

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

**IN THE MATTER OF THE PLAN OF COMPROMISE AND ARRANGEMENT
OF
AJAX PRECISION MANUFACTURING LIMITED**

**AND IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985,
c. C-36, as amended**

PLAN OF COMPROMISE AND ARRANGEMENT

**ARTICLE 1
INTERPRETATION**

- 1.1** In this Plan, unless otherwise stated or unless the context otherwise requires:
- (1) “**Affected Claim**” means any Claim that is not an Unaffected Claim.
 - (2) “**Ajax**” means Ajax Precision Manufacturing Limited.
 - (3) “**Business Day**” means any day except Saturday, Sunday or any day on which banks are generally not open for business in the City of Toronto, Ontario.
 - (4) “**CCAA**” means *Companies' Creditors Arrangement Act* (Canada).
 - (5) “**CCAA Proceedings**” mean the proceedings commenced by Ajax under the CCAA in the Court, pursuant to Court File No. 03-CL-5101.
 - (6) “**Claim**” means any right of any Person against Ajax in connection with any indebtedness, liability or obligation which indebtedness, liability or obligation is based in whole or in part on facts existing prior to the Filing Date, or which would have been claims provable in bankruptcy had Ajax become bankrupt on the Filing Date, including, without limitation, claims that are secured, unsecured, perfected, unperfected, liquidated, unliquidated, fixed, contingent, matured, unmatured, legal, equitable, present, future, known, unknown, disputed, undisputed or whether by guarantee, by surety, by subrogation or otherwise incurred and whether or not such a right is executory in nature, including without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise, with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future.

- (7) “**Claims Bar Order**” means the Order of the Court dated April 29, 2004 setting the “Claims Bar Date” as May 31, 2004.
- (8) “**Court**” means the Superior Court of Justice (Ontario).
- (9) “**Creditor**” means any Person having an Affected Claim, other than Permian.
- (10) “**Creditors’ Meeting**” means the meeting of holders of Proven Unsecured Claims to be held on October 15, 2004 pursuant to the Creditors’ Meeting Order for the purpose of considering and voting upon this Plan, and any adjournment of such meeting.
- (11) “**Creditors Meeting Order**” means the Order of the Court dated September 23, 2004 setting the date for the Creditors’ Meeting, as such Order may be amended or supplemented from time to time.
- (12) “**CRO**” means Prowis, Inc., the Court-appointed chief restructuring officer of Ajax.
- (13) “**Disputed Claim**” means any Claim which has been received by the Monitor but has not been accepted as proven or which is being disputed in whole or in part by the Monitor or any other person entitled to do so and has not been resolved by agreement or by further Order of the Court.
- (14) “**Effective Date**” means the date referenced in Section 4.2.
- (15) “**Filing Date**” means August 7, 2003.
- (16) “**including**” means “including without limitation”, and “**includes**” means “includes without limitation”.
- (17) “**Initial Order**” means the Order dated August 7, 2003 granting Ajax protection from its creditors pursuant to the CCAA.
- (18) “**Monitor**” means BDO Dunwoody Limited, Court-appointed monitor of Ajax.
- (19) “**Monitor’s Certificate**” has the meaning ascribed to it in Section 4.1.
- (20) “**Order**” means any order of the Court in the CCAA Proceedings.
- (21) “**Permian**” means Permian Industries Limited.
- (22) “**Permian Claim**” has the meaning ascribed to it in Section 2.2.
- (23) “**Person**” is to be broadly interpreted and includes an individual, a corporation, a partnership, a trust, an unincorporated organization, the government of a country or any political subdivision thereof, or any agency or department of any such government, and the executors, administrators or other legal representatives of an individual in such capacity.

- (24) **“Plan”** means this Plan of Compromise and Arrangement, as varied, amended, modified or supplemented in accordance with the provisions hereof.
- (25) **“Plan Sanction Order”** means an order of the Court in form and substance satisfactory to Ajax, the Monitor and Permian, approving and sanctioning this Plan under the CCAA.
- (26) **“Proof of Claim”** means the proof of claim in the form submitted to the Monitor by a Creditor in accordance with the Claims Bar Order.
- (27) **“Proven Claim”** means the amount of a Claim as finally determined in accordance with the provisions of the CCAA, the Claims Bar Order, this Plan, and any further Order of the Court.
- (28) **“Proven Unsecured Claim”** means a Proven Claim that is unsecured.
- (29) **“Required Majority”** means an affirmative vote of a majority in number and two-thirds in value of all Proven Unsecured Claims present and voting at the Creditors’ Meeting (whether in person or by proxy) in accordance with the voting procedures established by the Creditors Meeting Order.
- (30) **“Released Parties”** has the meaning ascribed to it in Section 2.4 hereof.
- (31) **“Secured Claim”** means any Proven Claim which is validly secured and perfected as at the Effective Date (including any validly preserved and perfected construction lien claim).
- (32) **“Unaffected Claim”** means:
 - (a) any Claim by the Monitor, counsel for the Monitor, the CRO or counsel to Ajax for fees and disbursements payable in accordance with the Initial Order and subsequent Orders;
 - (b) any Claim for amounts owing by Ajax on account of goods, property or services actually provided to and received by Ajax at Ajax’s request after the Filing Date or for taxes, duties or similar amounts owed in respect of the business carried on by Ajax after the Filing Date, which monies shall be paid in full by Ajax in accordance with the terms previously agreed upon with the suppliers of such goods, property or services or as required under applicable law in respect of such taxes, duties or similar amounts;
 - (c) any Claim of Her Majesty the Queen in Right of Canada or of any Province or Territory or any other taxation authority in respect of: (i) any statutory deemed trusts amounts which must be deducted from employees’ wages, including, without limitation, amounts in respect of employment insurance, Canada Pension Plan, and income taxes; (ii) amounts accruing and payable by Ajax with respect to its employees on account of employment insurance, Canada Pension Plan, workers’ compensation, employer health taxes and similar obligations of any jurisdiction with

respect to such employees; and (iii) all goods and services or other applicable sales taxes payable by Ajax in connection with the sale of goods and services by Ajax after the Filing Date;

(d) subject to Section 2.2, any Secured Claim.

(33) “**Unaffected Creditor**” means a Creditor who holds an Unaffected Claim.

(34) “**Unsecured Creditor Fund**” has the meaning ascribed to it in Section 2.1.

1.2 Date of Any Action

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

1.3 Time

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

1.4 Statutory References

Any reference in this Plan to a statute includes all regulations made thereunder and all amendments to such statutes or regulations in force from time to time.

1.5 Successors and Assigns

This Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in this Plan.

ARTICLE 2 DISTRIBUTIONS TO CREDITORS

2.1 Unsecured Creditor Fund

A fund of \$6,600,000 will be paid to the Monitor by Ajax. Each holder of a Proven Unsecured Claim will receive its *pro rata* share of the fund, net of all fees and disbursements of the Monitor incurred from and after the date on which this Plan is filed with the Court (the “Unsecured Creditors’ Fund”), in full and final satisfaction of its Claim.

2.2 Permian Waiver

Permian shall waive its claim to security over the Unsecured Creditor Fund, subject to section 2.5. On the Effective Date, Permian's Claim (\$30,668,000 as of September 15, 2004) (the "Permian Claim") will be accepted as a Secured Claim (other than over the Unsecured Creditor Fund) and as a Proven Claim. Interest will continue to accrue on the Permian Claim.

2.3 Permian Participation

Subject to section 2.5, Permian will not be entitled to vote any portion of the Permian Claim at the Creditors' Meeting and will not participate in any distribution from the Unsecured Creditor Fund on account of the Permian Claim. The net proceeds of all assets of Ajax, other than the Unsecured Creditor Fund, will be distributed to Permian on account of the Permian Claim.

2.4 Release

On the Effective Date, the Creditors other than Permian shall be deemed to have released and discharged Ajax, Permian, the CRO, the Monitor, and the past and present directors, officers, employees, agents, affiliates, professional advisors and associates of each of the foregoing parties (the "Released Parties") from any and all demands, claims, including claims of any past and present officers, directors or employees for contribution and indemnity, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, charges and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any person may be entitled to assert, including, without limitation, any and all claims in respect of any environmental condition or damage affecting any of the property or assets of Ajax, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Effective Date relating to, arising out of or in connection with any Claims, the business and affairs of Ajax or Permian, whenever and however conducted, or this Plan and the CCAA Proceedings, and any Claim that has been barred or extinguished by the Claims Bar Order shall be irrevocably released and discharged. For greater certainty, no Creditor shall have the right to directly or indirectly challenge or in any way seek to invalidate the security granted by Ajax to Permian or any part thereof.

2.5 Reservation of Rights

Permian's agreement to waive its Secured Claim as against the Unsecured Creditors' Fund and to agree to the other arrangements set out herein in consideration of the releases to be provided by Creditors pursuant to section 2.4 is subject to the conditions precedent set out in Article 4. If the Plan is not approved by the Required Majority or if the Plan Sanction Order is not issued, Permian and the Creditors reserve all of their respective rights and remedies, which may include, without limitation, (i) in the case of Permian asserting the full amount of its Secured Claim against all of the assets of Ajax, voting in any future plan or proposal, and/or sharing in any distribution to creditors and (ii) in the case of the Creditors, challenging Permian's Secured Claim.

2.6 Distributions

All distributions under this Plan shall be made by the Monitor by cheque for the amount of each Creditor's *pro rata* distribution of the Unsecured Creditor Fund and will be sent, via registered mail, to such Creditor at the address set out on the Creditor's Proof of Claim. The first distribution of funds shall be made within 30 days of the Effective Date. If a Disputed Claim remains unresolved on the Effective Date, the Monitor will make a partial distribution to holders of Proven Unsecured Claims calculating the partial distribution based on the assumption that all remaining Disputed Claims will be allowed in full and providing for such reserves for costs and disbursements as the Monitor shall determine to be appropriate. Creditors holding Disputed Claims will not receive a distribution until the Disputed Claim is resolved. Upon resolution of all Disputed Claims, the balance of the Unsecured Creditor Fund will be distributed, including any amounts determined to be still owing to holders of Proven Unsecured Claims who had received only a partial distribution.

ARTICLE 3 CLASSIFICATION OF CREDITORS, VALUATION OF CLAIMS AND RELATED MATTERS

3.1 Class of Creditors

For the purpose of considering and voting upon this Plan and receiving distributions hereunder, Proven Creditors shall be grouped into a single class, being all holders of Affected Claims.

3.2 Creditors' Meeting and Proxies

Proxies may be submitted to the Monitor, (who will chair the Creditors' Meeting) at, or any time prior to, the commencement of the Creditors' Meeting. Proxies submitted to the Monitor prior to the Creditors' Meeting must indicate whether the Proven Creditor wishes to cast its vote in favour or against the Plan. Proxies that do not indicate either preference will be deemed to indicate a vote in favour of the Plan. Persons in attendance at the Creditors' Meeting shall cast their vote in the manner prescribed by the Monitor (orally, by ballot or such other means as the Monitor may deem appropriate). All votes will be recorded and tabulated by the Monitor, who may seek the assistance of the Court with respect to any dispute arising from or out of the tabulation of the votes. The quorum required at the Creditors' Meeting or any adjournment thereof shall be two holders of Proven Unsecured Claims present in person or by proxy. If the requisite quorum is not present at the Creditors' Meeting or if the Creditors' Meeting has to be postponed for any reason, then the Creditors' Meeting shall be adjourned by the Monitor to such date, time and place as determined by the Monitor. The only Persons entitled to attend at the Creditors' Meeting are those Persons, including the holders of proxies, entitled to vote at the Creditors' Meeting, their legal counsel and advisors and the officers and legal counsel of Ajax, Permian and the Monitor. Any other Person may be admitted on invitation of the chair. The Creditors' Meeting shall take place on October 15, 2004 at 11:00 a.m. at the MacDonald Room, Holiday Inn Select located at 970 Dixon Road, Toronto, Ontario, phone 416-675-7611.

3.3 Claims for Voting Purposes

Each Creditor shall be entitled to a single vote valued at the amount of its Proven Unsecured Claim. In the event that the amount of the Proven Claim of a Creditor is not finally determined prior to the date of the Creditors' Meeting, the Creditor shall be entitled to vote at the Creditors' Meeting on the portion of its Claim, if any, that has been accepted by the Monitor for voting purposes without prejudice to the rights of the Monitor and Creditor to have the quantum of its Claim finally determined for the purposes of receiving its *pro rata* share of the Unsecured Creditor Fund.

3.4 Approval by Creditors

In order to be approved, the Plan must receive the affirmative vote of the Required Majority of the Creditors.

3.5 Modification of the Plan

Subject to the consent of the Monitor and Permian, Ajax reserves the right to file any modification of, amendment or supplement to the Plan by way of a supplementary plan or plans of compromise or arrangement or both filed with the Court at any time or from time to time prior to the Creditors' Meeting, in which case any such supplementary plan or plans of compromise or arrangement or both shall, for all purposes, be and be deemed to be a part of and incorporated into the Plan. At the Creditors' Meeting, Ajax and/or the Monitor shall provide all Creditors in attendance with details of any modifications or amendments prior to the vote being taken to approve the Plan. After the Creditors' Meeting (and both prior to and subsequent to the Plan Sanction Order) and subject to the consent of the Monitor and Permian, Ajax may at any time and from time to time vary, amend, modify or supplement the Plan if the Court determines that such variation, amendment, modification or supplement is of a minor, immaterial or technical nature that would not be materially prejudicial to the interest of any of the Creditors under the Plan or the Plan Sanction Order and is necessary in order to give effect to the substance of the Plan or the Plan Sanction Order.

ARTICLE 4 CONDITIONS

4.1 Conditions Precedent to Implementation of the Plan

The Plan will take effect on the Effective Date. The implementation of the Plan on the Effective Date is subject to the satisfaction of the following conditions precedent:

- (a) the Plan is approved by the Required Majority;
- (b) the Plan Sanction Order has been issued, has not been stayed and no appeal therefrom is outstanding;

- (c) all other actions, documents and agreements necessary to implement the Plan as required herein shall have been effected and executed.

4.2 Monitor's Certificate

Provided that Ajax and Permian have notified the Monitor in writing that the conditions precedent for the implementation of the Plan have been satisfied or waived, the Monitor shall no later than 7 days following the issuance of the Plan Sanction Order file with the Court a certificate which states that all conditions precedent set out in this Article 4 have been satisfied or waived (the "Monitor's Certificate"). If confirmation from Ajax and Permian has not been provided by the day 7 days following the issuance of the Plan Sanction Order, the Monitor shall file the Monitor's Certificate as soon as possible following receipt of such written confirmation. The date of filing the Monitor's Certificate shall be deemed the Effective Date. If in the opinion of the Monitor the conditions precedent to implementation of the Plan have been satisfied or waived and Ajax and/or Permian have refused or declined to give the written confirmation of same contemplated in this section, the Monitor may, on 10 days notice to Permian and Ajax, apply to the court for leave to file the Monitor Certificate and if the court confirms that the conditions precedent to implementation of the Plan have been satisfied or waived the Monitor shall file the Monitor's Certificate notwithstanding that it has not received the written confirmation from Ajax and/or Permian required by this section.

4.3 Appointment of Inspectors

At the Creditors' Meeting, the Unsecured Creditors will be entitled to appoint one or more, but not exceeding 5 inspectors in total. The inspectors will have the following powers, but will have no personal liability to the Corporation or other Creditors:

- (a) the power to extend the dates of distributions to holders of Proven Unsecured Claims under this Plan;
- (b) the power to waive any default in the performance of any provision of this Plan;
- (c) the power to advise the Monitor in respect of such matters as may be referred to the inspectors by the Monitor; and
- (d) the power to advise the Monitor concerning the resolution or settlement of any Disputed Claim under this Plan

ARTICLE 5 GENERAL

5.1 Confirmation of Plan

Provided that the Plan is approved by the Required Majority of Creditors, Ajax, with the support of the Monitor, shall apply for the Plan Sanction Order on October 29, 2004 or such other date as the Court may order. If such acceptance is not obtained at the Creditors' Meeting or any adjourned meeting, Ajax shall report to the Court as soon as reasonably possible.

5.2 Binding Effect

On the Effective Date, this Plan will become effective and be binding on and enure to the benefit of Ajax, Permian and all Creditors, the past and present directors or officers of Ajax and all other Persons named or referred to in, or subject to, this Plan and their respective heirs, executors, administrators and other legal representatives, successors and assigns. Each Creditor will be deemed to have consented and agreed to all of the provisions of this Plan, in its entirety.

5.3 Paramountcy

From and after the Effective Date, any conflict between this Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, by-laws of Ajax, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Creditors and Ajax as at the Effective Date will be deemed to be governed by the terms, conditions and provisions of the Plan and the Plan Sanction Order, which shall take precedence and priority. For greater certainty, Permian and all Creditors shall be deemed to consent to all transactions contemplated in this Plan.

5.4 Severability of Plan Provisions

If, prior to the Effective Date any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, as requested by Ajax or the Monitor, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

5.5 Non-Consummation

If the Plan Sanction Order has not been issued by December 1, 2004, the Plan shall be null and void in all respects and any document or agreement executed pursuant to the Plan shall be deemed null and void.

5.6 Further Assurances

Each of the Persons named or referred to in, or subject to, this Plan will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of this Plan and to give effect to the transactions contemplated herein.

5.7 Governing Law

This Plan will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

5.8 Notices

Any notice or other communication to be delivered hereunder must be in writing and reference to this Plan and may, subject as hereinafter provided, be made or given by personal delivery, ordinary mail or by facsimile addressed to the respective parties as follows:

- (a) If to Ajax and/or the CRO:

Prowis Inc.
372 Bay Street
Suite 1703
Toronto, ON M5H 2W9
Attention: Robert M.C. Holmes
Fax: (416) 365-1300

With a copy to:

Blake Cassels & Graydon LLP
199 Bay Street
Suite 2800, Commerce Court West
Toronto, ON M5L 1A9
Attention: Susan M. Grundy
Fax: 416-863-2653

- (b) If to the Monitor:

BDO Dunwoody LLP
Royal Bank Plaza
P.O. Box 32
Toronto, ON M5J 2J8
Attention: Uwe Manski
Fax: (416) 865-0904

With a copy to:

Fraser Milner Casgrain LLP
1 First Canadian Place
39th Floor
100 King Street West
P.O. Box 100
41st Floor
Toronto, ON M5X 1B2
Attention: Daniel R. Dowdall
Fax: (416) 863-4592

(c) If to Permian:

Permian Industries Limited
Suite 6950
1 First Canadian Place
Toronto, ON M5X 1A6
Attention: Bruce Mitchell
Fax: (416) 868-6872

With a copy to:

McMillan Binch LLP
BCE Place, Suite 4400
Bay Wellington Tower
181 Bay Street
Toronto, ON M5J 2T3
Attention: Jeffrey Gollob
Fax: (416) 865-7048

Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered, faxed or sent before 4:30 p.m. on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day.

5.9 Deeming Provisions

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

DATED as of September 17, 2004.

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
AJAX PRECISION MANUFACTURING LIMITED

Court File No: 03-CL-5101

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**PLAN OF COMPROMISE
AND ARRANGEMENT**

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