with the acquisition of Extrufix, Ms. McNerney received options to purchase 10,000 common shares at \$6.35 per share and entered into a five year consulting agreement with the Company which expires on September 16, 2004 and which provides for compensation of \$200,000 annually. The Company received the necessary approvals from the TSE to complete the acquisition of Extrufix. Susan M.T. McNerney is now the Vice-President of the Consumer Products Division of the Company and the President of the Extrufix Division of the Company. See note 2(a) to the Notes to the Consolidated Financial Statements of the Company and "Acquisitions".

ESCROW ARRANGEMENTS

As of the date hereof the following chart indicates the number of common shares of the Company held pursuant to the escrow agreements described below:

<u>Designation of Class</u>	<u># held in Escrow</u>	<u>% of class ⁽¹⁾</u>
common shares	2,201,658	21.3%

(1) After giving effect to the issue of the Special Warrant Shares.

In accordance with policies of the TSE, on September 21, 1998, 820597 and 1286917 entered into an escrow agreement with the TSE, the Company and Montreal Trust, as escrow agent, pursuant to which they deposited with the escrow agent a total of 3,046,237 subordinate voting shares. On the same date, James D. Ellies, the Vice-Chairman of the Company, entered into an escrow agreement with the TSE, the Company and Montreal Trust, as escrow agent, pursuant to which he deposited with the escrow agent 256,250 subordinate voting shares.

One third of the subordinate voting shares referred to above were released on September 20, 1999. The remaining common shares will be released to the holders, as to 50% thereof, on September 20, 2000, and 2001. Any release, other than in accordance with the foregoing, may only be made with the prior consent of the TSE. The common shares subject to the escrow agreements may be pledged as security for indebtedness and may otherwise be transferred within escrow subject to the terms of the escrow agreements.

RISK FACTORS

In addition to other information contained in this prospectus, prospective investors should carefully consider the following risk factors in an evaluation of the Company and its business.

Level of Business Activity

A substantial portion of the Company's business is related, directly or indirectly, to the level of economic activity with respect to the sale of consumer products incorporating custom moulded and/or decorative trim or plastic extrusions in markets such as appliances, furniture, transportation vehicles and in the construction and building products industry, both residential, industrial and commercial. Accordingly, the demand for CPI's products can be affected by changes in the general state of the economy, including the level of home renovation and remodelling, the level of demand for consumer products incorporating plastic extrusions made by the Company and the level of construction activity in general. CPI distributes its products primarily to markets which have traditionally experienced moderate fluctuations in economic activity. However, there is no guarantee that these markets will, in the future, continue to experience growth or will not experience contraction, or that any fluctuations will be moderate.

Raw Material Prices and Availability

The price of raw materials and, in particular, PVC resin, ABS and polystyrene, represents a significant portion of the cost of manufacturing CPI's products. Historically, there have been fluctuations in these raw material prices and in some instances price movements have been volatile when associated with outside influences, over which the Company has no control. Generally, the Company has been able to pass increases from normal market fluctuations in the price of the raw materials used to produce extruded plastic product on to its customers through increases in selling prices, or otherwise absorb such cost increases without significantly affecting its margins. However, there can be no assurance that CPI's customers will, in the future, respond favourably to such selling price increases or that absorption of cost increases could occur without significantly affecting margins.

In addition, the industry has, on occasion, found certain raw materials to be in short supply for a period of time. Typically, these shortages are not long in duration and CPI has usually been able to ensure that its needs are met. However, as CPI's business grows, there can be no assurances that its sources of supply will be adequate to supply all of its needs on a timely basis.

Environmental Regulations

The Company is subject to a wide range of general and industry specific environmental laws and regulations, particularly relating to waste water discharge. Although management believes that the Company is in substantial compliance with all environmental regulations, unforeseen expenditures to remain in compliance with such laws and regulations, or unforeseen environmental liabilities, could have an adverse affect on CPI's business and financial position. Additionally, there can be no assurance that changes in environmental laws and regulations or their application will not require further expenditures by the Company. In many cases, the use of plastics in place of other materials has had a significant positive effect on sustainable development. At the same time, environmental concerns have the potential to restrict the growth of the plastics industry. Solid waste management, challenges to the use of PVC and possible links between plastics and endocrine disruptors are the issues of greatest concern.

Competition

Generally speaking, CPI competes with a number of medium size and smaller, independent companies, some of which are well established in the markets in which they sell their products.

Although the Company is one of North America's largest extruders of custom moulded products and decorative trim, CPI's competitors, including those which extrude plastic film products and products similar to those based on the Extrudawood™ technology, are capable of, and may initiate, sustained price competition should they so choose. Other competitors may decide to enter CPI's geographic and product markets in the future. Accordingly, the Company could lose customers or have difficulty acquiring new customers. As a result of competitive pressures on the pricing of its extruded products, CPI's revenues or margins could decline.

Pursuant to a supply agreement with Hunter Douglas Inc. dated April 9, 1998, the Company agreed it would not, utilizing its foamed thermoplastic technology and the Extrudawood™ technology, supply extruded products to, or manufacture extruded products for any manufacturer or distributor of interior window covering products other than Hunter Douglas Inc. anywhere in Canada or the United States for a period of up to six years (with, in certain circumstances, three additional terms of three years each, at the option of Hunter Douglas Inc.). Furthermore, the supply agreement does not require Hunter Douglas Inc. to purchase any product from CPI. While the Company believes the supply agreement to be a valuable asset and relationship, there can be no guarantee that the Company will be able to continue to market its interior window covering products in the United States or Canada during the term of such agreement.

Proprietary Technology

The Company's competitive position is enhanced by proprietary technology, certain of which, such as Extrudawood™ and the Extrufix "Rack Sack™, are the subject of intellectual property protection. However, much of CPI's proprietary technology constitutes "know-how" (for example, certain processes and formulations or compounds) which cannot, or which the Company has chosen not to, be the subject of intellectual property

protection. Although CPI has taken steps to protect its proprietary technology, there can be no assurance that CPI's proprietary technology will not be misappropriated or developed independently by competitors or customers of CPI.

Dependence on Key Employees

The Company's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. CPI is highly dependent on the principal members of its senior management group and the loss of their services might impede CPI's business strategy and growth. The loss of one or more key employees, especially the Controlling Shareholder, could have an adverse affect on CPI's growth either through internal expansion or acquisitions and/or the profitability of the Company.

Exchange Rate Fluctuations

A large percentage of CPI's expenses are incurred in Canadian dollars, while a significant percentage of its revenues are denominated in U.S. dollars. While the Company has purchased forward foreign exchange sales contracts denominated in U.S. dollars out thirty-six months to reduce its exposure to fluctuations in the Canadian/U.S. dollar exchange rate, to the extent the Company does not fully hedge its currency exposure and exchange risk or is not able to or does not raise its prices to reflect an adverse change in the Canadian/U.S. dollar exchange rate, the profitability of CPI's business could be adversely affected.

Financing Requirements

In order to develop and market new extrusion technology and extrusion products, such as Extrudawood™, to their full potential, significant expenditures of both a capital and operating nature will have to be incurred by the Company on an ongoing basis. While the Company has historically generated significant cash flow, the rapid development of new products and the growth of the Company's business through internal expansion or acquisitions will depend on access to external funding. Although the Company is adequately funded to meet its current and medium term needs, there is no guarantee that funding for future expansion of CPI's business will be available to CPI on acceptable terms.

Risks Related to Acquisitions

One of the Company's strategies is to increase its revenues and its share of the markets it serves through the acquisition of additional similar and complementary businesses. There can be no assurance that acquisitions will occur at any particular time or be available to the Company on favourable terms, if at all. In addition, there can be no assurance that businesses that may be acquired in the future will achieve sales and profitability that justify the investment therein. Acquisitions may involve a number of special risks that could have a material adverse effect on CPI's operations and financial performance.

DIVIDEND POLICY AND RECORD OF THE COMPANY

On April 9, 1998, the Company paid dividends on certain shares of its capital in the amount of \$6 million followed by a contribution to capital of \$5.1 million in connection with a reclassification and restructuring of its authorized and issued share capital. CPI intends to retain its earnings to finance the growth and development of its business and does not expect to pay dividends in the immediate future. The board of directors will review this policy from time to time in the context of CPI's earnings, financial position and other relevant factors.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company were Brief, Rotfarb, Wynberg, Cappe, Chartered Accountants, Toronto, Ontario until September 21, 1998 when KPMG LLP, Chartered Accountants, Mississauga, Ontario were appointed. KPMG LLP continues to be the auditors of the Company.

The transfer agent and registrar for the Company's common shares and first preference shares is Montreal Trust at its principal office in Toronto, Ontario.

LEGAL PROCEEDINGS

The Company is not aware of any material litigation outstanding, threatened or pending, as of the date hereof, by or against it or any of its subsidiaries, which would be material to a holder of the Special Warrant Shares.

LEGAL MATTERS

Certain legal matters relating to the issuance and sale of the Special Warrants and the issuance of the Special Warrant Shares have been reviewed on behalf of the Company by Blaney McMurtry LLP, Toronto and on behalf of the Underwriters by Donahue Ernst & Young LLP, Toronto.

MATERIAL CONTRACTS

The only material contracts entered into by the Company during the two years preceding the date hereof, other than in the ordinary course of business, which are presently material to a proposed investor in the Special Warrant Shares, are as follows:

- (a) the Arrangement Agreement.
- (b) the North American Agreement pursuant to which Extrudawood p.l.c. granted the Company the sole, exclusive and irrevocable licence to manufacture, market, distribute, sell and use products based on the Extrudawood™ technology for the North American market (including Mexico) for a period of 25 years (the “Initial Term”) subject to certain default provisions and subject to automatic renewals for successive 10 year terms unless terminated by notice given by any party 90 days prior to the end of the Initial Term or any successive 10 year renewal term. Extrudawood p.l.c. is entitled to an annual royalty payment (the “Royalty”), payable quarterly, equal to 20% of “net income” from the sales of Extrudawood™ products which are subject to the Agreement. Net income is defined to be calculated and based on sales of such products less manufacturing costs (being direct material and labour and a reasonable overhead allowance), less management fees and selling commission totalling 10% of the sales of such products. Under the terms of the North American Agreement, CPI loaned Extrudawood p.l.c. £350,000, without interest (the “Advance”) which Advance is repayable from the Royalty. Within 60 days after the end of CPI’s financial year (the “Valuation Date”), during which the Advance is repaid in full, Extrudawood p.l.c. has the right, within such 60 day period, to require CPI to purchase the rights of Extrudawood p.l.c. to the Royalty for a price equal to the fair market value thereof as of the Valuation Date. In the event that CPI and Extrudawood p.l.c. cannot agree upon the purchase price, it is to be settled by an independent valuator appointed as provided in the Agreement.
- (c) the International Agreement pursuant to which, in consideration of the payment of £150,000 (or approximately \$366,000) paid by the Company to Extrudawood p.l.c., the Company and Extrudawood p.l.c. are entitled to a 75% and 25% interests, respectively, in all net profits from the manufacture, sale, distribution, licencing or other exploitation of products based on the Extrudawood™ technology in international markets (other than (i) North America – including Mexico and (ii) the United Kingdom where under the United Kingdom Agreement Extrudawood p.l.c. has retained certain limited rights to produce window profile) utilizing the foamed thermoplastic technology developed by the Company and the Extrudawood™ technology licensed to CPI under the North American Agreement. The term for the International Agreement parallels the term of the North American Agreement. CPI is entitled to conduct, on an exclusive basis, all of the business under the International Agreement on its own behalf and on behalf of Extrudawood p.l.c. and Geoffrey House.
- (d) the agreement dated as of August 1, 1999 between the Company, Extrufix, 299522 Ontario Limited, 562116 Ontario Limited, Michael McNerney Inc., Susan M.T. McNerney, Michael J. McNerney, Oonagh McNerney, Maureen B.V. McNerney, Susan M.T. McNerney and Michael J. McNerney (as trustees of the Susan McNerney Family Trust) and Michael J. McNerney and Susan M.T. McNerney (as trustees of the Michael McNerney Family Trust), pursuant to which the Company acquired Extrufix. See “Acquisition of Extrufix” and “Interest of Management and Others in Material Transactions”.

- (e) the Special Warrant Underwriting Agreement referred to under the heading “Private Placement and Plan of Distribution”.
- (f) the Warrant Indenture referred to under the heading “Private Placement and Plan of Distribution”.
- (g) the Subscription Agreements referred to under the heading “Private Placement and Plan of Distribution”.

Copies of the agreements referred to above may be examined at the registered office of the Company, 979 Gana Court, Mississauga, Ontario Canada during normal business hours during the period of distribution of the Special Warrant Shares and a period of 30 days thereafter.

PURCHASERS’ STATUTORY RIGHTS

Securities legislation in certain provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, applicable securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment thereto contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of such province. A purchaser should refer to any applicable provisions of the securities legislation of his or her province for the particulars of these rights or consult a legal advisor.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of a Special Warrant, who acquires a Special Warrant Share upon the exercise of a Special Warrant as described in this prospectus, is or becomes entitled under applicable legislation to the remedy of rescission by reason of this prospectus or any amendment hereto containing a misrepresentation, the holder shall be entitled to rescission not only of the holder’s exercise of its Special Warrant but also of the private placement transaction pursuant to which the Special Warrant was initially acquired, and shall be entitled, in connection with such rescission, to a full refund of all consideration paid on the acquisition of the Special Warrant. In the event the holder is a permitted assignee of the interest of the Subscriber of the Special Warrant, the permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if the permitted assignee were the original Subscriber. The right of action for rescission provided herein shall not be commenced later than the time period set forth in section 138 of the *Securities Act* (Ontario). The foregoing is in addition to any other right or remedy available to a holder of a Special Warrant under section 168 of the *Securities Act* (Alberta), section 130 of the *Securities Act* (Ontario) or otherwise at law.

AUDITORS' REPORTS

To the Directors of
CPI PLASTICS GROUP LIMITED

We have audited the consolidated statement of earnings, the consolidated statement of retained earnings and contributed surplus and the consolidated statement of cash flows of CPI Plastics Group Limited for the year ended December 31, 1997. 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. 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 results of operations and cash flows of the Company for the year ended December 31, 1997 in accordance with Canadian generally accepted accounting principles.

North York, Ontario
April 30, 1998

(Signed) BRIEF ROTFARB WYNBERG CAPPE
Chartered Accountants

To the Directors of
CPI PLASTICS GROUP LIMITED

We have audited the consolidated balance sheets of CPI Plastics Group Ltd. as at December 31, 1999 and 1998, the consolidated statements of earnings, retained earnings and contributed surplus and cash flows for the years then ended. 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. 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 presently fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Mississauga, Canada
March 28, 2000 (except for Note 20(d), (e) and (f) which are as of June 28, 2000).

(Signed) KPMG LLP
Chartered Accountants

CPI PLASTICS GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
(in thousands of dollars)

	<u>As at</u> March 31, 2000 (unaudited)	<u>As at</u> December 31	
		1999	1998
Assets			
Current assets:			
Accounts receivable	\$ 15,853	\$ 11,038	\$ 6,487
Inventories (note 3)	8,000	8,364	4,891
Prepaid expenses, deposits and sundry receivables	2,337	1,848	925
Other receivables (note 4)	<u>469</u>	<u>554</u>	<u>314</u>
	26,659	21,804	12,617
Fixed assets (note 5).....	26,918	25,759	14,669
Goodwill and other assets (note 6).....	<u>12,386</u>	<u>12,246</u>	<u>4,423</u>
	<u>\$65,963</u>	<u>\$59,809</u>	<u>\$31,709</u>
Liabilities			
Current liabilities:			
Bank indebtedness (note 7)	\$ 7,173	\$ 8,123	\$ 3,213
Accounts payable and accrued liabilities.....	11,060	10,234	5,391
Current portion of long-term debt (note 8)	<u>3,725</u>	<u>3,537</u>	<u>1,401</u>
	21,958	21,894	10,005
Long-term debt (note 8)	17,581	18,875	8,815
Future income taxes	3,184	2,683	1,153
First preference shares (notes 9, 10).....	2,000	2,000	2,000
Shareholders' equity (note 10):			
Capital stock	10,108	4,264	3,779
Contributed surplus	4,111	4,111	4,111
Retained earnings	<u>7,021</u>	<u>5,982</u>	<u>1,846</u>
	<u>21,240</u>	<u>14,357</u>	<u>9,736</u>
	<u>\$ 65,963</u>	<u>\$ 59,809</u>	<u>\$ 31,709</u>
Commitments (note 18)			
Subsequent events (note 20)			

On behalf of the Board:

(signed) PETER F. CLARK
Director

(signed) JAMES D. ELLIES
Director

See accompanying notes to consolidated financial statements.

CPI PLASTICS GROUP LIMITED

CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands of dollars except per share amounts)

	<u>Three months ended</u> <u>March 31,</u>		<u>Years ended</u> <u>December 31,</u>		
	<u>2000</u>	<u>1999</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(Unaudited)				
Net sales	\$ 23,010	\$14,504	\$ 70,346	\$ 46,501	\$ 38,452
Cost of sales and operating expenses.....	<u>(19,575)</u>	<u>(12,540)</u>	<u>(60,051)</u>	<u>(39,934)</u>	<u>(32,677)</u>
Operating Margin	3,435	1,964	10,295	6,567	5,775
Depreciation and amortization (note 12)	(703)	(340)	(2,210)	(1,113)	(1,024)
Interest expense (note 13).....	<u>(559)</u>	<u>(288)</u>	<u>(1,476)</u>	<u>(1,045)</u>	<u>(850)</u>
Earnings before income taxes.....	2,173	1,336	6,609	4,409	3,901
Income taxes (note 14)	<u>(834)</u>	<u>(505)</u>	<u>(2,473)</u>	<u>(1,683)</u>	<u>(1,714)</u>
Net earnings	<u>\$ 1,339</u>	<u>\$ 831</u>	<u>\$ 4,136</u>	<u>\$ 2,726</u>	<u>\$ 2,187</u>
Earnings per share (note 11):					
Basic	\$ 0.13	\$ 0.08	\$ 0.41	\$ 0.29	\$ 0.23
Fully diluted	\$ 0.12	\$ 0.08	\$ 0.39	\$ 0.28	\$ 0.23

See accompanying notes to consolidated financial statements.

CPI PLASTICS GROUP LIMITED

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS AND CONTRIBUTED SURPLUS
(in thousands of dollars)

	Three months ended		Years ended		
	March 31,		December 31,		
	<u>2000</u>	<u>1999</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(unaudited)				
Retained earnings, beginning of period	\$ 5,982	\$1,846	\$1,846	\$7,101	\$4,914
Net income	1,339	831	4,136	2,726	2,187
Charge to retained earnings resulting from the adoption of new accounting standards for income taxes	(300)	--	--	--	--
Shareholder reorganization (note 10):					
Dividends paid.....	--	--	--	(6,000)	--
Redemption of Class B Preference Shares	--	--	--	(1,100)	--
Legal and other fees.....	--	--	--	(881)	--
	<u> --</u>	<u> --</u>	<u> --</u>	<u> 7,981</u>	<u> --</u>
Retained earnings, end of period	<u>\$ 7,021</u>	<u>\$2,677</u>	<u>\$5,982</u>	<u>\$1,846</u>	<u>\$7,101</u>
Contributed surplus, beginning of period	\$4,111	\$4,111	\$4,111	\$1,014	\$1,014
Contribution of capital.....	--	--	--	5,097	--
Reclassification of Class A Preference Shares to financial liability	--	--	--	(2,000)	--
Contributed surplus, end of period	<u>\$4,111</u>	<u>\$4,111</u>	<u>\$4,111</u>	<u>\$4,111</u>	<u>\$1,014</u>

See accompanying notes to consolidated financial statements.

CPI PLASTICS GROUP LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars except per share amounts)

	Three months ended		Years ended		
	March 31		December 31		
	2000	1999	1999	1998	1997
	(unaudited)				
Cash provided by (used in):					
Operating activities:					
Net earnings	\$ 1,339	\$ 831	\$ 4,136	\$ 2,726	\$ 2,187
Add charges to income not involving outlays of cash:					
Depreciation and amortization	703	340	2,210	1,113	1,024
Future income taxes	200	—	1,214	321	95
	2,242	1,171	7,560	4,160	3,306
Net change in non-cash working capital balances related to operations (note 16)	(4,029)	(1,517)	(3,160)	(1,460)	176
	(1,787)	(346)	4,400	2,700	3,482
Financing activities:					
Additions to long-term debt	—	—	23,250	5,000	—
Repayment of long-term debt	(1,106)	(226)	(11,889)	(851)	(700)
Increase (decrease) in bank indebtedness	(950)	2,807	4,122	289	(183)
Issuance of special warrants	5,309	—	—	—	—
Repayment to related party	—	—	—	(129)	(442)
Issuance of multiple and subordinate voting shares	535	—	485	3,779	—
Dividends paid	—	—	—	(6,000)	—
Repurchase of subordinate voting shares	—	—	—	(1)	—
Redemption of Class B preferred shares	—	—	—	(1,100)	—
Contribution of capital	—	—	—	5,097	—
Legal and other share restructuring costs	—	—	—	(881)	—
	3,788	2,581	15,968	5,203	(1,325)
Investing Activities					
Acquisition of fixed assets	(1,559)	(2,235)	(9,716)	(7,679)	(1,700)
Increase in goodwill and other assets	(442)	—	(912)	(590)	(272)
Increase in other receivables	—	—	(240)	(314)	—
Business acquisition	—	—	(9,500)	—	—
Repayment from related party	—	—	—	680	(185)
Acquisition of portfolio of Waterford Capital Management Inc.	—	—	—	(2,449)	—
Proceeds from sale of portfolio investments	—	—	—	2,449	—
	(2,001)	(2,235)	(20,368)	(7,903)	(2,157)
Increase (decrease) in cash and cash equivalents, being cash and cash equivalents, end of year	\$ —	\$ —	\$ —	\$ —	\$ —
Supplementary information:					
Income taxes paid	\$ 360	\$ 300	\$ 909	\$ 1,208	\$ 1,408
Interest paid	586	309	1,527	1,105	849
Cash flow (being net earnings plus items not affecting cash)	\$ 2,242	\$ 1,171	\$ 7,560	\$ 4,160	\$ 3,306
Cash flow per share:					
Basic	\$ 0.21	\$ 0.11	\$ 0.74	\$ 0.44	\$ 0.34
Fully diluted	\$ 0.20	\$ 0.11	\$ 0.71	\$ 0.42	\$ 0.34

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997

(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

The Company is incorporated under the laws of the Province of Ontario and its primary business activity consists of the extrusion of custom and generic plastic components and products and film products.

1. Significant accounting policies:

(a) Consolidation:

The financial statements include the accounts of the wholly owned subsidiaries, Bulow Investments Inc., Crila Investments Inc., Extrudawood Inc. in the years ended December 31, 1997, 1998 and 1999 and also Extrufix Inc., Extrufix Inc. (USA), Michael McNeerney Inc., 562116 Ontario Limited and 299522 Ontario Limited in the year ended December 31, 1999.

(b) Revenue recognition:

Revenue from product sales is recognized when goods are shipped with a provision for estimated returns recorded at that time.

(c) Inventories:

Raw materials are valued at the lower of cost and replacement cost. Finished goods and work-in-process are valued at the lower of cost and net realizable value.

(d) Fixed assets and depreciation:

Depreciation is provided at the following methods and annual rates:

Asset	Basis	Rate
Building	Declining balance	5%
Computers and other equipment	Declining balance	20% - 30%
Machinery and equipment	Straight line	10 - 15 years
Leasehold improvements	Straight line	Over term of lease

(e) Goodwill and other assets:

Goodwill is stated at cost and is being amortized on a straight-line basis over 40 years. On an ongoing basis, management reviews the valuation and amortization of goodwill and other assets taking into consideration any events and circumstances which might have impaired the fair value. Goodwill is written down to fair value when declines in value are considered to be other than temporary based upon the projected undiscounted cash flow of the respective business.

Deferred product development costs relate primarily to the Extrudawood process and are being amortized on a straight-line basis over three years. The investment in the International Marketing Agreement is being amortized on a straight-line basis over 10 years.

(f) Translation of foreign currencies:

Monetary items denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at average rates for the year. Gains or losses on translation are included in income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997

(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

1. Significant account policies (continued):

(g) Financial instruments:

The Company realizes a significant portion of its sales in foreign currencies and enters into various types of foreign exchange contracts in managing its foreign exchange risk. The Company does not hold or issue financial instruments for trading purposes.

Resulting gains and losses are accrued as exchange rates change to offset gains and losses resulting from the underlying hedged transactions.

(h) Use of estimates:

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

(i) Cash and cash equivalents:

For purposes of the statement of cash flows, the Company considers all investments with an original term to maturity of three months or less to be cash equivalents.

(j) Stock-based compensation plans:

The Company has a stock-based compensation plan, which is described in Note 10. No compensation expense is recognized for these plans when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock option canceled is charged to retained earnings.

(k) Change in Accounting Policy:

Effective January 1, 2000, the Canadian Institute of Chartered Accountants ("CICA") changed the accounting standards relating to the accounting for income taxes.

The CICA's new standard on accounting for income tax adopts the liability method of accounting future income taxes. Under the liability method future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the current enacted or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the company's provision for current income taxes and the difference between the opening and the ending balances of the future income tax assets and liabilities.

Prior to adoption of this new accounting standard, income tax expense was determined using the deferral method. Under this new method, deferred income tax expense was determined based on "timing differences" (differences between the accounting and tax treatment of items of expense or income), and were measured using the tax rates in effect in the year the differences originated. Certain deferred tax assets, such as the benefit of tax losses carried forward, were not recognized unless there was virtual certainty that they would be realized.

The company has adopted the new income tax accounting standard retroactively, without restating the financial statements of any prior periods. As a result, the company has recorded an increase to retained earnings of \$300, and an increase to the future tax liability, formerly the deferred tax liability of \$300 as at January 1, 2000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997

(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

2. Business acquisitions and developments:

- (a) Effective August 1, 1999, the Company acquired all the shares of Extrufix Inc., Extrufix Inc. (USA), Michael Mc Nerney Inc., 562116 Ontario Limited and 299522 Ontario Limited for cash consideration of \$9,500. Extrufix Inc. and Extrufix Inc. (USA), the operating companies, are engaged in the manufacture, distribution and sale of the Rack Sack™ and several lines of plastic bags.

The acquisition was accounted for using the purchase method. The total purchase consideration of \$9.5 million was allocated as follows:

Non-cash working capital	\$	944
Capital assets		3,170
Goodwill		7,325
Long-term debt assumed		(835)
Deferred income taxes		(316)
Bank indebtedness assumed		(788)
Purchase price	\$	9,500

The acquisition was financed through long-term debt of \$6,750 and bank indebtedness of \$2,750.

- (b) During 1999, the Company entered into a letter agreement with Société Lapeyre of France which contemplates the execution of a formal licence and royalty agreement pursuant to which the Company is entitled to receive an initial licence fee of U.S. \$200 of which the Company has received U.S. \$75 (Cdn. \$111) and royalty fees ranging from 2% - 5% based on the amount of resin compound utilized by Société Lapeyre in the manufacturing of products utilizing the Extrudawood technology.
- (c) On September 21, 1998, the Company completed a reverse take-over of Waterford Capital Management, Inc. ("Waterford") by way of a plan of arrangement and amalgamation. The effect of the plan of arrangement was that each holder of Waterford common shares was entitled to elect to receive 0.1 of a multiple voting share of the amalgamated company and 0.1 of a subordinate voting share of the amalgamated company or 0.205 of a subordinate voting share of the amalgamated company for each Waterford common share. Each holder of a common share, Class A share or Class C share of the Company was entitled to elect to receive 0.5 of a multiple voting share and 0.5 of a subordinate voting share of the amalgamated company for each share held or 1.025 of a subordinate voting share of the amalgamated company for each share held. Each holder of a Class A preference share was entitled to receive First Preference Shares on a one-for-one basis.

This acquisition was accounted for by the purchase method and is summarized as follows:

Book value of net assets:		
Current assets		\$1,372
Current liabilities		(149)
Portfolio investments, mineral claims, rights and interests		1,001
		<u>2,224</u>
Fair value of adjustments:		
Portfolio investments, mineral claims, rights and interest		1,552
Purchase price		<u>\$3,776</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997

(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

2. Business acquisitions and developments (continued):

- (d) During 1998, the Company paid \$366 to enter into an International Marketing Agreement with Extrudawood International p.l.c. ("Extrudawood p.l.c.") dated October 23, 1998 for the purposes of identifying opportunities to produce, market, sell, licence, distribute or otherwise exploit, Extrudawood products, as defined, in the world excluding the United Kingdom, North America and Mexico. The Company and Extrudawood p.l.c. shall share in all royalties, fees or other amounts as to 75% and 25%, respectively. The agreement is for a 25 year term ending in 2023 and provides for successive 10 year renewal options.
- (e) On October 23, 1998 the Company redefined its relationship with Extrudawood p.l.c. as it relates to the manufacture and sale of Extrudawood products in North America and Mexico. The parties entered into a North American Royalty and Licence Agreement with terms and conditions as follows:
- (i) net income related to all sales of Extrudawood product as defined in the agreement is to be calculated and based on sales less manufacturing costs, being direct material and labour and a reasonable overhead allowance, less management fees and selling commissions totalling 10% of sales that are due to the Company;
- (ii) a royalty equal to 20% of net income as calculated in (i) is payable to Extrudawood p.l.c. on a quarterly basis net of necessary withholding taxes. Payments related to the royalty are to be first applied against amounts owing by Extrudawood p.l.c. to the Company under the North American Royalty and Licence Agreement described in note 4; and
- (iii) the agreement is for a 25 year term with successive 10 year renewal options and includes Canada, the United States and Mexico.

3. Inventories:

	March 31, 2000	December 31, 1999	December 31, 1998
	(unaudited)		
Raw materials	4,329	4,923	3,022
Work-in-process	525	638	504
Finished goods	3,146	2,803	1,365
	8,000	8,364	4,891

4. Other receivables:

In conjunction with the entering into of the North American Royalty and License Agreement with Extrudawood p.l.c. in 1998, the Company agreed to loan to Extrudawood p.l.c. up to a maximum of £350,000 (the "Loan"), such Loan to be advanced to Extrudawood p.l.c. in seven equal monthly amounts of up to £50,000 each (the "Advance") commencing on November 1, 1998 and ending on May 1, 1999. Each Advance is represented by a demand promissory note issued by Extrudawood p.l.c. bearing no interest. Extrudawood p.l.c. has agreed that all Advances shall be repaid by Extrudawood p.l.c. on the basis that the Company is directed to apply the net amount of any royalties or other distributions to which Extrudawood p.l.c. would otherwise be entitled to receive pursuant to the North American Royalty and Licence Agreement.

The balance was comprised of:

	March 31, 2000	December 31, 1999	December 31, 1998
	(unaudited)		
Advances	\$882	\$882	\$389
Net royalties earned	(413)	(328)	(75)
	\$469	\$554	\$314

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997
(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

5. Fixed assets:

	Cost	Accumulated Depreciation	Net Book Value
<u>March 31, 2000</u>			
(unaudited)			
Land	\$ 890	\$ —	\$ 890
Building.....	4,174	746	3,428
Computer and other equipment	2,891	1,334	(1,557)
Machinery and equipment	24,819	6,802	18,017
Leaseholds.....	<u>3,556</u>	<u>530</u>	<u>3,026</u>
	<u>\$36,330</u>	<u>\$9,412</u>	<u>\$26,918</u>
<u>December 31, 1999</u>			
Land	\$ 890	\$ —	\$ 890
Building.....	3,858	720	3,138
Computer and other equipment	2,621	1,243	1,378
Machinery and equipment	23,758	6,462	17,296
Leaseholds.....	<u>3,483</u>	<u>426</u>	<u>3,057</u>
	<u>\$34,610</u>	<u>\$8,851</u>	<u>\$25,759</u>
<u>December 31, 1998</u>			
Land	\$ 748	—	748
Building.....	3,379	575	2,804
Computer and other equipment	2,109	1,098	1,011
Machinery and equipment	13,709	5,268	8,441
Leaseholds.....	<u>1,910</u>	<u>245</u>	<u>1,665</u>
	<u>\$21,855</u>	<u>\$ 7,186</u>	<u>\$14,669</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997
(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

6. Goodwill and other assets:

	March 31, 2000 (unaudited)	December 31, 1999	December 31, 1998
Goodwill	\$ 12,463	\$ 12,463	\$ 4,773
Less accumulated amortization	<u>(1,364)</u>	<u>(1,286)</u>	<u>(1,090)</u>
	11,099	11,177	3,683
Deferred charges	1,027	1,027	480
Less accumulated amortization	<u>(380)</u>	<u>(275)</u>	<u>(94)</u>
	677	752	386
Investment in International Marketing Agreement	366	366	366
Less accumulated amortization	<u>(58)</u>	<u>(49)</u>	<u>(12)</u>
	308	317	354
Amounts due from employees pursuant to employee stock purchase plan, non-interest bearing	\$ 777	\$ 312	—
Less current portion, included in sundry receivables	<u>(475)</u>	<u>(312)</u>	—
	\$ 302	—	—
Total goodwill and other assets	\$ 12,386	\$ 12,246	\$ 4,423

7. Bank indebtedness:

The operating bank loan is due on demand, bears interest at bank prime (1998 - prime plus 1/4%, 1997 - prime plus 3/4%) and is secured by a general security agreement granting a security interest in all of the assets of the Company.

8. Long-term debt:

The long-term debt consists of the following:

	March 31, 2000 (unaudited)	December 31	
		1999	1998
Senior Term Loans:			
Commercial Term Loan No. 1, due June 30, 2006, bearing interest at floating rates at prime rate or Bankers' Acceptances plus 100 basis points, quarterly principal payments of \$500	\$ 12,500	\$ 13,000	\$ —
Commercial Term Loan No. 2, due September 21, 2004, bearing interest at floating rates at prime rate plus 1/2% or Bankers' Acceptances plus 200 basis points, monthly principal payments of \$112	5,806	6,412	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997
(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

8. Long-term debt (continued):

Commercial Term Loan No. 3, due September 21, 2004, bearing interest at floating rates at prime rate plus 1/2% or Bankers' Acceptances plus 200 basis points, monthly principal payments commencing October 2000 of \$62	3,000	3,000	—
Loan No. 1, bearing interest at 11.6% per annum; monthly principal payments of \$42	—	—	2,833
Loan No. 2, bearing interest at 8.4% per annum; monthly principal payments of \$17	—	—	2,533
Loan No.3, bearing interest at 7.6% per annum; monthly principal payments of \$17	—	—	1,850
Loan No. 4, bearing interest at prime plus 1/2%, monthly principal payments of \$50	—	—	3,000
	<hr/> 21,306	<hr/> 22,412	<hr/> 10,216
Current portion of long-term debt	3,725	3,537	1,401
	<hr/> <hr/> \$ 17,581	<hr/> <hr/> \$ 18,875	<hr/> <hr/> \$ 8,185

During 1999, the Company repaid all amounts owing under Senior Term Loans No. 1 to No. 4 with part of the proceeds from Commercial Term Loan No. 1.

The Commercial Term Loans are secured by a security interest on all of assets of the Company. Commercial term loan No. 3 is a \$5,000 facility.

The Company has entered into interest rate swap agreements in 1999 with notional amounts of \$6,750 and \$3,263 bearing interest at 6.67% and 6.64%, respectively. These swaps terminate on December 31, 2004.

Principal repayments for the next five fiscal years and thereafter are as follows:

2000	\$ 3,537
2001	4,100
2002	4,100
2003	4,100
2004	3,575
Thereafter	3,000

9. First Preference Shares:

The retractable, convertible first preference shares are presented separately as a financial liability on the balance sheet at the aggregate retraction amount, as the retraction is solely at the option of the holder.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997

(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

9. First Preference Shares (continued):

Under its loan agreement with its long-term lender, the Company is restricted from making corporate distributions, which includes the redemption of shares, if as a result of such distribution, the Company would not be in compliance with its debt covenants. As at December 31, 1999, the Company would not be in compliance with its covenants if it was required to satisfy the retraction rights attached to any of the First Preference Shares

10. Capital stock:

Authorized share capital of the Company consists of the following:

- (a) Unlimited number of first preference shares:

The first preference shares are non-voting and carry no dividend rights. These shares are retractable, in whole or in part with 30 days notice, at a retraction price of \$4.22 per share. These shares also carry the right to be converted into subordinate voting shares on a one-for-one basis.

- (b) Unlimited number of second preference shares:

The second preference shares are issuable in series, with the designation of rights, privileges, restrictions and conditions to be determined by the board of directors prior to the issue of the first shares of a series. The second preference shares would rank prior to the multiple and subordinate voting shares, but subsequent to the first preference shares with respect to dividends and return of capital on dissolution.

- (c) Unlimited number of subordinate voting shares and multiple voting shares:

Subordinate voting shares:

Each share is entitled to one vote per share at all meetings of shareholders and shall participate equally as to dividends with each multiple voting share.

Multiple voting shares:

Each share is entitled to 20 votes per share at all meetings of the shareholders and shall participate equally as to dividends with each subordinate voting share. Each share may be converted at any time into a fully-paid subordinate voting share on a one-for-one basis.

None of the multiple voting shares, the subordinate voting shares or the first preference shares may be sub-divided, consolidated or otherwise changed unless all such shares are similarly changed to preserve the relative position of each class.

	March 31, 2000 (unaudited)		December 31, 1999		December 31, 1998	
	Number	Amount	Number	Amount	Number	Amount
Multiple Voting Shares	3,648,404	\$1,358	3,648,504	\$ 1,359	3,649,607	\$ 1,359
Subordinate Voting Shares	6,691,391	3,441	6,592,699	2,905	6,491,744	2,420
Special Warrants	930,470	5,309	—	—	—	—
		10,108		4,264		3,779
First Preference Shares	473,992	2,000	473,992	2,000	473,992	2,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997
(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

10. Capital stock (continued):

During 1999, the Company issued 99,300 subordinate voting shares under an employee stock purchase plan for net proceeds of \$484.

In addition, 653 multiple voting shares were converted to subordinate voting shares on a one-for-one basis.

For the period January 1, 1997 to April 8, 1998 the stated capital of the Company was 1,000 common shares with a stated value of \$1.

On April 9, 1998, the following capital transactions occurred in conjunction with a reclassification and restructuring of the authorized and issued capital stock of the Company:

- (i) articles of amendment were filed to establish five new classes of shares being Class A, Class B and Class C shares and Class A preference shares and Class B preference shares;
- (ii) 73 common shares were converted into 24 Class B preference shares and 49 retractable, convertible Class A preference shares;
- (iii) 99 common shares were converted into 79 Class C shares and 20 Class B shares;
- (iv) 24 Class B preference shares were redeemed for \$1,100; and
- (v) a dividend of \$6,000 was paid on the common shares followed by a contribution to capital of \$5,100.

On May 29, 1998 each outstanding share in the capital of the Company was subdivided on the basis of 9,643.853 for one resulting in the following number of shares outstanding:

Common shares	7,980,289
Class B shares	197,699
Class C shares	759,849
Class A preference shares	473,992

Pursuant to the plan of arrangement and amalgamation between the Company, 1304629 Ontario Inc. and Waterford all of the common, Class B and Class C shares of the Company and common shares of Waterford were exchanged for either multiple voting shares, subordinate voting shares or a combination of multiple voting shares and subordinate voting shares of the amalgamated company. The 473,992 Class A preference shares were exchanged for 473,992 first preference shares. The Class A, Class B and Class C shares, the Class A preference shares and the Class B preference shares that were created in April 1998 were cancelled effective with the amalgamation.

The amount attributable to the stated capital of the multiple voting shares and subordinate voting shares that were issued on the conversion of Waterford common shares was equal to \$3,776 being equal to the net assets acquired.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997

(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

10. Capital stock (continued):

Upon completion of this transaction the issued and outstanding shares of the Company were as follows:

	Number of shares		Stated amount
Multiple voting shares	3,649,607	\$	1,359
Subordinate voting shares	6,491,744		2,417
	10,141,351		3,776
First Preference Shares	473,992		2,000

Subsequent to September 21, 1998, 44 subordinate voting shares were acquired and cancelled for \$1 and 450 multiple voting shares were converted to subordinate voting shares on a one-for-one basis.

In addition, the Company issued 600 shares to long-term employees at nil consideration. The value attributed to these shares was \$3 which was the market value at the date of issue and was charged to contributed capital.

On September 21, 1998, the Company adopted a share option plan to allow management, officers, directors and service providers to purchase subordinate voting shares. The maximum number of subordinate voting shares which may be issued under the terms of the plan is 1,499,400.

The Company granted options to purchase 330,000 (1998 - 305,000) subordinate voting shares to management, officers, directors and service providers during 1999 with the terms set forth below. Options granted in 1999 vest as to 33-1/3% on the anniversary date of the grant thereof during the first three years. Options granted in 1998 vest as to 20% on the anniversary date of the grant thereof during the first five years.

Date of grant	Number of options granted	Exercise price	Expiry date
September 21, 1998	290,000	\$4.22	September 21, 2008
October 29, 1998	15,000	\$5.80	October 29, 2008
September 17, 1999	30,000	\$6.35	September 17, 2009
December 15, 1999	300,000	\$6.50	December 15, 2009

11. Earnings per share:

Basic and fully diluted earnings per share have been calculated using the weighted average number of shares outstanding during the year of 10,208,107 (1998 - 9,463,478, 1997 - 9,643,853) and 10,682,099 (1998 - 9,808,641, 1997 - 9,643,853), respectively.

As more fully described in Note 10, effective May 29, 1998 the outstanding shares of the Company were subdivided on a 9,643.853 for one basis resulting in total outstanding shares of 9,643,853. For earnings per share calculated in 1998 and 1997 this transaction has been treated as if it was completed on January 1, 1997.

The basic and fully diluted weighted average number of shares were 11,029,315 and 10,555,323, respectively, at March 31, 2000 and 10,615,899 and 10,141,907, respectively, at March 31, 1999.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997
(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

12. Depreciation and amortization:

	Three months ended March 31 (unaudited)		Years ended December 31		
	2000	1999	1999	1998	1997
Fixed assets	\$ 541	\$ 255	\$ 1,796	\$ 912	\$ 903
Goodwill	78	31	196	108	121
Other assets	84	54	218	93	—
	<u>\$ 703</u>	<u>\$ 340</u>	<u>\$ 2,210</u>	<u>\$ 1,113</u>	<u>\$ 1,024</u>

13. Interest:

	Three months ended March 31 (unaudited)		Years ended December 31		
	2000	1999	1999	1998	1997
Interest expense	\$ 144	\$ 257	\$ 516	\$ 254	\$ 142
Interest on long-term debt	415	31	960	791	708
	<u>\$ 559</u>	<u>\$ 288</u>	<u>\$ 1,476</u>	<u>\$ 1,045</u>	<u>\$ 850</u>

14. Income taxes:

The following is a reconciliation between the federal and provincial statutory income tax rates and the current consolidated effective income tax rate:

	Three months ended March 31 (unaudited)		Years ended December 31		
	2000	1999	1999	1998	1997
Combined federal and provincial statutory rates	36.0%	36.0%	36.0%	36.0%	36.0%
Goodwill amortization and other expenses not allowed for tax purposes	2.4%	1.8%	1.4%	2.2%	4.0%
Prior years reassessments	—	—	—	—	4.0%
	<u>38.4%</u>	<u>37.8%</u>	<u>37.4%</u>	<u>38.2%</u>	<u>44.0%</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997
(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

14. Income taxes (continued):

The current and future income tax provisions were as follows:

	Three months ended March 31 (unaudited)		Years ended December 31		
	2000	1999	1999	1998	1997
Current	\$ 634	\$ 350	\$ 1,259	\$ 1,362	\$ 1,620
Future	200	155	1,214	321	95
	<u>\$ 834</u>	<u>\$ 505</u>	<u>\$ 2,473</u>	<u>\$ 1,683</u>	<u>\$ 1,715</u>

15. Segmented reporting data:

The Company operates primarily in Canada and sells to a broad range of customers in North America and abroad. Net sales to non-Canadian customers represented 71.4% (1998 - 74.2%, 1997 - 70.3%) of total net sales. All capital assets and goodwill are deployed in Canada. Net sales by geographic region are presented below.

	Three months ended March 31 (unaudited)		Years ended December 31		
	2000	1999	1999	1998	1997
United States	\$ 14,816	\$ 9,595	\$ 47,811	\$ 33,476	\$ 25,964
Other foreign	266	290	1,175	1,012	1,089
Total exports	15,082	9,885	48,986	34,488	27,053
Canada	7,928	4,619	21,360	12,013	11,399
	<u>\$ 23,010</u>	<u>\$ 14,504</u>	<u>\$ 70,346</u>	<u>\$ 46,501</u>	<u>\$ 38,452</u>

The Company's reportable segments were determined based on the nature of products and services sold. Home products include extruded plastic products that are used in the window fashions, appliances and electronics markets and extruded film consumer products. Commercial products include extruded plastic products that are used in the office furniture systems, commercial refrigeration and wood, aluminum and metal replacement markets. Transportation products include extruded plastic products used in the automotive market and the recreational vehicle and van conversion markets. Certain corporate expenses have been allocated to each operating segment based on a pro-rata share of revenues or efforts.

Segment assets include fixed assets and other assets directly related to each operating segment and an allocation of corporate fixed assets and other assets based on a pro-rata share of revenues or efforts.

Sales to one customer in the three month period ended March 31, 2000 in the home products segment accounted for 19.3% of the Company's total net sales (1999 - 19.5%, 1998 - 9.8%, 1997 - NIL).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997

(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

15. Segmented reporting data (continued):

Information related to each of the operating segments are as follows:

	Transportation Products	Home Products	Commercial Products	Total
<u>Three months ended March 31, 2000</u>				
(unaudited)				
Revenues from external customers	\$ 2,043	\$ 13,072	\$ 7,895	\$ 23,010
Depreciation and amortization	81	404	218	703
Interest expense	59	316	184	559
Segment profit	100	1,303	770	2,173
Segment assets	7,345	42,033	16,585	65,963
Capital expenditures	186	1,070	303	1,559
 <u>Three months ended March 31, 1999</u>				
(unaudited)				
Revenues from external customers	\$ 1,965	\$ 8,129	\$ 4,410	\$ 14,504
Depreciation and amortization	37	197	106	340
Interest expense	12	161	115	288
Segment profit	130	957	249	1,336
Segment assets	4561	20,662	11,543	36,766
Capital expenditures	211	1363	661	2,235
 <u>Year ended December 31, 1999</u>				
Revenues from external customers	\$ 8,495	\$ 37,539	\$ 24,312	\$ 70,346
Depreciation and amortization	288	1,269	653	2,210
Interest Expense	156	827	493	1,476
Segment profit	878	4,421	1,310	6,609
Segment assets	6,416	38,558	14,835	59,809
Capital Expenditures	976	6,087	2,653	9,716
 <u>Year ended December 31, 1998</u>				
Revenues from external customers	\$ 5,750	\$ 24,055	\$ 16,696	\$ 46,501
Depreciation and amortization	225	510	378	1,113
Interest expense	145	481	419	1,045
Segment profit	592	2,889	928	4,409
Segment assets	3,097	17,949	10,663	31,709
Capital expenditures	844	5,710	1,125	7,679
 <u>Year ended December 31, 1997</u>				
Revenues from external customers	\$ 6,462	\$ 16,802	\$ 15,188	\$ 38,452
Depreciation and Amortization	245	424	355	1,024
Interest expense	141	294	415	850
Segment profit	628	2,526	747	3,901
Segment assets	3,472	8,889	9,567	21,928
Capital expenditures	455	750	495	1,700

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997

(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

16. Changes in non-cash working capital balances:

	Three months ended March 31		Years ended December 31		1997
	2000 (unaudited)	1999	1999	1998	
Accounts receivable	\$ (4,815)	\$ (1,842)	\$ (3,168)	\$ (1,066)	\$ (206)
Inventories	364	(183)	(2,142)	(1,178)	(152)
Prepaid expenses, deposits and sundry receivables	(404)	(1,137)	(824)	(746)	(5)
Accounts payable and accrued liabilities	826	1,645	2,974	1,530	539
	(4,029)	(1,517)	\$ (3,160)	\$ (1,460)	\$ 176

17. Financial instruments:

Foreign exchange risk:

At December 31, 1999, the Company held forward foreign exchange sale contracts expiring monthly and aggregating U.S. \$47,000 with average rates and expiration dates as follows:

Amount	Average rate	Expiration
U.S.\$ 15,000	1.4743	January - December 2000
18,500	1.4821	January - December 2001
13,500	1.4562	January - December 2002

The fair value of forward exchange sale contracts is in favour of the Company. The benefit to close these contracts has not been accrued in the accounts and totals \$800 (1998 - \$2,400 cost to close). Fair value has been estimated using quoted market rates for the same or similar instruments.

Credit risk:

The Company does not have significant exposure to any individual customer. The Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customer's credit performance.

Fair value of financial assets and financial liabilities:

The carrying value of accounts receivable, sundry receivables, bank indebtedness, accounts payable and accrued liabilities, and long-term debt approximates their fair value due to the relatively short periods to maturity or the instruments bear interest at rates which fluctuate with market rates of interest.

The fair value of swap agreements approximates their carrying value based upon quoted market rates for agreements with similar terms.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997

(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

18. Commitments:

The Company is committed to premises, operating leases and other contracts, which require minimum payments over the next five fiscal years as follows:

2000	\$	1,102
2001		1,093
2002		934
2003		809
2004 and thereafter		2,224

One of the premises is rented from a company controlled by the controlling shareholder of the Company, at rates similar to those that would have been transacted with third parties. In 1999, the Company was charged \$286 (1998 - \$286) in rent from the related party.

19. Government assistance:

During 1999, the Company accrued the benefit of \$700 of investment tax credits and provincial income tax incentives, \$500 of the benefit was applied to reduce cost of sales and operating expenses, \$100 was applied to reduce the carrying value of fixed assets and \$100 was applied to reduce the carrying value of other assets.

20. Subsequent events:

Subsequent to December 31, 1999, the following events occurred:

- (a) on January 1, 2000, CPI Plastics Group Limited, Extrufix Inc., Michael McNerney Inc., 562116 Ontario Limited and 299522 Ontario Limited amalgamated to carry on business as CPI Plastics Group Limited;
- (b) on January 7, 2000, the Company issued 96,600 subordinate voting shares under an employee stock purchase plan for net proceeds of \$565;
- (c) on March 9, 2000, the Company issued a total of 930,470 special warrants (the "Special Warrants") to several purchasers (the "Subscribers") by way of a private placement at a price of \$6.20 per Special Warrant for gross proceeds of \$5,769. Each Special Warrant entitles the holder thereof on exercise to receive one subordinate voting share in the capital of the Company without payment of any additional consideration prior to 5:00 p.m. (Toronto time) (the "Expiry Time") on the earlier of (i) March 9, 2001 and (ii) the third business day after receipts (the "Receipts") are received for a prospectus from each of the Ontario and Alberta Securities Commissions qualifying the distribution of 930,470 common shares on the exercise of the Special Warrants. If the Company does not obtain the Receipts by July 7, 2000, each Special Warrant will entitle the holder thereof, upon exercise, to receive 1.1 common shares of the Company (1,023,517 common shares in total) for no additional consideration. Pursuant to the subscription and underwriting agreements, the Company agreed to convene a special meeting of shareholders of the Company prior to June 1, 2000 for the purpose, *inter alia*, of submitting a special resolution (the "Special Resolution") to the meeting to effect a redesignation and reclassification of its subordinate voting shares and multiple voting shares into one class of common shares carrying one vote per share on a one for one basis (the "Share Capital Reorganization"). Each of 820597 Ontario Inc. and 1286917 Ontario Inc. (which together control in excess of 95% of the votes attaching to all voting shares of the Company), agreed to vote 100% of its multiple voting shares and subordinate voting shares for the Special Resolution approving the Share Capital Reorganization. If the Special Resolution is either (i) not approved by the requisite majority or (ii) if approved and not promptly implemented by securing a certificate of amendment implementing and confirming the Share Capital Reorganization, the Company may be required to repurchase all or any part of the 930,470 Special Warrants at \$6.20 per warrant;
- (d) on April 27, 2000 the Board of Directors granted options to two directors to purchase a total of 20,000 common shares vesting as to 33 1/3% thereof on each of April 26, 2001, 2002 and 2003 and expiring on April 26, 2010 at a price of \$5.90 per share

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollar amounts in thousands)

Years ended December 31, 1999, 1998 and 1997
(Information as at and for the three months ended March 31, 2000 and 1999 is unaudited)

20. Subsequent events (continued):

- (e) on May 18, 2000 a certificate of amendment was issued to the Company redesignating and reclassifying the multiple voting shares (which carried 20 votes per share) and the subordinate voting shares (which carried one vote per share) as one class of common shares and effecting certain other related changes to the First Preference Shares (which are convertible on a one for one basis into common shares) and the Second Preference Shares so that the authorized capital of the Company consists of an unlimited number of common shares, an unlimited number of First Preference Shares and an unlimited number of Second Preference Shares. The common shares carry one vote per share and entitle the holders to dividends when declared by the board of directors and to participate on a winding up or other dissolution of the Company subject to the preferential rights of the holders of the First Preference Shares and Second Preference Shares and any other shares ranking senior to the common shares; and

- (f) On June 28, 2000 the Company filed a final prospectus with the Alberta and Ontario Securities Commissions relating to the qualification for distribution of 930,470 common shares issuable upon the exercise of the Special Warrants.

CERTIFICATE OF THE COMPANY

June 28, 2000

The foregoing constitutes, full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario) and by Part 8 of the *Securities Act* (Alberta) and the respective regulations thereunder.

(signed) PETER F. CLARK
Chairman and Chief Executive Officer

(signed) DANIEL J. ARDILA
Vice President, Finance and Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) JAMES D. ELLIES
Director

(signed) D. CAMPBELL DEACON
Director

CERTIFICATE OF THE UNDERWRITER

June 28, 2000

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus required by Part XV of the *Securities Act* (Ontario) and by Part 8 of the *Securities Act* (Alberta) and the respective regulations thereunder.

GRIFFITHS McBURNEY & PARTNERS

By: (signed) Jason J. Robertson

The following includes the name of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Griffiths McBurney & Partners: Eugene C. McBurney, Kevin Sullivan, Michael Wekerle, Thomas A. Budd and J. Robert Fraser.